

Emerging lessons & new approaches for telecentres & policy recommendations

08 July 2002

TRASA, ITU & CTO Universal Access & Rural Connectivity Regional Workshop, Dar Es Salaam



Sonja Oestmann

Ó Intelcon Research & Consultancy Ltd.
Vancouver, Canada

Why talk about telecentres?

- ☞ Best and maybe only model to provide universal access to ICT for lower income countries, rural population
- ☞ However, despite all the talk, has not been very successful in most countries in regards to:
 - ↓ large scale roll-out, reaching beyond cities, sustainable model
- ☞ Telecentre concepts therefore need a rethink & a new, much more private sector oriented approach

Overview of Presentation

- ⇒ Telecentre's current dilemma
- ⌚ Key issues of telecentres
- ⌚ Policy recommendations for telecentre development

Current telecentre dilemma

PCO/ Phonestop & Internet kiosk:

- ☞ Commercial & viable
- ☞ Rapid spread
- ☞ Generally 'bottom-up' model, but
- ☞ Limited either by service or location
- ☞ Some have been initiated by US or UA obligations

Telecentre/ MCT:

- ☞ Donor dependent & struggle to be self-sustaining
- ☞ Few only
- ☞ Broader range of services
- ☞ Targeted more to rural areas
- ☞ Managed by CBOs/NGOs
- ☞ Little chance of becoming large-scale replicable model

Challenge - Bridging the gap

Commercially viable
but limited services
and limited reach

Internet kiosk
(urban)

PCO

New, alternative
approaches

High-cost and not
sustainable but
aimed at Internet
access & services
for rural population

Demo projects only,
not models for large
scale replication

Rural MCT/
Telecentres



Rural challenges

- ➡ Lack of infrastructure: power, transport, telecom
- ➡ Distance to maintenance & repair services
- ➡ Smaller market size (educated youth)
- ➡ Lower affordability
- ➡ Lower (PC) literacy
- ➡ Lower awareness of opportunities and benefits

Overview of key issues for telecentres

- ☞ Sustainability
 - ↓ Size of telecentres
 - ↓ Ownership & Operation: Commercial, NGO or community?
- ☞ Developmental role
- ☞ Demand and specific measures for up-take
- ☞ Business planning
- ☞ National networks & Partnerships
- ☞ Role for government & policy design

Sustainability

☞ Definition:

- ↴ Full financial viability: recovers capital investment, operational expense, capable of replacing equipment (depreciation) within 3 years
- ↴ Only covering operational expenses but not initial and future capital investment in equipment is not really sustainable

☞ Biggest problem so far

- ☞ Majority stays dependent on donor or other outside funding or shuts down
- ☞ Little experience with supporting commercially based telecentres



Size of telecentres: Small is beautiful

- ➡ The majority of telecentres will struggle to survive because they are too big and expensive
- ➡ Keep It Small & Simple (KISS)
- ➡ Early Multi-Purpose-Telecentres (MCTs) driven by big dreams, not by sustainable local demand
- ➡ Useful as pilots, incubator and experiment, but not model for large-scale roll-out
- ➡ START SMALL & modular and STEP UP if required
- ➡ Allows lower investment and running expenses
- ➡ Best proof is the success of PCOs and cybercafes



Ownership & Operation : Commercial, NGO or community?

- ➡ *Commercial* is successful, but has limits: does not reach far into rural areas, has often not capacity to develop new market
- ➡ *NGO*: not proven to be sustainable, special interest groups, dependency, but stronger focus on social and development impact
- ➡ *Community* based: failed in South Africa, complex to organise responsibility, capacity problems

