Telecentre Sustainability
Financing ICTs for the poor

APDIP e-Note 15 / 2007

Inside

APDIP e-Notes present an analytical overview of specific issues related to information and communication technologies for sustainable human development in the Asia-Pacific region. APDIP e-Notes are developed by the United Nations Development Programme's Asia-Pacific Development Information Programme (UNDP-APDIP) based at the UNDP Regional Centre in Bangkok, Thailand. For more information, visit http://www.apdip.net or contact info@apdip.net

This APDIP e-Note is the second in a sub-series of accompanying e-Notes, dealing with telecentres. It examines models for financing telecentres to ensure sustainability. The first APDIP e-Note presents telecentres as a mature development mechanism, while the third focuses on free and open source software applications in telecentres.

Summary

Telecentre sustainability has plagued the telecentre movement. Misconceptions about telecentre financing threaten to postpone the achievement of international development goals in development sectors where Information and Communication Technologies (ICTs) have been seen to contribute to their achievement. Tried and tested financing mechanisms are available to foster the spread of telecentres that are able to generate revenues as well as those that require subsidies to survive; in much the same way that a wide range of other public services do, including basic telephony. As telecentres are emerging as the foremost means of using ICTs to deliver public services to large sections of the populations of developing countries, robust financing mechanisms will be needed to ensure that such services reach a wide audience.

What is a telecentre?

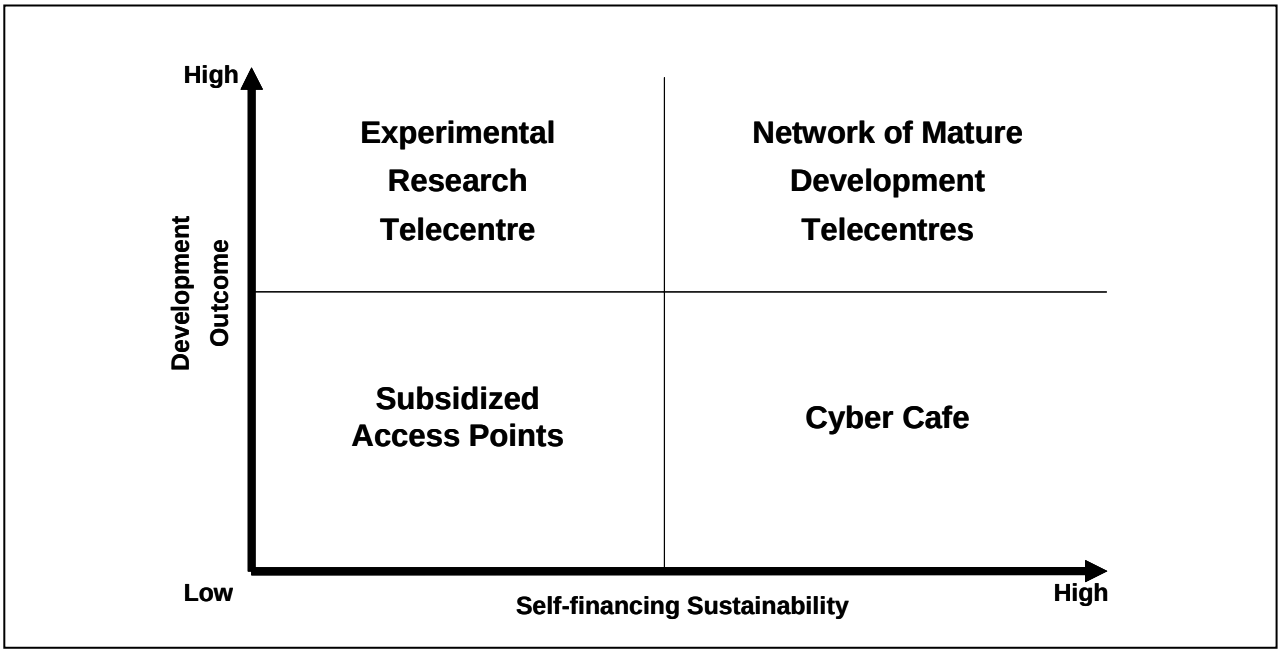
A telecentre is a community centre that offers shared access to ICTs for the purpose of community development and poverty reduction. Telecentres are being promoted as an answer to the problems of the digital divide, whereby large sections of society do not enjoy access to ICTs and are therefore at risk of being excluded from the socio-economic benefits that such access brings. Uncertainty about how to finance telecentres is hindering their spread and slowing down the delivery of the benefits that they are capable of delivering to even the poorest sections of society.

