

IT ADVISORY

Exploring Global Frontiers

The New Emerging Destinations

ADVISORY

Foreword

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The current global financial crisis has been peppering conversations not only at many business meetings, but sometimes even at the family dinner table. While everyone has their own opinions and theories, realistically it is nearly impossible to predict what will happen. If anything, the so called "global financial crisis" drives home the fact that economies no longer exist in isolation.

Governments are actively collaborating with industries and providing bailout packages in an attempt to minimize the fallout. On the other hand, businesses are doing what they see fit to be competitive during the economic downturn. Cost reduction is the new buzzword, and as advisors we are increasingly being asked questions on how enterprises can reduce costs without impacting efficiency and longer term growth prospects.

In the short term, the race for business survival takes top priority. However, over the longer run, companies are likely to pursue rationalization measures. In the Information Technology (IT) - Business Process Outsourcing (BPO) industry, these measures are likely to focus the search for lower cost business alternatives globally, that could also allow companies to provide diversity to their global operations.

Access to global opportunities is generally getting easier. Enterprises moving offshore not only benefit from lower costs and access to a diversified talent pool, but also have the added "first-mover" advantage if they tap relatively unexplored cities. They can also acquire various incentives such as government grants due to a heavier hand at the negotiation table as "first-movers".

This publication aims to provide an overview of the options that are available for enterprises who would like to set up a shared services center, or outsourcing companies setting up operations in locations beyond their existing locations. Though the "established locations" may still be considered as the epicenters of outsourcing, entities are beginning to look at other alternative locations due to a variety of drivers that we outline in this publication. We hope that this publication will prove valuable to your business decisions.



Introduction

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Globe trotting is a familiar term today, not only to an avid traveler, but also to growing IT and BPO enterprises. Rapid Gross Domestic Product (GDP) growth in developing countries in the last few years has been a motivating force for globalization. Countries in the developing markets are offering lower cost destinations for outsourcing services, and also access to their markets which have high growth potential.

A favorable business environment, access to a good supply of talent, good quality of life and lower costs are some of the factors that are being sought out by IT-BPO companies investing in emerging locations.

As the existing favorite locations start to become saturated, newer cities are emerging, offering “new and improved” incentive packages and talent, that is better geared for the outsourcing industry. Our choice of 31, though dominated by cities in developing countries, also includes some onshore or near-shore developed city-country pairs, that we believe may also be valid competitive alternatives to the existing favorite locations such as Bangalore and Chennai.

Some of these destinations are hot tourist spots, and therefore, are more visible on the world map. Then there are other locations which are relatively unheard of, but are seeing traction as they have historically had a good education system and are working on improving their infrastructure.

Governments keen to get a piece of the outsourcing pie, are offering various incentive programs to bring IT-BPO business to their countries. Some cities are also becoming actively involved, independently promoting their capabilities and available programs. To create a “unique selling point”, specific services such as accounting, research and development, and animation are being promoted.

The options available are immense, and “the world is my playground” is an appropriate expression in the outsourcing industry today. However, it is imperative for enterprises comparing the alternatives to consider the risks and rewards associated with the emerging locations versus the more established locations. A “one-size-fits-all” strategy may not be appropriate with location selection. Companies should consider their needs, and align their vision with what different locations offer when considering their location assessment strategy.



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The Importance of

Selecting an optimum location for a new investment is a critical issue in all industries, regardless of the size of the company, or the type of operation that it is planning to establish. Being in the right location is as important for the automotive or electronics Original Equipment Manufacturer (OEM) that is considering where to establish a new billion-dollar manufacturing plant, as it is for the biotechnology start-up considering where to locate its clinical trials or development operations. Although the specific criteria may vary across companies and industries, the overall process for selecting a new location tends to be similar, and this process has been refined over the years.

Within the IT-BPO industry, the approach to selecting locations has developed its own set of processes and practices. To start with, there seems to be a strong focus on workforce availability and costs, often at the expense of other factors. This is not surprising given the importance of skills and salaries to IT-BPO operations. The availability of skilled employees is critical to the success of a new software development center or BPO delivery facility. Similarly, a labor pool that is large enough to accommodate the anticipated levels of workforce turnover and future growth is essential for companies planning to establish operations of significant scale.

However, even the best workforce cannot compensate for inadequate telecommunications infrastructure that require companies to invest millions of dollars in dedicated lines and redundancies. Similarly, some cities with a large and affordable skill pools, lack modern commercial real estate required to house sophisticated IT operations. Local political conditions and business practices in some locations may make setting up and running a business a costly and frustrating experience. A large number of graduates in itself does not imply the availability of adequate skills, as the quality of education systems and level of graduate preparedness among universities and colleges can vary tremendously, even within the same city or country. Although these and other factors are considered to varying degrees in most location analyses, their importance and potential impact on costs and ease of operations is often underestimated.

A large number of location studies usually compare entire countries, brushing over the significant differences among cities within large and diverse countries such as India, Russia, Brazil or even the Ukraine. While the country level ranking may provide a convenient starting point for further analysis, using them as a basis for making strategically important location and investment decisions may be risky.

Location decision making within the IT-BPO sector has also become characterized by a rapidly changing landscape, and a quest to discover new locations where competitors have not yet ventured, and the labor market remains unexploited. Examples abound of cities that have been moved from being virtually “untapped” to “saturated” in a few short years, as companies enter to benefit from the available and affordable workforce. As word spreads, “crowding-out” sets in, with tightening labor markets, rapidly rising costs and strained infrastructure leading some companies to set out in search of new opportunities. While similar phenomena exist in other sectors, this has been repeatedly demonstrated in the IT-BPO sector’s search for new offshore or near-shore locations in recent years. In general, while companies in the IT-BPO sector have high expectations for investment locations, they often underestimate the process needed for getting to the right result.

Location Selection

There are few “short-cuts” to finding the right location, and although all eventualities cannot always be considered in advance, a basic location analysis should adhere to the following basic principles in order to increase the probability of yielding the optimal result.

Needs

Requirements should be accurately defined and articulated in a manner that reflects the company’s requirements. What skills do we need? How can our requirements be measured to some degree of accuracy? Are we considering all the important aspects of our business? How can we choose location criteria that anticipate changing conditions in the investment environment or our own business?

Priorities

Defined needs should be weighted to reflect the specific preferences of the company. This requires a process that is both methodologically sound while generating consensus from key stakeholders regarding project priorities. Simply scoring criteria on a scale of 1 to 10 or using “off-the-shelf” weightings that reflect the preferences of other companies do not adequately capture an individual project’s specific situation and requirements.

Compromise

Expectations regarding project deliverables should be realistic. Companies tend to want the “perfect” location – skilled labor, low costs, state-of-the art infrastructure and an accommodating government and business environment. The bad news is that the perfect location does not exist – there are always trade offs, and companies must be clear about how much of “factor A” (say costs) they are willing to give up for a little more of “factor B” (say ease of doing business). Expectations regarding timing should also be realistic.

Site Visit:

In the age of online databases and freely available country rankings, it is easy to underestimate the difficulty of obtaining reliable and accurate data. There are no online databases comparing the graduate output of various universities across India. Neither is there a reliable source of labor cost information for IT programmers in central and eastern European cities. Information of this type can only be obtained through thorough primary research, which involves gathering accurate data through conversations with people on the ground that are familiar with the relevant investment conditions. Do not underestimate the value of a site visit and conversations with other experienced business people conducting business in that location. For example, local business groups, professional associations and chambers of commerce

Location Specific Data

Finally, the analysis should always focus on cities and not countries. Although country level information may be helpful with respect to factors such as business regulations, tax and overall industry size, the real factors affecting the ability to set up and operate a business vary significantly at the city level. As indicated above, using country level data to compare countries such as India or Russia is unrealistic and blurs the often immense differences in costs and conditions between cities. Even within countries as seemingly small or homogenous as the Philippines, labor costs can vary significantly across cities. One reason why so many studies tend to compare countries rather than cities is that accurate information on cities is simply more difficult to find.

Executive Summary

The 31 cities in our analysis are “emerging” in that they are lesser known alternatives to the more established or recognized cities for IT-BPO operations in the three regions

- South and North America (AMERICAS)
- Asia, India, Japan and Australia (ASPAC)
- Europe, Middle East and Africa (EMA)

To some degree, all of the cities in this report have been “discovered” by some companies, yet there is a value proposition for new entrants.

Advantages offered by the Emerging Cities

The advantages offered by the 31 cities vary considerably, even as some common themes pan out.

Lower costs

Almost assumed in any IT-BPO location selection, each of the 31 cities offer a relative cost advantage to major outsourcing markets, but the size of the arbitrage varies greatly. Typically, the cities in developing countries such as Vietnam, Chile or Romania offer a larger cost advantage. The cities in the United States of America (US), Canada or Australia are comparatively more expensive, but still have a relative cost differential with the larger cities in their countries.

Size of workforce

The population varies significantly – with Port Louis (Mauritius) being the smallest among the 31 cities (population of 130,050¹) and Cairo (Egypt) being the largest (18 million in the metropolitan area²).

However, the size of the workforce available to the IT-BPO industry depends on a variety of factors – such as:

- The proportion of graduates, Cluj-Napoca (Romania) is a student town with a large number of computer graduates³
- Competition available from other / competing industries - the call center industry faces competition from the tourism industry in some cities
- In-migration - Calgary receives large in-migration from other cities in Canada⁴.

We have highlighted the opportunities as well as constraints of various cities in the individual profiles contained in this paper.

Quality of talent

The quality and nature of the talent pool varies across different cities. Gdansk (Poland), for instance has a large number of research and development institutions. The universities in Campinas (Brazil) are known hubs for innovation, producing a large number of patents⁵. Ahmedabad (India) produces a large number of accounting graduates. The talent pool in Cairo has an inherent service orientation, on account of the booming and long-standing tourism industry in Egypt.

Linguistic and cultural similarities

Typically, the near-shore emerging cities have strong linguistic similarities and cultural compatibility with the nearby markets. The Central and East European cities are to West Europe, as the Latin

¹ Mauritius Government, Central Statistics Office estimates, 2007

² Government of Egypt, Census estimates, 2006

³ Cluj Property and Investment, 2008

⁴ Statistics Canada, Census estimates, 2006

⁵ Rosana Ceron Di Giorgio, From University to Industry: Technology Transfer at Unicamp in Brazil, IP Handbook of Best Practices, 2007



American cities are to North America. However, there are some interesting anomalies. Buenos Aires (Argentina) can tap both North American and European business due to linguistic similarities with both regions (Spanish, Portuguese and English). Similarly, accent similarities with the US mean that cities in the Philippines are well suited to serve the US market.

Dedicated infrastructure for IT-BPO companies

Dedicated buildings or complexes for IT-BPO companies complete with basic infrastructure and facilities such as power and telecommunication are available or being constructed, in most of the 31 cities. Some cities have gone a step further and set up areas for promoting specialized services – for instance, the Gujarat International Finance Tech-City⁶ in Ahmedabad (India) and the Tunis Financial Harbor⁷ in Tunis (Tunisia) are to be dedicated for financial services. Changsha (China) has a “Cartoon City” to house animation companies⁸.

Quality of Life

This parameter varies across cities, with some cities such as Brisbane (Australia) or Curitiba (Brazil) globally recognized as great places to live and work. In some of the other cities, there are issues such as air pollution or traffic congestion during peak hours. However, the overall business environment may not necessarily be affected.

Government Support and Incentives

The governments are taking active interest in marketing their cities to IT-BPO companies. Competitive monetary and non-monetary incentives such as quicker clearances, facilitation with real estate and recruitment are some incentives on offer. For instance, in Guadalajara (Mexico), the time taken to set up business has gone down considerably in recent years. Port Louis (Mauritius) provides easy work permits to encourage expatriates to work in the otherwise small country. Other efforts include encouraging technical education (such as in Santiago, Chile⁹) or the study of languages (such as English in the Chinese cities) to better prepare the talent pool.

⁶ <http://giftgujarat.in>, GIFT website, December 2008

⁷ <http://www.gfh.com/en/our-business/tunis-financial-harbour.html>, Gulf Finance House website, December 2008

⁸ <http://www.greatdreams.com.cn/english/body.asp?NewsID=476>, Great Dreams website, December 2008

⁹ Ministry of Education, Higher Education in Chile: Aiming for Quality, March 2005

North and South America (AMERICAS)

The near-shore advantage, linguistic and cultural affinity - with the key markets of North America are the top drivers for cities within the Americas region. The Latin American countries are leveraging the language advantage to provide call center and back-office services to North American companies. The cities in the US and Canada are emerging as onshore alternatives for North American companies and are typically tapped for higher-value adding services. By and large, infrastructure is well developed in the Americas cities and the quality of life is good. The high-tech or Information and Communications Technology (ICT) sector is accorded priority by the local governments in most cities.

City**	IT services	Call center	Back-office services	Research and development	Engineering services	Other services
Buenos Aires	✓	✓			✓	Creative services
Campinas	✓			✓		
Curitiba	✓		✓			
Calgary	✓				✓	
Winnipeg	✓	✓	✓			
Santiago	✓	✓	✓			
Guadalajara	✓		✓			
Queretaro	✓	✓				
Boise	✓			✓		
Indianapolis	✓					

Source: KPMG, Exploring Global Frontiers, February 2009

Asia, India, Japan and Australia (ASPAC)

Most of the 10 emerging cities in the Asia-Pacific are tier II or III cities* in the “veteran” supplier countries of India, China, Malaysia and the Philippines. The one exception is Ho Chi Minh City in Vietnam. The city is an important economic center, and looks better poised to leverage the outsourcing opportunity, which Vietnam has so far struggled to leverage. The Asia Pacific cities by and large offer lower costs, good talent pools with lower attrition, and better quality of life than the tier I cities. Typically able to provide a large range of outsourcing services including IT, BPO and Knowledge Process Outsourcing (KPO), most of the Asia Pacific cities are also able to offer relative scalability in operations. Major markets serviced are the US, UK and Japan.

City**	IT services	Call center	Back-office services	Research and development	Engineering services	Other services
Brisbane	✓			✓		Analytics
Changsha	✓					Animation and gaming
Hangzhou	✓		✓			
Ahmedabad	✓		✓			
Jaipur	✓	✓	✓			
Nagpur	✓				✓	
Penang	✓		✓		✓	
Davao City	✓	✓				
Iloilo City		✓	✓			Animation
Ho Chi Minh City	✓	✓	✓			

Source: KPMG, Exploring Global Frontiers, February 2009

* For definition please refer “Glossary & Key Terms” section.

** The tables are based on KPMG analysis of the services offered by vendors and shared services already operating in the city. The analysis does not imply that these services will also be offered from the city going forward, but only that there is a greater probability of them being offered from the city in the near future.

Europe, Middle East and Africa (EMA)

The emerging cities in the EMA region are gaining prominence due to the growing regional market in Europe. Linguistic, geographic and cultural affinity with Europe are the key drivers here. A majority of these cities identified are country capitals or important economic centers in the country. Even though some of the economies are going through political instability, high economic growth and improvement in the business climate in the last few years is seeing foreign investment pour in rapidly. The EMA cities are capable of offering a range of services in IT and BPO, and research and development.

City**	IT services	Call center	Back-office services	Research and development	Engineering services	Other services
Sofia	✓	✓	✓			
Zagreb	✓			✓		
Cairo	✓	✓				
Port Louis	✓	✓				Disaster recovery
Belfast		✓	✓	✓		
Gdansk	✓					Data management
Cluj-Napoca		✓	✓			Research
Rostov-on-Don	✓					
Belgrade	✓				✓	
Tunis	✓	✓	✓			
Lviv	✓			✓	✓	

Source: KPMG, Exploring Global Frontiers, February 2009

Location Selection of Emerging Cities

Although the 31 cities in this study comprise attractive investment locations, their “emerging” status in itself, implies a certain degree of risk for potential investors. For instance, the city’s infrastructure may be less developed, or businesses may be subjected to a degree of political uncertainty. Companies must decide how much of this risk they are willing to accept in return for access to workforce and other advantages.

Secondly, the choice of cities in this study is not intended to be comprehensive. The cities in this study represent attractive alternatives, but there are undoubtedly many other cities that may also offer similar advantages to IT-BPO investors. This also includes the “established destinations,” and companies should definitely consider the trade offs and relative benefits of investing in one of the “established” locations relative to the “emerging,” such as those profiled in this study.

Ultimately, there is no “one-size-fits-all” solution, and the choice of location should reflect the specific requirements of each company, and be based on a process that is adequately robust and systematic to reflect the importance of the location decision.

** The tables are based on KPMG analysis of the services offered by vendors and shared services already operating in the city. The analysis does not imply that these services will also be offered from the city going forward, but only that there is a greater probability of them being offered from the city in the near future.

Americas







The US represents the majority of outsourcing demand from the Americas region. The early technology hubs in the US (Silicon Valley and Seattle) – that developed in response to early services sourcing demand are now “established” and smaller cities in the US have started to emerge as onshore alternatives. Several cities in Canada are also being explored due to the time-zone and geographical proximity. Locations in the US and Canada typically offer greater service maturity, but relatively lower cost arbitrage opportunities.

Other locations in the Americas region have developed as “nearshore” outsourcing alternatives. While these can be regarded as “offshore,” they are closer to the buyers in the US than locations in Asia. In countries such as Mexico and Brazil, the first wave of sourcing led to some cities becoming “established,” and Tier II or III cities are now being explored. In countries such as Argentina or Chile, outsourcing activity is still limited to Tier I cities.

Most supplier countries in the Americas are able to offer a large, educated labor pool for the sourcing industry, and are capable of providing more scalability than European cities. Further, most locations are typically able to offer a range of services in the IT, BPO as well as the KPO space.

The South American locations additionally offer multiple language skills. Cities in Mexico, Argentina or Chile are capitalizing on their sizeable bilingual workforce to offer outsourced services to buyers. Spanish-based services are offered from Mexico and Chile, and Portuguese-based services are offered from Brazil and Argentina. The governments in these countries are also aggressively promoting and incubating the local services industry, and gearing them up for larger exports.

As for other regions covered in this report, the cities profiled for the Americas region are not intended to provide a comprehensive list, however, should offer a representative sample of the options available in the region. Numerous other locations could also have been included and the selection of cities is intended to provide a flavour of the options available when one decides to look “beyond the frontier”.

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United States 37

Boise 39

Indianapolis 41

Argentina



Argentina

Country Snapshot

Size of the country	2,737,000 sq. kms.
Population	40.6 million (2008)
Capital	Autonomous City of Buenos Aires
Currency	Argentine Peso (ARS)
1 USD = ARS (average)	3.08 (2008)

Sources: www.eiu.com, www.cia.gov, www.gocurrency.com

Main macroeconomic indicators¹:

GDP in PPP: USD 523.6 billion (2007 est.)
 GDP per capita in PPP: USD 14,268 (2007 est.)
 CPI: 9.3 percent (2007 est.)
 Unemployment rate: 8.2 percent (2007 est.)
 FDI stock per capita: USD 1,764 (2007 est.)



Political Structure²

The Argentinean government is based upon a Republican, Representative and Federal system. The President is elected for a four year term by means of a direct popular vote, and may be re-elected for a single consecutive term. The House of Representatives is staffed by 2 houses and 257 members elected for a 4 year term through a direct vote. The country is administratively divided into the Federal Capital (the city of Buenos Aires) and 23 provinces. Each province has its own governor, legislature and judiciary.

Business and Investment Climate

Foreign Direct Investment (FDI): Argentina received USD 5.7 billion in FDI in 2007, up from USD 5 billion in 2006¹.

GDP growth: Real GDP growth in Argentina averaged 8.8 percent¹. EIU expects the GDP growth to slow down to 2.2 percent in 2009 due to the global slowdown.

Inflation: The 12-month Consumer Price Inflation (CPI) was 9.1 percent in July¹. EIU believes that inflation may reduce slightly in 2009, to 9.4 percent at year-end, owing to slower domestic demand growth and falling import prices.

IT-BPO Scenario in the country³

Argentina's IT-BPO services exports were USD 300 million in FY 2007. There were around 1000 companies in the IT-BPO sector employing approximately 40,000 qualified workers. By the end of 2011, the industry is expected to employ 70,000 workers and to raise its exports to more than USD 600 million.

The Software & IT Services Chamber of Commerce from Argentina (CESSI Argentina) represents companies that develop, produce, market and implement software and provide related services in Argentina. The major players in the country are US firms, which include Computer Associates, IBM, Microsoft, and Oracle. The country has several small local companies.

Buenos Aires is emerging as a destination for software services in the country. In 1998, Buenos Aires was considered Latin America's incubator for start-up Internet companies. The boom in Argentina started with El Sitio and Patagon, both Argentina-based companies that listed on the NASDAQ stock exchange in the US. The IT-BPO industry experienced a slowdown during the downturn in 2001 and an economic crisis in Argentina the following year. However, the IT-BPO industry is reviving in the last few years, which has also seen high GDP growth.

Government incentives³

Software production was recognized as an industrial activity as per Law 25,856 and Law 25,922, and software companies can avail incentives such as:

- Tax exemption of 60 percent of the total amount of the income tax
- Fiscal stability for ten years as from the passing of Law 25,922 in 2004
- Reduction of employer contributions up to 70 percent
- Lack of restrictions to foreign currency wire transfers for imports of goods or services
- Other benefits derived from the recognition of software as an industrial activity.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	B/ Negative
Standard & Poor's Foreign Currency Risk Rating	B- / Stable / C
Ease of Doing Business Rank (2009)	113
Rigidity of Employment Index (2009)	35

Sources: www.eiu.com, World Bank, Standard & Poor's



● Emerging Destination

1 www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

2 www.argentina.ar; Invest Argentina website, December 2008

3 www.cessi.org.ar/main_en.htm, CESSI Argentina website, 2007

Buenos Aires

City Introduction

- Buenos Aires is the capital of Argentina and also the country's financial and commercial center
- Buenos Aires is among the most populous cities in the world¹.



Quick facts	
Geographic Location	Buenos Aires can be reached in about 11 hours by air from New York, Paris or Madrid
Time Zone	GMT -0300
Climate	Pleasant climate with four seasons – spring, summer, fall and winter. The average temperature is 18 degrees Celsius and average annual rainfall is 114 cm
Population ¹	12,600,000
Literacy rate ²	96 percent
Languages	Spanish, English, Portuguese
Major industries	Food processing, tourism metal works, automobile, textiles, chemicals

Sources: 1 Indec National Ministry of Economy (2007)
2 Buenos Aires Herald (2007)

Key drivers for the city to emerge as a favorable IT-BPO destination

- Buenos Aires has a large talent pool and a number of reputed educational institutions, capable of supplying workforce to the IT BPO industry
- Argentina's cultural closeness and linguistic similarity with Europe is an advantage, as it allows the country to additionally tap business from markets in Europe
- Spanish is the official language, but Portuguese and English are also spoken in the city, which can be used to provide multi-lingual services
- The city can serve US markets effectively as Argentina lies in the same time-zone as the East US
- The IT-BPO industry (high-tech sector in general) is growing rapidly and has been prioritized and encouraged through incentives by the government
- The country's cost competitiveness increased significantly after the devaluation of its currency Peso in 2002, which brought down prices to below half their 1990s' levels².

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
IBM (IT services)	Tata Consultancy Services (IT services)
Hewlett Packard (IT services)	Latin3 (Creative services)
TeleTech (Call center)	Sabre (IT services)

Sources: Company websites of IBM, HP, TCS, Teletech, Reuters

Development of the current IT-BPO industry³

- The growth of Argentina's IT-BPO industry during the technology slowdown was adversely affected by the economic crisis of 2001-02
- However, in the last few years, a large number of multinational companies have set up operations in Buenos Aires, including Microsoft, Intel and Motorola
- The IT-BPO industry has been growing rapidly since then, making it one of the fastest growing sectors in the economy.

Industry Profile – Size and Specifics

- The total export of IT-BPO services from the city in 2007 is estimated at USD 228 million³
- Buenos Aires has about 49 percent of the more than 1000 registered IT-BPO companies in Argentina⁴
- The prominent services sourced from Buenos Aires include software development, call centers, back-office operations such as data processing, and creative services such as design and media services.

¹ WorldAtlas.com, List of biggest cities in the world, December 2008

² New York Times, Peso's Devaluation Gives Argentina Cost Advantages, October 2002

³ www.cessi.org.ar/main_en.htm, CESSI Argentina website, 2007

⁴ ProsperAr, Software & IT Services in Argentina, 2008

Human Resources

- Buenos Aires has good educational institutions including Argentina's biggest university, the University of Buenos Aires, which enrolls close to 50,000 students every year¹. The city produces a large pool of technical, IT and engineering graduates
- The brain drain following the country's economic crisis is seeing some reversal with growth settling in, and this could be a potential source of talent for the IT-BPO industry in the city
- English language skills of the population are becoming stronger, as education in English is being encouraged. A large number of private courses in English are also available
- The city has lower attrition rates and employee turnover compared to many other emerging IT-BPO destinations.

Infrastructure

- **Office space (IT Parks):** Buenos Aires is expected to have additional Class A* office space of 70,000 sq. mts. in 2008. However, vacancy rates are on the decline on account of high demand, leading to rising sale and lease rates²
- **Power supply:** Power tariffs are significantly lower than those in the US. However, some scheduled and unscheduled outages are witnessed
- **Telecom Infrastructure:** Argentina has expanded and modernized its local telecommunications networks, with over 15 million new lines during the last decade, leading to improved connectivity¹
- **National and International connectivity:** Buenos Aires is well connected with cities in Argentina by road and rail. It has three airports, with two of them serving cities in Argentina and neighboring countries. The Ezeiza International Airport connects Buenos Aires to destinations in the US and Europe
- **Upcoming projects:** Taurus Investment Holdings has planned a technology park near Buenos Aires which is expected to add more than 2787 sq. mts. of office space³. A "Technology District" is also being planned by the government in the Parque de los Patricios area of the city⁴.

State / city specific incentives for IT-BPO over and above country level incentives, if any⁵

- The Software Law establishes that software production is to be considered as a productive transformation activity and accorded the same priority and incentives as other industrial activities. Some of these incentives include:
 - Lower turnover tax rates and exemption from provincial taxes
 - Benefits in municipal fees
 - Access to financing with preferential terms
 - Discounts on services such as electricity, gas, water and communications.

Quality of life

- **Cost of living:** The cost of living in Buenos Aires is one of the lowest among global cities. The annual Cost of Living Index (2008) by Mercer ranks Buenos Aires 138 among 143 countries⁶
- **Crime rate:** The crime rate in Buenos Aires is quite high, with crimes against property, burglary and kidnapping common. Estimates indicate that close to 200,000 unregistered firearms exist in the city⁷
- **Pollution levels:** Air pollution levels in Buenos Aires are quite high, especially in densely populated areas and during peak business hours
- **Ease of commuting:** Traffic is typically heavy, but fast moving. The public transport system in Buenos Aires offers multiple options including a subway network, more than 100 bus lines and a taxi fleet, available throughout the day
- **Availability of Hotels:** Buenos Aires has a range of international, luxury and budget hotels that cater to the tourism industry. The hotel industry has seen capacity creation over the last few years, with older hotels being renovated to cater to the growing demand from business and tourist travelers.

Risk: City specific

- **Catastrophic risks:** The city is prone to flooding during heavy rains⁸. Buenos Aires lies in seismic zone with low earthquake risk
- **Political risks:** The city has low political risk. The risk of a military coup in Argentina has also gone down over the years
- **History of disruptions:** There have been no major disruptions since the economic crisis in 2001. However, demonstrations for domestic, economic and political issues are common in Buenos Aires⁹.

1 ProsperAr, Software & IT Services in Argentina, 2008

2 US Equities, Report on Buenos Aires, Second quarter 2007

3 www.new-taurus-website.com/DeerfieldBeachfirmplanningBuenosAiresTechnologyPark.HTM, February 2007

4 www.buenosaires.gov.ar/areas/produccion/distrito_tecno/ingles/michetti.php, December 2008

5 www.invertir.gov.ar/frontend/contenido/subpagina.php?subpaginaId=58, December 2008

6 Mercer, Annual Cost of Living Index, 2008-09

7 OSAC, Argentina Crime & Safety Report, 2007

8 World Bank - Hazard & Risk Management in Argentina, November 2006

9 OSAC, Buenos Aires Country Council Report, 2007

* For definition please refer "Glossary & Key Terms" section.

Brazil



Brazil

Country Snapshot

Size of the country	8,547,403 sq. kms.
Population	183.9 million (2008)
Capital	Brasilia
Currency	Brazil Real (BRL)
1 USD = BRL (average)	1.84 (2008)

Sources: www.eiu.com, www.cia.gov, www.gocurrency.com

Main macroeconomic indicators¹:

GDP in PPP: USD 1,836 billion (2007 est.)
 GDP per capita in PPP: USD 9,690 (2007 est.)
 CPI: 4.5 percent (2007 est.)
 Unemployment rate: 9.3 percent (2007 est.)
 FDI stock per capita: USD 1,315 (2007 est.)



Political Structure¹

The Federative Republic of Brazil is a Presidential democracy. The President is elected for a period of four years and acts as the Head of State as well as the Head of the Federal Government. There are 26 autonomous states and 1 federal district, each with their own legislature. Individual states seek to attract investments by offering ad hoc tax benefits and infrastructure support to specific companies, negotiated on a case by case basis, leading to varying investment climates in different states.

Business and Investment Climate

Foreign Direct Investment (FDI): Brazil received USD 34.6 billion of FDI in 2007, slightly lower than the Central Bank's projection of USD 35 billion, although up significantly from USD 18.8 billion in 2006².

GDP growth: The Brazilian economy is forecast to grow by an annual average of 4.1 percent in 2008-11, which is lower than the 4.5 percent rate registered in the past 4 years, but around double its long-term average (1981-2007) of 2.2 percent¹.

Inflation: EIU projects year-end inflation in 2008 at 6.8 percent, and year-end inflation to decline to 4.6 percent in 2009.

IT-BPO Scenario in the country

Brazil, a part of the Brazil, Russia, India and China (BRIC) nations, has been emerging as a key IT-BPO destination with exports of USD 800 million in 2007 employing more than 1.7 million people³.

Global companies like Accenture, ATOS Origin, BT, EDS, HSBC, IBM, Intel, Microsoft, Sun, TCS, Unisys, have set-up centers in the country.

The Brazilian association of information technology and communication companies (BRASSCOM) is the central association for the IT-BPO industry in Brazil. Some emerging cities within Brazil are Curitiba, Campinas, Sao Luis, Teresina, Fortaleza, Natal, Canoas, Caxias do Sul, apart from more established destinations like Sao Paulo, Rio de Janeiro and Recife.

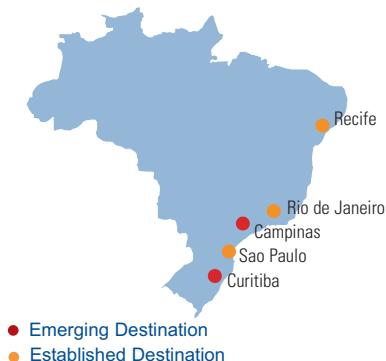
Government Incentives³

BRASSCOM expects Brazil's IT services exports to reach USD 5 billion and develop 100,000 new IT professionals by 2011, with the support of federal and local governments, by providing incentives for development.

The Productive Development Policy by the government announced a reduction of 50 percent on the payroll Social Security tax paid by IT-BPO companies. Besides, federal incentives allow for a reduction on labor charges and income taxes for education, innovation and research and development.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BB / Stable
Standard & Poor's Foreign Currency Risk Rating	BBB- / Stable / A-3
Ease of Doing Business Rank (2009)	125
Rigidity of Employment Index (2009)	46

Sources: www.eiu.com, World Bank, Standard & Poor's



¹ www.eiu.com, various pages, December 2008;

² Brazzil Magazine, Foreign Direct Investment in Brazil Doubles in 2007 to US\$ 35 Billion, 28th January 2008

³ <http://www.brasscom.org.br>, various pages, December 2008

Campinas

City Introduction

- Campinas is one of the major cities in the state of Sao Paulo
- It is an important economic, transportation and telecommunications hub.



Quick facts	
Geographic Location	Situated in south-east Brazil, Campinas can be reached from Brasilia in about an hour and 30 minutes by air
Time Zone	GMT -0200
Climate	Mild climate, with mostly sunny days and two major seasons – summer and winter. The average temperature is 22.4 degrees Celsius and average annual rainfall is 138.2 cm
Population ¹	1,100,000
Literacy rate ²	95 percent
Languages	Portuguese, English, Spanish
Major industries	Automotive, electronics, telecom equipment, petroleum refining, food processing, pharmaceuticals

Source: 1 Campinas Government (2007)

Key drivers for the city to emerge as a favorable IT-BPO destination

- Campinas has a number of educational institutions capable of supplying a talent pool, especially qualified in engineering and technology sectors
- The city is a hub for R&D activities. The University of Campinas has produced the largest number of patents in Brazil¹
- The talent pool available in the city is well suited for providing IT services such as application development and maintenance, support and hosting
- There is adequate IT-BPO infrastructure due to the presence of technology parks, reliable power and telecom
- The city offers a good quality of life and is looked at as a less congested alternative to Sao Paulo city
- The city can serve US markets effectively as it lies in a similar time-zone as Eastern US
- A number of IT-BPO companies setting up centers in Campinas are also looking to exploit opportunities in the large domestic market for IT services in Brazil.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
IBM (IT services)	Nortel (R&D center)
Net.2Net (IT services)	Ci & T (IT services)
ACS (Call center services)	Softway (IT services)

Sources: Company websites of IBM, Softway, University of Campinas website

Development of the current IT-BPO industry

- The region around Campinas is known as the Brazilian “Silicon Valley” due to the presence of a large number of research centers, universities, high-tech industries and multinational companies²
- IBM was one of the earliest companies to set up operations in the city³. The Tech Town was built in the area surrounding the IBM office in Campinas³
- ActMinds, a joint venture of 10 IT companies in the city reports USD 10.5 million in service exports in 2007⁴.

Industry Profile – Size and Specifics

- The prominent services sourced from Campinas include hosting, application support and development and customization.

1 Rosana Ceron Di Giorgio, From University to Industry: Technology Transfer at Unicamp in Brazil, IP Handbook of Best Practices, 2007

2 NaiGlobal, Global Market Report (Campinas), 2008

3 www.inova.unicamp.br, University of Campinas website, various pages, December 2008

4 www.actminds.com, ActMinds website, various pages, December 2008



Human Resources

- Campinas has a large number of educational institutions as well as technical schools, including the University of Campinas (Unicamp) offering courses in engineering and technology. The Unicamp produces 1,935 graduate and post-graduate students every year¹ and is also ranked as the institution producing the highest number of patents in Brazil²
- English language skills are limited, but education and training in English is being encouraged. Spanish is also taught as a second language
- The city has lower attrition rates compared with larger cities in Brazil, especially Sao Paulo.

Infrastructure

- **Office space (IT Parks):** Due to high overall demands, vacancy rates are very low. Campinas has a relatively smaller amount of conventional office space, but claims to have the largest number of business incubators and industrial parks where most companies are located³
- **Power supply:** There is typically no major power supply interruption in the city. Limited and non-scheduled interruption may occur due to storms and lightning, mostly in summer
- **Telecom Infrastructure:** Fiber optic network for voice, image and data communication is available in Campinas, provided by Telefonica or Embratel⁴. Telecom facilities are provided as a shared service in most industrial parks
- **National and International connectivity:** Campinas is linked to other towns and cities in Sao Paulo state via highways. The Viracopos International Airport caters to domestic and international passenger and cargo flights
- **Upcoming projects:** A Scientific and Technological Park has been planned in Campinas, and is intended to be a hub for R&D activities and also offer incubation facilities for technology companies⁵.

State/ city specific incentives for IT-BPO over and above country level incentives, if any⁶

- Reduction in the tax rate on services to two percent
- Reduction in the amount of Annual Real Estate tax from 30 to 50 percent
- Exemption from fees and emoluments.

Quality of life

- **Cost of living:** The cost of living in Campinas is slightly lower than that in Sao Paulo city in terms of housing, transport and food
- **Crime rate:** Violence and crime rates are high in Campinas and include robbery, kidnapping and cargo theft. The Campinas government has partnered in 2006 with Bosch and has put in place a security system with around 270 close circuit cameras to keep the crime rate in check⁷
- **Pollution levels:** The elevated topography of Campinas and cool winds throughout the year help keep the air clear of pollutants. Air pollution levels in the city are low
- **Ease of commuting:** Traffic jams are common during peak hours in some parts of the city
- **Availability of Hotels:** Campinas has 1 five-star hotel and several other four-star hotels in the city, with a total of about 3,900 rooms⁸.

Risk: City specific

- **Catastrophic risks:** Some parts of the city are prone to floods, especially in the summer⁹
- **Political risks:** The political situation in the state and city is stable, without any major events over the past three years. The mayor was re-elected for the second four-year term in 2008⁶
- **History of disruptions:** The state of Sao Paulo witnessed criminal attacks against the police and some civilians in May 2006, which led to several casualties¹⁰.

1 Topuniversities.com website, December 2008

2 Rosana Ceron Di Giorgio, From University to Industry: Technology Transfer at Unicamp in Brazil, IP Handbook of Best Practices, 2007

3 NaiGlobal, Global Market Report (Campinas), 2008

4 www.technopark.com.br/ingles/tech-e.html, December 2008

5 www.inova.unicamp.br, University of Campinas website, December 2008

Curitiba

City Introduction

- Curitiba is the capital of Parana state, and an important cultural, political and economic center
- It is considered to be the ecological capital of Brazil as it has the largest green area per inhabitant¹.



Quick facts	
Geographic Location	Situated in southern Brazil, Curitiba can be reached by air from Brasilia in about an hour and 30 minutes
Time Zone	GMT -0300
Climate	Temperate climate characterized by four distinct seasons – spring, summer, autumn and winter. The average temperature in summer is 21 degrees Celsius and 12 degrees in winter. The annual average rainfall is 150 cm
Population ¹	1,790,000
Literacy rate ²	96.0 percent
Languages	Portuguese, Spanish, English
Major industries	Automotive, food processing, tourism, furniture

Sources: 1 Brasscom Brazil, 2008
2 Liveable Megacities

Key drivers for the city to emerge as a favorable IT-BPO destination

- Curitiba produces a qualified technical talent pool of about 19,500 every year for the IT-BPO industry²
- Measures to improve the English language skills of the workforce are being taken, potentially making the talent pool suited for bi-lingual services
- The city provides good infrastructure including a dedicated technology park for IT-BPO companies, and reliable power and telecom
- The city is known within Brazil as a “model city” and offers good quality of life due to its effective public transport and flood management system
- The city can serve US markets effectively as it lies in a similar time-zone as the East US.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Wipro Technologies (BPO services)	Accenture (IT and BPO services)
HSBC Global Technologies (IT services)	Atos Origin (IT services)
Cinq Technologies (IT services)	Exxon (Shared services center)

Sources: Accenture website, BRASSCOM, Offshoring Times

Development of the current IT-BPO industry

- IBM, Dell, HP and Xerox were the first few companies to set up IT-BPO operations in Curitiba
- Several companies such as ExxonMobil, Phillip Morris, Bristol Meyers Squibb, Accenture, Sadia, HSBC, Damovo do Brasil, Siemens have customer service centers in Curitiba.

Industry Profile – Size and Specifics

- The combined IT-BPO exports of the city are estimated at USD 202,566³
- Curitiba has 791 registered players and 281,025 people employed in the IT-BPO sector in 2008⁴
- Services offered from Curitiba include IT Infrastructure outsourcing, software development outsourcing, technical support outsourcing, system implementation advisory, R&D services and enterprise application services
- BPO services offered from the city include finance and accounting, order management, customer care and human resources.

1 \ ICLEI, Orienting Urban Planning to Sustainability in Curitiba, Brazil, 2003

2 www.brasscom.org.br, Brasscom website, December 2007

3 Foreign Trade Secretariat, Trade balance, 2007

4 Ministry of Labor in Brazil, January 2008



Human Resources

- Curitiba has reputed educational institutions such as Universidade Tecnológica Federal do Parana, Universidade Federal do Parana, Pontificia Universidade Catolica do Parana with 61,084 students enrolled in universities every year¹
- The demand for technical talent in Curitiba surpasses the current supply, however, the city is taking several initiatives to bridge this gap
- Curitiba is also taking measures to augment the supply of English-speaking labor. The city currently adds about 19,500 engineers and non-technical graduates to its talent pool each year²
- Attrition levels in the industry are also lower, at around 5 percent².

Infrastructure

- **Office space (IT Parks):** Curitiba Tecnoparque (Technopark) covering 5 million sq. mts. of space has been developed to attract public and private technology institutions, technological-based, R&D companies, as well as universities¹
- **Power supply:** Power supply is reliable except for rare outages during heavy rains in the city. The state of Parana is an important power generating center, with Itaipu bi-national, on the Parana River being the largest hydroelectric power plant in Latin America³
- **Telecom Infrastructure:** Curitiba has a good network of fiber optic infrastructure for reliable telecom services
- **National and International connectivity:** Curitiba is well connected to other cities in Brazil through highways. The city has an International Airport (Afonso Penna), which has daily flights to São Paulo, Rio de Janeiro and other important cities in Brazil.

State / city specific incentives for IT-BPO over and above country level incentives, if any³

- The state of Parana offers an array of tax incentives and benefits to assist businesses, particularly small and micro businesses, and domestic and foreign companies wishing to start or expand operations, including:
 - Exemption in the collection of Value Added Tax (VAT) based on the turnover of the company
 - VAT credits for export oriented companies.

Quality of life

- **Cost of living:** Curitiba is one of the state capitals within Brazil with a low cost of living. It is also regarded as a model city in terms of urban development within Brazil
- **Crime rate:** Crime rates are higher in some parts of the city than others
- **Pollution levels:** There is no problem of air pollution in the city. Innovative programs, such as "All Clean" and "Garbage that is not Garbage" have been introduced to keep pollution levels low⁴
- **Ease of commuting:** Public transportation in Curitiba is well planned, with an extensive system of buses including express, inter-district, direct, feeding and conventional buses. A large proportion of Curitiba citizens use public transport⁵
- **Availability of Hotels:** Curitiba has several luxury hotels, including international chains, as well as budget hotels.

Risk: City specific

- **Catastrophic risks:** Flooding was a serious problem faced by Curitiba. However, over the last decade, the government has put a flood management program in place with funding from World Bank⁶
- **Political risks:** The political situation is stable, and there have been no significant changes in legislation
- **History of disruptions:** There are no recent instances of disruptions in the city, except some minor incidents of rivalry over soccer.

