



Connect Africa Services End of Project Report Mobile Community Services, Pilot Project Project Number: 10295 June 2007

1. INTRODUCTION:

Connect Africa Services embarked on the Mobile Community Services Pilot Project, funded by a DBSA grant, in December 2006. 6 Months of operations in the Mogalakwena Municipality have been completed and a roll-out proposal for Limpopo Province, starting with the Districts of Waterberg and Sekhukhune, is the result of this project.

2. PROJECT DESCRIPTION

The project was implemented to test the following:

Field Phase:

- 2.1 Service mix, routes, management, maintenance arrangements and technical specifications
- 2.2 Revenue enhancement and sustainability
- 2.3 To establish a benchmark service level for adoption in a Connect Africa service in Limpopo
- 2.4 To engage with at least 5 government departments with a view to determining service delivery criteria and associated costs over the next 3 to 6 months and to test what appropriate mix should be in place.
- 2.5 To agree to service routes with the municipality and the government departments represented and to test criteria for such routes

Evaluation:

- 2.6 To secure feedback and comment from local communities for formal assessment
- 2.7 To use professional project assessors to formally monitor and assess the project and its effectiveness.
- 2.8 To investigate and test alternative revenue business services and to develop the sustainability of the venture.

3. PROJECT MILESTONES

3.1 Milestone 1:

3.1.1 Establishment of a Steering Committee

A steering committee consisting of members from Connect Africa and the DBSA was established to monitor progress of the project through regular update meetings.

3.1.2 Formal Adoption of Project by Mogalakwena Municipality

A formal MOU supporting the Connect Africa initiative was approved by Council and signed by the Mogalakwena Municipality on the 26th March 2007.

3.1.3 Government Department Dialogue

Significant progress was made in generating interest from numerous government departments during the Pilot Project.

Mogalakwena Municipality:

The relationship with Mogalakwena is continually being strengthened and ultimately has resulted in a Service Level Agreement to distribute up to R13m of Free Basic Electricity (FBE) vouchers to citizens in the municipal region. This will generate a 3.9% commission along with payment by the municipality for various logistical requirements relating to the implementation of this voucher distribution process.

In addition this process will dramatically increase Connect Africa's exposure and open multiple other service related opportunities.

GCIS:

The government information system has shown particular interest in the Connect Africa initiative and much of the discussions relate to how best Connect Africa can assist in the roll-out of rural Thusong facilities.

They have made it clear in their letter of interest (attached, Addendum 1) that a critical mass of mobile units will need to be established before the Connect Africa network can be seen to offer any real value and this in turn validates the initial roll-out proposal across two districts in Limpopo.

In the meanwhile it has been indicated that a small fee could be paid to Connect Africa for every mobile unit that provides access to the various government portals on the Web.

Eskom:

Eskom have agreed to provide Connect Africa with an electricity voucher dispenser that will be used both for the FBE voucher distribution and commercial electricity sales.

The FBE commission of 3.9% is noted above and additional revenue from commercial sales is expected as the network expands.

Eskom has shown particular interest in the Connect Africa network in that it offers an electricity voucher distribution point in deep rural areas – something that they have not been able to provide to-date.

It is intended that this relationship with Eskom be extended to Provincial and National level.

Waterberg District Municipality:

The Executive Mayor of the Waterberg District has expressed specific interest in the roll-out of the Connect Africa service across her District (MOU attached: Addendum)

Key to this relationship will be the District Municipalities assistance in attracting revenue earning relationships from other government departments.

Waterberg has been designated the ICT hub for Limpopo and as such will provide the ideal model for a Provincial roll-out starting with the Sekhukhune District.

Limpopo Premier's Office:

The Premier's Office has also expressed interest in the Connect Africa roll-out proposal particularly in terms of the deployment of ICT services across the province.

An MOU with the Premier's Office is currently going through the approval process and will offer assistance to Connect Africa in attracting revenue earning service agreements with multiple other government departments.

