



# **TECHNOLOGY, GLOBALIZATION AND THE POOR**

**SUMMARY OF THE GLOBAL KNOWLEDGE FOR DEVELOPMENT  
VIRTUAL CONFERENCE  
NOVEMBER/DECEMBER 2004**

**A DIGITAL DIVIDEND REPORT  
BY THE WORLD RESOURCES INSTITUTE**

**John Paul**

**December 2004**

"The falling costs of communications, information...have contributed to globalization...Many poor people are benefiting from globalization. The challenge is to bring more of them into this process."

Globalization, Growth and Poverty

"Contrary to the rosy picture presented by the World Bank, the evidence is overwhelming that this current globalization agenda is a scourge on the poor."

The Unremarkable Record of Liberalized Trade

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Globalization -- the integration of economies and societies worldwide -- and access to information and communications technology (ICT) are both expanding at breakneck speeds. Driven by the private sector, globalization and technology change have largely ignored the poor. Yet in a world where about one-fifth of the population lives on less than US\$1 per day, fierce arguments rage about whether and how these dynamics should change.

**Can technology help make globalization work for the poor? Can the private sector use ICT to create, as CK Prahalad argues, "sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable"?**

During four weeks in November and December 2004, GKD's *Technology, Globalization and the Poor* online conference attempted to explore these questions:

- [Can Technology and a Business Approach Make Globalization Work for the Poor?](#)
- [Is Profitability Essential for Sustainability?](#)
- [Profitability as an Indicator and a Driving Force - Hybrid Profit/Non-Profit Business Models](#)
- [Where Do the Roles of Corporations End and NGOs begin?](#)
- [How Can ICTs Create New Business Partnerships?](#)
- [Win-Win Business Models](#)
- [What New Technologies and Business Models are on the Horizon?](#)
- [What Do We Mean by Poor?](#)

This document is a compilation of the comments made during the online conference addressing these topics. *Some of the remarks have been edited for length or omitted entirely.* For a complete archive of all posts, please visit the [GKD Web Site](#).

In addition to the broad topics above, **this document also allows you to search through the postings for more specific concepts.** The [hyperlinked](#) index for these subject areas is found on the next three pages, organized by date and contributor.

A [linked list of Organizations](#) cited in the discussions is available at the end of the document.



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## Can Technology and a Business Approach Make Globalization Work for the Poor?

*On October 25<sup>th</sup>, the GKD moderator wrote:*

During the past few years, corporate investment in developing countries has increased markedly, both from multinational corporations (MNCs) and from large local companies -- the latter often investing to serve low-income communities. These firms are responding to relatively rapid economic growth rates in many developing countries and, for MNCs, reduction of legal limits on foreign investments. Companies offering ICT products and services have particularly active. This investment is hailed by many as a powerful lever in generating economic growth that will provide new jobs as well as valuable products and services. There are notable examples, such as Smart Communications' innovations with text-messaging in the Philippines, or ITC's e-choupal network bringing market information and higher crop prices to farmers, or Voxiva's health alert software that offers a low-cost solution to the widespread problem of monitoring health indices in rural areas.

Yet others warn that corporate investment will exacerbate existing economic and "digital divide" disparities between rich and poor. They argue that corporations will target only the wealthy and ignore the needs of the poor. They fear that powerful international companies will put local companies out of business.

### Key questions:

- 1) What are the successful models of companies providing technology-based products/services that promote development and serve the poor, and doing so profitably?
- 2) Can large companies and entrepreneurs use ICT to serve poor communities in ways that cannot be done by NGOs, donors and governments?
- 3) Do multinational companies add any value that cannot be provided by local entrepreneurs? If so, what role does ICT play?
- 4) Can ICT products and services created for industrialized country contexts be modified to solve problems in underserved, poor and rural communities, especially the need for low-cost solutions? Who must do what to make it happen?
- 5) What new kinds of ICT tools are needed to serve poor and rural communities? How can we best encourage companies to create and invest in such tools and in the business models that can profitably deploy them?
- 6) Women often face special challenges in becoming ICT entrepreneurs (e.g., lack of capital, education, family responsibilities). What approaches can and should be used to support women entrepreneurs who want to create profitable businesses that offer ICT solutions to poor communities?

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*On October 25<sup>th</sup>, Roland Alden wrote:*

"I am sure there are many "failed" projects and case studies that will demonstrate how little technology has to offer. I believe that, **in isolation, technology offers very little; it is a tool but the tool must be applied in a meaningful context.** Only one of the "information" technologies, telecommunications, occupies a unique role in that the enablement of communications, in and of itself, is almost always a good thing. Information is a "natural resource" which can be incredibly



cost effective. **In a context with few natural resources to generate wealth, the introduction of "free" information is of some value.** But again, if the remainder of the context is so impoverished then all the knowledge of the world may be insufficient, absent other ingredients.

Much of the "digital divide" angst was based on the notion that a world of opportunity was passing by a group of people who would be forever "left behind" if "something" were not done. This view is simply mistaken in many subtle ways... For most of the world "technology" and "information" is simply an input into some other business or cultural product/process. Fortunately for this "most of the world" bloc, technology and information is relatively cheap and abundant and easily transported, so as a "natural resource" it has largely positive economic qualities and could possibly be game-changers in certain isolated contexts.

**Telecommunications can also have an impact on the movement of human capital.** So many poor countries have their adverse situation made worse by the flight of their best and brightest citizens to other countries... Allowing the intellectual work output of these people to be made available to the rest of the world without requiring immigration... is a problem that telecommunications can solve, at least in part.

Each situation requires a realistic assessment of natural resources and strategic opportunities... In today's world there are few business opportunities which cannot be enhanced by the clever use of technology, but at the same time technology no longer grants a strategic advantage to many enterprises because it is freely available to all (at some cost of course). So it is almost impossible for technology in and of itself to form the core of strategy."

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**On October 26<sup>th</sup>, Cornelio Hopmann wrote:**

"I think we should separate (and not mix) the question of what marketing and packaging strategies are needed to sell ICT-services to the poor in a profitable way from what ICT-services the poor might need (and how to provide them in sustainable, maybe even profitable way). The former has almost nothing to do with the latter.

Second required separation: there are services -like micro-credit, exports or material-purchase for cooperatives- that may require ICT-usage to cut operations-costs... ICT is not used by the poor themselves - or only to a limited extent - rather than by an organization that provides the service for the poor. There are similar examples in education and health-care."

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**On October 27<sup>th</sup>, Al Hammond (World Resources Institute) wrote:**  
(responding to [Cornelio Hopmann's 10/26/04 post](#))

Cornelio raises some important points. I agree that IT may often be used by service providers rather than by the poor directly. But I don't agree that there is no connection between what how companies can sell to the poor and the needs of poor households. In conjunction with Professor CK Prahalad and others, we have documented a number of win-win business models. I realize that such approaches are still controversial, and that examples of corporate practices that have not benefited the poor still come readily to mind. But for example, ITC, an Indian company that has put internet-connected computers in farmers houses, situating these e-choupals so that each serves 600 or so farmers, and supplied daily market prices for crops, found it necessary to create trust and economic and social value in order for its business model to succeed. They are now serving 4 million farmers. The case study can be found on <http://www.digitaldividend.org>. Nor is this an isolated example. We and our colleagues have documented win-win examples in many sectors. And **we have evidence that companies which simply try to take their products down-market often fail.**



So I would suggest that **there may be an important and overlooked connection between the market forces that drive globalization and their need for growth, when taken to the village level--and meeting the real needs of the poor.** In many but not all of the examples we have studied, ITC plays a critical role--as a tool that enables transparent transactions, or help drive costs down, or provides access to information, etc.

Perhaps the connection between a business approach and the poor would be more clear if I describe the benefits to the poor that we think we see from pro-poor business strategies, and then the appropriate role of technology might be more evident.

These include:

1) **Breaking local monopolies of traditional goods and services, whether credit, or water, or agricultural inputs.** Often local middlemen are the most exploitive of all, and a large company that rationalizes the supply chain can lower price and improve quality, providing competition to the local middlemen in ways that benefits poor people. microfinance is a classic example; or the e-choupals that ITC has deployed, offering lower price inputs and higher prices for the farmer's grain than the local (monopoly) auction markets.

2) **Providing access to empowering technologies and/or information.** In the example above, ITC provides internet access and market prices, empowering farmers. Internet kiosks, such as those provided by n-Logue, Drishtee, can often play a similar role. So can cell phones, such as those provided by Smart Communications in the Philippines, which makes pre-paid text-messaging units available in very small units (\$.03), within the range of virtually everyone--enabling people to find jobs, sell goods, even do remittance transactions; virtually all of the 14 million customers Smart serves are very low income, yet the company is growing rapidly and is profitable.