1 www.brasscom.org.br, various pages, December 2008

2 Ministry of Labor in Brazil, January 2008

3 investimentos.desenvolvimento.gov.br, Brazil investment website, December 2008

4 ICLEI, Orienting Urban Planning to Sustainability in Curitiba, Brazil, 2003

5 ICLEI, Public Transport system in Curitiba, 2003

6 APFM, Flood Management in Curitiba Metropolitan area, January 2004

Canada



Canada

Country Snapshot

Size of the country	9,093,507 sq. kms.
Population	33.2 million (2008)
Capital	Ottawa
Currency	Canadian Dollar (CAD)
1 USD = CAD (average)	1.07 (2008)

Sources: www.eiu.com, www.cia.gov, www.gocurrency.com

Main macroeconomic indicators¹:

GDP in PPP: USD 1,263 billion (2007 est.)¹
 GDP per capita in PPP: USD 38,351 (2007 est.)¹
 CPI: 2.2 percent (2007 est.)²
 Unemployment rate: 6.0 percent (2007 est.)¹
 FDI stock per capita: USD 12,218 (2007 est.)¹



Political Structure¹

Canada is a constitutional monarchy, with the governor-general (always of Canadian nationality and appointed in Ottawa) acting as the representative of the British crown. In practice, the Canadian House of Commons is sovereign. Canada is a federation of 10 provinces, each with substantial powers, and 3 territories. At the federal level are the Commons, the main seat of legislative power, and the non-elected Senate, which plays only a marginal role. Federal and provincial governments in Canada offer a wide array of investment incentives, which municipalities are, on the whole, prohibited from doing. Provincial incentives tend to be more investor-specific and are subjected to investments in the granting province.

Business and Investment Climate

Foreign Direct Investment (FDI): FDI has risen by 73 percent in 2007 to USD 108.7 billion, over 2006¹. EIU expects the exceptionally stable operating environment to make Canada an attractive destination for investment.

GDP growth: The Canadian economy has posted healthy growth at an annual average of 2.9 percent in 2006-07, but growth slowed sharply in the fourth quarter of 2007 and contracted in the first quarter of 2008¹. EIU expects GDP growth at an average of around 1 percent for 2008 and 0.9 percent in 2009¹.

Inflation: According to EIU, the average annual rate of inflation is forecast at 3.0 percent in 2008. The rate is expected to slow to 2.3 percent in 2009 as the world economy slows down.

IT-BPO Scenario in the country

The geographic proximity to the United States is helping Canada to emerge as a near-shore destination for the IT-BPO industry. The IT-BPO exports of Canada were USD 13.7 billion in 2007³. Currently, the IT-BPO industry employs 257,448 professionals⁴.

The Information Technology Association of Canada (ITAC) is focusing on development of the IT-BPO industry in Canada⁴. The Center for Outsourcing Research and Education (CORE) provides education and information about outsourcing⁵.

Companies such as Cognos, Crystal Decisions, Hummingbird, Capgemini, CGI Group and X-Wave have set-up base in Canada.

Cities like Calgary, Winnipeg are coming up in the IT-BPO sector alongside few other established locations like Vancouver, Ottawa, Toronto, Montreal and Quebec City.

Government incentives²

The Canadian government offers many incentives to organizations setting up IT-BPO centers in the country, including:

- Lowest payroll taxes among G7⁶ countries⁷
- Tax credits for expenditures in wages, materials and equipment for organizations involved in R&D
- Ten percent tax credit to organizations hiring apprentices for the first two years⁴.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	AA / Stable
Standard & Poor's Foreign Currency Risk Rating	AAA / Stable / A-1+
Ease of Doing Business Rank (2009)	8
Rigidity of Employment Index (2009)	4

Sources: www.eiu.com, World Bank, Standard & Poor's



1 www.eiu.com, Economist Intelligence Unit website, various pages, December 2008;

2 Bank of Canada estimates, 2007

3 Invest in Canada, 2007/08 edition

4 www.itac.ca, Information Technology Association of Canada, December 2008

5 www.core-outsourcing.org, CORE website, December 2008

6 G7 is the group of seven industrialized nations, United States of America, Canada, United Kingdom, France, Germany, Italy and Japan.

7 investincanada.gc.ca, Invest Canada website, December 2008

Calgary

City Introduction

- Calgary is a major urban center in the province of Alberta
- The city is Western Canada's transportation and distribution hub, and is also Canada's energy capital.



Quick facts	
Geographic Location	Situated in Western Canada, by air, Calgary is about three and half hours away from Toronto
Time Zone	GMT - 0700
Climate	Mild climate with large variations in temperature and four seasons – spring, summer, autumn and winter. The average temperature is maximum 10.3 and minimum -2.6 degrees Celsius. The average annual rainfall is 37.2 cm
Population ¹	1,230,000
Literacy rate ²	99 percent
Languages	English, French
Major industries	Mining, oil and gas, manufacturing, technology, finance, aerospace, transportation, logistics

Sources: 1 Calgary Economic Development
2 CIA 2007 (Literacy rate for Canada; literacy rates for individual cities were not available)

Key drivers for the city to emerge as a favorable IT-BPO destination

- Calgary has several educational institutions providing qualified talent for the IT-BPO industry
- Calgary has the highest rate of population migration into the city among Canadian cities, thereby providing a larger talent pool¹
- English is the official language, but there is a sizeable French speaking population which is able to provide outsourced services in French
- The city offers good infrastructure including reliable power, telecom and transport facilities and a good quality of life to its residents
- The government in Calgary has been a key enabler for the IT-BPO industry by providing tax breaks, incentives and substantial research funding
- The city's established oil and gas industry is attracting outsourcing companies to leverage outsourcing opportunities in the oil and gas sector
- Calgary's proximity and cultural affinity with the US, coupled with its relative cost advantage allows it to tap the near-shore outsourcing market.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
IBM (IT services)	Fujitsu Consulting (IT services)
SAP (IT services)	TCS (IT services)
Hewlett Packard (IT services)	JDA Software (Software development)

Sources: SAP company website; Calgary Economic Development website

Development of the current IT-BPO industry

- Over the last 10 years, the ICT sector has become a major contributor to the strong economic growth in Calgary
- The IT industry represents over half of the ICT companies located in the city.

Industry Profile – Size and Specifics

- The IT-BPO export of Alberta province exceeded USD 2.2 billion in 2007²
- Calgary's IT industry employs about 20,000 workers, with about 1,543 IT companies operating from the city³
- Web and Internet related services, software development, system integration and related services are the prominent IT services sourced from Calgary
- The city also offers back-office services such as finance and human resources outsourcing.

1 www.ccat.org, Calgary Advanced Technology website, December 2008

2 Alberata Economic Development, Calgary ICT profile, 2006

3 www.calgaryeconomicdevelopment.com, Calgary Economic Development website, December 2008



Human Resources

- Calgary has a young and educated talent pool, with more than 10,000 people graduating per year from post-secondary institutions³. Prominent educational institutions around Calgary include the University of Calgary, SAIT Polytechnic, Alberta College, The University of Athabasca and DeVry Institute of Technology
- The city has witnessed highest total labor force growth at 33.8 percent over the past 10 years (1998-2007) due to in-migration¹
- Salary rates in Calgary are lower than those in the US cities mainly due to publicly funded health care. Salaries for a software engineer are moderately lower than levels in Toronto¹.

Infrastructure

- **Office space (IT Parks):** Calgary has nearly 3,000,000 sq. mts. of downtown office space; with low vacancy rates². A significant amount (around 90,000 sq. mts.) is expected to be added by 2011²
- **Power supply:** Electricity costs in Calgary are lower compared to Toronto and cities in the US². The Calgary government has signed a 20-year green (wind) electricity supply agreement with power supplying company, ENMAX for purchasing 75 percent of its requirements, securing future supply³
- **Telecom Infrastructure:** Calgary has an extensive fiber optic infrastructure along with sophisticated voice and transfer technology. The city is well served by high-speed internet service providers
- **National and International connectivity:** The city has well integrated air, rail and road infrastructure and provides access to Asia, Europe, and the US. Several American cities can be reached in less than four hours by air from Calgary
- **Upcoming projects:** Long-term real estate development is being planned in Calgary. Aurora Business Park, a 1.1 million sq. mts. business park by Corporate Properties and Buildings business unit, approved in 2007, is likely to be completed in 20 to 25 years⁴. Another park, the Lincoln Business Park is scheduled to be completed in the next 10 years⁴.

State / city specific incentives for IT-BPO over and above country level incentives, if any⁵

- The city of Calgary derives large benefits due to a low tax regime. The province of Alberta has no municipal or provincial sales tax. Alberta also has one of the lowest provincial corporate tax rates in Canada
- Inventory tax, machinery and equipment tax and payroll tax are not levied in the province of Alberta
- Alberta is subject to a flat income tax rate of 10 percent, while all other Canadian provinces work on a sliding income scale.

Quality of life

- **Cost of living:** Rapid expansion over the last few years has led to a rise in the cost of living in Calgary. However, the cost of living is still relatively low compared to that in Toronto and Vancouver. Calgary's good quality of life attracts more than 11,000 people annually from other provinces (citing records from 1997 to 2006)⁶
- **Crime rate:** Calgary is a relatively safe city. According to a 2008 survey of crime in 100 Canadian cities by Maclean's Magazine, Calgary ranks 33 in the country
- **Pollution levels:** Calgary has undertaken numerous initiatives towards reducing corporate greenhouse gas emissions. Calgary has been rated as the cleanest city in an environmental examination of 215 global cities⁷
- **Ease of commuting:** Calgary Transit, the public transportation company in Calgary, operates an extensive system of transit buses and light rail transit
- **Availability of Hotels:** The Economist magazine in 2006, ranked Calgary as the second best city in the world for business travel. Calgary has various options for business tourists, from high-end five-star hotels, including international chains, to bed and breakfasts, hostels and motels.

Risk: City specific

- **Catastrophic risks:** Calgary has witnessed instances of tornadoes and floods, which could potentially cause substantial property damage. Calgary Emergency Management has undertaken various measures to deal with such incidents⁸
- **Political risks:** Alberta has been considered to be politically stable. Past governments have been elected with large majorities and have been kept in power for a long time.

1 www.ccat.org, Calgary Advanced Technology website, December 2008

2 www.calgaryeconomicdevelopment.com, Calgary Economic Development website, December 2008

3 <http://www.enmax.com/Corporation/Media+Room/Current+News+Releases/2006+News+Releases>

/ENM AX+Begins+Construction+on+Taber+Wind+Farm.htm, ENMAX website, 18 May 2006

4 calgary.ca, Invest in Calgary website, December 2008

5 www.alberta.ca/, Alberta State Government website, various pages, December 2008

6 Statistics Canada, Labour Force Survey for Calgary CMA, 2007

7 www.mapleleafacademy.com/calgary.htm, Maple Leaf Academy website, December 2008

8 aema.alberta.ca, Alberta Emergency Management website, December 2008

Winnipeg

City Introduction

- Winnipeg is the capital of the Canadian province of Manitoba, and its largest city¹
- Located in the geographical center of North America, Winnipeg has become one of Canada's key international transportation centers.



Quick facts	
Geographic Location	Situated in southeast Manitoba, Winnipeg can be reached in about two hours by air from Toronto
Time Zone	GMT -0600
Climate	Continental climate characterized by four distinct seasons. The average summer temperature is 25.4, while that in winter is -12.9 degrees Celsius. The average annual rainfall is 41.6 cm while the average snowfall is 110.6 cm
Population ¹	719,200
Literacy rate ²	99 percent
Languages	English, French
Major industries	Aerospace, Transportation, Biotechnology and Health Research, Agri-business and Food Processing, Financial Services, Energy

Sources: 1 Census metropolitan area (CMA) of Winnipeg, 2008
2 CIA 2007 (Literacy rate for Canada; literacy rates for individual cities were not available)

Key drivers for the city to emerge as a favorable IT-BPO destination

- Winnipeg has a quality education system in place, which facilitates the availability of a talent pool for IT-BPO companies
- Winnipeg has a sizeable bilingual workforce with communication skills in English and French
- The city offers IT-BPO companies good infrastructure, quality office space, technology parks and government incentives
- Winnipeg is one of the best cities in terms of overall business competitiveness within Canada
- The city is well suited for housing a sourcing contact center and providing customer management services
- The geographical proximity to the US and compatible time-zone is another advantage for the city
- It is centrally located within Canada which provides access to talent from other cities in Canada.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
IBM (IT and BPO services)	Hewlett Packard (IT and BPO services)
Emerging Information Systems (Software development)	Convergys (BPO services)
Momentum Healthcare (IT services)	Protegra (IT services)

Sources: Convergys company website; Destination Winnipeg website

Development of the current IT-BPO industry

- Winnipeg houses a large number of customer contact centers for Canadian companies such as Air Canada, Canada Post, Canada Revenue Agency, and Royal Direct (Royal Bank)
- The ICT sector represents three percent of the total workforce of Winnipeg, slightly below the national average of four percent².

Industry Profile – Size and Specifics

- The ICT exports of Manitoba in 2007 were USD 185 million³
- The province of Manitoba has over 1,500 companies operating in the ICT sector, with nearly 80 percent of these firms located in Winnipeg²
- Nearly 40 percent of the workforce in the ICT industry in Winnipeg was engaged in computer systems design, R&D, and information services³
- Winnipeg offers contact center and software development services especially focused on financial and business management solutions, customized e-learning processes, integrated e-payment solutions and financial planning.

1 www.canada.travel, Canadian Travel and Tourism website, December 2008

2 Destination Winnipeg, ICT Profile of Winnipeg, 2007

3 www.gov.mb.ca, Government of Manitoba website, December 2008



Human Resources

- Winnipeg has a number of institutions providing IT-related courses, including the University of Manitoba, the University of Winnipeg, and the Canadian Mennonite University, and two technical training institutions, the Red River College and Winnipeg Technical College. Close to 10,000 students graduate from post-secondary educational programs every year in Winnipeg¹
- About 4,500 students are enrolled in French language schools and 17,600 in the French Immersion program in the province²
- Winnipeg offers a highly competitive wage rate structure³. Average salaries were at 95.5 per cent of the national average in 2008⁴
- The IT-BPO industry in the city has an average job tenure of more than 100 months⁵.

Infrastructure

- **Office space (IT Parks):** Office rents in Winnipeg are among the most affordable in Canada, with vacancy rates for class A office space at 6.6 percent, and for class B office space at 8.9 percent in 2007⁶. The city has approximately 30 industrial parks with sizes ranging from 27 to 240 hectares, and large parcels of land available for industrial development⁵
- **Power supply:** Winnipeg has reliable power supply. The cost of power in Winnipeg is also lower compared to other major cities in Canada³
- **Telecom Infrastructure:** MTS Allstream and Shaw Communications Inc. provide telecommunications services in Winnipeg³. Basic business telephone service rates are among the lowest in Canada
- **National and International connectivity:** Winnipeg is conveniently located on the Trans Canada Highway. The city is well connected by air, road and railway and accessible with most other Canadian cities. Winnipeg's airport is undergoing re-development. A new airport terminal is under construction and is planned for completion by 2010⁷
- **Upcoming projects:** A number of industrial parks are springing up in rural municipalities just outside Winnipeg, for instance the Brookside Industrial Park north of the city. Some of the existing real estate properties are also being redeveloped.

State / city specific incentives for IT-BPO over and above country level incentives, if any⁵

- The province of Manitoba provides R&D non-refundable tax credit of 20 percent applied against corporate income tax payable
- The ICT industry in Winnipeg also benefits from numerous collaborative efforts that bridge the private, public and educational sectors on issue-specific initiatives.

Quality of life

- **Cost of living:** The 2007 family expenditure per household survey by Statistics Canada ranks Winnipeg among the most affordable locations in Canada. The cost of housing in Winnipeg is the lowest according to a 2007 comparison of 10 cities, including Calgary, Toronto and Vancouver, conducted by the Canadian Real Estate Association
- **Crime rate:** Winnipeg has one of the highest crime rates in Canada. Car theft, homicide and breaking in-and-entering are some of the major crimes witnessed in the city⁸
- **Pollution levels:** Winnipeg has low pollution due to vast forests and trees surrounding the city. Besides, the government is actively taking initiatives to reduce emission levels and plans to introduce diesel-electric hybrid buses in early 2008⁹
- **Ease of commuting:** Winnipeg Transit and Downtown Spirit offer free and easy bus travel in Winnipeg. Most people commute to work in 20 minutes or less¹
- **Availability of Hotels:** Accommodation in Winnipeg ranges from four-star hotels, including international chains, to affordable motels.

Risk: City specific

- **Catastrophic risks:** Winnipeg witnessed floods in 1997, due to excess snowfall and extreme temperatures⁸. The city has introduced the Red River Floodway Expansion Project, due to be completed by 2010, to increase flood protection for its residents⁹
- **Political risks:** Low political risk with a stable government within the province and the city
- **History of disruptions:** There are no recent instances of major disruptions in the city of Winnipeg.

1 Destination Winnipeg, ICT Profile of Winnipeg, 2007

2 <http://www.pch.gc.ca/pch-ch/publctr/info/mb-eng.cfm>, December 2008 (The French Immersion program provides instruction in most subject areas in French and offers students a chance to become functionally bilingual)

3 www.destinationwinnipeg.ca, Destination Winnipeg website, December 2008

4 Robert Half Salary Guide, Canada, 2008

5 www.gov.mb.ca, Manitoba Government website, December 2008

6 CB Richard Ellis, Real estate in Winnipeg, Third Quarter 2007

7 <http://www.waa.ca/airportredevelopment>, Winnipeg Airports Authority website, December 2008

8 [Winnipeg.ca](http://www.winnipeg.ca), Official city of Winnipeg website, December 2008

9 www.infoc.gc.ca/index_e.shtml, Infrastructure Canada website, December 2008

Chile



Chile

Country Snapshot

Size of the country	756,946 sq. kms.
Population	16.6 million (2007)
Capital	Santiago
Currency	Chilean Peso (CLP)
1 USD = CLP (average)	509.44 (2008)

Sources: www.eiu.com, www.cia.gov, www.gocurrency.com

Main macroeconomic indicators¹:

GDP in PPP: USD 230.9 billion (2007 est.)
 GDP per capita in PPP: USD 13,910 (2007 est.)
 CPI: 4.4 percent (2007 est.)
 Unemployment rate: 7.0 percent (2007 est.)
 FDI stock per capita: USD 5,512 (2007 est.)



Political Structure¹

Chile follows a presidential system, based on the 1980 constitution. The Congress has an upper house comprising 38 members, elected for a period of 8 years and partly renewed every 4 years; and a lower house, with 120 members who are all elected every 4 years. Chile is divided into 15 regions, each of which is headed by a representative appointed by the President. Every region is further divided into provinces, with a provincial governor also appointed by the President.

Independent regions provide incentives to attract investments in relatively backward areas within the country, and therefore, the investment climate may vary in different regions to that extent.

Business and Investment Climate

Foreign Direct Investment (FDI): In 2007, the country attracted FDI worth USD 14.5 billion, representing 8.8 percent of the GDP. The FDI rose 143 percent from the 2006 figure of USD 5.96 billion².

GDP growth: Chile's GDP growth in 2007 was 5.1 percent. The EIU has forecast GDP to grow by 3.9 percent in 2008 and by 2.8 percent in 2009¹.

Inflation: In 2007, the inflation was at 4.4 percent. The EIU expects inflation to gradually fall from its 2007 levels in 2008 and 2009 to reach about 3 percent¹.

IT-BPO Scenario in the country

According to the research firm, Business Monitor International, in 2007, Chile's IT services market was estimated to be around USD 700 million². The majority of demand is domestic and led by the large companies.

According to Chilean Association of Information Technology Companies (ACTI), the country's IT industry employs close to 75,000 people and has more than 500 active IT companies³. Some of the multinational companies with delivery centers include Citigroup, Shell, GE, and JPMorgan.

Chile currently has a talent pool of close to 85,000 engineers and approximately 10,000 engineers are added every year³. Presently, the main concentration of IT activity within Chile can be found in the capital city, Santiago.

Some of the large IT companies from the country include Sonda, Atos Origin, EDS, TCS, IBM and Accenture.

Government incentives⁴

The Chilean Economic Development Agency runs a program called Invest Chile, which provides various incentives for investment in the high technology fields. The incentives are equally available to local and foreign investors for investments with a minimum value of USD 1 million. These include:

- Co-funding of pre-investment studies, start-up expenses, R&D and investments in fixed assets
- Grants for the development of human resources.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	A / Stable
Standard & Poor's Foreign Currency Risk Rating	A+ / Stable / A-1
Ease of Doing Business Rank (2009)	40
Rigidity of Employment Index (2009)	24

Sources: www.eiu.com, World Bank, Standard & Poor's



● Emerging Destination

¹ www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

² Business Monitor International and US Commercial Service website <http://www.buyusa.gov/chile/en/121.html>

³ Chilean Association of Information Technology Companies

⁴ Chilean Economic Development Agency

Santiago

City Introduction

- Santiago, the capital and largest city in Chile¹, is home to more than a third of the country's population
- It is also an important financial center in Chile as well as in South America.



Quick facts	
Geographic Location	Located in central Chile, Santiago can be reached from New York in about 10 hours and 30 minutes
Time Zone	GMT -0400
Climate	Mild, Mediterranean climate with two pronounced seasons – summer and winter. The average temperature is 14 degrees Celsius. The average annual rainfall is 38.1 cm
Population ¹	5,822,316 ²
Literacy rate ¹	95.7 percent
Languages	Spanish, English
Major industries	Financial services, trading, machinery and electronic equipments, food processing

Sources: 1 Instituto Nacional de Estadísticas (2002)
2 Data for Santiago Urban Agglomeration

Key drivers for the city to emerge as a favorable IT-BPO destination

- Santiago offers a large pool of graduates, as well as professionals from IT-related courses for the IT-BPO industry
- The city has good infrastructure for IT-BPO services including reliable telecom, extensive public transport and technology parks
- The government of Chile provides financial and other support for the high-tech industries and setting up an IT-BPO business in Chile is fairly easy
- A large number of companies source Spanish language call center and BPO services from the city
- English language skills in the population are improving, which points to future potential for sourcing multi-lingual services from Santiago²
- The city is well suited for near-shore business due to a similar time-zone and cultural affinity with the US
- Santiago offers significant cost advantage in terms of competitive wage-rates, and lower operating and living costs compared with other cities in the Americas.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Tata Consultancy Services (BPO services)	Shell (Call center)
Experian (Software development and IT services)	Yahoo (Knowledge center)
Accenture (IT and BPO services)	Citigroup (Software development and IT services)

Source: Chile Economic Development Agency

Development of the current IT-BPO industry

- Santiago has witnessed rapid advancement in information technology and BPO services, as numerous companies have set up their shared service hubs and customer contact centers in the city
- Companies like Citigroup, BHP Billiton, Shell, Evalueserve and TCS have set up offshore centers in Santiago
- The city has large presence in Spanish-based customer support.

Industry Profile – Size and Specifics

- The combined IT-BPO exports from the city are estimated to be approximately USD 300 to 350 million³
- There are more than 130 IT-BPO companies in Santiago³
- The prominent IT-BPO services sourced from Santiago include IT services, customer support, finance and accounting, human resources, marketing and technical support.

¹ Instituto Nacional de Estadísticas (2002)

² Invest Chile: Publication on Skilled Human Resources

³ [http://www.hightechchile.com/opportunities/global_services/business_processes_\(bpo\)](http://www.hightechchile.com/opportunities/global_services/business_processes_(bpo))

Human Resources

- There are more than 10 large universities in and around Santiago, including the University of Santiago, one of the oldest public universities in Chile. Around 10,000 fresh graduates are added to the existing talent pool every year¹
- Government promotion of IT related careers has increased enrollment for technical education three-fold in the last decade. In 2006, close to 50,000 students were enrolled in technology related courses²
- English language proficiency is average. The government has been taking initiatives to improve English language skills including obligatory English education from 5th grade in schools³. It has developed a National Register of English Speakers, with employment qualifications of more than 38,000 Chileans with certified English language skills⁴.

Infrastructure

- **Office space (IT Parks):** Santiago faces a shortage of class A office space, with vacancy rates as low as 0.25 percent in 3Q 2008⁵. However, more than 360,000 sq. mts. of class A office space is currently under construction and likely to enter the market between the end of 2008 and 2010⁵
- **Power supply:** Chile currently faces shortage of power supply, however electricity costs are at par or lower than most Latin American cities⁶. There are initiatives to increase the power production capacity through construction of Liquefied Natural Gas (LNG) terminals and hydroelectric dams, which are expected to improve the power situation by 2012⁷
- **Telecom Infrastructure:** Santiago offers quality telecom infrastructure and high speed connectivity. Chile connects to Latin America and the rest of the world via three international fiber optic networks (more than 80 Gbps) and satellite services³. Chile also scores high on penetration of technology (mobile phones, internet connections) amongst Latin American countries
- **National and International connectivity:** The international airport at Santiago offers direct connectivity to major locations, in the US and Europe
- **Upcoming projects:** The University of Chile is building a Technology Park over a 1,000 hectare space, including a 9,000 sq. mts. Innovation and Business Center and an incubator³.

State/ city specific incentives for IT-BPO over and above country level incentives, if any⁶

- A grant of up to 60 percent or a maximum of USD 30,000 to cover pre-investment studies for high tech companies investing USD 500,000 or more
- This grant is to partially fund the cost of pre-feasibility, location, due diligence or other such studies required, prior to the consolidation of the investment.

Quality of life

- **Cost of living:** Santiago offers a good quality of life and numerous options for low-cost high-standard housing and schooling
- **Crime rate:** According to a study by America Economia (based on 2004 data), Santiago has one of the lowest rates of violent crime in Latin America
- **Pollution levels:** Santiago has high air pollution due to the concentration of industry and a large number of vehicles. Further, the city is located in a valley with geographic characteristics that do not support the dispersal of air pollutants
- **Ease of commuting:** The city offers a fairly modern and extensive transport system comprising a well-linked network of Metro, buses and taxis. The Metro system in the city is currently under expansion
- **Availability of Hotels:** The city has numerous lodging options ranging from premium hotels, including international chains, to budget accommodation.

Risk: City specific

- **Catastrophic risks:** Chile is located in an active seismic zone and has had a history of earthquakes, which has led to loss of life and property in the past⁸
- **Political risks:** The government has taken measures to increase the efficiency of the public administration and to ensure transparency in governance, which has led to a fairly stable political structure
- **History of disruptions:** Civil disturbances occur infrequently, with a few instances of domestic violence in the last few years⁶.

1 Americas Society and Council of the Americas website

2 Ministry of Education, Chile

http://www.mineduc.cl/index0.php?id_portal=1

3 Foreign Investment, Chile website

4 www.apec.org/etc/medialib/apec_media_library/downloads/workinggroups/hrdwg/mtg/2005/pdf.Par.0050.File.v1.1

5 CB Richard Ellis, 3Q 2008

6 http://www.hightechchile.com/incentives_and_services

7 www.bloomsburyminerals.com/chileanpowersupply.pdf

8 OSAC Chile 2008 Crime & Safety Report

Mexico



Mexico

Country Snapshot

Size of the country	1,964,375 sq. kms.
Population	105.7 million (July 2007)
Capital	Mexico City
Currency	Mexican Peso (MXN)
1 USD = MXN (average)	11.25 (2008)

Sources: www.eiu.com, www.cia.gov, www.gocurrency.com

Main macroeconomic indicators:

GDP in PPP: USD 1347.1 billion (2007 est.)¹
 GDP per capita in PPP: USD 12,390 (2007 est.)¹
 CPI: 3.4 percent (2007 est.)²
 Unemployment rate: 3.7 percent (2007 est.)¹
 FDI stock per capita: USD 2,400 (2007 est.)¹



Political Structure¹

The United Mexican States is a federal republic whose government is based on a presidential system. The political system is presidential, bicameral and federal (31 states). The President is elected for a non-renewable six-year term and appoints the cabinet. Mexico has 31 states divided into municipalities, and the Federal District (Mexico City). Most taxes in Mexico are federal; therefore, states have a limited opportunity to offer tax incentives. However, Mexican states have begun competing aggressively with each other for investments, and most have development programs for attracting industry.

Business and Investment Climate

Foreign Direct Investment (FDI): Mexico receives the second-largest inflow (after Brazil) of FDI of any country in Latin America. FDI inflows totalled USD 24.7 billion in 2007, up from USD 19.2 billion in 2006¹.

GDP growth: Mexico's GDP recorded a growth of 3.2 percent in 2007. The EIU expects Mexico's GDP to grow slowly to 1.9 percent in 2008 and 0.9 percent in 2009 (previously 2.3 percent and 1.6 percent)¹.

Inflation: Following an upward trend in January-August 2008, consumer price inflation abated in the first half of September 2008 to 5.43 percent owing to easing food prices¹. The EIU anticipates inflation to reach 7.1 percent in 2008 and 5 percent in 2009.

IT-BPO Scenario in the country

The proximity to the US market, low-cost qualified personnel, and access to the Latin American market are some of the advantages for Mexico in IT-BPO sector. The IT-BPO export for 2007 was USD 12.3 billion³.

Currently, the IT-BPO industry comprises nearly 500,000 IT professionals. In addition to this, close to 65,000 new IT professionals are graduating from universities or technical schools each year³. Companies like Getronics, Unisys, IBM, TCS, Softtek, Manhattan Associates have bases in Mexico.

MexicoIT is an initiative executed by the National Chamber of Electronics, Telecommunications and Information Technologies (CANIETI), an industry association of leading IT companies in Mexico, and is supported by the Mexican Ministry of Economy through the Program for the Development of the Software Industry (PROSOFT)³. The main objective of the initiative is to promote Mexico in the IT space and as a world class near-shore alternative.

Some of emerging cities in IT-BPO sector include Queretaro and Guadalajara with other established locations like Mexico City, Juarez and Monterrey.

Government incentives³

IT-BPO companies established in Mexico can receive cash grants of up to 50 percent of the total cost of their project and tax credit of up to 30 percent of the total R&D expense.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BBB / Stable
Standard & Poor's Foreign Currency Risk Rating	BBB+ / Stable / A-2
Ease of Doing Business Rank (2009)	56
Rigidity of Employment Index (2009)	48

Sources: www.eiu.com, World Bank, Standard & Poor's



¹ EIU www.eiu.com, various pages, December 2008

² CIA Factbook - <https://www.cia.gov/library/publications/the-world-factbook/geos/mx.html>

³ Mexico IT/ Select, Mexico (the figure includes USD 7.2 billion worth of hardware exports)

http://www.mexico-it.net/index.php?option=com_content&view=category&layout=blog&id=11&Itemid=12

Guadalajara

City Introduction

- Guadalajara is Mexico's second largest city, and the capital of the state of Jalisco¹
- Known as the Mexican Silicon Valley, Guadalajara has a large concentration of computer and electronics companies.



Quick facts	
Geographic Location	Situated in mid-Western Mexico, it can be reached from capital Mexico City by air in about an hour
Time Zone	GMT – 0600
Climate	Mild climate with two major seasons - summer and winter. The average temperature is 19.2 degrees Celsius, while average annual rainfall is 98.8 cm
Population ¹	1,600,940
Literacy rate ¹	92 percent
Languages	Spanish, English
Major industries	Food & Beverages, Textile, Tequila, Auto-parts, Agricultural products, Electronics and Communications

Source: 1 Mexico-IT (2007)

Key drivers for the city to emerge as a favorable IT-BPO destination

- The city has prominent educational institutions that produce more than 18,000 graduates in IT-related courses every year¹
- The geographic proximity to the US and similar time-zone is an advantage for the IT-BPO industry
- The city can leverage its Spanish language proficiency to provide contact center services in Spanish
- The talent pool in the city is also suitable for providing outsourced software and engineering design services
- The city has a well-developed infrastructure of quality office space, technology parks and transport system for the IT-BPO industry
- The city's government, industry and academia collaborate on various sector strategies and technological research to strengthen the high-tech cluster in the city
- The state government of Jalisco has targeted improvements in administrative processes resulting in reduced time taken to set up a business in the state.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
IBM (IT and BPO services)	TCS (IT and BPO services)
Hewlett Packard (Shared services center)	Perot Systems (IT and engineering services)
Intel (Design center)	Teletech (BPO services)

Sources: Company websites of IBM, HP, TCS, Perot; CRM Today article

Development of the current IT-BPO industry

- New opportunities are emerging for Mexico's Silicon Valley in multimedia services like digital animation, special effects and videogames
- So far, there are only small companies in the multimedia services industry in the city with fewer than 20 employees¹
- A large number of engineering design centers are also located in the city.

Industry Profile – Size and Specifics

- The combined ICT exports of the city are estimated at USD 16 billion in 2007²
- The IT cluster in Jalisco has more than 70 international companies and over 3000 employees²
- The prominent IT-BPO services sourced from Guadalajara include software development, embedded software, IT services especially firmware design and testing and multimedia.

1 Mexico-IT http://www.mexico-it.net/index.php?option=com_content&view=section&layout=blog&id=1&Itemid=3

2 Information Technology Institute of Jalisco presentation www.ijalti.org.mx/ljalti-Presentation.pdf

Human Resources

- Guadalajara is a center for education in Jalisco, producing more than 18,000 IT graduates per year¹. Prominent educational institutes in the city include Universidad Panamericana, ITESO, Universidad de Guadalajara, Monterrey Institute of Technology (ITESM) and the Universidad Autonoma de Guadalajara (U.A.G)
- The city has good availability of trained technical and engineering talent. Guadalajara is ranked high for availability of skilled labor in Mexico, especially for electronics and technology¹
- Guadalajara has a stable workforce and lower attrition rates compared to larger cities in Mexico.

Infrastructure

- **Office space (IT Parks):** Guadalajara is experiencing a boom in construction of office space. The vacancy rate is currently about 14 percent². There is a growing trend in the development of mixed-use projects that integrate office, residential, and hotel components
- **Power supply:** Power supply is not always reliable and companies have their own generators to mitigate the situation. Power is relatively expensive even when compared with some of the US cities, at USD 0.24 per kWh³
- **Telecom Infrastructure:** Guadalajara is serviced by adequate telecom infrastructure supported by optical fiber network. Telmex is the principal provider in Jalisco state. Guadalajara is planning to set up Worldwide Interoperability for Microwave Access (WiMAX) infrastructure, to provide more connectivity and higher-speed Internet access³
- **National and International connectivity:** Guadalajara provides access to the Pacific NAFTA corridor, connecting major US and Canadian cities⁴. The city is also well linked with Mexico City and with Mexico's central and northern markets by a railroad network. The Miguel Hidalgo International Airport located in Guadalajara serves numerous local and international daily flights, including direct flights to Los Angeles, Houston, Dallas, Chicago, San Francisco, and Portland⁴
- **Upcoming projects:** The second phase of the Software Park in Ciudad Guzman, which will add 2,396 sq. mts. of space, is likely to be operational by 2008⁵.

State/ city specific incentives for IT-BPO over and above country level incentives, if any⁶

- Complete exemption from payroll tax for new companies and 50 percent discount on payroll taxes for companies creating new jobs
- State contribution for training programs for employees at technical and professional levels
- Special incentives for R&D projects.

Quality of life

- **Cost of living:** Mexican cities, in general, have a cost advantage over cities in the US⁷. The quality of living in Guadalajara is also regarded as good, within Mexico
- **Crime rate:** Crime is led by drug cartels in the city. Under-reporting of crime incidences to the police is a problem, therefore official crime rates are not very reliable⁸
- **Pollution levels:** Air pollution levels in Guadalajara are quite high due to a large number of vehicles on the road. Jalisco has a pollution standard Index named Índice Metropolitano de la Calidad del Aire (IMECA) which regulates the quality of the air, and helps put measures to control pollution in place⁹
- **Ease of commuting:** Guadalajara metropolitan transit system includes metro trains, local buses and electric bus routes. However, increasing number of trucks and cars on the main roads is causing traffic congestion in the city
- **Availability of Hotels:** Guadalajara has a well developed hotel infrastructure ranging from five-star to budget hotels, including international chains.

Risk: City specific

- **Catastrophic risks:** Guadalajara lies in seismic zone II and is an earthquake-prone region, though no major earthquake has occurred so far⁸. The city is surrounded by 10 volcanoes, of which one is active. Flooding is common in some parts of the city during heavy rains. Cyclones are also common⁸
- **Political risks:** Low risk with stable political climate. The ruling party in Jalisco state has been in power since 1995
- **History of disruptions:** Guadalajara witnessed minor rioting during the summit of European Union (EU) and Latin American leaders in 2004. There have been no major incidences of rioting in the last two years.

1 Mexico-IT http://www.mexico-it.net/index.php?option=com_content&view=section&layout=blog&id=1&Itemid=3

2 CB Richard Ellis, October 2008

3 Guadalajara Reporter Article <http://guadalajarareporter.com/content/view/22538/49/>

4 Team Nafta website: <http://www.teamnafta.com/index.php/Market-Profiles/guadalajara.html>

5 IJALTI presentation - www.ijalti.org.mx/Ijalti-Presentation.pdf

6 IDC report on investment opportunities in Jalisco

7 ProMexico http://www.promexico.gob.mx/wb/Promexico/invest_in_mexico

8 Mexico 2008 Crime & Safety Report: Guadalajara

9 SIMAT website, Mexican government

<http://www.sma.df.gob.mx/simat2/ingles.php?opcion=1>

Queretaro

City Introduction

- Queretaro, formally known as Santiago de Queretaro, is the capital of the Mexican state of Queretaro
- It was ranked as one of the top 10 North American cities of the future by the FDI Magazine in 2007-08.



Quick facts	
Geographic Location	Queretaro, located in central Mexico, can be reached from Mexico City in about two hours by road
Time Zone	GMT -0600
Climate	Hot and dry in the summer, and mild during the winter. The average temperature is 22 degrees Celsius, while the annual average rainfall is 96.6 cm
Population ¹	877,837
Literacy rate ¹	95.8 percent
Languages	Spanish, Otomi, English
Major industries	Automotive, metals, chemicals, consumer goods, apparels, food processing

Sources: ¹ Mexico IT, Mexico Site Selection Website (2007)
Other sources: Queretaro Incentive Travel Planner

Key drivers for the city to emerge as a favorable IT-BPO destination

- Queretaro has a trained talent pool, and also attracts professionals from neighboring areas in Mexico
- The city can also serve as a Tier II alternative or spoke centers to companies in Monterrey and Mexico City
- The talent pool in Queretaro is well suited for technical services and Spanish contact center services
- The 2004-09 development plan for the city aims to strengthen the airport, highways and industrial infrastructure¹
- The government is taking initiatives to bring in administrative deregulation and simplification which has effectively shortened the time taken to set up in the city
- The city's proximity to the US offers a near-shore advantage and significantly lower costs of operation².

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Hildebrando (IT and BPO services)	Eidon (Software development)
Praxis (IT services)	Kio Networks (IT services)
NIIT (IT services)	Triara (Data center services)

Sources: Company websites of Hildebrando, Praxis, South American Business Information article

Development of the current IT-BPO industry

- Queretaro ranks fourth in Mexico in terms of IT sector exports trailing only the Federal District, Nuevo Leon, and Jalisco³
- The state government is focusing on making the state a leader in embedded software and contact center services in Mexico.

Industry Profile – Size and Specifics

- IT exports of the state of Queretaro amounted to USD 17.7 million in 2007³
- There are more than 60 IT-BPO companies operating in the city, with close to 3,800 employees in software development and a further 6,200 in contact center services¹
- The IT services provided from Queretaro include embedded software development, IT consulting, data centers, infrastructure management, application development and testing
- Queretaro also offers BPO services like contact centers, data mining, market analysis, finance and accounting services, and loan application processing.

¹ Queretaro Government presentation

² ProMexico website

³ Queretaro Economic Yearbook, 2007



Human Resources

- Queretaro's educational institutes produce more than 2,000 technical graduates and 1,500 IT graduates every year¹. The National Autonomous University and National Polytechnic Institute are two of the most prestigious universities in Queretaro. Another important school is the Monterrey Institute of Technology's (ITESM) Queretaro campus
- Vocational education is focused on automotive, aerospace and IT, and universities and high schools in the region have entered into technical relationship agreements with companies in and around the city to develop talent
- The proficiency in English is currently relatively limited, which can restrict the talent pool for bi-lingual services
- Queretaro has lower attrition rates than those in other destinations in Mexico. A majority of the workforce is local.

Infrastructure

- **Office space (IT Parks):** Queretaro has five major industrial parks which house the foreign companies operating in the city. Apart from the industrial parks, land to construct office buildings is available and expansion or refurbishing of existing real estate is also common
- **Power supply:** Power supply is not uninterrupted, but Queretaro has fewer power failures than other cities in Mexico. Companies have their own generators to meet the short supply².
- **Telecom Infrastructure:** The city offers fiber optic infrastructure and high bandwidth communication facilities. Telmex is the principal provider in the city
- **National and International connectivity:** Queretaro has well maintained toll roads connecting to major Mexican cities. The linkage to the North American Free Trade Agreement (NAFTA) Highway, enables access to the border cities of the US. The Queretaro International airport offers domestic and international flights to American and Mexican cities
- **Upcoming projects:** The construction of the Parque Microindustrial Santiago started in December 2007, to offer options to small companies to install or relocate. This park is expected to be operational in 2009³.

State/ city specific incentives for IT-BPO over and above country level incentives, if any⁴

- The State of Queretaro provides complete exemption on State Payroll Tax
- Queretaro has created a special program to promote ICT Industry, named QSoft. This program provides incentives for development of productive projects, as well as for training and certification employees in specific technologies and platforms
- The Government of Queretaro provides a preferential rate in payment of rights in the Public Registry and assistance in infrastructure through the construction of special works.

Quality of life

- **Cost of living:** The cost of living in Queretaro is much lower than that in other larger cities in Mexico. Queretaro was ranked third in Reforma newspaper's "Third National Quality of Life in Mexico Survey"
- **Crime rate:** Queretaro is regarded as the third safest city in Mexico, with low crime rates⁵
- **Pollution levels:** Being a major industrial center, some pollution is witnessed, especially in the congested areas of the city
- **Ease of commuting:** Queretaro has a good road network, higher compared to the national average. However, traffic congestion can be an issue in the industrial areas
- **Availability of Hotels:** The city has more than 14 hotels of the four-star and above category, including international hotel chains⁶, and a number of budget hotels.

Risk: City specific

- **Catastrophic risks:** Queretaro lies in seismic zone II with low earthquake risk. However, the city is prone to floods during the rains. In the last few years, Queretaro has witnessed minor floods
- **Political risks:** There is relative political stability in the state, and the ruling party is reasonably pro-business
- **History of disruptions:** The city has not witnessed incidences related to civil unrest or terrorism.

