



The Presidency, Republic of South Africa  
Department of Performance Monitoring  
and Evaluation



Department of Trade & Industry

## Terms of Reference for Implementation Evaluation of the Business Process Services Incentive Scheme Programme

**RFP / Bid number:** Evaluation 12/0288

**Compulsory briefing session**

Date: 28 August 2012

Time: 11.00-13.00

Venue: Room 282, East Wing, Union Buildings

Please note that security procedures at the Union Buildings can take up to 30 minutes.

**Bid closing date:**

16.00 14 September 2012 with provision of electronic and 6 hard copies.

### 1 Background information and Rationale

The Business Process Outsourcing (BPO) Sector Support Programme was established in September 2005 to enable stakeholders in the public and private sectors to work together to establish South Africa as a preferred location for outsourced business processes and thereby to create 25,000 direct and 75,000 indirect jobs. On 6 December 2006, Cabinet approved a substantial Government Assistance Support (GAS) Programme which provided approximately R1bn in investment incentives to cover part of the Capital expenditure costs incurred by investors during setting up. The Department of Trade and Industry (the **dti**) partnered with the Business Trust and the Business Process enabling South Africa (BPESA) to roll out the identified areas of work (work streams) and to craft and implement a roll out plan. The plan incorporates the following work streams:

- Strategic Marketing, which focused on attracting targeted foreign investors to showcase South Africa's ability to host international BPO investments;
- A talent development program, which was rolled out in partnership with the National Skills Fund through a pilot of the Monyetla Work Readiness Program;
- Industry Mobilisation, which aimed to build a formidable industry body with a strong membership base;
- Achieving a quality standards regime;
- Providing an enabling environment- this work stream was rolled out through the approved incentive scheme to assist reduce the capital expenditure costs as investors moved in.

Two additional work streams were later identified and were:

- Telecoms costs which sought to specifically address the high telecoms costs. This was triggered by wide indication by foreign investors that South Africa's telecoms costs were higher than those in its peer investment destinations;
- Second Economy, which sought to stimulate investment and economic activity in other geographical locations, especially the tier II cities and other Metropolitan areas.

The Business Process Outsourcing & Off-shoring (BPO&O) incentive programme was introduced in July 2007. During the period July 2007 to March 2010, the incentive resulted in the creation of at least 6,000 new jobs and attracted R303 million in direct investment. A systematic review of the BPO&O incentive programme was undertaken with the private sector and has resulted in a revised Business Process Services (BPS) Incentive scheme, which became effective in January 2011. The BPS Incentive Scheme Programme aims to attract investment and create employment in South Africa as a whole through off-shoring activities. It is envisaged that the Programme will result in the creation of a total number of 30,000 jobs by 31 March 2014.<sup>1</sup>

While there was a programme review in 2010, there is still a need to evaluate the implementation mechanisms of the revised BPS incentive scheme as a way of improving on the take-up of scheme, which will in turn lead to faster job creation by the benefiting firms. It is hoped that the evaluation will give an indication on the extent to which the above outcomes are being achieved. The current budget estimate of the incentive programme is R754 724 000 for the next three years from 2012/13 to 2014/15.

## 2 Guiding Principles

The evaluation proposal from the service provider should be compliant with the following principles shown in **Box 1** below:

### **Box 1: Guiding principles in evaluation from the Policy Framework for the GWMES**

- Evaluations should be development-orientated and should address key developmental priorities of Government and of citizens.
- Evaluations should be utilisation orientated.
- Evaluations methods should be sound.
- Evaluations should advance Government's transparency and accountability.
- Evaluations must be undertaken in ways which are inclusive and participatory.
- Evaluations must promote learning.
- Evaluators display honesty and integrity in their own behaviour, and attempt to ensure the honesty and integrity of the entire evaluation process.

The evaluation should also comply with the National Evaluation Policy Framework and should follow standard guidelines issued by the Department of Performance Monitoring and Evaluation (DPME), where these are available. The Policy Framework and the guidelines will be made available to the service provider during the briefing session.