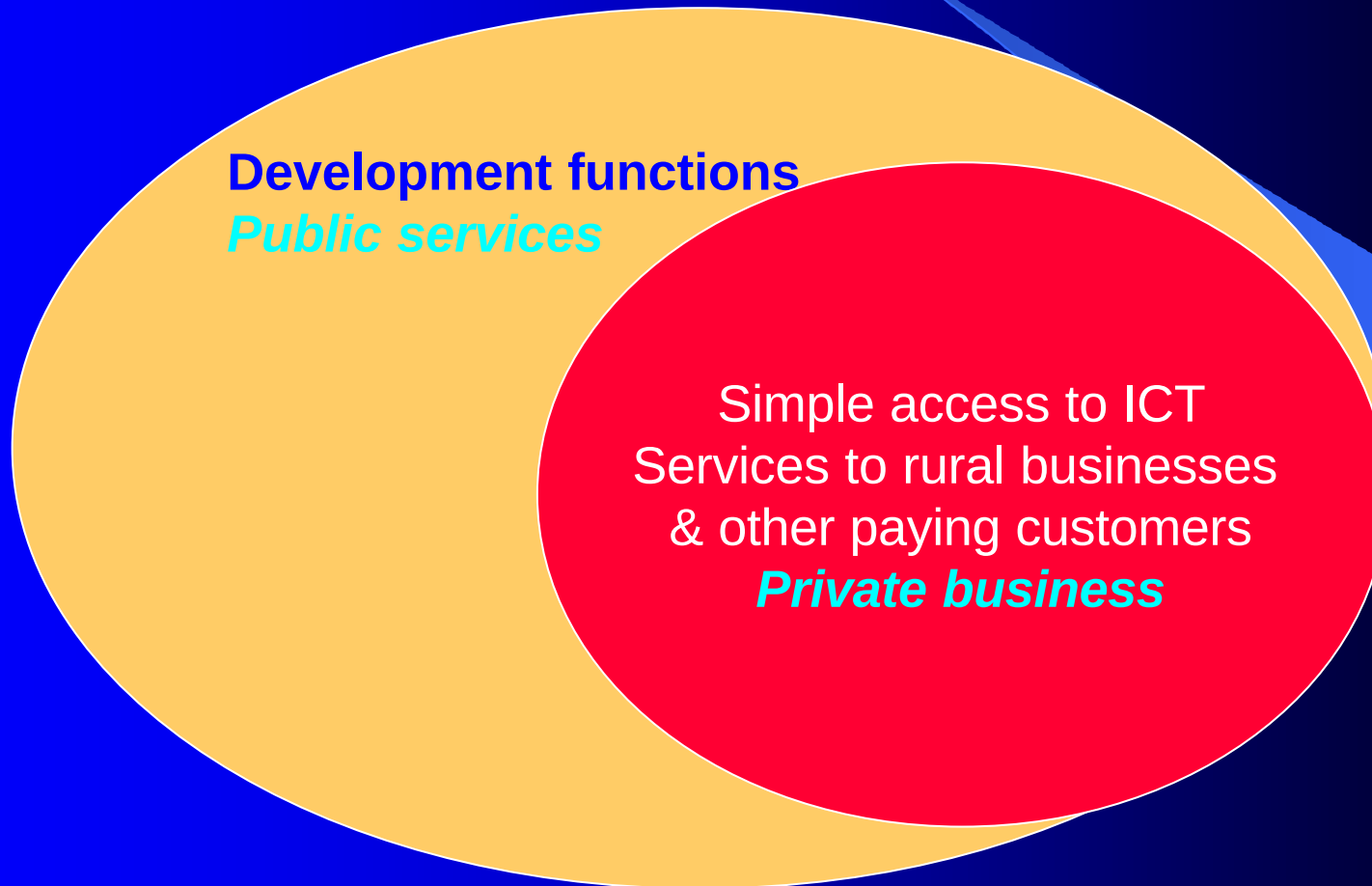
Operation: Commercial, NGO or community?