Who owns telecentres?

Telecentres are owned and operated by a variety of institutions, including; Non-Governmental Organizations (NGOs), Community-Based Organizations (CBOs), private individuals and companies, aid agencies, universities and research institutions, and governments. These institutions all share the goal of using ICTs to bring about socio-economic development. Telecentres are known by different terms such as, telecottages, community e-centres, multipurpose community telecentres, multimedia community centres, village information shops, info-kiosks and community or village knowledge centres. Telecentres are distinguished from cyber cafés by their development focus, as cyber cafés, which can bring development benefits and serve to acculturate the public towards ICTs, but exist only for profit, with little concern as to how their technology is used. Additionally, telecentres are increasingly operating in clusters and networks; co-operating with each other to leverage their resources. A hub-and-spoke model that allows for wide distribution of generic services but which at the same time is able to foster local variations, is a particularly effective arrangement.

What is telecentre sustainability?

Contemporary development discourse repeatedly refers to telecentre sustainability, mainly because many (but not all) of the early experiments with telecentres resulted in closure of the facility owing to lack of funding after the implementing organization withdrew. The impression arose that telecentres were a failure, even though they may have induced significant and desirable development outcomes. However, the early experiments suffered high infrastructure and connectivity costs, which have since fallen, and the research focus was more often concerned with the fundamental issue of the potential impact of the telecentre in terms of socio-economic development, as opposed to the wider aspects of financing and replication. Accordingly, there was little early drive from public and private bodies for investing in telecentres until the early research results became available. Against this background, sustainability became to mean the ability to generate sufficient revenue to cover the costs of operation.



This is a superficial, short-sighted and misguided perspective; for two important reasons.

First, telecentres need to do more than make money. Their role is to induce development and to do this, they need to be sustainable along multiple dimensions, including the ability to sustain; information flows, service delivery, staff responsiveness, and community acceptance. Second, whilst financial sustainability of telecentres is of course crucial for their survival, it is not necessary that it should be achieved through the income they are able to generate from their users. There are many other public services in both developed and developing countries that are not encumbered with such a responsibility, for instance; health and postal services, education, water, fuel, libraries, basic foods, and transportation. Moreover, such subsidized public services are enjoyed by rich and poor alike.

Telecentre sustainability then, insofar as it is currently interpreted, is more usefully regarded as a question of financing. In this regard, it is worth noting that the more a telecentre is required to generate revenues, the less emphasis it will place on supporting development activities and the more it will place on revenue-generating services, ultimately resembling a cyber café. On the other hand, without incentives for generating some revenue, telecentres will continue to depend on subsidies, which may not be available indefinitely, and their motivation for maintaining community acceptance will suffer as they become another under-performing government service.

So it is necessary to strike a careful balance between subsidy and revenue in order to achieve long-term sustainability along all dimensions. The diagram above suggests a typology of telecentres that depicts the dynamics between achieving development outcomes and generating revenues. Over time, and under suitable arrangements, telecentres that are characterized as being in the 'low' quartile can move into the ideal situation of the mature development telecentre. To achieve this, telecentres should be encouraged to generate revenue where they can, and subsidies can be designed to decrease over a period of time that is long enough to allow the telecentre to develop such revenue-generating services. To do this, the telecentre needs an entrepreneurial approach that is based on stimulating demand for and delivering digital services to the community. Such services can generate revenue, possibly by reducing the costs previously incurred by users. An effective telecentre programme will include a component for capacity-building and continuous support that would promote such an outcome. This would include establishing telecentre operators not only as local development agents but also as the providers of commercial services aimed at sustaining the telecentre. This is a challenging role and it needs to be facilitated through external assistance, such as participation in support networks and access to a help desk. Additionally, there is a range of creative techniques that can be used to keep the costs of operating a telecentre down, including; careful financial planning, using Free and Open Source Software, and leveraging existing resources, e.g. setting up in a school and employing volunteers, and drawing on other in-kind contributions from the community.

How are telecentres financed?

Telecentres are sometimes established as experiments or pilots by aid agencies or NGOs. Most of the early experiments focused on how to use them to induce locally relevant development, and there are many examples that demonstrate how this can be achieved. Some observers suggest that some of the Millennium Development Goals require the kind of radical improvements to public service delivery that ICTs and telecentres make possible in order to achieve them within the specified time frame. The slowness of some governments and aid agencies to acknowledge this has contributed to the lack of public and private services that could be delivered via telecentres, which further threatens their viability. In this perspective, ICTs are a

tool for achieving development rather than a reward for development, and they need to be made available to the poorest of people in the poorest communities. Accordingly, in this context, any requirement for users to pay the cost for the services that telecentres make available, which may even save lives, is inappropriate. Nevertheless, the service has to be paid for by someone. The following options are available for financing telecentres.