<sup>1</sup> **Business Process Services (BPS)**, also known as Business Process Outsourcing refers to the contracting of selected non - core operations and responsibilities of specific IT enabled business functions (or processes) to a third-party service provider or to an in-house specialist to an in house specialist division. BPS is typically categorized into **back office** - which includes internal business functions such as human resources, finance and accounting, IT support etc. and **front office** which includes customer-related interactive activities such as call centre and contact centre services. Knowledge Process Services and legal process services are some of the sub-segments of back office Business Process Services. **Off shoring** occurs when these activities/services are performed in a foreign location hence Business Process Services and Off-shoring. The main rationale behind deciding on an offshore location would be based on amongst other criteria, the cost of setting up, the cost of operation, telecoms and broadband costs, labour availability and costs as well as government support. **The South African government's focus of interventions is based on an objective to attract off shore BPS.**

### 3 Purpose of the Evaluation

The purpose of this evaluation is to investigate whether the BPS incentive programme is achieving its key objectives, namely job creation and foreign direct investment.

### 4 Evaluation Questions

The evaluation will respond to the following questions:

- 1 Are the objectives of BPS incentive programme being achieved?
- 2 What are the key factors influencing the success of the BPS sector in South Africa?
- 3 Is the design of the incentive programme supporting the achievement of programme objectives?
- 4 What is the current rate of job creation through the BPS incentive scheme? (Why are jobs being created at this rate?)
- 5 How cost-effective and competitive is South Africa's BPS incentive programme relative to those of competing countries?
- 6 How can the programme be up-scaled for greater impact and what are the barriers to growing the BPS sector in South Africa?
- 7 How can the BPS sector be sustained post incentive period?

### 5 Scope of the Evaluation

The evaluation will cover the implementation of the revised BPS incentive scheme programme from its inception in January 2011 until July 2012. KwaZulu-Natal, Western Cape and Gauteng provinces have been selected for this evaluation.<sup>2</sup> The following themes will be included/excluded in the evaluation:

**Table 1: Themes/components of the evaluation**

Themes/components covered	Themes/ components not covered
1. BPS incentive	1. Monyetla
2. Factors influencing attractiveness of destination	2. Marketing
3. Sustainability of job creation and skills transfer	3. Industry Mobilisation
4. Operational challenges	4. Standards
5. Programme design issues, eg. <ul style="list-style-type: none"> <li>whether BPS incentive design allows domestic jobs to be exported and</li> <li>whether footloose operators are attracted by incentives</li> <li>whether SMMEs should be included in future incentives</li> </ul>	5. Talent development Initiative
	6. Quality of sector operators
	7. Industry organisation

### 6 Deliverables expected from the evaluation

The service provider is expected to deliver the following products:

- 6.1 Inception Report as a follow-up to the proposal with a revised evaluation plan, overall

<sup>2</sup> Although the BPS is a national programme; there is a high concentration in KZN, Western Cape and Gauteng due to investor demand and choice of location. Investors have not yet located in the other six provinces.

- evaluation design and detailed methodology and content structure for the final report. This forms the basis for judging performance;
- 6.2 Literature review;
  - 6.3 Final data collection instruments and other tools;
  - 6.4 Analysis plan;
  - 6.5 Field work report;
  - 6.6 Draft evaluation report for review, full and in 1/3/25 format, with findings and recommendations.
  - 6.7 A workshop with stakeholders to discuss the draft report;
  - 6.8 The final evaluation report, both full and in 1/3/25 format, in hard copy and electronic; If the design is found to be inadequate the service provider will need to suggest what revisions to the logic model (outcomes and outputs) are needed, and the theory of change, a rating of progress towards outputs, bottlenecks that hinder the achievement of outputs, reasons underpinning BPS performance and information for potential replication of lessons for successful projects.
  - 6.9 Provision of all datasets, metadata and survey documentation (including interviews) when data is collected.
  - 6.10 A Power-point or audio-visual presentation of the results.

