

Software Industry issues to solution: AS-IS and TO-BE

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Recall

- Creation of HW, SW, Service and Cross cutting teams
- SW team:
 - Categorization of SW in to:
 - Enterprise Application
 - Mobile Application
 - System Software
 - Graphics and Web
 - Off the Shelf Vendors and Customization
 - Extensive discussion on the identification of key burning issues
 - As per the given moving some common issues across the teams into cross-cutting
 - Frequent discussion with MCIT

Main Agenda

1. Incentives
2. Consumer Adoption
3. Licensing
4. Partnership and Joint Ventures
5. Grading
6. Software as an Industry
7. Software Procurement
8. Digital tax
9. Online Database

1. Incentives

Incentives (1/3)

AS – IS

- No or Limited phased incentives for SW industry

Problems/Challenges because of As-Is

- High Turnover of companies
- Companies do not grow beyond a small size
- Number of employees in the sector is limited
- Only short term focus of companies
- Adoption/Penetration of technology is low
- Low penetration leads to low realization of benefits

Incentives (2/3)

Solution/ To-Be State

- Phased incentives for SW sector
- Incentive schedule e.g. tax relief
- Incentives for R&D

Benefits/Advantages of Solution/To-Be State

- Persuades companies to reinvest their profits
- Companies grow (technology and capital accumulation increases)
- More employment for graduates
- Companies invest for the long term development of their product(s) or service(s)
- More and more value addition is encouraged through staged incentives

Incentives (3/3)

Actions	Due Time
▪ Research on phased incentive by ICTET	▪ Ginbot 2008 EC
Reference 1 Reference 2	
▪ Review proposed phased incentives and plan for implementation by MCIT	▪ 2009 EC

2. Consumer Adoption

Consumer Adoption (1/3)

AS – IS

- Absence of automation/consumer adoption policy. *e.g. discounted electronic service fees, discount for paying/buying online*

Problems/Challenges because of As-Is

- Adoption/Penetration of technology is low
- Low penetration leads to low realization of benefits from streamlined operations and service
- Potential long term cost savings are forfeited

Consumer Adoption (2/3)

Solution/ To-Be State

- Introduction of adoption policies

Benefits/Advantages of Solution/To-Be State

- Higher utilization of technology services
- Gain in long term cost savings for government services
- Easier condition for analysis of needs/trends

Consumer Adoption (3/3)

Actions

- Research other countries adoption approach/best practice by ICTET Reference
- Review proposed options and plan for implementation by MCIT

Due Time

- Ginbot 2008 EC
- 2009 EC

3. Licensing

Licensing (1/3)

AS – IS

- Lack of extensive licensing culture for SW and technology and
- Lack of understanding about software maintenance regimen

Problems/Challenges because of As-Is

- Local companies face unreasonable support requirements
- Limited or no License and AMC for local Companies
- Source code without intellectual protection
- Foreign companies get unfair advantages to maintain and improve their products relative to domestic companies

Licensing (2/3)

Solution/ To-Be State

- Widespread acceptance of licensing mechanism
- Broad acceptance and understanding of benefits of continued maintenance/enhancement agreements
- Software Escrow

Benefits/Advantages of Solution/To-Be State

- Local companies can specialize, focus and continuously improve their product
- Helps to reduce high turnover of software companies
- Protection of Intellectual Properties

Licensing (3/3)

Actions	Due Time
■ Research licensing, annual maintenance cost (AMC) and Software Escrow_options by ICTET	■ Miyaziya/Ginbot 2008
Reference 3	
■ Review proposed options and include as part of public software procurement policy via MCIT	■ TBA

4. Partnership and Joint Ventures

Partnership and Joint Ventures (1/3)

AS – IS

- Lack of partnership requirements or incentives to tie international and local companies (in Procurement)
- e.g. local language requirement, sub contracting requirement, website requirement for companies, joint venture and partnership

