BPO & ICT Enabled Services in South Africa +Digital Africa Development

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Government policy/measures/actions

- Talent Development
- Strategic Marketing
- Incentives
- Industry Support
- BPO Standards
### SA Launched BPO Specific Incentives

**SA Rand (R) : US dollar exchange rate ~ 7 : 1**

<table>
<thead>
<tr>
<th>National Incentive</th>
<th>Comments</th>
<th>Value</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Incentive Grant</strong></td>
<td>The incentives are offered to local and foreign investors establishing projects that aim primarily to serve offshore clients. The objective of the incentives is to attract BPO investment that creates employment opportunities.</td>
<td>From $5300 [R37,000] To $8500 [R60,000] per seat</td>
<td>Dependent on the level of qualifying investment expenditure and employment creation. Minimum jobs = 200 and 90% of revenue must be derived offshore.</td>
</tr>
<tr>
<td><strong>Training and Skills Support Grant</strong></td>
<td>The Grant supports company-specific training requirements including: • in-house trainer/ facilitator/ assessor development/ skills • costs for development of learning materials/ programmes • costs for trainer secondment into South Africa • costs of purchasing and installing training equipment and facilities</td>
<td>Up to $1700 [R12 000] per agent</td>
<td>Grant per new employee trained, calculated as 50% of qualifying training expenditure.</td>
</tr>
</tbody>
</table>

**Note**: The BPO Investment Incentives are effective from 06 December 2006 up to 31 March 2011
# Revised BPO Specific Incentives

## Incentive Scheme for each job created

<table>
<thead>
<tr>
<th>Created and sustained Jobs</th>
<th>Incentive 2011/12</th>
<th>20/12/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 - 400</td>
<td>Base incentive</td>
<td>R40 000</td>
<td>R40 000</td>
<td>R32 000</td>
<td>R32 000</td>
</tr>
<tr>
<td>401 to 800</td>
<td>20% once off bonus</td>
<td>Bonus is calculated for each job between 401 and 800 that is created and maintained**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>801 +</td>
<td>30 percent once off bonus</td>
<td>Bonus is calculated for each job in excess of 800 that is created and maintained**</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Base incentive is treated as a tax exempt grant paid over three years for each offshore job created and maintained

**Bonus incentives are paid once off in the year in which the bonus level is first achieved

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Note: The BPO Investment Incentives are effective from 2011 to 2015
# Talent Development

## Criteria

<table>
<thead>
<tr>
<th>Employer (BPO Operator; able to offer minimum of 60 learners at least 160 hours of workplace experience during training; and able to offer contracts of employment to 70% of competent learners for a minimum of 6 months, following training ) - Registered South African Tax Payer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruiter - Registered South African Tax Payer</td>
</tr>
<tr>
<td>Learner - (Unemployed, either Grade 12, diploma-holder or graduate; Under 35 years of age; South African citizen; 85% black, 54% women and 4% people with disabilities)</td>
</tr>
<tr>
<td>The assembly of the consortia should take account of the National Skills Development Strategy, commitment to Broad-based Black Economic Empowerment (BBBEE) and SMME development</td>
</tr>
</tbody>
</table>

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### Diagram:

- **Employer**
- **Recruiter**
- **Accredited Trainer**
- **Learner**
Leadership Management and Customer Satisfaction Management Practices

Operational Management Practices

IT Management Practices

Performance

HR Management practices

NB: Collaboration between industry and government
Industry Mobilization

Before …

After …
Value Proposition

1. Offshore destination for high-quality English language front-office
2. Offshore destination for complex FS back-office work
3. Near-shore scalable destination for sub-Saharan Africa
4. Risk diversification option for India / Philippines

Source: Everest Research Institute
Branding

South Africa

ALIVE WITH POSSIBILITY

www.southafrica.info
The Challenges in South Africa BPO

Infrastructure
- Telecommunications
- Energy
- Education Linkages
- Designated Areas

Environment
- No tax breaks
- Lack of smme support
- Labor laws
- Affirmative action
- Incentives
- Currency Fluctuation

Perception
- Similar Value Propositions
- Crime
- Afro Pessimism
- Anti-Outsourcing
Business success today

- Buyers now prefer short-term contracts and have thus increased their restructuring efforts.
- Buyers have realised that large outsourcing contracts have been unable to yield outsourcing benefits.
- To hedge the outsourcing risks, buyers are increasingly looking at newer geographies as multishore options and implementing risk-reward share contracts.
- Buyers are now looking for more value add from outsourcing service providers.
- Quality of Service
- Cost of operating
- Availability of Skills
- Potential for Scaling Up
- Niche offerings e.g. Analytics, Procurement etc
The African Opportunity
Telecommunications … Before

Fiber in use as of year-end 2004

Source: TeleGeography Research

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Latest Developments in Telecommunications
Africa’s mobile phone growth

• Africa has the fastest-growing mobile phone market worldwide.
• Entrepreneurs and development organizations are eagerly seizing the opportunity presented by such growth.
• They are creating mobile phone applications for profitable and nonprofit ventures across the continent. Millions of Africans, for example, now use their mobile phones to transfer money, turn on water wells, learn soccer game scores and buy and sell goods.
• The penetration of the mobile phone is far greater than that of the Internet in Africa, especially in rural areas, making it the most accessible communication tool

( Jon Gossier, founder and president of Appfrica, a technology company with headquarters in Uganda.)

