

**ECONOMIC COMMISSION
FOR AFRICA**



**COMMISSION ECONOMIQUE
POUR L'AFRIQUE**

Mission Report

South Africa Round Table on ICTs, Trade and Economic Growth

30 – 31 July 2007
Pretoria, South Africa



Sizo Mhlanga and Afework Temtime
ICT, Science and Technology Division (ISTD)
Economic Commission for Africa (ECA)

1) Introduction

A two-day roundtable to review a study on ICTs, trade and economic growth in South Africa was held from 30 – 31 July 2007 in Pretoria, South Africa. The roundtable was aimed at reviewing a country study conducted by a team of local consultants in the framework of the ePolicy Resource Network (ePol-NET), as well as the ICTs, Trade and Economic Growth Initiative supported by the Canadian government.

The South African Roundtable was the last in the series of similar roundtables on ICT, Trade and Economic Growth being piloted in six African countries namely Ghana, Egypt, Kenya, Ethiopia, Senegal and South Africa. The idea was mooted at a Forum hosted by the ECA, under the auspices of the Africa Node of the ePol-NET and the Canadian ePolicy Resource center (CePRC) in March 2006. Subsequently a meeting of Experts on ICTs, Trade and Economic Growth was held from 29 – 31 May 2006 as a follow up to the Forum that led to the launching of the country studies.

The Round Table in South Africa was organized to discuss the results, findings, recommendations of the study conducted by the South Africa Country Research Team. The Agenda of the Round Table is attached in Annex 1.



Close to forty participants were in attendance at the roundtable drawn from various stakeholders including the ICT private sector, representatives from Department of Communication as well as Department of Trade and Industry, ISP Association of South Africa, regulator, telecom operators, commercial and development banks, and other government agencies. The Deputy Minister of Communications gave an opening remark. The list of participants is attached in Annex 2.

2) Objectives of the mission

The objective of the mission was to jointly organize the Round Table with the Department of Communications and participate as resource persons. The mission was undertaken to accomplish the following objectives:

- To support the Department of Communications in organizing the national Roundtable
- To present ECA's work in the area of ICTs, Trade and Economic Growth and activities in the other pilot countries
- To discuss with the national consultants and other stakeholders on the way forward

3) Opening Statements

The Round Table was chaired by Dr. Harold Wesso, Deputy Director-General: ICT Policy development, Department of Communications, who in his brief opening remarks, welcomed participants to the roundtable being hosted by the Department of Communications to discuss the findings of the report on the national ICTs, Trade and Economic Growth Study.

Opening the roundtable, His Excellency Mr. Roy Padayachie, Deputy Minister of



Communications said “the Government of the Republic of South Africa has developed a number of policies and legislations to promote ICTs for development. However, the implementation of these policies and regulations is found to be very slow, and effort is being made to accelerate the implementation rate to reach the over national goal of eradicating poverty and unemployment by 2014”. He further said that the Government is very much committed to developing the necessary State machineries to effectively achieve this goal through the provision of

adequate and affordable ICT access to all citizens and achieving the target of 7% contribution to the GDP of the country, which currently at 5.2%”. The Deputy Minister has also stressed on the need for rollout of full broadband connectivity as well as addressing the ICT skill challenges through the reconfiguration of the education system. Speaking about South Africa’s role in the African development agenda, the Deputy Minister highlighted on the critical and leading role that South Africa is playing in spearheading Africa’s digital agenda and opening up its markets for African businesses.

Mr. Sizo Mhlanga, Regional Adviser, ICTs, Science and Technology Division (ISTD)/ECA made an opening remarks. He thanked the Department of Communications for collaborating with ECA in this very important exercise whose output is aimed at reviewing the status, challenges and opportunities of the application and utilization of Information and Communication Technologies (ICTs) in trade and economic growth in South Africa. He said that “organizing this very important event demonstrates South Africa’s commitment in promoting the Information



Society, and indicated that this Roundtable marks a great beginning to a number of exciting tasks ahead of us. “ He added that ECA is committed to continuing this partnership, as demonstrated in its cooperation in implementing the ICTs, Trade and Economic Growth study. He further indicated that ECA, with support from Industry Canada through the Canadian ePolicy Resource Center (CePRC), is implementing the Africa node of the ePolicy Resource Network (ePol-NET), which will provide African policy makers with development assistance services and information products and services.

