

World's Next Outsourcing Hub: Kenya?

The Kenyan government is pumping millions of dollars into improving the nation's outdated telecom industry.

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The six clocks on the wall track time zones from the US Pacific seaboard, through the Midwest and across the Atlantic to Britain. Twenty or so computers sit idle, headsets resting on mouse pads waiting for the next shift of call center workers.

It could be a phone bank anywhere in the world but for the clock on the far right labeled "Kenya."

"People say to me, 'Wow, this is happening in Kenya? We only think of you for athletics and wildlife,' " says Gilda Odera, managing director of Skyweb-Evans in the heart of the capital, Nairobi. "But people are getting really interested in us."

Her call center and a dozen others are seeds of an industry that the government hopes will put the East African country on equal terms with India as an outsourcing destination.

The government is pumping millions of dollars into improving the country's outdated telecom system in an effort to capitalize on Kenya's large pool of English-speaking graduates.

Eventually it wants Kenya to be as well-known for its call centers as its lions, tea, and coffee.

But for now, companies like Skyweb-Evans are limited by shoddy infrastructure and ferociously expensive internet connections.

Ms. Odera employs more than 40 people in two shifts. They mostly dial Canada to collect market research and polling data, but she says it can be a struggle to break even.

"Sometimes we have clients that need more than 20 seats but, because we haven't been able to ramp up, we haven't been able to take the work, even though it was attractive work," says Odera.

That is all about to change. In February, her company will open a 75-seat call center, expanding capacity more than threefold.

New fiber-optic cable

Last week, the Kenyan government signed an agreement with French-US telecom group Alcatel-Lucent for a fiber-optic cable linking the Kenyan port of Mombasa with the United Arab Emirates.

More important, it will connect East Africa to the rest of the world's Internet capacity and replace the slow and costly satellite links that act as a brake on the country's fast developing industry in business process outsourcing (BPO).

At the signing, Bitange Ndemo, permanent secretary at the Ministry of Information and Communications, said the connection would allow more ordinary Kenyans to surf the Internet. But the real driving force behind the deal, he said, was the potential for creating jobs in call centers and the rest of the outsourcing industry.

"A year ago we started pushing ourselves as a BPO center," he said. "But if you look at the price and compare it with our competition, we are simply not competitive."

Typical monthly charges are \$7,500 for one megabyte of bandwidth. Elsewhere in the world it costs no more than \$400.

"If we can get it below \$500 for that megabyte we can make ourselves more competitive," said Mr. Ndemo.

Work on the 3,062-mile East African Marine System (Teams) cable is due to begin early in the new year.

The \$82-million cable will run from Fujaira, in the UAE, along the seabed of the Gulf of Oman and down the African coastline to Mombasa. It is expected to bring the cost of connectivity down to about \$500 per month immediately on completion in January 2009.

In the meantime, the government will use \$9 million from a World Bank loan to subsidize connections and kickstart the industry in the new year.

Two other cables are also being planned.

The much delayed East Africa Submarine Cable System will eventually run along the Indian Ocean coastline, connecting 10 African cities with India and Europe. And a third will run from Europe to South Africa.

Ndemo said the cost will continue to come down as Kenya becomes a hub for East Africa, selling bandwidth to neighbors such as Tanzania, Uganda, and Sudan.

Mark Kobayashi-Hillary, off-shoring director of Britain's National Outsourcing Association, says Kenya is putting itself in a strong position.

"In Kenya – and the East African region – they have quite a good recent history of democracy, so it is a stable region and there are lots of well-educated people," he said. "That's a good start, but what they don't have is the infrastructure and I guess that's the importance of this fiber-optics deal."

A promising future

Research by the London-based business analysis group Datamonitor supports the optimistic outlook.

In a report published last year, the group forecast that Africa would see the fastest growth in the number of call centers for the rest of the decade, and singled out Egypt, Botswana, Ghana, and Kenya for particularly rapid expansion.

Egypt already has a booming outsourcing industry with many Western companies operating there.

Meanwhile, Botswana, Ghana, and Kenya – all former British colonies – have the sort of linguistic skills and education systems that make them well placed for call centers, according to the report.

And signs of a shift in the global pattern emerged earlier this year as several Indian companies began looking to outsource their own outsourcing operations, as rising wages and crumbling infrastructure took their toll.

Across town from Skyweb-Evans, Kencall is the posterboy for Kenya's outsourcing industry.

Kencall employs 500 people in a converted avocado warehouse on an industrial estate close to Nairobi's international airport.

Nicholas Nesbitt, its chief executive, says there is a ready pool of investors looking to enter the Kenyan industry, particularly from South Africa where labor costs are much higher.

"We've had a good three or four very big international call center companies coming through Kenya and kicking the tires," he says.

"As long as we can keep the drumbeat of Kenya as a good and positive place to invest, then when the time comes people will move in."

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