3) **Creating jobs.** HLL's Shakti distribution system for consumer products aims to create 500,000 self-employed entrepreneurs. Grameen Phone has close to 100,000 entrepreneurs providing village phone service. Vodacom in South Africa has more than 10,000 entrepreneurs who own and manage community phone shops. These are big, profitable businesses who are also creating jobs and wealth for local entrepreneurs--both win.

In effect, these companies are extending commercial activities and market processes down to the village level--and in ways that are, we believe, beneficial to customers and local partners, as well as to the company. In fact, we think these mutual benefits are closely linked--that, in most cases, **large companies will succeed commercially in selling to poor people if they also serve their real needs and create real local value and trust.** If that's true, then it is not a matter of enlightened leadership, but as I suggested above, of extending the market processes that characterize global economic integration clear down to the village level--so that poor people can benefit from choice, market competition, and better price and quality, employment opportunities, etc., just as other (middle class) consumers do. **It is this potential overlap between the needs of large companies for growth and what they need to do to succeed in low income communities, and the needs of the poor, that is truly a huge opportunity.** And it suggests that a key step to making globalization work for the poor is to get large companies to stop ignoring the poor and instead take them seriously as a market.

As for technology, we see good examples using internet kiosks, cell phones, handhelds, software on servers that is accessible over any form of connectivity, wireless broadband--in our experience **the business model is more critical in determining whether the technology is really useful in serving the poor than is the choice of technology** per se. But that is not to undercut the role of technology--without ITC, very few effective services will get beyond the urban fringe into rural, and efficient commercial processes cannot function, nor can the poor really access or benefit from global markets. But the role of technology is for the most part precisely the role it plays in facilitating global market process already--what is new is providing efficient transactions, more competitive markets, access to information, or transparency in rural areas.



**On October 28<sup>th</sup>, Vikram Crishna wrote:**  
(Responding to [Al Hammond's 10/27/04 post](#))

In (using the e-choupal local systems), the choice devolves to the richer farmers, who already have considerable influence in their local domains. While in theory such centers are accessible to all, please recognize the local reality of caste and community that limit access for some – what percentage depends very much on local equations. At this point in time, the monopoly of local auctions is being replaced with the monopoly of a large company. I hope that the e-choupal paradigm will be augmented by other market mechanisms, supplied by other players, whether corporate or something else. (Regarding Grameen Phone, had it set itself up as the straight-forward commercial phone service it really was, it wouldn't have been allowed to even get off the ground, given the monopolistic behavior of the local government telco.

I mention these two examples only to show that **the realities of social change are very complex and shouldn't be simplified into 'corporate' vs. 'other model'** - such divides do not serve the purpose that are sought by questions such as this topic line suggest.

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**On October 28<sup>th</sup>, Lee Thorn (Jhai Foundation, Laos) wrote:**  
(Adding to [Vickram Crishna's 10/28/04 post](#))

I am intrigued by the statement by Vickram Crishna and I agree with it. (The Jhai Foundation) has developed, among other things, the Jhai PC and communication system. I understand that Bill Gates and AMD are announcing a new product that will compete with the Jhai PC and communication system, they hope, in China and India. **AMD and MS have all the advantages of corporate power and connections:** vast money, pre-existing, successful organizations, facilities, and processes ... and wide connections among all - **but one – important potential allies. It is the lack of connection with end user that will kill them.**

What they do NOT have is a product that:

1. Was developed with the direct help of people in poverty in the areas they intend to reach who put together not only a collective and clearly expressed needs statement, but also helped design the process of implementation, including their own business plan.
2. Was developed by people who have good connections with grounded NGO's with long track records in the communities they work and who are trusted, even adopted by, these communities. Or alternatively, was developed by family members in these communities and family members elsewhere with a set of skills and contacts and enthusiasm the communities want to make use of.
3. Was and is being developed through open source, open design protocols which actually encourage the revision and redesign of both software and hardware by the maximum number of people. These protocols include the opportunities for others to rethink and remake the initial products and systems and make them their own.
4. An operational understanding that people are full and whole human beings who are very interested in communication and connection ... arguably more than any particular information or even economic betterment beyond the stage of just-past self-sufficiency. Almost everyone I have ever met want full lives, want to keep their traditions, and want to enjoy the diversity they see and hear about. People are not consumers. Consuming is one thing people do.

**People who are grounded in community have exactly what MS and AMD and others sometimes forget they need. Connection. Deep knowledge. Healthy skepticism. And exact**



**information on local conditions and desires that are given because community members trust grounded people they know.**

The relationship between 'corporate' and 'community' has no single shape and there is no need for a struggle between these two entities ... although there may be many struggles and that can be useful, too. Tools can be developed that serve lots of communities, if those communities have the chance to modify them for their own use.

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**On October 28<sup>th</sup>, Cornelio Hopmann wrote:**  
(responding to [Al Hammond's 10/27/04 post](#))

I'm by no means saying that it is impossible (or even only un-ethical) to make profit out of selling needed ICT-services to whomsoever - poor included. I do agree that there may be - or even there are already proven - win-win situations. You point out some candidates. I do however insist, that **this analysis, if aimed to improve the situation of the poor, has to start with an analysis of what services are needed (or useful) to help the poor to get out of their situation.**

I haven't found evaluated examples (i.e. studies that use the instruments of standard Impact-analysis (and econometrics) like Base-Lines, Control-groups, Correlation or Factor-analysis, etc.), prove in quantifiable way the positive impact of "ICT for the Poor" projects.

What there is ... are tales about potentials and tales about success-stories, expressed as acceptance or usage, yet no hard and systematic economic data. That's why I'm insisting (after almost 20 years of experience in a developing country and another 14 in a Top-OECD country) to **put the poor's viewpoint (and interest) first and do not accept automatics as if what sells serves because otherwise it wouldn't be bought."**

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**On October 29<sup>th</sup>, Ana Muro (Instituto de Estudios para la Sustentabilidad Corporativa, Argentina) wrote:**  
(responding to [Cornelio Hopmann's 10/28/04 post](#))

For me it seems that as **this type of business and win-win situation is yet in its origins, economic results are yet to be seen.** The companies that are actually working and providing services and products to poor people are the ones who in the following years will give us the needed data to answer Cornelio's question (to prove in a quantifiable way the positive impact of "ICT for the Poor" projects).

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**On October 28<sup>th</sup>, Barbara Philip (DOT-COM Alliance) wrote:**

By "business approach" do we mean an approach that relies on market mechanisms? Have we failed to see that the poor represent an important market?

For example, it's generally accepted that the private sector will only go so far in deploying IT infrastructure because some areas are simply not profitable (hard to reach areas, areas where the people's purchasing power is minimal). To address this problem various solutions have been developed, in particular involving government policies that provide incentives for the private sector to go where it would otherwise not go.



Should we revisit this consensus and ask ourselves how the private sector decides to invest or not invest in a particular area? Are those decisions based on false assumptions regarding the purchasing power of the poor? Or are we talking about small, local entrepreneurs taking advantage of their knowledge of local markets?

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***On October 29<sup>th</sup>, Al Hammond (World Resources Institute) wrote:***  
(responding to [Vikram Krishna's 10/28/04 post](#))

Vikram offers interesting insights--and I accept that the world is more complicated and that boundaries are often blurred in practice. How do we understand the recent marketing partnership between Care and Hindustan Lever in rural India--is it business (yes) or social development (yes)? Nonetheless, until recently, few socially-minded entrepreneurs were starting for-profit businesses aimed at serving the poor, and few large companies consciously adopted strategies aimed at low-income markets, and now it is distinctly more than a few--**we are looking, potentially, at a paradigm shift here.**

We can measure this shift in two ways--the amount of investment aimed at serving low-income customers, or the number of households who receive goods and services that meet their needs and at prices and distribution points that they can afford/access. I like the household or customer-centered metric. So if we're serious about making a dent in poverty, ask yourself this question: how many ngos can reliably provide service to a million customers or clients every day? how many developing country governments? not many, in either case, although governments in some countries are learning to use ITC to provide scale in service delivery. Then ask how many large corporations can provide service to a million, or even 10 million, customers every day? the answer is pretty obvious. So **if we're talking about improving the quality of life for 100's of millions of people, then we better be talking about how to use the capabilities of large companies--their management skills, logistic capability, access to finance and technology, etc., in addition to the needed efforts of ngos and governments.** To me, the most salient fact of the ITC e-choupal model (which is not perfect--not only caste, but also gender is a barrier in some areas) is that it already reaches and empowers close to 4 million farmers, and is growing rapidly.