Correctional Services:

Correctional Services have expressed an interest in utilising the Connect Africa mobile units as field offices for their rehabilitation officers and also possibly as rural parolee registration centres.

They have accepted that a fee structure will be attached to the use of the Connect Africa network but, as with GCIS, they too have indicated that a critical mass of at least one District area be serviced before they will be able to enter into any kind of service level agreement.

Labour Department:

The Labour Department has indicated that they too could utilise the rural facilities that Connect Africa offers for their rural officials.

Again, they have accepted that they would be charged for the use of the network facilities but a critical mass of service units will need to be available before any service level agreement can be negotiated.

Discussions concerning the use of the Connect Africa rural infrastructure (for a fee) are either underway or pending with the following local and provincial government departments:

- SAPS

- Home Affairs
- SARS
- Public Works

3.2 Milestone 2:

3.2.1 Road-Show & Launch

A two day road-show was carried out on the 14th and 15th February 2007 to great effect. The participation of the local Municipality was a key factor in ensuring a good turn-out and all parties involved were delighted with the event.

A formal launch event was held on the 21st February in Mokopane with over 100 guests attending a formal lunch. Multiple local leaders and Chiefs were present while the Local and District Mayors both made presentations along with senior representation from Vodacom, the DBSA and Mogalakwena Municipality. The event was an unqualified success and can be directly associated with the ongoing success of the Project and resultant roll-out proposal.

3.3 Milestone 3:

3.3.1 Project Report

This report constitutes the final Milestone deliverable (Attached Addendum 2).

3.3.2 Project Outcome

The project results are outlined below and the outcome, a formal roll-out proposal for Limpopo Province, will follow shortly.

4. RESULTS

4.1 Services Configuration

Service Mix:

A mobile service unit consisting of a VW Transporter Crew Cab with trailer was deployed into the project region. A combination of ICT, business and government services were provided, including, community phones, photo-copying, faxing, printing, email, banking (mobile bank accounts), and local government information services.

10 Communities, selected in discussion with the local municipality, were visited once a week, at the same time each week, for 3 hours.

Take-up was slow and little use was made of the services on offer. The reasons for this were multiple: the period on site was too short and the schedule seldom converged with the time people had to use the services. People made it clear the services were required (as is borne out in the research results attached) but more time was needed to be spent in each village.

The roll-out proposal addresses this key issue directly by using a mobile containerised service unit that will be deployed in each village for at least 24 hours, ideally 48 hours, twice monthly. This will give rural people more time to do their business and ensure the service is available at busy times, early morning, late afternoon and evenings.

The lack of formal government service representation was also highlighted as a reason for the low take-up. People want and need access to government services and without formal agreement, Connect Africa was limited in what it could offer.

This issue is further compounded by the limited service area Connect Africa is currently working in. A critical mass, at least a district or ideally a Province in area, will need to be serviced before government departments can fruitfully engage with Connect Africa.

This will be addressed in the roll-out proposal to cover the Waterberg and Sekhukhune Districts in time for the government department's budget allocations in March 2008.

The extended service areas will also enable Connect Africa to expand its service portfolio to include insurance services, advertising, market research and cellular air-time and accessory sales.

A service level agreement (SLA) is also in the process of being approved by the Mogalakwena Municipality for Connect Africa to distribute up to R13 million free electricity vouchers into the rural areas for the period 2007/2008. It is proposed that similar SLAs will be agreed with the 10 municipalities that make up the two districts to be covered in the roll-out.

Service Routes:

The route selected during this project was determined by the community locations and the need to provide a weekly service with a mobile unit that had to leave the site at the end of each day.

The result was a maximum of 3 hours a week spent in each village and, as outlined above, this was proven to be insufficient time.

It is important that hub villages, those that form the hub for outlying villages up to 5 kilometres distant, should be selected as locations for a service facility that is open for at least 24 hours on a regular basis.

The roll-out proposal allows for such facilities to be shuttled between hub villages on a routine fortnightly basis and schedules will be established to link with other government service delivery efforts such as pension distribution, mobile clinics and home affairs visits.