## **7 Methodology/Evaluation Approach**

A multi-method approach will be used in order to evaluate the effective and efficient implementation of the programme. This will include the following methods:

### **7.1 Review of Programme and Project Administrative Records**

- 7.1.1 Collect data on the implementation of BPS incentive scheme based on the available programme/project administrative records in the department. Sources will also include programme performance reports, project monitoring reports, document reviews, research synthesis, case studies and profiling data.
- 7.1.2 Analyse data on the success of the incentive scheme and draw conclusions.

### **7.2 Site visits and Interviews**

- 7.2.1 Collect data at project level (selected projects) that could not be extracted from programme and project administrative records. This could include site visits to project and interviews with programme and project managers, beneficiaries and other relevant stakeholders.
- 7.2.2 Analyze data on the success of the Programme, draw conclusions and formulate recommendations.

### **7.3 Review the design of the BPS incentive scheme**

- 7.3.1 Review the theory of change and logical framework of the Programme.
- 7.3.2 If there is a need for redesign, recommend how the Programme could be redesigned and the financial implications thereof.

### **7.4 Basic cost-effectiveness analysis**

- 7.4.1 Conduct a basic cost-effectiveness analysis, to show whether value for money has been obtained from the Programme.
- 7.4.2 Assess whether the Programme is cost-effective compared to similar programmes in South Africa and internationally.

## 8 Milestones, Time Frames and Payment Schedule

**Table 2** sets out the expected duration and milestones assuming that the project is commissioned by 31 August 2012. The service provider should produce the project plan indicating the milestones against the deliverables in **table 2** below, indicating the delivery dates.

Funding will be provided by DPME (commissioning department). The proposed payment schedule is also in **table 2**.

**Table 2: Outline of project plan and payment schedule**

	<b>Deliverables</b>	<b>Delivery Date?</b>	<b>% payment</b>
1.	<b>Inception Report</b>	<b>28 September 2012</b>	20%
2.	Literature review	Provide delivery date	
3.	Final data collection instruments and other tools	Provide delivery date	
4.	Analysis plan	Provide delivery date	
5.	Other technical or process reports, eg field work report	Provide delivery date	
6.	Provincial reports	Provide delivery date	
7.	<b>Draft evaluation report</b> for review, full and in 1/3/25 format	Provide delivery date	40%
8.	Workshop with stakeholders to discuss the draft report	Provide delivery date	
9.	<b>The final evaluation report ( Incorporating comments)</b>	<b>1 March 2013</b>	30%
10.	<b>Provision of all datasets, metadata and survey documentation</b> (including interviews) when data is collected.	<b>8 March 2013</b>	
11.	<b>Powerpoint or audiovisual presentation of the results</b>	<b>8 March 2013</b>	10%

## 9 Management Arrangements

### 9.1 Role of steering committee

A steering Committee has been established comprising representatives of the DPME and the **dti**, which will be responsible for overseeing the whole evaluation including approving the main deliverables.

### 9.2 Reporting Arrangements

The commissioning department is the DPME and the evaluation project manager to whom the service provider will report is Mr Jabu Mathe, Director: Evaluation and Research.

## 10 The proposal to be submitted

### 10.1 Structure and contents of the proposal

The structure and contents of the proposal required from the service provider is shown in **Box 2** below.

**Box 2. Structure of a proposal**

The bidder must provide the following details. Failure to provide this will lead to disqualification.

