

NTCA



The Voice of Rural Telecommunications

*RURAL TELECENTRE DEVELOPMENT
AND
PRIVATE SECTOR PARTICIPATION*

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➤ *About Us*

- *Non-profit telecommunications trade association*
- *530+ locally-owned and -operated rural cooperatives and commercial telephone systems in 46 U.S. states and 7 countries*
- *425 manufacturers, suppliers, consultants, and subsidiaries (cable, cellular, ISP)*



NTCA'S International Program

- *NTCA helps rural communities develop strong locally-owned telecommunications systems*
- *NTCA works at the national level to address the regulatory and legal environments*



About NTCA's Telecentre Study...

- *Funded by Public-Private Infrastructure Advisory Facility (PPIAF), a multi-donor technical assistance facility*
- *Helps developing countries improve infrastructure quality through private sector involvement*

- *What's a telecentre?*
- *What sectors are driving telecentre formation?*
- *How do telecentres fit into development?*
- *What about sustainability?*
- *How can the private sector participate and what obstacles does it run into?*
- *Promoting private sector participation.*
- *Impact assessment methodology*

➤ *What's a telecentre?*

- *A facility that provides publicly accessible communications services and information resources*
- *To underserved and low-income populations*
- *In rural, peri-urban and urban areas*

➤ *What's a telecentre (cont'd)?*

- *Services and technologies vary, based on community needs. Most often: phones, fax, computers, Internet*
- *Can offer specialized services and training*
- *Can be privately and/or publicly owned*

➤ *Most common telecentre objectives:*

- *To benefit served communities by contributing to economic, social, political and educational development (in contrast to cyber café)*
- *To become self sustaining (sound management, customer training, fees)*
- *To be catalysts for development → work themselves out of a job*

➤ *Three general telecentre models:*

- *Basic telecentres:*
- *Limited objectives. May offer telephony, fax, computing, Internet, photocopying*
- *Privately owned or franchised*

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Telecentre Models



- *Multi-purpose telecentres:*
 - *Higher end technologies*
 - *Full time staff*
 - *Specialized services*
 - *Training of users in areas like health, education, small business, local governance*
 - *Considerable social and capital investment needed (South Africa, Uganda, Paraguay)*

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Telecentre Models



- *Phone Shops*
 - *Generally offer telephone service, maybe fax and photocopying*
 - *Individually owned micro-enterprises*
 - *Or part of national telecom provider franchise (Senegal, South Africa, India)*

Some Lessons Learned-1

➤ Sectoral Drivers in Telecentre Development

Donor agencies

Market and regulatory reforms

New technologies

New focus on demand-driven approaches

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Sectoral Drivers



Donor Agencies

- *See telecentres as cost-effective way of delivering telecom access and ICT training*
- *At the forefront in funding telecentre design, implementation and evaluation*
- *Paraguay, Indonesia, Hungary, South Africa, others have donor-funded telecentres.*

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Sectoral Drivers



Market and regulatory reforms

- *Privatization of national telecom operator*
- *Auctioning spectrum for wireless provider*
- *Universal service obligations and rural access funds*
- *Legislation allowing for multiple operators*

New Technologies

- *Cost of wireless technologies (mobile and fixed) is now competitive with fixed-line service*
- *Increased alternatives at local loop level*
- *Wireless providers and ISPs promote telecentre development (e.g. Peru)*

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Sectoral Drivers



New focus on demand-driven approaches

- *SMEs and community organizations are growing*
- *Telecentres respond to needs of private sector organizations (Indonesia, South Africa)*

Some Lessons Learned-2

- *How telecentres promote development*
 - *Bring employment and develop human resources in areas where it's difficult to obtain work*
 - *Increase skills training in information technologies, starting with telecentre staff ("diffusion effect")*
 - *Provide access to distance learning*

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Development



➤ Telecentres promote development (cont'd)

- *Enhance SME growth (training, services)*
- *Make information accessible – market prices for farmers, government services, health communication etc.*

Savings in transport costs, time

Improved access to gov't services

More health security

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Development



➤ Telecentres promote development (cont'd)

- *Reduce risk in remittance transfers*
- *Provide central meeting place for community to exchange ideas.*
- *Provide access to information, dialog for geographically dispersed groups with common interests*

Some Lessons Learned-3

➤ Sustainability “requirements”

- *Relatively dense population in service area*
- *Existing SME and/or NGO base in service area*
- *Strong link between supply (e.g., risk capital, equipment providers) and demand-side (e.g., local communities, SMEs)*

➤ *Sustainability “requirements” (cont’d)*

- *Appropriate project scale*
- *Community ownership and control, with operators taking appropriate financial risks*
- *Outside investment, support*

➤ *Sustainability “requirements” (cont’d)*

- *High quality, committed staff*
- *Gender – or other – neutral location?*
- *Broad range of services responsive to community demand*
- *Demand-driven (reflected by willingness to pay)*

❖ *Generating Local Demand*

- *Community education, marketing*
- *Content creation – get community input and support during planning, implementation*
- *Community groups, NGOs key players, especially in remote, rural areas*
- *Local champions most effective in catalyzing community interest*