1 Mexico-IT

http://www.mexico-it.net/index.php?option=com_content&view=section&layout=blog&id=1&Itemid=3

2 Queretaro Real Estate website

3 Municipio de Queretaro
<http://www.municipiodequeretaro.gob.mx/modules.php?name=News&file=article&sid=1310>

4 Team Nafta <http://www.teamnafta.com/index.php/Market-Profiles/queretaro.html>

5 Queretaro state government presentation

www.queretaro.gob.mx/sedesu/DESECO/FOMIND/contenidos/whyqueretaro.pps

6 VisitMexico.com

www.visitmexico.com/work/sites/Visitmexico/resources/LocalContent/6333/9/queretaro_cg.pdf

United States of America



United States of America



Country Snapshot

Size of the country	9,161,923 sq. kms.
Population	301.6 million (2007)
Capital	Washington, DC
Currency	US Dollar (USD)
1 USD = USD (average)	1.00

Sources: www.eiu.com, www.cia.gov, www.gocurrency.com

Main macroeconomic indicators:¹

GDP in PPP: USD 13,808 billion (2007 est.)
 GDP per capita in PPP: USD 45,851 (2007 est.)
 CPI: 4.5 percent (2007 est.)
 Unemployment rate: 4.6 percent (2007 est.)
 FDI stock per capita: USD 6,950 (2007 est.)



Political Structure¹

United States is a Constitution-based federal republic. The President is elected by popular vote via an electoral college for up to two four-year terms. The legislature is bicameral and consists of 100 senate members and 435 members of the house of representatives. Administratively, the country is divided into 50 states and one district. States can offer independent incentives to investors and the investment climate can differ among states.

Business and Investment Climate

Foreign Direct Investment (FDI): FDI into the US continued its upward trend, reaching USD 199.3 billion in 2007, up from USD 183.6 billion in 2006¹.

GDP growth: After substantial slowing in 2007, GDP growth is likely to weaken further in 2008. The EIU expects growth to slow to 1.8 percent in 2008, hit by the downturn in the housing market, the financial crisis and the weakening of the labor market. Growth is likely to continue to weaken sharply in 2009, to 0.6 percent.

Inflation: The EIU expects the US average consumer price inflation to ease in 2009 from its recent high. The EIU forecast that consumer prices may rise by an average rate of 4.4 percent in 2008 and by just 2.6 percent in 2009.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	AA / Stable
Standard & Poor's Foreign Currency Risk Rating	AAA / Stable / A-1+
Ease of Doing Business Rank (2009)	3
Rigidity of Employment Index (2009)	0

Sources: www.eiu.com, World Bank, Standard & Poor's

IT-BPO Scenario in the country

The US is one the key markets for outsourcing demand, and is also the largest service provider currently². The combined spending on IT-BPO by the US is estimated to be USD 1.07 trillion in 2007², accounting for 45 percent of the global IT spending and about 66 percent of the global BPO spending².

The Information Technology Association of America (ITAA) is the high-tech industry association working to maintain America's role as the leading source for innovation. It represents and enhances the competitive interests of the US information technology and electronics industries.

Government incentives³

Most states in the US have an Economic Development Agency with extensive funds available for investment incentives that include tax breaks, training grants, land purchase assistance and other benefits. There is strong competition to attract the best companies and discretionary incentives are often decided on a case-by-case basis.



¹ EIU www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

² IDC estimates IDC Predictions 2008: The Hyper-Disrupted IT Industry Takes Root

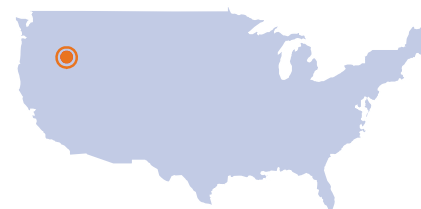
³ FDI Magazine

http://www.fdimagazine.com/news/fullstory.php/aid/187/Labyrinth_of_incentivesUnited_State_s.html

Boise

City Introduction

- Boise is the capital of Idaho state
- It is also Idaho's largest city and the center of commerce and politics for the state¹



Quick facts	
Geographic Location	Boise is situated in a wide river valley at the foot of Rocky mountains, and can be reached from Seattle by air in about an hour and 30 minutes
Time Zone	GMT -0700
Climate	Climate is tempered year-round by air from the Pacific Ocean, with three seasons: summer, autumn and winter. The annual average temperature is 10.5 degrees Celsius. The average annual rainfall is 30.7 cm and annual average snowfall is 54.1 cm
Population ¹	567,640
Literacy rate ²	99 percent
Languages	English
Major industries	Defense equipment manufacturing and related services, Forestry, Computer components / systems, Tourism

Sources: 1 CIA 2006
2 CIA data for U.S. (literacy rates by city are not available)

Key drivers for the city to emerge as a favorable IT-BPO destination

- Boise has a number of reputed education institutions, including the Boise State University that produce a technical talent pool
- An incentive system and easy funding has promoted a large number of start-ups in Boise. This has helped create a culture of entrepreneurship and an injection of talent and ideas into the city
- Kiplinger Personal Finance magazine named the city of Boise as the fourth best city in the country to "Live, Work and Play" for 2008²
- Companies locating in Boise have the benefit of onshore operations combined with a lower cost of living compared with other cities in the US³.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Hewlett Packard (IT services)	Microsoft (IT services)
SCP Global Technologies (BPO services)	MobileDataforce (IT services – mobile software)
Synoptek (IT services)	Keynetics Inc. (R&D services)

Sources: Company websites of Microsoft, Synoptek, Boise Valley Economic Partnership

Development of the current IT-BPO industry

- Boise's high tech⁴ industry started in the 1970s with companies like Hewlett Packard and Micron Technology setting up base in the city
- The city plans to take advantage of the onshore trend taking place in the US now
- Boise is building its software industry by encouraging start-ups and entrepreneurship
- Microsoft acquired a local software development firm, ProClarity in 2006.

Industry Profile – Size and Specifics

- There are close to 34,081 high tech workers employed in Boise's industry⁵
- The city is characterized by small and medium enterprises. According to the Idaho Department of Commerce, the Boise area has around 400 software and information-technology companies⁶
- Services offered from Boise include embedded software and firmware development.

1 City of Boise website <http://www.cityofboise.org/CityGovernment/AboutBoise/>

2 City of Boise News Release <http://www.cityofboise.org/Departments/Mayor/NewsReleases/2008/page30377.aspx>

These rankings are based on growth in population, jobs and income; overall cost of living and the number of quality jobs in technology, education, and professional and technical services

3 http://www.industrytoday.com/article_view.asp?ArticleID=F310

4 High-tech includes high-tech manufacturing, communications services, and software and computer-related services

5 Boise, Idaho: An Overview of the High-Technology Economy in the Treasure Valley. White Paper written by Heike Mayer, Ph.D., Assistant Professor, Urban Affairs and Planning Program, Virginia Tech - Alexandria Center (February 2008)

6 Idaho Department of Commerce http://idahosea.org/Member_Companies/



Human Resources

- The city is home to institutions such as BSU College of Engineering; ITT Technical Institute¹
- Boise has a higher rate of number of students graduating (37 percent) compared to the national average of 27 percent²
- The total number of graduates passing out annually out of the Boise State University is about 6,500. The city however faces a talent shortage. In 2007, the BSU graduated just 28 students with computer-science degrees³.

Infrastructure

- **Office space (IT Parks):** There is 1.9 million sq.mts. of office space in Boise and the city has a vacancy rate of 9 percent⁴
- **Power supply:** Idaho Power, the company that supplies electricity to Boise, no longer has a power surplus, and would need to add 1300MW to meet "current" demand⁵; expected to be added after 2012³
- **Telecom Infrastructure:** Time Warner Telecom (now TW Telecom) provides complete voice, data and network solutions, with nearly 100 route miles of local fiber network in the city of Boise⁵
- **National and International connectivity:** Boise has several direct air connections to cities such as Denver, Phoenix, Seattle, Chicago, Los Angeles and San Francisco. The city's airport has been newly renovated
- **Upcoming projects:** Boise WaterCooler, a business development center, is being set up to provide office space and offer support services to start-up businesses. The WaterCooler has room for eight small businesses, additional cubicle space for more than 15 people, and space for training and meetings³.

State/ city specific incentives for IT-BPO over and above country level incentives, if any⁶

- Businesses that invest a minimum of USD 500,000 in new facilities and create at least 10 new jobs averaging USD 40,000 annually, plus benefits, may qualify for a variety of incentives. Qualifying companies receive:
 - An enhanced Investment Tax Credit of 3.75 percent up to USD 750,000 or 62.5 percent of tax liability in any 1 year
 - New jobs tax credit starting at USD 1,500 and climbing to USD 3,000 per job
 - A 2.5 percent real property improvement tax credit up to USD 125,000 in any 1 year along with a 25 percent rebate on sales tax paid on construction materials for the new facilities
 - Upon request from the company, the respective county commissioners may also authorize a full or partial property tax exemption.

Quality of life

- **Cost of living:** The 2008 cost of living index in Boise is 89.0, which is less than the US average taken at 100¹
- **Crime rate:** According to FBI statistics, Idaho's crime rate is the lowest in the West. The rate of serious crime is 21.3 percent less than the national average⁷
- **Pollution levels:** Pollution levels can be high. Being a valley city, Boise faces a problem of winter inversion, which leads to pollution and smog being trapped close to the ground
- **Ease of commuting:** ValleyRide provides regional public transport and fixed-line bus service in Boise. City taxis, which can also be booked online, are available in Boise for local commuting. Average commuting time is about 18 minutes⁶
- **Availability of Hotels:** There are several hotels, including international hotel chains, and motels available in Boise.

Risk: City specific

- **Catastrophic risks:** The city of Boise is exposed to wildfire⁸ risks as it is located close to the Boise National Forest
- **History of disruptions:** In August 2008, a wildfire destroyed 10 houses and damaged nine others in Southeast Boise⁹.

1 <http://www.city-data.com/city/Boise-City-Idaho.html>

2 Kiplinger Personal Finance magazine <http://www.estech.org/?pageName=Why>

3 Idaho Statesman article

4 Office Market Trends Boise – Grubb and Ellis Research 2008

5 Red Orbit news article http://www.redorbit.com/news/technology/76995/time_warner_telecom_improves_city_of_boise_voice_and_data/index.html

6 Starting A Business In Idaho Publication 2007 - 2008 by Idaho Department of Commerce C.L. "Butch" Otter, Governor

7 Visit Idaho website <http://www.visitidaho.org/about/relocation.aspx>

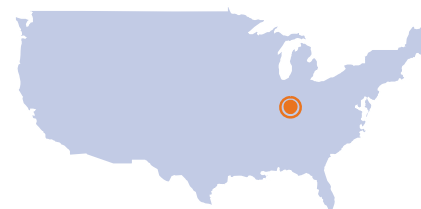
8 The term "wildfire" is used for uncontrolled fire that destroys forests and many other types of vegetation, as well as animal species

9 Fox News article (25 August 2008)

Indianapolis

City Introduction

- Indianapolis is the capital of the state of Indiana, and the twelfth largest city in the US¹
- The city has a strong reputation in sports activities, and has hosted several international sporting events.



Quick facts	
Geographic Location	Situated in east-central US, it can be reached from New York by air in about 2 hours and 30 minutes
Time Zone	GMT -0500
Climate	Temperate weather, with no pronounced dry or wet season. Summers are warm, while winters are frigid and humid. The average temperature is 11.3 degrees Celsius, while average annual rainfall is 101.6 cm
Population ¹	797,268
Literacy rate ²	99 percent
Languages	English
Major industries	Food and allied products, chemicals, electronics, medical and optical goods

Sources: 1 FBI 2007
2 CIA data for the country (data not available at the state or city level)

Key drivers for the city to emerge as a favorable IT-BPO destination

- A number of reputed universities located around Indianapolis offer courses in information technology, creating a ready talent pool for the IT-BPO industry
- The city offers a variety of incentives to the IT-BPO industry. In a 2008 study, KPMG has ranked it the city with the third most cost effective tax structure²
- Indianapolis is located most centrally among the top 100 markets in the US³, giving it access to talent from other cities
- Indianapolis offers well developed infrastructure including power, telecom, roads and a good quality of life for its residents
- The city is suited to leverage the outsourcing potential in the life sciences industry, due to presence of a large number of life sciences companies in the region
- Companies locating in Indianapolis have the benefit of onshore operations combined with lower costs compared with other IT centers in the US, especially the Silicon Valley area.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Software Engineering Professionals, Inc. (IT services)	Interactive Intelligence (ICT services)
Exact Target (IT services)	HP (IT services)
Defender Direct (IT services)	Tata Consultancy Services (IT services)

Source: Indy Partnership website

Development of the current IT-BPO industry

- The technology industry in Indianapolis has witnessed sustained growth over the last four to five years, and has seen positive job creation
- The average "technology" worker in the city earns approximately 54 percent more salary than the average private sector worker⁴
- Indianapolis is a hub of entrepreneurial activity, with a large number of small and medium sized ICT companies located in the region.

Industry Profile – Size and Specifics

- There are about 2000 information technology firms in the Indianapolis region⁴
- Around 28,500 people are employed in the high-tech industry in Indianapolis⁴
- Computer systems design and related services was the largest high-tech industry sector in 2006, followed by telecommunications services
- Indianapolis is predominantly focused on ICT and technology related services, with relatively lower traction in BPO services.

1 Indianapolis University <http://www.uindy.edu/aboutuindy/indylinks.php>

2 KPMG "Competitive Alternatives 2008" study

3 Cybercities 2008: An Overview of the High-Technology Industry in the Nation's Top 60 Cities

4 Indy Partnership presentation, 2007 (The Indianapolis region is a 10-county area including Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Monroe, Morgan and Shelby counties)

Human Resources

- Large and renowned universities like the Indiana University, Purdue University, Rose Hulman Institute of Technology, Ivy Tech Community College and the University of Illinois are situated near Indianapolis. Most of these universities have courses for computer studies and information technology
- More than 1,350 students graduate in IT-related courses every year from institutions in and around the city¹
- Additionally, the Indianapolis region was estimated to have around 63,900 underemployed workers in 2007, 22 percent of whom had information technology skills².

Infrastructure

- **Office space (IT Parks):** The office market in Indianapolis saw vacancy rates of 16.2 percent in the central business district (CBD) and submarket areas³. The average office rental rates for non-CBD areas are among the lowest within states in the US. The city currently has five certified tech parks, including the Indianapolis Life Sciences Research Community and Indiana Business Incubators
- **Power supply:** Power supply is reliable and costs about USD 0.06 per kWh¹
- **Telecom Infrastructure:** One of the country's eight major fiber optic cable spines – Internet 2 - runs through the Region and is hosted by the Indiana and Purdue Universities
- **National and International connectivity:** Four interstate highways converge in Indianapolis. An upgrade to the Indianapolis International Airport was completed in November 2008 at a cost of USD 1 billion⁴
- **Upcoming projects:** The Purdue Technology Center, expected to open in fall 2008, is being built on 16 hectares of land. The Purdue Research Park, created in partnership with Holladay Properties, Inc. is being built on a 31-hectare site⁵.

State/ city specific incentives for IT-BPO over and above country level incentives, if any⁶

- In 2003, the Indiana state brought in several tax changes, including the phase-out of the inventory tax, elimination of gross income tax and increased research tax credits. Permissions for businesses in the State can be obtained online
- Several incentives can be availed subject to certain key criteria / requirements being fulfilled. The incentives include:
 - Phase in of real property tax obligation over one to ten year period
 - Credit available to a business engaged in making qualified media productions in Indiana
 - Refundable tax credits based on existing and additional payroll for jobs retained and created in Indiana.

Quality of life

- **Cost of living:** The cost of living in Indianapolis is lower than the national average, especially on parameters such as cost of groceries, utilities and healthcare⁷
- **Crime rate:** Crime rate is quite high, with 12 incidents of violent crime for every 1000 people⁸. Incidences of crime against property were much higher, at 63 for every 1000 people in 2007 in the city⁸
- **Pollution levels:** Air pollution is high. Air Quality Index (percentage of days when air quality was ranked as good) was 58.1 percent in Indianapolis⁹
- **Ease of commuting:** There are no major congestion issues in the city. However, the city lacks a mass rapid transport system. A four-rail system for the city has been proposed
- **Availability of Hotels:** Indianapolis has budget as well as luxury hotels, including international chains. The Intercontinental Group opened its 121-room hotel in October 2008.

Risk: City specific

- **Catastrophic risks:** Indianapolis is prone to floods and tornadoes. The city participates in the National Flood Insurance Program under which floodplain management practices are implemented, and property owners are able to insure against flood losses¹⁰
- **Political risks:** There has been stability during the last decade with the ruling party completing its term in power
- **History of disruptions:** The city has had a history of disruptions on account of flood and tornadoes. However the civic administration has a disaster management program in place to tackle these disruptions.

1 Indy Partnership presentation, 2007

2 The Indianapolis, Indiana Area Labor Availability Report, September 2007

3 Colliers Turley Martin Tucker and Cushman Wakefield Alliance 2Q 2008

4 Midwest Construction http://midwest.construction.com/features/archive/BestOf2008_35.asp

5 NewsAndTribune website:
http://www.newsandtribune.com/local/local_story_066122747.html

6 Indiana Economic Development Corporation

7 ACCRA, 2007 Annual Average Data on Cost of Living

8 FBI Crime Rate Index 2007

9 Best Places to Retire 2007:
<http://money.cnn.com/magazines/moneymag/bpretire/2007/snapshots/PL1836003.html>

10 US Department of Homeland Security
<http://www.fema.gov/news/newsrelease.fema?id=46811>

Asia Pacific





ASPAC



Asia Pacific (ASPAC) is one of the most dynamic and fastest growing regions in the world. Due to its diversity, it defies almost any kind of stereotypes and comparisons.

The rise of the ASPAC region as a services sourcing destination is led by the Indian success story. Over the last few years, other Asian locations such as China, Australia, Malaysia, Sri Lanka, Vietnam and the Philippines have been leveraging the relative cost advantage to attract customers and have managed to gain the spotlight on the global IT-BPO map.

Realizing the growth potential of the IT-BPO industry, Tier II cities in the ASPAC region have now jumped on the sourcing bandwagon and are being projected as specialist destinations, and the service providers are developing capabilities in various services. Over and above the incentives offered by the central government of the countries, provincial governments have also started providing incentives to companies that wish to set up operations in their administration.

Besides offering lower costs, good talent pool, and better quality of life, Tier II cities in the ASPAC region can also offer scalability. Most of the ASPAC countries have a young population, and therefore the working age ratios are relatively high.

Although parts of the ASPAC region largely cater to the English speaking market, cities in China such as Changsha have Korean and Japanese linguistic capabilities, and cities such as Ahmedabad serve a large Indian domestic market.

Most of the Tier II cities in the ASPAC region have the benefit of learning from the success stories of the large cities in their respective geographies and have the potential to emulate this success.

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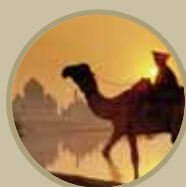
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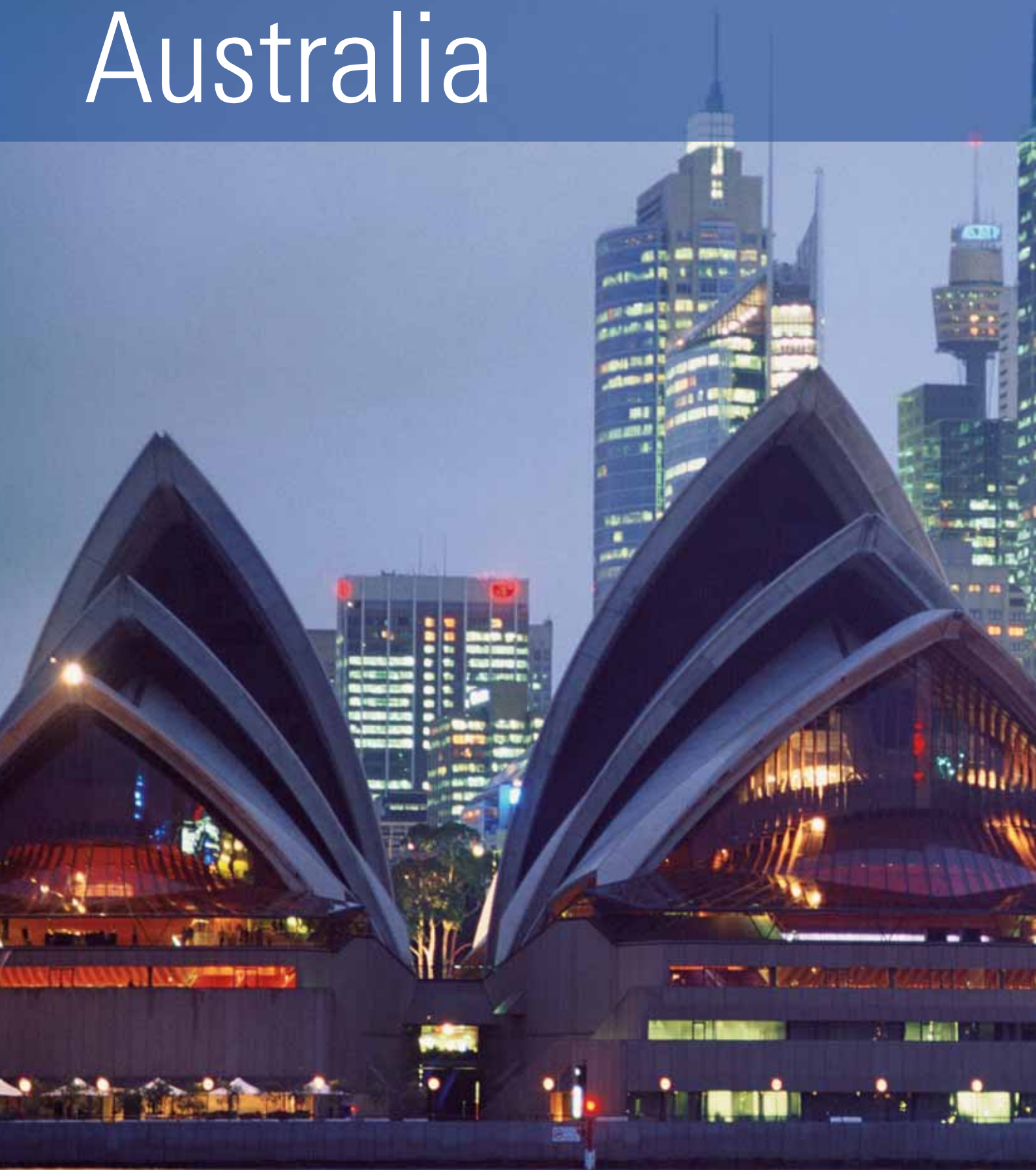
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Australia



Australia

Country Snapshot

Size of the country	7,682,400 sq. kms.
Population	20.4 million (2007)
Capital	Canberra
Currency	Australian Dollar (AUD)
1 USD = AUD (Average)	1.20 (2008)

Sources: www.eiu.com, www.cia.gov, Gocurrency.com

Main macroeconomic indicators¹:

GDP in PPP: USD 762 billion (2007 est.)
 GDP per capita in PPP: USD 37,234 (2007 est.)
 CPI: 4.5 percent (2007 est.)
 Unemployment rate: 4.4 percent (2007 est.)
 FDI stock per capita: USD 14,036 (2007 est.)



Political Structure¹

Australia is a constitutional monarchy, with the Governor-general acting as the representative of the British crown. The legislature consists of a federal parliament comprising a 76-member Senate (upper house) and a 150-member House of Representatives (lower house). Each of the six states in the federation has its own government, with a governor and a bicameral legislature, apart from Queensland, which has a unicameral legislature. Currently, the Labor Party has a large majority in the House of Representatives. The next federal election is to take place in 2010.

The country is administratively divided into six states and two territories, the governments of which may offer different investment incentives that promote their economies and encourage FDI in their own right.

Business and Investment Climate

Foreign Direct Investment (FDI): FDI inflows to Australia in 2007 were USD 31 billion² up from USD 24 billion in 2006³, according to the Australian Bureau of Statistics.

GDP growth: According to EIU, the annual GDP growth is expected to average 2.2 percent in 2009-10, down from an average of 3.3 percent in 2003-07.

Inflation: Inflation rate was 3.6 percent in 2007 and is expected to be above the 2-3 percent range targeted by the Reserve Bank of Australia (the central bank) in 2008 and 2009¹.

IT-BPO Scenario in the country

Australia is one of the important destinations for Information and Communication Technology (ICT) services in many areas, including software development, systems integration and wireless networking, e-commerce, smart cards and computer games.

In 2005-06, the packaged software and computer services industry in Australia was worth USD 18 billion. In August 2006, there were 168,000 people employed in the IT-BPO industry⁴.

The government has a significant focus on the ICT industry and has committed USD 380 million over 10 years (to 2011) to establish and operate a centre of excellence for ICT research (National ICT Australia or NICTA), research training and commercialization.

Government incentives

The Research and Development Tax Concession, administered by AusIndustry (division of the Department of Innovation, industry, science and research of the Australian government), allows companies to deduct up to 125 percent, and in certain circumstances up to 175 percent⁵, of qualifying expenditure incurred on Research and Development activities. Certain ICT companies that are not yet making profit have the option of taking the tax concession as a tax offset, which can provide cash to fund their Research and Development activities.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BBB/ Negative
Standard & Poor's Foreign Currency Risk Rating	AAA/Stable/A-1+
Ease of Doing Business Rank (2009)	9
Rigidity of Employment Index (2009)	3

Sources: www.eiu.com, World Bank, Standard & Poor's



1 www.eiu.com, various pages, December 2008

2 www.fdimagazine.com/news/fullstory.php/aid/2153/Australia_FDI_inflow_doubles.html, FDI Magazine, 2007

3 www.business.nsw.gov.au, Department of State and Regional Development website, December 2008

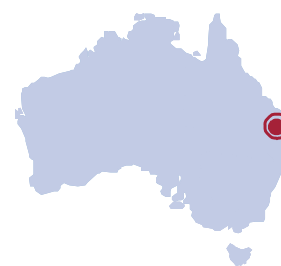
4 www.austrade.gov.au, December 2008

5 www.ausindustry.gov.au, December 2008

Brisbane

City Introduction

- Brisbane is the capital city of Queensland and Australia's third largest city, after Melbourne and Sydney¹
- It is a popular business and tourist center.



Quick facts	
Geographic Location	Situated on the east coast of Australia, it can be reached by air from Sydney in about one hour
Time Zone	GMT + 1000
Climate	Sub-tropical climate with hot summers and clear mild winters. The average summer temperature is 24.8 degrees Celsius, while winter average is 15.6. The average annual rainfall is 115.2 cm
Population ¹	1,857,594
Literacy rate ²	52.6 percent**
Languages	English, Chinese, Italian
Major industries	Tourism, Oil Refining, Mining, Financial Services, Construction, Health

Sources: 1 Australian Bureau of Statistics (2007)

2 2006 Australian Census

** Persons aged 15 years and over with a qualification

Other sources: Population statistics: Queensland Govt, Office of Economic and Statistical Research, 2007; Invest Brisbane website

Key drivers for the city to emerge as a favorable IT-BPO destination

- Brisbane has a large talent pool, with a higher proportion of graduates than the national average. It attracted over 40,000 international students in 2006²
- The city is home to renowned universities known for their quality of education and research and development
- Brisbane is recognized for its engineering talent and has a higher number of ICT graduates per capita than any other Australian state³
- More than 16 percent of households speak a language other than English⁴, thus providing a multi-lingual workforce
- The Queensland Government promotes the growth of the ICT industry through its "Smart ICT Strategy" that extends support to the ICT industry for raising capital, export enhancement, research and development, and business development⁵
- Brisbane offers cost advantages over cities like Melbourne and Sydney in Australia, with 10-15 percent lower employee costs on an average⁶.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Oracle (Software development services)	IBM (BPO services)
Red Hat (Engineering and support services)	Microsoft (IT services)
HCL Technologies Application Development & Maintenance services (ADM)	Technology One (IT services)

Sources: Company websites of IBM, Microsoft, HCL, Technology One, IT News Australia

Development of the current IT-BPO industry

- The Information and Communications Technology (ICT) industry is a key growth sector within Queensland's economy
- Brisbane is gaining recognition as a hub for gaming development in Australia
- Lower costs within Australia and access to creative talent has attracted leading gaming companies such as Sony, Electronic Arts, Nintendo and Microsoft to Brisbane³.

Industry Profile – Size and Specifics

- The ICT revenue of Brisbane was USD 23.6 billion in 2007. There were close to 5,600 companies employing 77,300 employees³. The IT-BPO industry is a key component of Brisbane's ICT industry
- The ICT industry is fragmented, with medium and large ICT businesses accounting for a significant proportion of employment and sales, co-existing with a large number of micro and small businesses
- The prominent IT-BPO services sourced from Brisbane include software development, customer care, engineering services, game development and e-security services
- The city also caters to the domestic market for software development, especially for the mining industry in Australia.

1 Population statistics, Queensland Government, 2006

2 www.brisbane.qld.gov.au, December 2008

3 www.investbrisbane.com.au/Sectors/ICT.aspx, December 2008

4 BrisbaneMarketing.com, various pages, December 2008

5 Government of Queensland, Working in ICT in the Queensland Government, the Smart State, 2007

6 Australian Census 2006



Human Resources

- Brisbane has a large educated talent pool with nearly 140,000 students collectively enrolled in Brisbane's universities in 2007¹. The city is home to renowned universities like The University of Queensland, Queensland University of Technology, Griffith University, Bond University and TAFE Network
- Brisbane is recognized for its engineering talent, as local universities have over 18,000 students enrolled in information technology and engineering related tertiary studies¹. Brisbane has a larger number of ICT graduates per capita than any other Australian state¹
- Attrition levels are relatively lower than those in the larger cities, Sydney and Melbourne².

Infrastructure

- **Office space (IT Parks):** Brisbane is currently experiencing tight vacancy rates for commercial office space. However, the addition of nearly 600,000 sq. mts. of new office space is expected by 2012³. Brisbane's rental costs in general are lower than those in many other cities in Australia
- **Power supply:** Power supply is abundant and reliable in Brisbane, with no outages. Energex was the monopoly power supplier until 2007, when the retail market for power was opened up to private competition to allow more choice to retail consumers
- **Telecom Infrastructure:** Brisbane has a network of high capacity telecom links which provide telecom infrastructure for business centers located in and around the city
- **National and International connectivity:** Brisbane is strategically placed at the junction of major national and regional road networks. Brisbane also offers an extensive network of domestic and international flights with almost 30 airlines collectively operating more than 2,700 domestic and international flights per week².

State/ city specific incentives for IT-BPO over and above country level incentives, if any

- The Queensland Government's Innovation Program offers a portfolio of grants with over USD 3 billion invested to date, targeted at innovative and research oriented projects²
- Rebate of state based taxes and duties⁴:
 - Refunds of up to 100 percent of payroll and land taxes directly related to the project, incurred and paid by the business over the early years of operation
 - Refunds in part or in full of Queensland Stamp Duty incurred and paid in relation to the establishment of the project.

Quality of life

- **Cost of living:** Cost of living in Brisbane is relatively lower than in cities like Sydney, Melbourne and Perth⁵
- **Crime rate:** Brisbane is considered to be a relatively safe city; with low crime rates
- **Pollution levels:** The quality of air in Brisbane is generally good, and Australian National Air Quality standards are rarely exceeded⁶. It is also regarded as one of the greenest cities in Australia¹
- **Ease of commuting:** Brisbane has an extensive public transport system including suburban electric trains, Brisbane City Council buses, private coach companies and ferries. However, a large number of commuters prefer personal vehicles. Traffic congestion and shortage of parking space are witnessed during peak business hours
- **Availability of hotels:** Brisbane has quality hotel infrastructure, including international hotel chains, since tourism is a significant part of the city's economy.

Risk: City specific

- **Catastrophic risks:** Brisbane is occasionally subjected to natural disasters like bushfires, floods and severe storms
- **Political risks:** Low political risk, as the state of Queensland has had a stable political climate for the last few years.

1 www.investbrisbane.com/Sectors/CreativeIndustries.aspx, December 2008
2 www.investqueensland.com.au/dsdweb/v3/guis/templates/content/gui_cue_menu_iq.cfm?id=30223, December 2008
3 BrisbaneMarketing.com website, various pages, December 2008

4 www.investqueensland.com.au/dsdweb/v3/documents/objectdirected/nonsecure/pdf/33386.pdf, Queensland Investment Incentives Scheme, 2007
5 www.qut.edu.au/about/lifebris/living.jsp, December 2008
6 www.brisbane.qld.gov.au/BCC:BASE::pc=PC_2838, December 2008

China



China

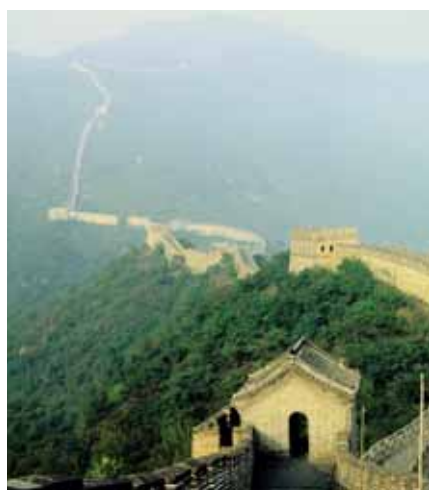
Country Snapshot

Size of the country	9,561,000 sq. kms.
Population	1,330 million (Jul '08 est.)
Capital	Beijing
Currency	Renminbi / Yuan (RMB)
1 USD = RMB (Average)	6.92 (2008)

Sources: www.eiu.com, www.cia.gov, Gocurrency.com

Main macroeconomic indicators¹:

GDP in PPP: USD 7,238 billion (2007 est.)
 GDP per capita in PPP: USD 5,480 (2007 est.)
 CPI: 6.7 percent (2007 est.)
 Unemployment rate: 9.2 percent (2007 est.)
 FDI stock per capita: USD 326 (2007 est.)



Political Structure¹

China is a socialist republic ruled by a single-party, the Chinese Communist Party (CCP). There are 22 provinces, and four municipalities directly under central government control and 5 autonomous regions. These elect local people's congresses, and are administered by people's governments. Investor climate varies depending on the policies of the local government, which usually offers its own set of fiscal subsidies and tax refunds.

Business and Investment Climate

Foreign Direct Investment (FDI): FDI into China touched USD 82.66 billion in 2007¹, an increase of 13.8 percent over 2006. Gross fixed investment growth is likely to be lower in 2008-12, partly owing to higher real interest rates¹

GDP growth: China's GDP grew 11.9 percent in 2007; however according to EIU real GDP growth may moderate to 9.8 percent in 2008 and 8 percent in 2009, largely owing to the weaker outlook for net exports¹

Inflation: China's inflation is decelerating after reaching an 11-year high of 8.8 percent in February 2008¹. EIU expects consumer price inflation to average 6.7 percent in 2008. Average inflation is likely to moderate to 3.8 percent in 2009-10, owing to low food price inflation¹.

IT-BPO Scenario in the country

It is estimated that there are at least 8,000-10,000 firms² operating in the IT software and services sector in China. China's offshore outsourcing revenue grew more than 40 percent in 2007 to reach USD 2.3 billion³.

To develop China's capabilities as an outsourcing base for IT software and services, the Ministry of Commerce has implemented the 'Thousand-Hundred-Ten Project', with a total funding anticipated to be in excess of USD 1 billion⁴. The program has a heavy emphasis on providing training and development to its personnel for employment in services outsourcing jobs.

The Ministry has launched a project to develop 13 cities for services outsourcing across the country. These cities are: Shanghai, Dalian, Xi'an, Shenzhen, Chengdu, Beijing, Tianjin, Nanjing, Wuhan, Jinan, Hangzhou, Hefei and Changsha.

Government Incentives

The Chinese government provides investment incentives in the form of tax benefits, including value added tax, customs and income tax benefits.

In the past, foreign-invested enterprises benefited from preferential tax rates and could obtain a rebate of 40 percent on taxes paid on income if profits were reinvested in China for 5 years⁵. Where profits are reinvested in high technology or export-oriented enterprises, a foreign investor could receive a full tax rebate. However, in March 2007, the National People's Congress passed a new Corporate Income Tax Law, which eliminated many of the tax advantages that had been enjoyed by foreign investors⁵.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BBB /Stable
Standard & Poor's Foreign Currency Risk Rating	A+/Stable/A-1+
Ease of Doing Business Rank (2009)	83
Rigidity of Employment Index (2009)	27

Sources: www.eiu.com, World Bank, Standard & Poor's



1 www.eiu.com, various pages, December 2008

2 NASSCOM December 2008

3 China Software Industry Association and Chinasourcing Alliance Whitepaper, June 2008

4 www.chnsourcing.com/download/qbswp/China%20Outsource%20Strategy%201000%20100%2010%20Final.pdf, Temasys International Strategy Paper, 2007

5 US Department of State, 2008

Changsha

City Introduction

- Changsha is the capital of the Hunan province of China
- It is a key transport hub, with a diverse economic and industrial base.



Quick facts	
Geographic Location	Situated in South Central China, on the Xianjiang River, it can be reached by air from Shanghai, Hong Kong and Guangzhou in about two hours
Time Zone	GMT +0800
Climate	Moist subtropical monsoon climate with four distinct seasons – spring, summer, autumn and winter. The average temperature is 18 degrees Celsius. The annual average rainfall is 93.6 cm
Population ¹	6,530,000
Literacy rate ²	83.0 percent
Languages	Chinese, English
Major industries	Engineering, Automobile, Chinese Traditional and Biological Medicine

Sources: 1 KPMG Study: Changsha Investment (2007)

2 Changsha government (2000)

Other sources: China Travel Service website; Invest Changsha website

Key drivers for the city to emerge as a favorable IT-BPO destination

- Changsha is one of the 13 cities identified by the Chinese government as hubs for services outsourcing in China¹
- Companies located in Changsha's "Hi-Tech Zone" benefit from various incentives and grants offered by the Hunan provincial government
- Changsha produces nearly half of China's animation and cartoons², and is poised to become a hub for outsourced animation services
- The city is a key higher education and research base in central China for engineering, computer software, electronics and information technology
- Changsha has well established training infrastructure with over 30 training institutions in the city³
- Changsha offers a comparative cost advantage over the larger cities in China. Office rentals in Changsha are a fourth of rentals in cities like Shanghai⁴.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Microsoft (Mobile animation center)	Hunan Shanmao Cartoon (Animation and cartoon production services)
IBM (IT services)	Intel (Animation center)
Chinasoft (ADM services)	Perot Systems (BPO services)

Sources: Perot Systems website, Invest Changsha website

Development of the current IT-BPO industry

- Several enterprises such as Microsoft, IBM have entered Changsha by forming strategic partnerships with local firms
- The Hunan province has set aside about USD 56 million to bolster the local animation industry⁵
- The Changsha government helps companies target offshore outsourcing markets such as the US, Europe, Japan, South Korea and Hong Kong, and solicit domestic business in the Yangtze River Delta and Pearl River Delta areas⁶.

Industry Profile – Size and Specifics

- The combined IT-BPO exports of the Hunan province is estimated at USD 1.65 billion (2007)⁵
- The city houses about 700 service outsourcing enterprises³
- Services offered out of Changsha include research and development, IT services and animation
- There also seems to be traction in the healthcare medical coding and billing outsourcing segment, with local companies trying to acquire these businesses from the US and European markets.

1 www.china50bizalliance.com/Trips/ChinaSeptember2008/tabid/349/Default.aspx, China 50 Business Alliance, 2008

2 RedNet.cn, Changsha fertile land for budding entrepreneurs, June 2008

3 www.csinvest.gov.cn/jjcs_fwvb.asp, December 2008

4 KPMG Changsha Investment Environment Study, 2008

5 China Post, China Marches into Outsourcing, April 2008

6 info.hktdc.com/alert/cba-e0809d.htm, December 2008

Human Resources

- Changsha has been known for its educational system and the city boasts of having advanced educational facilities¹. The city is home to renowned institutes, such as the National University of Defense Technology, Central South University, Hunan University, and Hunan Normal University
- The city has 48 higher educational institutions² with approximately 108,000 fresh graduates annually. The availability of a large talent pool is well-suited for scale-driven IT-BPO operations²
- The proficiency in English is average, but the city has a large number of private English language training institutes, to prepare people for service outsourcing jobs that require English as a medium
- Attrition levels are about 10 percent in Tier II cities (such as Changsha) in central China, relatively lower than those in other Tier I cities in China³
- Junior software engineers in the city can be hired for USD 170 to USD 250 a month, which is a third of the rates in Tier I cities such as Beijing and Shanghai⁴.

Infrastructure

- **Office space (IT Parks):** The Changsha High-tech Zone (CHTIDZ) concentrates over 70 percent of the software development, service outsourcing enterprises in Hunan³. Changsha's Cartoon City of 75,000 sq. mts. accommodates companies involved in providing services such as animation, digital technology, gaming and media.⁵
- **Power supply:** Changsha government has been investing heavily to meet the electricity needs of the city²
- **Telecom Infrastructure:** There are several telecommunication options in Changsha including fixed line, mobile and broadband services². China Telecom is the major corporation providing telecom services
- **National and International connectivity:** The Huanghua Airport of Changsha has over 40 international and domestic air routes with direct flights to Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong, Bangkok and other cities²
- **Upcoming projects:** The Changsha government plans to invest around USD 352 million in building a large-scale national comics and games industry base which is scheduled for completion by 2010⁶.

State/ city specific incentives for IT-BPO over and above country level incentives, if any⁷

- Service outsourcing companies that set up headquarters or regional headquarters in Changsha are expected to be awarded financial subsidies on a yearly basis. Those with a registered capital of over USD 14.6 million may receive USD 732,000 in subsidies
- Companies setting up in designated outsourcing zones can enjoy a two-year waiver of taxes. They can get a subsidy of about USD 700 per employee for training and hiring
- "Fortune 500" or Chinese top 100 enterprises who conduct research or production in industries such as IT / communication, equipment manufacturing and advanced materials, or set up headquarters or regional headquarters in CHTIDZ, are to be given a one-off industry support grant. The amount of the grant is to be USD 70,500 to 141,000 considering brand reputation, investment scale and production volume.

Quality of life

- **Cost of living:** Rent in high end office buildings in downtown Changsha is typically around USD 7 per sq. mt. per month, almost a fourth of rentals in Shanghai. However, according to the National Development and Reform Commission data, the cost of new housing surged 10.1 percent on an average in Changsha in 2007⁸
- **Crime rate:** Changsha is considered to be safer than other provincial capitals in China⁹
- **Pollution levels:** Pollution levels are currently quite high. To reduce pollutants, the provincial government has planned to launch an emissions trading scheme, that fines the districts that go over the quotas assigned for dust, carbon dioxide and water pollution¹⁰
- **Ease of commuting:** The means of transportation in Changsha mainly include public buses and taxis. From 2009 to 2010, about 1000 coaches of European emission standard are scheduled to be put into operation annually¹¹
- **Availability of Hotels:** Changsha has eight five-star hotels, including international chains and several three and four-star hotels².

