

Micro Credit Mechanisms: Case of the villagePhone Model in Uganda

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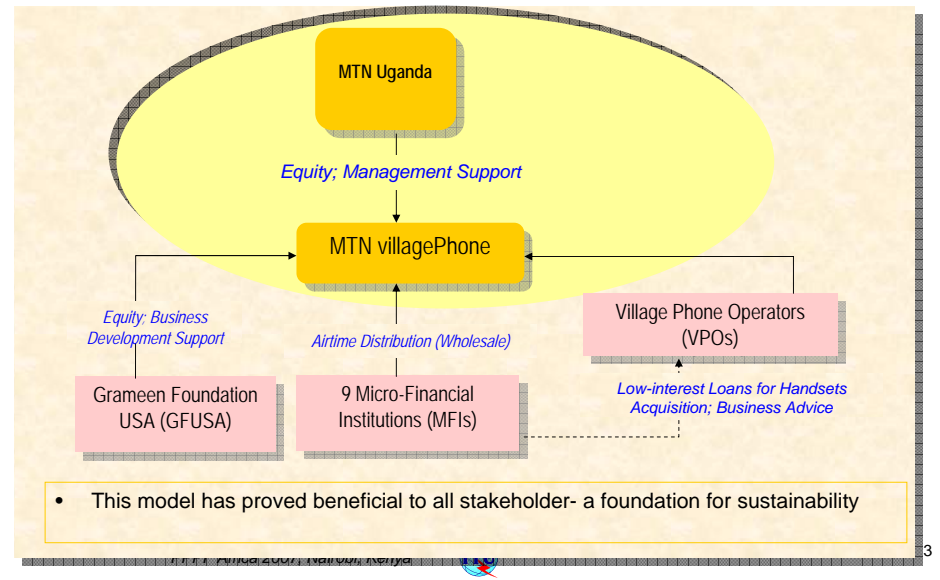


Introduction



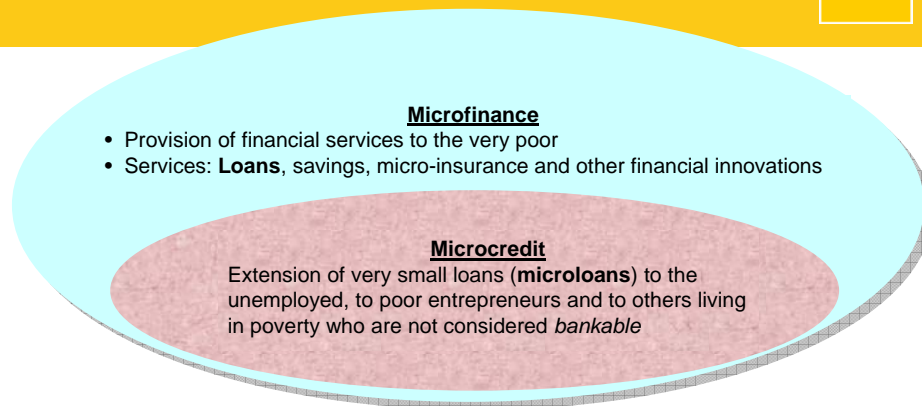
- The past decade or so has seen rapid growth in the availability and use of telecommunications and ICT services in Africa and the world over
- Challenge remains for access and affordability for the rural and urban poor
 - ⇒ Digital divide reducing but remains an issue today for many in the developing world
- Policy and regulatory attempted to address this challenge
 - ⇒ Universal and public access license obligations have been the norm in Africa
- Obligations however remain costs and a burden with challenges for sustainability of infrastructure and services
- MTN Uganda considered this matter and sought long-term solutions learning from experience from other markets
 - ⇒ A business development approach taken in partnership with Grameen Foundation of the United States
- Microfinance and Microcredit approaches to establishing a sustainable franchisee network gave birth to MTN villagePhone
- This presentation gives MTN's experience in Uganda in regard to this Village Phone network

MTN Uganda villagePhone- Business Model and Partners



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Microcredit Key Component of Microfinance