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***On October 29<sup>th</sup>, Richard Curtain wrote:***  
(responding to [Al Hammond's 10/29/04 post](#))

I think there is a need to be more upfront about **where ICT has a chance of working to alleviate poverty and where it does not.** Citing examples from India (from where many of the ICT for Development examples seem to come) and South Africa begs the question of whether there is a threshold level of infrastructure (physical and human) needed to make effective use of ICT. This is a question I tackle in my paper for Ausaid entitled: "[Information and Communications Technologies and Development: Help or Hindrance?](#)"

In the paper, I cite evidence from the Networked ICT Readiness Index based on a rating of 82 countries. The analysis presented there shows a clear association between GDP per capita and rating on the Readiness Index. The lower the per capita income level of a country... (suggesting) that with increases in income per head of population for low-income countries, the capacity to use ICT will improve.

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**On October 29<sup>th</sup>, Vitalicy Chifwepa (University of Zambia) wrote:**

Perhaps **one of the questions is on the definition of "the poor"**. If I had to imagine the kind of poor who have been termed, in places like here, as the poorest of the poor who are grappling with how many, if any, meals per day, then I see need for a lot of political and policy interventions regarding things like production means, jobs, loans or credit, etc before they could even think of a mobile phone. Of course, we could ask ourselves the question on who would be directly using the ICT to "help" them help themselves. Along the same scale is a farmer (peasant) who manages to grow something but is looking for a market then ICT might be useful to identify the market. What is the interest of such a person in globalization?

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**On November 1<sup>st</sup>, Bettina Hammerich wrote:**

Having worked for government, as a Development Economist, and as a Management Consultant for an IT MNC, and currently as a board member of an international NGO I feel that I can see "both sides" to this discussion and below are some of my thoughts. In short:

- \* There is a clear business case for a BOP (bottom of the pyramid) approach.
- \* ICT for development is extremely important.
- \* Businesses are more likely to be efficient service providers
- \* Governments and NGO's can be corrupt and/or ineffective
- \* I have no doubt that women in rural Bangladesh can figure out how to use a mobile phone and will use it to her advantage

However,

- \* Environmental and human rights are not best served by the free market
- \* The level playing field is uneven and everyone is not "free to choose"
- \* MNCs are not transparent
- \* Business seldom reaches out to the poorest or the most disadvantaged.

ICT really offers great promises and opportunities, and business in this sector can help make globalization work for all. As such, businesses in this sector should be encouraged to invest in poorer markets. Meanwhile, we will have to be able to discourage monopolistic behavior, damaging environmental or human right practices, and help disadvantaged groups with access to these technologies - and this business cannot do alone. Partnerships and dialog between business, civil society, government, intergovernmental and UN institutions, seeking best practices, etc. will have to continue to be important.

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**On November 3<sup>rd</sup>, Roland Alden wrote:**

It would be good if we could agree on a few details.

1. The "poor" seem to cover a range of peoples. Some are so desperately poor that any kind of direct ownership, or even use, of ICT is impossible.
2. Simply because "ownership or direct use" of ICT is not relevant for a certain class of poor does not mean that the introduction of such technology into the proximate context of those people will not be helpful to their situation.
3. If we want to discuss the *\*very\** poor then ICT may not be very important; it may offer little in the way of short term improvements under any scenario.



4. If we want to discuss technology and business then we may be limited to discussing options which cannot reach the poorest people directly. We may be forced to deal with scenarios that necessarily involve the "less poor" or even the "elite" in any particular context.

5. Simply because #4 may be somewhat inevitable due to cost and skill shortages does not mean that ICT can't have a dramatic impact on the circumstances of the poor. For example, the introduction of telecommunications has clearly placed pressure on authoritarian political regimes. This is less true when the ownership and control of telecom is entirely in the hands of the state but it is clearly not necessary for a society to reach the point where everyone can afford a cell phone before liberalized telecom unleashes a torrential array of forces; most of which generate positive long term benefits for the poor...

One of the barriers to development across Sub-Saharan Africa is the inability of the individual countries to coordinate, so that from a business perspective the entire region can be addressed as a single economic opportunity. When we can get to a world with less artificial isolation then the poor will be less isolated as well.

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***On November 8<sup>th</sup>, Chetan Sharma (Datamation) wrote:***

Historical evidence suggests that technological developments of all kinds can make improvements in the process, time management, convenience for the consumer. However, to the best of my knowledge, **no technological innovation has demonstrated "enhanced" employability of the people.** I do not want to start my postings on a negative note; but if we talk of the poor then we must talk about the poorest of the poor who probably do not have the education, nor tools nor technologies for eking out livelihoods for themselves.

(In India), it seems ironic that a country with a huge population of over 1 billion people, a resilient economy, abundant natural resources, a just and equitable democratic Government, has over 30-35% marginal/partial employment, 60% self-employed (most of whom are poor), and only 10% regular employees of which two-fifths are employed by the public sector. Why does that high level of unemployment persist? Why do small European economies such as Germany and France, who have always embraced technology and have such a huge technological advancement, have major employment problems? Why does Finland, despite home-grown Nokia, continue to languish with unemployment and joblessness?

It was said that when economies transitioned from agrarian economies to manufacturing and then to services, that huge opportunities would get created for the poor across the globe... The truth is that Indian BPO and technological advancements in ICT have benefited only a very small percentage of the elite, English speaking, highly educated Engineers and Professionals. Vast masses of Indians who neither have English nor technological prowess have remained untouched by the BPO and ICT surge.

Therefore we need to examine the convergence of Globalization, Technology and Poverty with greater innovation and greater "Empathy." As our Prime Minister Dr. Manmohan Singh, a noted Economist in his own right, says: **"Globalization with a human face"**.

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***On November 8<sup>th</sup>, Al Hammond (World Resources Institute) wrote:***  
(responding to [Chetan Sharma's 11/08/04 post](#))

I agree fully that benefits must reach the very poor, whose greatest need is often livelihoods. And you are right that globalization--on the export platform model--has so far contributed little to such



people. But I do believe that **when companies target poor communities as customers, something different happens. Because to succeed, they need to build the capacity to consume in their customers;** and to reach those customers, they may need to employ lots of local entrepreneurs, creating jobs; and given how price-sensitive low income customers are, the companies will have to have a compelling value proposition, and price performance ratio, or their customers simply won't buy. In Indian terms, it is the business model of Datamation, of n-Logue, of Drishtee, of Reliance--rather than the out-sourcing or export manufacturing models--than can have impact on poverty.

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**On November 9<sup>th</sup>, Chetan Sharma (Datamation) wrote:**  
(adding to [AI Hammond's 11/08/04 post](#))

Whereas business models of Datamation or Drishtee or N-Logue can at best enjoy limited success in employment generation due to obvious limitations of resources and marketability, I endorse AI's point of view of big companies targeting poor communities and would like to illustrate **two case-studies of big businesses from India:**

\*\*ITC Agri-business's "e-Choupal" project leveraging on their inherent need to procure agri-inputs and raw materials for their business, has deployed technology amongst thousands of villages in India. The farmers operate an internet kiosk which remains the singular, cost-effective procurement point for the farmers. ITC uses the kiosk to deliver other services to the farmers as a responsible Corporation.

\*\*The Dutch-British Conglomerate Hindustan Lever, one of India's largest companies (part of the Unilever Group) deploys marketers from the community for generating demand for its soaps, detergents, food products. The project entitled "SHAKTI" meaning (STRENGTH) is meant to target communities to take control of their markets by creating a demand for Unilever's products. In the process, rural communities become distributors as well as retailers of Unilever's top class products.

Regardless of the scale and size of these projects and the impact they have on poverty, their positive contribution in livelihood generation and poverty alleviation cannot be negated.

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**On November 10<sup>th</sup>, AI Hammond (World Resources Institute) wrote:**  
(responding to [Chetan Sharma's 11/09/04 post](#))

Chetan Sharma points out that **technology by itself may not generate jobs. But entrepreneurship certainly does**--and the examples of Germany and Finland he points to may reflect lack of an entrepreneurial culture more than anything about technology. And **technology can play a role in helping create entrepreneurial opportunities or in supporting small enterprises.** The Sanchalak's that run ITC echoupals generate additional income from their entrepreneurial role as the computer hosts, the kiosk and PTO entrepreneurs in India phone and (growing) Internet networks are a similar example, so too the village phone entrepreneurs in Bangladesh and South Africa and now Uganda. Both the need for shared-access points--the dominant model for access to connectivity among the very poor and even the not so poor in developing countries (even in middle-class, urban Peru, for example) and the entrepreneurial opportunities such needs create and can create are a prime example of how the spread of ICT networks can help stimulate job creation.

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**On November 11<sup>th</sup>, Tom Abeles wrote:**  
(also responding to [Chetan Sharma's 11/09/04 post](#))

Chetan Sharma's examples are interesting, particularly the one from Unilever. It is a variance on the same theme as the many "multilevel marketing" organizations in the US. Basically, for those unfamiliar with the scheme, one recruits persons to sell a product, they in turn recruit others and everyone up stream gets a piece of the commission from the sale of goods to the bottom of the pyramid. These, of course, encourage consumption of products which move capital out of the community.