Risk: City specific

- **Catastrophic risks:** Changsha has witnessed floods over the years, which have caused sizable property damage. However, investments made by Hunan government along with assistance from Asia Development Bank are expected to help mitigate the potential risks of floods¹²
- **Political risks:** The political situation is stable in Changsha¹³.

1 CSinvest.gov.cn, December 2008

2 KPMG Changsha Investment Environment Study 2008

3 Premier BPO Press Release, 17 October 2007

4 LA Times, China marches into outsourcing, 8 April 2008

5 www.greatdreams.com.cn/english/body.asp?NewsID=476, Hunan Great Dreams Cartoon Media Limited Company, December 2008

6 info.hktcd.com, various pages, December 2008

7 CSinvest.gov.cn, December 2008

8 Ministry of commerce

9 Changsha Daily, Giant Police keep watch over Changsha's streets, 19 October 2006

10 Reuters, China's Changsha city plans local emissions trading, 5 August 2008

11 Hunan government, 2009 Will See Double Deckers Reintroduced in Changsha, 11 October 2008

12 Environment News Service, China Struck by Fifth Typhoon, 500,000 Evacuated, 25 July 2006

13 ADB's Hunan Flood Management Sector Project Report, 2006

Hangzhou

City Introduction

- Hangzhou is the capital of the Zhejiang Province
- It is an important transport hub in South Central China, known nationally for its historical and cultural traditions.



Quick facts	
Geographic Location	Situated in on the southern wing of the Yangtze River Delta. Hangzhou is 90 minutes from Shanghai by rail
Time Zone	GMT +0800
Climate	Subtropical monsoon climate with four distinct seasons – spring, summer, autumn and winter. The average temperature is 16.5 degrees Celsius. The annual average rainfall is 145 cm
Population ¹	6,700,000
Literacy rate ²	91.9 percent
Languages	Chinese, English
Major industries	Textiles, Electronics, Telecommunications, High-tech, Chemicals, Medicine

Sources: 1 Beijing 2008 website
2 Hangzhou government statistics (2000)

Other sources: China Travel Services, China Highlights website; China Today website

Key drivers for the city to emerge as a favorable IT-BPO destination

- Hangzhou is among the 13 cities identified by the Chinese government as hubs for service outsourcing in China¹
- About 18,000 students graduate annually in IT-related courses from educational institutions in Hangzhou²
- The city aims to become a hub for financial services outsourcing. Financial services contributed about 43 percent of Hangzhou's offshore service outsourcing contract value in the first 3 quarters of 2008²
- Hangzhou is an established industrial base, and had foreign trade amounting to USD 43.4 billion in 2007³
- The administration of Hangzhou has invested in steady infrastructure improvements over the last few years
- Hangzhou provides a lower cost alternative with affordable talent, despite being located very close to Shanghai.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Trapeze (Research and development services)	TCS (ADM services)
Netease (IT product development)	Infosys (ADM services)
Symbio Group (IT services)	Sunyard System Engineering (IT services)

Sources: Company websites of Infosys, TCS, Reuters article, China Tech News

Development of the current IT-BPO industry

- The electronics and information industry has been developing rapidly in Hangzhou since the 1990s
- Software exports in Hangzhou have increased 53.6 percent annually over the past 6 years since 2001²
- By 2006, Hangzhou was the fourth largest software development centre in terms of sales revenue, after Beijing, Shenzhen and Shanghai
- Hangzhou's service outsourcing industry, known for product innovation and research, has attracted multinational corporations to set up research and development centers in the city.

Industry Profile – Size and Specifics

- About 130,000 employees work in the software and information industries in Hangzhou³
- Of those employed, 43.9 percent are involved in research and development³
- The combined IT-BPO exports of the city are estimated at USD 261 million in 2006²
- Hangzhou Statistics Bureau shows that by the end of 2007, 1201 software enterprises had been recognized by the Hangzhou local government.

1 www.china50bizalliance.com/Trips/ChinaSeptember2008/tabid/349/Default.aspx, China 50 Business Alliance, 2008

2 tradeinservices.mofcom.gov.cn/en/i/2008-08-19/53759.shtml, China Trade in Services, August 2008

3 Shanghai Daily, Hangzhou continues to develop as key outsourcing hub in East China, 17 October 2008

Human Resources

- The city is home to 36 higher education schools, including the Zhejiang University, Zhejiang University of Technology and Zhejiang Normal University¹
- In 2007, there were 392,800 students learning in higher-education schools, 26,600 of which were postgraduate students¹
- Over 10,000 trained IT-BPO professionals pass out of training institutes each year¹
- Proficiency in the English language among students is currently low. Hangzhou has several English language training institutes for students and professionals.

Infrastructure

- **Office space (IT Parks):** Approved by the State council to be a National Hi-tech zone, Hangzhou High-tech Industry Development Zone covers a planned area of 85.6 sq. kms.²
- **Power supply:** Electric power installed capacity in Hangzhou is 2.27 million KW². The city's rapid growth is straining on its power supply, however, new generating capacity is now being built to meet the demand
- **Telecom Infrastructure:** Hangzhou has well developed telecommunication infrastructure, including high-speed Internet services
- **National and International connectivity:** Hangzhou Xiaoshan International Airport is the eighth largest in China, operating 177 international and domestic destinations, including Hong Kong, Beijing, Chengdu, Xian, Guangzhou, Tokyo, Osaka, Seoul, Macau, Bangkok and Singapore³
- **Upcoming projects:** Ascendas, an Asian business property developer, in partnership with Hangzhou Economic Development Area (HEDA) plans to build a 430,000 sq. mts. IT park, which is expected to be completed between 2012 – 2015⁴. Capitaland also intends to build a Raffles City in Hangzhou over a 40,355 sq. mts. site, which is expected to be complete by 2011⁵.

State / city specific incentives for IT-BPO over and above country level incentives, if any³

- The Hangzhou government gives continuous policy support to promote the development of outsourcing industry. These policies cover aspects such as specialized funds, enterprise authentication, market exploration, talent training, export and property rights protection
- Preferential treatment is granted to software enterprises in the High-tech Zone in Hangzhou. This includes support for start-ups, development of large and medium-sized enterprises, encouragement to independent innovation and strengthening of cooperation with research institutes through establishing special funds; and rewards for enterprises that get listed, win famous brand certificates or pass CMM / CMMI certification
- Software exported through custom clearance is to receive subsidies from USD 7,300 to USD 14,650 based on the foreign reserves as well as the newly increased foreign reserves earned from the export in that year.

Quality of life

- **Cost of living:** Living costs in Hangzhou are almost a third of costs in Tier I cities like Beijing and Shanghai, which feature among the most expensive cities of the world⁶
- **Crime rate:** Hangzhou is a relatively safe city, and incidences of violent crimes are relatively low
- **Pollution levels:** Air pollution levels in Hangzhou are relatively low. The Hangzhou government is focusing on ways to conserve energy and water and plans to make Hangzhou an Eco-friendly city by 2015. From 2003 to 2005, Hangzhou was ranked as excellent in the provincial assessment of ecological development¹
- **Ease of commuting:** As a pivotal transportation hub in southeast China, Hangzhou boasts well-developed transportation means. Local transport in the city include buses, taxis and the waterbus. Eight subway lines are being planned, with the first line scheduled to be completed in 2008³
- **Availability of Hotels:** Hangzhou has 9 five-star hotels including international hotel chains, and over a 100 four and three-star hotels⁷.

Risk: City specific

- **Catastrophic risks:** In 2008, Hangzhou suffered a snow disaster, which affected a large portion of central and south China. This was the worst winter storm in five decades⁸. The city lies in a seismic zone of medium activity
- **Political risks:** Hangzhou's political environment is stable⁹.

1 www.chnsourcing.com/article/hangzhou/index.asp, China Sourcing: Charming Hangzhou, December 2008

2 www.zhejiang-trading.com/news/newsview.aspx?id=33, December 2008

3 info.hktdc.com, various pages, December 2008

4 China Daily, Press Release, 5 July 2007

5 www.capitaland.com/en/files/CLNewsRel16July08.pdf, Capitaland, 16 July 2008

6 Mercer, Annual Cost of Living Index 2008 (Beijing and Shanghai are ranked at 20 and 24 respectively in this study)

7 KPMG's Hangzhou Investment Environment Study 2007

8 www.chinatravelguide.com/ctgwiki/2008_China_Snowstorm, ChinaTravel Guide article, 2008

9 Benfield Hazard Research Center - Earthquakes and a brave new China, 2008

* Using the following currency conversion 1 RMB = USD 0.146

India



India

Country Snapshot

Size of the country	3,287,590 sq. kms.
Population	1,147 million (2007)
Capital	New Delhi
Currency	Indian Rupee (INR)
1 USD = INR (Average)	43.39 (2008)

Sources: www.eiu.com, www.cia.gov, Gocurrency.com

Main macroeconomic indicators¹:

GDP in PPP: USD 3,094 billion (2007)
 GDP per capita in PPP: USD 2,784 (2007 est.)
 CPI: 6.4 percent (2007 est.)
 Unemployment rate: 7.2 percent (2007 est.)
 FDI stock per capita: USD 86 (2007 est.)



Political Structure¹

India follows the Parliamentary structure, comprising the Lok Sabha (Lower House) containing people's elected representatives and the Rajya Sabha (Upper House). The Indian National Congress and Bharatiya Janata Party (BJP) are the larger political parties. The current ruling government at the Center is a coalition between the Indian National Congress and several other smaller political parties. Elections are held every 5 years, with the next election due in 2009. There are 29 States within India with their own elected governments. Investor climate varies depending on the policies of the State government, in addition to those of the Central government.

Business and Investment Climate

Foreign Direct Investment (FDI): FDI inflows into India crossed USD 25 billion in 2007-08 over USD 19.5 billion in 2006-07¹.

GDP growth: Real GDP growth (on an expenditure basis) in India was 9 percent in FY 2007-08. The EIU expects real GDP growth to fall to about 6.3 percent in FY 2008-09 and 6.1 percent in 2009-10¹.

Inflation: Wholesale price inflation surged to a 13-year high of nearly 12 percent year-on-year in July 2008, primarily due to higher food, oil and other commodity prices¹. The EIU has forecast that inflation is likely to average 9.9 percent in 2008 and 7 percent in 2009.

IT-BPO Scenario in the country

India is a pioneer in the global offshoring industry, clocking revenues of USD 40.3 billion through exports in FY2008, employing close to 2 million people². There are close to 1200 IT-BPO service providers, including global vendors such as IBM, Accenture, HP, CSC and large Indian vendors such as Infosys, TCS, Wipro, Genpact, WNS and EXL Service.

Aside from Bangalore, Mumbai, National Capital Region (NCR), Chennai, Pune and Hyderabad, which are now regarded as "emerged destinations", several smaller Tier II and III Indian cities have the potential to attract IT-BPO investments.

The Software Technology Park of India (STPI) Scheme, initiated in 1991, offered fiscal and other incentives, promoted software exports and lent a competitive edge to the IT sector. This scheme is expected to end on March 31, 2010³. India has recently seen the emergence of Special Economic Zones (SEZs) scheme that provides similar incentives to exporting companies (not limited to IT-BPO companies). IT-BPO companies are expected to move from the STPI scheme to the SEZ scheme post 2010.

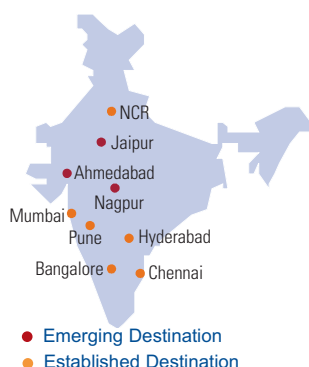
Government incentives²

The Indian government provides a variety of incentives to IT-BPO industry, including 100 percent foreign equity participation in companies. As on September 2008, the incentives include:

- Income tax exemption up to March 31, 2010 to Export Oriented Units / Software Technology Park units
- Customs duty exemption for import of software, and on import of hardware for 100 percent export oriented projects
- Complete pass-through mechanism with single point taxation for venture capital funds
- Special concessions for Research & Development.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BB /Stable
Standard & Poor's Foreign Currency Risk Rating	BBB-/Stable/A-3
Ease of Doing Business Rank (2009)	122
Rigidity of Employment Index (2009)	30

Sources: www.eiu.com, World Bank, Standard & Poor's



1 www.eiu.com, various pages, December 2008

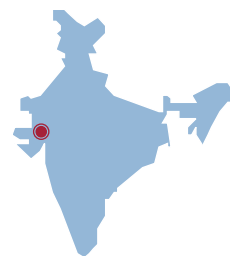
2 KPMG Analysis, various pages from www.nasscom.in NASSCOM website, December 2008

3 Business Standard, Extension of STPI scheme short-term step, 10 April 2008

Ahmedabad

City Introduction

- Ahmedabad is the largest city in Gujarat state, located 30 kms from Gandhinagar, which is the capital of Gujarat State¹
- Ahmedabad is the cultural and commercial center of Gujarat.



Quick facts	
Geographic Location	Situated in Western India, it can be reached by air from Mumbai in about an hour
Time Zone	GMT +0550
Climate	Extreme and dry weather with three seasons – summer, monsoon and winter. The average temperature ranges from 23 to 43 degrees Celsius. The average annual rainfall is 93.2 cm
Population ¹	5,808,378
Literacy rate ²	79.9 percent
Languages	Gujarati, Hindi, English
Major industries	Gems and Jewelry, Engineering, Textiles, Chemicals & Petrochemicals, Pharmaceuticals

Sources: 1 Ahmedabad Collectorate September (2008)

2 KPMG Analysis (2007)

Other sources: Ahmedabad Collectorate; IIM Ahmedabad website

Key drivers for the city to emerge as a favorable IT-BPO destination

- The city has a large pool of qualified human resources, especially with Finance and Accounts related background. Ahmedabad also produces a large number of Chartered Accountants
- Some of India's finest education institutes are located in and around Ahmedabad
- The city has relatively lower proficiency in the English language compared with that in Tier I cities. However, the government is taking initiatives to address the problem
- The state government is setting-up an International Finance Tech City dedicated to offering services to the financial sector
- The city offers a cost advantage in terms of approximately 30 percent lower compensation levels and rentals compared with the premier IT-BPO destinations like Mumbai, Bangalore and NCR².

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
TCS (IT services)	Patni (IT services)
Mphasis (Call center)	Aegis (Call center)
Azure (BPO services)	Motif (BPO services)

Sources: Company websites of TCS, Mphasis, Azure, Patni, Aegis and Motif

Development of the current IT-BPO industry

- Gujarat started witnessing increased activity in IT-BPO sector in the late 1990s. The sector is dominated by mid to small sized third party companies and is currently not home to any large sized captive BPO
- Ahmedabad-Gandhinagar³ and Vadodara are the major hubs that account for 98 percent of the state's IT-BPO exports
- The city also caters to the domestic Indian market for voice processes especially for the telecom segment.

Industry Profile – Size and Specifics

- The combined IT-BPO exports of Ahmedabad-Gandhinagar is estimated at USD 82.1 million (2007 – 08)⁴
- There are more than 350 outsourcing companies operating in the city of Ahmedabad⁴
- The prominent IT-BPO services sourced from Ahmedabad include IT Services, Customer Care and Finance & Accounting.

1 www.ahmedabad.com/history.php, December 2008

2 www.gujaratglobal.com/nextSub.php?id=1091&catttype=NEWS, December 2008

3 KPMG CIL, Gujarat - Riding the Indian offshoring boom, January 2008

4 www.gnr.stpi.in/home/stp_units_status.asp, STPI Gandhinagar, December 2008

Human Resources

- Ahmedabad has a large talent pool with more than 173,000 students enrolled in commerce and arts streams in 2006-07 that can support the IT-BPO industry¹. The city is home to renowned engineering and management institutes, including the Indian Institute of Management (IIM) in Ahmedabad
- The city produces a large number of chartered accountants. However, currently most prefer to relocate to other larger cities to find jobs in the financial sector
- Although employability in Ahmedabad is lower than that in Tier I cities, efforts are being undertaken to improve current skill-sets especially related to proficiency in English language
- Attrition levels are lower than those in other Tier I and Tier II cities in India. Although there is competition from other industries, a large labor pool is available, and hiring is currently not considered very difficult.

Infrastructure

- **Office space (IT Parks):** Ahmedabad has witnessed a supply addition of approximately 27,870 sq. mts. in the second quarter of 2008². Also, several satellite areas suitable for office space are coming up in the city. However, overall, vacancy rates are low due to high demand
- **Power supply:** The state has been ranked second in India in the power sector performance rating report (2006) by CRISIL and ICRA³. Power supply is generally reliable, with only isolated instances of power failures, but the cost of electricity is relatively high as compared to Tier I cities in the country
- **Telecom Infrastructure:** Ahmedabad has a strong telecom backbone, with the state of Gujarat having the largest operational optical fiber cable network in the country of more than 69,845 kms⁴
- **National and International connectivity:** Ahmedabad is on the Golden Quadrilateral⁵ map providing for good inter city road connectivity. It is also well connected by air to the rest of the country. Ahmedabad international airport has direct connectivity to select locations in the Middle-East, South-east Asia and some destinations in Europe and the US
- **Upcoming projects:** Two IT Special Economic Zones (SEZs) have been notified which are spread across approximately 40 hectares. Gujarat International Finance Tech-City (GIFT) is being developed as a global financial hub on approximately two hundred hectares of land near Gandhinagar, about 4 kms away from the international airport⁶. Phase I of GIFT is scheduled for completion by March 2010⁶.

State / city specific incentives for IT-BPO over and above country level incentives, if any⁷

- Exemption from Electricity Duty for 10 years from the date of rendering services. Also, IT and BPO units are to be considered eligible for exemption from power cuts, ensuring reliable supply
- Single Window Mechanism for various approvals under various State Laws
- Financial assistance at 50 percent of fixed capital investment in land, buildings and infrastructure facilities up to a maximum of USD 560,000 are available for companies planning to set-up operations in IT parks.

Quality of life

- **Cost of living:** Cost of living is relatively low compared to Tier I cities. Cost of housing is 40-70 percent cheaper as compared to Mumbai⁸. However, high economic growth in recent years has led to a rise in the cost of living in the city
- **Crime rate:** The city is considered to be a safe place with a relatively low crime rate
- **Pollution levels:** Massive use of Compressed Natural Gas (CNG) vehicles has helped check the pollution levels within the city
- **Ease of commuting:** Ahmedabad has good road network resulting in lower traffic
- **Availability of Hotels:** There is a healthy supply of quality hotel accommodation, including international hotel chains, in Ahmedabad round the year.

Risk: City specific

- **Catastrophic risks:** Ahmedabad was affected by the earthquake that struck the state of Gujarat in 2001⁹. The city lies in Zone III of seismic activity, which is a moderate activity zone⁹. Typically a fairly dry region, Ahmedabad witnessed floods owing to unprecedented heavy rains in July 2005¹⁰
- **Political risks:** Political risk is relatively low in the state as there has been a stable government at the helm, with the current government re-elected for a second five-year term in the 2007 state elections¹¹
- **History of disruptions:** The city experienced widespread communal violence in 2002¹². Also, Ahmedabad witnessed a spate of 17 low-intensity bomb blasts in July 2008 which disrupted normal life¹³.

1 KPMG CII, Gujarat - Riding the Indian offshoring boom, January 2008

2 Cushman & Wakefield, Ahmedabad office space, September 2008

3 mpra.ub.uni-muenchen.de/9502/, Munich University Library, December 2008

4 www.trai.gov.in/Default.asp, Telecom Regulatory Authority of India, various pages, December 2008

5 www.vibrantgujarat.jp/district_profile/pdf/Ahmedabad.pdf, December 2008

6 giftgujarat.in/about_gift.htm#background, December 2008

7 www.gujaratindia.com/policies/it_policy_2006-2011.pdf, December 2008

8 KPMG Analysis

9 www.gujaratplus.com/news/archives/arc58.html, December 2008

10 www.indiatogether.org/2005/jul/gov-vadodara.htm, December 2008

11 The Times of India, Gujarat win will change India politics, 23 December 2007

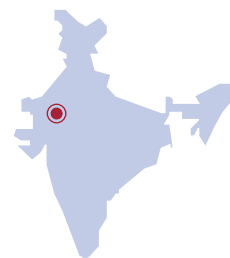
12 The Times of India, Gujarat communal violence finds mention in UNDP report, 15 July 2004

13 Hindustan Times, Sixth chargesheet filed in Ahmedabad bomb blasts, 12 January 2009

Jaipur

City Introduction

- Jaipur is the capital of the state of Rajasthan and the first planned city of its time in India
- It is known as “Pink City” due to the color of its prominent buildings, and is among the most popular domestic and international tourist destinations in India.



Quick facts	
Geographic Location	Situated in North-western India, it can be reached from New Delhi by air in about 30 minutes
Time Zone	GMT +0550
Climate	Climate is dry and extreme, with three seasons – summer, monsoon, winter. The minimum and maximum temperatures vary from 8 to 48 degrees Celsius. The average annual rainfall is 55.6 cm
Population ¹	2,796,000
Literacy rate ¹	70.6 percent
Languages	Marwari, Hindi, English
Major industries	Gems and jewelry, tourism, granite tiles, handloom, brass and marble works, textile, apparel, woolen carpets.

Sources: ¹ Rajasthan Government website(2006)
Other sources: Rajasthan government website; Jaipurhub.com

Key drivers for the city to emerge as a favorable IT-BPO destination

- Jaipur has a large pool of qualified human resources, especially engineering graduates, with 64 engineering colleges located in and around the city¹
- Due to its proximity to the National Capital Region (NCR)², companies are considering Jaipur as a supporting location to create a hub-and-spoke model
- The new “Mahindra World City” Special Economic Zone (SEZ) is expected to add about 3 million sq. mts. of office space for the IT BPO industry³
- Jaipur offers a significant cost advantage over the NCR as well as other Tier I and II cities in India
- Jaipur was ranked third in World Bank’s “Doing Business in South Asia 2007” Report, comparing 12 major Indian cities on a composite parameter for ease of doing business
- Jaipur’s status as one of the top tourist destinations in India gives it added visibility on the national and international map.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Infosys (BPO services)	Genpact (BPO services)
Pratham Software (IT services)	Deutsche Bank (Shared service center)
Tryst Technologies (IT and BPO services)	Compucom Software (Software development)

Sources: Company websites of Infosys, Tryst, Compucom; EconomicTimes article, Finextra article

Development of the current IT-BPO industry

- Companies such as Genpact and Infosys BPO set up in Jaipur in 2006
- Companies in Jaipur are also servicing the growing domestic BPO market in India
- Leading companies like Infosys, Wipro, Tech Mahindra, Genpact, Deutsche Bank and QH Talbros have purchased land at the new “Mahindra World City Special Economic Zone” and are likely to start operations in the future.

Industry Profile – Size and Specifics

- The combined IT-BPO exports of the state of Rajasthan were estimated to be around USD 68 million in 2006-07⁴. The majority of exports from the state are accounted for by Jaipur
- There are more than 60 companies operating from Jaipur⁴
- The prominent IT-BPO services sourced from Jaipur include IT services, especially software development; engineering services, healthcare BPO services such as medical transcription and knowledge services.

1 www.rajasthan.gov.in/rajgovt/Districtprofile/jaipur.html, December 2008

2 The National Capital Region (NCR) is the urban agglomeration encompassing New Delhi and its surrounding areas, including portions of neighboring states of Haryana, Uttar Pradesh and Rajasthan, and a total area of about 33,578 sq. kms.

3 www.mahindraworldcity.com/Jaipur/, December 2008

4 Figures received from STPI Jaipur



Human Resources

- Jaipur has access to talent from close to 777 technical institutions and 64 engineering colleges in Rajasthan¹. One of the leading institutes in India, Indian Institute of Technology (IIT) has also received permission to start a branch in Rajasthan². Currently, the state government is in the process of finalizing a location for the IIT
- About 20,000 students³ graduate from the engineering colleges every year. Beside the local talent, a large number of experienced professionals of Rajasthan-origin working in the NCR region could also be targeted to return to their home state
- Attrition levels are relatively lower than those in Tier I and Tier II cities in India, especially as compared with the NCR.

Infrastructure

- **Office space (IT Parks):** IT Parks and SEZs are coming up in the city. Besides, the city still offers plenty of office space in prime areas at affordable rates for companies to set up offices
- **Power supply:** Rajasthan is currently a power deficit state. However, power projects to add another 3180 MegaWatt of power by 2012¹ are under implementation. The state is targeting to achieve self-sufficiency in power generation by 2008¹
- **Telecom Infrastructure:** An optic fiber communication infrastructure is in place through-out the state
- **National and International connectivity:** Jaipur is well connected by road, with prominent national highways passing through the city. Jaipur is connected by air to most major cities in the country and has international flights to Dubai, Sharjah, Bangkok and Singapore⁴
- **Upcoming projects:** The Mahindra World City, Jaipur, a Special Economic Zone (SEZ) which commenced operations in 2008 is spread over 3 million sq. mts.³ and is the largest exclusive IT-BPO focused SEZ in India.

State / city specific incentives for IT-BPO over and above country level incentives, if any¹

- Single point of contact for approvals and clearances
- Up to 60 percent land rebate depending upon type and size of investment
- Self certification allowed for IT & BPO companies for several compliances
- Simplified labor laws including exemption from provisions related to working on declared holidays, opening and closing hours, three-shift operations, and policies for women workers
- IT and BPO units declared as Public Utility Services under the provisions of the Industrial Disputes Act, 1947
- Customized packages for investment beyond INR 100 million (roughly USD 2.1 million).

Quality of life

- **Cost of living:** The cost of living is comparatively lower than most other cities, especially compared with the NCR region, with personnel acquisition costs and rentals also much lower
- **Crime rate:** The crime rate is relatively low in the city
- **Pollution levels:** The growing number of vehicles has been responsible for growing pollution over the last two-three years, although pollution levels have not been alarming as yet. Moreover, the city's dry, arid weather does not support the dispersal of particulate matter
- **Ease of commuting:** Jaipur witnesses traffic jams during peak hours. A ring road has been proposed to ease the traffic situation in the city limits
- **Availability of hotels:** Being a popular tourist destination, there are plenty of hotels, including international chains. However, room rates may be high and supply restrictive during the peak tourist season (October to March).

Risk: City specific

- **Catastrophic risks:** The city faces low risk of earthquake as it is situated in zone II of seismic (low to moderate) activity⁵
- **Political risks:** Political risk is low, with a stable political and industrial relations climate over the last few years
- **History of disruptions:** Jaipur witnessed serial bomb blasts in a terror attack in June 2008, a first for the city⁶.

1 www.rajasthan.gov.in/rajgovt/Districtprofile/jaipur.html, December 2008

2 www.iitfoundation.org/?p=167, December 2008

3 www.mahindraworldcity.com/Jaipur/, December 2008

4 www.rajasthantravelguide.com/destination/rajasthan.html, December 2008

5 asc-india.org/seismi/seis-rajasthan.htm, December 2008

6 The Times of India, Fourth in state, this blast was most planned, 14 May 2008

Nagpur

City Introduction

- Nagpur is a major industrial, commercial and transportation hub in Maharashtra state, and marks the geographical center of India
- It is known as “Orange City” due to the large Mandarin oranges grown in the area.



Quick facts	
Geographic Location	Situated in central India, it can be reached by air from Mumbai in an hour and 30 minutes
Time Zone	GMT + 0530
Climate	Extreme weather, with three main seasons – summer, monsoon and winter. The average temperature of the city is maximum 33 and minimum 23 degrees Celsius. The annual average rainfall is 120.5 cm
Population ¹	2,420,000
Literacy rate ¹	73.7 percent
Languages	Marathi, Hindi, English
Major industries	Textiles, Steel, Coal mining, Logistics, Transportation

Sources: 1 Nagpur247.com (2007)

Other sources: Nagpur city website, Nagpuronline.com

Key drivers for the city to emerge as a favorable IT-BPO destination

- Nagpur is witnessing significant infrastructure development due to the “Multi-modal International cargo Hub and Airport at Nagpur” (MIHAN) project
- The MIHAN area is to have among other SEZs, a dedicated information technology park spread over 494 hectares with the necessary infrastructure for IT-BPO companies¹
- Boeing has set up a USD 185 million Maintenance, Repair and Overhaul (MRO) Center², which is likely to boost investment into the aerospace and engineering services industry in Nagpur
- Nagpur is an educational hub in central India with its many engineering and medical colleges
- The city offers significant advantage in terms of lower costs compared with Tier I and II cities in India.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Persistent Systems (ADM services)	Micropro Software (IT services)
ADCC Infocad (IT and engineering services)	Ascent (BPO services)
Fundworks (IT services)	GlobalLogic (IT services)

Sources: Company websites of Persistent, ADCC, Fundworks, Micropro, Ascent and GlobalLogic

Development of the current IT-BPO industry

- Nagpur has been a relatively late entrant on the IT-BPO scene
- It is witnessing an economic boom following the creation of the MIHAN project, which is ushering in huge investments, especially in the logistics and transportation sectors
- Persistent Systems, which started operations in Nagpur in 2005 through an acquisition³, is among the larger IT companies in the city⁴
- Leading IT firms are now expressing interest in the city. Companies like GE, Microsoft, Patni and L&T Infotech have purchased land for IT parks within the SEZs around the MIHAN area.

Industry Profile – Size and Specifics

- The combined IT-BPO exports of the city is estimated at USD 25.9 million (2007-08)⁵
- There are more than 90 companies operating from the city⁵
- The prominent IT-BPO services sourced from Nagpur include IT Services, especially embedded software engineering services and healthcare BPO services such as medical transcription.

1 www.nagpurmihan.com, December 2008

2 http://www.boeing.com/commercial/news/2006/q3/060829a_nr.html, August 2006

3 <http://www.persistentsys.com/Investors/Financial200607/FascinatingJourney/tabid/47/Default.aspx>, 2007

4 KPMG Analysis

5 Figures obtained from STPI Nagpur

Human Resources

- Nagpur is a major educational hub in central India. Nagpur district has 27 Engineering Colleges, 11 Medical Colleges and more than 40 graduate colleges for Science and Commerce education¹. The city also attracts students from nearby cities like Jabalpur, Amravati, Bilaspur and Raipur (within 150 kms radius)
- English language skills of the workforce are currently average
- Although talent is largely available, experienced managerial talent is in relatively short supply as students prefer to migrate to larger towns around Nagpur – such as Mumbai, Pune and Hyderabad. Companies are making efforts to attract local talent to relocate to Nagpur and internally develop people to handle managerial responsibilities
- Attrition levels are relatively lower than those in Tier I and Tier II cities in India.

Infrastructure

- **Office space (IT Parks):** Nagpur is witnessing a boom in construction of commercial office space. Approximately 110,554 sq. mts. of commercial office space is expected to come into the market by 2009²
- **Power supply:** The city is a hub for power generation and there are fewer breakdowns and outages compared with other cities in Maharashtra (the state has a huge power deficit). There are separate sub-stations for IT companies and power for areas having IT-BPO companies is relatively more reliable
- **Telecom Infrastructure:** The Software Parks in Nagpur offer international connectivity via satellite at costs comparable to those in other cities in India. Several major national Internet Service Providers operate in the city
- **National and International connectivity:** Nagpur's central location makes it an important roadways and railway junction. Two major national highways pass through the city. Internal roads had a facelift recently, when they were developed as part of the upgrade and renewal works under the government's Integrated Road Development Project
- **Upcoming projects:** The city currently has three software parks, with another planned to come up. Besides, a SEZ has been notified as an integral part of the MIHAN. The SEZ is expected to have dedicated areas for IT parks, healthcare, gems and jewelry, garments and textiles, and banking companies.

State/ city specific incentives for IT-BPO over and above country level incentives, if any³

- Special capital incentive for companies in the Nagpur Municipal Corporation (NMC) area - 30 percent of gross Fixed Capital Investment (FCI) with a ceiling of USD 50,000. Refund of Octroi duty for 100 percent of FCI for 9 years in municipal corporation limits, 12 years for other areas
- Exemption from Electricity Duty. Zero downtime policy announced recently is likely to be operational soon
- Rebate on stamp duty
- Charging of Sales Tax at a minimum floor rate of four percent on all IT products and non-IT products essential for IT and IT Enabled Services Units as approved by the Empowered Committee.

Quality of life

- **Cost of living:** The cost of living is comparatively lower than most other cities, with personnel acquisition costs that much lower. Rentals are also lower than Tier I cities, but lately have risen sharply owing to the MIHAN cargo hub (by around 40 percent around MIHAN in the last one year)²
- **Crime rate:** Crime rate has remained constant in the city over the last few years
- **Pollution levels:** Nagpur is one of the greenest cities in India, with low pollution rates
- **Ease of commuting:** Nagpur's road network has recently undergone a facelift, resulting in lower traffic. The public transport system is generally inadequate and unreliable. An integrated bus and monorail system has been proposed and is expected to be ready by 2013-14⁴
- **Availability of Hotels:** Nagpur has very few luxury hotels and no major international chains. Some large hotels have been planned in the MIHAN area. Adequate standard accommodation is available through the year.

Risk: City specific

- **Catastrophic risks:** Nagpur has not seen any major natural calamities so far. The city lies in zone II of seismic activity, with the low risk of an earthquake⁵
- **Political risks:** There has been stability during the last decade with the ruling party completing its term in power
- **History of disruptions:** Nagpur has not been affected by communal tensions, rioting or terrorism so far.

1 www.fortunelands.com/about_nagpur.php, December 2008

2 www.rediff.com/money/2007/mar/17nagpur.htm, The Great Nagpur Boom, March 2007

3 www.expresscomputeronline.com/20040503/newsanalysis02.shtml, Nagpur: Emerging destination for India IT Inc, May 2004

4 Nagpur: City Development Plan (CDP) and City-Level Reform Agenda, March 2006

5 National Information Center of Earthquake Engineering, IIT Kanpur

Malaysia



Malaysia

Country Snapshot

Size of the country	330,113 sq. kms.
Population	27.2 million (2007)
Capital	Kuala Lumpur
Currency	Malaysian Ringgit (MYR)
1 USD = MYR (Average)	3.33 (2008)

Sources: www.eiu.com, www.cia.gov, Gocurrency.com

Main macroeconomic indicators¹:

GDP in PPP: USD 359.3 billion (2007)
 GDP per capita in PPP: USD 13,210 (2007 est.)
 CPI: 2.0 percent (2007)
 Unemployment rate: 3.2 percent (2007 est.)
 FDI stock per capita: USD 3171 (2007 est.)



Political Structure¹

Malaysia follows a federated constitutional monarchy. The country is led by a King who appoints a Prime Minister and on his advice the cabinet is chosen. There are state governments in each of the 13 states, in nine of which the head of state is an hereditary ruler. Each state has its own constitution, a council of state or cabinet with executive authority, and a legislature that deals with matters not reserved for the federal parliament. There are also three federal territories: Kuala Lumpur, Labuan and Putrajaya. Investor climate varies depending on the policies of the State government, in addition to those of the federal government.

Business and Investment Climate

Foreign Direct Investment (FDI): FDI inflows into Malaysia grew from 2.2 percent in 2003 to 4.5 percent in 2007¹.

GDP growth: Real GDP growth in Malaysia was 6.3 percent in 2007. The EIU has revised the forecast for real GDP growth to 3.1 percent in 2009 from the previous 4.6 percent¹.

Inflation: Consumer price inflation is likely to be an average 5.4 percent during 2008, up from 2 percent in 2007¹. The EIU expects consumer price inflation to average 2.4 percent in 2009 (down from 3.5 percent predicted previously).

IT-BPO Scenario in the country

Malaysia clocked revenues of USD 4.7 billion² through exports in 2007, employing close to 365,000 professionals³. There are around 1400 IT-BPO service providers⁴.

Through the Multimedia Super Corridor (MSC) project, the Malaysian government is focusing on the IT-BPO industry to a large extent. The vision of this project is to convert Malaysia into a knowledge economy by year 2020⁵.

The Malaysian government is projecting the country as a destination for high-end services, which are relatively less scale dependent.

Kuala Lumpur, Cyberjaya, Menara MSC, Cyberport, Johor, KLCC, Kulim High Tech Park, Melaka International Trade centre (MITC), and Penang are the IT-BPO destinations in Malaysia.

Government incentives

The Malaysian government provides a variety of incentives to the IT-BPO industry, permitting 100 percent foreign equity participation in companies. Some of the incentives include:

- Investment tax allowance up to 100 percent²
- Corporate tax rate to be cut to 25 percent by 2009 from current level of 27 percent²
- Customs duty exemption for import of multimedia equipment.

Over the years the Malaysian government has introduced laws to protect intellectual property of IT-BPO companies. Also, Cyber Security, Malaysia an agency under Ministry of Science, Technology & Innovation acts as a one stop coordination center for nominal cyber security initiatives.

2008 (Rating/outlook)	
EU's Sovereign Risk Rating	BBB /Negative
Standard & Poor's Foreign Currency Risk Rating	A-/Stable/A-2
Ease of Doing Business Rank (2009)	20
Rigidity of Employment Index (2009)	10

Sources: www.eiu.com, World Bank, Standard & Poor's



1 www.eiu.com, various pages, December 2008

2 www.outsourcingmalaysia.org.my, December 2008

3 Gartner, Analysis of Malaysia as an Offshore Services Location, November 2007

4 ICT in Malaysia, The New Economic Engine of the Nation - MGCC Quarterly Sept/Oct 2007

5 MSC Malaysia Handbook, 2007

Penang

City Introduction

- Penang, also referred to as “The Pearl of the Orient” lies off the northwestern coast of Peninsular Malaysia
- It is a bustling port, a heritage city and an industrial base.



Quick facts	
Geographic Location	Situated by the Strait of Malacca, Penang is a 50 minute flight away from Kuala Lumpur
Time Zone	GMT +0800
Climate	Warm equatorial climate, with no distinct seasons. The average temperature is maximum 31 and minimum 23 degrees Celsius. The annual rainfall ranges between 200 and 250 cm
Population ¹	1,469,000
Literacy rate ²	88 percent
Languages	English, Bahasa Melayu, Chinese, Tamil, Telugu, Malayalam
Major industries	Manufacturing, Construction, Logistics, Tourism, Retail

Sources: 1 Tourism Penang (2007);
2 Gartner (2007)

Other sources: Tourism Penang website, Penang Development Corporation website

Key drivers for the city to emerge as a favorable IT-BPO destination

- The Government has a strong focus on promoting the IT-BPO industry in Penang through initiatives such as Invest Penang, expanding the Multimedia Super Corridor (MSC) to Penang, and creating the Software Consortium of Penang (SCoPe)
- There is a talent pool of skilled English speaking developers of many different nationalities available in Penang, making it suited for multi-lingual service delivery
- Although the potential to scale is limited, the talent pool is suited to offer higher-end, relatively less scale-dependent IT-BPO services, especially in areas such as financial services, logistics, energy and pharmaceuticals
- Penang is also developing as a hub for outsourcing of Islamic banking services, especially by banks in the Middle-East²
- Significant investments are planned to upgrade the existing infrastructure in the city
- Penang has strong engineering and manufacturing base, which can be leveraged to offer services in these sectors.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
IBM (IT services)	Ideal Capital (BPO services)
Intel (Design center)	Motorola (Research and development services)
MoBif (BPO services)	Citicorp (Transaction services)

Sources: Company websites of IBM, Intel, Motorola, Citigroup; Call center directory, The Star article

Development of the current IT-BPO industry¹

- Penang was the first state in Malaysia to be officially granted the Cybercity status in January 2003
- One aspect of the second phase of its expansion plan (2004 – 2010), included the roll-out of the Multimedia Super Corridor (MSC) in Penang. This has given the software industry in the state a significant boost
- Several companies have strengthened their presence in Penang through partnerships with local small and medium enterprises, thereby driving growth in the sector.

Industry Profile – Size and Specifics

- The combined IT-BPO exports of the city are estimated at USD 564 million in 2007²
- In March 2008, there were 146 MSC status companies in Penang, of which 81 were in software and shared services outsourcing²
- There are about 20,500 professionals employed in the IT-BPO sector in Penang²
- Companies are predominantly engaged in enterprise application services. However, other services such as internet surveillance, customer relationship management, animation and e-solutions, and pharmaceutical services are also provided from the city.

¹ InvestPenang.gov.my, December 2008

² www.outsourcingmalaysia.org.my, December 2008

Human Resources

- Penang has 33 universities and private colleges, including the Penang Medical College and the first (and largest) school of pharmacy in Malaysia and University of Science Malaysia (granted the APEX¹ status in 2008)²
- The Multimedia Development Corporation has started an internship program to enhance employability among graduates, which is relatively lower than that in the larger cities
- Penang Skills Development Centre is a joint effort of industry, academia and government providing skill training across all industries, especially in engineering, technical and IT³. The center was established in 1998 to meet the human resource development needs of the industry³. It has churned out over 100,000 trainees through the years³
- Attrition levels are approximately 12.5 percent, which are lower than attrition rates in Kuala Lumpur⁴.

Infrastructure

- **Office space (IT Parks):** Penang has about 260,000 sq. mts. of office space with an average occupancy rate of 74 percent⁵
- **Power supply:** Power is supplied to Penang by Tenaga Nasional Bhd. Electricity supply has been reliable in Penang. Except for a blackout in the island in November 2007 after a power trip at the TNB substation⁶, there has been no major incidence of power failure
- **Telecom Infrastructure:** Telekom Malaysia Berhad offers fixed-line, mobile, data and broadband services in Penang. Partnering with the local government, Hotgate Technology is rolling out a free public WiFi network in Penang which is expected to be complete by December 2009⁷
- **National and International connectivity:** Penang Bridge facilitates the link between the island of Penang to Seberang Prai on the Malay Peninsula. Penang International Airport offers connectivity with major cities in South East Asia
- **Upcoming projects:** A USD 5 billion Penang Global City Centre, launched this year, is likely to be completed in phases in 15 years. The project has applied for an MSC status to attract ICT companies⁶.

State/ city specific incentives for IT-BPO over and above country level incentives, if any¹

- MSC Malaysia Cybercity, Penang provides competitive financial incentives, including no income tax for up to 10 years or an investment tax allowance, and no duties on import of multimedia equipment for MSC Malaysia Status Companies
- A company granted Investment Tax Allowance gets an allowance of 60 percent of qualifying capital expenditure incurred within 5 years from the date on which the first qualifying capital expenditure is incurred. Companies can offset this allowance against 70 percent of their statutory income in the year of assessment. Any unutilized allowance can be carried forward to subsequent years until fully utilized. The remaining 30 percent of statutory income is likely to be taxed at the prevailing company tax rate
- Companies that receive MSC status also qualify for unrestricted employment of foreign knowledge workers.