- MTN villagePhone Experience:
 - Has illustrated the fact that Microcredits are an opportunity for the poor:
 - To engage in self-employment projects that allow them to generate an income
 - In many cases act as a foundation for building wealth and exit poverty
 - Microcredit loans have been a key foundation of the rollout of MTN villagePhone operations in Uganda



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Key Goals and Features of the MTN Village Phone Model



GOALS

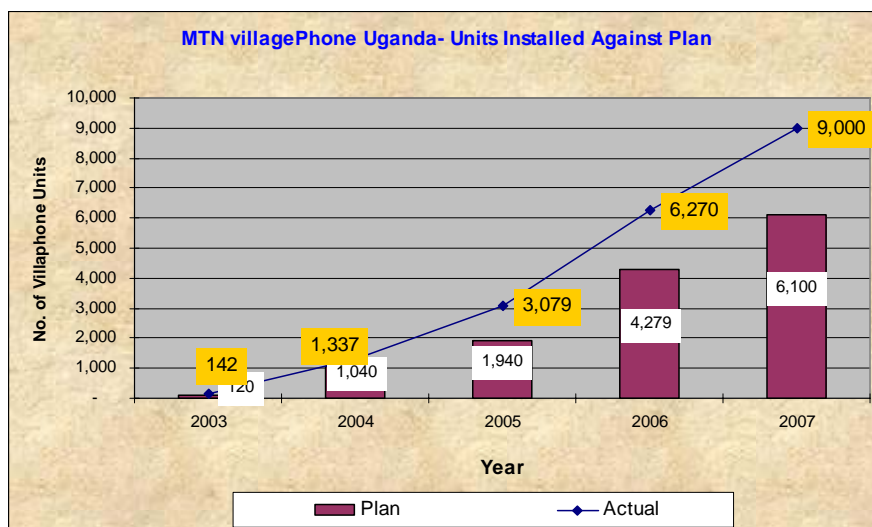
- Developmental, Corporate Social Responsibility (CSR) and commercial objectives
 - ↳ Provide the rural communities with **affordable and accessible communications services.**
 - ↳ Poverty reduction through **sustainable business practices**
 - ↳ Establish a general **replication model** for the Village Phone program
 - ↳ Grameen Foundation Partners: **Disseminate this learning** to the commercial telecommunications sector and the worldwide development communities so as to establish a global Village Phone movement.

FEATURES

- Pre-paid model
- Multiple microfinance institutions as partners
- 6-12 month loan products
- 2km radius between phones
- Charge for outgoing calls only (Calling Party Pays)
- Simplified tariff structure
- Public payphone competition
- Extensive use of GPS



Phenomenal Success and Growth- Beyond Initial Expectations



Everyone Wins



- Local communities
 - ⇒ Affordable telecommunications for rural poor
 - ⇒ Village Phone Operators will be able to offer fair fixed rates to their community
- VillagePhone Operators
 - ⇒ Healthy retail margin for Operators
 - ⇒ Net monthly revenue potential in excess of \$31
- MTN-Uganda and VillagePhone
 - ⇒ Discounted airtime rates – but higher call volumes
 - ⇒ Public access requirements
 - ⇒ Social responsibility
 - ⇒ Covers costs to sustain and extend operations
- Microfinance Institutions
 - ⇒ MFIs earn % on sale of pre-paid airtime cards
 - ⇒ Optional incentive scheme for MFI loan officers (% of airtime sale)
 - ⇒ Microcredit business
 - Viable businesses generate loan income

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MTN villagePhone Microcredit Package



• Village Phone Operators receive a business pack and related services:

- ⇒ Mobile phone
- ⇒ Antenna
- ⇒ Solar panel/battery
- ⇒ Cables
- ⇒ Airtime cards
- ⇒ Signage & business cards
- ⇒ Manuals & training



Brought to you by:	
MTN	400/=
UTL	450/=
Mango	450/=
CelTel	600/=
East Africa	1200/=
International from	3000/=



Hello!

The VillagePhone is here, how you can stay in touch with family and friends around the world. Or earn on business. Just call people to contact you on this number and we'll deliver messages to you for a fee.

