



<b>Name</b>	Business Process Outsourcing Sector Support Programme
<b>Strategic Partner</b>	Department of Trade and Industry (the dti)
<b>Period</b>	June 2006 to December 2009
<b>Budget</b>	R100m (Business Trust funding)

## Introduction

The Business Process Outsourcing Sector Support Programme has provided a focal point for a concerted effort to enhance South Africa's competitiveness in the outsourcing sector.

## Purpose

The Business Trust Business Process Outsourcing Support Programme has been established to enable actors in the public and private sectors to work together to establish South Africa as a preferred location for business process outsourcing as a means of creating 100,000 jobs and thereby reducing unemployment and poverty.

## Objectives

<b>Jobs</b>	25,000 direct and 75,000 indirect
<b>Companies</b>	76 "captives" and 100 "3rd party vendors" to invest in new or expanded operations
<b>People trained</b>	35,000 in direct jobs, 4000 in middle management
<b>Enabling environment</b>	policies, regulations and incentives implemented to improve the environment for the BPO industry
<b>Quality control</b>	Code of good practice implemented
<b>Stakeholders Mobilised</b>	Industry body strengthened, stakeholders mobilised to support the initiative

The Sector Support Programme established by the Business Trust in partnership with the Department of Trade and Industry (the dti) has provided a focal point for a concerted effort to enhance South Africa's competitiveness in this sector. To exploit the opportunity BPO offers South Africa, the Business Trust has worked with the dti to establish a BPO support programme. Experts have been contracted to:

- support the effective marketing of South Africa as a competitive business process outsourcing location;
- develop and deepen the pool of internationally competitive talent;
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- create an enabling environment of incentives and infrastructure to support the sector;
- control the quality of the South African offering; and
- develop an industry body capable of mobilising and representing the key stakeholders.

## Context

The global Business Process Outsourcing and Off-shoring (BPO&O) industry is forecast to grow at 50% per annum (resulting in growth of between US\$50bn and US\$60bn) for the next four to five years. This opens a window of opportunity for South Africa to create 25 000 direct and 75 000 indirect jobs and contribute up to R87bn in GDP to the economy by 2009.

Because of the channel through which the service is provided (telephone, email, and internet) the service can be provided from any location in the world with adequate infrastructure and skills at competitive costs. This sector is thus particularly attractive because it has the potential to link formerly unemployed young people into the global economy. It also offers the opportunity to generate employment in places outside the major centres since many BPO operators seek out secondary towns, because of the cost saving offered.

South Africa is well placed to capitalise on this opportunity. It has good English language capability, well developed skills in the highest growth sectors of financial services and insurance, political stability, a good quality of life for managers and employees, an attractive business environment, and a BPO industry that is growing.

South Africa must, however, address a number of critical challenges. These include: a shortage of entry and middle managers; higher cost of operations than key competitors; negative perceptions of operational risks; relative difficulty in setting up new operations in South Africa; some restrictive regulations; a limited number of BPO service vendors with major anchor clients; an uncompetitive and comparatively expensive technology infrastructure; and an ineffective marketing effort.

## Activities

### **New Report Published on SA's BPO Capabilities in the Financial Services Sector**

The Financial Services sector constitutes the largest segment (about 45%) of the global sourcing industry worldwide. South Africa's standing in this sector is world class. It is backed by a sound regulatory and legal framework, and has a large number of domestic and foreign institutions providing a full range of services: commercial, retail and merchant banking; mortgage lending, insurance and investment.

The sector presents a significant opportunity for firms building offshore global delivery networks. It offers a 50-60% cost advantage over international destinations and a quality and sophistication that compares with the major source markets in this sector.

This report was commissioned to provide potential investors with a level of fine-grained information to support the business case for investing in Financial Services BPO in South Africa.

The report was produced by The Everest Group and Letsema Consulting under the guidance of a Leadership Group drawn from industry leaders in South Africa and supported by the Department of Trade and Industry (the dti) and the BPO industry association (BPeSA).

## **Results as at March 2008 are as follows:**

<b>Objective</b>	<b>Actual at March 2008</b>	<b>Target to Dec 2009</b>
<b>Firms attracted or expanded</b>	9	43
<b>Jobs created</b>	39 936	109 852
<b>People trained</b>	17 279	35 000

- This Business Process Outsourcing (BPO) support programme, working in partnership with the dti aims to enhance South Africa's competitiveness in the Business Process Outsourcing sector.
- Competitiveness requires good quality skills at the levels of managers, supervisors and new entrants. The Monyetla Work Readiness training programme was designed and piloted by the Business Trust. The pilot will train 1 000 previously unemployed people. It is funded by the National Skills Fund through the dti and has to date seen 85% of learners graduate successfully, 89% of whom have been employed by their host employers. In many instances, employers are taking 100% of the Monyetla learners upon completion of the training programme.
- Increased government funding will be required to match the demand for entry level skills.

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