Ultimately however it is proposed that the Connect Africa mobile unit will serve as a base from which multiple government and business related service providers will operate. This proposal has been

favourably received by several of the government departments we have approached.

Service Management:

The service team consisted of one operator and his assistant in the field backed up by a Programme Manager and a Special Projects Director in Johannesburg.

A vehicle tracking system was used to monitor the daily movement of the vehicle and daily activity tracking sheets were used to keep track of services rendered. Vodacom phone logs were available to reconcile the phone calls made with the daily activity tracking sheets.

It was found that activity at the mobile unit was lower than expected and, when addressed, was found to be because of the inconvenient visiting times, the operator having to leave the location to attend official meetings and having to take the mobile unit away, and the lack of a means to “call” people to use the service – a loud hailer is the accepted means!

All of these reasons are directly addressed in the proposed containerised service unit – it will be static for 24 to 48 hours, covering the busy early morning, lunch and evening times, the operator of the container will not have to go anywhere else and people will get to know the service as more will see it.

The primary aim of the service was to build up a routine and familiarise the local communities with the Connect Africa service.

The research results demonstrate a lack of awareness of Connect Africa due largely to the reasons outlined above and addressed with the new container unit concept.

Furthermore, a service level agreement (SLA) with the municipality to distribute R13million (2007/2008) of free electricity vouchers will ensure an awareness of Connect Africa over the coming months.

Service Maintenance:

The management, monitoring procedures and research of the project carried out during this Pilot enabled Connect Africa to analyse the service in detail.

The results were enlightening and an ongoing process of fine tuning and adjustment in response to monitoring and management reports ensured that issues that could have taken years to recognise were quickly addressed.

This ongoing monitoring, maintenance and adjustment will form a key element of the containerised service.

Technical Aspects:

It is clear from the experience gained during this Pilot Project that technology will form a key component in ensuring the service is operating and being provided in the most efficient way possible.

Mobile unit tracking, phone records, weekly management reports, electronic data research input, local management visits (tracked), service providers data analysis (electricity voucher records) and customer feedback reports will all assist in maintaining the highest service levels possible.

Each of these monitoring methods, most of which are automatically carried out, can be reconciled and checked leaving no room for argument. A management team consisting of a District Manager, IT Manager and Logistics Manager will be established to manage this data analysis and ensure optimum service levels in the roll-out.

4.2 Revenue

Enhancement:

There are 3 primary revenue streams in the Connect Africa mobile service proposal namely, ICT, business and government SLA's.

Business and government service income was not expected during this Pilot Project and, as previously mentioned, ICT revenue was negligible.

Each revenue stream will be significantly enhanced in the roll-out as a direct result of the data and experience obtained during this Pilot.

ICT:

24 to 48 hour community visits will expose the service units to more people at more appropriate times. Formal agreements with government to distribute information and other services will also attract people to the mobile units and this will mean more calls and other ICT related business.

Business:

As outlined above more people visiting the mobile units will generate more business related services. This also means that Connect Africa will be in a stronger position to negotiate more lucrative business related agreements such as market research, advertising, and public broadcasting rights.

Government:

This Pilot Project has enabled Connect Africa to gain significant exposure in local, regional and provincial government in Limpopo.

The result is a series of SLA's, MOU's and letters of interest in using Connect Africa's mobile service network being formally considered. These expressions of interest all hinge on Connect Africa being able to service an area large enough to justify a formal agreement, ideally the whole Province, but at least one District. It is therefore proposed that Connect Africa roll-out into 2 Districts, Waterberg and Sekhukhune in August 2007 and to have the bulk of the network in

place in these Districts by March 2008, to tie in with the 2008/9 government budget allocations. This timeframe will also facilitate the beginning of a National roll-out to be in place by 2010.

Sustainability:

The project has clearly demonstrated that revenue generation over time will be compounded as awareness of the service is expanded with both the service recipients (rural people) and service providers (ICT, business and government).

