DAILY MONITOR TRUTH EVERY DAY

Thursday November 11, 2010

Business Power

# Software industry feels the pinch of neglect

The information and technology lab at Makerere University. File pHOTO

(**email the author**)

Posted Tuesday, November 2 2010 at 00:00

*Uganda needs a policy that will enable the development and growth of the software industry as has been the case in* *other countries. Software development is becoming expensive in leading economies like US and India creating an opportunity for Uganda's aspiring software developers. However, there is little or no interest among investors to invest in this industry as* ***Walter Wafula*** *writes.*

One in every three Ugandans uses software applications either on a mobile phone or computer to meet his or her needs. Software enables users of electronic devices to execute commands that can enable them to access services through electronics. For instance, to be able to send and receive cash via money transfer services like; MTN mobile money, specific software must be embedded inside the mobile phone to facilitate the transactions.
However technology experts told Business Power that the government is not doing enough to directly create an environment that is necessary for the development of the software industry.

In an interview, Mr Jackson Mugisha, the director marketing and promotions at Project One consultants, identified the lack of government support and immature domestic markets as limitations. "The government policy does not favour us at all," Mr Mugisha said.

The government has, however, pledged to provide free land to investors in the information, communication and technology sectors with sound business plans - Mr John Musajjakawa a senior investment executive said recently.

The software industry is a multi-billion business under the control of United States information and technology firms. According to Software Top 100, an independent online list of the world's largest software companies, in 2009, the top five companies earned about $108 billion - from the sale of software like; operating systems, business management and gaming applications. Revenues are also generated from the sale of licenses, maintenance, subscription and product support.

The $108 billion earned by the Microsoft Corporation, IBM, Oracle, SAP and Nintendo is higher by almost half the entire Gross Domestic Product (GDP) of the five East African Community (EAC) nations. Microsoft alone earned about $50 billion – just under the combined GDP of Kenya and Uganda, from the sale of software alone.

While Ugandan firms are still too small to take on the United States, Ms Dorothy Ooko, the communications manager for Nokia East and Southern Africa said there are immense revenue opportunities for software developers and firms in the EAC.
Global revenue and market opportunities have been provided by firms like Nokia, Apple and Google through the creation of software banks (app stores) that can be accessed by millions of computer and mobile phone users in the

world.

Unfortunately, the software industry is one of the least exploited and supported industries in Uganda. Ms Ooko commented that Ugandans are not taking the software business seriously to their disadvantage.

“We (Nokia) need local applications from Uganda but we are not seeing any,” she told a group of software developers and journalists in Kampala last week.
Nokia has an internet-based software bank known as OVI store, similar to Apples’ App store where the software developers from around the world can market their applications either for free or for cash.

While Kenya’s software developers have embraced the opportunity with one firm winning up to $1 million (about Shs2.3 billion) through a Nokia applications competition, Ugandan software developers remain reluctant to participate in the global software market yet their innovations are top notch.

“Our applications are competitive. We have seen three East Africans winning top global software awards,” she said to justify the competitiveness.
Despite the opportunities, Business Power has established that there’s general lack of motivation by Uganda’s software developers to exploit the global market opportunities due to internal weakness. Local companies, Mr Mugisha said, demand applications that are out of touch with the skills they have acquired through school.

“When we go to the market, we find that clients prefer basic custom made software. I think the market is not yet ready for fully fledged world class systems.” Commenting on why the company has not tapped into the global market, he said; “We have not yet built the capacity to compete with internationally renowned software makers.” Mr Robert Busingye the technical director at Blue Cube, a mobile SMS company added that the pool of “super talent” in the economy is still small although the industry is growing.

Nevertheless, institutions like Makerere University churn out between 800 and 900 information, and communication technology graduates annually according to Michael Niyitegeka, the head of corporate affairs at the Faculty of Computing and Informatics Technology.

The major challenge remains failure to expose most of the graduates to working environments where they can attain hands skills that are required by employers.
Besides the lack of necessary human resource in the industry, Mr Mugisha said local companies were also grappling with the lack of adequate capital needed to finance expensive marketing and branding operations needed to compete in

the global arena.

Also identified was the lack of a proper government policy that can stimulate the development of competitive software for export to international markets. The setbacks are forcing software developers to venture into other business sectors. For instance; Mr Faisal Seguya (Rabadaba), an information and technology graduate from Makerere University has chosen to pursue a music career instead of being a system analyst or software developer. Others have ventured into successful I.T magazines like PC Tech and Techzine.

Mr Mugisha explained that the underlying reason for the shift has to do with the lack of proper standards in the industry to deal with problems like unfair pricing in the industry.

As an example he said, a company can charge $3,000 to develop software, but a student can offer to develop the same application for $300.
“That forces us to settle for side jobs on the market. You don’t take IT to be a priority,” he said.

Mr Revence Kalibwani, another software developer notes that most customers prefer to buy applications that are imported. Yet, in some cases, local applications are by far cheaper and more efficient than imported and pirated software.
“For people like me who only reluctantly sell outside of the continent, this represents a serious problem,” he told Business Power.

Mr Kalibwani’s software applications saw him competing in one of Europe’s most prestigious mobile communication awards known as the Mobile Monday Peers Awards. But Mr Alex Nyika, a Kenyan-based Ugandan won the Base of the Pyramid award which Mr Kalibwani competed for.

Mr Nyika’s award came shortly after Virtual City Limited, a Kenya Information technology company won $1 million (approx Shs2.3 billion) for presenting the best software application through the Growth Economy Venture Challenge - a competition organised by Nokia. The Kenyan firm won the cash prize for developing a software solution that aims at addressing systemic issues relating to small and micro enterprises in emerging markets like Uganda.

It’s against this winning background that Ms Ooko said: “Nokia has decided to work closely with the developer community in the region.” Last week, she announced that the company had eliminated barriers to entry into their virtual software bank (Ovi store) and improved their design platforms. She said Nokia has slashed by 98 per cent the fees that East African developers are required to pay to have their mobile applications in the software bank.

The company reduced the cost from Shs157,000 (50 pounds) to Shs3,140 (1 pound) for each application a developer wishes to up load to the store.
“We are willing to do anything to help market your applications to the world,” she said. The Ovi store has an active user base of millions of mobile phones users in more than 190 countries.

The major bottleneck now remains the requirement, for the developers to use credit cards to make their payments to Nokia, and other firms like Google and Apple. Most Ugandans do not use credit cards in everyday life, because Uganda is a cash economy.

But developers, who manage to place their applications through the software banks make money from the applications by billing users of their software 1 pound per download. Ms Ooko said, some 50 publishers have seen more than 1 million downloads each for the innovations.

They also make money by distributing free applications to the Ovi store expecting referrals from Nokia to companies that need software developers. Nation Media Group, the parent company of the Monitor Publications, is among the firms that have partnered with developers in Kenya through the Ovi Store initiative.
On a visit to Estonia, Business Power discovered that the government can help nurture local IT companies into global businesses through setting up technology parks. For instance the Tallinn Technology Park Tehnopol in Estonia aims at increasing the competitiveness of innovative companies by offering them high-quality value adding services and infrastructure.

The park is home to more than 150 knowledge based companies. These companies are provided business plan training and consultancy, networking services and are linked to financiers. If that kind of assistance is offered to developers, it would be a sure way to help the young domestic industry compete with its peers in the West.

In light of this, Uganda needs to consider, as a very serious initiative, the upcoming Shs400 billion Lake Victoria Information/Communication Technology and Bio-Tech (LAVIT) park. It’s a gold mine in the making for the country.