- ☞ Should be run on a commercial basis by local entrepreneurs and other service providers
- ☞ Key reasons are:
 - ↓ Focused on viability: Has to be successful to survive
 - ↓ Market will force them to perform well and provide valuable services to community (like lib. of telecom sector)
- ☞ However, it requires government involvement and good policy to assist telecentres
 - ↓ to best serve their community
 - ↓ to have a greater developmental impact

Developmental role

- ☞ Telecentres are crucial as facilitators of information access and communication, but
- ☞ By overloading telecentres with *too many* developmental expectations, smaller more practical steps are not sufficiently encouraged
- ☞ Telecentres are only one part of the development puzzle with other economic and social policies such as education, health, local government and democracy, trade and industry

Two spheres of telecentres



Implications of two spheres

- ☞ Allows us to analyze and address these two spheres separately
- ☞ Two types of potential paying users:
 - ↓ 1) Rural community
 - ↓ 2) Government for public service provision or development organisations for development functions
- ☞ In small rural places telecentre needs both revenue streams to be sustainable

Potential Demand: Government & development agencies as telecentre *users*

- ☞ Could be part of cost-saving exercise for gov. departments - outsourcing certain functions to telecentres
- ☞ Focus on online resources & e-government
 - ↓ Agricultural help-line or call centre
 - ↓ Use telecentres to disseminate latest teaching material to teachers in rural areas
 - ↓ Rural health *practitioners* get access through telecentres to health material
 - ↓ Development agencies sponsor first user ICT training conducted by the telecentre to raise initial awareness
 - ↓ Telecentres provide access to certain government information and forms, to be paid for



Current Demand for telecentre services

- ➡ Strongest demand is still for more basic telecom services in many African countries
 - ↓ phone calls, faxing, photocopying, printing, typing and book keeping
- ➡ Increasing demand for PC training and IT training
- ➡ Internet usage and net-based services are building up more slowly, but are based on *practical* info needs and applications
- ➡ **MARKET NEEDS MAJOR DEVELOPMENT EFFORT**



