How to scale up sustainable telecenters?

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So Many Failures in the Past: Learning from Lessons

- Bottom-up approach is better than top-down
  - Involve target community from the designing phase
  - awareness raising, community support,
- Local contents and relevant service availability is crucial
  - participatory demand survey
- Private Operators better perform financially
- Diversity of Business Models essential

# Differences between pilots and scaling-up?

Pilot Program

- Individual Project Design is essential
- Donor and Line-Ministry can implement
- Testing development impact is essential
- Capacity Building can be done by foreign consultants
- Financing usually rely on donor grants

Scaling up

- National Strategy is essential
- Broad Stakeholders' Support is essential
- Sustainability is essential
- Domestic Capacity Building mechanism should be established
- Transparent financial mechanism is essential

Five Players for Telecenters

Vision, Strategy and Rules

Government
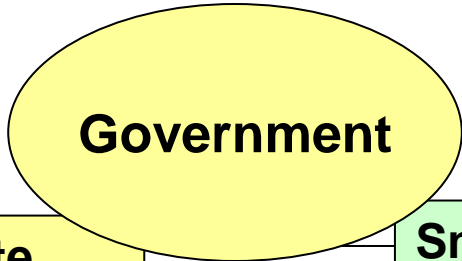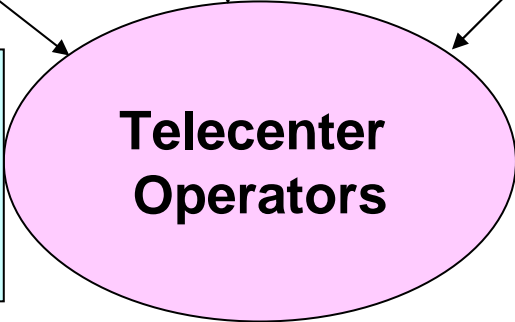
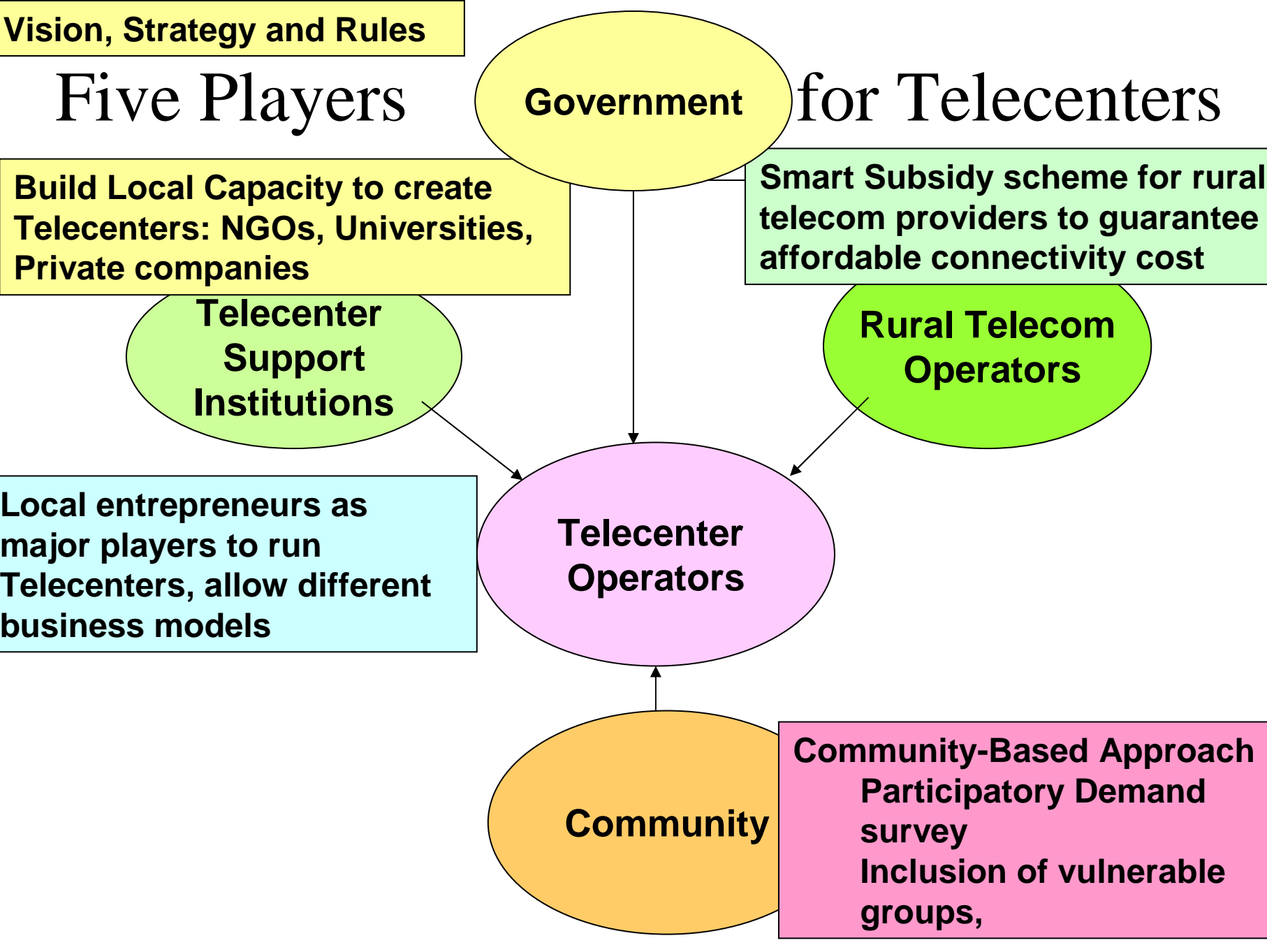**Build Local Capacity to create Telecenters: NGOs, Universities, Private companies**