Some Value-Added Services

*Training in using
information technology*

*Internet and e-mail access,
services*

*Administrative support
services*

*Bookkeeping and
accountancy services*

Fax & photocopying

Translation

Computer programming

*Software support and
training*

*Video and audio
conferencing*

Data input services

Desktop publishing

Design services

*Equipment and facility
rental*

Key Lessons on Private Sector Participation

➤ *Opportunities – Risk Capital Providers*

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|--|--|
| <ul style="list-style-type: none">• <i>Commercial banks</i>• <i>Microfinance institutions</i>• <i>Private donors</i> | <ul style="list-style-type: none">• <i>Info Service Providers</i>• <i>Telecom operators</i>• <i>Others</i> |
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- *Start-up funding, operating and promotional costs*
- *Donate or fund construction of facility*
- *Offer favorable rates for service, access*
- *Sponsor pilot projects*

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The Private Sector



➤ *Opportunities – Equipment, Content Suppliers*

- *Offer financing, equipment, service and content at favorable rates*
- *Develop commercial applications for technologies and tools, e.g. to facilitate use of Internet*
- *Develop and market locally-defined applications, content, value added-services and networks*

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The Private Sector



- *Opportunities – Equipment, Content Suppliers (cont'd)*
- *Develop, adapt, manage training programs on computer usage, web site creation and information packaging*
- *Provide locally-tailored business planning and marketing tools to support sustainability*

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The Private Sector



➤ *Focus: Information Services Providers*

- *ISPs can create telecentres themselves, as long-term business strategy*
- *Look at areas with potential but little current access (e.g. rural areas)*
- *Commercial ISPs can provide reduced rates to telecentres*

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The Private Sector



➤ *Focus: Telecom Operators*

- *Increased revenue from telecentres (new monthly access charges, increased local and international calling)*
- *Can invest/partner in creating telecentres*
- *Can offer favorable rates, interconnection and access arrangements to increase traffic*

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The Private Sector



➤ *Focus: Local SMEs*

- *Can set up telecentres and/or offer credit*
- *Provide locally appropriate equipment more quickly than public sector agencies Can offer credit*
- *Utilize in planning, equipment provision, maintenance – often avoids delay, high transaction costs*

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Parameters



➤ *Four parameters to evaluate potential for sustainability, private sector investment*

Legal and regulatory environments

Institutional arrangements

Basic implementation considerations

Funding, cost recovery strategies

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Parameter 1



Legal and regulatory environments

- *National priorities v. underserved area needs*
- *Ease of connectivity*
- *Standards, certification requirements*
- *Exclusivity periods?*
- *High import tariffs/duties on equipment?*
- *Inhibiting tax provisions?*
- *Is private sector a partner or opponent?*

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Parameter 2



Institutional arrangements (ownership)

- *Outside donor? Government agency? NGO? Cooperative? Franchise? Individual ownership?*
- *Influence degree of management autonomy – consequently, of sustainability and level of private investment*
- *Ideal: Blend of external investment with local ownership and management*

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Parameter 3



Basic implementation considerations

- *Identify telecentre objectives to ensure community needs are key*
- *Monitor costs, technology trends, get user feedback to ensure needs are being met*
- *Evaluation – no common methodology yet which allows for cross-country comparisons.*
- *NTCA report proposes comprehensive impact assessment methodology*

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Parameter 4



Funding, cost recovery strategies

- *Start up financing –*
 - *Social investment by government, donors*
 - *Equity from community*
 - *Outside investment from individual entrepreneurs, private sector investment*

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Parameter 4



Funding, cost recovery strategies (cont'd)

2. *Start-up costs: depend on type of telecentre*
 - o *Facilities and equipment (lines, phones, computers, building, furniture, software etc.), backup systems (generators)*
 - o *Licenses, legal/administrative fees*
 - o *Labor costs, training materials and more*

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Parameter 4



Funding, cost recovery strategies (cont'd)

3. Operating costs

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|---|--|
| <ul style="list-style-type: none">• Staffing• Office rentals• Loan repayments• Insurance, security• Access fees to telecom provider and ISPs• Upgrades & maintenance | <ul style="list-style-type: none">• Office supplies• Outreach & promotion• Utilities• Marketing• Research & development• Staff training• Other |
|---|--|

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Parameter 4



Funding, cost recovery strategies (cont'd)

Usually, gov't/donor support stops in 1 – 3 years

4. Operating revenues

- o Government grants, service contracts*
- o Other clients: NGOs, SMEs, entrepreneurs, students etc*
- o Telephone and internet access*
- o Training courses*
- o Business support services*
- o Voice, e-mail accounts*
- o Photocopying, fax services...and more*

➤ *Obstacles to Private Sector Investment*

- *Lack of telecom infrastructure*
- *Telecom regime/regulations that lack transparency, are not market-oriented*
- *Incumbent operators fear competition – resist partnering, cooperating, interconnecting*

➤ *Obstacles to Private Sector Investment
(cont'd)*

- *Small scale of projects*
- *Rural areas perceived as unprofitable*
- *Low income/small scale borrowers seen as high risk, low reward*

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- *Promoting private sector participation*
 - *Regulatory barriers to new entry should be eliminated or at least minimized*
 - *Effective financial incentives should be offered (e.g., reduced tariffs, duties; preferential taxes; contract preferences for selected firms)*
 - *Governments should subsidize telecentres, where feasible, via universal service funds etc.*

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- *Promoting private sector participation, (cont'd)*
 - *Encourage maximum coverage to marginalized areas via universal service requirements, roll-out standards, etc.*
 - *Encourage private-public solutions by facilitating productive linkages, collaboration*
 - *Not to be forgotten: Educate the private sector about telecentre potential.*

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