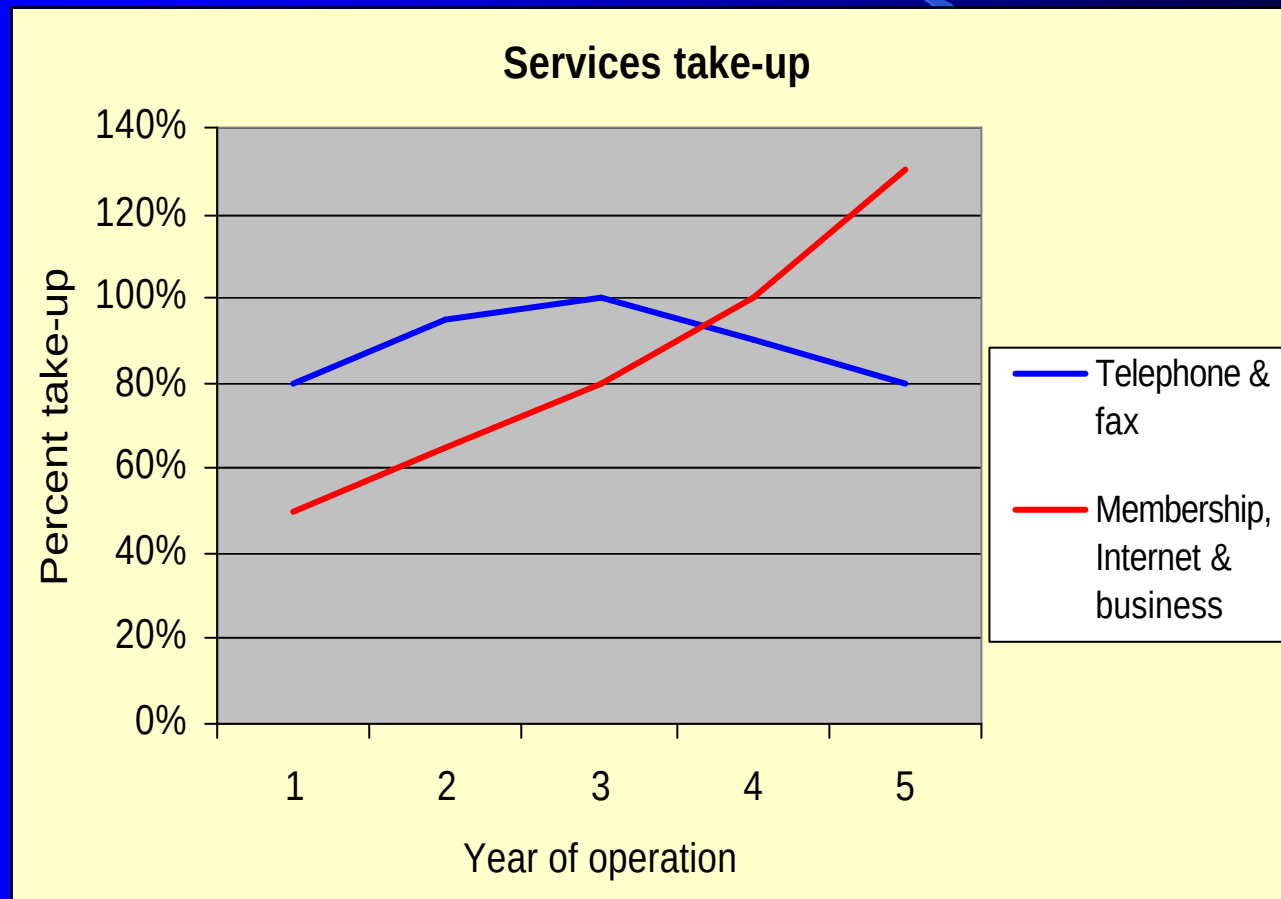
Key reasons for slow Internet build-up

- ➡ **Illiteracy in general**
- ➡ **Computer illiteracy in particular**
- ➡ **Language barriers: web is English dominated**
- ➡ **Lack of interesting local content**
- ➡ **Lack of awareness of benefits and usage culture**
- ➡ **High costs (e.g. long-distance calls to nearest POP)**
- ➡ **Poor quality of dial-up Internet connections, slow speed**



Service take-up assumptions

Demand driven, builds up over time - first phone then Internet



Business planning - biggest mistakes & obstacles

- ☞ Not planning for depreciation of equipment
- ☞ Not accounting for slow service take-up
- ☞ Not expecting competition (The most viable telecentre in South Africa has a monopoly)
- ☞ High cost of repair & maintenance in remoter settings
- ☞ Power, security and technical problems
- ☞ Better to start as adjacent business instead of stand-alone

Franchises and networks

- ➡ E.g. nation-wide telecom operator or ISP who manages network of local entrepreneurs
- ➡ Perceived to have benefits
 - ↓ Bulk-purchase, operational and set-up standard, best practice sharing, joint development of services, support from national telecentre management
- ➡ But some have failed
 - ↓ Africa Online's e-touch, Peru's RCP
- ➡ It appears that telecentres could benefit from franchise organisation and business discipline, but nobody has found good business model yet in this early stage of the market



Policy options for telecentre development

- ☞ Should Universal Access/Rural Telecom Development funds subsidise telecentres?
- ☞ Chile, Peru and Colombia's funds already provide special finance for telecentres
- ☞ Yes, BUT ONLY AFTER ALL OTHER MEASURES TO SUPPORT TELECENTRE DEVELOPMENT HAVE BEEN TAKEN

Policy options for telecentre development

- ☆ **Removing any barriers** for telecentre market, such as telecom sector reform generally and in particular nation-wide local call tariffs for Internet dial-up, access to (international) bandwidth, promoting national IXP exchanges, liberalisation of satellite services, allowing VoIP at least for rural areas, enabling electronic commerce and e-finance regulation, expansion of infrastructure through rural telecom development funds etc.
- ⌚ **Develop public services online** (e-government, tele-health, tele-education etc.) to stimulate demand in telecentres; Use telecentres for other outreach programs and pay them
- ⌚ **Internet infrastructure first**, e.g. small subsidies to establish Points of Presence (POPs) in every rural district, as planned by the Ugandan fund;

