

*Capability**Creativity**Maturity*

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Chairman

BASSCOM

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The important role of national / regional IT Associations for supporting competitive development of local ICT SMEs

Real benefits for being part of community of practices

Moldova and the CEI Region: Bridging East and West

11th CEI Summit Economic Forum
5th Moldova International Investment Forum
8-9 October 2008 / Chisinau, Moldova



Ministry of Economy
and Trade of the
Republic of Moldova



In cooperation
with ICE
Foreign Investment, Tar-Export Trade



BASSCOM Profile

BASSCOM → over 50 software companies + associates

Main goal & mission

software industry → enabler for the economy
promote competitive advantages
encourage company excellence

Export oriented profile (>80%)
near-shore / outsourced development
product/project oriented
complete solutions

Capacity

> 5,000 software engineers

Activities

I. Marketing software business

- Branding BG software & IT industry
- Eastern Europe → high-quality software hub → Regional cooperation based on Quality
- Better exposure abroad → recognized presence at the global software market
- Expos - CeBIT, Systems, OutsourceWorld, CeBIT Bilishim, GITEX
 - road-shows
 - e-markets

Real benefits for BASSCOM companies

Stable trend of over 30% turnover increase last 8 years

Many companies found new long-term partners

(success stories: MusalaSoft/IBM; MPS/Siemens; Nemetschek/HP & SPX; SIRMA / iFlex)

First 3 companies CMMI certified, another 12 with IT Mark by ESI

First cross border projects in SEE

Activities

II. Partnering with local Government

- National ICT Competitiveness Strategy
- Lobbying for better economic environment
- IT penetration in all industries
- Building up the information society
- i2010 European Strategy

Real benefits for BASSCOM companies

Bulgarian ICT industry exceeded 10% of national GDP in 2007

New VAT treatment for software products/services export

New flat taxation of 10% both for corporate profit and income tax

National/EU funded project frameworks for implementing IT solutions in different industrial segments

IT Card by ESI basic computer knowledge certification

EU Structural funds project frameworks for implementing SPI models and standards

Activities

III. Education, R&D and Innovation

- Collaboration with government & academics
- Improving IT education
- National Innovation fund
- University ranking system

Real benefits for BASSCOM companies

- ☑ New administrative rules and increased number of students in ICT
- ☑ New bachelor and master programs, developed with close cooperation with industry leaders (BASSCOM companies)
- ☑ Options for funding of innovative ideas and projects on national and European (ITEA / EUREKA) level
- ☑ Special trainee programs for BASSCOM companies

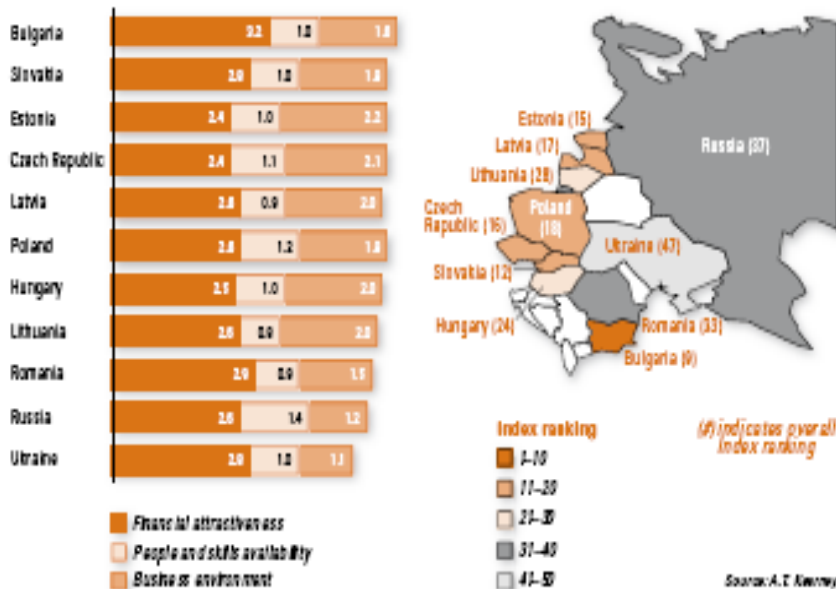
Global Services Location Index 2007

Offshoring for Long-Term Advantage

The 2007 A.T. Kearney Global Services Location Index™

Figure 5

New contenders in Central and Eastern Europe outshine more established locations



Central and Eastern Europe:

New Contenders Climb the Rankings

....The trend from last year continues as the established service providers in the region—the Czech Republic, Hungary and Poland — lose ground while emerging locations move up the rankings (see figure 5).