**The question which one must ask is whether increased consumption of external goods and services is the most appropriate model, not just for developing, but for developed countries as well.** Is the accumulation of "goods" the best measure, or only measure. Is trying to bring the developing world up to the consumption level of the developed world more viable than reducing the consumption pressure from the developed world and looking at a more distributive model for wealth in a global society.

Perhaps the best development model is one that reduces pressure on the earth from the haves rather than spending effort and precious resources to bring the disenfranchised into the same consumptive model. This is neither a plea for a neo Marxist social model nor a "back to Mother Earth", extreme green suggestion. There are economic models which are not driven by increasing resource consumption.

The World Resources Institute knows exactly what the costs to the environment are for pursuing a neo-classical model of development and may have gone astray under the illusion that making corporations "socially and environmentally responsible" will provide a path to bring the disenfranchised into the consumptive society while making the global society sustainable. Public traded corporations, in a stock market driven society, have to define such a model within the current neo-classical context which may be like trying to square a circle.

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**On November 11<sup>th</sup>, John Hibbs (Benjamin Franklin Institute of Global Education) wrote:**

(responding to [Tom Abeles's 11/11/04 post](#))

Tom, OF COURSE you are correct! The big consuming nations must reduce consumption and increase conservation (are they the same?). They must also be of assistance to the under-consuming nations so all in those societies can climb their own, very steep, ladder to minimum health, literacy and employment standards.

How? Not by selling higher priced soap to Bengali's, but by **getting more out of both ground and brain -- enriching one in ways to do less damage to it.** Enriching the other so each one can make his and her own contribution.

How? Isn't a good start to FOCUS on a single effort we KNOW will pay large dividends, like: Internet connectivity to every home? (or at minimum) a nearby cyber cafe? owned by the community? coupled to innovative radio stations and content providers? - who gather inside the cyber cafe? For town hall meetings? job brokering? knowledge work that is in-sourced?

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**On November 12<sup>th</sup>, P. Gopinath wrote:**

It is not surprising that international corporations are interested in India given that between 300 and 500 million Indians spent more than US\$30billion in 2002 and a DSP-Merrill Lynch report



says that household spending will be \$500 billion by 2008, with spending going up even faster than the economy which, at 7% per year, is growing much faster than the West. **A market research company here in India ranks us fifth out of 30 emerging retail markets around the world.** An example is the 2 million new mobile phone connections per month and mobile phones are catching on even in large villages that are near cities. The demographics work great too. In the next couple of years, we will have 250 million people in their twenties and thirties, all getting married, having kids and buying homes and all the stuff that goes with it. **Imagine a market as big as the United States with the whole population in their twenties and thirties.**

Electronics companies have discovered the India market. Nokia is one of the ones that figured out how to work in this market and they sold \$2 billion worth of cell phones and equipment last year. But it is not easy for foreign companies to be successful here. **International companies have to change the way they operate if they want to work here.** One thing they have to learn is that everything is on a different scale. You sell a lot of units at low prices. Do not think you will sell 10 packs of CDs even if the cost per unit is lower. We buy tiny quantities compared to Americans or even Europeans. So you need to find ways to sell things cheaply, like prepaid cell phone cards that cost just a few dollars. But cheap does not always win either. Products have to be reliable and fashionable. Samsung is successful at selling expensive phones because they have made their phones a fashion statement here. And we Indians love new gadgets.

**Two things are going to help companies make products for the poor.** One is that more and more IT companies are opening research branches here in India, like Cadence, Analog Devices, Intel and lots of others. The other thing is that **more youngsters want to work for themselves.** Not so long ago anyone who had a high school or college degree wanted to work for the government or some big company. Now many young people are going for setting up their own companies. They design high end wireless chips or new kinds of software. I think that this combination of research outfits and young entrepreneurs will make it easier for IT companies to understand and build for the poorer communities where the majority of the population still is. If companies set these young engineers to figuring out new products and services for the poor they could come up with some great products. I did hear that Hewlett-Packard opened an 'idea bazaar' in Bangalore that invites programmers and product developers to get together to talk about new ideas for mobile phones. I have not seen it myself but it is a great example to other companies.

I read a blog from an American who says he outsources his own job; he hired someone in India to do his programming, pays about 1/5 of his salary, spends a couple of hours a day reviewing the code, and the rest goes in his pocket. His boss thinks he's telecommuting. I do not know if this is true but it would be possible and if it became a trend the boom here will grow even more.

This all is good for India but perhaps it does not answer the question of the Moderator, **how does this make things better for the poor right now.** I believe most or all the market demand I described is from the middle class and that is a huge market. But companies here will grow, there will be more jobs and people's salaries will go up (people who work in call centers or data input centers make 15 times the average salary). I think that will help the poor and will have more impact than all the foundations or community nonprofits can have, even though it will take some time. If the nonprofits and government get new young entrepreneurs to work on products for the poor, then things will go even faster. The companies can make a profit and the poor will benefit.

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**On November 12<sup>th</sup>, Janice Brodman (Center for Innovative Technologies) wrote:**

We've developed an approach that we think is very exciting, which helps SMEs use ICT to become more competitive. Think: **angel investor meets development project.**

The **e-BIZ project**, funded by USAID, begins with demand. **The first step was to do a rapid assessment of industries and business clusters that can have a major impact on jobs** in Macedonia, and identify the industries' strengths, weaknesses, opportunities and threats. For this



step to be effective, you need a savvy entrepreneur to head up the project. Too many development projects claim to help SMEs identify demand, but are run by people who have never actually created a successful business. Finding the right person isn't easy. It took months to find a Director for the e-BIZ project in Macedonia -- someone with long experience in business, including leading IT start-ups, as well as experience in developing countries.

**Step 2 identifies "high impact" ICT applications**, i.e., uses of ICT that can \*significantly\* and \*quickly\* enable SMEs in the target industries/clusters to become more competitive, provide more value-added products and services, and increase market share. I emphasize "significantly" and "quickly" because every ICT project for SMEs claims that adopting ICT will help the SMEs become more competitive...sometime...somehow. This step of the e-BIZ approach singles out ICT applications that will have a specific, marked, near-term impact on the SMEs' bottom line (example below).

**Third step is to identify local partners who will own and operate the "ICT for SMEs Centers"** (e-BIZ Centers). Unlike most development projects, which fund nonprofit telecenters (most of which fail after the donor exits), we are convinced that sustainability is best served by working with entrepreneurs who want to set up for-profit e-BIZ Centers. We held open tenders for local entrepreneurs to submit proposals to co-invest in, own and operate the e-BIZ Centers. We've been surprised and pleased at the number of local entrepreneurs who responded with very solid proposals, which include their co-investment in the e-BIZ Centers. We are exploring a modification of this step, which would set aside some of our "seed capital" for e-BIZ Centers to be owned by entrepreneurs who face special challenges, e.g., women, the poor, disadvantaged minority populations.

**In step 4 we work closely with the entrepreneurs to build e-BIZ Centers that are strong, sustainable companies with significant value-added offerings for SMEs.** It starts with development of concrete, well-conceived business plans for the e-BIZ Centers, with core offerings based on the high impact ICT applications. Then we provide sector-specific technical expertise and advice to get the e-BIZ Center up and running on a solid footing.

The challenges in this step have been unexpected -- and are often due to cultural values. In Macedonia, it's been hard to convince local entrepreneurs that they will ultimately be more successful by collaborating with each other to compete in the global market. Another cultural challenge comes from the ICT side. Culturally, ICT entrepreneurs want to be deeply engaged in the technical side and resist adopting what they want to build, even if the former is more cost-effective. Moreover, it takes some doing to convince ICT entrepreneurs that their business will be more successful if they address the "felt needs" of their SME customers, rather than focusing on developing some new, proprietary, expensive software that SMEs "should" (in the IT entrepreneur's view) want. Again, it's essential that the head of the project can speak to local entrepreneurs from a background of solid business experience. As part of this step, we are also in the process of creating vouchers or discounts for specific target groups, e.g., the poor, micro-enterprises, women entrepreneurs, etc. These discounts make it easier for these groups to take advantage of the e-BIZ Center offerings.

The e-BIZ Project in Macedonia is barely a year old and has become a "co-investor" in 6 e-BIZ Centers. One example is the Apparel Technology e-BIZ Center. The apparel industry employs 22,000 people generally working in very low-wage jobs for very small companies that are competing on cost. Given intense competition from China and other international changes, experts have said this industry is doomed in Macedonia. Through some scouting, we discovered that there is a "rapid response" niche in the European market, for which Macedonian apparel companies have an advantage, given their geographic position and high-level skills. Moreover, this niche offers higher value-added (higher paid) jobs.