Mr. Mhlanga concluded that, it was ECA’s hope that this Roundtable will result in a better stakeholders’ understanding of the status, challenges, and opportunities of ICTs, Trade and Economic Growth in South Africa and provide valuable inputs to improving and developing the country study.

4) Presentations

Mr. Afework Temtime, Information Officer, ISTD/ECA made a presentation providing an overview of the ICT, Trade and Economic Growth Initiative. The presentation gave a background to the establishment of the Initiative focusing on the Forum on ICTs, Trade and Economic Growth, which was organized by the ECA, under the auspices of the Africa Node of the ePol-

NET and CePRC, and took place from 14-16 March 2006 in Addis Ababa, Ethiopia. He mentioned that the Initiative was launched at the Forum, which in turn led to the launch of the studies in the six pilot countries. Mr. Afework pointed out that the Forum made key recommendations in the areas of the policy, legal and regulatory framework; assessing policy readiness; ensuring e-Security; skills development; and support for the network of women entrepreneurs to make better use of ICT skills in business. Furthermore, he summed up with details of the main activities to be undertaken by the six pilot countries as undertaking a policy review process of existing documents; analysing gaps in the legal and regulatory frameworks of the selected countries; assessing trade facilitation processes; assessing the capacity of the private sector with particular attention to SMMEs (export category) to engage in ICTs in trade opportunities – (including knowledge, skill and access to capital); identifying key target areas and sectors for focus to demonstrate that ICTs can support trade facilitation, improve competitiveness and harness economic growth; and developing mechanisms for evaluating or measuring ICT in trade and where possible, evaluating the impact.

The two local consultants, Dr. Marcia Socikwa and Ms. Nathalie Sunker, made presentations on the key findings and recommendations of the country study highlighting on assessments made regarding the potentials and niches for South Africa particularly SMEs in using ICTs to enhance and facilitate domestic and international trade. The study identified the availability various policies and regulations addressing ICT business as well as trade facilitation in South Africa.

The consultants highlighted poor manager orientation, costs, bandwidth restrictions, skills, and dominant Western eccentric value chain, as challenges of the ICT sector in South Africa. Furthermore, they provided some statistics on the ICT sector as well as SMMEs. With regard to SMMEs, they said that there are 2 million small business, employ 55% of labour force, contribute 42% OF WAGE BILL, 87% ARE SURVIVALIST, Annual increase of 13.7% of SMME registrations, Geographic spread is uneven, Majority are in Gauteng (46%), and Limited export capability of SMMEs. With regard to the ICT sector, they mentioned that it contributes 7% of GDP, valued at R45 billion in 2006, 355 ISPs, 283 VAN licences, 6374 ICT SMMEs (68% in Gauteng, 0.7 in Limpopo), No accurate figures of e-commerce adoption, and More businesses are using internet as a means for selling their products and services.

In terms of ICT trends, the consultants said that there are extensive investments by major players Telkom, Vodacom, MTN in broadband infrastructure using fibre optic solutions. There is also interest for wireless – WIMAX, etc., further R &D will provide insight into whether there's room for SMMEs.

The presentation also highlighted on SMME and Government initiatives and legislations that are currently in practice in South Africa. Among others, these include E-commerce and Transaction Act, ICT Charter, SMME legislation including the National Small Business Act (1996), The BBBEE Act (2004), The Employment Equity Act (No 55 of 1988), The Skills Development Act (No 97 of 1998), Standards and Accreditation (e.g. SABS), The Competition Act, and Intellectual Property Legislation, National Small Business Act, Trade Policy, IPRs, Competition policy, etc.

