Offshoring to Africa

Looking for an e-development topic to get excited about; a new project to deliver on the promise of ICTs for socio-economic development? How about this: offshoring to Africa?

Meaning? The outsourcing of ICT-related work from industrialised country clients to African sub-contractors. A range of activities are covered: software programming, data entry, digitisation/transcription, call centres, back-office functions, etc.

Why do it? Because it falls on the right side of the "production vs. consumption" argument. This says that mainstream usage of ICTs in development (e-government, e-commerce, e-health, telecentres, etc.) delivers only marginal benefits. By contrast, productive uses of ICTs through the establishment of IT sector enterprises – like those created by offshoring – deliver direct benefits that transform livelihoods: new jobs, new income streams, new skills, etc.

Offshoring aligns with the notion that Africa needs to trade its way to development. It aligns with the notion of building an "information/knowledge society". It aligns with the need to stop Africa's IT talent brain draining away plus it can build on the existing diaspora: such contacts have been fundamental to offshoring in other countries. It turns Africa's low wage levels from a problem into an opportunity.

What a great idea! Yes, so great that plenty of other people not only already thought about it, but already did it:

- US firms have offshored programming work and insurance claim processing to Ghana.[i]
- Ugandan firm Cayman Consults undertakes online data entry and bookkeeping work for North American companies solicited by a Canadian partner.[ii]
- At least twenty South African call centres are serving international clients in the US and Europe, with many owned by those clients[iii], and Amazon has a software development centre in Cape Town.[iv]
- France has outsourced more than US$35m-worth of call centre and transcription work to sub-contractors in Morocco and Tunisia.[v]

And it's an idea without any downsides! As if. First, offshoring is no panacea. There are questions of vulnerability if clients decide to change their outsourcing strategy; for example if the US anti-offshoring campaign really took off. There are questions of using your country's IT talents for the benefits of Northern multinationals. There are questions of overskilling and underpaying. But what should we see here – the cloud or the silver lining? I think it's fair to say that, ultimately, the offshoring experiences of Asian and other developing nations are more a good news than a bad news story.

Second, and more practical, are the barriers to getting offshoring up and running at scale in many African nations. From analysis of offshoring experience to date, we

can readily make up a list of action areas: IT infrastructure; skills; financing; marketing; clustering; international linkages/trust; business infrastructure.[vi]

This menu should by now be quite familiar, but we also need to move beyond the menu to recognise three deeper factors that determine whether or not African nations can move on this issue:

- *Vision*: you can teach almost anyone the techniques of painting, but creation of a work of art requires an artist with vision who can apply those techniques in realisation of their vision. So, too, action strategies such as those just described are all well and good, but they will only emerge or sustain when there is a national vision for offshoring.
- *Networks*: structural factors matter. Is there a capable, autonomous state agency leading the way? Is there a robust network of government, industry and others who can debate, decide and act?
- *Iteration*: wherever you start with action on offshoring will not be where you end. So does the country have a means of learning from its offshoring successes and mistakes, so it can iterate towards a better strategy?

One final thought – can we relate this to fair trade? We already have campaigns persuading Northern consumers to buy fair trade goods: coffee, chocolate, bananas. How about a campaign persuading Northern firms to buy fair trade IT services? Most offshoring would and probably should be standard, hard-nosed, profit-driven. But there could also be a role for offshoring with a social face (see eDevelopment Briefing no.9 for more on this).

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[i] Horvit, M. (2004) 'Offshoring of jobs spreads to Ghana for its low wages', *Business News*, June 27 http://www.ghanaweb.com

[ii] Duncombe, R., Heeks, R.B., Kintu, R. & Nakangu, B. (2004) *eCommerce for Small Enterprise Development: A Handbook for Entrepreneurs in Uganda*, IDPM, University of Manchester, UK & FIT-Uganda, Kampala http://www.ecomm4dev.org/handbooks/htm (See also http://www.cayman-consults.com/aboutus.asp)

[iii] Guilbault, M.R. (2005) 'S Africa: A wild card', *Global Outsourcing*, October 17 http://www.globaloutsourcing.com

[iv] Economist (2005) 'Offshoring to South Africa', *The Economist*, August 25

[v] Bhambal, J. (2005) 'N Africa: The French Open', *Global Outsourcing*, October 17 http://www.globaloutsourcing.com

[vi] Heeks, R.B. & Nicholson, B. (2002) *Software Export Success Factors and Strategies in Developing and Transitional Economies*, IDPM Development Informatics Working Paper no.12, University of Manchester, UK http://www.manchester.ac.uk/idpm/dig