A service that is seen by rural people to be regular, routine, flexible and reliable (trusted!) will be regularly used. New technologies, new and innovative services will continually be introduced for rural people to maintain this support and customer satisfaction – a key proponent in maintaining a sustainable service.

Similarly with the service providers – innovative thinking, regular access to new rural markets, the ability to comply with rural service legislation, and real income streams from previously ignored markets will all help build a solid customer base with commercial and government service providers.

A network of mobile units efficiently servicing a critical mass of rural people will enable Connect Africa to negotiate long term service contracts (3 to 5 years) and thereby ensure sustainability.

4.3 Service Level Benchmarking

It is clear from the research and from Connect Africa's experience in the field during this project that rural people are "promise fatigued". Too many promises of service delivery have been made and few have been sustainably delivered.

For this reason Connect Africa has been cautious about promising services, in particular government services. We can not afford to be seen to be promising to deliver services that may not come to fruition. This is also a reason why activity levels at the mobile unit during the pilot project have been low – there is demand for multiple government services and we had to make it clear we were not authorised to deliver these services at the time.

This situation will be reversed once the electricity distribution (FBE – Free Basic Electricity) SLA is implemented and other departments begin to engage with the network. The FBE distribution process will also enable Connect Africa to establish a formal service level over and above the basic ICT related services currently being delivered.

4.4 Government Engagement

Discussions with multiple government departments continue with regard to engaging with Connect Africa in the distribution of their respective services.

The relationship with the Mogalakwena Municipality continues to grow and a formal Service Level Agreement (SLA) for FBE distribution is in the process of being agreed.

Eskom have also agreed to provide an electricity voucher dispenser to Connect Africa with a view to extending the relationship across the Province.

An MOU is currently being considered by the Waterberg Executive Mayor's Office to assist in the roll-out of the Connect Africa network across the District. This is particularly pertinent as the Waterberg District has been designated the ICT Hub for Limpopo Province. This roll-out will precede our roll-out into the Sekhukhune District which has been designated by the Limpopo Premier's Office as the area in Limpopo that is in most need of Connect Africa's services.

An MOU confirming support for a Provincial roll-out is also currently being approved by the Limpopo Premier's Office.

An opportunity to present to the GCIS PISSC committee resulted in Connect Africa securing interest in cooperating from GCIS themselves (ref. letter attached), the Labour Department and Correctional Services. In each case it has been made clear that service distribution will be paid for and this has been accepted.

Only once the Connect Africa network is in place will we be able to determine the degree of service levels expected by the respective government departments and an associated fee structure.

4.5 Service Routes

The Pilot Project route was determined in discussion and agreement with the Mogalakwena Municipality to cover 11 deep rural villages once a week for 3 hours each. Villages that serve as hubs for other smaller villages were sought and the mobile unit stops were made in public areas where people passed through – eg. near a Spaza shop, a school, a community centre, etc...

The selection of the hub villages is critical and close cooperation with the municipality is essential. The municipality will have their own IDP (Internal Development Programme) and will also be involved in the delivery of other government services to their community. By working closely with the municipality in selecting the mobile unit stops, Connect Africa can assist in the deployment of the municipalities own IDP and other government services, thereby maximising the opportunity for Connect Africa to charge for the use of its network. The municipality is also, of course, the one entity that will have the most information and data relating to their region, all of which is valuable to Connect Africa in optimising its own service operations.

The Pilot Project highlighted the impracticality of visiting rural communities for short periods once a week. Most visits could not be scheduled for the busy periods (early morning, lunch time and evenings) and as a result the service did not operate at full capacity.

Our research confirmed that a permanent service was not necessary but there was universal demand for a longer period when the service was available. This demand has resulted in a containerised service that will remain in the community for up to 48 hours before being moved on to the next village.

The roll-out proposal incorporates this containerised concept with visits taking place fortnightly for up to 48 hours at a time. This in turn addresses the communities' own requirements while also ensuring the mobile units operate at maximum capacity – they are moved to satisfy demand while building demand when they are not present in a village. Sustainability and efficiency are thus both addressed.