The consultants further noted that getting access to data is an enormous challenge – resources required are difficult. In the attempt to interview the SMMEs, it was difficult. The best way to do this was to give them incentives. Even then, the majority who attended had diverse background. The SMMEs were reluctant to give the data for fear of SARS. They were only willing to divulge

their challenges in their business. Every province in the country needs different solutions to their ICT challenges. Solutions from one province cannot be superimposed in another. Budget was a major limitation.

The consultants presented the following as the research findings:

- Barriers to entry for different SMMEs:
 - ISPs:
 - Broadband limitations
 - Regulatory limitation to curb anti-corruptive behaviors
 - High cost of services / networks
 - Monopoly of existing cables
 - No export capabilities in 7 provinces
 - Smaller ICT SMMEs:
 - Set up costs. Most used savings to start up business.
 - Funding – access to finance
 - Cultural resistance to change in doing business. Many see e-commerce as a cultural imposition. English language is a barrier and website development posed a challenge and mindset.
 - Lack of understanding of ICT operating systems (CSIR study)
 - High cost of internet services
 - High skill demands
 - English language
 - One size fits all models does not work - excludes dynamic needs and services
 - Excessive red tape
 - SMMEs lag behind in the adoption of advanced mobile services e.g. e-banking
 - Internet usage for email services
 - Lack of awareness of DTI support
 - Excessive ICT generalists & less specialists
 - Demand / training is skewed to java, sales with IT solutions experience, IT auditing, IT managers and call center agents (survey of newspapers, 2006)
 - There's a contradiction of definitions
 - Potential of ICT to facilitate intra-African trade.
 - Sector response
 - SA companies (Vodacom, MTN, etc.) have invested heavily on the continents
 - 76% of ICT SMMEs in the WC export products and services
 - 16% sources more than 50% of their revenue from exports
 - SA is not growing SMME business like Brazil, India and China
 - Cumbersome legislation
 - Export legislation is being revised
 - Destination country legislation also impacts the SMMEs' ability to export
 - R944 M (0.81* of GDP) was spent on R&D in ICT in 2003/04. Should be equal to 1% of GDP by 2008.
 - Lack of R&D limits us in many respects
 - Over dependence on external R&D limits economic growth. EU spends up to 8% of GDP on R & D per annum.

- Government will have to increase R&D if it's serious about reducing dependence in the non-mining production export.
 - Botswana figured this out a few years ago.
- There's an increase in the use of mobiles for communications by peri-urban women entrepreneurs.
 - SMME's are finding alternative ways of managing their business
- Risks
 - Broadband scramble
 - Lack of timely implementation of legislation
 - Change of guard / policy makers at the DoC. A general problem in government.
 - Reserve historical institutional experiences. Policies are mediated through institutions and over a number of years. How well do we transport, archive and keep information for new comers.
 - ICT related crime (incl hardware)
 - Currency fluctuations when trying to influence international trade
 - Inadequate R &D
 - Unequal distribution of ICT skills and support in provinces (digital divide btw provinces)
 - National innovation fund not focused on ICT
 - Late payment of SMMEs
 - Inability to meet demands for and of call center
 - Good English, favorable time zones make it lucrative to bring BPO business in South Africa
 - ECA implementation is capital intensive
 - ICT Charter council not established
 - Members of the Domain Name Authority change too often
 - Duplication of functions in the DTI agencies
 - Lack of demand for SMME services or products
 - High interest rates (fluctuating)
 - Limited access to credit
 - Will be made worse by the implementation of Basil 2
 - Lack of SMME representation and leadership
 - Insufficient government contracts

5. Discussions

Following the presentations, participants asked a series of questions and the consultants gave responses/explanations as follows:

- Usage by SMMEs of landlines vs. cellphones. Do we have information on usage (volumes)? Are there habits for change?
 - Average usage per user was not that high
- ICTs are an enabler of business – R & D was done by the Wits Link Center. What are SMMEs using in relation to mobile technology? What other types of applications could be accessible by mobile telephony?
 - Mobile costs are cheaper in neighboring countries than in SA.

