



USAID
FROM THE AMERICAN PEOPLE

Regional Cooperation in ICT

WHY?

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RCI REGIONAL
COMPETITIVENESS
INITIATIVE

The EE region: High potential, **but** fragmented capacity



Bulgaria:	7,322,858
Romania:	22,276,056
Albania:	3,600,523
Bosnia-Herzegovina:	4,552,198
Croatia:	4,493,312
Macedonia:	2,055,915
Serbia:	8,032,338
Kosovo:	2,126,708
Montenegro:	678,177
Ukraine:	46,299,862
Moldova:	4,328,816
Armenia:	2,971,650
Georgia:	4,646,003





Basis for Regional Cooperation

Quality

Latest technologies

Software engineering standards – CMM/CMMI, ISO, ITMark

Partnership & cooperation

Joint resources – consortiums, subcontracting

Business partnership

EU/EC projects (EU accession)

e-administration, e-trading, e-health...

Regional donor programs collaboration: USAID, GTZ/GIZ, UN/UNDP, EBRD, WB

Capacity building

Regional market development

towards knowledge intensive economy

Balkans & Eastern Europe: Modern Software & IT Hub

ICT Business: Towards regional **SEE IT** brand [RCI/USID support]



ICT Competitiveness Pyramid: Clustering companies and countries



Regional
competitiveness

National perspective

LEADERSHIP

Best Practices
Higher Maturity Levels
(CMMI, ITMark Premium/Elite)

SUSTAINABILITY,
REGIONAL BRAND

Society

IMPROVEMENT

SPI INITIATION
HIGHER COMPETITIVENESS
REGIONAL CAPACITY

National ICT strategy

JOINT CAPACITY,
READINESS FOR
REGIONAL
"COOPETITION"

ICT for other business

Cluster Approach: ITMark/CMMI/ISO/...

ICT education

AWARENESS

LOCAL CAPACITY & TRAINING

Industry, Customers/Clients, State, Donors

Professional Training, Universities

NATIONAL
CAPACITY
&
IMORPVEMENT
READINESS



SEE: readiness for cooperation and common IT brand



National competitiveness initiatives clustered into a regional program for regional quality brand “SEE IT”

Opportunities:

- Change the industry low-cost outsourcing model to **high quality value-added competitiveness**
- **Regional cooperation**
- Use of the PI models for increased competitiveness in **other industries**

* Results as of April 2009 (some appraisals performed by other organizations – Romania, Turkey, Ukraine, Hungary)
 * Western Balkans Cluster approach program under implementation in 6 countries
 * Overall regional competitiveness program developed and implemented by USAID/RCI project

Clustering countries, sub-regions for optimized capacity



GTZ ORF project

Western Balkans (Albania, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia, Kosovo)

7 IT Mark overview (2 in Serbia, 1 in Macedonia, Kosovo, Albania, Croatia, BiH)

+ 1 SPI Roadmap to maturity (Croatia)

102 participants from 39 SMEs + 19 other organizations

3 Introduction to CMMI (Albania, Macedonia, Serbia)

61 experts from 24 SMEs

13 IT Mark Basic appraisals completed

12 successful (2 Croatia, 2 Bosnia&Herzegovina, 2 Albania, 2 Macedonia, 3 Serbia, 1 Kosovo)