4.6 Research

A research project to determine service demand was carried out in Mogalakwena by Connect Africa and Inkanyezi, a specialist research organisation.

The results of this project are attached.

4.7 Project Assessment

The research exercise contained a section covering Connect Africa's service levels and awareness of the service in rural areas. While it is fair to say that a 6 month project cannot be expected to generate maximum awareness, the results clearly indicated that not enough people knew of the service and activity levels were low as a result.

As has been covered earlier in this report the reasons for the lack of awareness include; visits that were too short and at less than ideal times, not being able to offer government related services during the Pilot, and being limited to one vehicle that was often required for multiple functions.

Day to day tracking of the vehicle and activity sheets enabled the management team to assess the operational performance and activity levels of the service during the Pilot Project.

The attached roll-out proposal and mobile containerised concept were the direct result of these assessments.

4.8 Alternative Business Revenue Streams

The main revenue streams have been highlighted earlier, namely ICT, business and government.

ICT is restricted to bandwidth and the money people in the rural areas will have to pay for these services. Limited revenue can be expected from ICT in rural areas because of the lack of education,

illiteracy and no computer (IT) experience. It is unrealistic to expect this to change in the near future but services like Connect Africa's can have a real impact on these issues by exposing rural people to technology.

For this reason Connect Africa is facilitating an initiative between Vodacom and Iridium Satellite Services whereby a satellite network will be used to deliver a cellular based payphone network into deep rural villages. It is proposed that the cellular network subsidises the satellite call charges by offsetting them against the cost of a rural base station and mast network. Connect Africa will secure a share in the call revenue that will be negotiated between Vodacom and Iridium. Demonstrations and negotiations commenced in June 2007.

Connect Africa is also well positioned to provide a monitoring and maintenance service to organisations with equipment and infrastructure in deep rural areas. For a fee Connect Africa could check on the infrastructure and where possible, collect damaged equipment and replace it with new. Discussions are underway with Eskom and Inkululeko who operate multiple computer centres in rural schools.

A small but interesting partnership with Cobb Cookers demonstrates the wide variety of business opportunities open to the Connect Africa network and its unit operators. Cobb produces an energy efficient and safe cooking system that originated in providing a cooking solution for rural homes. Cobb currently export their product globally and have agreed to produce a number of prototypes specifically for Connect Africa to demonstrate outside the mobile service units. The intention is to generate sufficient interest in the communities to establish a sales and distribution network to sell the units locally. This will in turn generate additional revenue for the unit operator while providing an efficient and safe cooking system for rural communities.

Market research, advertising and broadcasting all offer valuable income opportunities and particular attention is being made to revenue opportunities for the 2010 World Cup. There is an obligation by both business and government to distribute the benefits of the event to the disenfranchised, particularly rural people. Connect Africa will be ideally positioned to distribute these benefits both in terms of services and entertainment and discussions are currently underway with Galaxy Media, one of South Africa's leading media organisations, to provide a sports and entertainment facility that will be available to rural communities long after the World Cup has been completed.

5. Summary

The Connect Africa Mobile Community Service Pilot Project has produced results that far exceeded our expectations of what could be achieved with a mobile network of multi-purpose service centres.

The comprehensive research project that interviewed over 1000 people in one municipality provides an in depth and accurate picture of what services rural people need and expect.

The traditional approach of using a vehicle to deliver services on a regular basis was proven to be inefficient and a far more effective configuration that optimizes mobility and service levels has been established.

Significant progress has been made in capturing the attention of local, regional and provincial government and multiple expressions of interest, including a cash generating Service Level Agreement and three MOU's, are currently being approved and formalised.

Several commercial business relationships have been expanded, each of which will generate revenue for the Connect Africa network. These strong relationships serve as valuable examples in attracting yet more commercial partners from multiple business sectors.

Innovative use of technology is being used in the Connect Africa network and a World first partnership between a cellular network and a satellite network is currently being brokered by Connect Africa. The Pilot Project has enabled these discussions and if approved the resultant payphone network will have a significant impact across the Continent of Africa and the World!