Quality of life

- **Cost of living:** The cost of living is relatively lower than Kuala Lumpur and Johor Bahru⁸. Georgetown, Penang was rated the 10th best place to live in Asia by ECA International in 2006
- **Crime rate:** Penang has seen a 0.9 percent rise in crime rate from 2007. However, Penang is the leading state in Malaysia when it comes to solving cases, with a rate of 53.1 percent⁶
- **Pollution levels:** The Department of Environment imposes strict regulations on the companies in Penang. However, the city suffers from smog and polluted rivers
- **Ease of commuting:** With the launch of the Rapid Penang Buses in August 2007, public transportation service in Penang has greatly improved, and the intra-city commute has become easier⁹
- **Availability of Hotels:** Penang offers a wide range for hotels, including international chains, for both leisure and business travelers.

Risk: City specific

- **Catastrophic risks:** Penang Island was hit by the tsunami in 2004, causing the authorities to implement tsunami warning measures along the beaches¹⁰. The island has also witnessed a 7.2 magnitude earthquake in February 2008¹¹. Malaysia, however lies in a low-seismic zone, and there is low overall risk of earthquakes
- **Political risks:** There is a new government at the helm in Penang after a landslide victory in the 2008 elections defeating the incumbent party which led the state since 1969
- **History of disruptions:** Penang has witnessed more than one instance of communal riots between the Indians and the Malays.

1 The university that is given the APEX status is one that has the greatest potential among Malaysian universities to be world-class, and as such, would be given additional assistance to compete with top-ranked global institutions

2 Penang Economic Report 2007

3 PSDC Website

4 Silterra News

5 Penang Property website

6 The Star online, Penang: Rising crime, No 1 in crime-busting, September 2008

7 TelecomAsia.net article

8 Penangmyhome.com

9 Penangwatch.net article

10 PHP Lens.com article

11 TheStar.com.my article

Philippines



Philippines



Country Snapshot

Size of the country	300,179 sq. kms.
Population	91.1 million (2007)
Capital	Manila
Currency	Philippines Peso (PHP)
1 USD = PHP (Average)	42.72 (2008)

Sources: www.cia.gov, Gocurrency.com

Main macroeconomic indicators:

GDP in PPP: USD 299.4 billion (2007 est.)¹
 GDP per capita in PPP: USD 3,287 (2007 est.)¹
 CPI: 2.8 percent (2007 est.)²
 Unemployment rate: 7.3 percent (2007 est.)¹
 FDI stock per capita: USD 218.2 (2007 est.)¹



Political Structure¹

The Philippines has a representative democracy modeled on the United States system. The 1987 constitution, adopted during the Aquino administration, reestablished a Presidential system of government with a bicameral legislature and an independent judiciary. In 2007, legislative and local elections were held. President Arroyo's coalition won the majority of the seats in the House of Representatives, gubernatorial seats, and city mayoral seats. Provinces are grouped into 17 regions for administrative convenience. Most government offices establish regional offices to serve the constituent provinces. Investor climate varies based on the incentives offered by individual provinces, apart from those offered by the Center.

Business and Investment Climate

Foreign Direct Investment (FDI): According to the Central Bank, Philippines should attract FDI of USD 3.2 billion in 2009, up from an estimated USD 2.6 billion in 2008³.

GDP growth: Real GDP growth picked up in 2007, to an impressive 7.2 percent. EIU has revised the growth forecast for GDP in 2009 to 2.3 percent from 3.9 percent previously¹.

Inflation: In view of the latest consumer price inflation data (9.7 percent CPI for 2Q 2008), the EIU has revised its inflation forecast for 2008 to 9.6 percent, from 6.2 percent previously. Inflation is expected to average 6.5 percent in 2009¹.

IT-BPO Scenario in the country

Philippines clocked revenues of USD 6.7 billion through exports in FY2008, employing close to 480,000 people⁴. Companies such as AOL, Sykes, Citibank, Accenture, IBM, AMEX and Caltex were amongst the first to set up base in the Philippines around 2001-03.

The main areas of operations by companies operating in the Philippines are call center, legal services, web design, medical transcription, animation, finance and accounting, and software development.

Aside from Manila, emerging destinations such as Cebu City, Baguio City, Bacolod City, Cagayan de Oro, Clark (Angeles City), Dagupan City, Davao City, Iloilo City and Legazpi City are several smaller Tier II and III cities having the potential to attract IT-BPO investments.

The Business Processing Association of the Philippines (BPAP) is an umbrella association that represents organizations engaged in providing BPO services in the Philippines⁵.

Government incentives⁶

The Philippines government provides a variety of incentives to IT-BPO industry, including a four to eight year income tax holiday, other incentives include:

- Tax and duty exemption on imported capital equipment (for IT park locators)
- Deduction for labor and training expenses up to 150 percent
- Exemption from wharfage dues.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BB/ Negative
Standard & Poor's Foreign Currency Risk Rating	BB-/Stable/B
Ease of Doing Business Rank (2009)	140
Rigidity of Employment Index (2009)	35

Sources: www.eiu.com, World Bank, Standard & Poor's



- Emerging Destination
- Established Destination

1 www.eiu.com, various pages, December 2008;

2 www.census.gov.ph/data/pressrelease/2008/cp0712tx.html, National Statistical Office Philippines, July 2008

3 Asean Affairs

4 Report by ICT Division, Philippines

5 BPAP website

6 Philippines Trade and Investment Center

Davao City

City Introduction

- Davao City is considered as the financial center of the Mindanao Island in the Philippines. It is also a popular tourist destination
- In 2002, it was declared as an IT hub given its potential to attract ICT companies¹.



Quick facts	
Geographic Location	Situated in South-eastern Philippines, it can be reached by air from Manila in about 90 minutes
Time Zone	GMT + 0800
Climate	Varying temperature, rainfall and humidity through the year. The average temperature is 32 degrees Celsius and average annual rainfall is up to 200 cm
Population ¹	1,147,116
Literacy rate ¹	95.2 percent
Languages	Cebuano, Filipino, English
Major industries	Tourism, food processing, light manufacturing, wood processing

Source: ¹ Davao City website (2007)

Other sources: Davao city website; Philippines government tourism website

Key drivers for the city to emerge as a favorable IT-BPO destination

- Davao City is the educational hub for Davao province and has a large number of educational institutions
- Some companies are setting up training centers in the city, which are also being utilized to train employees from companies' other operating centers in the Philippines
- There talent pool has good English language skills, which coupled with cultural similarities with the US, is suited to provide voice-based services to the US
- Companies looking at a hub-and-spoke model in the Philippines are setting up supporting centers to their operations in Manila or Cebu City, in Davao City
- The city offers an advantage by way of lower cost of living, cheaper wage rates and good infrastructure, compared with larger cities within the Philippines.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
G-Com Asia Pacific (Call center)	Sutherland (Call center)
Link2Support (BPO services)	Hubport Interactive (IT services)
Six Eleven Global Services (Call center)	Western Wats (Call center)

Source: Article on Zambotoday.com

Development of the current IT-BPO industry

- Davao City has come up as an attractive outsourcing destination in the last two to three years
- Some of the companies are working with the Technical Education and Skills Development Authority (TESDA) in Davao City for training, which includes a component on call center training for their employees.

Industry Profile – Size and Specifics

- BPO exports in 2007-08 from the city were approximately USD 60 million²
- There were 19 BPO companies operating from the city, with around 3,500 employed in 2007-08²
- The prominent IT-BPO services sourced from Davao City include call center, medical transcription, web and graphics design, and engineering services.

¹ www.pia.gov.ph/?m=12&sec=reader&rp=1&fi=p070621.htm&no=2&date=, December 2008

² Figures received from BPAP, Philippines



Human Resources

- Davao City is an education hub in Mindanao province, having more than 40 tertiary education institutions classified as universities (including the University of the Philippines-Mindanao), colleges, and technical schools. Three of these institutions are rated among the top 20 institutions in the Philippines¹
- The city produces close to 16,000 graduates every year, and attracts students from nearby areas, thus offering a large and diverse talent pool¹
- Attrition is low, as competition for qualified workers from other competing industries in Davao City is limited.

Infrastructure

- **Office space (IT Parks):** Davao City is expected to have healthy addition of reasonably priced office space in the next one to two years. A large number of dedicated buildings and complexes to house IT-BPO companies have come up recently and more are under construction
- **Power supply:** Davao City has one of the most stable power supplies in the country. It gets its power supply from a hydro-power plant. The unit cost of power supply is USD 0.116 per KWH¹, which is among the cheapest in the country
- **Telecom Infrastructure:** Philippines Long Distance Telecom, or PLDT, (which was earlier a monopoly provider) and Globe Telecom are the two largest players. Some regional level players also provide services in Davao City
- **National and International connectivity:** Davao City is well connected to other major cities in the Philippines through road, sea and air. The international airport was upgraded in 2006 and has daily flights to Singapore and Indonesia²
- **Upcoming projects:** Ayala Land is constructing a 10-hectare property called Abreeza, likely to be fully operational by 2011, with an expected investment of USD 80 to 100 million. The BPO Center component of the project, covering 18,000 sq. mts., is likely to be ready by 2009³.

State/ city specific incentives for IT-BPO over and above country level incentives, if any¹

- Investors in IT and BPO operations are granted tax holidays on local fees and charges and basic real property tax
- Fiscal Incentives: Exemption from payment of the Mayor's permit fees, building permit fees, business sales taxes and other fees and charges imposed under existing city ordinances for a maximum of three years; and exemption from payment of basic real property tax for a maximum of two years
- Non-fiscal Incentives: Investor's Assistance Services in the form of assistance in:
 - Securing business licenses and permits, Availing local investment incentives, Business matching services, Finding suitable sites for business or plant location, Identifying possible sources of raw materials, manpower and other production needs and Databanking services.

Quality of life

- **Cost of living:** The cost of living is lower than that in Metro Manila⁴. Prices of food items are especially lower
- **Crime rate:** Davao is a reasonably peaceful city with a low monthly crime rate of 0.8 cases per 10,000 persons per month¹
- **Pollution levels:** Air pollution levels are lower than those in Manila and Cebu. However, certain congested areas of Davao City witness high levels of pollution, especially during peak business hours
- **Ease of commuting:** Roads in Davao City witness traffic jams in peak hours. More than 50,000 vehicles use the city's roads every day. However, the government has implemented a synchronized traffic lights project in early 2008 to ease peak hour traffic³
- **Availability of Hotels:** Davao City is a popular tourist destination. Though the city does not have any major international chains, a number of luxury and standard business hotels are available.

Risk: City specific

- **Catastrophic risks:** The city faces low risk as Davao is largely a typhoon free province (while a majority of the Philippines is prone to typhoons). However, most of the Philippines lies on seismic zone IV and Davao City faces high risk of earthquake
- **Political risks:** Political risk is low with a stable government at the helm of the city.

1 www.davaocity.gov.ph/doingbusiness, various pages, December 2008

2 www.adb.org/Media/Articles/2006/10057-Philippines-Davao-airport/default.asp, ADB website, 2006

3 Inquirer.net, Ayala center rising in Davao City, September 2008

4 Metro Manila or the "National Capital Region" is the urban agglomeration of about 636 sq. kms. consisting of Manila city and the different suburban areas and urban fringe around Manila city, including Quezon city and Calloocan city

Iloilo City

City Introduction

- Iloilo City is the capital of the Iloilo province located in the Western Visayas region. It is the ninth most populous city in the Philippines¹
- It was historically an important agricultural center in the country.



Quick facts	
Geographic Location	Situated in central Philippines, it can be reached by air from Manila in 45 minutes
Time Zone	GMT + 0800
Climate	The climate is pleasantly tropical with two pronounced seasons – the rainy season and the dry season. The average temperature is 26.5 degrees Celsius and average annual rainfall is 172 cm
Population ¹	418,710
Literacy rate ²	93.8 percent
Languages	Hiligaynon, Tagalog, English, Chinese
Major industries	Telecommunications, agro-fisheries, small to medium scale light industry.

Sources: 1 Iloilo City government website (2007)
2 Philippines Census (2000)

Other sources: Iloilo city website, Philippines government tourism website

Key drivers for the city to emerge as a favorable IT-BPO destination

- Iloilo City has been identified by the Philippines government as one of the “next wave” cities for ICT services, making it eligible for government funding in infrastructure development²
- The city is suited for creating supporting operations for companies who wish to set up a hub-and-spoke model in the Philippines, by providing a lower cost alternative to Metro Manila³ and Cebu city
- A large talent pool is available, owing to number of educational institutions in the region
- The city is predominantly suited for voice-based operations due to the strong English language skills in the population.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Teletech (BPO services)	Callbox (BPO services)
ePLDT (BPO services)	Ever Sun (ADM services)

Source: ExploreIloilo.com

Development of the current IT-BPO industry²

- Iloilo City has seen development on the IT-BPO front in the last two to three years. The earliest companies to set up were ePLDT Ventures and Callbox
- A few more BPO companies have expressed interest to set up in Iloilo City
- The Iloilo Federation for Information Technology, and the Business Processing Association of the Philippines (BPAP) represent the IT-BPO industry in the city.

Industry Profile – Size and Specifics

- BPO exports in 2007-08 from the city were USD 25 million⁴
- There were seven BPO companies operating from the city, with around 2,600 employed in 2007-08. By September 2008, the number of companies has gone up to 12⁴
- The prominent IT-BPO services sourced from Iloilo City include call center, software development, medical and other data transcription, animation and digital content, and engineering design.

1 Government of Philippines, Census 2007

2 Balita Philippines, CICT, BPAP and DTI name Iloilo city in the top 10 next wave cities for BPOs, 11 November 2008

3 Metro Manila or the “National Capital Region” is the urban agglomeration of about 636

sq. kms. consisting of Manila city and the different suburban areas and urban fringe around Manila city, including Quezon city and Calloocan city

4 Figures received from BPAP, Philippines

Human Resources

- The Iloilo City is a major educational hub in the Western Visayas region of the Philippines. It has 6 universities, more than 30 colleges and technical schools graduating more than 17,000 students every year¹
- About 9 percent of these students graduate in IT courses², making specific talent available for the IT-BPO industry
- English is taught in a large number of schools. Philippines is the third largest English-speaking country³. The talent pool is suitable for call centers due to their diction, and cultural similarities with the US
- Attrition levels are relatively lower than those in the Tier I cities in the Philippines.

Infrastructure

- **Office space (IT Parks):** Iloilo City faces some constraint in terms availability of office space for new entrant companies. However, a new commercial and IT economic zone is being planned by Megaworld in Iloilo City, and may ease the shortage to some extent⁴
- **Power supply:** Power supply is unreliable and companies typically have their own power generators to compensate for the erratic power supply. Iloilo City is currently getting power from the Visayas grid (sourced from geothermal plants) and its own diesel-powered plant, which produces 80 to 90 MW². Recently, Iloilo City officials gave the nod to a coal-fired power plant which may be able to supply another 100 MW to the city⁵
- **Telecom Infrastructure:** PLDT (which was earlier a monopoly provider) and Globe Telecom are the two largest players. Some regional level players also provide services in Iloilo City. By and large, telecom services are reliable
- **National and International connectivity:** Iloilo City is conveniently located and connected to major cities in the country by road, air and waterways. The initiatives recently undertaken include the creation of the new Iloilo International Airport which started operations in 2007 and the Roll-On-Roll-Off facility for inter-ports transport⁶
- **Upcoming projects:** Urban property developer Megaworld Corporation has proposed a 55-hectare Iloilo Business Park which is to have BPO offices, residential condominiums, a hotel, convention center, commercial and retail center, skills training center and recreational facilities⁴.

State/ city specific incentives for IT-BPO over and above country level incentives, if any⁷

- Exemption from local licenses, fees, and dues: A registered enterprise in Iloilo city is fully exempt from the mayor's permit fees, building permit fees, and other kind of local licenses, fees and dues, except regulatory fees
- Reduction of Business Tax: Registered enterprises subject to the period of availment are entitled to reduced business taxes based on gross sales or receipts earned or realized during the previous calendar year.

Quality of life

- **Cost of living:** The cost of living is lower than that in Metro Manila. Prices of food items are especially lower
- **Crime rate:** The crime rate fell from 908 crime incidents reported to the Iloilo Provincial Police Office in 2005 to 543 in 2007⁸
- **Pollution levels:** Iloilo City suffers from a problem of dust pollution, and the World Bank has identified the city among the nine areas in the Philippines with critical pollution levels⁹
- **Ease of commuting:** Public transport is inadequate; cabs and "jeepneys" are the popular form of transport. There can be delays and congestion during peak hours, though by and large commuting is not difficult
- **Availability of Hotels:** Iloilo City has a healthy supply of hotel accommodation throughout the year. Standard business accommodation and tourist resorts can be found in the city, though no major international chains are present.

Risk: City specific

- **Catastrophic risks:** Iloilo province is prone to typhoons. In June 2008, floods inundated a large portion of residential areas in Iloilo province following typhoon "Frank" and caused heavy damage. However, disaster preparedness and management of relief operations receives a lot of focus from the local government⁹
- **Political risks:** The city has a conducive political climate and sees a mix of public-private sector participation in major development areas
- **History of disruptions:** The city is prone to flooding typically following three continuous days of rain. However, the local government places a lot of focus on disaster preparedness and management of relief operations. The disaster management system is generally considered to be effective in the area of disaster response.

1 LivinginthePhilippines.com website, December 2008

2 Inquirer.net, Iloilo gearing up to become ICT outsourcing hub, June 2008

3 www.gov.ph, Philippines government website, December 2008

4 Megaworldcorp.com, December 2008 and KPMG Analysis

5 Inquirer.net, Iloilo officials give nod to coal-fired power plant, 22 October 2007

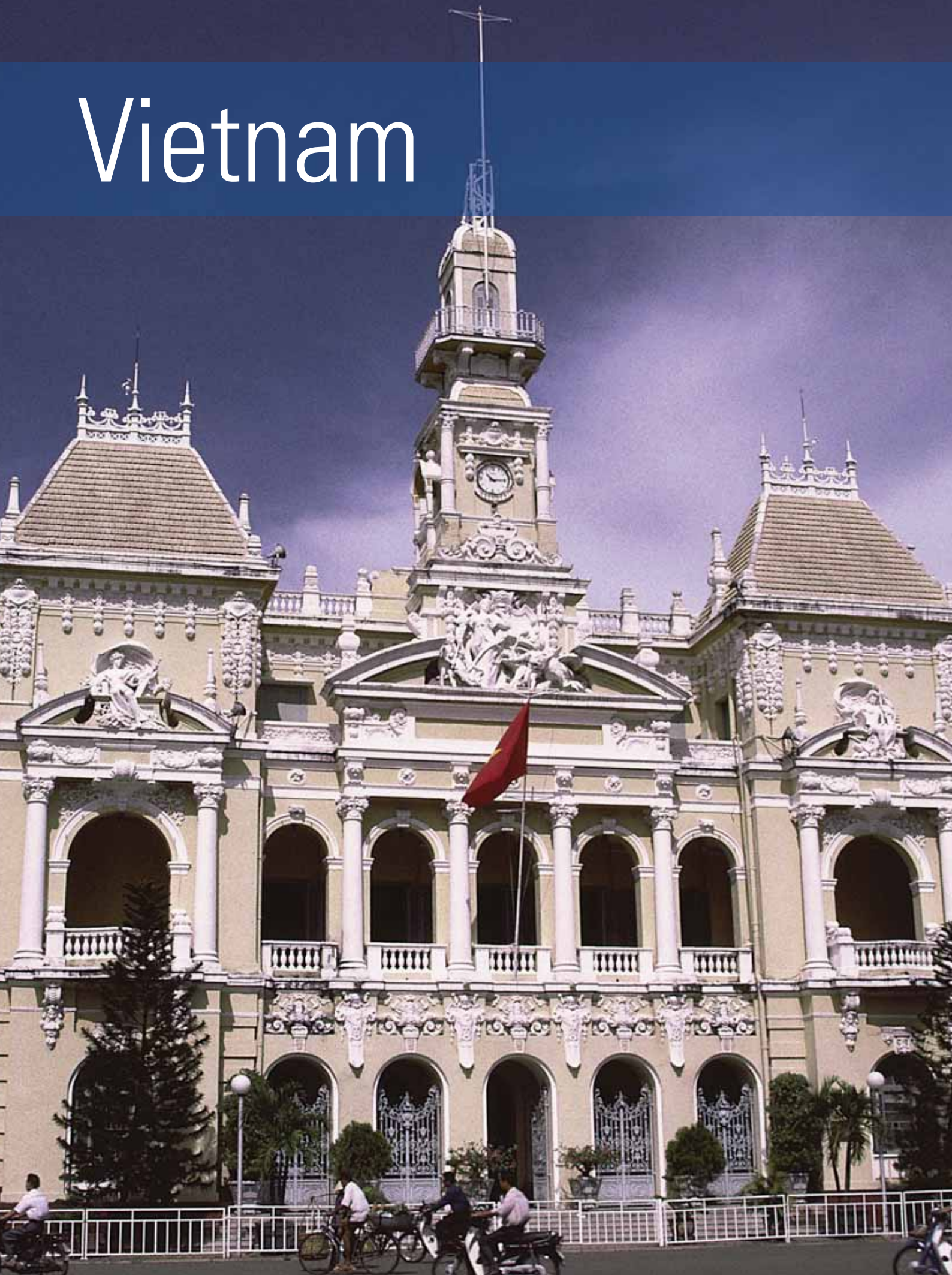
6 Iloiloviews, The Roadmap for Iloilo city, 26 March 2008

7 www.tourism.gov.ph/dot/inv_bora.asp, Tourism Philippines website, December 2008

8 Sunstar, Police Bare decline in Crime Rate, 21 January 2008

9 World Bank, Disaster Risk Management City of Iloilo, 2007

Vietnam



Vietnam



Country Snapshot

Size of the country	329, 560 sq. kms.
Population	86.15 million (2007)
Capital	Hanoi
Currency	Vietnamese Dong (VND)
1 USD = VND (Average)	15585.80 (2008)

Sources: www.cia.gov, Gocurrency.com

Main macroeconomic indicators:

GDP in PPP: USD 221.4 billion (2007 est.)¹
 GDP per capita in PPP: USD 2,580 (2007 est.)¹
 CPI: 24.5 percent (2007 est.)²
 Unemployment rate: 5.3 percent (2007 est.)¹
 FDI stock per capita: USD 494.8 (2007 est.)¹



Political Structure¹

Vietnam is a Socialist Republic with single party rule. The unicameral 493-member Quoc Hoi (National Assembly) is elected every five years. The Communist Party of Vietnam and its politburo, control the electoral process. The Assembly appoints the President and the Cabinet. The next election is due in 2012. For administrative purposes, it is subdivided into 59 provinces and five municipalities. Many regional governments provide incentives, as well as limits, on FDI.

Business and Investment Climate

Foreign Direct Investment (FDI): FDI received for 2007 was USD 6.73 billion, almost three times as much as that for 2006 – USD 2.36 billion³.

GDP growth: Growth rate of GDP in 2007 was 8.5 percent¹, slightly higher than 2006 growth rate of 8.2 percent⁴. The EIU has revised the GDP growth forecast for 2009 to 6.9 percent, from 7.3 percent previously.

Inflation: Vietnam reached the highest inflation rate 15.7 percent in the last decade and food prices were up by 25.2 percent⁵. EIU expects inflation to drop to an average of 12 percent in 2009.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	B / Negative
Standard & Poor's Foreign Currency Risk Rating	BB / Negative / B
Ease of Doing Business Rank (2009)	92
Rigidity of Employment Index (2009)	24

Sources: www.eiu.com, World Bank, Standard & Poor's

IT-BPO Scenario in the country

Vietnam clocked USD 500 million in exports of outsourced services in 2007⁶. The software industry aims to maintain a growth of 35-40 percent till 2010, earning up to USD 1 billion and aims to make it among the top 15 destinations for software outsourcing and export⁷.

Vietnam has over 750 software firms employing 35,000 people. The larger firms have up to 1,000 employees⁷. The software sector in the country started getting recognition after IBM opened its software center in Vietnam.

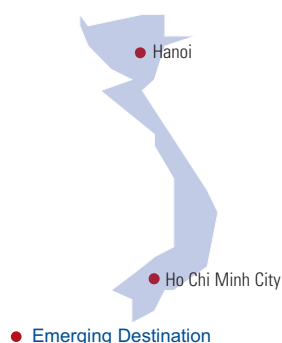
Hanoi and Ho Chi Minh City are the two popular outsourcing destinations in the country.

Government incentives⁶

The Vietnamese government provides a variety of incentives to the IT-BPO industry, such as:

- Exemption from corporate income tax for four years from the date of generation of the first taxable income
- Exemption from VAT and export tax for software products
- Exemption on tariff for imported materials that are used directly in software production.

The enforcement of IPRs in Vietnam operates in the general framework of enforcement and the "National Office of Intellectual Property" plays an active role in preparing and disseminating the national policies and regulations on Intellectual Property Rights (IPR) enforcement. There does not exist a special system for IPR enforcement in both civil and administrative procedures and resorting to administrative procedures and remedies to repress an IPR infringement is regarded as more effective than taking a case to court.



1 www.cia.gov, CIA Factbook, various pages, December 2008

2 www.eiu.com, various pages, December 2008

3 www.unctad.org/sections/dite_dir/docs/wir08_fs_vn_en.pdf, 2008

4 www.vietnamembassy-usa.org/news/story.php?d=20070405171545, US Embassy in Vietnam, April 2007

5 www.iht.com/articles/ap/2008/02/28/business/AS-FIN-ECO-Vietnam-Inflation.php, International Herald Tribune, February 2008

6 www.dpi.hochiminhcity.gov.vn/invest/html/ind1.html, Department of Planning & Investment, Vietnam, December 2008

7 hochiminhcity.osac.gov, December 2008

Ho Chi Minh City



City Introduction

- Ho Chi Minh City, Vietnam's largest city, is a major port and an important economic center¹
- It is also a popular tourist center in Vietnam.

Quick facts	
Geographic Location	Located on the Saigon River, it can be reached by air from Hanoi in two hours
Time Zone	GMT + 0700
Climate	Tropical warm climate with two seasons – the rainy season and the dry season. The average temperature is 27 degrees Celsius. The annual average rainfall is 180 cm
Population ¹	5,244,700
Literacy rate ²	99 percent
Languages	Vietnamese, Chinese, English, French
Major industries	Garments, chemicals, electronics, food processing

Sources: 1 Citypopulation.de (2007)

2 Department of Planning & Investment, Ho Chi Minh City (2007)

Other sources: VietnamOpenTour.com, Department of Investment and Planning, Ho Chi Minh City

Key drivers for the city to emerge as a favorable IT-BPO destination

- The government of Ho Chi Minh City has approved a plan to develop the city into an IT hub by 2010, by providing various incentives²
- Proactive measures are being taken to improve the city's infrastructure, including telecom, power and transport
- The largest software park in Vietnam, the Thu Thiem Software Park, is scheduled to come up by 2012 in Ho Chi Minh City³
- Ho Chi Minh City has a young population with 60 percent people under 35 years⁴
- The city has a large talent pool, with 41,600 college and vocational school students passing out every year⁵
- Salaries and costs of living are lower than capital Hanoi and some of the larger cities in Asia.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)*	
IBM (IT services)	Oracle (IT services)
Cyrus Intersoft (IT services)	Digi-Texx (BPO services)
Harvey Nash (BPO services)	OutsourceIT International (Staffing services)

Sources: Saigon Hi-Tech Park website, Amcham Vietnam

Development of the current IT-BPO industry⁶

- The IT industry in Ho Chi Minh City dates back to the last decade, with TMA Solutions being one of the earliest companies
- Ho Chi Minh City's Saigon Software Park started in 2001 was the first software park in Vietnam
- Despite the early activity, most of the companies in Ho Chi Minh City are small to medium enterprises. The city is yet to garner scale and move to providing higher value-adding services.

Industry Profile – Size and Specifics⁴

- Vietnam's software export revenues crossed USD 500 million in 2007. Ho Chi Minh City contributes between 50 and 60 percent to the country's software exports
- Over 6000 people are employed in the IT-BPO industry in the city
- About 250 to 300 companies are operating from the city
- The key services provided are software development and BPO services.

1 www.vietnam.com/travel/2/Ho-Chi-Minh-City-Saigon, December 2008

2 www.dpi.hochiminhcity.gov.vn/invest/html/abo4.html, Department of Planning & Investment, December 2008

3 Saigoninvest website, Thu Thiem Software Park Project - Ground Breaking Ceremony, July 2008

4 www.dpi.hochiminhcity.gov.vn/invest/html/ind1.html, Department of Planning & Investment, Ho Chi Minh City, December 2008

5 SearchCIO, Offshoring in Ho Chi Minh City promising, April 2008

6 Business-in-asia, The Software Industry in Vietnam, 2004

Human Resources

- Ho Chi Minh City has 30 universities and 27 vocational schools¹, including numerous business schools and programs
- There is a large talent pool, with about 262,000 university students and 41,600 college and vocational school students passing out every year¹. Ho Chi Minh City also attracts students and working professionals from suburban areas and neighboring provinces
- Employability of the workforce is relatively low. However, the large talent pool may currently be able to compensate for this
- Attrition rates are below 10 percent², relatively lower than those in other established IT-BPO locations.

Infrastructure

- **Office space (IT Parks):** The vacancy rate in Ho Chi Minh City remains very low. However, over the next 12 months, the office market is expected to see approximately 165,000 sq. mts. of prime office space³ being made available
- **Power supply:** Power supply to the city is currently not uninterrupted, and there are scheduled power outages. Although, in the software park areas, power supply is more reliable. Saigon Hi-Tech Park (SHTP) plans to build a standby power plant using gas turbines to ensure non-stop supply⁴
- **Telecom Infrastructure:** Adequate bandwidth for high-speed Internet access is available in the city. Further, FTP Telecom, a Vietnamese company has planned the Asia-America Gateway (AAG) project, valued at USD 560 million, expected to provide a 20,000 kms direct cable route, and better speeds and telecom reliability by the end of 2008⁵
- **National and International connectivity:** Ho Chi Minh City is connected by rail, road, river and air to major cities in Vietnam. The Tan Son Nhat Airport is the largest airport in Vietnam, connecting to 20 countries⁶. Corridor development involving the four new suburban centers (Thu Duc, District 12, Binh Chanh, Saigon South) in suburban areas of the city, including rail and bus transit for the inner city area has been planned⁷
- **Upcoming projects:** The planned Thu Thiem Software Park is scheduled to come up in District Two of Ho Chi Minh City. The Park is to create 487,500 sq. mts. of office space, residential and retail areas and a training center that is likely to be fully operational by 2012⁸.

State/ city specific incentives for IT-BPO over and above country level incentives, if any¹

- Businesses involved in software production and services, both local and foreign invested, are exempt from corporate income tax for four years from the date taxable income is produced
- Export of software products is tax free
- Vietnamese software businesses attract free or reduced land use costs.

Quality of life

- **Cost of living:** Cost of living is relatively lower compared with the capital Hanoi
- **Crime rate:** Violent crimes are rare, but the city is prone to petty crimes such as pick-pocketing
- **Pollution levels:** The city suffers from noise and air pollution problems, especially at congested areas
- **Ease of commuting:** Public transport is limited, and locals mostly use their own transport – in the form of motorcycles, bicycles or taxis. Traffic jams are common during peak hours
- **Availability of Hotels:** Ho Chi Minh City has more than 18 four-star and above hotels, including international chains. However, average occupancy rates are high due to a large number of tourists⁹.

Risk: City specific

- **Catastrophic risks:** Ho Chi Minh City is periodically affected by floods owing to incessant rains and river tides
- **Political risks:** Low risk, due to a stable political system in Vietnam
- **History of disruptions:** Aside from unrest in the central highlands in 2001 and 2004, political demonstrations are uncommon and the threat from civil unrest in the city is generally minimal¹⁰.

1 www.dpi.hochiminhcity.gov.vn, Department of Investment & Planning, various pages, December 2008

2 SearchCIO, Offshoring in Ho Chi Minh City promising, April 2008

3 Cushman Wakefield, Ho Chi Minh City, Second half, 2008

4 www.shtp.hochiminhcity.gov.vn, December 2008

5 Trade and Business Information Center, Vietnam's FPT Telecom to boost optical cable project, February 2008

6 www.hochiminhcityairport.com, December 2008

7 www.eng.hochiminhcity.gov.vn, Ho Chi Minh city Development Plan, December 2008

8 Saigoninvest website, Thu Thiem Software Park Project - Ground Breaking Ceremony, July 2008

9 CB Richard Ellis, "Why Vietnam", 2007

10 OSAC, Vietnam Crime & Safety Report: Ho Chi Minh City, 2007

Europe, Mido



le-East & Africa





Europe is primarily characterized by its great diversity, add the countries of Middle East and Africa into the mix and the choice of location alternatives in the EMA region can become bewildering for the potential investor.












The differences between Slovakia and Slovenia or between Latvia and Lithuania may not seem apparent at first, yet upon closer scrutiny these differences could be significant when selecting an IT-BPO location. Most of the EMA region comprise of relatively small countries and cities with specialist skill sets available in various destinations, such as linguistic abilities or technical expertise.

In EMA, there are the established locations in Western Europe, where cities in the UK, Spain, Ireland, the Netherlands, Belgium or parts of Germany still offer significant advantages: a qualified, multilingual labor force, excellent infrastructure and an attractive business environment.

Recently, locations in the new European Union (EU) member states entered into the fray and have become the centre of focus for BPO location decisions. Cities such as Budapest, Prague, Bratislava, Bucharest or Krakow have established a solid reputation as BPO locations. These cities offer attractive conditions, especially for companies looking for a good base of experience and “proof of concept” at costs below Western European levels.

The attention of some companies in EMA has now shifted to locations outside of the EU, including cities in the fast growing countries of the Middle East (such as Cairo in Egypt), Africa (Port Louis in Mauritius and Tunis in Tunisia) and the aspiring states in the Balkans (Zagreb and Belgrade in Croatia and Serbia respectively). The choice of locations for this study reflects this trend.

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Bulgaria



Bulgaria

Country Snapshot

Size of the country	110,910 sq. kms.
Population	7.6 million (2007)
Capital	Sofia
Currency	Lev (BGL)
1 USD = BGL (average)	1.26 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com

Main macroeconomic indicators:

GDP in PPP: USD 86.4 billion (2007 est.)¹
 GDP per capita in PPP: USD 11,400 (2007 est.)¹
 CPI: 5.8 percent (2007 est.)¹
 Unemployment rate: 8.0 percent (2007 est.)¹
 FDI stock per capita: USD 4,553 (2007 est.)²



Political Structure¹

Bulgaria has a unicameral legislature. The 240-member National Assembly is constitutionally the highest state authority. Its members are elected by proportional representation. A new constitution was passed in July 1991. The head of state is a directly elected non-executive President, under a system of majority representation every five years for a maximum of two terms. A Vice-president assists the President. Bulgaria is a member of North Atlantic Treaty Organization (NATO), and the EU since 2007.

There are 28 provinces in Bulgaria, which may have different incentives for investment, especially due to the differing unemployment rates across the country.

Business and Investment Climate

Foreign Direct Investment (FDI): FDI in 2007 was USD 8.6 billion, up from USD 8.3 billion in 2006. The forecast for 2008 is USD 6.3 billion due to the economic slowdown².

GDP growth: EIU estimates real GDP growth to be 6.4 percent in 2008, but is likely to slow down to 3.4 percent in 2009 and average around 4 percent in 2010.

Inflation: Inflation was 6.5 percent on average in 2005 and 2006, and fell to 5.0 percent in 2007. The average expected inflation in 2008 is 6.0 percent³.

IT-BPO Scenario in the country

Bulgaria's IT outsourcing market earned USD 256 million in revenue in 2007⁴. More than 400 companies are providing outsourcing services, and employ close to 8,000 people⁴. These include at least 10 BPO companies⁵. Call center and support services are among the popular services sourced from Bulgaria.

The Bulgarian software industry has been growing at about 30 percent per annum³. The Bulgarian Association of Software Companies (BASSCOM) represents IT companies in Bulgaria.

Sofia is the capital and an emerging city for the IT-BPO industry in Bulgaria.

Government incentives³

Amendments were made to the Investment Promotion Law in 2007, to include the following incentives for companies in the high tech sector, based on the volume of investment meeting certain minimum criteria:

- Corporate tax rate of 10 percent as of 1.1.2007
- Zero percent corporate tax rate in 141 out of 264 municipalities with high unemployment rates
- Ten percent flat tax rate on personal incomes as of January 2008
- Increased depreciation rate to 50 percent for purchasing new production and technology equipment, machinery, software and hardware.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BBB / Stable
Standard & Poor's Foreign Currency Risk Rating	BBB / Negative / A-3
Ease of Doing Business Rank (2009)	45
Rigidity of Employment Index (2009)	29

Sources: www.eiu.com, World Bank, Standard & Poor's



● Emerging Destination

¹ www.eiu.com, various pages, December 2008

² Vienna Institute for International Economic Studies, Foreign Direct Investment in Central, East and Southeast Europe, June 2008

³ www.investbulgaria.com/BulgarianCallCentersSector.php, December 2008

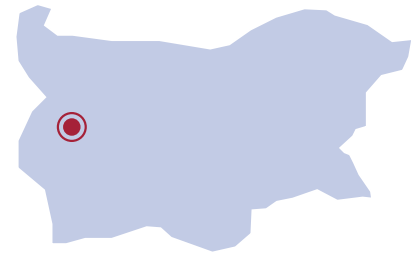
⁴ Ukrainian Hi-Tech Initiative, CEE IT Outsourcing Review, 2007

⁵ DTZ Research, 2007

Sofia

City Introduction

- Sofia is the capital of Bulgaria
- The city is the major economic, scientific and cultural center of the country.



Quick facts	
Geographic Location	Situated at the foot of Vitosha Mountain, which is located in the west part of the country. Sofia is reachable within three hours by air from London
Time Zone	GMT +0200
Climate	Moderate, continental climate with average summer temperature between 24 and 28 degrees Celsius and average winter temperature between 0 and – 4.9 degrees Celsius. The average rainfall is 65 cm
Population ¹	1.22 million
Literacy rate ¹	98.5 percent*
Languages	Bulgarian, English, German, Turkish, Armenian, Hebrew
Major industries	Manufacturing, financial services, construction, trade and transport

Sources: ¹ Sofia Municipality website

* Data for Bulgaria

Other sources: Guide-Bulgaria website, Bulgariancoast.com

Key drivers for the city to emerge as a favorable IT-BPO destination

- Sofia's education system is focused on technical education, and close to half the students are enrolled in ICT-related courses¹
- The IT and software industry is a key priority area for the government and receives focus in terms of incentive packages and support to IT companies investing in the country
- The city provides good standard of living within Bulgaria, with its per capita income about double the national average²
- The similar time-zone and geographic proximity is an advantage for providing near-shore services to Western European companies
- Sofia provides a significant labor cost advantage over cities in Western Europe. Estimates suggest that in Bulgaria, labor costs are around 10 percent of those in Germany³.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
SAP (Software development center)	Sciart (IT services)
IBM (BPO services)	HP (IT service center)
Sony (Call center)	LogicalI (BPO and support center)

Sources: Bulgaria BPO Factsheet

Development of the current IT-BPO industry⁴

- In 2006, HP started a center in Sofia to cater to the EMA markets. The center employs close to 1,200 people²
- In 2006, OPI, a US based BPO, established its center in Sofia, for near-shore services. It employs 125 professionals delivering F&A services in English, Bulgarian, Dutch, French, German, Italian, Polish, Portuguese, and Spanish⁵
- IBM has had a global delivery center since 2007, providing procurement BPO services²
- SAP employs over 470 employees and has had a center in Bulgaria since 2001²
- Outsourcing companies such as HP have collaborated with Bulgarian universities to enhance workforce skills and help ensure supply for technology investment projects².

Industry Profile – Size and Specifics

- The majority of the IT-BPO industry in Bulgaria is currently concentrated around Sofia. Estimates suggest that close to 80 percent of the IT-BPO employees in Bulgaria are in Sofia³
- Services provided from Sofia include IT support services, call center, technical support, procurement, and finance and accounting services⁴.

1 www.investbulgaria.com/BulgarianCallCentersSector.php, December 2008

2 Xerox Service Center, Creative and knowledge workers in Region Sofia, 2008

3 Ukrainian Hi-Tech Initiative, CEE IT Outsourcing Review, 2007

4 InvestBulgaria Agency, Bulgaria BPO Factsheet, March 2008

5 opiglobal.com, December 2008

Human Resources

- Sofia has 22 universities and polytechnic institutions, which produce a large pool of potential entry-level technical graduates. Over 18,000 students graduated from universities in 2005¹
- The key technical universities in Bulgaria have introduced programs to meet the demands of the outsourcing industry, including computer science curricula and joint research labs in co-operation with the multinational companies in the city². According to various surveys in Bulgaria, close to 50 percent of students are enrolled in ICT-related training¹
- According to the World Bank, the Bulgarian educational system ranks fifth in the world overall and 11 in mathematics. Bulgaria also has one of the highest numbers of information technology-certified professionals per capita in the world¹²
- Bulgarian is the principal language for the transaction of business. About 15 percent of the population speaks English¹, making it the leading foreign language spoken in the city. In addition there is capability in several other European languages amongst the workforce making multi-lingual service delivery possible
- Workforce turnover is about 10 to 15 percent per annum³.

Infrastructure

- **Office space (IT Parks):** Around 65,000 sq. mts. of new office space were added in Sofia in the third quarter of 2008. In the same period, several new projects were initiated, which are likely to add over 218,000 sq. mts. of office space to Sofia's central business area. Sofia's vacancy rate is likely to reach 10 percent by the end of 2008⁴
- **Power Supply:** The power supply in Sofia is generally uninterrupted, with rare outages⁵
- **Telecom Infrastructure:** Broadband and internet services are reliably available. Bulgaria Telecommunications Company is the largest provider in the city⁶
- **National and International connectivity:** Sofia is linked by road and rail to other cities in Bulgaria and Europe. The International Airport in Sofia offers connections to Europe, Africa, the Middle East and North America⁷
- **Upcoming projects:** The Techno Park Sofia, to be built over 6,000 sq. mts. of land was started in 2005. The first building of the project is already complete, with the project expected to be completed by 2010⁸.

State / city specific incentives for IT-BPO over and above country level incentives, if any

- There are no specific investment incentives for IT-BPO companies.