To compete in this niche, the Macedonian companies needed technology. Enter the Apparel Technology e-BIZ Center (ATEC), which recently opened. **Experts have told us that this e-BIZ Center is essential to saving jobs in this industry, and creating more value-added jobs.** ATEC, owned and operated by a Macedonian entrepreneur, provides computer-assisted design



and computer-assisted manufacturing (CAD/CAM) services to the apparel manufacturing companies, enabling them to increase exports to EU countries by providing high quality apparel with rapid response, short production runs. Eventually, we'll have experts help the Macedonian companies use CAD/CAM to create their own designs. To get ATEC off the ground we've engaged experts with decades of experience in the apparel industry, who are helping ATEC help their customers enter this "rapid response" niche in Europe successfully. We're also working closely with other efforts to strengthen SMEs: the Macedonian Competitiveness Activity, Aid-to-Artisans (both USAID-funded projects), international corporations, the Italian Trade Commission and others to make the e-BIZ Centers and the SME customers successful.

**We believe this is a model that can be applied to every country, and will help create strong, sustainable businesses that use ICT to compete effectively in the global market.**

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***On November 22<sup>nd</sup>, Valentina Taseva (Semos Education) wrote:***  
(responding to [Janice Brodman's 11/12/04 post](#))

I work with Semos, Macedonia's largest IT training company. In order to develop, Macedonia has to address one of our most critical needs -- the need for better management skills among companies and young people coming out of school. Macedonia now has over 35% unemployment and we have many people living in poverty because they cannot get jobs or because they start a small business but do not know how to run it effectively. A large portion of the unemployed are young and in some areas of Macedonia unemployment among young people is 50%.

As a for-profit company, we believe that we can help make businesses in Macedonia more successful, increase jobs and reduce poverty by helping to improve management skills throughout Macedonia. We are working with a USAID project in Macedonia called the e-BIZ Project to set up an e-BIZ Center that will use distance learning to provide high quality management training, with a focus on business executives, managers and entrepreneurs. The e-BIZ Center is for-profit, and offers fee-based services. We want to be sure that very small companies, entrepreneurs with low incomes or facing other obstacles (such as women who cannot travel for training) can have access to the management training, so we are working with the e-BIZ Project to offer vouchers or discounts to selected groups. We are also setting up partnerships with small cyber-cafes and other companies around Macedonia, so that they can offer the online courses and also make a profit. Since they know their local market very well, they are able to market the courses much more effectively than we could do, and since they get a percentage of the revenue, they are highly motivated to market the courses effectively.

We are developing our business plan, with the help of the e-BIZ project, and plan to offer a range of distance management training courses as well as other courses, especially in IT skills and courses for local government. We believe our competitive advantage will be to offer high quality courses, as there are training courses in Macedonia but they are usually not high quality. Some of our courses will use videoconferencing to "bring in" recognized international experts. We will work with these experts to ensure that their sessions are relevant and useful to the Macedonian audience. These sessions will also include translation and a question/answer period. We plan to charge sufficient fees for the sessions so that we can pay a speaker fee to the international expert, and generate enough revenue for both ourselves and our partners to cover our costs and eventually make a profit. Other courses will use Web-based training or CD-ROMs, again of high quality. Our initial market testing indicates that there is a market for these types of high quality training at prices that will generate target revenue levels. In addition, we plan to offer other video conferencing services (e.g., company meetings, sales presentations, and family meetings) to help generate sufficient revenue.



We believe this model will make it possible for us and our local partners to provide a valuable service in Macedonia and also make sufficient revenue and profit to continually provide and improve the services. Because we are just starting out, we are looking for help, advice and partnerships. We would very much like to hear from GKD members who are experts in distance training (videoconferencing, CD-ROMs, Web-based, etc.) that is fee-based and for-profit. We would also like to hear from experts in developing other practical revenue sources from video conferencing (e.g., company meetings, sales presentations, and family meetings).



## Is Profitability Essential for Sustainability?

*On November 1<sup>st</sup>, the GKD moderator wrote:*

Last week, GKD members discussed some of the benefits that can be gained from "pro-poor" business strategies, along with some examples, and the striking challenges to creating and implementing those strategies. This week **we examine profit, and the functional, and dysfunctional, role it can play in promoting activity that provides real value to the poor.**

Telecenters are a telling example. During the past decade, international donors have spent tens of millions of Euros/dollars to fund telecenters throughout the developing world. Yet most telecenters have failed to become sustainable. Worse yet, subsidized telecenters often drive out for-profit companies that cannot compete with the subsidized prices. When the donor funding ends, the telecenters often founder and fail, and the community is left with nothing.

A couple of years ago, GKD received a message from an enterprising young Nepali, describing a striking contrast. He had established a cyber-café (i.e., for-profit telecenter) in a small town, and explained how he had made his company successful. Initially, he followed the standard approach: put out some signs, talked to some of the town leaders, handed out some flyers. But few people came and he faced failure. He decided to take a new approach. He visited people at their homes and shops to find out what they were interested in. Then went back to the cafe and searched the web for relevant websites. When he had collected enough material, he invited them to the cyber-cafe to review the material (sometimes with his accompanying translation) for free -- the first time! His driving motive: profit.

The story has been repeated with other products and services. This kind of experience has convinced some that profitability is essential for sustainability. They argue that profit provides the incentive needed for the kinds of effort and investment needed to make enterprises successful. Further, the need to make a profit forces all companies -- large and small -- to identify and deliver products and services that are valued by customers, i.e., that customers will pay for.

Others harshly criticize the recent emphasis on "public-private partnerships." They feel that for-profit firms inevitably place profits above the well-being of poor communities. They charge that companies, especially international corporations, will make the investments needed to serve the middle and upper class, but not the poor. They argue that for-profit companies are less likely to provide sustainability, because they will desert a poor community as soon as higher profits can be found elsewhere.

Key Questions:

- 1) Is profit important -- even essential -- to successful and sustainable "ICT for development" activities?
- 2) Do you know of large or small local companies that have used ICTs to serve the poor while making a profit? How about multinational corporations?
- 3) How do we ensure that the profit motive drives companies to provide ICT goods and services with real value for the poor? To succeed in selling to the poor, do companies have to create trust by providing real value?
- 4) Are there ICTs that offer entrepreneurs from poor communities a chance to create successful small enterprises, either free-standing or as franchisees of a larger entity?
- 5) When large corporations seek to serve the poor, who are the "winners" and "losers"? What "win-win" models are possible?



***On November 2<sup>nd</sup>, Meddie Mayanja wrote:***

The "profit" is not the problem/issue at all -- the issue should be probably what is the price mark-up on the ICT for Development activities -- which activities/services are charged for profit? We may recall that one of the reasons why rural communities can not use ICT to improve livelihood is cost and availability of ICT resources. It's not an either or situation; once ICT tools are made available (e.g., Telecenters) they should be affordable. You also notice that affordability is relative to community economics.

On the other hand, it's OK for an ICT for Development initiative to seek profits to ensure that services are available the next day. **Detailed planning would have to be made to decide upon which services to charge for and which will be essential for fostering development** – where profit-motivated charges could kill interest for the service.

**A strategy that I have found useful is to identify a few core services that businesses would charge less for (e.g., cost recovery fees) for their community development impact, and leave others on a full cost basis to support sustainability.** This would ensure that poor people are not neglected for services in pursuit of profits. The rush for profit (in the extreme) is an engine for promoting the digital divide and growing the gap between the rich and poor. I understand it is the bedrock of the growth of civil society organizations to balance up effects of private sector led development around the world.

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***On November 2<sup>nd</sup>, Andy Lieberman (Asociacion Ajb'atz' Enlace Quiche, Guatemala) wrote:***  
*(adding to [Meddie Mayanja's 11/2/04 post](#))*

With the help of USAID/AED/EDC and World Learning, (our NGO) has set up 28 school-based telecenters, all of which are sustainable (so far) and almost all are putting social service over profits. The two principles that we have applied are:

1. **Select partner implementers that are really dedicated to serving the community.** In our case, most centers have been given to community-run schools, but a couple of others have been small, local NGOs.
2. **Let the partners cover all recurrent operating costs from the outset and some of the start-up costs.** This scares off many potential partners, but has served as a good filter to ensure that the partner schools have the economic base and administrative capacity to sustain the center.

When we find a partner that responds well to both of these principles, the result is a telecenter that instinctively finds a happy balance between keeping the center sustainable and providing needed community services. These centers compete fairly with the small local entrepreneurs who set up private Internet cafes. The schools have the advantage of a captive user base while the entrepreneurs have lower overhead and better capacity to respond to local demands in terms of services and scheduling. We accept this competition as inevitable and healthy because it keeps everyone on their toes. In the end, the consumer wins.