Problems/Challenges because of As-Is

- Local companies do not acquire new technology, skills and capabilities at the desired pace
- Job creation potential is diminished
- Foreign companies can participate on any SW bid without local partner
- Invested capital on sector largely leaves country as foreign companies repatriate profits
- Low value addition

Partnership and Joint Ventures (2/3)

Solution/ To-Be State

- Clear requirement or incentives are put in place to drive local companies involvement in all areas of technology/SW rollout projects/development/Customization/support/ secondment or requirement to open office (181 days rule), evaluation criteria, work load share outlining as part of responsibility matrix

Benefits/Advantages of Solution/To-Be State

- Higher value addition
- More job creation
- Rapid increase in local companies capability to utilize and create technology
- Increased complex/high skills presence in country
- Level 1-3 Support requirement can be reached locally

Partnership and Joint Ventures (3/3)

Actions

- Research on Partnership and Joint Venture procurement approaches by ICTET Reference Reference 2
- Review proposed options/select and include in policy for implementation by MCIT

Due Time

- Miyaziya 2008 EC
- 2009 EC

5. Grading

Grading (1/3)

AS – IS

- No Grading for the ICT sector companies

Problems/Challenges because of As-Is

- Difficult to measure existing local capability
- Difficult to provide/get financing based on accurate assessment of risk
- Delay in project execution/ re-bidding/ cost overruns/even failure and wastage because of uninformed decisions
- Time wasted in screening

Grading (2/3)

Solution/ To-Be State

- ICT/SW Companies Grading
- e.g. similar to CMMI
(Capability Maturity Model Integration)

Benefits/Advantages of Solution/To-Be State

- Easy to measure existing capability and gaps by companies
- Makes financing assessments easier
- Helps reduce delay in project completion, cost overruns or chances of failure
- A path is created for increasing local capability

Grading (3/3)

Actions

- Input regarding grading_provided by ICTET in the months of March and April
- MCIT has planned for the actions with high priority:

Due Time

- Megabit/Miyaziya 2008
- 2009 EC

6. Software as an Industry

Software as an Industry (1/3)

AS – IS

- No deep understanding/acceptance of SW as an industry or sector
- e.g. by other branches of government, or private sector

Problems/Challenges because of As-Is

- Little attention by other government bodies to the sector
- Opportunity cost of valuable contribution to country's drive to reduce poverty
- SW is not recognize as an asset
- Poor service provision unsupported by technology

Software as an Industry (2/3)

Solution/ To-Be State

- Widespread understanding and acceptance of the sector as an industry that plays critical role in achievement of GTP II period goals
- Recognition of SW as an asset that can be used as a collateral e.g. DBE, Audit bodies

Benefits/Advantages of Solution/To-Be State

- Opportunity to reduce hurdles to growth of SW companies e.g. Financing, other gov. support
- Job creation and public service improvement benefits
- Loan for bid security is available as appropriate
- Less challenge to register companies, to rollout services and products by SW companies

Software as an Industry (3/3)

Actions	Due Time
■ Research software valuation standards by ICTET. Some docs provided by ICTET (e.g. Valuing High Tech companies) Reference 2	■ Miyaziya/Ginbot 2008
■ Review proposed options and organize a workshop with stakeholders (MCIT)	■ 2009 EC
■ Provide guidelines/ whitepaper by MCIT	

7. Software Procurement

Software Procurement (1/3)

AS – IS

- No Focused training/Capacity building across government institutions on software procurement
- e.g. Appropriate guidelines

Problems/Challenges because of As-Is

- Understanding of procurement process for software/tech
- Long term goal alignment issues
- Communication and negotiation skills
- Knowledge of evaluation, contract development, and contract administration process (SW)
- Opportunity for unfair competition
- Inadequate mechanism to identify what can be procured locally and what can be procured internationally

Software Procurement (2/3)

Solution/ To-Be State

- Training is made available and provided to teams/ individuals that involve in software procurement

