

## 1. Introduction

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South Africa has a large population living in rural areas – approximately 19 million (or 42% of the total population) in 2001 according to a recent Statistics South Africa report<sup>1</sup>. According to the same report, there is also a strong urbanisation trend – up to 12% of the rural population migrated either temporarily or permanently over the five years from 1996. Mostly people will migrate in search of improved employment, education or lifestyle with rural unemployment rates being relatively higher than those in urban areas. This migration to urban areas has a largely detrimental effect, since it contributes to urban unemployment and poverty and has been linked to the spread of HIV/AIDS. Development in the rural areas is needed to provide additional opportunities, and reduce the incentive to migrate to urban areas.

According to South Africa's ICT Development Framework<sup>2</sup>, one of the goals for the Information and Communications Technology (ICT) sector in the country is to “Increase use of ICT as an enabler for socio-economic development, with equity”. The intent is to “stimulate ICT-enabled growth of business across the economy ... In this regard the intent is to specifically address equity issues with regard to gender, disadvantaged groups and those in rural and under-served communities”.

The reality, however, is that there is still very little formal support or development of the ICT sector in rural areas, while the sector has shown steady growth in urban areas. At the same time, rural businesses outside of the ICT sector are generally unaware of the advantages available through recent ICT developments which provide easier communication, improved access to information and can reduce the costs of doing business in rural areas (examples include mobile banking and payment services and Voice over IP telephony).

We would like to address this rural ICT vacuum by establishing and supporting a network of rural ICT entrepreneurs that can provide local government offices, businesses, farms and schools with access to appropriate services, technologies and support.

Ungana-Afrika is well placed to achieve this. We have been providing ICT support, capacity-building and incubation services to NGOs in the Southern African Development Community (SADC) since 2003. Through the Rural Connectivity Project<sup>3</sup> being implemented in the Eastern Cape and the Community Radio project<sup>4</sup> in Mpumalanga between 2003 and 2006, we have been specifically focused on ICT adoption in rural NGOs. However, for these services to be sustainable, a holistic approach is needed which does not focus exclusively on NGOs. This document presents a proposed model to support the growth of the ICT sector in rural areas, and also to facilitate development in other sectors through the enabling benefits of ICT.

## 2. Proposed Support Model

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In order to achieve our objective of cost-effective ICT support and empowerment in rural areas, we believe that a multi-level, multi-stakeholder approach is needed, with value added at each level. The model envisioned to achieve this is given in Figure 1.

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1 Pieter Kok and Mark Collinson, *Migration and urbanisation in South Africa. Report 03-04-02*. (Statistics South Africa, 2006), <http://www.statssa.gov.za/publications/Report-03-04-02/Report-03-04-02.pdf>

2 “South African ICT Sector Development Framework,” November 2000, <http://www.thedti.gov.za/saitis/docs/ictnov-00.html>

3 [http://www.ungana-afrika.org/projects/rural\\_connectivity\\_project.htm](http://www.ungana-afrika.org/projects/rural_connectivity_project.htm)

4 [http://www.ungana-afrika.org/projects/south\\_africa\\_community\\_radio\\_support.htm](http://www.ungana-afrika.org/projects/south_africa_community_radio_support.htm)