- Mobile operators in SA charge less in neighboring countries than in SA. Is it not possible that SA is cross subsidizing the continent?
- Users turned to mobile for other benefits than was originally envisaged.
- A more detailed usage study in terms of preferred technologies would be interesting.
- Define broadband limitations
 - Monopolies are very difficult to reverse
 - Will not be reversed by government alone
 - Competition can only be looked at once the research has been done
 - ECA puts in place legislation for a competitive frameworks
- Small ICT SMMEs - list the difference in the issues or risks identified
 - Altron was not looked at because they are not an SMME
 - Responses were direct SMME responses
 - Interviews were not structured because of the diversity of respondents
- Which ICT skills are in high demand?
 - The SMMEs articulated the type of skills they required. The research did not analyse the skills.
 - Information was limited
- Expand on what red tape is excessive?
 - The legislation that SMMEs have to interpret, develop and implement is too much
- Sector response – elaborate on what the sectors do. What are the challenges?
- Limitations of research impact finding
 - This was noted and couldn't be addressed because of time constraints and budget limitations
- Broadband scramble is not a real issue
- Inadequate R&D – are there any awareness programs
- Figures – 0.81% of GDP is not just IT. It includes other R&D projects.
 - The context is that the R&D expenditure is too low.
- Was there any alignment between the different pieces of legislation?
 - There's an inclination to say all pieces of policies speak to each other because they aim to alleviate poverty.
 - New company legislation is becoming more conducive for SMMEs.
 - Policy and legislation to support SMMEs exists. What is lacking is the implementation of the policies. It's a matter of concentrating on taking it forward from where we are. There is not much that needs to be done to amend.
- Did your research look at corruption in terms of fronting. How does this impact the viability of SMME survival?
 - Was not looked at, but are aware of.
- SMME's as call centers. Be skeptical about this except for under incubation environments because companies tend to locate call centers in high concentration areas.
- Comment
 - In which link of the value chain do SMMEs reside? Impression is that they are probably at the retail level. They compete with wholesalers and retailers? At what price do they purchase their goods in order to compete with wholesalers?
 - Local loop unbundling. Telkom tariffs were laudable in terms of lowering telecoms costs, however, rental costs have escalated! SMMEs operate in a competitive environment. How will these SMMEs survive?
 - How do we bring second economy SMMEs to play in the first economy?

- The major players have to come to the party.
- New entrants. It's difficult to get a fair interconnection price. Big players need to come to the party.
 - Mobile services have limitations and can pose a challenge
- What price is reasonable for facilities leasing? Will an SMME have the funding to set up facilities?

Broadband will open up the opportunity for e-education. All the major telecommms companies have been given obligations as part of the licenses, for example, Telkom has an obligation to set up internet computer labs in disadvantaged communities.

6. Recommendations

The study made the following key recommendations:

- There should be a one stop website that lists all the programs, legislation and initiatives available for SMMEs.
- Incentives for skills transfer funding
- Industrial strategy should be more explicit about what interventions will be made in the ICT industry. If we paid as much attention as we did to the auto industry, there would be an opportunity to tweak the industrial strategy.
- There needs to be more input from SMMEs
- ICT products (especially high technology products) should be manufactured in South Africa
- Export promotion assistance – many SMMEs were not ready or didn't understand the export requirements. Assistance should be enhanced through trade fairs, for instance. The potential for intra-African trade has not been fully utilized.
- ICT business centers for SMME's
- Investment in young ICT companies
- Timely implementation of legislation
- Co-ordination and integration of government initiatives
- Focus primarily on under-serviced and under-skilled provinces
- Regular regulatory assessment, monitoring and evaluation of all initiatives

Following in-depth discussions, participants made the following additional recommendations to complement the recommendations made by the study team:

- An enabling policy environment to support economic growth has been established.
- Implementation of policies is high on the agenda of government.
- Institutional mechanism already exists.