Operator:

Address:

VillagePhone Number:

TARIFFS

Call to:

MTN	400
UTL	450
Mango	450
CelTel	600
East Africa	1200
International from	3000



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Key Lessons Learned



- Strong high-level organizational relationships are vital
 - ⇒ Shared goals; Long-term commitment
 - ⇒ All parties having a stake in the project
 - ⇒ Sensitivity to MFI environment
- Program structured to work at all levels
 - ⇒ Win-win-win; No subsidies
 - ⇒ Each partner works their core competency
- Selection of Village Phone Operators
 - ⇒ Rural
 - ⇒ MFI plays the key role
 - ⇒ 2km away from other operators/public phones
- Design of microcredit product
 - ⇒ Consistent with usual MFI practices and methodology
- Entrepreneur Skills and Discipline - Training
 - ⇒ Local marketing
 - ⇒ Micro-business financial management
 - ⇒ Reliability of the business (always there)
- Model replicated at MTN Rwanda
- Model used to rollout a public access component of a Universal Access Project funded from a UCC (regulator) managed fund
- More details of the value of this initiatives and lessons learned annexed to this presentation



Conclusion



- MTN villagePhone project in Uganda is now a fully entrenched profitable and self-sustaining business
- Built on the foundation of Microcredit and synergies of different partners including shareholders, MFIs and Village Phone Operators
- 5,000 Units expected planned by 2008, but 9,000 will be realised by the end of the year
- MTN has found the use of Microcredit and MFIs an important component and pillar of the Village Phone Model
 - ⇒ Minimising financing risks by providing a Sustainable Financing and Entrepreneurial Infrastructure
 - ⇒ Providing a sustainable retail and distribution Inetwork for Public Access
 - ⇒ Bridging both the *Market Efficiency* and *Access Gaps*
- *"If we are looking for one single action which will enable the poor to overcome their poverty, I would focus on credit"*
- Grameen Bank's founder, Dr. Muhammad Yunus

"If we are looking for one single action which will enable the poor to overcome their poverty, I would focus on credit" - Dr. Muhammad Yunus



Thank You

Questions



Annex: MTN Uganda: Motivations and Achievements (1)



Area	Key Goals and Features
Goals	<ul style="list-style-type: none"> ▪ Developmental and Corporate Social Responsibility goals as well as with commercial objectives <ul style="list-style-type: none"> ⇒ Provide the rural communities with affordable and accessible communications services. ⇒ Poverty reduction through sustainable business practices ⇒ Establish a general replication model for the Village Phone program ⇒ Grameen Foundation Partners: Disseminate this learning to the commercial telecommunications sector and the worldwide development communities so as to establish a global Village Phone movement.
Rationale	<ul style="list-style-type: none"> ▪ Access to rural markets in a cost-effective manner
Business and Distribution Model	<ul style="list-style-type: none"> ▪ Tap local and global competences and experiences: Successful Replication of Grameen Model in Uganda with MTN and Nine MFI partners <ul style="list-style-type: none"> ⇒ Ownership of terminal units upfront ▪ Pre-paid model ▪ Multiple microfinance institutions as partners ▪ 3 - 6 month loan products ▪ Charge for outgoing calls only ▪ Simplified tariff structure



Annex: MTN Uganda: Motivations and Achievements (2)



Area	MTN villagePhone
Target Market Segment	<ul style="list-style-type: none"> ▪Countrywide, predominantly rural
Ownership Model	<ul style="list-style-type: none"> ▪50% Affiliate; Clear exit path for Partner (Grameen Foundation of USA)
Synergies and Innovations	<ul style="list-style-type: none"> ▪Derived from Joint Venture partners' backgrounds and competences ▪Benefits from MTN Uganda core competencies e.g marketing ▪Utilisation of Microfinance Institutions' local knowledge and Networks
Abode	<ul style="list-style-type: none"> ▪ Fixed Areas of operations, but use of mobile (GSM) handsets permits mobility <ul style="list-style-type: none"> ⇒ Permits serving temporary congregations such as weekly markets
Innovative Uses	<ul style="list-style-type: none"> ▪Call friends and family ▪Radio call-in shows ▪Business collaboration ▪Commodity pricing information ▪Emergency calls ▪Model used to rollout a public access component of a Universal Access Project funded from a UCC (regulator) managed fund