Ultimately, however, this Pilot has enabled Connect Africa to produce a roll-out plan for two Districts in Limpopo Province. These Districts will be fully serviced by 24 mobile service units within 10 months and will form the basis of a National roll-out across South Africa by 2010.

Without the DBSA and their support this Pilot Project would not have been possible and the tremendous potential that this mobile service network has would not have been demonstrated.

We at Connect Africa look forward to significantly enhancing our relationship with the DBSA by together taking this Pilot onwards to a roll-out into Limpopo and then on into the rest of South Africa and beyond.

The initial Waterberg and Sekhukhune District roll-out proposal will follow the submission of this report.

Many thanks to the team at the DBSA and we look forward to the next stage in this journey together.

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Addendum 1:



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Date: 2007-06-13

To whom it may concern

Service rendering by Connect Africa

It is of vital importance for government that services be brought closer to where people live, which is the reason for the Thusong Service Centre (formerly Multi-Purpose Community Centre) Project.

The Thusong Service Centre Project makes provision for permanent structures where services are rendered, as well as for mobile services.

Connect Africa has in a way taken the lead with their mobile services being taken to deep rural communities. It is really commendable, and we are impressed with what they have done so far in Mogalakwena Municipal area. We would like to see the roll out of this service to other areas and districts in Limpopo.

We are aware that they are busy negotiating with a number of government departments with regards to making use of their services, as part of the plan to become more sustainable. It is however something new for all these government departments and the relevant head offices still need to buy in. This may take some time and firm agreements will most probably not be reached within this financial year.

T Ravhura: Provincial Director *pp*

Addendum 2:

Refer to below Research Report

Research Report Summary:

OVERVIEW OF RESEARCH

The purpose of this research report is to present the findings of a community survey undertaken in seven rural areas of the Mogalakwena Municipality, in the Limpopo Province of South Africa. Connect Africa are piloting their services in these areas, and the purpose of the community survey was to understand the current situation pertaining to existing and potential services, and to understand the market segment of this municipality. In addition, this report contains the results of the actual services offered over the thirteen week pilot intervention.

The community survey was structured to gather data on demographics, current and potential services, develop and understanding of the challenges the community face and the knowledge of community members in being able to respond to their own challenges. Participants were further asked direct questions pertaining to Connect Africa.

The target sample in the community was to gather 1000 completed surveys, with target participation of men, women, youth across a range of ages and socio-economic backgrounds. The demographics indicate that the target sample was achieved. The surveys were carried out by Community Workers in each of the areas, who were trained to implement the surveys. Inkanyezi Initiative in conjunction with Connect Africa developed the surveys and undertook the data capture and analysis.

CONCLUSION

The findings of this research, as presented in this report, highlight a number of opportunities for Connect Africa. In particular, the research indicates the need for telecommunication services in the rural areas and providing a mobile service for accessing essential services such as accessing electricity. Additional priority services include providing a space for knowledge about health issues, accessing condoms, providing electronic banking services, skill development and creating economic

opportunities, and facilitating information flow between government and the community.

The ability of Connect Africa to provide a range of services to the community was perceived as being extremely valuable and was strongly supported. The mobile vehicle is valuable in that it is able to access the communities, however the findings suggest, and support, the proposal of static units that are “on-site” for longer. This would increase the visible marketing of Connect Africa and provide a stable, central point that is easy for community members to access. To facilitate this, the proposed configuration of a Connect Africa mobile service “container” visiting communities for 24 to 48 hours fortnightly would address the demand for frequency and time spent on-site.

The research was limited in that specific priority questions were asked. Time and resources did not allow for in-depth interviewing to further understand the context, challenges and individual needs. Although participants were asked their views of other potential services and needs that Connect Africa could provide, no further responses were received except for requests to provide municipal services such as tarring of roads and the provision of basic essentials such as water and electricity.

A full copy of the report is available on the Website.

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