- Establishment of ICT Skills Council is welcomed and supported.
- SMMEs need to be organized and coordinate their actions.
- Big business can make a contribution to support SMME sector.
- ICT Charter-Going beyond ownership and management issues – Commitments to support SMME in the charter are not clear.
- GODISA is now a DTI programme – DTI will provide updated data on their ICT related programmes.
- Incubator programme should be aimed at adding value, support SMMEs for success not failure.
- Strategies to infuse technology adoption and mitigate technology dumping.
- Promotion of Open source software as solutions – minimizing costs.
- Design & inclusion of disabled in the use and uptake of ICT products.
- Concurrent jurisdiction – Debate on ICASA & Competition commission – articulation to measurement encourages competition and encouragement of SMME participation. Roles are complementary.
- Expand ICASA's role to include advice in mergers and acquisitions to promote competition.
- Create more balance to ensure a well managed liberalization of the ICT sector.
- MOA between the two institutions & opportunity to look at the matter of con-current jurisdiction
- Competition - Framework exist however it is abused to an extent that cases don't get finalized by the Competition Commission.
- Skills issue – Attraction and retention of skilled professionals.
- Targeting to double the ICT growth by 2015 (proposal)
- Universal Service and Access Fund (USF) – should be mentioned on how it can assist SMME growth.
- Recommendations of the employment equity commission should be considered.
- Addressing the Gender divide through affirmative action to reach Employment Equity targets.
- Provide incentives for skills retention. Promote ICT sector amongst youth as area of choice.
- Awareness programme and outreach to sell ICT as a career of choice – this may target students at high school levels as well.
- Research capacity created in the sector. (Improve availability of data, research). Continue to measure growth or lack thereof of growth.
- Ownership of infrastructure and barrier to entry in the ICT sector. (Developing strategies to create opportunities for SMMEs to provide services and to achieve effective competition. (Regulatory regime).
- Translating ICT products into manufacturing: Coordination of R&D programmes – Policy instruments does exists.
- Support innovation through R&D incentives – for enhanced skills.
- S&T for development
- Knowledge accumulation (Capital) – creation of knowledge economy.
- Partnership between Academia and Industry to encourage advanced research relevant to industry. Meeting industry expectation.
- Quality of skills – BPO industry (Language and time zone are not sufficient advantages.
- Trade – National export strategy – financial support. Strategies to achieve, export oriented SMME ICT sector.
- Research: - Quantifying the cost of complying with regulations by SMMEs in the ICT sector. (Red tape) to achieve effective regulation.

- Support start-up business to design products which may be sold for investment by international partners.
- Competition Act does not give room to support special needs.
- VANS fees – 6% - Audited statements to regulator and costs for audited statements is constraints. Renewal of licence depend audited financial statement. (Regulatory issue).
- Corporate social responsibility – facilitating good practices even else where in other Africa.
- Online applications.
- How technology promote economic growth.
- E-Readiness of SMMEs –not taking advantage of e-banking (reluctance to use e-transaction) – Awareness of Cyber security issues.
- Website culture – is it increasing.
- Business support centers (Western Cape examples) (One-stop-shop model) could be replicated in other provinces.
- Interconnection and facility leasing issues – Agreements (Equal Treatment) - create competitive.
- Re-training programmes for re-skilling - SMME initiatives.
- Internet access is still a challenge.
- Access to information in rural areas re; funding. To support SMMEs.
- Use of electronic advertisement by SMMEs.

7. The Way forward

Participants highlighted the following as the way forward:

- Broadband as a necessity. Initiatives need to be coordinated
- Influence International Policy making processes on ICTs. At the moment this is influenced mainly by western states, e.g. American. SA leaders need to be at the forefront of negotiations.
- Integrate Departmental efforts to avoid duplication: Perhaps guidelines are needed for this because policy officials currently only concentrate on their mandates.
- Adapt interventions to Provincial condition
- Facilitate ICT skills: National ICT skills council is a good idea. We need to open up our borders to the rest of Africa
- National ICT strategy not only for 2010 but beyond
- Use the trilateral alliance with Brazil and India to transfer technology and benchmarks on success: Form international alliances that would benefit us in the future.

8. Concluding Remarks

In his concluding remarks, Mr. Themba Phiri indicated that the Department of Communication with ECA and other stakeholders will make sure that the results, findings and recommendations

of the round table will be disseminated as widely as possible, and he thanked all participants for their valuable inputs and active participation..