Quality of life

- **Cost of living:** Cost of living is relatively low compared to other cities in Europe. As per Mercer's 2008 Annual Cost Of Living Index, Sofia is the least expensive European city for expatriates in 97 place, although the city has climbed 11 places in the overall ranking of last year
- **Crime rate:** Petty crime, such as pick-pocketing, is common in Sofia. The city also witnesses some organized crime⁹
- **Pollution levels:** Air pollution in Sofia, especially in the central area, can be quite high. A report by the government in December 2008 lists health hazards due to air pollution in Sofia to be high¹⁰
- **Ease of commuting:** Public transport is well developed and includes three Trans-European Transport Corridors across the city, underground trains, buses, trams and electric buses⁷
- **Availability of Hotels:** There are over 70 hotels, including international chains, providing a large number of rooms⁷.

Risk: City specific

- **Catastrophic risks:** Sofia is prone to floods, especially in summer¹¹
- **History of disruption:** Demonstrations to protest or advocate specific causes are common, but these are generally peaceful⁹.

1 www.investbulgaria.com/BulgarianCallCentersSector.php, December 2008

2 Ukrainian Hi-Tech Initiative, CEE IT Outsourcing Review, 2007

3 InvestBulgaria Agency, Bulgaria BPO Factsheet, March 2008

4 www.propertywisebulgaria.com, MBL estimates, January 2008

5 Invest Bulgaria, Bulgaria's power grid operator warns of Electricity shortage, 2008

6 www.btc.bg/en, Bulgaria Telecommunications Company website, December 2008

7 www.travel-bulgaria.com, December 2008

8 www.technoparksofia.com, December 2008

9 OSAC, Bulgaria Crime and Safety Report, 2007

10 www.sofiaecho.com/article/polluted-soil-air-endanger-health-in-24-cities-and-villages-in-bulgaria/id_33702/catid_66, 2008

11 KPMG analysis based on various news articles

12 www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2006/05/16/BUGANIS78M1.DTL&type=printable, 2008

Croatia



Croatia

Country Snapshot

Size of the country	87,600 sq. kms.
Population	4.4 million (2007)
Capital	Zagreb
Currency	Croatian Kuna (HRK)
1 USD = HRK (average)	4.70 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com

Main macroeconomic indicators¹:

GDP in PPP: USD 69.03 billion (2007 est.)
 GDP per capita in PPP: USD 15,360 (2007 est.)
 CPI: 5.8 percent (2007)
 Unemployment rate: 15.1 percent (2007)
 FDI stock per capita: USD 9577 (2007 est.)⁷



Political Structure²

The Republic of Croatia is a Parliamentary democracy. The President is the head of state, directly elected for a term of five years. The government is headed by the Prime Minister and comprised of two chambers, the house of representatives and the house of counties. Members of both chambers serve four-year terms. Croatia administratively consists of 20 counties and 1 city (Zagreb).

The country is an official European Union candidate and in the process of negotiating its entry for 2010. The European Commission assessed Croatia's progress towards EU membership positively in its latest report, even though it called for further reforms.

Business and Investment Climate

Foreign Direct Investment (FDI): Privatization has been completed in most sectors, encouraging foreign investors to invest in the country. FDI inflows into Croatia amounted to USD 4.8 billion in 2007 and are expected to slow down to USD 3.7 billion in 2008¹.

GDP growth: Real GDP growth in Croatia was 5.7 percent in 2007. It is expected to be 3.1 percent in 2008 mainly due to the economic slowdown as a result of reduced exports and tourism¹.

Inflation: Wholesale price inflation has remained stable between 2 and 3 percent in the past years. It is expected to be approximately 6 percent in 2008, and 3.5 percent in 2009³.

IT-BPO Scenario in the country

The turnover in Croatia's IT industry is expected to increase from USD 920 million in 2007 to around USD 1.5 billion in 2012⁴. The Croatian IT outsourcing industry is as yet nascent and earned revenues of USD 32 million in 2007⁵.

More than 1,200 companies are active in the IT field⁴, with about 70 companies providing outsourcing services⁵ in areas such as software consultancy, custom application development, consultancy or customization services and system integration services.

The Croatian Association of Software and Online Entrepreneurs and the Croatian Information Technology Society are the associations representing the IT-BPO industry in the country.

Government incentives⁶

According to Croatia's national trade and investment promotion agency, strategic business support services (including customer contact, shared service and software development centers) can benefit from investment grants. The government provides:

- Tax incentives depending on the investment sum and number of newly generated jobs
- Employment incentives depending on the local unemployment rate, eligible costs and quality of work conducted
- Subsidized training costs linked to an investment.

2008 (Rating/outlook)	
EU's Sovereign Risk Rating	BB / Stable
Standard & Poor's Foreign Currency Risk Rating	BBB / Negative / A-3
Ease of Doing Business Rank (2009)	106
Rigidity of Employment Index (2009)	50

Sources: www.eiu.com, World Bank, Standard & Poor's



● Emerging Destination

1 www.eiu.com, various pages, December 2008

2 www.vlada.hr/en, Croatian government website, December 2008

3 CIA Factbook, 2008

4 Business Monitor International, 2008

5 Ukrainian Hi-Tech Initiative, CEE IT Outsourcing Review, 2007

6 www.apiu.hr, Croatian Trade and Investment Promotion Agency website, December 2008

7 Vienna Institute for International Economic Studies, Foreign Direct Investment in Central, East and Southeast Europe, June 2008

Zagreb

City Introduction

- Zagreb is the capital and largest city of Croatia¹
- It is the commercial and industrial center of Croatia, and contributes approximately 50 percent to Croatia's total GDP¹.



Quick facts	
Geographic Location	Situated in the north-west of Croatia. Zagreb is reachable within one to three hours by air from most European cities
Time Zone	GMT +0100
Climate	Mostly continental / Mediterranean climate. The average summer temperature is 23 degrees Celsius, while average winter temperature is 0.5 degrees. The average rainfall is 89 cm.
Population ¹	784,900
Literacy rate ²	98.1 percent*
Languages ³	Croatian, English, German, Italian*
Major industries ⁴	Foods and beverages, tourism, chemicals

Sources: 1 City Government, Zagreb

2 CIA Factbook

3 Hill International Country Report: Croatia

4 Embassy of India in Croatia website

Other sources: Croatia Tourist Information Service, Travel websites Info Croatia, Euromost/

* Country level

Key drivers for the city to emerge as a favorable IT-BPO destination

- Zagreb has a large, educated workforce, especially technically qualified graduates
- The workforce is oriented towards services due to a booming tourism industry
- The workforce speaks English as well as Western European languages such as German, Italian and Russian, which allows multi-lingual service delivery
- The city also serves as a base to offer services to proximal markets in Central and Eastern Europe such as Romania, Slovenia and Bulgaria.
- Zagreb has a time-zone advantage suitable to provide near-shore outsourcing services to Western European markets
- It offers a relative cost advantage over Western European cities.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
IBM (IT services)	Verso (IT services)
Envox (Software development)	Infodom (IT services)
GISDATA's (Software development and IT services)	Siemens (Software development)

Sources: Company websites, Croatia Trade and Investment Promotion Agency

Development of the current IT-BPO industry

- IBM set up its operation in Zagreb in 1995 and presently employs 200 people to serve the Croatian market and export services to Australia and the Middle East. Its main services include consulting services, market support, business innovation, systems and education services³
- IDC serves Slovenia, Bulgaria, Romania, Serbia, Bosnia and Macedonia from its Adriatic's headquarters in Zagreb⁴ employing research analysts and ICT industry specialists in the city⁵
- Other multinational players include CISCO Systems employing 20 employees in the city. Oracle, which established an academic institute at the university of Zagreb; Siemens Croatia with its headquarters in Zagreb and Envov with more than 20 employees in the city⁵.

Industry Profile – Size and Specifics

- More than two thirds of Croatia's ICT companies are based in Zagreb and employ approximately 12,000 people in the city and its region²
- Key services provided by national and international companies include research and development, software development and customer support
- Main foreign serviced markets include Bosnia and Herzegovina, Slovenia, Austria, Germany and Italy.

1 www.apiu.hr, Croatian Trade and Investment Promotion Agency, December 2008

2 www.apiu.hr, Croatian Trade and Investment Promotion Agency, December 2008

3 www.ibm.com/employment/hr/, December 2008

4 www.idc-cema.com/?showproduct=34518, IDC Press release, 2008

5 Croatia Trade and Investment Promotion Agency publication: IT and Software Development in Croatia



Human Resources

- Zagreb's universities and polytechnic institutions produce a pool of potential entry-level workforce. More than 10,000 students are enrolled into technical, mathematical, electrical engineering and IT-related courses, with 1,000 graduating annually in IT and electrical engineering. The University of Zagreb Computing Centre has considerable computing resources and is the center of Serbia's national e-infrastructure¹
- Unemployment in Zagreb is at about 7.4 percent², and includes graduates, experienced individuals as well as service-oriented professionals. These constitute an employable talent pool in the city
- Fifty percent of Zagreb's population speak English, and almost every IT professional speaks English and a second foreign language³
- Labor costs in the software sector are above average compared to other Croatian industries, and IT experts are one of the best-paid specialists in the region. According to various sources, salaries in Zagreb are approximately 20 percent higher than in other Croatian regions⁴
- Zagreb enjoys a high inflow of Individuals in search of employment.

Infrastructure

- **Office space (IT Parks):** There is an adequate supply of modern office space (class A and B) with 500,000 sq. mts. currently available. This represents a vacancy rate of approximately 7 percent⁵
- **Telecom Infrastructure:** Croatian telecommunication infrastructure has been modernized and liberalized and is a 100 percent digitalized network⁸
- **National and International connectivity:** Zagreb is the hub of five major Croatian highways⁹. Most European capitals are accessible by railway from Zagreb. Zagreb international airport has flight connections to domestic and international cities, including cities in more than 20 European countries
- **Upcoming projects:** Currently, there are only a few office buildings under construction in Zagreb, which are expected to bring additional an 80,000 sq. mts. of office space in the next 2 to 3 years⁵.

State/ city specific incentives for IT-BPO over and above country level incentives, if any

- There are no specific investment incentives for IT-BPO companies in the city of Zagreb.

Quality of life

- **Cost of living:** Cost of living is relatively high compared to other cities in Croatia. However, Zagreb ranks 49 in Mercer's 2008 Annual Cost of Living Index, which makes the city less expensive than other developing Eastern European capitals like Riga, Warsaw or Prague
- **Crime rate:** Croatia has a relatively low crime rate compared to European and US standards and the city is considered to be generally safe⁶
- **Pollution levels:** Air pollution levels are on the rise in the city. However, Zagreb's government is carrying out several environmental programs including the sanitation of the utility waste depot in Jakusevac, an open dump about 15 km from Zagreb, which is currently a cause for concern in terms of environmental pollution¹⁰
- **Ease of commuting:** Public transportation in Zagreb is provided through trams and buses. Congestion during rush hours is common in the city's central areas
- **Availability of Hotels:** There are 36 hotels, including international chains, providing approximately 6,000 beds².

Risk: City specific

- **Catastrophic risks:** Zagreb is located in a seismically active region and minor tremors are occasionally felt⁶. The city is also prone to floods⁷.

1 www.unizg.hr, University of Zagreb, December 2008

2 www.zagreb.hr, City of Zagreb website, December 2008

3 www.apiu.hr, Croatian Trade and Investment Promotion Agency, December 2008

4 Hill International Country Report: Croatia, December 2008

5 Colliers International, Second Half 2008

6 OSAC Report – Croatia Crime and Safety Report, 2008

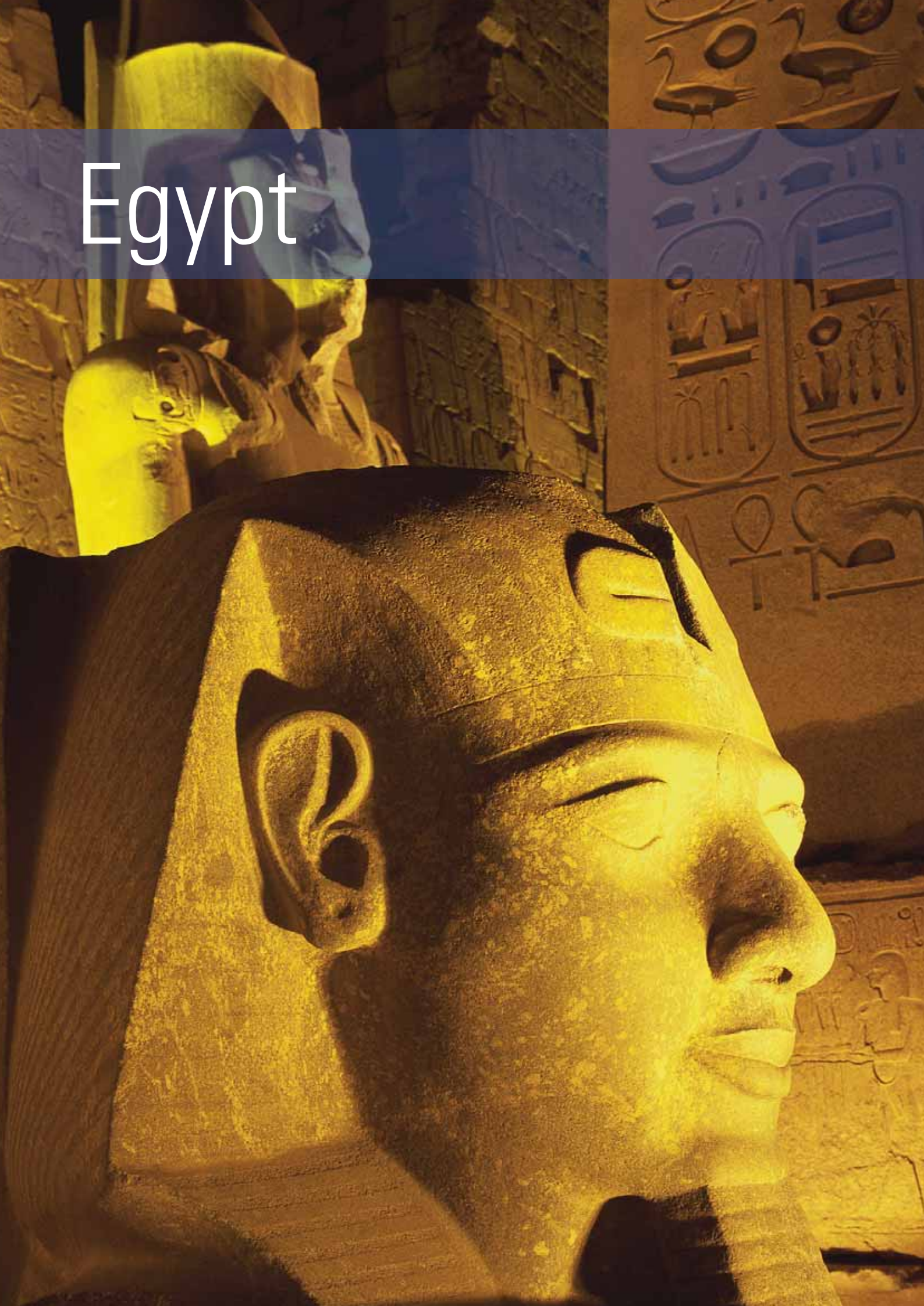
7 Journal of Applied Sciences and Environmental Management, Flood Risk Assessment Zagreb, 2004

8 Croatia Trade and Investment Promotion Agency publication: Think Profit Think Croatia, 2008

9 www.toming.si/pdf/Zagreb.pdf, Toming Report on Zagreb, 2008

10 Environment for Europe document: Municipal environmental investments in South Eastern Europe: 2001 – 2005

Egypt



Egypt

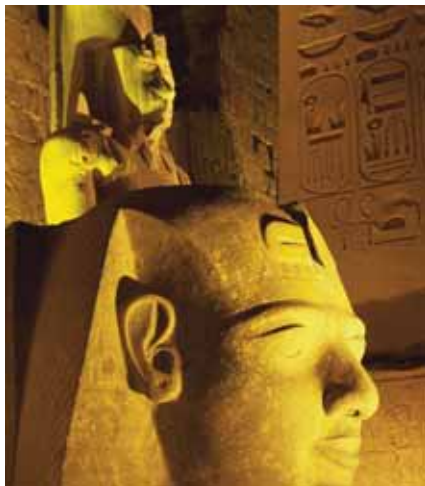
Country Snapshot

Size of the country	1,001,450 sq. kms.
Population	81.7 million (2008)
Capital	Cairo
Currency	Egyptian Pound (EGP)
1 USD = EGP (average)	5.19 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com

Main macroeconomic indicators¹:

GDP in PPP: USD 404.3 billion (2007)
 GDP per capita in PPP: USD 5,320 (2007 est.)
 CPI: 9.5 percent (2007)
 Unemployment rate: 8.9 percent (2007)
 FDI stock per capita: USD 652 (2007)



Political Structure¹

Egypt is an Arab Republic with a democratic system. The President is the head of state, nominated by a two-thirds majority of the People's Assembly, which is the legislative body. A Council of Ministers, headed by the Prime Minister supervise the work of the government. Administratively, Egypt is divided into 26 Governorates, each headed by a Governor who is appointed by the President.

Business and Investment Climate

Foreign Direct Investment (FDI): Egypt implemented policy reforms leading to a 15-fold increase in FDI between 2001 and 2006. Inflows into the country have almost doubled between 2006 and 2007 accounting for USD 11.6 billion in 2007. FDI is expected to be USD 9.8 billion in 2008¹, as a result of the slowdown.

GDP growth: Real GDP grew by 7.2 percent in 2007. Despite the slowdown of the global economy, real GDP is expected to grow at an annual rate of 5.7 percent in 2008¹.

Inflation: Inflation rate rose to 23.7 percent in August 2008 mainly due to rising fuel prices. However, it is expected to fall to an average of 9 percent in 2009 as a result of falling commodity prices¹.

IT-BPO Scenario in the country

The Egyptian ICT sector has grown by 25 percent in 2007 and is one of the sectors for economic development identified by the government². About 162,500 people were employed in the ICT sector in 2007, an increase of 9 percent on the workforce in 2006³.

One of the first companies to position Egypt in the international IT-BPO sector was Xceed, a subsidiary of Telecom Egypt and the largest domestic call center operator⁴.

Other Egyptian call center operators with clients in North America and Europe include Raya Contact Center, E Group Connections and C3. International companies operating in Egypt include Oracle, Wipro, IBM, Dell, Oracle, Microsoft, Alcatel and Orange Business Services⁵.

Currently, most of the outsourcing activity in Egypt is concentrated around its capital city Cairo⁵, while Alexandria and Damietta are also being promoted as emerging cities.

Government incentives⁶

The Government is eager to attract foreign investment, especially in the ICT and BPO sectors. Incentives include:

- Corporate income tax exemptions and other tax abatements
- Free rent for specific locations (e.g. in northern Egypt in the south of Cairo)
- Contribution towards purchases of IT equipment
- Training assistance and support with recruitment.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BB / Stable
Standard & Poor's Foreign Currency Risk Rating	BB+ / Stable / B
Ease of Doing Business Rank (2009)	114
Rigidity of Employment Index (2009)	27

Sources: www.eiu.com, World Bank, Standard & Poor's



● Emerging Destination

¹ www.eiu.com, various pages, December 2008

² www.idsc.gov.eg, The Egyptian Cabinet Information and Decision Support Center website, December 2008

³ www.mcit.gov.eg, Ministry of Communication and Information Technology website, December 2008

⁴ www.cairolive.com, Cairo Live, December 2008

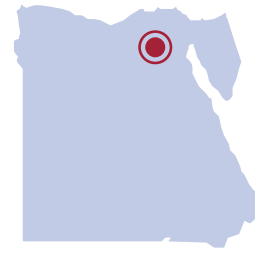
⁵ AmCham Egypt, Ministry of Communications and Information Technology, Egypt's ICT Strategy 2007 – 2010

⁶ Business Today Egypt, India Outsources Outsourcing, 2008

Cairo

City Introduction

- Cairo is the capital of Egypt and its largest city¹
- It is the industrial and commercial center of Egypt, and a popular international tourist destination.



Quick facts	
Geographic Location	Situated in the north of Egypt on the banks of the Nile River. The air travel time between Cairo and London is about 5 hours.
Time Zone	GMT +0200
Climate	Hot desert climate, with average summer temperature between 21 and 36 degrees Celsius and average winter temperature between 8 and 18 degrees Celsius. The average rainfall is 20 cm.
Population ¹	18.0 million
Literacy rate ²	71.4 percent*
Languages	Arabic, English
Major industries	Tourism, textile, chemicals, leather, cement, food production

Sources: 1 Egyptian Census, 2006. Data for Cairo Metropolitan Region

2 EIU

* National level

Other sources: Ministry of Foreign Affairs, Egypt government

Key drivers for the city to emerge as a favorable IT-BPO destination

- Cairo's workforce is proficient in Arabic and English, which makes the city well suited to cater to the Middle-Eastern market as well as English speaking countries
- A large, young population provides a huge talent pool to recruit from
- The workforce has a pro-Western attitude and high service orientation due to Cairo's rich history and booming tourism industry
- The Egyptian government is keen to support foreign investments, and provides liberal assistance to the IT-BPO industry²
- The time-zone in Cairo favors business compatibility with markets in the Middle East, Europe and the US
- Cairo offers a comparative cost advantage over cities in Europe.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
IBM (Research center)	Fujitsu Consulting (IT services)
Xceed (Contact center)	Wipro (Development center)
Oracle (Support center)	Orange Business Services (Support center)

Sources: Company websites, Indiatimes Infotech article

Development of the current IT-BPO industry

- Cairo witnessed increased activity in the IT-BPO sector in the late 1990's
- Currently, Orange Business Services (OBS) employs 1,500 people at its support center in downtown Cairo supporting clients in 18 languages including Arabic, English, French, German, Italian and Spanish³
- In 2008, Oracle opened a global support center employing 520 professionals that provide support in Arabic, English, French and Spanish⁴.

Industry Profile – Size and Specifics

- The majority of Egypt's offshore outsourcing revenue is earned from Cairo⁵
- Services sourced from Cairo include technical support call centers, software development and research facilities.

1 Egyptian Census, 2006

2 www.amcham.org.eg/dbe/ICT.asp, AmCham: Doing Business in Egypt, 2008

3 www.orangepartner.com/site/enuk/news/press/p_inauguration_of_the_cairo_orange_labs.jsp, December 2008

4 EgyptNews.com, Oracle Egypt global support services center is officially opened, April 2008

5 Yankee Group Report, May 2007

Human Resources

- Cairo is an educational hub for Arabic nations. The University of Cairo is one of the biggest in Africa, with about 2,000 students enrolled at the Faculty of Computers and Information¹. There are many other educational institutions including the German University with a Faculty of Information Engineering, the American University, the Nile University specializing in IT and the Higher Technological Institute, amongst others
- Cairo's educational system puts a premium on the technological knowledge. There are also state-financed IT training programs, certified by multinational IT companies
- There is a large pool of young workforce that speaks Arabic as well as English, providing a multi-lingual talent pool. However, competition for the more qualified talent is high
- The well developed tourism sector presents an alternative pool of employees having foreign language skills and service sector orientation.

Infrastructure

- **Office space (IT Parks):** The Egyptian government is constructing "smart villages" to attract foreign ICT companies. The Giza Smart Village in Cairo spread over 3 million sq. mts. opened in 2003. It expects to house more than 120 companies employing 20,000 professionals by the end of 2008²
- **Power supply:** The government has invested heavily in the electricity grid in order to satisfy the strong demand in Cairo and other urban centers. The government is encouraging public-private partnerships to expand and realize electricity capacity and reliability effectively in the near future
- **Telecom Infrastructure:** The country is connected to the international telecommunication infrastructure by three major submarine fiber-optic cables, with the telecom infrastructure expected to be extended by additional submarine fiber-optic cables
- **National and International connectivity:** Cairo is the transportation center for the entire Egyptian transportation network. The city's international airport is the second busiest in Africa and has flight connections to various destinations all over the world³
- **Upcoming projects:** A new Contact Center Park, with 40 buildings is slated to come up in Maadi in the southeast of Cairo. Companies can start setting up operations by 2009 while the Park is expected to become fully operational by 2012. The Giza Smart Village is to be expanded by an additional 78 hectares including 5 new buildings totaling 10,000 sq. mts.² Completion of the first of the new operational buildings is scheduled for March 2009.

State / city specific incentives for IT-BPO over and above country level incentives, if any

- Local government is eager to attract foreign investment and provides beneficial purchase options for municipally owned land².

Quality of life

- **Cost of living:** Cairo's cost of living is relatively high mainly due to its soaring rate of inflation. However, the city ranked 101 in Mercer's 2008 world Cost of Living Index and is still less expensive than other major African cities like Algier, Lagos or Dakar
- **Crime rate:** Cairo is considered to be a relatively safe place to live and work, with a low crime rate⁶
- **Pollution levels:** The city has high pollution levels because its industrial activities are fuelled by heavy oils – especially mazot⁴. A common initiative by Egyptian factory owners and the Climate Change Initiative has been taken to introduce a new technology that enables a switch from heavy oils to natural gas. Already, more than a fourth of factories in the region run on natural gas leading to gradually decreasing air pollution⁵
- **Ease of commuting:** Cairo has an extensive road network. A 113 km ring road interlinks Cairo with highways and other cities⁸. Furthermore, the city has a rail and subway system. Despite the developments of the city's infrastructure, Cairo is the second most congested city in the Middle East⁹
- **Availability of Hotels:** Cairo is well known to be a tourist destination. It benefits from a broad supply of quality accommodation, including international chains.

Risk: City specific

- **Catastrophic risks:** Cairo was affected by a severe earthquake in 1992. The city does not lie in a high seismic activity zone, but earthquakes do occur⁶. Further, In September 2008, over 100 people were killed by a rockslide at the outskirts of Cairo⁷
- **Political risks:** Cairo is currently assessed as relatively high risk on the basis of random acts of terrorism and political violence⁶
- **History of Disruption:** In 2005, 3 tourists were killed during a terrorist attack in Cairo's city center⁶.

1 www.fci-cu.edu.eg, Faculty of Computers and Information website, December 2008

2 www.smart-villages.com/docs/cairo.aspx, Smart Villages Egypt website, December 2008

3 Airport Technology

4 Mazot is a remnant after extraction of more valuable fuel products from crude oil

5 KPMG Analysis based on news research

6 OSAC Egypt Crime and Safety Report, 2008

7 BBC News, Cairo rockslide death toll climbs, 8 September 2008

8 www.investinalalexandria.gov.eg, Invest in Alexandria website, December 2008

9 Survey by GulfTalent.com

Mauritius



Mauritius

Country Snapshot

Size of the country	2,040 sq. kms.
Population	1.22 million (2007 est.)
Capital	Port Louis
Currency	Mauritian Rupee (MUR)
1 USD = MUR (average)	27.07 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com, Central Central Statistics Office Mauritius

Main macroeconomic indicators¹:

GDP in PPP: USD 14.27 billion (2007 est.)
 GDP per capita in PPP: USD 11,300 (2007 est.)
 CPI: 8.8 percent (2007 est.)
 Unemployment rate: 8.8 percent (2007 est.)
 FDI stock per capita: USD 89 (2007 est.)



Political Structure²

The Republic of Mauritius has 10 administrative subdivisions. The legislature consists of a unicameral National Assembly. The Mauritian government is democratically elected every five years and its constitution is based upon the British parliamentary system. The President is the head of state and Prime Minister is the head of government. Four parties have formed a coalition government named Alliance Sociale (AS). The next elections are due in 2010.

Business and Investment Climate

Foreign Direct Investment (FDI): FDI inflows have increased significantly for the past 2 years and accounted for USD 339 million in 2007. Compared to the previous year, FDI inflows have more than tripled (USD 105 million FDI inflows)³.

GDP growth: Real GDP grew by 5.6 percent in 2007. The EIU forecasts GDP to grow at the same rate in 2008 and in 2009¹.

Inflation: After inflation rose to 10.1 percent in April 2008, it is expected to fall to about 7 percent in 2009¹.

IT-BPO Scenario in the country

With an average growth rate of 25 percent from October 2006 to March 2007 the IT-BPO industry is the fastest growing sector of Mauritius' economy. In total, there are 255 IT-BPO companies employing about 10,000 people. In 2007, the IT-BPO sector contributed to 5.7 percent of the GDP⁴.

A majority of the companies provide BPO and call center services and one fifth are involved in software development⁴. International companies operating in Mauritius include Microsoft, Hinduja, Oracle, Infosys and CISCO.

The government has developed a national strategic plan that aims at transforming the country into an ICT hub. An increase of employment to 29,000 qualified persons in the ICT sector is targeted, including more than 10,000 foreigners. Furthermore, the government intends to attract twice the number of foreign investors by 2011⁵.

Most companies operate in Port Louis. The Grand Baie Business Park, the newly developed Rose Belle Business Park, La Tour Koenig Informatics Park, Goodlands Business Park and the Trade and Marketing Center are some of the important knowledge parks of the country⁶.

Mauritius is positioning itself as an attractive international financial services center encouraging several outsourcing companies, especially Indian, to set up holding offices in the country.

Government incentives⁴

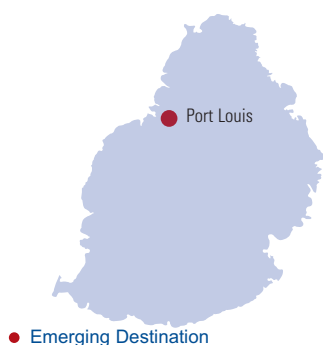
The country has a liberal fiscal regime which reflects the government's eagerness to attract foreign investors. Investment incentives for IT-BPO include:

- Corporate tax exemption (2 options are available: 0 percent in the first year and 15 percent the following years or 5 percent in perpetuity)
- Zero customs duty on ICT equipment
- Fifty percent tax relief on personal income tax for foreign IT specialists
- Refund of up to 75 percent of training costs.

Furthermore, companies operating in Mauritius' Export Processing Zone benefit from tax and customs duties exemptions as well as registration fee reductions.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BB / Stable
Standard & Poor's Foreign Currency Risk Rating	Not available
Ease of Doing Business Rank (2009)	24 (2009)
Rigidity of Employment Index (2009)	23 (2009)

Sources: www.eiu.com, World Bank



1 www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

2 The Essence of Africa.com tourism website, December 2008

3 UNCTAD, World Investment Report 2008

4 Board of Investment, Mauritius 2008

5 Republic of Mauritius National ICT Strategic Plan 2007-2011

6 www.investmauritius.com/Resources1.aspx, Business Parks of Mauritius Limited, and Republic of Mauritius Business Portal, December 2008

Port Louis

City Introduction

- Port Louis is the capital city of Mauritius
- It is the main port of the country⁶.



Quick facts	
Geographic Location	Situated in the west of the Island, it can be reached within four hours from Johannesburg
Time Zone	GMT +0400
Climate	Subtropical climate, with summer temperature ranging between 23 and 30 degrees Celsius and winter temperature between 17 and 24 degrees Celsius. Annual rainfall ranges from 90 to 150 cm.
Population ¹	130,050
Literacy rate ²	86 percent*
Languages ³	English (official language), French Creole
Major industries ⁴	Sugar, textile, tourism, ICT

Sources: 1 Central Statistics Office Mauritius (2007 est.)
2 CIA Factbook
Other Sources: Travel websites
* National level

Key drivers for the city to emerge as a favorable IT-BPO destination

- The cultural affinity with Europe and Asia, and the availability of a bilingual workforce make Port Louis an attractive destination for European and Asian customers
- The city is a major tourist destination and has a good service orientation
- Even though many Mauritian students study abroad, most of them return after graduating, forming an attractive talent pool for IT-BPO companies
- Immigration by qualified workforce is encouraged by the Port Louis government. Work permits are provided within a short time period for foreign employees
- The city is considered attractive for disaster recovery centers
- Supportive government policies that encourage foreign investment, and well developed infrastructure, especially in telecom, has aided the growth of the BPO segment
- Mercer's 2008 Quality of Living Survey has rated Port Louis as one of the best cities in the Middle East and Africa region.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Microsoft (IT services)	CISCO (ICT services)
Oracle (IT services)	Accenture (IT-BPO services)
Infosys (Disaster recovery center)	Orange Business Services (BPO services)

Sources: Company websites, ICT and BPO in Mauritius – National Computer Board

Development of the current IT-BPO industry

- With the establishment of the National Computer Board, State Informatics Ltd. and the Central Informatics Bureau in late '80s, the IT-BPO sector has experienced rapid development and has become very export-oriented
- Companies are looking at Port Louis as a disaster recovery center⁷
- In 1997, Microsoft opened its regional office in the city to serve the Indian Ocean region³. Accenture services its European and US clients from its center in Port Louis⁴
- According to the BPO Secretariat, by October 2005, there were 90 companies employing 3801 people in the BPO sector. Call centers employed 2,071 of these professionals.

Industry Profile – Size and Specifics

- Total investments in the IT-BPO sector until March 2007 accounted for USD 47 million¹
- Over 150 BPO companies are located within a 15 km radius of Port Louis²
- The Ebene Cyber City Park houses global players such as Orange, Infosys, Infinity BPO, Tele-forma and Hua Wei⁵
- A host of services are offered out of Mauritius including call-center, financial services, software development, website development, animation and multimedia services, IT consulting, e-Learning and ICT training.

1 www.investmauritius.com/Resources1.aspx, Board of Investment, Mauritius, December 2008

2 KPMG estimates based on: 'List of Operational ITES-BPO Companies as at September 2008', by Board of Investment Mauritius

3 Embassy of the United States: Country Commercial Guide Mauritius, December 2008

4 www.accenture.com, Accenture website, December 2008

5 www.allbusiness.com/real-estate/commercial-residential-property-commercial/10594708-1.html, Allbusiness article, 2008

6 www.scar.utoronto.ca/~gwater/IAHCGUA/UGD/port-louis.html, Urban Groundwater Database, December 2008

7 Continuity Central News article, Mauritius recovery centre being developed, 10 December 2008

USD / MUR exchange rate at 20.11.2008 has been utilized for conversions

Human Resources

- Mauritius has a large pool of educated and young people. Almost one third of the country's population is less than 30 years old¹
- There are about 94 educational institutes in Mauritius². Information technology, management, commerce and engineering are the most popular courses in the country
- Almost 4,000 students graduate annually from the University of Technology and University of Mauritius in IT-related subjects³. In order to enhance the existing pool of human resources the government is encouraging international tertiary education institutions to invest in Port Louis¹
- Given the small size of Mauritius, most graduates can be available to work in the city of Port Louis
- The country has among the highest literacy rates in Africa and benefits from a free education system⁸. Furthermore, IT-BPO companies can benefit from the workforce's bilingual language capabilities in English and French¹.

Infrastructure

- **Office space (IT Parks):** The Ebene Cyber City Park is one of the main locations for IT-BPO companies and is located about 15 minutes by road from Port Louis. The Cyber City totals 60,000 sq. mts. of space and includes a business and knowledge zone, commercial, residential and hotel facilities. The towers in Cyber City provide benefits for ICT players such as first layer access to the SAFE⁴ optic fiber cable and reliable electrical power supply
- **Infrastructure:** Port Louis has a well developed digital network infrastructure and telecommunication facilities. Mauritius is connected to a submarine fiber optic cable system linking Mauritius directly with Europe and Asia¹¹, and supporting the positive development of the ICT sector in the country
- **National and International connectivity:** The Sir Seewoosagar Ramgoolam International Airport provides direct flights to destinations in Europe (including Geneva, Paris and London), Asia (including Singapore, Mumbai and Hong Kong), Australia, Middle East, Africa and the Indian ocean islands (including Seychelles and Reunion)¹³
- **Upcoming projects:** Further international fiber optic cables are being laid. Due to the high demand, there are plans to build another tower in the Ebène Cyber City Park in 2009.

State/ city specific incentives for IT-BPO over and above country level incentives, if any

- The country is very small thus there are no local investment incentives provided. However, Mauritius' Cyber City provides tax exemptions comparable to the Mauritian Export Service Zones⁵.

Quality of life

- **Cost of living:** Cost of living is relatively high compared to African states given Mauritius' location and the need to import many goods. Being an attractive holiday destination and investments by numerous foreigners have also led to increased costs of living
- **Crime rate:** Mauritius has one of the lowest crime rates in Africa⁹
- **Pollution levels:** Air pollution is generally low, but the city faces a problem of water pollution¹⁰
- **Ease of commuting:** It is convenient to travel by bus, car or taxi around the island. The Mauritian island benefits from a dense network of roads: more than 2000 km cover the 1,865 sq. kms. island which facilitates easy commuting¹²
- **Availability of Hotels:** Mauritius is known as a holiday destination and is an attractive place to work and live. Over 1,000 hotels, including international hotel chains, offer good quality accommodation in Mauritius.

Risk: City specific

- **Catastrophic risks:** Since the island is surrounded by reefs, it is prone to maritime hazards such as cyclones, especially between November and May⁶
- **Political risks:** There are no major political risks to be expected. In 2007 and 2008, the island was ranked first in the Ibrahim Index of African Governance⁷.

1 www.investmauritius.com/Resources1.aspx, Board of Investment, Mauritius, December 2008

2 Colleges and Universities directory, African Business May 1, 2008

3 www.investmauritius.com/Resources1.aspx, Board of Investment, Mauritius, December 2008

4 SAFE or South Africa Far East cable is an optical fiber submarine communications cable linking Melkbosstrand, South Africa to Penang, Malaysia

5 www.e-cybercity.mu, CyberCity Mauritius website, December 2008

6 www.fco.gov.uk, Foreign & Commonwealth office, UK, December 2008

7 MO Ibrahim Foundation Press Release (The Ibrahim ranking compares sub-Saharan African

countries considering the safety and security, human and economic development, transparency and corruption as well as human rights)

8 Infoplease Country profile, Mauritius, December 2008

9 Crime and Society, San Diego State University / Mauritius Crime Survey 2004

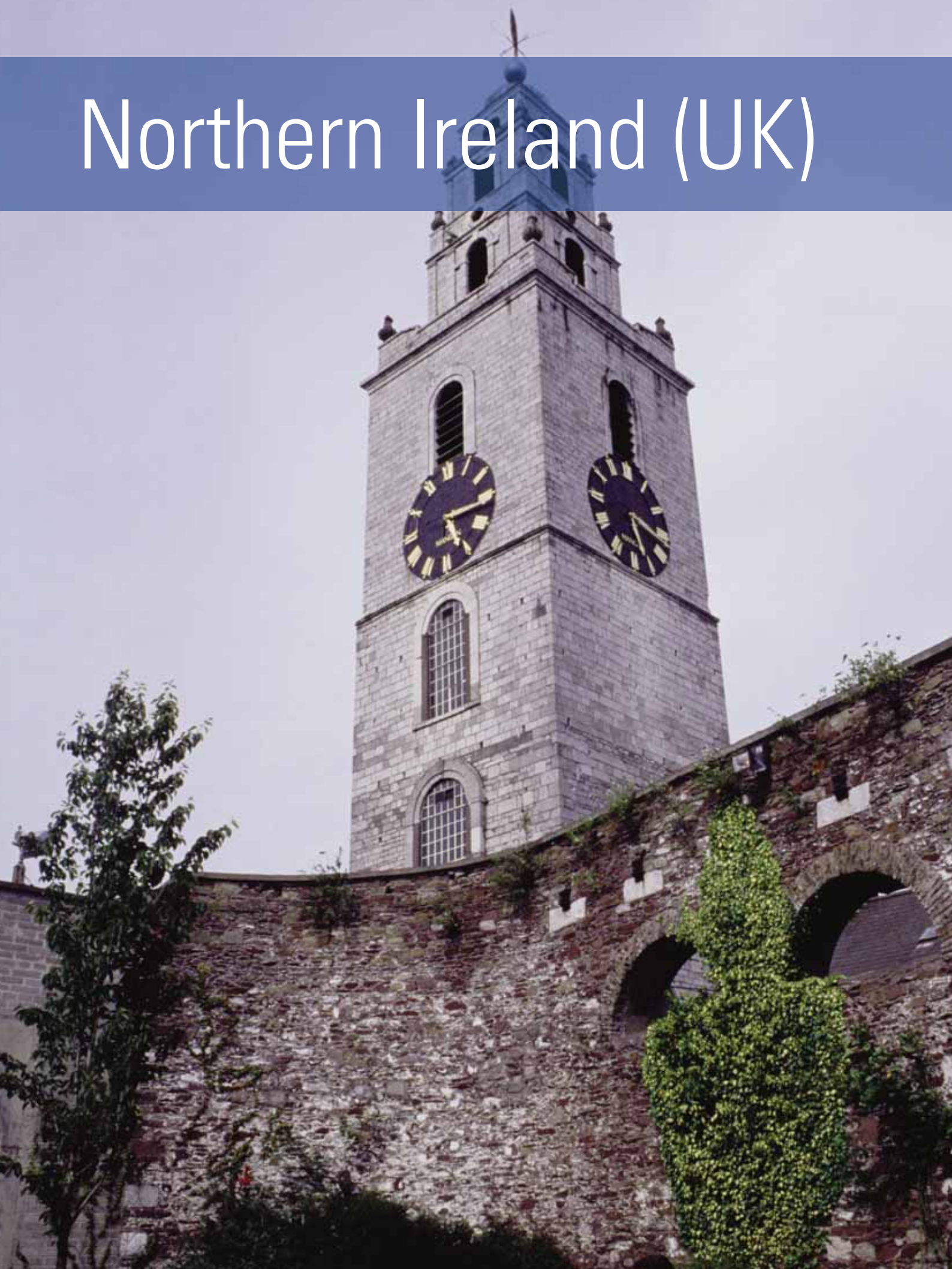
10 CIA The World Factbook, Mauritius, December 2008

11 www.ifsmauritius.com/mauritius.htm, IFS Mauritius website, December 2008

12 Nation Master Transportation Statistics, 2008

13 SADC Investment Review 2007-08

Northern Ireland (UK)



Northern Ireland (UK)

Country Snapshot

Size of the country	14,139 sq. kms.
Population	1.7 million (2007)
Capital	Belfast
Currency	British Pound (GBP)
1 USD = GBP (average)	0.53 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com, Department of Enterprise Trade and Investment, Northern Ireland Statistics and Research Agency

Main macroeconomic indicators:

GDP in PPP: USD 2,137 billion (2007)*
 GDP per capita in PPP: USD 28,431 (2007 est.)
 CPI: 2.4 percent (2007 est.)
 Unemployment rate: 4.1 percent (2007 est.)
 FDI stock per capita: USD 21,124 (2007)*

*UK country level



Political Structure¹

Northern Ireland is one of the four constituents of the United Kingdom (UK). Certain executive and legislative responsibilities have partly been delegated to the Northern Ireland assembly. Eighteen members represent Northern Ireland's interests in the UK Parliament and 3 members in the European parliament. A government is in place consisting both of unionist (in favor of continuing as a part of the UK) and nationalist parties (in favor of independence from the UK).