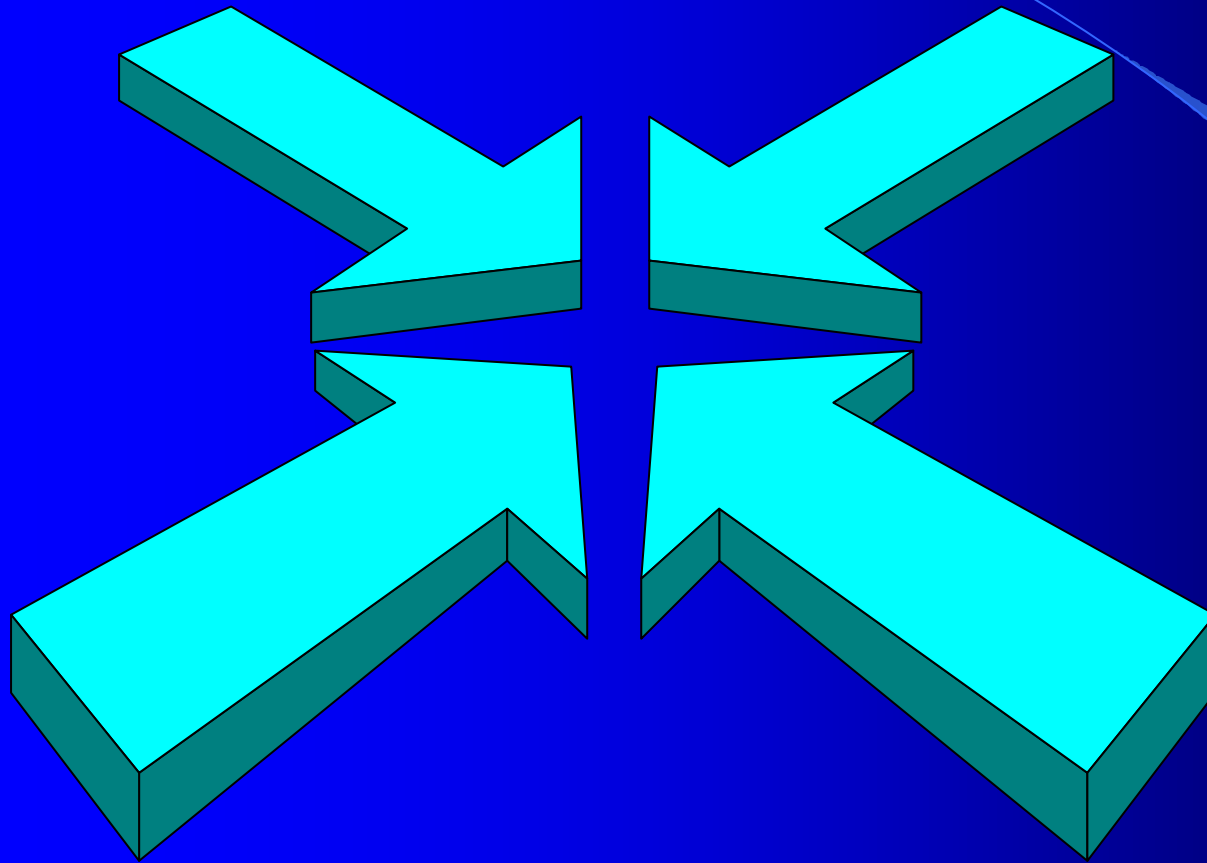


Policy options for telecentre development

- ⌚ **Promotion and awareness creation** of telecentres through local workshops and training opportunities addressed to potential telecentre owners
- ⌚ **Develop assistance** e.g. national help-desk for telecentres which can be taken over by telecentre association later
- ⌚ **Develop partnerships, guidelines and requirements** that improve the prospects that commercially run telecentres can assist rural and low-income communities
- ⌚ **Support telecentre start-ups** through “smart subsidies” in difficult areas
 - ↓ Following the successful practice of rural telephony funds of competitive bidding of licence regions for larger players
 - ↓ Open to all (incl. NGOs and communities) by application if they can prove to be self-sustainable (CAP model) by individual location



Thank you



Q & A
Discussion





intelecon

opening telecommunications opportunities

Contact:

soestmann@inteleconresearch.com

Visit us at

www.inteleconresearch.com