Smart Subsidy scheme for rural telecom providers to guarantee affordable connectivity cost

Telecenter Support Institutions

Rural Telecom Operators

Local entrepreneurs as major players to run Telecenters, allow different business models

Telecenter Operators

Community

Community-Based Approach Participatory Demand survey Inclusion of vulnerable groups,

Five Players for Scaling Up Telecenters

Government

telecenter Support institutions

Rural Telecom Operators

G1. Strategy
G2. Political Support
G3. Setting the Rule

S1. Define Business Model
S2. Capacity Building
S3. Management Support
& Content Development

Telecenter Operators

R1. Universal Access Polic
R2. Selection of Locations
R3. Smart Subsidy Auction

T1. Selection of Operators
T2. Participatory Demand Survey
T3. Business Plan

C1. Awareness for Telecenter
C2. Participatory Demand Surve
C3. Community Support

Community

I. Role of the Government

- G1. Vision, and, Strategy
- G2. Securing Political Support
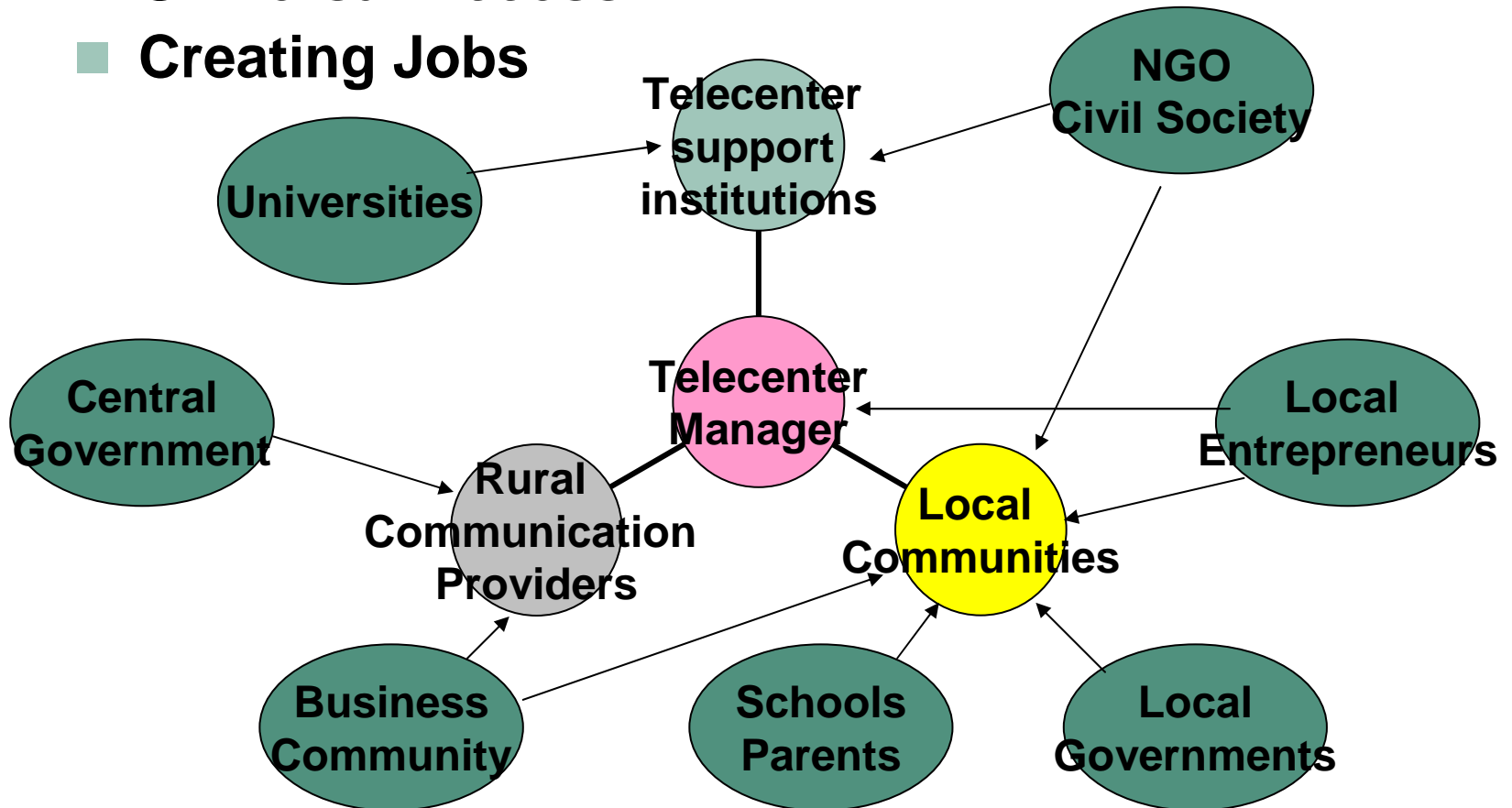- G3. Setting the Rules and Criteria