Business and Investment Climate

Foreign Direct Investment (FDI): Northern Ireland has attracted over 700 foreign investors employing 70,000 people. Most investments have been focused on the greater Belfast area. In 2006-07, around 9 percent of all FDI to the UK was secured by Northern Ireland².

GDP growth: Northern Ireland's economy has grown steadily, its real GDP growth was 3.5 percent in 2007. GDP growth is expected to drop to 1.8 percent in 2008 which is mainly a result of the financial crisis and the UK's dependence on the financial sector as a main economic driver².

Inflation: Northern Ireland enjoys a stable inflation rate based on the Harmonized Index of Consumer Prices. In 2007, it was 2.4 percent².

IT-BPO Scenario in the country

Northern Ireland has been successfully attracting ICT investments. Statistics show that 11,200 IT personnel work for more than 723 ICT companies, whereof more than 100 are international investors².

Furthermore, there are more than 70 contact and shared service centers in Northern Ireland employing an additional 10,000 people².

Liberty IT Allstate, HBOS, British Telecom, Nortel Networks Ltd, Openwave, Skillsoft, Allen Systems Group and Goodrich have invested in software operations in Northern Ireland.

Major international investors in the financial services sector include Halifax, Abbey, HML and Northbrook Technology and Citigroup.

Teletext and HCL have BPO locations and Stream International operates a technical support center in Northern Ireland.

Government incentives²

Northern Ireland's government aims at attracting foreign investors and provides cash and training grants depending on the number of newly jobs created.

- Recent investment projects benefited from 15 to 25 percent capital grants according to Northern Ireland's investment promotion agency. Additionally, around USD 7,450 to USD 22,340 per created job are available depending on required pre-employment training. However, the maximum amount of capital grants provided is 30 percent of eligible costs
- Research and development capital spending can be written off against income
- There are research and development tax reliefs between 130 percent (companies with more than 500 employees) and 175 percent (companies employing less than 250 employees) available.

2008 (Rating/outlook)*	
EIU's Sovereign Risk Rating	AA / Stable
Standard & Poor's Foreign Currency Risk Rating	AAA / Stable / A-1+
Ease of Doing Business Rank (2009)	6
Rigidity of Employment Index (2009)	14

Sources: www.eiu.com, World Bank, Standard & Poor's

*UK country level



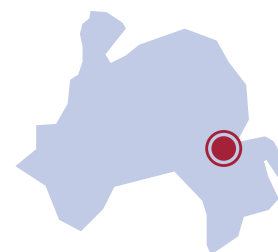
¹ www.niassembly.gov.uk, Northern Ireland Assembly website, December 2008

² www.investni.com/index/locate/doing_business_in_Northern_Ireland/_attractive_support_packages.htm, Invest in Northern Ireland website, December 2008

Belfast

City Introduction

- Belfast is the capital city of Northern Ireland
- It is the second largest city on the island of Ireland¹.



Quick facts	
Geographic Location	Located on the east coast of Northern Ireland, it can be accessed within an hour by air from London
Time Zone	GMT 0000
Climate	Temperate climate, with summer temperature ranging between 11 and 18 degrees Celsius. The winter temperature varies between 2 and 6 degrees Celsius. The average annual rainfall is 84.6 cm.
Population ¹	267,374
Literacy rate ¹	99 percent*
Languages	English, Irish Gaelic; Spanish and French spoken among students
Major industries	ICT, life sciences, biotechnology, shared services, financial services

Sources: ¹ Belfast City Council (2006)

*National level

Other Source: Investment Belfast website

Key drivers for the city to emerge as a favorable IT-BPO destination

- The education system in Belfast is renowned and the universities have good research and development facilities which supports businesses and the industry
- Belfast benefits from a young population (with 46 percent being under the age of 30²), high literacy rates and a large pool of IT graduates
- Expansion in quality office space is underway and the city benefits from good infrastructure
- Belfast, according to a recent report by OCO Consulting, is said to have the second highest ranking in the UK for attracting FDI³
- The city serves as a favorable near-shore destination and caters to the UK and Western European markets
- Belfast has a competitive operating cost advantage. A study by IBM indicates Belfast to be 32 percent lower on operating costs than other UK locations².

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Nortel Networks (Research and development center)	Citi (Technology centre)
BT (Software engineering services)	Microsoft (IT services)
HCL Technologies (BPO services)	Infotech (IT and BPO services)

Sources: Company websites, Belfast City Council Guide, news article at silicon.com

Development of the current IT-BPO industry

- Belfast's IT-BPO sector has grown rapidly during the past decade. Nortel's software development center has been established since over a decade, and BT was among the first call centers in the city⁴
- In 2004, Citi established a Technology Centre of Excellence in Belfast. Having expanded in July 2008, Citi employs more than 850 people in Belfast²
- In 2008, Fidessa, a financial markets software and services company, set up a development center for the international market in Belfast employing 26 programmers⁷
- US and India-based IT-BPO companies are among the major investors
- HCL Technology, Tech Mahindra, Firstsource and Polaris have invested USD 300 million and created 3,500 jobs in the city⁵. Other investors are Microsoft, Infotech and Allstate.

Industry Profile – Size and Specifics

- Belfast has positioned itself as an attractive location for IT and BPO companies in Europe
- In total, there are more than 70 ICT companies located in the city and its surrounding area employing about 7,000 people⁶
- Services outsourced from Belfast include HR, Software development, testing, call center and IT support.

¹ www.goireland.com, Go Ireland website, December 2008

² www.belfastcity.gov.uk/investinbelfastguide/belfastinbrief.asp?menuitem=belfast, Investment Belfast website, December 2008

³ www.investni.com, Invest Northern Ireland website, various pages, December 2008

⁴ www.investni.com/us_nortel.pdf, Nortel Network Business Profile, 2008

⁵ Economic Times, Firstsource to create 800 jobs in N Ireland, 3 May 2008

⁶ www.belfastcity.gov.uk, Belfast City Council, December 2008

⁷ Fidessa company website, News archive, 19 February 2008



Human Resources

- Belfast has 2 universities (University of Ulster and Queen's University, Belfast) educating a large talent pool of almost 48,000 undergraduate and more than 7,000 postgraduate students¹
- In 2006-2007, more than 18,600 students were enrolled in IT-related fields¹
- Given high standards of education, research and knowledge transfer, Queen's University Belfast ranks high in electronic engineering areas, especially the Institute of Electronics, Communications and Information Technology
- Labor cost in Belfast is 15 percent lower than the UK average²
- Today, more than one fifth of Belfast's population is less than 16 years old³. This could ensure the availability of skilled entry-level workforce in the medium-term and provides an advantage over Western European locations where overall demographic trends have a negative impact on the availability of human resources.

Infrastructure

- **Office space (IT Parks):** The availability of grade A office space in the city center fell by 45 percent in 2007. There is a supply of 20,000 sq. mts. that represents a vacancy rate of 2.7 percent⁴
- **Telecom Infrastructure:** Belfast benefits from a reliable and fully fiber telecom infrastructure based on SDH technology and a 100 percent broadband coverage⁷
- **National and International connectivity:** Belfast has two airports located within 20 minutes driving distance to the city center: Belfast International Airport and George Best Belfast City Airport offer regular flights to London, Manchester, Edinburgh, Paris, Berlin, New York and various destinations in North America and Europe²
- **Upcoming projects:** Total new office completions for 2009 are estimated to be 21,000 sq. mts⁵. The Northern Ireland Science Park, which offers more than 10,000 sq. mts. of business space for high-tech companies is said to go in for an expansion plan within the "Concourse Project". Completion is scheduled for 2010⁷.

State/ city specific incentives for IT-BPO over and above country level incentives, if any

- There are no major investment incentives offered on the city level.

Quality of life

- **Cost of living:** Cost of living is relatively low compared to other UK cities. Belfast's cost of goods, services and rented accommodation is almost 40 percent lower compared to Dublin⁶
- **Crime rate:** Compared to many other cities in the United Kingdom, Belfast is considered to be relatively safe. In the last few years, the crime rate went down by 8 percent annually, attributed to an increased police presence¹
- **Pollution levels:** Use of natural gas fuels, Belfast's smoke control program and the closure of the West Belfast power station in 2002 have contributed to reduced pollution levels within the city
- **Ease of commuting:** Belfast has a well-organized public transport network connecting the city center with the suburbs. The city plans to spend USD 154.5 million for the modernization of Northern Ireland's busiest road – the Westlink - providing access to the Port of Belfast, Belfast City Centre and Belfast City Airport¹
- **Availability of Hotels:** There is a healthy supply of quality hotel accommodation in Belfast. More than 40 hotels in the city, including international hotel chains provide more than 3,000 rooms.

Risk: City specific

- **Catastrophic risks:** The city is prone to floods. The last major floods were reported in August 2008⁸
- **Political risks:** Final steps to ensure peace in the long run have been undertaken. Confessional separation (Catholic and Protestant) is still common in daily life. The Irish Republican Army's (IRA) disarmament and a common government of Catholic Republicans and Protestant Unionist have greatly contributed to the political stability within the country.

1 www.belfastcity.gov.uk, Belfast City Council, December 2008

2 www.belfastcity.gov.uk/investinbelfastguide/belfastinbrief.asp?menuitem=belfast, Investment Belfast website, December 2008

3 Northern Ireland Research and Statistics Agency, 2008

4 Colliers CRE, Belfast Office space, 2008

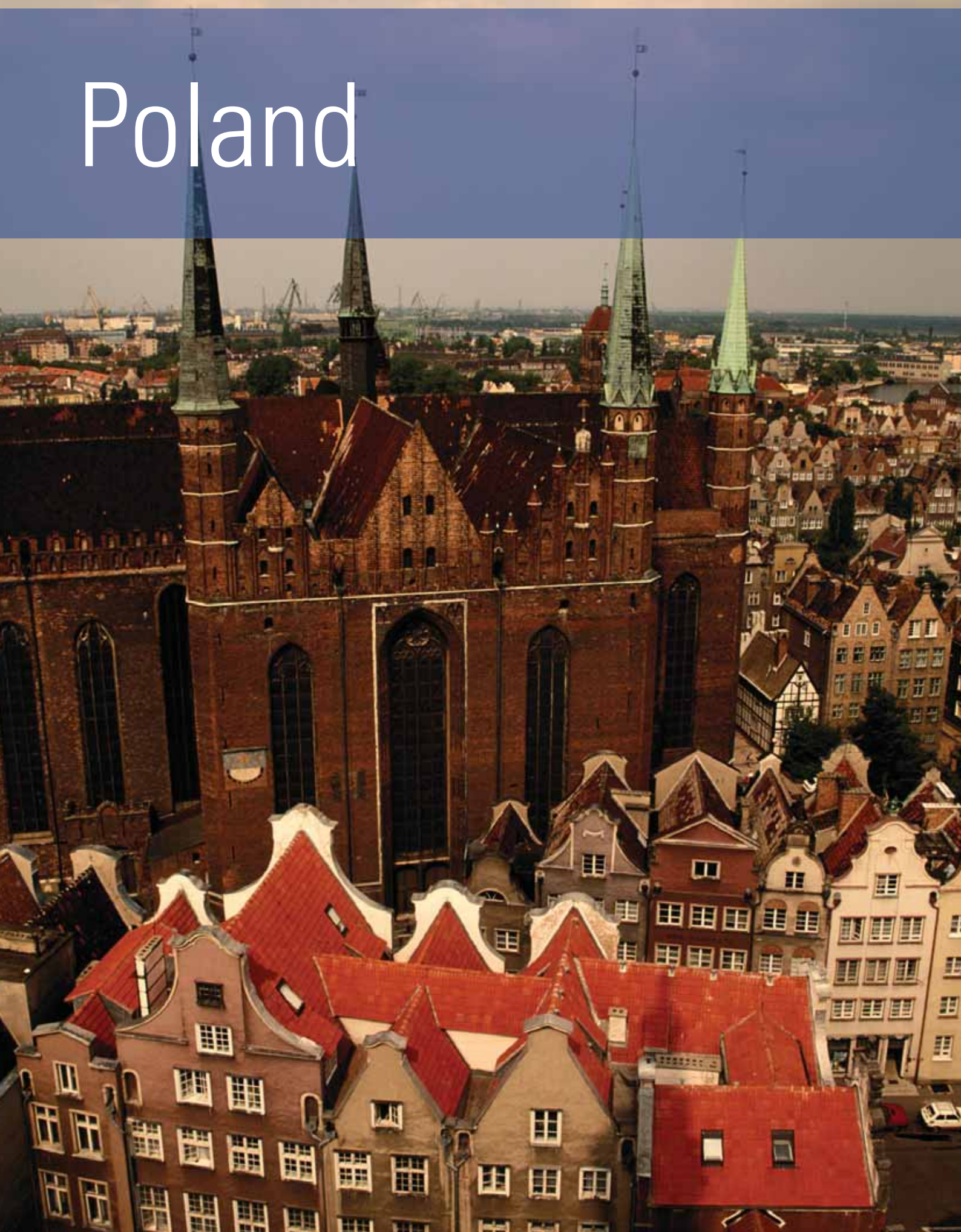
5 CB Richard Ellis, November 2007

6 Mercer International, Annual Cost of Living Index, 2008

7 Broadband Northern Ireland – Department of Enterprise Trade and Investment website, December 2008

8 BBC News, Thousands face Belfast flood risk, November 2008

Poland



Poland

Country Snapshot

Size of the country	312,679 sq. kms.
Population	38.5 million (2007)
Capital	Warsaw
Currency	Polish Zloty (PLN)
1 USD = PLN (average)	2.28 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com

Main macroeconomic indicators:¹

GDP in PPP: USD 621.8 billion (2007)
 GDP per capita in PPP: USD 16,310 (2007)
 CPI: 4.0 percent (2007)
 Unemployment rate: 12.8 percent (2007 est.)
 FDI stock per capita: USD 4,060 (2007 est.)⁴



Political Structure¹

The Republic of Poland consists of 16 provinces (voivodships). The legislature is a bicameral National Assembly with the lower house – Sejm and upper house - Senat. The President is the head of the state, and the Prime Minister is the head of the government. The political parties in Parliament are: civic platform, law and justice, left and democrats and the Polish People's Party. The next national elections are expected to be held in October 2010 (presidential) and October 2011 (parliamentary). Poland is a member of the EU, NATO and Organisation for Economic Co-operation and Development (OECD).

Business and Investment Climate

Foreign Direct Investment (FDI): FDI inflows into Poland have constantly increased for the last few years to USD 23 billion in 2007, however FDI is expected to decrease starting from 2008 (USD 20 billion)¹.

GDP growth: Real GDP growth in Poland was 6.7 percent in 2007. It is expected to fall to about 5.3 percent in FY 2008¹ due to the economic slowdown.

Inflation: Price inflation has increased to 4.3 percent in 2008 mainly due to higher food and oil prices as well as pressure from the labor market. EIU estimates inflation at 3.8 percent in 2009¹.

IT-BPO Scenario in the country

Poland's IT outsourcing market today is the fourth largest in Central and Eastern Europe with a market value of approximately USD 310 million². There are about 400 IT outsourcing companies located in the country employing 7,800 IT specialists².

HP, IBM, Volvo, GlaxoSmithKline are few of the biggest IT shared services centers in Poland⁵. The largest Polish IT company, Prokom Software SA, has its headquarters in Gdynia, near the city of Gdansk.

The development of Krakow and Wroclaw as established IT-BPO destinations has led to increased competition for qualified and foreign language-speaking workforce. The focus has thus shifted to emerging cities like Gdansk and Szczecin.

The Polska Izba Informatyki i Telekomunikacji is the association representing the IT-BPO industry in the country.⁶

Government incentives³

The Polish government provides a variety of incentives to the IT-BPO industry. However, it has become more restrictive and selective with respect to providing incentives.

- Tax exemptions are possible in SEZs
- Customs duty exemption on imported software, and on hardware for 100 percent export oriented projects
- Discretionary cash grants are generally only available for large projects with significant investment and employment.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BB / Stable
Standard & Poor's Foreign Currency Risk Rating	A- / Stable / A-2
Ease of Doing Business Rank (2008)	76
Rigidity of Employment Index (2009)	37

Sources: www.eiu.com, World Bank, Standard & Poor's



¹ www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

² Ukrainian Hi-Tech Initiative, CEE IT Outsourcing Review, 2007

³ www.paiz.gov.pl, Polish Information and Foreign Investment Agency website, December 2008

⁴ Vienna Institute for International Economic Studies, Foreign Direct Investment in Central, East

and Southeast Europe, June 2008

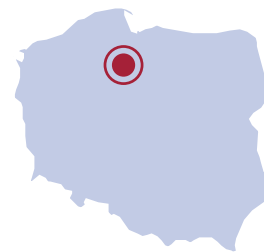
⁵ www.paiz.gov.pl/index?id=22c5a901070d1c2ad33e821d071ae97e, Polish Information and Foreign Investment Agency website, December 2008

⁶ www.piit.org.pl, PIIT website, December 2008

Gdansk

City Introduction

- Gdansk is the capital of the Pomeranian Voivodship (province)
- It is one of the largest metropolitan areas in Poland and Poland's major seaport¹.



Quick facts	
Geographic Location	Situated in north Poland on the Baltic Coast, it can be reached from Warsaw in about an hour by air
Time Zone	GMT +0100
Climate	Temperate maritime climate, with average summer temperature of 20 degrees and average winter temperature of 5.5 degrees Celsius. The average annual rainfall is about 60 cm.
Population ¹	458,053
Literacy rate ¹	99.8 percent*
Languages	Polish, English, German, Russian
Major industries ²	Maritime, high-tech, logistics, tourism, petrochemicals, cosmetics

Sources: 1 CIA Factbook
2 New World Encyclopedia
* National level

Key drivers for the city to emerge as a favorable IT-BPO destination

- Gdansk has a well educated population and houses the oldest and second largest technical university in the Pomerania region²
- The talent pool versed in multiple languages, is suited to provide services in English, German, Russian, etc.
- The city has many research and development institutions, and these skills are being tapped by companies to set up research and development centers in Gdansk
- Progressive policies, and a good standard of living make the city an attractive place to live and work
- The city is a tier II expansion option for companies with centers in the Polish cities of Warsaw and Krakow
- Gdansk has a near-shore advantage to service the European markets due to the similar time-zone
- Gdansk is to co-host the European Football Championship in 2012, due to which several infrastructure improvement projects have been planned³.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Lufthansa Systems (IT services)	Compuware (Research and development center)
Intel Technology (Research and development center)	Zensar (IT services)
Young Digital Plan (Software development)	Reuters (Data management center)

Sources: Polish Information and Foreign Investment Agency, Lufthansa Systems Poland, Compuware, Memorandum of the Gdansk metropolitan area

Development of the current IT-BPO industry

- Early movers include Lufthansa Systems which established its center for remote management in Gdansk in 1998. It employs a team of over 200 IT experts⁴
- Intel has had an research and development center in Gdansk since 1999, employing over 250 engineers developing software and hardware communication solutions⁵
- In 2006, Reuters set up its data management center in Gdansk to serve the EMA region. The company plans to employ over 2,000 people at its center⁵
- Other foreign IT companies in Gdansk include GE, Compuware, Moeller Electric, Zensar Technologies and Young Digital Planet.

Industry Profile – Size and Specifics

- Gdansk's overall IT industry generates USD 195 million* revenue⁶
- Approximately 2,000 people are employed in the software development sector in the city⁶
- Key activities within Gdansk's IT industry include the development sector in the IT industry integration software, multimedia software, research and development and internet services.

1 World Port Source website Port of Gdansk, December 2008

2 www.eurooffice-services.eu, Euro-Office Services website, December 2008

3 www.europoland.com/e_home.php, Europoland Tourist center website, December 2008

4 www.lhsystems.pl/english/company/index.html, Lufthansa Systems website, December 2008

5 www.paiz.gov.pl, Polish Information and Foreign Investment Agency website, December 2008

6 Statistical Office Gdansk, December 2008

*exchange rate at 20.11.2008

Human Resources

- Gdansk is home to renowned universities such as University of Gdansk and Gdansk University of Technology. Approximately 9,000 students are enrolled and 1,500 graduate annually in IT, electronics and telecommunication in the Gdansk region¹
- Robust economic growth has led to an increase in salaries in Gdansk. Despite this increase, salaries are lower than other Polish cities such as Warsaw, Wroclaw and Krakow¹¹
- Although the size of available workforce seems limited in Gdansk, employers can draw on talent available in proximal cities like Sopot and Gdynia
- The strong influx of foreign investment has also led to a decrease in Gdansk's unemployment rate. Emigration has also contributed to a reduction in workforce size, although the exodus of Polish workers has now reduced
- Employers may also benefit from the Polish workforce's foreign language skills. Spoken foreign languages include English, Russian, German and French.

Infrastructure

- **Office space (IT Parks):** Although new office space has been completed, Gdansk's vacancy rate is still low at 3.5 percent, leading to annual growth rates for rents up to 25 percent². Property prices are amongst the lowest in Gdansk, out of the 10 main Polish cities⁷. Established in 2006, Gdansk Science and Technology Park located in the Pomerania Special Economic Zone offers investors an attractive business environment
- **Telecom Infrastructure:** The telecommunications network has enjoyed high expenditure. Modernization of the telecommunication infrastructure was finalized in 2003. GTS Energis, a communications carrier, connects with optical fibers, the largest Polish cities, including: Warsaw, Krakow, Katowice, Gdansk, and Bydgoszcz⁸
- **National and International connectivity:** Gdansk Lech Walesa Airport, Poland's 2nd largest airport, offers connections with European destinations and Warsaw's Frederic Chopin airport (which has direct flight connections to 55 countries worldwide⁹). Four international railway lines connect Gdansk with the main cities and industrial centers of Poland
- **Upcoming projects:** The urban development of the "Young City" in Gdansk's waterfront is expected to provide 750,000 sq. mts. of usable space for commercial, residential, entertainment purposes. This is Poland's largest project and is expected to be developed over 12 years¹⁰. The road network is not yet very developed but four new road transport corridors, including a north-south route going through Gdansk, are planned and are partially under construction⁹.

State/ city specific incentives for IT-BPO over and above country level incentives, if any

- Although there are no investment incentives granted by the local government, the administration is pro-business. The State provides support to businesses that increase employment and to exporters. The local governments and numerous specialized institutions support investors⁴.

Quality of life

- **Cost of living:** Cost of living is relatively low compared to other Polish cities. Cost of housing is about 20 percent lower compared to Warsaw³
- **Crime rate:** According to a survey conducted by Wprost, a Polish weekly, Gdansk ranked fifth on the list of Polish cities most affected by crime
- **Pollution levels:** EU air quality standards are fulfilled on average. Since Gdansk's bay is separated from the Baltic Proper by the Hel peninsula the exchange of water is limited leading to increased maritime pollution
- **Ease of commuting:** Gdansk region has good road and railway network which facilitates commuting. Buses and trams are available for local travel within the city
- **Availability of Hotels:** There is a healthy supply of quality hotel accommodation in Gdansk around the year. Gdansk has more than 80 tourist accommodation establishments including international hotel chains.

Risk: City specific

- **Catastrophic risks:** Gdansk is one of the most flood prone areas in Poland⁵, however, it's well protected with flood protection infrastructure such as dikes, ditches, culverts, storm gates, pumping stations and storage reservoirs
- **History of disruptions:** In July 2001, due to heavy rain the embankment of Radunia Channel⁶ was breached in 5 places. Infrastructure losses in Gdansk amounted to USD 500 million and 300 families were affected³.

1 www.gdansk.pl/en, City Hall of Gdansk website, December 2008

2 Cushman and Wakefield, 2008

3 KPMG Analysis from News Research

4 Memorandum of the Gdansk Metropolitan area, 2006

5 www.pgi.gov.pl/pgi_en/, Polish Geological Institute website, December 2008

6 The Radunia Channel runs parallel to the main road leading to Gdansk from the south

7 Property Focus: Investment Opportunity Gdansk, 2008

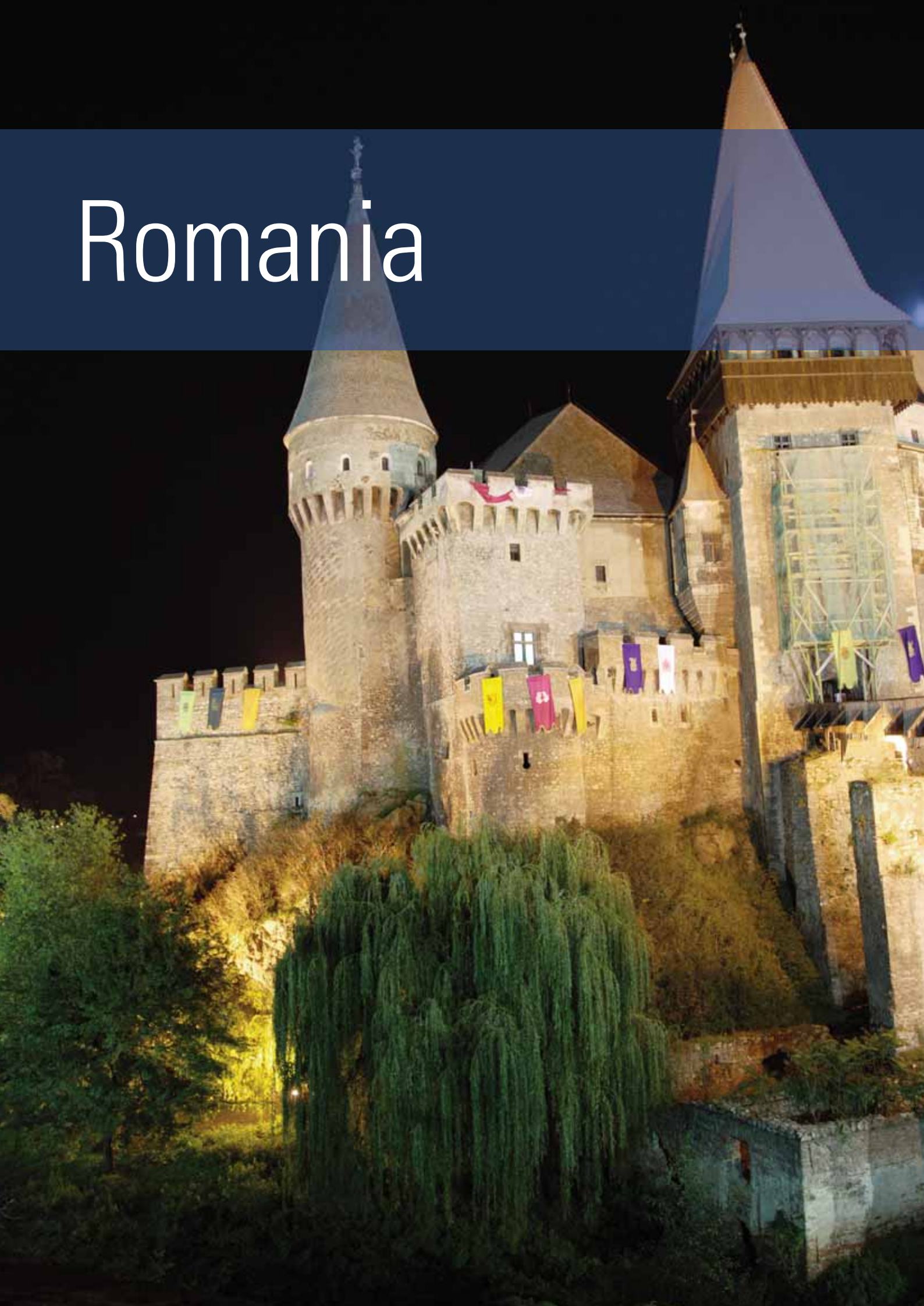
8 www.gts.pl, GTS Energis website, December 2008

9 www.paiz.gov.pl, Polish Information and Foreign Investment Agency website, December 2008

10 www.balticpropertytrust.com, Baltic Property Trust website, December 2008

11 Memorandum of the Gdansk Metropolitan Area, 2006

Romania



Romania

Country Snapshot

Size of the country	3,287,590 sq. kms.
Population	22.3 million (2007)
Capital	Bucharest
Currency	Romanian Leu (RON)
1 USD = RON (average)	2.54 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com

Main macroeconomic indicators:¹

GDP in PPP: USD 250 billion (2007 est.)
 GDP per capita in PPP: USD 11,430 (2007 est.)
 CPI: 4.8 percent (2007 est.)
 Unemployment rate: 3.6 percent (2007 est.)
 FDI stock per capita: USD 2,680 (2007 est.)⁵



Political Structure¹

Romania's parliamentary structure is bicameral and consists of the Senate (Upper House) and the Chamber of Deputies (Lower House) which are elected for a four-year term. The Senate (upper house) has 137 seats and the Chamber of Deputies (lower house) has 332. The head of state is the President, who serves a five-year term. Romania is administratively divided into 40 counties. The country is a member of the EU since January 2007.

Business and Investment Climate

Foreign Direct Investment (FDI): Romania has become a very popular FDI destination. FDI inflows into Romania amounted to USD 11.4 billion in 2006 and USD 9.4 billion in 2007 reflecting large-scale privatizations, the country's macroeconomic stabilization and benefits of the European Union accession. As large privatizations are completed, high FDI inflows may decline temporarily, but are expected to remain at relatively high levels in the medium term¹.

GDP growth: The Romanian economy has been expanding and real GDP grew by 6 percent in 2007. It is expected to rise by approximately 8.6 percent in 2008 and by 4.8 percent in 2009¹.

Inflation: Inflation is expected to average 7.8 percent in 2008 and decline to 5.4 percent in 2009. The increase in inflation in 2008 was mainly caused by growing food prices, rising energy costs and rapid wage growth¹.

IT-BPO Scenario in the country

The revenue of Romania's IT outsourcing industry in 2007 was USD 416 million². The IT outsourcing industry comprises around 600 companies employing close to 12,500 employees². Major international players include Microsoft, Oracle, HP, SAP, Huawei, IBM, Ericsson, Adobe Systems and Infineon, amongst others³.

The offshore ICT industry is concentrated in and around Bucharest. The quick development of Bucharest as an established IT-BPO location has led to high competition and increasing salaries. As a result, second tier cities such as Brasov, and Cluj-Napoca have emerged as alternative locations.

The Information Technology & Communication Association (ATIC), Employers' Association of the Software and Services Industry (ANIS) and the Ministry of Communications and Information Technology are the IT associations of the country².

Government incentives⁴

- Companies that invest more than USD 40 million (EUR 30 million) and create over 300 new jobs can theoretically obtain state aid of up to 50 percent of their investment in outside the Bucharest-Ilfov region and up to 40 percent in the capital city. However, the maximum amount of grants offered amounts to USD 28 million (EUR 22.5 million) in the Bucharest-Ilfov region and USD 35.5 million (EUR 28.1 million) in the rest of Romania
- Assistance with training new employees is possible for up to 20 percent of the employed personnel. Grants for employing recent graduates and previously unemployed people are also provided.

2008 (Rating/outlook)	
EU's Sovereign Risk Rating	BB / Stable
Standard & Poor's Foreign Currency Risk Rating	BB+ / Negative / B
Ease of Doing Business Rank (2008)	47 (2009)
Rigidity of Employment Index (2009)	62 (2009)

Sources: www.eiu.com, World Bank, Standard & Poor's



1 www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

2 Ukrainian Hi-Tech Initiative, CEE IT Outsourcing Review, 2007

3 www.atlc.org.ro, The Information Technology and Communications Association of Romania (ATIC) website, December 2008

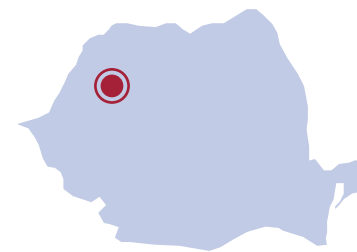
4 www.arisinvest.ro, Romanian Agency for Foreign Investment website, December 2008

5 Vienna Institute for International Economic Studies, Foreign Direct Investment in Central, East and Southeast Europe, June 2008

Cluj-Napoca

City Introduction

- One of the major Romanian cities, Cluj-Napoca is also called the “Treasure City”¹
- Cluj-Napoca, the capital city of the Cluj County, has historically been one of Romania’s academic, cultural and commercial hubs.



Quick facts	
Geographic Location	Situated in north-western Transylvania in the valley of the Someșul Mic River, approximately 50 minutes by air from Bucharest.
Time Zone	GMT +0200
Climate	Continental climate, with average summer temperature of 18 degrees and average winter temperature of -1.9 degrees Celsius. The average annual rainfall is 59 cm.
Population ¹	310,243 (2007)
Literacy rate ²	97.3 percent*
Languages	Romanian, Hungarian, English, French, German
Major industries	IT, financial services, food processing, textile, wood processing, pharmaceuticals

Sources: 1 National Institute of Statistics
2 CIA Factbook
* National rate

Key drivers for the city to emerge as a favorable IT-BPO destination

- Cluj-Napoca is an important financial and university center in Romania²
- In percentage terms, Cluj-Napoca’s has the largest student in Romania³. The city, therefore, benefits from a pool of qualified personnel
- The talent pool is versed in many languages, especially French and Italian, and is suited to provide multi-lingual services
- The talent pool in the city is also suited to offer research and development services
- The city has both, an established manufacturing as well as a services industry. IT-BPO companies are tapping skills for product development and services
- The city is developing as a tier II alternative for companies with centers in Bucharest in Romania
- The time-zone advantage makes the city suited to deliver near shore services to Western Europe
- The country provides a relative cost advantage over other West and East European cities.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
SISTEC (IT services)	Brinel (IT services)
ISDC (Software development)	Genpact (BPO services)
Emerson (Engineering services)	Evalueserve (Research and development center)

Sources: Company websites, Ziarul Financiar

Development of the current IT-BPO industry

- Cluj-Napoca is an important IT hub in Romania. The city is being considered as an alternative outsourcing location to Bucharest, due to increasing competition
- In 2006, Wirtek, a software outsourcing company based in Denmark, acquired Code Wizards which is a Cluj-Napoca-based software company specializing in telecommunications⁴
- In 2007 Genpact, a business and technology solutions provider, opened its second BPO center in Romania, at Cluj-Napoca⁵
- In 2008, Evalueserve, an India-based knowledge process outsourcing company, opened its first European research center in Cluj-Napoca⁶.

Industry Profile – Size and Specifics

- There are approximately 245 IT companies operating in the Cluj County including over 100 software companies in the city of Cluj-Napoca⁶
- The services offered out of Cluj-Napoca include research and data analytics, order management, finance and accounting, engineering services, software development and IT services.

1 www.clujonline.com/useful_information/reaching_cluj.htm, Cluj online, December 2008

2 www.proform-software.com/cj_ro_en.html, Proform Software website, December 2008

3 Romania.org website, December 2008

4 www.wirtek.com, Wirtek News Archive, 3 May 2006

5 www.zf.ro/zf-english, Ziarul Financiar news article, 2008

6 www.e-cat.ro, Centrul de Afaceri Transilvania Business Center website, December 2008



Human Resources

- Cluj-Napoca is an important academic center in Romania. The city is home to two prestigious universities: Babes-Bolyai University and Technical University of Cluj-Napoca which has 12,000 students¹. The large number of students, about 62,600 in 2007, provides a steady inflow of potential entry-level employees²
- Employers benefit from the foreign languages skills of the Romanian workforce. More than 90 percent of Romanian students learn English in high school³. Further, a large number of Romanians speak Latin languages which are important prerequisites for support functions for Italy, Spain and France
- The population of Cluj-Napoca has decreased in recent years. This reflects the increased concerns that after Romania entered the European Union in 2007, young skilled specialists may seek higher paid work in southern EU member states like Italy and Spain.

Infrastructure

- **Office space (IT Parks):** In 2007, the area of “A category” office space available in Cluj-Napoca was 20,150 sq. mts. With increasing foreign investment, the demand for quality office space is also rising. Thus, in 2008, five new mixed real estate projects, including office space, would be launched. This is likely to add 84,000 sq. mts. of available space⁴
- **Telecom Infrastructure:** Due to increased demand for high-quality telecommunication, the telecom infrastructure is currently being modernized. A network of 64,000 km of optical fibre is currently being developed in Cluj-Napoca. The investment accounts for an amount of approximately USD 28 million⁷
- **National and International connectivity:** The city has a well developed rail and road network and is crossed by the European Road E60. Cluj-Napoca International Airport, which is the third largest airport in Romania⁶, offers direct flights to Timisoara and Bucharest in Romania as well as various destinations across Europe including France, Germany, UK, Hungary, Italy, Austria, Spain and also to Ukraine and Moldavia
- **Upcoming projects:** The city is to be linked with Bucharest and the Hungarian border by “Autostrada Transilvania” (Romanian Motorway A3) which is currently under construction. The 415 km highway is scheduled for completion for 2013. Several real estate projects are being developed in Cluj-Napoca, including the construction of a 10,000 sq. mts. business center in the middle of the city. Furthermore, a 26-storey building (Sigma Tower) with 83,7632 sq. mts. of space is being constructed⁷. The completion of the Sigma Tower is scheduled for 2010.

State/ city specific incentives for IT-BPO over and above country level incentives, if any

- Local authorities can provide exemptions on local tax payments on land and buildings.

Quality of life

- **Cost of living:** Cluj-Napoca is also considered to have high living standards. Therefore, the cost of living is considered to be higher compared to other Romanian cities⁵
- **Crime rate:** Compared to other Romanian cities, crime rate in Cluj-Napoca is quite low. Crime rate has continuously been falling for almost a decade and recent polls have shown a high degree of satisfaction with the work of the local police⁵
- **Pollution levels:** Air pollution levels are quite high in the city
- **Ease of commuting:** The city has a transportation network including tram lines, buses and trolleybuses. However, roads are congested during rush hours
- **Availability of Hotels:** The Cluj County offers approximately 6,500 hotel beds. There are about 30 hotels in the city of Cluj-Napoca including some western standard accommodation.

Risk: City specific

- **Catastrophic risks:** Cluj-Napoca is prone to floods⁵
- **History of Disruption:** Torrential rain destroyed homes and affected 240 families in Coplean, in Cluj county in July 2008⁵.

1 www.e-cat.ro, Centrul de Afaceri Transilvania Business Center website, December 2008

2 www.cjcluj.ro, Consiliul Judetean Cluj website, December 2008

3 KPMG research based on local HR Agency information

4 REAS, Residential market in Romania, September 2008

5 www.romtradeconsult.com, Romtrade Consult website, December 2008

6 www.clujonline.com/useful_information/reaching_cluj.htm, Cluj online, December 2008

7 www.clujfo.ro/en/8/proiectul-cfo.html, Cluj Fiber Optic Integrator website, December 2008

Russia



Russia

Country Snapshot

Size of the country	17,075,200 sq. kms.
Population	141.4 million (2007)
Capital	Moscow
Currency	Russian Rouble (RUB)
1 USD = RUB (average)	23.67 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com

Main macroeconomic indicators:¹

GDP in PPP: USD 2,089 billion (2007)

GDP per capita in PPP: USD 14,680 (2007)

CPI: 11.9 percent (2007)

Unemployment rate: 6.2 percent (2007)

FDI stock per capita: USD 2,800 (2007 est.)²



Political Structure¹

Russia's legislative branch is a bicameral federal assembly, it consists of the State Duma and the Federal Council. The State Duma has 450 members that are elected throughout the country based on population of the districts. The Federal Council has 176 members, 2 each elected from Russia's 89 territorial units. The President is elected for a four-year term. The Prime Minister is appointed by the President, who in turn appoints the government. In March 2008, a new Russian president was elected, while the former president took the position of Prime Minister.

Business and Investment Climate

Foreign Direct Investment (FDI): FDI inflows into Russia accounted for USD 52.5 billion in 2007 and are expected to grow to USD 60 billion in 2008¹. The strong inflow of FDI is expected to continue in the coming years¹.

GDP growth: Real GDP grew by 7.2 percent in 2007. It is expected to remain on a similar level in 2008 and slightly decline to 5.5 percent in 2009¹.

Inflation: Inflation is expected to average 14.1 percent in 2008. Slowing domestic demand and falling commodity prices are expected to help to reduce inflation to the expected 11.6 percent in 2009¹.

IT-BPO Scenario in the country

Russia's IT market volume was around USD 16.3 billion in 2007 and grew by 18 percent in the same year². Although hardware is still the most important sub-sector, IT services and software development market shares have increased since the beginning of the century. In 2007, IT services accounted for 28 percent and software 17 percent of market share³.

International providers are highly successful in Russia. However, local companies are now catching up. Auriga, DataArt, EPAM Systems, IBA, Luxoft and Mera were recently included in the list of the 100 best global outsourcers 2008 conducted by the International Association of Outsourcing Professionals (IAOP).

Due to higher competition and rising salaries for qualified IT professionals in established destinations like St. Petersburg and Moscow, companies are beginning to take tier II cities into consideration when searching for new investment locations.

Government incentives

The Russian government offers incentives such as complete depreciation of research and development costs within two years from the completion of the project. However, in general, the Russian federal government has tried to limit the use of incentives by the individual regions. Regions are restricted to providing limited reductions in regional taxes. However, due to the strong competition among regions for investment, many regional governments tend to provide support with infrastructure and site investments.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BBB / Negative
Standard & Poor's Foreign Currency Risk Rating	BBB / Negative / A-3
Ease of Doing Business Rank (2009)	120
Rigidity of Employment Index (2009)	44

Sources: www.eiu.com, World Bank, Standard & Poor's



- Emerging Destination
- Established Destination

1 www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

3 www.russoft.org, Russoft website, various pages, December 2008

2 Vienna Institute for International Economic Studies, Foreign Direct Investment in Central, East and Southeast Europe, June 2008

Rostov-on-Don

City Introduction

- Rostov-on-Don is the economic and cultural center of southern Russia.
- It is a transport base of the South and provides an outlet to the coasts of the Black sea, the sea of Azov, and the Caspian Sea.



Quick facts	
Geographic Location	Located on the Don River, just 46 km from the Sea of Azov, approximately 2 hours by air from Moscow
Time Zone	GMT +0300
Climate	Temperate continental climate, with average temperature ranging from -5.3 to 23.5 degrees Celsius. The average annual rainfall is 45.8 cm.
Population ¹	1,052,000
Literacy rate ²	99.4 percent*
Languages	Russian
Major industries	Logistics, manufacturing, food and tobacco industry, timber industry

Sources: 1 Russian Census (2007)
2 Investment Promotion Agency of Rostov Region
* National rate

Key drivers for the city to emerge as a favorable IT-BPO destination

- Rostov-on-Don is a known center for technical education in Russia, and has a qualified pool of entry level workforce
- Companies in Rostov-on-Don could also tap into talent available in the neighboring cities of Bataysk and Aksay
- Rostov-on-Don has been attracting a large number of international investors. The city holds third place in Russia in the size of its foreign trade turnover¹
- Several Russian IT-BPO companies are using the hub and spoke model; and setting up centers in Rostov-on-Don, after being headquartered in Moscow
- The cost of living as well as salaries in Rostov-on-Don are significantly lower than in tier I cities in Russia such as Moscow and St. Petersburg.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
USK (IT services)	UpScale Soft (Software development)
Gendalf (IT services)	Optima (Software development)
Yug Integrator (BPO services)	SoftGrad (Software development)

Sources: Company websites

Development of the current IT-BPO industry

- Rostov-on-Don's market has constantly grown and enjoys stable demand for IT services
- Most of the companies are local and offer system integration services
- Although local companies have limited financial resources, they are increasingly expanding in terms of territory and services provided
- In 2007, IBM opened a client center in Rostov-on-Don²
- UpScale Soft, a Russian software firm, opened a new development center in Rostov-on-Don in 2007. It plans to increase the number of employees from 35 to 100 in 2008³.