Benefits/Advantages of Solution/To-Be State

- Quality Assurance of procured item
- Increased trust in locally procured product/service
- Total cost of ownership is optimized

Software Procurement (3/3)

Actions	Due Time
▪ Research and feedback from ICTET Ref1 Ref2 Ref3 Ref4	▪ Miyaziya/ Ginbot 2008
▪ Prepare standard training documents, guidelines, and training for software procurement in public orgs	▪ 2009 EC
▪ ICTET support in making similar training available to private companies	▪ 2009 EC

7. Digital tax

Digital tax (1/3)

AS – IS

- Digital tax receipts are not accepted
- Digital expense e.g. App store licensing, online expenses (school fees, books etc.)

Problems/Challenges because of As-Is

- Online sales specially for mobile app developers
- ecommerce growth is restricted
- Opportunity for bringing forex is reduced (hotel services)
- Negative impact on expansion of trade

Digital tax (2/3)

Solution/ To-Be State

- Digital tax receipts are accepted
- ecommerce law is passed

Benefits/Advantages of Solution/To-Be State

- Recognition of Revenue esp. Software export
- Increase in government tax revenue
- Potential to increase country competitiveness

Digital tax (3/3)

Actions	Due Time
▪ Identify specialized needs/sector (e.g. app store, education) by ICTET Reference	▪ TBD
▪ Drafting ecommerce law and pushing for its passage by MCIT	▪ TBD/ delay

8. Online Database

Online Database (1/3)

AS – IS

- Lack of companies database with company and project/certification profiles

Problems/Challenges because of As-Is

- It is difficult to know the local ICT Capacity,
- as a result even when not necessary project is issued internationally
- Gov't can't collect tax from Foreign solution provider

Online Database (2/3)

Solution/ To-Be State

- Database of companies and their capabilities exists

Benefits/Advantages of Solution/To-Be State

- It is possible to know the local capacity in technology companies
- Government tax collection improves
- Saves hard currency
- Local companies can grow by servicing the needs that exist

Online Database (3/3)

Actions	Due Time
■ Provide input/feedback on surveying and grading by ICTET (some provided)	■ Miyaziya/ Ginbot 2008
■ Survey of local companies' capabilities by MCIT	■ Undergoing
■ Grading of companies by MCIT	■ 2009 E.C.

Q4 Discussion Points

Q4 Agenda

- Discuss roadmap/TOR/ review plan for 2009
- Electronics Industry, Software Industry Roadmap feedback Ref1 Ref2
- VC/ Angel Investor Network update
- Follow up on all items

Summary

Issues	Actions Working Group/ICTET	Actions MCIT	Status
Incentives	Research/Discuss on phased incentives and provide as input	Review proposed phased incentives and plan for 2009 EC	Provided/ On Schedule
Consumer Adoption	Research/Discuss other countries' approach/best practice	Review and select appropriate ones for implementation 2009 EC	Partly provided/ Delay
Licensing	Research licensing/escrow/maintenance models/recommend	Review proposed options and include as part of SW procurement policy	Provided/TBA
Partnership and Joint Ventures	Research/Discuss on Partnership and Joint Venture procurement approaches		Partly Provided/ Discussion and finalization needed
Grading	Discuss & Provide input for grading	Review and plan implementation in 2009 EC	Provided/ On Schedule
Software as an Industry	Research valuation of tech cos., familiarization to other public/private bodies	Review proposed options, organize workshops with stakeholders, provide guidelines/white paper	Provided/ At early stage
Software Procurement	Research, review and feedback, help making training available	Prepare standard training docs, guidelines for IT procurement	Ongoing
Digital Tax receipts	Identify specialized needs/sector	ecommerce law passage	Partly done/ law reviewed/ passage remains
Online Database	Provide input/feedback on surveying and grading, assist	Conduct survey and produce database	Ongoing