While I feel comfortable with the above-stated model at the local level, **I am struggling a bit with the ethics and reality of whether a mid-sized local NGO should build its sustainability off end users.** For example, some people have suggested that our NGO could create a franchise scheme where our partner centers could pay us a fee for which we would provide ongoing technical and administrative support. It is certainly solid as a business plan, although I wonder about our capacity to provide quality services at a low enough cost. Regarding ethics, I would not feel comfortable knowing that my salary is coming directly from the pockets of the rural poor we are trying to help. Yet, if we are not able to offer those services, the telecenters end up paying



private companies for that assistance. So, maybe I am wrong in my thinking and that this scheme would really be a win-win. Our NGO is doing its best to be transparent, so that any "profits" obtained should truly be channeled back to our target population.

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**On November 2<sup>nd</sup>, Meddie Mayanja wrote:**  
(responding to [Andy Lieberman's 11/2/04 post](#))

Andy, I would understand your feeling against feeding from the poor's hands. **I think the most important issue here is the service you will offer and how it fits into the larger community aspirations.** I have worked with setting up School-Based Telecenters (SBTs) in Uganda and Zimbabwe under the World Bank Institute program. In Uganda alone there are over 15 SBTs. The strength of the SBT is as much in the networking and sharing of resources. They can negotiate fair prices and services etc., as a block.

Therefore if you can make your services available to help organize common interests around a need - for instance PC servicing and repairs, training etc, that would be great. They can in turn pay some fees at a price deemed necessary for the service. In case there is a doubt – take it that if you don't help, someone else will, but might require higher fees than what you might be willing to do the same job for. I think **its all a WIN-WIN situation if you help and charge less than the market cost.**

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**On November 2<sup>nd</sup>, Cornelio Hopmann wrote:**  
(responding to the [moderator's 11/1/04 post](#))

Initial remarks: the Moderator's question does not contain a definition of "profit"; it might be a monetary return on invested capital, it might be an excess over pure operation-costs, it might be equal to the operation costs but those who use the offered ICT-services do better by using those services.

Second remark: we made a large comparative study on Telecenters in Nicaragua and do continuous monitoring and -except in very special settings like schools- we didn't observe any significant difference in services offered, prices charged and people attending, between supposedly "for profit" and supposedly "non-profit" Telecenters.

Third remarks:

- (1) Unfortunately ICT-services are not free - someone has to provide them and someone has to pay those who provide them.
- (2) Costs to be covered are the use of communication-infrastructure, the personnel involved in bringing the service, the replacement of equipment and consumables, the place (or the rent for it), the energy used.
- (3) It turns out that 1 years full operation-costs (including depreciation for equipment replacement) in many cases comes already close to the initial investment-costs or even exceeds them.
- (4) The current trend - look at Cellular phones and their business model or Ink-jet printers - for communication-technology makes that initial investment become more and more irrelevant compared to operation-costs.
- (5) Hence the whole question boils down to "who pays" and "how" (and to a certain degree "why") and specifically the operation-costs.

Fourth remark: if philanthropic initial donors also cover the operation-costs, still the question is whether donors should be encouraged to spend on ICT or is the money better spent on other more important issues. If it is claimed that Governments should cover these costs, the question becomes even more important. The only reason might be that ICT is more effective than other



means to fight poverty (or it's a basic requirement to achieve those other means). Generalized hard evidence is missing.

Fifth remark: if there is no substantial gain for "beneficiaries" then there is no reason to spend on ICT.

Sixth remark: A telecenter without a sound business-model with respect to the above ... shouldn't even be started.

Seventh remark: We found that non-benefactor Telecenters (i.e. those either started "for profit" or by the beneficiaries themselves) had in general more sound business-models than those mounted "for benefit".

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**On November 2<sup>nd</sup>, Kamwati wrote:**  
(responding to the [moderator's 11/1/04 post](#))

**Profit is essential for sustainability.** Despite the different approaches taken to development, we have to recognize that sustainable growth will only come when people are assimilated into markets, where they can sell their capabilities (skills) and goods, for profit. The same applies to ICTs.

The large number of subsidized ICT projects in my opinion fail because they take the implicit assumption that ICTs are a special service, but they are not and in fact they should be considered another factor of production such as land or capital. **The focus should be in creating a market for information**, which as you note from the case in Nepal, if properly done can be pretty successful, you just need to market the right product.

In my opinion, the other option to sustainability, though far more uncertain, is government funding. **Governments should realize ICTs are becoming more and more important enablers of welfare and the economy, and should therefore provide them** in the same way they provide agriculture extension services, or business support services. However, given that most governments in the developing world have cut support to these traditional areas, which are more accepted as needs, the possibilities of government funding of ICTs is lower, so I have to conclude profit is essential.

While you may argue that companies will focus on the middle and upper markets, profit motive will in the long run force them to move 'down market'.... The challenge then is to make the private sector invest in the poor's access. One way is to channel funds currently used for subsidy in the development of capital funds tied exclusively to the development of pro-poor access.

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**On November 2<sup>nd</sup>, Jim Forster (CISCO Systems) wrote:**

To me, **a major benefit of a for-profit goal is that the profit (or loss) is a very convenient metric that indicates whether the goods or services are useful when compared to alternatives.** This metric includes factors from both the demand side (do people want it enough to pay for it) and the supply side (is it being done efficiently). I've been very suspicious of other metrics because I think they're too easily 'gamed' by insiders. Even the profit system can be cheated with an uneven playing field or without the rule of law.

**Without feedback from the people it's very easy to fall into the trap of 'knowing what is good for others'.** I've worked at for-profit company (Cisco Systems) for a long while, and I have to say that while I think we've got great employees, we've succeeded because we learned how to



listen when our customers have voted with their wallets. I trust our customer's judgment of what they want more than our expertise.

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**On November 3<sup>rd</sup>, Al Hammond (World Resources Institute) wrote:**  
(responding to [Jim Forster's 11/2/04 post](#))

Hammerich and Forster both make useful points. Of course, markets don't attend well to everything. But the core of providing useful services at prices people will pay--and the market discipline of listening to customers that Forster underscores--is a strength of the business approach, one that might be usefully incorporated further into development strategies even in very poor communities.

I'd like to share some analysis that pertains to this question. We have been analyzing income structure in developing countries, using a cut-off of \$6000 per household/y as a working definition of the level below which the "bottom of the pyramid" or poorly-served market exists. This is not absolute poverty, but it is still very low income, a few \$ per day per person. In China, there are 286 million households below this cutoff with a collective income of \$691 billion/y--67% of the total income in China. For India, the figures are 171 million households, \$378 billion, 75% of the total income. Across some 18 countries, the BOP market has more than \$1.7 trillion in income--about the size of Germany's GDP. This is a substantial market. From a number of detailed case studies, **we can document that low-income households are willing to spend 4-7% of their income on communications and access to information** (because it often substitutes for more expensive travel). Thus **the potential ITC market in developing countries exceeds \$100 billion per year, most of it largely untapped.**

The size of the market means that substantial investment to tap it might be warranted. It's dispersed character (much of it in rural areas) means that **wireless systems may have an advantage in aggregating that demand up to commercially viable levels.** And it means that the market opportunity is for services (including the infrastructure and device cost) that cost \$50-\$300 per household per year. **That in turn means a strong advantage for shared use models** or other approaches that spread network and device costs over a large number of users or concentrate them in local entrepreneurs serving pre-paid or pay-per-use customers, as well as for services that can be bought in increments of a few cents up to a few dollars. Not surprisingly, we find that most of the successful models we have documented in case studies have one or more of these characteristics.

Not surprisingly, we find that **most of the successful models we have documented in case studies have one or more of these characteristics.** A few examples, some well-known, others perhaps less so. Grameen Phone's rural village phones generate an average of \$96/m each--they are very profitable. Smart Telecommunications in the Philippines has built a profitable cellular phone business with over 14 million customers on the strength of selling pre-paid text-messaging units to low income customers at units as small as \$.03. They use a network of some 500,000 local entrepreneurs to sell those units; the business grew 40 % last year. ITC's e-choupal network in India reaches 4 million poor farmers via an Internet-connected PC network, more than recouping the cost of the system by savings on the price of the grain it buys over the network and other sources of value. **Similar imbedded systems can be found in health care, education, and banking enterprises aimed at BOP markets.**

We do not believe that these examples, and others we have documented, though limited, are unique or due to special circumstances. The underlying business models are quite robust and, we believe, replicable; indeed, the Grameen Phone model is now being successfully adapted to Uganda, and many of the elements of the ITC model are being adapted by Pride Africa to Kenya. So we conclude that there is enormous untapped scope for market-driven ITC services that confer significant benefits on the customers and communities served.