G1. Setting National ICT Strategy

- Telecenter cannot work without a comprehensive strategy to address: Fragmented approach fails
- Telecenters' should be positioned in national poverty reduction strategy
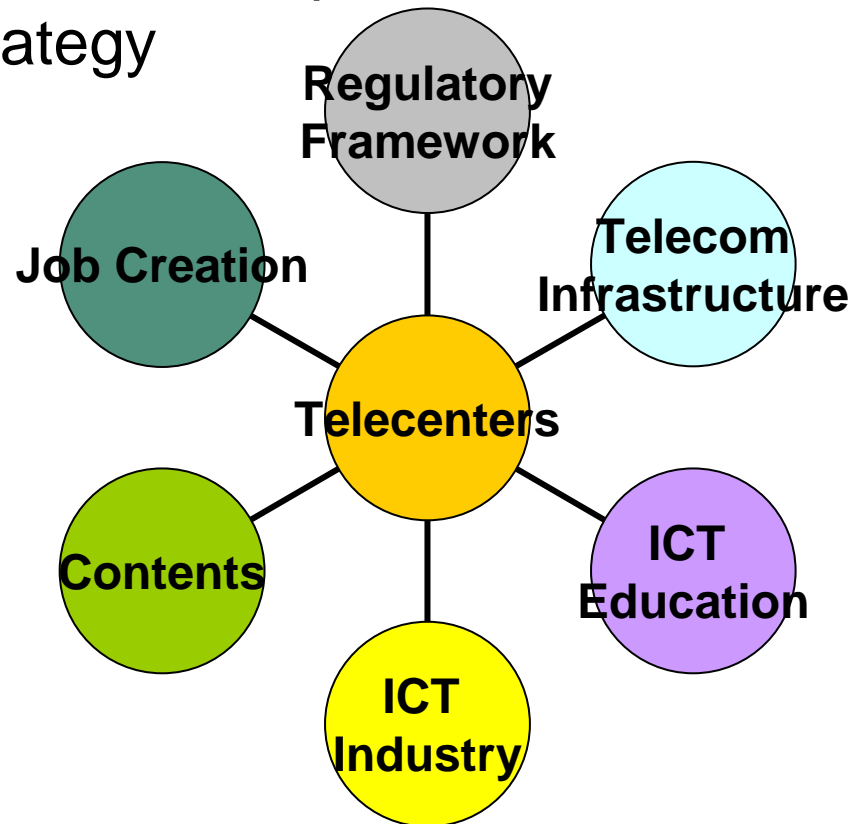
G2. Securing a Political Support

- **Involve diversified players and Communities**
- **Universal Access**
- **Creating Jobs**

G3. Setting Rules & Criteria (1)

- Financial Sustainability
  - Many telecenters failed when grants are terminated
  - Operational expenses should be covered by operational revenue
- Technical Sustainability
  - Maintenance of PCs and network connections
- Requirement to provide Basic Services
  - E-government, ICT training
- Define what are the government contributions
  - One-time subsidy, training voucher, low-cost connection, E-Government service fee, etc.