Bulgaria replaces the Czech Republic as the only country from the region in the top 10.

Both **Bulgaria** and Romania see big jumps in their business environment scores as a result of reforms carried out to qualify for European Union membership, a process that was successfully concluded January 1, 2007.

Despite a larger population base, Romania's relatively higher average wages put it among the middle of the pack at 33....

More on

http://www.atkearney.com/shared_res/pdf/GSLI_2007.pdf

→ Off-shoring & Near-shoring Destination

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 awfully 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 Rørsted,

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.

Data: Economist Intelligence Unit



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



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→ New approach ?

From clustering companies

to

Clustering...countries

***Cooperation of small and fragmented countries (or
small, but clustered industries)***

make

BIG capacity and recognized brand

→ *A Voice for ICT SMEs in EU*

Founding members of PIN-SME



→ ***What is PIN-SME?***

- **Mission: Provide a voice for Europe's ICT SMEs in the business and political arenas**
- **First European industry association focusing on interests of ICT SMEs**
- **Founded December 2007**
- **Currently represented in eight European countries:**
 - accounting for 50,000 companies
 - employing around 200,000 people

→ *A regional brand, based on **QUALITY**?*

SEE IT

Recognizing the value to the Balkans and Eastern European region in developing a **global brand for leadership in ICT, the parties to this **MOU** hereby agree to work together to advance their shared interest in promoting ICT-enabled excellence, innovation, and jobs and investment growth.**

MoU signed at SEEITA conference in Skopje – 27 September 2007

Regional cooperation, based on quality:

- SW and IT Services
- ICT clusters
- ICT/knowledge intensive industries
- Academic networks
- Business networks

→ A Voice for ICT SMEs in SEE

SEE Stability Pact = Regional Cooperation Council (June 2008):

FROM STABILISATION TO INTEGRATION



➤ From 1999 adopted as comprehensive, long-term conflict prevention EU strategy for South-East Europe. Three pillars focus:

- 1: Democratisation and Human Rights
- 2: Economic Development
- 3: Security

➤ Transformed in June 2008

Business
Advisory
Council
For South
Eastern
Europe

→ ***SEE ICT Forum Participants***

23.09.2008 – 1ST SEE ICT FORUM BOARD MEETING, OHRID, MACEDONIA:

- **Assembly Chairman**

- Toni Petreski – MASIT (Macedonian Association of IT)

- **Board Members - ICT associations in the SEE region:**

- Albania - AITA – Dritan Mezini / ISSETI – Ornela Koleka
 - BiH – BAIT - Brano Vujicic, President
 - Bulgaria – BASSCOM – George Brashnarov, Chairman
 - Croatia – CRO.ICT - Boris Krstanovic / HUP ICT
 - Kosovo – KICTA – Visar Dobroshi, MB member
 - Macedonia – MASIT – Vasko Kronevski, President
 - Moldova – Valentin Metzger, ICT Association Initial Committee
 - Montenegro – Vladan Tabas, ICT Association member
 - Serbia – ISS – Miodrag Ivkovic, President
 - Slovenia - ZIT-ICT – Dusan Zupancic

→ *The helpers*

**Mobilize supporters for industry excellence -
direct and indirect incentives and help:**



**USAID/RCI
national USAID competitiveness projects**



GTZ (National, regional – ORF: Western Balkans)



EBRD/BAS & TAM



WB/IFC

National funds, competitiveness initiatives, export promotion



**EU programs – ex. EU Operational Program for SME
competitiveness (Bulgaria): certification in CMMI, ITMark**

Capability

Creativity

Maturity



**Thank you for
the attention!**

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