**On November 4<sup>th</sup>, Kevin Jones (Microcast Communications) wrote:**  
(adding to [Jim Forster's 11/2/04 post](#))

One thing I'd like to add is that **the pricing changes coupled to getting externalities to be included in the cost of goods sold is a branding issue** that extends all the way from state fiscal and monetary policy down to the level of consumer purchases costing more at the cash register. **That pricing change will come if it's accompanied by a value change that is deep and heartfelt and desires expression throughout a lifestyle.** A first target might be the LOHAS market (lifestyles of health and sustainability). Get this ethically purchasing consumer to wake up to poverty and get them willing to pay to fight the conditions that foster it and you have something. If you can get the selfish yuppies who are trying to treat their own bodies and minds well to think about extending that kind of regard to somebody else who has less than they do, then it could work.

They'd have to see how global economic justice is in their best interests, just as they have become enlightened consumers of personal products and services, this is about them becoming enlightened consumers, about expanding their horizons of what is in their best interests. You would in effect get them to pay a poverty fighting/environment cleaning surtax, but do it through being willing to pay a premium for poverty fighting just like they already do for environment cleaning. It would also have to be tied to those developing world cultures selling their culture effectively into the developed world, just as the developed world shoves media and culture into the developing world. The transmission of value would be two way... If that happened, then market forces can make the difference.

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**On November 5<sup>th</sup>, John Broomfield wrote:**  
(responding to [Kevin Jones' 11/4/04 post](#))

I agree **brand is important in terms of increasing the likelihood that consumers will pay a higher price for goods** which cost more because of a pricing component which compensates for "externalities". In this sense a particular brand is providing some intangible value to consumers who buy into (or can be persuaded to buy into) the approach that Kevin outlined. Brand is also doubly important in this context if particular organizations are acting in isolation in taking on this additional cost burden while competitive products or services continue to enjoy a free ride.

However I'm guessing **that regulation/legislation forcing or incentivising all producers of a particular product or service to internalize some of the external costs of production - and therefore create a level playing field for all - plays a more important role here.** Especially for products and services which are becoming more commoditized and consumers are therefore buying more on price than values or attributes associated with a particular brand.

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**On November 4<sup>th</sup>, Sam Lanfranco (Distributed Knowledge Project) wrote:**  
(responding to the [moderator's 11/1/04 post](#))

This question is really two questions. The first part is **"Must a venture/project" earn an adequate return to be sustainable?"** The answer is an obvious yes, but leaves open what is meant by an adequate return. An adequate return must generate a revenue flow to sustain operating expenses. It should also provide for the replacement of the initial investment (fixed assets). Whether it needs to return a competitive rate of return on those initial assets depends on the nature of that investment. If it is venture capital (from investors) it needs a rate of return in addition to covering operating expenses. If it is a grant there may only be need for replacement investment.



The second part of the question is "**Must the profit motive be a driving force for success**". The answer here is more mixed. The profit motive includes maximizing revenue, but it also involves minimizing expenses. The profit motive is as much about good cost management as it is good marketing. Both are possible without an explicit self interested profit motive on the part of those who own the assets and receive the profits, but both are more difficult and require extra dedication and care.

There is a further complication here, in that some development projects are undertaken because there is what economists call a "market failure". For such development projects this usually means that the benefits are spread wider than just to those who pay. The market demand for the service or produce will be less than socially optimal unless there is a subsidy to reduce costs and lower prices. Education and health are areas where one frequently finds market failure.

There are then three lessons to be drawn here.

First, "**profitability**" as the need to pay attention to keeping costs in line and worrying about pricing/marketing is essential whether the operation is a private "for profit" operation or a social "for community" project. Capitalists ignore this at the risk of their capital. NGOs ignore this at the risk of their projects.

Second, **If the profit motive of owners is not the driver for efficiency and effectiveness in the provision of goods and services, some other explicit benchmark measures need to be in place to assess and discipline the projects.** For community projects this needs to be more than "bookkeeping", it needs to be strategic financial planning.

Third, **if projects involve addressing externalities, an explicit strategy of dealing with externalities needs to be part of the strategic planning.** Are private sector projects subsidized to better align wider benefits with project costs? Are NGO project subsidies assessed in terms of their ability to align wider benefits with costs?

**The sustainability of good projects requires "profitability" as a performance indicator and performance tool.** If the "profit motive" is not the driving force for decision makers, something else must operate as the driving force for cost and marketing decisions. If there are externalities these must be explicitly addressed in strategic planning and in how projects are costed, funded, and how their goods and services are priced.

Lastly, all of these require a level of management, administration and accountability that is seldom found in development projects.

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**On November 4<sup>th</sup>, Jim Forster (CISCO Systems) wrote:**  
(adding onto his own [11/2/04 post](#))

I realize I left out one other point about ICT development and profitability: I was making the case for profit as an important metric, and indeed I think that private, for-profit companies can and should take the lead in much of ICT, but **profit is not the only metric and there is an important and natural role for the public sector in creating part of the network infrastructure for ICT.**

In the networking part of ICT I would propose a hybrid of public/private investment, somewhat analogous to many of our transportation systems (except railroads). The public sector builds the roads and highways, but the private sector supplies the vehicles, fuel distribution systems, trucking companies, etc. I think the road construction, while not cheap, is quite smaller than the rest of the system.



In particular, I think in many cases it makes a lot of sense for the public sector to build what we call "Layer 0" of the networking stack: the physical layer... In some cases it may make sense for the public sector to take the lead in building a backbone network, to which smaller regional or community networks might attach. And in most cases the public sector funds much of the educational system. The Internet is now a vital part of the educational system, and as such, public funding of educational uses of the Internet makes sense too.

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**On November 4<sup>th</sup>, Lee Thorn (Jhai Foundation, Laos) wrote:**

**Financial sustainability of IT products in rural areas means either 1) government or supragovernment subsidy or 2) profit-making.** If 'profit-making', this profit can be taken by an individual entrepreneur or by a community (itself or an association within it or a cooperative) or government institution (like a school) seeking profit. 'Profit' is what is left over after all outputs, including, I should think fixed costs, replacement cost, MAINTENANCE, and running costs, are covered.

In all cases, if the community or enough individuals within a community does not want the thing, then they won't use it. This means market research. **Market research cannot be overlooked.** To get good market information from a remote, poor village, in my experience, is not a simple thing. It requires trust, otherwise the cultures of dependency will lead to people saying 'yes' to almost anything that has any chance of improving their standard of living...with a high probability that whatever is given becomes junk.

*(responding to [Sam Lanfranco's 11/4/04 post](#))*

I totally agree with Sam Lanfranco. A) You have to choose your shots. B) small NGO's have certain advantages over large NGO's: it is much more likely we won't be selling cookie-cutter solutions and much more likely we actually know the people we are working with... you have to know your customer and listen to her. I personally find the key piece of business knowledge is that relationships are nearly everything.

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**On November 4<sup>th</sup>, Tom Abeles wrote:**

*(responding to [Al Hammond's 11/3/04 post](#))*

The focus on this list seem to me to be formed around social justice and similar issues, where the ICT's are just the surrogates in this ongoing debate between the neo-classical economic advocates (business models) and the emerging heterodox thinkers (more driven by social justice issues). **The fact that these ICTs that Hammond cites bring social benefit is more in the way of a rationalization that the standard economic model can make money and still be socially and environmentally responsible.** The social activists on the lists, though, start with the issues of social justice which is paramount, and if it makes money, that is also good, as long as its not too much.

The problem is that the business model starts with private capital and entrepreneurial spirit and risk. Such funds are unavailable to those seeking social justice; thus, the latter group has little to do except to try to inform the private capital of its social responsibility. Advocating for public sector support, gives the social justice organizations the funds they need to implement a different model. Unfortunately, this latter model is dependent on government largess to sustain it and there is little effort to concentrate on a business model which seems to contradict the ideas around social justice.

**If the larger ideas underlying the models that Hammond describes, work; and, if the business community does adhere to issues of environmental sustainability and social**



justice, then the roles of the NGO's will be seriously abridged and altered and, possibly, their voices may be muted. The NGO's have more than issues of thwarted social justice on their agenda. These are big IF's; but the NGO's may need to seriously reconsider their roles in this arena.

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**On November 5<sup>th</sup>, Jeff Buder wrote:**

Most telecenters are not profitable or economically self-sustaining. This would not be an issue so much if the telecenters were developing an integrated program of development that incubated social enterprises in the communities they operated out of. **It is not so much an issue of whether telecenters are directly profitable but whether they are building economic value in the communities they are operating in.**

Yet as Meddie Mayanja seems to imply, profit is essential not only for successful "ICT Development" but for all things done in a civilized society. **To replicate sustainable communities-based economies you need to have a return on the initial investment.** Here is one scenario we have looked at: ICT centers could be designed as money losers but the businesses and other organizations they incubate or assist could pay a fund to keep the operation going from their profits or "surplus revenues". At the same time, the program could be designed to subsidize small groups doing research and organizational work relevant to increasing the momentum of local development.