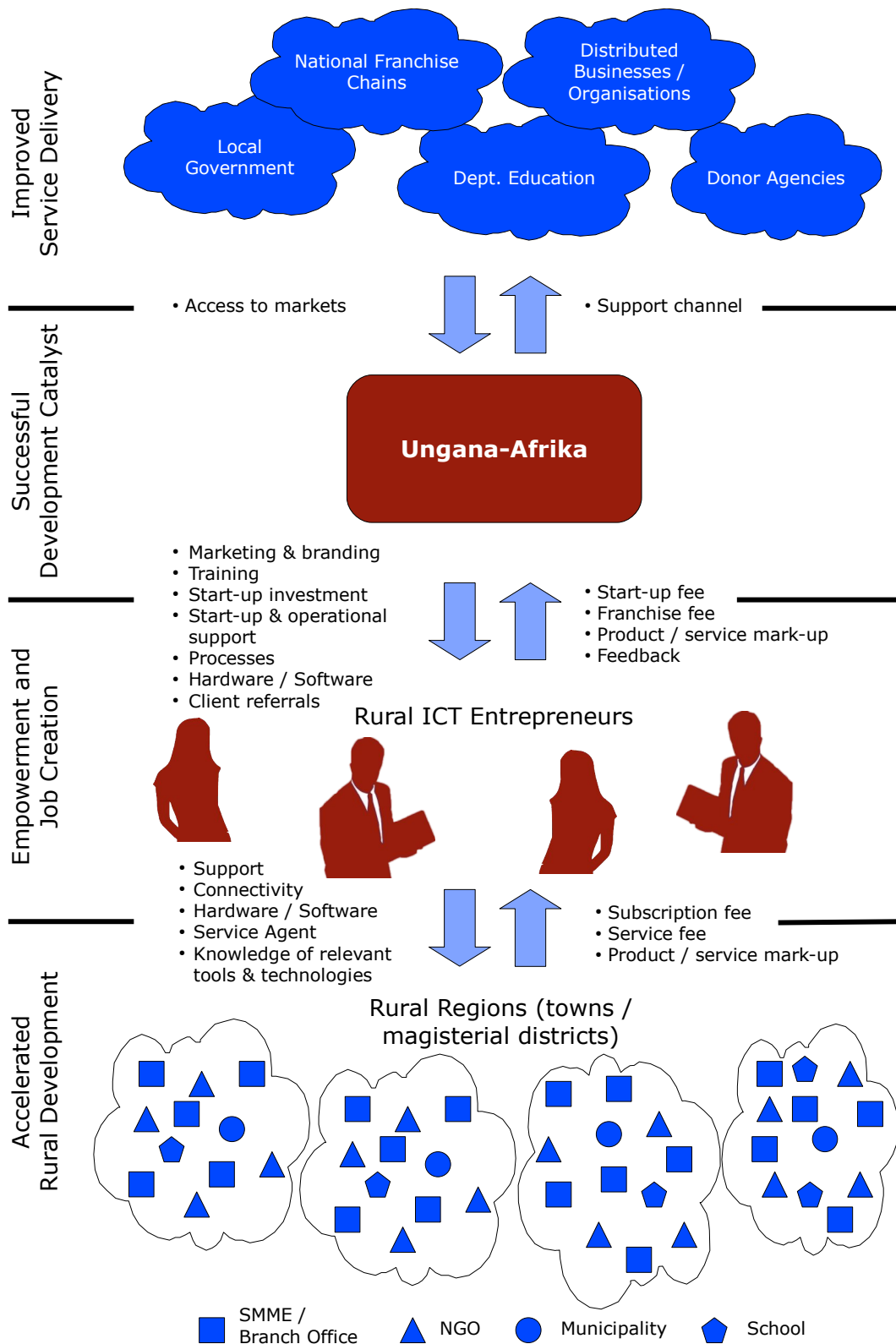
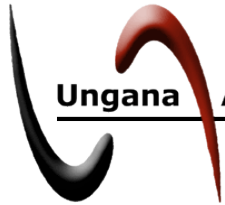


Figure 1: Rural ICT Support Model

In each rural area where services are needed, Ungana-Afrika will establish an independent ICT entrepreneur. The size of the area serviced by the entrepreneur will depend on demand and capacity. She may serve only a single town and surrounding countryside if there is a large enough market to sustain her. Or, she may serve several towns within a large magisterial district. Her clients may include municipalities and government offices, SMMEs, farms, corporate branch offices, local franchises, schools and NGOs.

The services she provides can include direct support of the client's computer systems, as well as hardware and software sales. She can also act as a service agent for services (such as connectivity), and earn a commission from these contracts. She also adds benefit to the client through her knowledge of relevant tools and technologies such as mobile banking and payment processing.

Revenue would be generated through a combination of subscription fees (which would guarantee the client a number of support visits over a given period), service fees for once-off call-out support, and hardware, software and service mark-ups and commission.

Although each rural ICT entrepreneur would be operating independently and have ownership over their consultancy, Ungana-Afrika would provide a number of services to them to assist in their service-delivery using innovative social franchising methodologies. These services might begin with start-up investment loans (or help in acquiring loans) and support to get their consultancy established. Training and skills-development would be provided on consulting skills, business management and relevant technologies.

Once established, Ungana-Afrika will continue to provide operational support, effective tools and methodologies, branding and national marketing. The rural entrepreneur will also have access to hardware, software and connectivity discounts through nationally negotiated deals with suppliers. While the entrepreneur will be responsible for securing the majority of her clients locally, some may be referred through Ungana-Afrika service agreements at a national level. Ungana-Afrika will also ensure that quality service standards are maintained and service charges are reasonable.