G3. Setting Rules & Criteria (2)

- Rules should be Technology Neutral
  - Optimal technology depends crucially on the proximity to the backbone and population density
  - Relative advantage of cellular technologies and Wi-Fi technologies depends on the population density, purpose of use
- Rules should allow different business models
  - Private entrepreneur model performs better financially
  - School-based Telecenters also performs well
  - NGO, Civic organization Model may have better developmental impact

II. Rural Telecom Operators

<u>Why do we need Rural Telecom Operators?</u>

- Maximum connections with minimum subsidy

- Using private sector efficiency

- Select the best technologies mix

- Achieve economies of scale

- Different skills between telecenter operators and rural telecom operators

R1. Universal Access Policy

- **What is Universal Access Fund?**
  - Government establishes a Fund through imposing a levy on all telecom operators certain percentage of:
    - Telephone revenue
    - Spectrum License Fee
  - The Fund is used to provide subsidy for "rural telecom providers" who commit to provide defined level of service to certain un-served areas.
  - UAF may also provide a systematic funding mechanism for telecenters (eg. Uganda, South Africa)

R1. Universal Access Policy (2)

- What is Smart Subsidy Mechanism?
  - Define network expansion requirements - e.g. (i) network capacity (ii) performance criteria and (iii) locations
  - Run a transparent auction process for private operators to expand network
  - Qualify bidders technically and financially capable of expanding network
  - Provide subsidy to the qualified bidder that requires lowest subsidy

R1. Universal Access Policy (3)

- Which countries have introduced UAF?
  - Five Latin American Countries introduced UAF
    - Chile, Peru, Colombia, Guatemala and Dominican Republic
  - In Asia, Nepal, India and Sri Lanka is planning to use UAF
  - In Africa, Uganda introduced UAF and South Africa use this system to finance telecenters only
  - According to OECD, currently 60 countries have introduced or considering the introduction of UAF

R1. Universal Access Policy (4)

- **Advantages of UAF & Smart Subsidy**
  - Auctions usually provide a one-time investment subsidy for private operators (sustainability)
  - Well-run auction minimize the size of subsidy and need for government financing
  - Auctions are technology neutral and compliant with WTO rules for UA
  - Small subsidies can mobilize substantial private investment for UA

R2. Selection of Telecenter Locations

- Selection Criteria
  - Poverty & Social Indicators, focused on Youth Unemployment
  - Social and Political Needs
  - Community Buy-in
- Process
  - Identifying Social & Economic Criteria
  - Collecting Data
  - Preliminary Selection based on Social &Economic Data
  - Village Awareness Meetings
  - Reports from Villages (needs, & ownership)
  - Final Selection

R3. Smart Subsidy Auctions

- Economic & Social studies of un-served areas to identify priority and net-costs for connectivity
- Identify optimal size of areas to be covered by a license for telecenter operator and rural telecom provider;
- Combining several telecenter locations, economical and un-economical to create a balanced area for smart subsidy auction for rural telecom providers
- Determine service level (bandwidth), locations and performance requirements for the Rural Telecom provider

R3. Smart Subsidy Auctions (2)

- Issue Request for Pre-Qualification
- Evaluate applications to pre-qualify
- Issue Request for Proposal document to pre-qualified parties
- Conduct pre-bid meeting with pre-qualified parties
- Deadline for submission of proposals
- Evaluate proposals
- Option: Issue of Letter of Intent to the qualified bidder(s) with lowest subsidy bid;
- Winning bidder(s) comply with preconditions
- Execute Service Agreement and issue License

III. Telecenter Support Institutions

Why do we need Telecenter Support Institutions?

- Huge need for Awareness Raising and Capacity Building for Scaling-Up

- These tasks can only be conducted by domestic institutions

- Local Entrepreneurs are major players but they need technical and managerial assistance

- Telecenters need economy of scale (Franchising Function)

- Telecenters needs diversified skills and cultures

Roles of Telecenter Support Institutions

S1: Develop a Specific Sustainable Business Model for Telecenter,

- Develop Manuals, Toolkits for Telecenter Managers,
- Create Pilot Telecenters

S2: Implement Capacity Building Program

- Train Telecenter Facilitators
- Facilitate Awareness Raising Meetings for Villages (C1),
- Train Telecenter Operators

S3: Assist Telecenter Operators

- Managerial and technical support, training,
- Providing service contents

Selecting Telecenter Support Institutions

- Transparent Selection Process and Criteria:
  - Organizational capability and financial probity
  - Experience in successful entrepreneurship and/or in community development
  - Regional diversity, familiarity in regional culture and languages
  - Diversity in organizational type: Private, NGOs, Civic Organizations