• As a result a whole new generation of ICT applications will be coming out of Africa, including mobile applications that utilize the Web.
Banking for the Unbanked through mobile ICT applications

- M-PESA in Kenya has become the most widely adopted mobile-money scheme in the world.
- Celpay in Zambia
- Wizzit in South Africa
- MTN and Stanbic in Uganda
- Zain –Zap across Africa
Case Study: Safaricom’s M-PESA in Kenya

M = Mobile
PESA = Money
M-PESA in Kenya

The Challenge

• Inadequate, inaccessible financial services is undoubtedly one of the reasons why the poor are trapped in poverty. Without access to finance, the poor people cannot invest in tools to increase productivity, start a microenterprise, invest in education or health, or even take time to search for better opportunities. In addition, monetary exchanges require a physical location and people need transportation to get to the location, both of which can be problematic in infrastructure-constrained countries such as Kenya, particularly in rural areas.

The Approach

• Developed by Vodafone and launched commercially by the company’s Kenyan affiliate Safaricom, M-PESA is a small-value (all transactions are capped at $500) electronic payment and store of value system accessible from ordinary mobile phones. Once customers have an M-PESA account, they can use their phones to transfer funds to both M-PESA users and non-users, pay bills, and purchase mobile airtime credit for a small, flat, per-transaction fee. The affordability of the service has been key in opening the door to formal financial services for Kenya’s poor.
M-PESA in Kenya

The Results

• Since its introduction in mid-2007, M-PESA had been adopted by 13.5 million customers as of late 2010. In 2009 40 percent of Kenya’s adult population was using facilitating an average of $320 million per month in person-to-person transfers (roughly 10 percent of Kenya’s GDP on an annualized basis). Extremely rapid uptake of M-PESA is a strong vote of confidence by local users in a new technology as well as an indication of significant latent demand for remittance services, now allowing institutional payments, enabling companies to pay salaries and collect bill payments.

The Lessons Learned

• First, it demonstrates the value of leveraging mobile technology to extend financial services to large segments of unbanked poor people. Second, it shows the importance of designing usage-based rather than float-based revenue models for reaching poor customers with financial services. Unlike a traditional bank, which typically distinguishes between profitable and unprofitable customers based on the likely size of their account balances and ability to absorb credit, M-PESA serves any Safaricom mobile customer who pays for an account. M-PESA reveals the need for a low-cost transactional platform that enables low-income customers to meet a range of payment needs.
Growth of M-Pesa

• Over 100 years of banking
  – Apx 1500 ATMs
  – 43 commercial banks
  – About 1000 bank branches

• 4 years of M-Pesa
  – Over 23,000 agents
  – 13.5 million subscribers
  – 10,000 new per day
  – 40,000 directly employed

• Processes more transactions domestically than Western Union does globally

Source: Tony Omwansa - tomwansa@uonbi.ac.ke
Framework for ICT Applications to succeed

- Targeted R&D
- ICT Innovation marketplace
- Venture funds and PPPs
- Strong intermediaries – IT, mobile, data
- Information visualization
- User adoption studies and contextual research
- Sustainable
- Driven by demand
- Impact lives and livelihoods of the poor
- Localised but shareable (scalability)
- Built on existing knowledge
- Keep it simple!

'ICT application' is a technical term for a standard computer program.

Common ICT applications are Wordprocessors, Desktop Publishing (DTP) software, Spreadsheets, Databases and Presentational software.
More African Developments....

• Across Africa, Telecommunications is fast replacing mining as the most lucrative sector

• Microsoft buys Nokia for $7.2 billion
  – Microsoft 4 Afrika project= accelerate growth in the African continent
The ICT Applications Value Chain

- Regulators
- Investors/funders
- Hardware vendors
- Content providers
- App developers
- Platform developers
- Project owner
- Mobile service provider
- Vertical IT systems
- Vertical intermediary
- Subscriber
Regional cooperation and International business partnership.

• Learn from the African innovation of “borderless roaming”, introduced by Celtel (now Zain) in late 2006. This allows customers in Kenya, Tanzania and Uganda to move between these countries without paying roaming charges to make or receive calls.

• They can also top up their calling credit in any of these countries. The scheme has been extended to other African countries where Celtel operates, and rival operators such as MTN have introduced similar offers.

• Borderless roaming is possible because many operators have direct fibre-optic connections between their networks in different countries, allowing them to act, in effect, like a single network.

Borderless mobile banking
Regional cooperation and International business partnership.

• Banks teaming up with mobile operators to launch mobile money services that will allow them to reach more customers.
• Identify the problems experienced by the people on the ground
• Provide tailor made solutions and ICT applications for local market needs which could be scaled up at a global level.
• Assist governments with innovative service delivery models
• Fund and collaborate with start ups which have a focus on ICT based applications
Thank You