Industry Profile – Size and Specifics

- There are approximately 160 companies operating in the software and web-design industry, however, most of them have their IT support or sales departments in the city⁴
- Furthermore, there are 40 companies offering system and network integration services. Major players are Micom, BIS and Digital⁴
- Currently, the volume of outsourced work is limited
- Rostov-on-Don's IT sector turnover is estimated at USD 10 million⁴
- Key services in the area include IT system solutions, call center and increasingly Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) systems development.

1 www.donland.ru/english, Administration of Rostov-on-Don website, various pages, December 2008

2 www-03.ibm.com/press/us/en/pressrelease/24337.wss, IBM press release, 29 May 2008

3 www.upscalesoft.ru/eng, Upscale Soft Company website, December 2008;

4 PMR Publications - IT Market in Russia, 2008



Human Resources

- More than 55,000 students study at Rostov-on-Don's Southern Federal University with over 10,000 students enrolled in mathematics and information science faculties in Rostov region¹
- According to some sources, demand for experienced IT professionals is growing quickly. However Rostov-on-Don along with other large cities in its vicinity like Bataysk and Aksay can provide a large pool of human resources
- Although wages in Rostov-on-Don are well below the national average⁵, salaries of experienced IT specialists have started to increase due to higher demand. Employees with English language capabilities command a significant premium
- There is a large pool of skilled but relatively inexperienced employees employed by the local IT companies. These employees would generally be eager to work for international employers, although many would require training.

Infrastructure

- **Office space:** Although there are approximately 350,000 sq. mts. of office space available in Rostov-on-Don, there is shortage of modern high quality office buildings, especially in the city center. The vacancy rate is 2-3 percent²
- **Power supply:** Although power outages may occur from time to time, the power supply is generally reliable
- **Telecom Infrastructure:** There are several mobile phone operators and telecommunication providers in Rostov-on-Don. Golden Telecom, a provider of integrated telecommunication services has partnered with Vimpelcom, a mobile phone firm, to construct a fiber-optic communication line on the Moscow to Voronezh to the Rostov-on-Don to Krasnodar segment
- **National and International connectivity:** Rostov-on-Don is a Russian logistics center internationally well connected by rail, water and road⁶. Rostov-on-Don airport provides national (more than 90 cities in Russia) and international flights including flights to Finland, Germany, Turkey, Dubai, Austria and Bulgaria⁷
- **Upcoming projects:** By the year 2010, 300,000 sq. mts. of quality office space is planned, including more than 15 business centers that are currently planned or under construction. Significant new housing has been built and more than 400 buildings in the city center were refurbished.

State/ city specific incentives for IT-BPO over and above country level incentives, if any

- Local governments may support investments by providing or upgrading regional property.

Quality of life

- **Cost of living:** Rostov-on-Don is less expensive than Moscow by an estimated 70 percent³. The latest quality of life index by the Independent Institute for Social Policy in Moscow ranks Rostov Region as number 28 out of 88 analyzed Russian regions
- **Crime rate:** Rostov-on-Don does not feature among the 50 most dangerous Russian cities⁴. Rostov-on-Don's authorities have started a "safe city programme," which aims at curbing crime by tracking migrants and foreigners, and by making the police more accessible⁸
- **Pollution levels:** The government has already taken action to reduce the pollution of the Don River which is expected to improve the environmental situation in the region
- **Ease of commuting:** Rostov-on-Don has good road network facilitating commuting from the outskirts of the city. However, there is high traffic congestion in the city
- **Availability of Hotels:** There are approximately 51 hotels in the city⁹. However, the demand for high quality accommodation is increasing and the supply of deluxe hotels is falling short.

Risk: City specific

- **Catastrophic risks:** Rostov-on-Don is prone to floods, especially during heavy rains
- **Political risks:** Although there are isolated allegations of favoritism where key political and business positions in the city and the region were presumably occupied by people close to the governor; the overall political situation seems to be stable.

1 www.donland.ru/english, Administration of Rostov-on-Don website, various pages, December 2008

2 www.russiaprofile.org/resources/business/sectors/it, Russia Profile Information Service for IT sector, December 2008

3 KPMG Analysis based on News Research

4 NewsWeek Russia 2008

5 FAST update Rostov region, June 2007

6 eng.hcmg.ru, Hermitage Construction and Management Group website, December 2008

7 Kommersant, General Information on Rostov region, 2008

8 The BBC news, 14 August 2007

9 www.donland.ru/english, Administration of Rostov-on-Don website, various pages, December 2008

Serbia



Serbia

Country Snapshot

Size of the country	77,474 sq. kms.
Population	10.2 million (2008)
Capital	Belgrade
Currency	Serbian Dinar (RSD)
1 USD = RSD (average)	82.30 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com

Main macroeconomic indicators:¹

GDP in PPP: USD 76.49 billion (2007 est.)
 GDP per capita in PPP: USD 10,350 (2007 est.)
 CPI: 6.8 percent (2007)
 Unemployment rate: 18.1 percent (2007)
 FDI stock per capita: USD 1,877 (2007 est.)⁴



Political Structure¹

Serbia is a multiparty democracy. The national legislature is a unicameral Parliament with 250 seats. The President is elected by popular suffrage. Serbia is member of the United Nations and the Council of Europe as well as an associate member of the European Union. The relation between EU and Serbia is difficult, reflecting issues of co-operation with the International Criminal Tribunal for former Yugoslavia (ICTY) in The Hague, differences over Kosovo and uncertainty over EU enlargement.

Business and Investment Climate

Foreign Direct Investment (FDI): Most investment has been in the form of acquisitions and privatization, however the number of greenfield projects is increasing. Predominant industry sectors for FDI are banking, telecommunications and manufacturing. FDI of USD 3.4 billion flowed into Serbia in 2007, and of over USD 5.6 billion in 2006. However, investment is expected to decline in 2009-10 because of recent political uncertainty and global financial turmoil¹.

GDP growth: Real GDP growth (on an expenditure basis) in Serbia was 7.5 percent in 2007¹. The EIU expects this to fall to about 6.5 percent in 2008.

Inflation: Given falling global oil prices and a good harvest in Serbia inflationary pressures have peaked in 2008, but are expected to decline in the coming years¹.

IT-BPO Scenario in the country

Revenue of the Serbian IT outsourcing market in 2007 was USD 132 million², and is expected to grow continuously for the next years, as the banking and government sectors in particular, invest in IT.

There are more than 200 companies providing IT outsourcing services in Serbia, employing more than 4,000 employees².

The associations representing the IT-BPO industry in the country are the Union of ICT Societies and the Informational Society.

Government incentives³

Financial incentives are provided for investments in the services sector and depend on the total value of investment and the number of new jobs created. Cash grants amount to around USD 2,500 to USD 12,600 per new job created. Research and development jobs can be eligible for higher grants (USD 5,300 to USD 12,600 for each new job created). Eligible companies can further benefit from corporate income tax exemptions and other tax abatements. Additionally, social insurance contribution exemptions may also be provided on a case-by-case basis.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	CCC / Stable
Standard & Poor's Foreign Currency Risk Rating	BB- / Negative / B
Ease of Doing Business Rank (2009)	94
Rigidity of Employment Index (2009)	39

Sources: www.eiu.com, World Bank, Standard & Poor's



1 www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

2 Ukrainian Hi-Tech Initiative, CEE IT Outsourcing Review, 2007

3 www.siepa.sr.gov.yu, Investment Promotion Agency Serbia website, December 2008

4 Vienna Institute for International Economic Studies, Foreign Direct Investment in Central, East and Southeast Europe, June 2008

Belgrade

City Introduction

- Belgrade is the capital and largest city of Serbia. It is also one of the oldest cities in Europe⁴
- It's the country's economic center, housing 24 percent of the population¹.



Quick facts	
Geographic Location	Situated in north central Serbia, Belgrade can be reached in about one to three hours by air from most European cities.
Time Zone	GMT +0100
Climate	Moderate continental climate with four pronounced seasons. The average temperature is 11.7 degrees Celsius, while the average annual rainfall is 66.9 cm.
Population ¹	1,710,000
Literacy rate ²	96.4 percent*
Languages	Serbian, Albanian, Hungarian, English, German
Major industries	Electronics and telecom, shipbuilding, pharmaceuticals, chemicals, textiles.

Sources: 1 City of Belgrade website (2007)
2 CIA Factbook
* National level

Key drivers for the city to emerge as a favorable IT-BPO destination

- Belgrade has a qualified workforce with multi-lingual skills
- The ICT industry is a fast-growing, priority sector in Serbia, contributing to a significant 22.8 percent of the country's service sector¹
- The city is also a strong base for the manufacturing industry, including engineering and IT hardware, and these skills can be tapped into by companies
- The government offers aggressive incentives, including cash grants per additional job created
- The business environment is steadily improving, and foreign investment is rising, which is likely to offer early companies to set up, a first mover advantage
- Belgrade's similar time-zone is suited to near-shore service delivery to Western Europe
- The city offers a significant cost advantage within European cities.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Microsoft (IT services)	ComTrade Group (Technology center)
FinSoft (Software development)	Pamit (Software development)
Teletrader (Software development)	Saga Group (System integration services)

Sources: Infoworld.com, BusinessWeek: company overview, Teletrader.com, Goliath

Development of the current IT-BPO industry

- The ICT sector has been growing in Belgrade over the past eight years as the city recovers from its international isolation. The share of software development exports has constantly increased indicating the city's attractiveness for offshore companies
- In 2005, Microsoft established its technology development center in Belgrade after setting up two European development centers in Denmark and Ireland⁵
- FinSoft (UK) and TeleTrader (Austria) have over 50 employees engaged in software development in Belgrade⁶
- Austrian S&T has taken over IT banking solutions provider SITO Inc. Information in 2005⁶.

Industry Profile – Size and Specifics

- The GDP of Belgrade's combined ICT and engineering sector accounted for USD 688 million² in 2005. This reflects a 22.8 percent share of Belgrade's service sector¹
- There are about 2,500 ICT and engineering companies operating in the city of Belgrade³.

1 Foundation for the Advancement of Economics and Center for Advanced Economic Studies - Understanding Belgrade Services Sector, 2007

2 www.zis.bg.gov.yu/onama_eng.php, Statistical Office, Belgrade website, December 2008

3 www.soros.org/initiatives/thinktank/focus_areas/core/grantees/center_2007, Center for

Advanced Economic Studies, December 2008

4 Maps of the World website, December 2008

5 InfoWorld news article September 2005

6 News article from Strategic Analysis & OSINT management, 2008

Human Resources

- Belgrade has well developed educational infrastructure, with prominent institutions like the University of Belgrade, the University of Applied Sciences and the Singidunum University. Each of these universities offer ICT related courses, and more than 10 percent of the total enrolments are in ICT related courses¹
- More than 14,000 students graduated in 2007 from Belgrade's universities¹. A large proportion of the workforce in Belgrade have completed university education²
- Out of Belgrade's 114,000 unemployed people (19 percent) approximately 10 percent have had higher education¹. This represents a potentially employable pool of resources
- University graduates and the youth speak English as a second language
- Although average salaries are higher in Belgrade than the average for Serbia, the overall real salary growth for the coming years is expected to be moderate, at approximately 5 percent¹.

Infrastructure

- **Office space:** Around 66,000 sq. mts. of office space was added in Belgrade in the first half of 2008, with 75 percent Class A space. Around 107,300 sq. mts. of Class A and B office space is expected to be added by the end of 2008, and a further 340,760 sq. mts. by 2010. The overall vacancy rate was 10 percent in mid 2008³
- **Telecom Infrastructure:** Belgrade has a good telecom infrastructure. Telecom networks in Serbia as a whole have been undergoing modernization over the last two years. GSM wireless service is rapidly growing and available through multiple providers with national coverage
- **National and International connectivity:** Nikola Tesla Airport in Belgrade has connecting flights to key European destinations and cities in the US. The completion of inner city infrastructure developments in progress (new bridges, a bypass, railways) is likely to make Belgrade well positioned among other Central and Eastern Europe (CEE) countries. Belgrade is well connected to other cities within Serbia through motorways and railways, and with Novi Sad and Budapest through motorways
- **Upcoming projects:** Construction of the IT Park in Indija, a town near Belgrade, is set to begin in 2008. The park worth USD 600 million, developed by Bangalore-based Embassy Group, is scheduled for completion by 2013. The first 25,000 sq. mts. of business space is planned to be completed in 2009. The park is expected to grow to 250,000 sq. mts. with a seating capacity for 25,000 employees in the next 5 years⁶.

State/ city specific incentives for IT-BPO over and above country level incentives, if any

- Co-financed employee training is a common investment incentive provided at the city-level.

Quality of life

- **Cost of living:** Cost of living is low compared to other large Eastern European cities. However, Belgrade's costs of living have increased in the last few years. According to the EIU, Belgrade climbed 15 places on the global cost of living index between 2006 and 2007 reflecting the overall inflation
- **Crime rate:** Crime rates are regarded as high, but the city is not afflicted with as much street crime as in other large cities. Moving through the city by foot, bus or taxi is generally regarded to be safe⁴
- **Pollution levels:** Although public transportation is available, locals typically prefer to commute by car. Congestion is common, leading to air pollution. Pollution levels within the city are high compared to other European capital cities
- **Ease of commuting:** Vehicular congestion within the city is a problem due to limited capacity of major river bridges and a large number of cars. However, ongoing infrastructure improvements are likely to facilitate commuting within and from the outskirts of the city
- **Availability of Hotels:** In 2003, Belgrade had 36 hotels with about 5854 beds, of which over 50 percent were in the three or four-star category⁵.

Risk: City specific

- **Catastrophic risks:** Serbia has experienced some minor earthquakes, and tremors have been felt in Belgrade in 2007 as well 2008. The country has also witnessed large-scale flooding of the Danube in recent years⁷
- **Political risks:** The US State Department currently rates Belgrade high for political violence - organized crime seems to be a major source for concern as it relates to political violence
- **History of disruptions:** There were attacks on the US Embassy and American businesses in February 2008 in response to Kosovo's declaration of independence⁸. Spontaneous demonstrations take place in Serbia from time to time in response to world events or local developments, e.g. recent demonstrations protesting the arrest of Radovan Karadzic, wanted by the International Criminal Tribunal for the Former Yugoslavia.

1 www.ci.belgrade.mt.us, City of Belgrade website, various pages, December 2008

2 www.iiwb.org, Invest in the Western Balkans website, December 2008

3 Colliers International, 2H 2008

4 www.siepa.sr.gov.yu, Investment Promotion Agency Serbia website, December 2008

5 Belgrade Hotel Investment Survey, 2004

6 www.lbzetaproperties.com/pdf/serbia/Serbia_general_info.pdf, lbzetaproperties website, December 2008

7 news.bbc.co.uk/2/hi/europe/4917820.stm, The BBC/ B92 News articles

8 NYTimes article, Kosovo Declares Its Independence From Serbia, 18 February 2008



Tunisia

Tunisia

Country Snapshot

Size of the country	163,610 sq. kms.
Population	10.3 million (2007)
Capital	Tunis
Currency	Tunisian Dinar (TND)
1 USD = TND (average)	1.17 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com

Main macroeconomic indicators:¹

GDP in PPP: USD 75.99 billion (2007)
 GDP per capita in PPP: USD 7,360 (2007)
 CPI: 5.3 percent (2007)
 Unemployment rate: 14.1 percent (2007)
 FDI stock per capita: USD 2,539 (2007)



Political Structure²

Tunisia is a Republic with a limited democracy. The parliament currently has 163 members and it serves for five years. In October 2004, Tunisia's President was elected by universal suffrage for a 5-year term for the fourth consecutive time. The next presidential and parliamentary elections are to be held in 2009.

Business and Investment Climate

Foreign Direct Investment (FDI): Tunisia has been successfully attracting FDI in recent years. In 2007, USD 1.6 million foreign investments flowed into the country¹. During the first half of 2008, FDI grew by 43 percent compared to the same period of time in 2007³.

GDP growth: GDP growth is expected to slow to 4.7 percent in 2008 and 4 percent in 2009¹.

Inflation: Inflation is expected to be 4 percent in 2008 and is likely to decline to 3.8 percent in 2009¹.

IT-BPO Scenario in the country

The Tunisian offshore ICT industry is concentrated in and around Tunis. The ICT sector grew on an average by 42.5 percent annually between 2002 and 2006 which is mainly due to call center investments by French, Spanish and Italian companies like Alcatel Lucent and Sagem⁴.

There are 1548 computer and engineering companies in Tunisia⁵. The number of shared services centers have increased from 14 in 2002 to 110 in 2007⁶. Major foreign investors are Microsoft, Siemens, Gensym and STMicroelectronics.

Tunisia's national industry strategy focuses on ICT development as a priority sector. The sector's contribution to GDP is expected to reach 13.5 percent during 2007 - 2011⁵.

ITinTunisia is the national platform for the ICT industry in Tunisia⁷.

Government incentives⁵

The government is eager to attract foreign investment and create new jobs. Corporate income tax exemptions and other tax abatements are offered to attract international investors. Furthermore, the government can assume portions of training costs (up to 25 percent), employer's social security contributions and / or salary for new hires.

- The following advantages are granted to investors in the IT segment:
- Fifty percent tax break for IT investors
- Investment allowance up to 6 percent of the investment amount for young project developers
- Eligibility for upgrading: subsidy of 10 to 20 percent for material and of 70 percent for non-material investment (Software services)
- Special incentives for Venture Capital Investment Companies operating in the IT segment.

Companies focused on the export market may benefit from 100 percent tax exemptions on export-derived profits for 10 years and a corporate tax rate of 10 percent, thereafter. Tax exemption on reinvested profits and income and duty exemption on capital goods and services needed for operations are additional benefits provided.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	BB / Stable
Standard & Poor's Foreign Currency Risk Rating	BBB / Stable / A-3
Ease of Doing Business Rank (2009)	73
Rigidity of Employment Index (2009)	49

Sources: www.eiu.com, World Bank, Standard & Poor's



● Emerging Destination

1 www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

2 www.edc.ca/english/docs/gtunisia_e.pdf, EDC Economic Monitor Tunisia, December 2008

3 American Chamber of Commerce, Business Monthly September 2008

4 www.tunisiaonline.com/government/index.html, Government of Tunisia website, December 2008

5 www.investintunisia.tn/site/fr/article.php?id_article=192, Invest in Tunisia website, December 2008

6 ITinTunisia: Le nearshoring en Tunisie, 2008

7 it.utica.org.tn/site/fr/article.php?id_article=9, Tunisia IT – ICT Business Portal, December 2008

Tunis

City Introduction

- Tunis is the capital of Tunisia
- It is the country's most important commercial industrial center¹.



Quick facts	
Geographic Location	Situated on the Gulf of Tunis in north of Tunisia. Tunis is a two and a half hour flight away from Paris
Time Zone	GMT +0100
Climate	Mediterranean climate. The summer temperature varies between 21 and 33 degrees, and that in winter varies between 6 and 14 degrees Celsius. Average annual rainfall is 57.2 cm.
Population ¹	2.3 million
Literacy rate ²	74.3 percent*
Languages ³	Arabic, French, English, Italian*
Major industries ⁴	Textile, energy, manufacturing

Sources: 1 Tunisia online (2007); for Tunis metropolitan area
 2 CIA Factbook
 3 Country presentation Anima Investment Network
 4 Tunisian Industry Portal
 * National level

Key drivers for the city to emerge as a favorable IT-BPO destination

- Tunis has a qualified workforce with a technical background, and foreign language capabilities
- Tunis is the country's political as well as commercial capital and is able to attract skilled personnel from other parts of the country too
- The city benefits from the cultural and geographic proximity to Europe, and is an attractive near-shore destination due to the similar time-zone
- The government plans to set up the Tunis Financial Harbor, an offshore financial services business cluster, with an investment of USD 3 billion², which is likely to bring in significant investments into the city
- Tunis is a major North African tourist destination. Medical tourism is on the rise in the city, and attracts European investments³
- Tunis provides a significant cost advantage over European countries¹.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
Microsoft (Innovation center)	Alcatel (Software center)
Siemens (IT services and electronic industry)	Teleperformance (ICT services)
Global Call Center (CRM, Call center)	AISA (IT and BPO services for the airline industry)

Sources: Company websites, Invest in Tunisia, Tunisair Press Release

Development of the current IT-BPO industry

- Tunis emerged as an IT-BPO location in the early 2000s. In 2003, Alcatel-Lucent started its software development and engineering center⁴
- The number of higher value-added IT services investment projects have been on the rise since 2006
- One of the main investment projects in 2007 included Microsoft's innovation center in the El Gazala Pole of Communication Technologies Park⁵
- Microsoft's center supports the development of Tunisia's software industry by developing intellectual capital and strengthening local computer engineering services companies⁵
- Other major investors include Siemens, Gensym, Huawei and STMicroelectronics.

Industry Profile – Size and Specifics

- The majority of Tunisian and foreign call centers as well as the offshore ICT industry are concentrated in and around Tunis
- The ICT sector is a fragmented market with most of the companies employing 10 or less personnel⁶, usually providing services for domestic and foreign customers within the call center sector
- The services offered out of Tunis include IT Infrastructure, IT training ADM, ERP, finance and accounting, call center, CRM
- Many multinationals operate in the El Gazala Pole of Communication Technologies Park. The park hosts approximately 50 companies employing 1,300 people⁷.

1 www.investintunisia.tn, Invest in Tunisia website, December 2008

2 www.gfh.com/en/our-business/tunis-financial-harbour.html, Gulf Finance House website, December 2008

3 www.tunisia.com/tunisia/News/Travel/Tunisia-taps-into-medical-tourism, Tunisia.com news article; 2008

5 www.oxfordbusinessgroup.com/publication.asp?country=20, Oxford Business Group Report Tunisia, December 2008

6 www.animaweb.org/en/pays_tunisie_en.php, ANIMA Investment Network, December 2008

7 www.tunisianindustry.nat.tn, German-Tunisian Chamber of Commerce and Industry website, December 2008

Human Resources

- There are 3 universities located in Tunis that educate more than 95,000 students in technical subjects, commerce, technology and engineering. The total annual number of IT graduates in the country is expected to grow from the present 8,000 to 12,000 in 2011¹
- The government has allocated a bulk of the national budget to education², and these investments have aided in generating a qualified, motivated and flexible workforce. Entry-level employees often lack on-the-job experience and require additional training
- Tunis' high unemployment rate (14 percent³) and a large number of young unemployed graduates in and around Tunis represent an attractive workforce pool for ICT companies
- Increased demand and competition for experienced ICT-engineers has led to growing wages for engineers who have worked in a multinational environment.

Infrastructure

- **Office space (IT Parks):** Tunis' office rents are competitive compared to major cities in the Middle East and North Africa. However, availability of larger office space is still limited. El Gazala Pole of Communication Technologies park provides modern infrastructure for high-tech and ICT companies⁴. The park currently hosts a number of call centers and internet research centers
- **Power supply:** The power supply in Tunis is constant and blackouts are infrequent. The city enjoys an electrification rate of 99.9 percent⁵
- **Telecom Infrastructure:** Tunis' telecommunication network is characterized by comparatively high costs. However, Tunisie Telecom – Tunis' telecommunications agency grants preferential rates for call centers operating in the city⁶
- **National and International connectivity:** Tunis-Carthage International Airport, located seven kms from northeast Tunis, has regular flights to various locations in Europe (such as Rome, Paris, Barcelona, London) as well as major North African and Middle Eastern cities (such as Cairo, Casablanca, Jeddah)⁷
- **Upcoming projects:** The Tunis Financial Harbour, planned over an area of 445 hectares, is to have a business cluster, commercial / residential developments, and a business school⁸. Sama Dubai plans to spend approximately USD 13 billion on luxury real estate development in Tunis, building apartments, offices, hotels over 837 hectares of land⁹.

State/ city specific incentives for IT-BPO over and above country level incentives, if any

- The local government is keen to attract foreign investment and create employment, large investors may receive additionally negotiated / discretionary benefits like training costs.

Quality of life

- **Cost of living:** Cost of living is relatively low compared to other cities in North Africa. Tunis ranked 133 in Mercer's 2008 Annual Cost of Living Index. The city is more affordable than Casablanca, Algiers and Cairo
- **Crime rate:** The crime rate in the city, especially burglary and street crime, is on the rise¹⁰
- **Pollution levels:** The growing number of inhabitants and vehicles as well as increasingly active industry sectors have led to higher pollution levels in the city. Recently introduced environmental measures are expected to improve air and water quality in the medium term
- **Ease of commuting:** Tunis has an extensive network of public transportation including buses, an above-ground light rail system (Metro) and a regional train line (TGM) that links the city center to its closest northern suburbs. A multi-lane road network surrounds the city, however, traffic density is high and congestion is common during rush hour
- **Availability of Hotels:** There are over 15 luxury hotels in Tunis, including international chains.

Risk: City specific

- **Catastrophic risks:** Tunis is situated in a low-risk seismic area with the probability of minor seismic activity. The city is prone to floods, and the local government has taken up flood management projects to mitigate the risks. In 2007, several people were killed due to floods caused by torrential rain¹¹
- **History of Disruptions:** There is a general threat from terrorism in Tunisia¹². In 2006, 12 Islamic terrorists were killed and fifteen arrested in Tunisia for planning terrorist operations⁷.

1 www.education.tn/en/ministere/etab_s_tutel.htm, December 2008

2 www.tacc.org.tn, Tunisian American Chamber of Commerce website, December 2008

3 www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

4 www.elgazalacom.nat.tn, El Gazala Pole of Communication Technologies website, December 2008

5 www.unido.org, National Investment Promotion Agency of Tunisia website, December 2008

6 www.investintunisia.tn, Invest in Tunisia website, December 2008;

7 Foreign Affairs and International Trade Canada: Doing Business in Tunisia; 2007

8 Ame Info news article;

9 UAE Interact

10 OSAC, Tunis, Tunisia Crime and Safety Report by OSAC, 2006

11 Reuters news article; Tunisia floods, 14 October 2007

12 www.fco.gov.uk/en/about-the-fco/country-profiles/middle-east-north-africa/tunisia, December 2008

13 Foreign Affairs and International Trade Canada: Doing Business in Tunisia, 2008

Ukraine



Ukraine

Country Snapshot

Size of the country	603,700 sq. kms.
Population	46.5 million (2007)
Capital	Kyiv, or Kiev
Currency	Hryvnia (UAH)
1 USD = UAH (average)	4.98 (2008)

Sources: www.eiu.com, www.cia.gov, www.GoCurrency.com

Main macroeconomic indicators:¹

GDP in PPP: USD 322.6 billion (2007 est.)

GDP per capita in PPP: USD 6,980 (2007 est.)

CPI: 16.6 percent (2007)

Unemployment rate: 2.3 percent (2007)

FDI stock per capita: USD 791 (2007 est.)⁵



Political Structure¹

Ukraine is a democracy with a parliamentary-presidential system of government consisting of separate executive, judicial, and legislative branches. A new constitution was approved by the Verkhovna Rada (Supreme Council, or Parliament) in June 1996. Since 2006, a majority of deputies in the 450-member unicameral parliament form a coalition, which then names the prime minister, who in turn nominates other ministers. The Parliament initiates legislation, ratifies international agreements and approves the budget. Its members are elected for five-year terms. The country is administratively divided into 24 provinces, 1 autonomous republic and 2 cities (Kyiv and Sevastopol) with special status.

Business and Investment Climate

Foreign Direct Investment (FDI): Ukraine has seen a sharp increase of FDI inflows in the last 3 years, reaching USD 10 billion in 2008¹. FDI flows are mainly into the financial and the manufacturing sector.

GDP growth: The real GDP growth in Ukraine was 7.7 percent in 2007. The EIU expects this to fall to about 6.5 percent in 2008 and less than 5 percent in 2009 due to the global slowdown.

Inflation: Ukraine has suffered from the worldwide financial crises resulting in severe inflation and recessionary concerns. Inflation in the Jan-Oct 2008 period was 18 percent, over 12.8 percent in 2007².

IT-BPO Scenario in the country

ICT, high tech and consumer electronics are priority sectors of Ukraine's national FDI strategy. The ICT market has grown constantly during the last six years.

The IT outsourcing market accounts for USD 544 million³. There are 800 IT outsourcing companies employing 14,000 IT specialists³. Since 2000, the Ukraine has become an attractive outsourcing destination in Eastern Europe providing software development services to clients in the US and Western Europe.

Ukraine is also an attractive location for offshore / near-shore companies, home to many subsidiaries of international companies like IBM Ukraine, Comarch, Microsoft, SAP, Aricent, ISM eCompany, and Ciklum. Ukraine has several home-grown ICT companies.

Whereas initial outsourcing investment focused on Kyiv (40 percent of FDI projects⁴) companies are now focusing on second tier cities such as Lviv and Kharkiv as potential investment destinations.

The Ukrainian Hi-Tech Initiative and IT Ukraine are the associations representing the IT-BPO industry in the country³.

Government incentives

Although the central government does not provide any incentives, the local governments at the province or city level can offer support and facilitate the setting up process for businesses.

2008 (Rating/outlook)	
EIU's Sovereign Risk Rating	B / Negative
Standard & Poor's Foreign Currency Risk Rating	B/ Negative/ B
Ease of Doing Business Rank (2009)	145
Rigidity of Employment Index (2009)	45

Sources: www.eiu.com, World Bank, Standard & Poor's



- Emerging Destination
- Established Destination

1 www.eiu.com, Economist Intelligence Unit website, various pages, December 2008

2 www.ukrstat.gov.ua, State Statistics Committee, Ukraine, December 2008

3 Ukrainian Hi-Tech Initiative, CEE IT Outsourcing Review, 2007

4 www.oecdobserver.org, Report on Ukraine, 2008

5 Vienna Institute for International Economic Studies, Foreign Direct Investment in Central, East and Southeast Europe, June 2008

City Introduction

- Lviv (or Lvov) is Ukraine's seventh largest city¹
- It is one of the main cultural centers of Ukraine and a UNESCO World Heritage site².



Quick facts	
Geographic Location	Located in western Ukraine, it can be reached from capital Kyiv by air in about one hour
Time Zone	GMT +0200
Climate	Moderate continental climate, with average summer temperature of 18 degrees and average winter temperature of -4 degrees Celsius. The average annual rainfall is 66 cm.
Population ¹	735,000
Literacy rate ²	99.4 percent
Languages	Ukrainian, Russian, Polish
Major industries	Electronics, mechanical engineering, food processing, chemicals, tourism

Sources: 1 Statistical office, Lviv
2 KPMG Analysis

Key drivers for the city to emerge as a favorable IT-BPO destination

- Lviv has an educated workforce with a large number of technical graduates and engineers
- The city has a strong position in IT services in Ukraine. It has several domestic IT-BPO companies, which can be acquired or partnered with to enter the country
- Lviv's cultural and geographical proximity with Western Europe and time-zone advantage makes it suited for offshore delivery to Western Europe
- Lviv is to co-host the European Football Championship in 2012¹, which is likely to bring about improvements in infrastructure and quality of life in the city.

Current IT-BPO scenario in the city

Key IT-BPO companies (Services offered)	
SoftServe (Application development and maintenance services)	Eleks Software (IT services)
Lohika (Application development and maintenance services)	ArtfulBits (BPO services)
InterObject (Research and development center)	Intellias (Software development)

Sources: Company websites, Businesswire news article, Press Release - Lohika Systems, Software development in Ukraine: Mafcon

Development of the current IT-BPO industry

- The Ukrainian IT and offshore outsourcing industry has started to see some consolidation in the last few years
- Induslogic (now GlobalLogic), a US-based provider of outsourced software product development services acquired Ukrainian outsourcer Bonus Technology in 2006³. Another company EDB, a Scandinavian IT service provider, bought a majority stake in Ukrainian Infopulse and Miratech in Kyiv⁴
- The BPO sector in Lviv is still at an early stage of development, but has the potential to emerge as an attractive lower cost alternative to established markets in Hungary or the Czech Republic.

Industry Profile – Size and Specifics

- Software companies in Lviv employ around 2000 professionals⁵
- A number of Ukrainian IT companies like Soft Serve (900 employees) and Eleks Software (250 developers) have large centers in Lviv⁵.

1 International Herald Tribune, Poland and Ukraine to host Euro 2012, 18 April 2007

2 www.lviv-life.com, December 2008

3 www.investukraine.org, December 2008

4 www.goaleurope.com/main.php?p=85&more=1&c=1, Consolidation in Europe, February 2008

5 Munk, Andersen and Feilberg, Software Development in Ukraine, November 2008



Human Resources

- Lviv has a large resource pool of qualified IT specialists, and renowned universities like the Lviv Polytechnic University and the Lviv National University. The Lviv Polytechnic University produces about 15,000 graduates annually, with over 1,000 from IT-related courses¹
- Average salaries for IT professionals in Lviv are lower than salaries in Kyiv²
- IT companies in Lviv such as Softserve, Lohika and Eleks have set up training centers to develop the talent in the city². Competition for IT specialists is moderate in Lviv
- Ukraine currently does not face a threat of emigration of qualified professionals to higher wage European Union (EU) countries, as it is not an EU member and its workforce is subjected to strict EU visa regulations.

Infrastructure

- **Office space (IT Parks):** The office market in Lviv is still developing. The estimated addition to office space is around 120, 000 sq. mts. by 2012³. Vacancy rates are currently low
- **Telecom infrastructure:** Although penetration of ICT has improved in recent years, there are some problems in the reliability and quality of fixed telecom infrastructure. Telecom infrastructure improvements are mainly in major regional centers, however there is a lag in terms of penetration to local networks and exchanges. Most investments into the growing mobile sector are private
- **National and International connectivity:** Lviv airport serves domestic and international flights, most frequent services are daily flights to and from Warsaw and Kyiv, connections with Toronto, Manchester, Frankfurt, and airports in Russia, Caucasus and Middle Asia
- **Upcoming projects:** A few technology parks have been proposed around Lviv. The Lviv Airline plans to construct a technology park on its land⁴.

State/ city specific incentives for IT-BPO over and above country level incentives, if any

- Two special economic zones are functioning in the region: SEZ “Yavoriv” and “Kurortopolis “Truskavets”. Investment projects in these zones benefit from tax privileges⁵. Over and above this, the local government does not offer formal investment incentives. Companies may seek the administration’s support with property and other aspects related to establishing operations in Lviv.

Quality of life

- **Cost of living:** Cost of living, aside from housing, is low in comparison to other large Eastern European cities. Housing costs are comparatively high in Ukraine. The price of secondary housing soared by over 20 percent in 2007, whereas the primary market is still developing³
- **Crime rate:** The crime rate is moderate compared with other Eastern European countries
- **Pollution levels:** Since exhaust filters are not yet required for cars, air quality in Lviv is not up to western European standards
- **Ease of commuting:** Ukraine’s infrastructure is still developing, but is comparable to that in Poland, Bulgaria and Romania. A loan to the tune of USD 140 million has been granted by the European Bank for Reconstruction and Development to be used to develop the city’s transport (road, railway connections, airport terminal) and communication infrastructure, as a result of Lviv hosting the European Football Championships in 2012⁶
- **Availability of hotels:** Lviv is a well developed tourist center in Ukraine, with good tourism infrastructure. According to the regional state administration, there are plans to build 20 new hotels by 2012 to host visitors to Lviv during the European Football Championships⁷.

Risk: City specific

- **Catastrophic risks:** Lviv province was hit by a flood in July 2008 causing damage to some bridges in the area⁷
- **Political risks:** The political situation in Ukraine has been unstable over the last two years due to animosity between its two political factions. This risk is likely to continue and may impact economic spending and investment decisions of the government⁸
- **History of disruptions:** Lviv was hit by a hurricane in June 2008, which rooted out 3,000 trees and damaged about 100 cars and several buildings⁹.

1 Munk, Andersen and Feilberg, Software Development in Ukraine, November 2008

2 Mafcon, Software development in Ukraine, November 2008

3 CB Richard Ellis, June 2008

4 www.investinpoland.pl, December 2008

5 www.rada.com.ua/eng/RegionsPotential/Lviv, December 2008

6 KyivPost news article, EBRD approves EUR 100m loan for Lviv transport project, 23 December 2008

7 Zik News, Flood kills 22 Ukrainians, 28 July 2008

8 Ukraine Today website and Economist Intelligence Unit, December 2008

9 RedTram news, Hurricane in Lviv, 24 June 2008

Concluding thoughts

Kumar Parakala

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As our study indicates, a wide range of choices are available for companies in many parts of the world. Although the basic advantages offered by these cities may be the same – for instance, lower costs, qualified talent and aggressive incentives. The nuances among these offerings and their combination makes each city's offerings unique, even in case of cities within a country.

It is interesting to note that even though a large talent pool may be available in many of the cities, the skills and expertise vary. Some cities may have workforce qualified for technology-driven tasks, while others may have workforce suited for high-end knowledge processes. Similarly, talent suited for call centers may vary across cities due to language skills – the workforce in Cairo speak Arabic and English, while those in Santiago speak Spanish and English. Changsha is becoming a center for animation and is well positioned to support the animation industry. Port Louis, even in a small country like Mauritius, may not have a large skilled labor pool, however, is considered as a good disaster recovery location.

Accordingly, each of the 31 cities in our analysis has different offerings, and will therefore appeal to a different set of companies depending upon their priorities and strategies. At the same time, the range of options may also bring in potentially higher risks for companies that need to be balanced with the potential benefits.

We believe that companies need to ask some key questions before weighing their options and arriving at their shortlist of locations, including:

- *How will the location fit in with the overall business strategy?*
Does the company require its offshore operations to be in a specific geography, based on its market entry strategy, existing facilities or future requirements?
- *What are the key criteria for location selection?*
What is the relative importance of priorities for the company? For instance, is the company willing to settle for a higher cost in return for a better talent pool?
- *How best can the company evaluate locations based on the defined priorities?*
How can a shortlist be drawn up based on costs, operating factors and other relevant criteria?
- *How can project risk be minimized?*
How best can a company avoid risks such as selecting a sub-optimal site, missing opportunities for incentives, or project delays?

The task does not end once the location is selected. The company should then put in place a comprehensive plan to optimally leverage the opportunities and advantages offered by the location and implement any necessary risk mitigation strategies. Having said this, we hope that our study will be valuable in your location selection exercise.

We wish you all the success in this exciting journey!



Abbreviations

Term	Description
ADM	Application Development and Maintenance
BPO	Business Process Outsourcing
CEE	Central and Eastern Europe
CRM	Customer Relationship Management
EOU	Export Oriented Unit
ERP	Enterprise Resource Planning
EU	European Union
FDI	Foreign Direct Investment
GMT	Greenwich Mean Time
ICT	Information and Communications Technology

Term	Description
IT	Information Technology
ITO	Information Technology Outsourcing
KPO	Knowledge Process Outsourcing
MNC	Multinational Corporation
MW	Megawatt
NATO	North Atlantic Treaty Organization
OECD	Organization for Economic Co-operation and Development
US	United States of America
USD	US Dollar
VAT	Value Added Tax

Explanation of Key Terms

Term	Description
GDP in PPP	Gross Domestic Product in Purchasing Power Parity. GDP is defined as the total market value of all final goods and services produced within the country in a given period of time (usually a calendar year). Purchasing power parity (PPP), mainly used for comparison is an adjusted exchange rate based on the relative cost of living and inflation rates between countries
GDP per capita in PPP	GDP in PPP divided by the country's current population
CPI	Consumer Price Index. The CPI is a measure of the average price of consumer goods and services purchased by households. The percent change in the CPI is a measure of inflation
FDI stock per capita	Cumulative stock of inward Foreign Direct Investment (FDI), divided by the current population of the country
Real GDP / Real growth rate of GDP	Real GDP is a macroeconomic measure of the size of an economy adjusted for price changes and inflation. The real growth rate is the growth rate adjusted for price changes and inflation
EIU's Sovereign Risk Rating	The Economic Intelligence Unit's Sovereign Risk Rating assesses the probability of whether a country may default on its debts. It indicates the risk of a build-up in arrears of principal and / or interest on foreign- and / or local-currency debt that is the direct obligation of the sovereign or guaranteed by the sovereign, going from C (lowest) to AAA (highest). For more information, please visit www.eiu.com
Standard & Poor's Foreign Currency Risk Rating	Standard and Poor's rating measures the obligor's capacity to repay foreign currency obligations, with "AAA" being the highest, and "C" being the lowest. For more information, please visit www.standardandpoors.com
Ease of Doing Business Rank	This World Bank study published annually ranks economies on their ease of doing business, from 1 to 181, rank 1 being the most conducive business environment. The rankings are from the Doing Business 2009 report, covering the period April 2007 to June 2008. For more information, please visit www.doingbusiness.org
Rigidity of Employment Index	Part of World Bank's Doing Business Report, the index denotes the difficulties that employers face in hiring and firing workers, on a scale of 0 to 100, with higher values representing more rigid regulations. For more information, please visit www.doingbusiness.org
Near-shoring	Offshoring to a nearby country, that is easily accessible and is located in the same or a neighboring time zone
Offshoring	Outsourcing processes / activities to a shared service / external service provider in a country other than the originating country
Shared Services	Often, used interchangeably with the term "captive". The consolidation of common functions, systems, processes and personnel across several business units into an internal service bureau, managed as an independent organization
Software Park, or Technology park, or IT Park	A building or complex constructed especially for technology companies. Typically, these parks would have high-speed broadband connectivity, reliable power supply and ready office space. In some countries, these parks are also special economic zones that offer financial benefits or incentives for companies who set up offices
Tier I, II and III cities	Typically, country capitals and metro cities as being the Tier-I category cities, smaller cities such as state capitals and bustling towns are defined as Tier-II, while upcoming cities and/or semi-urban centres are defined as Tier-III.
Class A and B office space	Class A space is typically referred for buildings that have excellent location and access, attract high quality tenants, and are managed professionally. Building materials are high quality and rents are competitive with other new buildings. Class B buildings have good locations, management, and construction, and tenant standards are high. Buildings have very little functional obsolescence and deterioration.

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