- Examples of Institutions
  - Chamber of Commerce
  - University
  - Post Office
  - Civic Organizations:
  - Producers' Organization
  - NGOs
  - Private Sector

S1. Developing Toolkits and Manuals:

- Develop Common Guidelines for all FSIs
  - Manual for Community Stakeholder Meetings and Demand Survey
  - Organizational Guidelines
  - Financial Management and Reporting Form
- Manuals specific to each FSI, including
  - Business Plan Development Tool
  - Manuals for Equipments & Maintenance
  - Manuals for Telecenter Services

S2-1 Training the Facilitators

- Facilitators' Role:
  - Champions of Telecenter initiative,
  - To conduct village awareness raising meetings
  - Facilitating capacity building of Telecenter Operators, Telecenter staff and village leaders

- Training based on toolkits and case studies
  - Telecenter Support Institutions will select several facilitators to lead its capacity building program for telecenters
  - Facilitators need to communicate with villagers and potential operators on the role of telecenters, how to establish telecenters using toolkits

S2 & C1. Village Awareness Meetings

- Objectives:
  - Raise awareness for Telecenters by village people and local entrepreneurs (potential Telecenter operators)
  - Telecenter Support Institutions to better understand the needs of community members including the poor, women, minorities
- Organized by village leaders and led by facilitators
- Expected Outcome:
  - Identifying a group of village leaders who will support the telecenter initiative in the village
  - Identify specific needs of the community for the service of the telecenters
  - Identify a local entrepreneur who can apply for the telecenter operator

S2-3 Training the Telecenter Operators

- Objectives:
  - Provide Telecenter Operators a necessary skills to establish and run the telecenter
  - Training program covers management, financial, technical and social development aspects
- Methods
  - Using toolkits and manuals
  - Several TSIs may get together to have a joint training

S3. Management Support & Content Development

- **Management Support (Franchising)**
  - TSIs may enter into a service contract with Telecenter Support Institutions to provide a long-term managerial support service to them
  - The service contract is a voluntary basis and may take various forms:
    - Franchise agreement,
    - becoming a Subsidiary,
    - Service Agreement
- **Creating a Help Desk**

S3. Content/Service Development

- Telecenter Support Institutions will create contents and services for individual telecenters

- Encourage community members to create local language, locally relevant contents

- E-Government contents will be utilized free of charge by Telecenters to produce fee income

- Other service contents, identified by demand survey by majority of Telecenters should be developed by Telecenter Support Institutions

IV. Telecenter Operators

- **Role of Telecenter Operators**
  - Manage Telecenter as financially sustainable manner
  - Maintain certain service standard for Telecenter customers
  - Authority and obligation to delivery of certain e-government services
- **Who should be the Telecenter Operator?**
  - Organizational capability and financial probity
  - Experience in successful entrepreneurship and/or in community development
  - Allowing different types of organizational background: private, non-profit and civic organizations
  - But priority is to encourage private local entrepreneurs
  - Familiarity with regional culture and consciousness

T1. Selection of Telecenter Operators

- Selection Process:
  - Raise awareness through village awareness meetings
  - Seek proposals from potential operators
    - TSIs will assist local entrepreneurs to apply
  - Short listing by desk screening
  - Visit sites and interview applicants
  - Select operators for each location

T2 & C2. Participatory Demand Survey

- Objectives:
  - Identify demand for Telecenter services bottom-up
  - Create buy-in by village communities
  - Define village contribution to Telecenter
- Method:
  - In each District, Telecenter Operator and community leaders organize meetings with farmers, SMEs, schools, women, youth, the poor, minorities, etc.
- Outcome:
  - Detailed demand survey identifying the needs for various services, segmentation of target customers, how the services will be delivered, how to market each customer segments.

T3. Telecenter Business Plan

- Objectives:
  - Define services provided by Telecenter and estimate demand for each services
  - Estimate revenue and costs to create financial sustainable plan
  - Define human resources (management team, employees, Board members, partners) to ensure operational sustainability
  - Define monitoring and evaluation plan

T3. Telecenter Business Plan (2)

- Process:
  - Telecenter manager to develop a business plan
  - Telecenter Support Instutions to provide adequate support for the manager
  - Use a template and pro-forma financial model developed as a toolkit
- Approval:
  - If a government subsidy is involved, the Government Agency will check whether the financial and operational sustainability and minimum service level is secured in the business plan and, then, approve a grant to the Telecenter