



A GROWING SUSTAINABLE BUSINESS (GSB) CASE STUDY

A UNDP Initiative

Cambodia Village Phone Initiative



There are 1.2 million mobile subscribers in Cambodia, representing less than 10 per cent of the local population. Most people cannot afford a telephone and therefore rely on local public call booth (PCB) operators for their communication needs. PCB operators, an informal subsector of the telecommunications market, have emerged to meet a growing need for telephone services among poor communities.

CHALLENGE

In Cambodia, a majority of the PCB operators are in urban centres, leaving many rural areas isolated and unconnected. However, the recent expansion of mobile coverage in Cambodia now makes it possible to connect over 75 per cent of the villages in the country.¹

Telecommunications providers have traditionally been reluctant to place telephone booths in such remote rural locations. Further, PCB operators in rural areas often cannot afford initial and ongoing maintenance costs, making for a challenging business proposition overall. The resulting isolation contributes to the continuing cycle of poverty and marginalization.

THE GSB SOLUTION

Identifying the need to create access to affordable communication in rural communities, but lacking a company willing to take the lead, the Growing Sustainable Business (GSB) broker of the United Nations Development Programme (UNDP) collaborated with GTZ-PSP, the Private Sector Promotion branch of the German Agency for Technical Cooperation, to facilitate an initiative engaging several private sector stakeholders from the telecommunications to the microfinance sector.

An initial pilot phase, led by Nokia and UNDP's GSB initiative, was aimed at rethinking Nokia's business penetration in rural areas and how to target low-income markets, thus developing an innovative business model for rural telecommunications. Inspired by the Grameen Village Phone model, and recognizing that there were several barriers in the market preventing the successful implementation of the Village Phone model, the GSB broker collaborated with several partners to create an innovative business adapted to the Cambodian context.

GTZ funded a feasibility study, in consultation with GSB, to explore the potential for implementation of the project in rural Cambodia. To bring in key actors and ensure the success of the initiative, GSB convened partners from several different sectors: mobile phone companies (Nokia-KTH), network provider companies (Camshin), microfinance institutions (AMK and Prasac) and a new small- and medium-sized enterprise (SME), Cambodia Village Phone Company. This resulted in the creation of profitable microenterprises for the rural poor as Village Phone Operators (VPOs).

“The GSB should be applauded for taking on this challenging project in a very dynamic sector.

Due to the rapid change in mobile phone technology it is very difficult to know what the sector/marketplace would look like in one, much less two, years. A big part of the challenge was putting together the project without knowing exactly where the technology would take it while managing the day-to-day expectations of the various partners.” ~ Paul Luchtenburg, CEO, AMK

BUSINESS MODEL

Initially, 40 phone kits (cell phone, SIM card, battery packs and solar recharger) were provided to rural microbusiness owners at no cost for a six-month trial, creating a complementary business service as VPOs. After testing the phone kits' revenue-generating potential, VPOs could then access microloans to purchase the phone kits.

1. Village Phone Cambodia Initiative, Project Document.

The project led to the creation of the Cambodia Village Phone Company, a local SME responsible for coordinating the network of the VPOs and its expansion. The Village Phone Company management team identified viable opportunities to address the missing link between the communication network, the equipment providers, and the VPOs, thus providing an additional market channel. The service adds value by providing telephone communication at a subsidized rate to rural communities. Initial operation costs were shared by all participating stakeholders while distribution costs have progressively been carried by the Village Phone Company.

In order to distribute the phone kits to isolated rural areas, microfinance institutions (MFIs) and the Village Phone Company identified potential locations for VPOs through various networks and partnerships, such as MFI client networks, business associations, non-governmental organization programmes and community groups. The project also supported partners and VPOs to ensure quality and the development of needed complementary services.

The rural telecom market provides a viable business model to meet growing customer demand, and is perceived as a significant growth opportunity for all business partners. By providing new opportunities for microentrepreneurs and expanding the market to increase telecommunications access, the Cambodia Village Phone Company aims to improve return on investment for all players within the business sector.

DEVELOPMENT IMPACT

Of the total population in Cambodia, 85 per cent live in rural areas, with the majority relying on agriculture. The gap between rich and poor is exacerbated by the lack of access to affordable communication and information. This project contributes to the Millennium Development Goals (MDGs), and specifically to the MDG 8 target of increasing telephone and cell phone access.

Not only has the Village Phone Company delivered affordable communications to rural areas, but it also provides a channel to access valuable information such as market prices and creates savings on the direct and opportunity costs of travelling to regional markets.

The project contributes to the development of the rural telecom sector through the provision of innovative products and by strengthening the foundation needed for the development of value-added services (market information services, Yellow Pages, messaging and community services) to meet consumer demand at the grass-roots level.

As of 2008, the Village Phone Initiative pilot phase has supported 240 VPOs in rural Cambodia as a first step in developing the rural network. The project has also contributed to poverty alleviation, by providing new income streams to VPOs that can earn up to US\$600 per year in revenues.

SCALABILITY

Through their mission to deliver access to affordable communication for rural communities, Cambodia Village Phone Company has taken full ownership and leadership of the initiative, and seeks, in its corporate business strategy, to create a Village Phone Network that will include over 10,000 VPOs by 2012.

The GSB Initiative, together with the GTZ Private Sector Promotion programme, has combined resources to explore the potential for deployment, provision and expansion of business information services in provincial Cambodia.