- 1 Understanding of the intervention and the TORs
- 2 Approach, design and methodology for the evaluation (eg literature and documentation review, data collection, tools, sample, suggestions for elaboration or changes to scope and methodology as outlined in the TORs, examples of evaluation questions suggested, process elements)
- 3 Activity-based evaluation plan (including effort for different researchers per activity and time frame linked to activities)
- 4 Activity-based budget (in South African Rand, including VAT)
- 5 Previous Experience: (should include a list of related projects undertaken of main contractor and subcontractors, making clear who did what, and contact people for references (minimum 3 projects in the past two years and minimum of 3 references )
- 6 Competencies of the Project Team (team members, roles and responsibilities, qualifications and years of experience in related projects.)
- 7 Capacity development elements (building capacity of partner departments and PDI/young evaluators)
- 8 Quality assurance plan (to ensure that the process and products are of good quality)
- 9 How the skills will be transferred during the project

**Attachments**

Example of related evaluation reports undertaken in the past three years

CVs of key personnel

Completed supply chain forms attached herewith (including updated tax clearance)

**10.2 Evaluation team**

The service provider should specify the number of evaluators expected to be part of the team, their areas of expertise and their respective responsibilities. The team must cover competencies outlined in section 9 above. The service provider also needs to demonstrate how it will ensure skills transfer of stakeholders and PDI evaluators.

**10.3 Competencies and skills-set required**

The following is a list of generic competencies expected for this assignment:

- Strong understanding and knowledge of evaluation practice in South Africa, including a range of different types of evaluation;
- Good knowledge of government policies, systems and practical implementation issues at national and provincial level;
- Strong understanding of the use of logical frameworks, results chains, and theories of change for planning and M&E;
- A good knowledge of evaluation methodologies, and experience in applying them. This would be required in relation to:
  - Qualitative research;
  - Quantitative research;
  - Conducting of research synthesis;
  - Policy analysis and policy evaluation.
- Cultural competence – the ability to deal effectively with the different stakeholders involved in the evaluation, including appropriate language skills;

- Demonstrated experience of building ownership of evaluations and evaluation results, working in ways which build capacity and commitment amongst stakeholders;
- Ability to write short reports (using a 1/3/25 page rule) and to communicate effectively to different audiences;
- Strong project management skills, including field coordination and implementation where needed;
- Knowledge of and exposure to international good practice would be an advantage, particularly in middle-income and African countries.

## **11 Information for service providers**

A bidders briefing will be held on 28 August 2012 at the Presidency. Tenders should be submitted by 16.00 on 14 September 2012 with electronic and 6 hard copies.

The short-listed candidates will be asked to come and present their proposal on 21 September 2012 at DPME as part of the selection process.

### **11.1 Key background documents**

A list of key documents will be provided at the bidders briefing meeting.

### **11.2 Evaluation criteria for proposals**

This refers to the criteria for assessing the received proposals and the scores attached to each criterion. There are standard government procurement processes. Two main criteria are functionality/capability and price. Functionality/capability factors must cover the competences outlined in 6.3 as demonstrated through:

- Quality of proposal;
- Service provider's relevant previous experience including of any subcontractors;
- Qualifications and expertise of the proposed evaluation team members.

### **11.3 Pricing requirements**

All prices must be inclusive of VAT. Price escalations and the conditions of escalation should be clearly indicated. No variation of contract price or scope creep will be permitted. Price proposals should be fully inclusive to deliver the outputs indicated in these terms of reference.

### **11.4 Evaluation of proposals**

#### **11.4.1 Administrative compliance**

Only proposals and quotations that comply with all administrative requirements will be considered acceptable for further evaluation. Incomplete and late bids / quotes will not be considered. The following documentation must be submitted for each quote/bid:

- Documents specified in the tender documents (distributed separately from this ToR)
- Any other requirement specified in the ToR

#### **11.4.2 Functional Evaluation**

Only bids/quotes that comply with all administrative requirements (acceptable bids) will be considered during the functional evaluation phase. All bids/quotes will be scored as follows against the function criteria indicated below:

- 1 – Does not comply with the requirements
- 2 – Partial compliance with requirements
- 3 – Full compliance with requirements
- 4 – Exceeds requirements

**Table 3** below outlines the functional evaluation criteria as applied to the competences outlined in section 10.3 which will be used in assessing the proposals.

