

# *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**

© 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

- ① Telecentre's current dilemma
- ② Key issues of telecentres
- ③ Policy recommendations for telecentre development

# Current telecentre dilemma

## PCO /Phoneshop & Internetkiosk:

- ◆ 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:

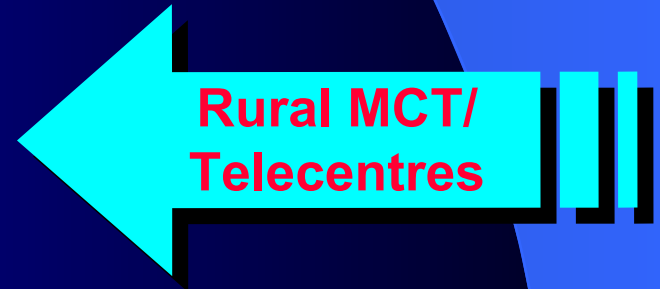
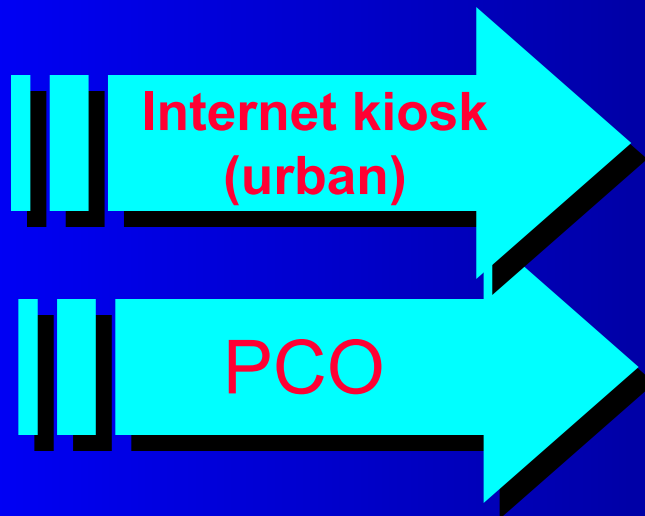
- ◆ Donor dependent & struggle to be self-sustaining
- ◆ Few only
- ◆ Broader range of services
- ◆ Targeted more to rural areas
- ◆ Managed by CBOs/NGOs
- ◆ Little chance of becoming large-scale replicable model

# Challenge - Bridging the gap

Commercially viable  
but limited services  
and limited reach

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

Demo projects only,  
not models for large  
scale replication



# 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

**Development functions**  
*Public services*

Simple access to ICT  
Services to rural businesses  
& other paying customers  
*Private business*

# 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

- ❶ **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.
- ❷ **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
- ❸ **Internet infrastructure first**, e.g. small subsidies to establish Points of Presence (POPs) in every rural district, as planned by the Ugandan fund;

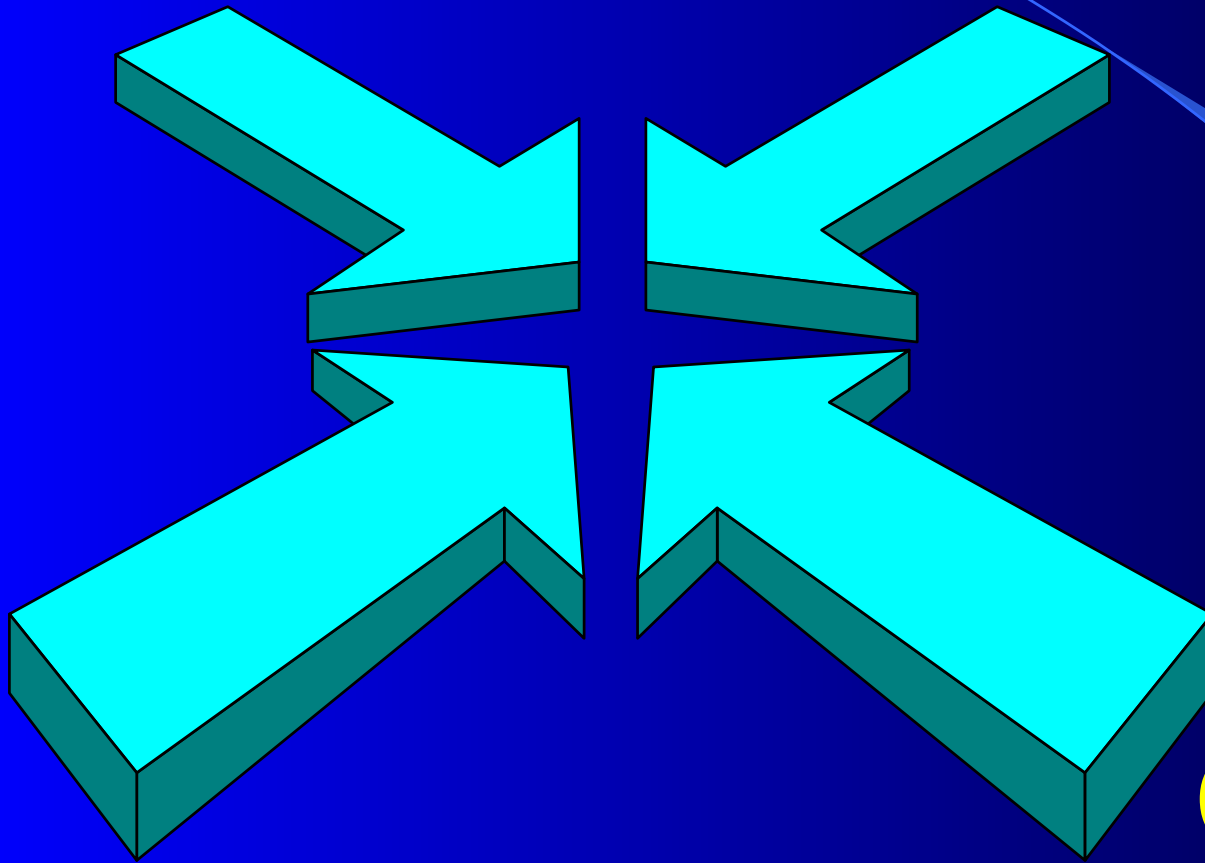


# Policy options for telecentre development

- ④ **Promotion and awareness creation** of telecentres through local workshops and training opportunities addressed to potential telecentre owners
- ⑤ **Develop assistance** e.g. national help-desk for telecentres which can be taken over by telecentre association later
- ⑥ **Develop partnerships, guidelines and requirements** that improve the prospects that commercially run telecentres can assist rural and low-income communities
- ⑦ **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](mailto:soestmann@inteleconresearch.com)

*Visit us at*

[www.inteleconresearch.com](http://www.inteleconresearch.com)