Earned Revenue: Telecentres should be required to make money where they can. Such an obligation sharpens the focus of telecentre owners and managers and ensures they remain responsive to the needs of the community, an important condition for achieving community acceptance, which is essential for sustainability. Accordingly, the private sector and civil society should be facilitated to fill the gaps that they can detect where there is sufficient revenue to make it possible for them to do so, and this will probably apply to the urban areas of high demand. However, this should not stand in the way of alternative financing models in situations where the need for development is pressing but where the market fails to deliver the necessary incentives.

Earned revenue provides incentives for private sector entrepreneurship and it also generates surpluses that can sustain social enterprises and help them build their operations. However, large proportions of the world's population live in the poorest communities who could never support the cost of a telecentre, either for setting one up or for maintaining its operations, much less generate surplus revenue. Many point out that this should not mean that the poorest, neediest, least served and most excluded people will continue to be excluded from the emerging global information society and knowledge economies. Reliance on self-generated revenue for financing telecentres will lead to such an unacceptable state of affairs.

Universal Service Obligations: In many countries, as they de-regulate their telecommunications industries, a fund is established to finance the provision of telecommunications, including telecentres, in otherwise un-profitable and non-commercial areas. There are large numbers of people living in such rural and remote areas, and they tend to include the poorest sections of society and those who are least able to participate and share in the economic growth of the country. Typically, telecommunications operators are charged a levy on their revenue which is used to finance the fund.

Telecentre Franchises: Franchise schemes are a method for enabling governments or corporations to roll-out large numbers of telecentres with branded services that also exploit economies of scale in purchasing, service delivery and human resources. Local entrepreneurs buy a franchise and are empowered with equipment and training to deliver a standard set of information services. At the same time, they invest in the local facility and are encouraged to implement revenue-generating services alongside their development-oriented obligations. Local ownership and decentralization fosters community responsiveness and creativity, factors that are important for sustainability. The challenge for franchise schemes is to maintain the requisite balance between the development and commercial orientations of the telecentres. In low-revenue areas; rural poor for example, subsidies may continue to be necessary.

Least Subsidy Auctions: Universal Services Funds can be disbursed in a manner that promotes the establishment of telecentres in unprofitable areas. Operators commit to provide specified services and they submit bids for the subsidy they will need to do this. The contract is awarded to the bidder who requires the lowest subsidy, which is funded by the Universal Service Fund. The subsidy may diminish over time as the operator becomes established in her business, but it need not dry up altogether.

Conclusions

Telecentre sustainability means more than financial sustainability and telecentre financial sustainability means more than self-financing. Incentives for telecentres to generate revenues are helpful in contributing to overall sustainability. But it is a mistake to write off telecentres that are able to induce locally relevant development but do not generate sufficient revenue to cover their costs.

Since the early days of telephony, it has been recognized that un-profitable poor rural areas need assistance if they are to enjoy the basic services that their better-off urban compatriots enjoy. Countries that are moving ahead with national telecentre programmes, such as India and Malaysia, acknowledge this; placing telecentres alongside the other public services considered essential for widespread socio-economic development.

However, unlike telephones, which are basic communication devices, telecentres deliver information and foster knowledge exchange, and they need more than just the technology to achieve desirable outcomes. The arrangements for ensuring this are more complex, requiring greater coordination and cooperation among a range of institutional stakeholders. Sustainability then emerges from public-private partnership arrangements that bring out the strengths of each stakeholder whilst ensuring continuity and relevance of services for the poorest.

~ Roger Harris, Roger Harris Associates

Additional Reading

Making the Connection: Scaling Telecenters for Development. Barbara Fillip and Dennis Foote. Academy for Educational Development. http://connection.aed.org/pages/MakingConnections.pdf

Telecenter Sustainability - Myths and Opportunities. Francisco J. Proenza. http://www.e-forall.org/pdf/TelecenterSustainability.pdf

Telecentre Sustainability. http://www.ictseminar.org/Netgrowth/ICTWorkshop/Category_Home_global.asp?CategoryID=NETa64&PartnerLong=NetGrowth