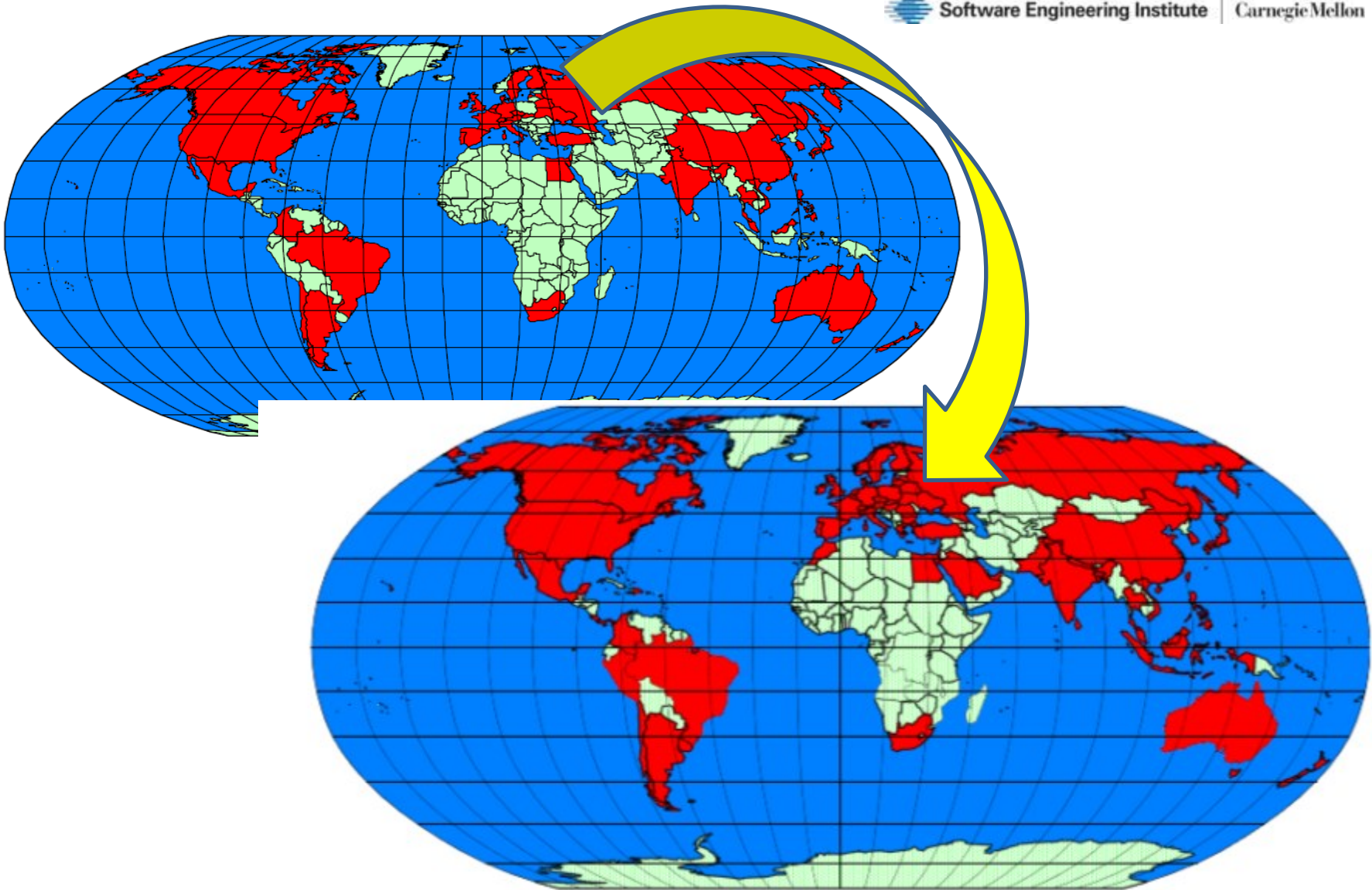
1 for remedial (1 Kosovo)

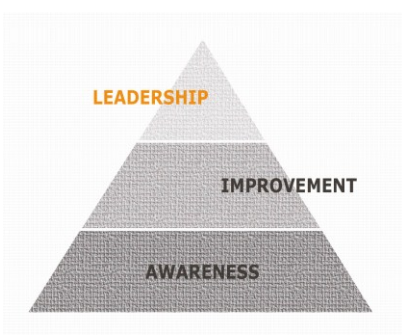
2 IT Mark Premiums (1 Macedonia, 1 Serbia)

1 CMMI SCAMPI ML2 in Macedonia

Global ICT Quality Map 2001-2010

Software Engineering Institute | Carnegie Mellon



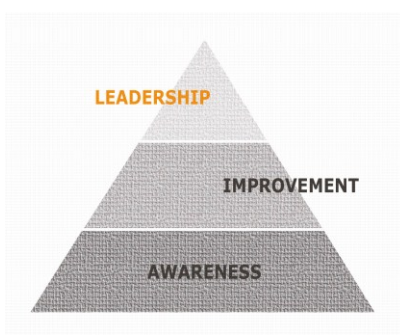


Industry maturity

Qualified Professionals



Mature Organizations



Industry maturity

Participants (trainings, awareness) > 2400
Companies > 700



Appraisals > 50

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 RCI
REGIONAL COMPETITIVENESS INITIATIVE

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What we offer as software outsourcing partner:

