



# **Telecom & Poverty Reduction in Rural Communities:**

**Good Business &  
Good Development**

**Dr. Don Richardson**



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# Competition Accelerates Universal Access to Telecom

- ◆ More than 50% of the world have never made a phone call
- ◆ Increases in rural teledensity and lower usage costs follow liberalization & privatization
- ◆ As monopoly operators disappear, new entrants can create *profitable* rural telecom networks



# Rural Telecom: The Final Frontier

- ◆ **Rural – the final frontier of the multi-national telecom universe**
- ◆ **But rural markets are**
  - complex
  - often mysterious to urban telecom operators
- ◆ **Common strategies:**
  - Outsourcing, subcontracting,
  - Franchising
  - Ignoring
- ◆ **Opportunities for local ownership & management**

# Credit Assistance for Rural Operators

- ◆ Micro-credit & SME credit programs are not normally geared to the rural telecom sector – *but should be!*
- ◆ Marry rural telecom initiatives with credit programs with solid track-records and established rural revenue collection systems,



# Key Mechanisms

- ◆ **Locally “owned” payphones & communication shops**
- ◆ **Securing the highest possible revenues from the fewest number of lines**
- ◆ **Promote access to everyone in the community**
- ◆ **Interconnection arrangements, revenue sharing, and tariff agreements**
- ◆ **Operators understand rural realities**
- ◆ **Reasonable regulation with teeth**



# Regulation

- ◆ Enabling private sector to serve rural communities (interconnection, revenue sharing & tariffs, enforcement)
- ◆ Assistance to rural communities to demonstrate their business case and get the attention of operators
- ◆ Enabling small-scale ownership & operation at various levels



# Support for Business Planning

- ◆ **Rapid market appraisal (RMA)**
  - ability and willingness to pay
- ◆ **Consumer surplus – normally higher in rural than in urban**
- ◆ **Location, location, location**
- ◆ **Universal access – gender, age, ethnicity, religion, cultural variables, etc., etc.**
- ◆ **Optimized financial performance = Commercial viability**
- ◆ **Thorough understanding of technical options & costs**

# Grameen Telecom: Village Phone

- ◆ **Universal access – telephone is a gendered tool!**
- ◆ **Tying franchised telephone micro-businesses to micro-credit**
- ◆ **Solid business planning**
- ◆ **Monopoly carrier left window of opportunity for cellular service to rural**
- ◆ **Rural business case is astounding – profit from 1,500 rural lines = 12,000 urban cell subscribers**





# Business Case in Bangladesh

- ◆ **Rule of thumb**
  - 2% of Per Capita GDP
- ◆ **Ave. telecom expenditure of \$3.50 USD per person per year**  
**X 80,000,000 = \$280 Million USD**  
**potential revenue per year**
- ◆ **Not inc. potential revenue for overseas worker calls**
- ◆ **Not inc. available expenditure based on very high consumer surplus**

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