**Table 3: Functional evaluation criteria**

Functional Evaluation Criteria	Weight	Score	Weight X Score	Minimum
Understanding of the Economic and Employment/Job Creation Sector and the TORs	3			9
Approach, design and methodology	2			6
Quality of activity-based plan (including effort for different consultants per activity and time frame linked to activities)	2			6
Demonstrated high quality experience in at least 5 related projects undertaken in last 5 years by main contractor and subcontractors	5			15
Team demonstrate the following key competences related to this assignment:				
<ul style="list-style-type: none"> <li>• Good knowledge of government policies, systems and practical implementation issues at national, provincial and local level;</li> </ul>	1			3
<ul style="list-style-type: none"> <li>• Strong understanding of the use of logical frameworks, results chains, and theories of change for planning and M&amp;E;</li> </ul>	1			3
<ul style="list-style-type: none"> <li>• A good knowledge of evaluation methodologies, and experience in applying them. This would be required in relation to:</li> </ul>				
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>• Qualitative research;</li> </ul> </li> </ul>	3			9
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>• Policy analysis and policy evaluation.</li> </ul> </li> </ul>	2			6
<ul style="list-style-type: none"> <li>• Cultural competence – the ability to deal effectively with the different stakeholders involved in evaluations, including appropriate language skills;</li> </ul>	1			3
<ul style="list-style-type: none"> <li>• Demonstrated experience of building ownership of evaluations and evaluation results, working in ways which build capacity and commitment amongst stakeholders;</li> </ul>	1			3
<ul style="list-style-type: none"> <li>• Ability to write short reports (using a 1/3/25 page rule) and to communicate effectively to different audiences;</li> </ul>	1			3
<ul style="list-style-type: none"> <li>• Strong project management skills, including field coordination and implementation where needed;</li> </ul>	2			6
<ul style="list-style-type: none"> <li>• Knowledge of and exposure to international good practice, particularly in middle-income countries.</li> </ul>	1			2
Capacity development elements (building capacity of partner departments)	1			3
Quality assurance plan (to ensure that the process and products are of good quality)	1			3
<b>TOTAL</b>	<b>27</b>	<b>-----</b>		<b>80</b>



Minimum requirement: Service providers that submitted acceptable bids and that scored at least the minimum for each element as well as the overall minimum score (74), based on the average of scores awarded by the evaluation panel members.

Proposals should clearly address the project description and the functional evaluation criteria mentioned above.

#### **11.4.3 Price evaluation: The PPPFA**

Only bids/quotes that meet the minimum required indicated under functional evaluation above will be evaluated in terms of the Preferential Procurement Framework Act and related regulations. The 90/10 evaluation method will be used for bids from R1 million and the 80/20 method will be used for bids/quotes below R1 million. Points will be awarded to a bidder for attaining the B-BBEE status level of contribution in accordance with the table contained in SBD 6.1 (see attached bid documents)

In the application of the 80/20 preference point system, if all bids received exceed R1 000 000, the bid will be cancelled. If one or more of the acceptable bid(s) received are within the R1 000 000 threshold, all bids received will be evaluated on the 80/20 preference point system.

In the application of the 90/10 preference point system, if all bids received are equal to or below R1 000 000, the bid will be cancelled. If one or more of the acceptable bid(s) received are above the R1 000 000 threshold, all bids received will be evaluated on the 90/10 preference point system.

## **12 General and special conditions of contract**

Awarding of the final contract will be subject to the conclusion of a service level agreement between the Department and the successful service provider.

## **13 Intellectual property**

The DPME and the **dti** will own copyright of the products of this assignment, except prior material brought in to the assignment or that owned by a third party. The service provider will not use the material (whether in part or whole) without the written permission of the **dti** and DPME.

## **14 Enquiries**

For content enquiries, please contact Mr Tim Dladla, Economic Research & Policy Co-ordination (ERPC), Tel: +27 12 394 1335 / e-mail [TTDladla@thedti.gov.za](mailto:TTDladla@thedti.gov.za), or for enquiries about the commissioning or evaluation process contact Mr Jabu Mathe, DPME, tel: 0734763503, e-mail: [jabu@po.gov.za](mailto:jabu@po.gov.za)