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- Confidence
- Support

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- We are reliable partners for innovative solutions and we provide help to start-ups with all available resources
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Company: **Dreamix Ltd**

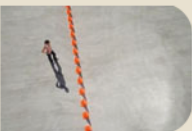
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ESI@Center Bulgaria



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100%

Forget India, Let's Go to **Bulgaria**

Peter Kürpick vividly remembers his first trip to Bulgaria. Traveling into Sofia from the airport two years ago, the executive with German software giant SAP breathed air thick with coal smoke and saw laundry hanging from buildings on dirty, snow-covered streets. Then he pulled up to the gleaming glass-and-marble tower that houses SAP's Bulgarian research lab. It was like "an island of beauty," recalls Kürpick, who became the lab's managing director in 2002. Dedicated that year, SAP's facility has 180 engineers who write vital Java software for SAP's cutting-edge products around the world.

Wait—isn't writing software for foreign companies India's specialty? By the numbers, yes. The outsourcing business there totaled an estimated \$12 billion in 2003 out of \$25 billion from low-cost locales worldwide. But Bulgaria, Romania,

and other locations on the outskirts of Europe are playing a new twist on the craze for sending technology development offshore. They're pushing what pundits call "near-shoring," or shifting work to countries that cost less but are only a short hop away. Finnish companies farm out IT work to Estonia. Germans use contractors in Poland, and Italians ship projects to Serbia. For a lot of European companies, "India seems an awful long way away," says information

technology services analyst Ian Marriott of researcher Gartner Inc.

It was access to nearby talent that convinced SAP to set up its Bulgarian outpost, which has turned into a beacon of hope for a country struggling to lift itself out of communist-era poverty. But it's not the only one. Scattered around the capital are hundreds of small companies doing projects for an impressive list of clients, including Boeing, BMW, General Motors, and Siemens. "There is an exceptionally high level of talent in Eastern Europe," says Kasper Rorsted,

associate professor at American University's Kogod School of Business in Washington. French companies are drawn to Romania, whose Latinate language and historic links make it an appealing alternative to Anglophone locales. German companies are likewise lured by the many German speakers in Hungary and the Czech Republic. "People want to be able to pick up the phone and resolve problems," Carmel says.

That's boosting places like Bucharest. Taking advantage of ample tech talent and engineering wages as low as \$6,500 a year—a tenth the norm in Western Europe—companies including IBM, HP, and Alcatel have set up shop there. On Feb. 17, software giant Oracle Corp. announced three new centers in Bucharest to provide European and global support to customers.

As in the U.S., growing use of foreign workers could provoke political backlash. So many companies keep their outsourcing plans quiet—or say they're merely adding

Where **English** Doesn't Rule

European companies are discovering nearby alternatives to farming out software programming to India

BULGARIA

■ Hundreds of small software companies do contract programming for some of the biggest customers in the world, including Boeing, BMW, and Nortel. Other giants, such as SAP and Computer Sciences, have local labs in Sofia.

ROMANIA

■ A favorite destination for tech facilities, Bucharest hosts support centers or software labs for IBM, HP, Oracle, and Alcatel, among others. Software exports and outsourced services topped \$215 million in 2003. Programmers are also busy freelancers.



managing director for Europe, Middle East, and Africa at Hewlett-Packard Co.

It's not just distance and time zones that motivate the search for alternatives. India struck gold with U.S. and British clients in part because of its workers' English skills and interpersonal ties. But those assets don't hold the same sway for French or German customers. "Cultural, linguistic, and even ethnic connections are very important in near-shoring," says Erran Carmel, an

employees elsewhere, not laying them off at home. What's more, the cost advantages of some countries—especially those slated to join the European Union on May 1—will likely diminish as their living standards rise. But for now, Europe's poorest countries are looking to technology for an economic lift. If near-shoring keeps growing, many of them could soon sport software palaces as "symbolic as Sofia's."

—By Andy Reinhardt in Paris

Forget Brazil, India, China...

Let's Go to Eastern Europe

???

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