On his part, Mr. Sizo Mhlanga said he was happy that after these two productive days the output and the expectations of the round table have been met. He indicated that ECA is committed in following this up and that it will not be limited to only the six piloting countries. He assured the participants at the round table of the continuous support of ECA to these activities. He concluded by thanking the participants for their contributions as well as the chairman for the wonderful work done.

9. Next Steps

Participants agreed that various recommendations made would be compiled and included in the final report for dissemination to the relevant Government departments as well as stakeholders and ECA. The results of the roundtable will be presented to concerned Government agencies through the Department of Communications for their implementation.

Annex 1: Provisional Agenda of the roundtable



**Government of South
Africa**



**United Nations
Economic Commission for Africa**



**ePolicy Resource
Network (ePol-
NET) Canada**

Round Table on ICTs, Trade and Economic Growth Study

30 - 31 July 2007

Burgers Park Hotel

Pretoria, South Africa

Monday, 30 July 2007

09:00 – 09:30 Registration of Participants

09:30 – 10:30 Session I: Opening session

Chair: Ms. Lyndall Shope-Mafole, Director-General, Department of
Communication, South Africa

09:30- 09:45 Welcoming Remarks
Mr. Sizo Mhlanga, Regional Adviser, ICTs and Science and Technology Division,
ECA

9:45 – 10:00 Opening Speech
Ms. Catsuburry, Minister for Communications, South Africa

10:00 – 10:15 Brief Statement
Minister of Trade and Industry, South Africa

10:15 - 10:30 The ICTs, Trade and Economic Growth Initiative
Mr. Afework Temtime, Information Officer, ICTs and Science and Technology
Division, ECA

10:30 – 10:50 Coffee Break

**10:50 – 13:00 Session II: Presentation of the Study – ICTs, Trade and Economic
Growth in South Africa (Part I)**

Chair: TBD
Rapporteur: TBD

Presentation: [Supporting South Africa's Trade with ICTs. Issues and Options]

By: Ms. Natalie Sunker, Consultant

Discussions

13:00 – 14:00 **Lunch**

14:00 – 15:30 **Session III: Presentation of the Study – ICTs, Trade and Economic Growth in South Africa (Part II)**

Chair: Dr. Harold Wesso, Deputy Director-General, ICT Policy Development, Ministry of Communications

Rapporteur: Mr. Norman Munzhelele, Chief Director, ICT Policy Research and Development and Research, Ministry of Communications

Presentation: [Assessing the National Capacity to utilize ICT services/tools to facilitate Trade & Economic Development]
By: Dr. Marcia Socikwa, Ex-Consultant

Discussions

15:30 – 15:50 **Coffee Break**

15:50 – 17:30

Discussions continue

Tuesday, 31 July 2007

09:00 – 10:30 **Session IV: Breakout sessions**

(Chairs and Rapporteurs to be elected by participants)

Breakout Session 1 - The Role of ICT and Trade in South Africa's growth strategy (Economic impact of ICT)

Breakout Session 2 - Readiness of South African enterprises for E-business and ICT facilitated trade with focus on SMEs

10:30 – 10:50 **Coffee Break**

10:50 – 13:00

Breakout sessions continue

13:00 – 14:00 **Lunch**

14:00 – 15:30 **Session V: Reports from breakout sessions**

Breakout Session 1 - The Role of ICT and Trade in South Africa's growth strategy (Economic impact of ICT)

Breakout Session 2 - Readiness of South African enterprises for E-business and ICT facilitated trade with focus on SMEs

Discussions

15:30 – 15:50 **Coffee Break**

15:50 – 17:00 **Session VI: Closing**

Chair: Mr. Sizo Mhlanga, Regional Adviser, ICTs and Science and Technology Division,
ECA

Rapporteur: Mr. Themba Phiri, Director, Economic Analysis and Impact Assessment,
Ministry of Communications

The Way forward: Ms. Natalie Sunker and Dr. Marcia Socikwa

Closing remarks: Ms. Lyndall Shope-Mafole, Director-General, Department of
Communication, South Africa

Annex 2: List of participants