In exchange for the services Ungana-Afrika offer the rural entrepreneur, Ungana-Afrika will receive a start-up fee (to cover the costs of establishing the consultancy), a franchise fee (a portion of the revenue generated by the consultancy) and a small mark-up on hardware and software sales to cover administrative costs from procurement and delivery. Ungana-Afrika will also receive feedback from the rural ICT entrepreneur that will help in improving the concept.

At a national or provincial level, Ungana-Afrika will also negotiate service agreements with organisations with a strong presence in rural areas. Agreements can be negotiated with Local Government departments to support municipalities and other government offices in rural areas; franchise chains to support their franchises in rural areas; Dept. Education to support rural schools; and donor agencies to support their rural NGOs. In return for access to these markets, Ungana-Afrika will provide these organisations with an effective support channel.

### **3. Value and Beneficiaries**

This model provides value at every level. On the ground it provides accelerated rural development by improving the effectiveness of public and private enterprises and reducing the costs of doing business in rural areas. At the level of the rural ICT entrepreneurs, there is individual empowerment through skills development and job

creation. At the level of Ungana-Afrika it will help achieve the organisation's objective of being a successful catalyst of development in the country. And at the highest level it will result in improved service delivery for national agencies.

#### 4. Sustainability

Based on Ungana-Afrika's experience from implementing the Rural Connectivity Project in 2006 and 2007, we believe that this model can be self-sustaining within 2-3 years. This is according to initial financial models based on the figures we have available and subject to certain assumptions. Additional research will be needed to determine the size of the market and the level of service fees that the market can sustain.

#### 5. Next Steps

- **Phase I:** Concept Development (January - March 2008)
  - Market research and feasibility assessment
  - Business plan development
  - Verification and modification
- **Phase II:** Establishment (March - June 2008)
  - Business incubator
  - Partnership development and investor buy-in
- **Phase III:** Proof of Concept (July 2008 - December 2009)
  - Process and materials development
  - Pilot Study
  - Review and refinement
- **Phase IV:** Full-Scale Implementation (January 2010 - )

Figure 2: Implementation Process

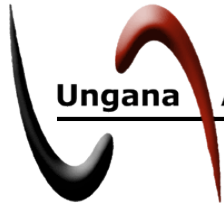
There is still a lot that needs to be done to make this concept a reality. We need to be confident that there is a market that will sustain the model, and that the services can be provided at a reasonable cost. This will require some market research and refinement of the model in the form of a business plan. We will also determine the most appropriate structure for this model: whether it is best implemented as a programme under Ungana-Afrika or as an independent enterprise.

We will then employ an experienced consultant to verify the feasibility of the business plan and provide us with objective feedback. This will then be used to further refine the business plan.

To compensate for Ungana-Afrika's limited experience operating as a commercial venture, we would like to align ourselves with The Innovation Hub through their incubation programme, Maxum Business Incubator<sup>1</sup>. This would provide access to necessary office space, infrastructure and business mentorship to get the programme well established. In order to be considered for the programme, we would need to submit our business plan and go through a selection process.

Whether or not the programme is accepted into the incubator, we would need to develop key partnerships with government, service suppliers (for connectivity and other value-added services), hardware and software vendors, and other relevant stakeholders. We would also need to attract funding to enable the start-up of the programme.

1 <http://www.theinnovationhub.com/maxum.cfm>



It will then be essential to prove the model through a successful pilot. This will ideally involve branding, process and materials development followed by the application, selection and training of ICT entrepreneurs in a handful of rural locations. These entrepreneurs will be given the necessary support to establish themselves, find clients and provide services in their areas.

After a successful proof of concept, the model and processes will be refined before pursuing large-scale implementation and growth capital. We will also investigate possible replication in other countries. Figure 2 gives an initial indication of the process and timeline for establishing the programme.

## 6. Conclusion

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ICT has the potential to contribute to employment, profitability and quality of life in rural areas. It is seen as a key priority in the South African government's ICT strategy. All of this points to the importance of creating a nurturing ICT environment in rural areas. Ungana-Afrika is well placed to do this, with experience in rural ICT support, capacity building and incubation, and a history of successful project implementation. The support model presented here adds value from grass-roots to national level and can be sustainable in a relatively short space of time. It is therefore worth every effort to make it a reality.