

Annexure 1: Findings and Recommendations

Business Process Services Incentive scheme specific analysis and recommendations

Question: Are the objectives of the programme being achieved?

Key findings	Recommendations	Record of Agreement / Disagreement	Reasons for disagreement if in disagreement
<ol style="list-style-type: none"> There are no forward-looking targets set for job creation or FDI. The maximum number of jobs to be supported per year is determined by the budget allocated for the scheme in alignment with the MTEF. After two years the BPS incentive scheme has created/supported 3,807 jobs and has paid out paid-out 83% of the potential maximum allocation. An estimated R2.8 billion of investment has been made by companies on the scheme. 	<ol style="list-style-type: none"> Firms must be encouraged to more accurately project how many jobs they expect to create. A target for FDI and job creation must be provided. 	Agreed	-
	<ol style="list-style-type: none"> The nature of what is meant by FDI should be clearly defined. Clarity in the reporting of investment must be obtained. 	Agreed	The targets for both jobs and FDI have always been reflected in the dti Annual Performance Plan (APP) and the Divisional Operational Plan, however room for improvement is noted. Targeting of key indicators should be considered when developing and reviewing incentive programmes.
	<ol style="list-style-type: none"> The monitoring system and process applied by the projects on the Scheme need to be improved to better collect data on actual FDI and jobs created. 	Agreed	Real time statistics are not available due to the nature of work necessary
	<ol style="list-style-type: none"> Promotion of the Scheme itself needs to be improved. 	Disagreement	Monitoring is an on-going process hence continuous improvement is necessary
			Interviewed operators may have limited knowledge of the on-going targeted promotional activities conducted by the dti as these are happening outside SA.

Question: Is the design of the incentive programme supporting the achievement of programme objectives?

Key findings	Recommendations	Record of Agreement / Disagreement	Reasons for disagreement if in disagreement
5. The incentive scheme is straightforward to understand and operate.	6. A graded scheme by type of service should be introduced to provide higher incentives for firms offering a higher value niche service offering, particularly the back office firms.	Agree	-
6. Participants felt that the scheme should have been applied over a period of five (rather than three) years, which is more comparable with incentive schemes in other countries.	7. The requirements for back office operators should also reflect their smaller size, and the minimum requirement should be reduced to 20 jobs for such firms.	Agree	The outcome of the incentive review will advise on the minimum qualifying criteria in terms of jobs and based on a benchmarking study.
7. Back office operations, which require high skilled employees, and in most cases are smaller operations, struggle to meet the minimum requirement for 50 employees and benefit proportionately less from the incentive scheme than is the case for front office operations.	8. The application and claims processes should be moved to an electronic, web-based platform from the current paper based system, which will increase the efficiency of the process.	Agree/Disagree	Recommendation based on information provided by the dti regarding the on-going IEMS project
8. The administration of the scheme is perceived to be efficient but could nonetheless be improved by addressing two main areas: the time-consuming, labour-intensive nature of the paper-based application and claims processes; and administrators' inability to respond to technical queries relating to these processes and criteria in certain instance	10 Communication specific to the policy guidelines and strategic issues relating to the incentive scheme needs to be allocated to a specific point of contact, which is well informed and equipped to respond to such queries.	Agree/Disagree	We acknowledge that calls directed through the dti contact centre may not achieve first call resolution. However the IDAD incentive desk serves as the specific point of contact

Question: What is the current rate of job creation through the BPS incentive scheme?

Key findings	Recommendations	Record of Agreement / Disagreement	Reasons for disagreement if in disagreement
9. Given that there is no job target set, it is difficult to assess a rate of job creation as there is no benchmark that the incentive is aiming to reach.	11. The number of companies participating in the Scheme must be increased in order to increase job creation, linking to improving the promotion strategy of the Incentive Scheme to attract more investors, as well as a need for the introduction of graded incentives to capture more of the entire	Agree	-
10. The budget allocation has never been fully			

utilised, which indicates that there is scope for an increase in the rate of job creation.	BPS value chain.	
12. Companies should be encouraged to make more realistic projections	Agree	


Question: How competitive and cost-effective is South Africa's BPS incentive programme?

Key findings	Recommendations	Record of Agreement / Disagreement	Reasons for disagreement if in disagreement
12. The incentive scheme has contributed to making South Africa more competitive than it was in 2010. The Incentive Scheme is playing a role in reducing the cost gap between South Africa and its competitors.	13. There needs to be communication from the government on the possible future of the Scheme.	Agree	Information is published on the dti website however, alternative communication streams such as press release will be considered in future
13. However, when a full assessment is made over the life of the scheme and compared with other countries, South Africa's cost disadvantage is set to increase rather than decrease. This is primarily due to two factors: the reducing nature of the incentive scheme; and the three year duration of the scheme as compared to other schemes that typically run for five years in competitor countries.	14. There needs to be a more concerted effort to promote the Incentive Scheme prominently within South Africa's value proposition. A promotional strategy for the Incentive Scheme must be communicated to all industry participants to ensure consistency in the message that is given to potential investors.	Disagree	The focus of BPS is offshoring and the promotion of the scheme was communicated to the major investment markets via a road show and with the regions and national industry body. Generally, stakeholder meeting takes place without mention of the scheme.
14. There is uncertainty around the future of the incentive scheme. This was noted by every participant as being a major current source of concern. This uncertainty is beginning to adversely affect South Africa's competitiveness as an investment destination. There is no specific strategy to promote the incentive scheme. The marketing of the scheme occurs within the broader marketing of South Africa's BPS industry.	15. Better coordination is needed between the government body responsible for the promotion of the Incentive Scheme and industry bodies and companies, to develop a coherent strategy for communicating and promoting the incentives	Disagree	The existing strategy lists target markets including our main investor markets e.g. UK which accounts for 45% of investment received. Furthermore, private sector companies promote the scheme as part of their day to day business development strategy.

BPS industry analysis and recommendations

The questions of key factors affecting the success of the BPS sector, the up-scaling of the programme, the barriers to sector growth, and the sustainability of the sector relate to the BPS industry as a whole. The recommendations stemming from analysis of the information around these specific questions are inter-related and as such are dealt with as a collective.

Key findings	Recommendations	Record of Agreement / Disagreement	Reasons for disagreement if in disagreement
15. There are two primary factors that will determine South Africa's BPS industry success: the cost of operating, and the quality of service provided.	16. The incentive scheme must be continued beyond its current three year duration to keep South Africa cost-competitive.	Agree	Incentive offerings (values) have been identified until the 2017/18 financial year.
16. There is an insufficient skills pool to meet the current and future demands of the BPS industry in South Africa. This is a threat to the competitiveness and sustainability of the industry.	17. Broader than the incentive scheme, the BPS industry should align employee training to better meet the demands of the industry.	Agree/Disagree	As the programme is opex based companies can use their discretion with regards to allocation of funds. It is the important for the industry itself and other partners to contribute and partner with government in skills investment. Programmes like Monyetla and work permit facilitation for BPS companies are examples current of government assistance.

Endorsed by: 

Mr Lionel October

Director General, the dti

Date: 12/08/2013