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**On November 8<sup>th</sup>, Bettina Hammerich wrote:**  
(responding to [Jim Forster's 11/04/04 post](#))

I think that (the) point about the public sector role in investing in part of the infrastructure for ICT is very important and indeed important from a country's e-readiness perspective as well, and that there is a clear similarity here with other public sector investments into water, railways etc. I also agree that the market's ability to listen to customers is one of its key qualities (however, this is assuming that all customer voices are heard).

(responding to [Al Hammond's 11/03/04 post](#))

Allen Hammond's research is excellent, needed and very encouraging for businesses in doubt about investing in poorly served markets, and with the current trend for corporate responsibility some "externalities" will no doubt be taken care of. However, if we are talking about eliminating poverty, the cut-off of \$6000 per household per year is rather high. But perhaps this is not the point? Perhaps it is merely that there is a large untapped market amongst the poorer (not the absolute poor) and that this group would benefit from the investment?

**If the key question is can profit alone eliminate poverty and businesses take over where NGO's and Governments fail -- then I think the answer has to be no -- simply because their motivations and goals are different.**

**But if the key question is can businesses provide ICT services better than NGO's, and is there a business case for entering "bottom of the pyramid" markets, I think the answer is without a doubt - yes!**

When it comes to the very poor or otherwise disadvantaged groups, and when it comes to market externalities such as the environment, governments and NGOs must continue to play a role. Albeit, a more efficient role than in the past! In this regard, I found [Sam Lanfranco's analysis](#) of the driving forces of development projects excellent, and I agree that often development projects do not have the required level of management, administration and accountability. The latter is an area that the not-for-profit organizations desperately need to address.



Although I don't think that NGOs' function will become superseded by business (rather, they have different roles to play), [Tom Abeles' point](#) here that **the current trend poses new challenges to NGOs is very relevant, and perhaps this debate will lead to greater transparency and efficiency in the not-for-profit sector, which in itself, would not be such a bad thing.**

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**On November 8<sup>th</sup>, Klaus Jaffe (Universidad Simon Bolivar) wrote:**

I would place the question into a broader context. For example, if we call 'S' the benefit to society (or the community) and 'I' the benefit to the individual (profit), any type of human action can be grouped as follows:

S > 0 and I > 0 : "social investment"  
 S < 0 and I > 0 : "destructive egoism"  
 S > 0 and I < 0 : "true altruism"  
 S < 0 and I < 0 : "destructive behavior"

Yet **economic history, logic and computer simulations** (see: <http://atta.labb.usb.ve/Klaus/altrupun.pdf>) **show that only the first one on this list causes sustainable economic growth.**

In relation to non-economic benefits, estimated through the human development index (HDI), there is a very close correlation between HDI and GDP (more data on this, though in Spanish, can be had at <http://www.cee.usb.ve/La%20riqueza%20de%20las%20naciones.htm>). Thus clearly, at least for the poor, economic considerations are the most important (if not they wouldn't have been called poor in the first place).

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**On November 9<sup>th</sup>, Adriana Labardini wrote:**

If someone is still skeptical about the potential impact of ICT in productivity, knowledge opportunities, finding resources and expertise and social capital, just take a look at this very discussion forum that without the Internet would take hundreds of people having to pay travel expenses plus opportunity costs of their time to be able to have a dialogue like this.

This hits the very keen observation of [Mr. Sam Lanfranco](#) about the existence of a market failure when it deals with providing basic infrastructure for even telephone services, not to mention Internet, to poor, remote, disperse communities mostly in developing countries. To our great disappointment, introduction of competition of telecomm services in countries like Mexico did not raise the penetration of services in rural areas. **So in a regulated industry such as telecommunications, reaching the BOP through affordable, ad hoc ICT services where purchasing power is low, fixed costs high and competition policies weak, takes a really BOP-empathetic approach and a NEW MINDSET:**

1. Perhaps there wouldn't be a market failure if providers were to offer services at the same prices they do to urban/wealthier customers, on the theory that they will have a much larger market with great needs of communication and information, provided they are affordable.
2. Reducing the cost of deploying infrastructure through disruptive technologies that leapfrog the expensive wire-based ones. WiMax for example.
3. Government support of these access technologies through policies and incentives that enable use of free spectrum, which means giving up proceeds from spectrum auctions.



4. Working on the demand side training people on the use of IT and developing useful LOCAL applications that meet the communities' needs rather than providing cookie-cutter solutions.

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**On November 10<sup>th</sup>, Kevin Jones (Microcast Communications) wrote:**  
(responding to [John Broomfield's 11/5/04 post](#))

My quick response is that regulation follows public sentiment and values, thus, for me an appeal to branding is a consistent touch stone in that persuasion of the public, involving people in a values shift. We don't pay the gas taxes they do in Europe because our higher value is the open road rather than the impact on global warming. Reaching an EU level of environmentally sound level of regulation would require branding our impact on the environment more than our desire for open road, heavy-footed independence.

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**On November 11<sup>th</sup>, Lee Thorn (Jhai Foundation) wrote:**  
(responding to [Sam Lanfranco's 11/4/04 post](#))

> Are NGO project subsidies assessed in terms of their ability to align wider benefits with costs?

Do you know of any proven ways to do this or even just ways you like? Is it always necessary to quantify these benefits to compare them with costs? Is it important to quantify social costs (or savings), such as environmental ones, when measuring in this way?

> The sustainability of good projects requires "profitability" as a  
> performance indicator and performance tool. If the "profit motive" is  
> not the driving force for decision makers, something else must operate  
> as the driving force for cost and marketing decisions. If there are  
> externalities these must be explicitly addressed in strategic planning  
> and in how projects are costed, funded, and how their goods and services  
> are priced.

How would you describe these 'externalities' you mention? They seem very important to me and in my experience with strategic planning they are expressed at least in the SWOT or similar analysis phase, even in the newer planning formats like dialog or visioning, but I am not sure how to quantify them or change them in some way so that they are/can be expressed in costs, funds, and prices.

> Lastly, all of these require a level of management, administration and  
> accountability that is seldom found in development projects.

I think this is a crucial point. It is certainly true about Jhai Foundation.

I am not sure quantification is the key to measuring these other inputs and outputs. What is the key? For now I wonder if a whole marriage between profit-making and benefit-producing is necessary in the extreme conditions that many of us work. Perhaps the measures can be parallel rather than integrated, partial rather than holistic, paradoxical rather than sublime. What may matter most is how we report these things so that a discussion takes place where we agree to terms. Are we there yet? Are we near?

At the same time there needs always to be room for 'the gift'. 'The gift' is usually understood in terms of flows rather than snapshots. Sometimes I wonder if what we need to do is examine more closely what a gift really is in cultures where people think more in terms of family and



community than they do in under-developed places like the United States. Maybe there are clues there for all of us.

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***On November 11<sup>th</sup>, Al Hammond (World Resources Institute) wrote:***  
(responding to [Adriana Labardini's 11/9/04 post](#))

Adriana Labardini raises a very important question -- how to get infrastructure and connectivity into rural areas. She poses the question of prices, but the real failure of old-line telcos is that they are wedded to a subscription model -- **the right business model (shared use, pre-paid in small units, local entrepreneurs as resellers) would open up service in many places.** Grameen Phone's village phone model, Vodacom's community phone shops, and others show this approach can be very profitable, and also provide affordable service where it is needed.

Leap-frogging through wireless technologies, evolving fast and inherently cheaper services for serving dispersed communities, is her other suggestion. But she points to the real barrier here-- most developing countries have not made unlicensed spectrum freely available, because they don't understand that the entrepreneurial explosion would generate more economic activity and more tax revenue than they would get from license auctions -- especially in poor, rural areas. Others have high import duties on the specialized radio equipment needed to do WiFi or its successors. So we need to make the business case to governments as well as to companies.

There is a third possible model, and that is for infrastructure companies to build and manage the infrastructure for a variety of users -- government agencies, banks, consumer goods companies that need to get to rural consumers/communities. A number of companies are now contemplating such strategies -- both big companies and some entrepreneurial companies. So one question is, where would governments welcome such investment and help clear away regulatory barriers?

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***On November 11<sup>th</sup>, Ed Deak wrote:***

The main problem here are the vague philosophical concepts and ideas, like the so called "social justice" that can not be defined, but can be infinitely distorted to suit the theories and demands of incredibly powerful would be rulers and pressure groups, who invented a new language and new meaning to many commonly used words to reach their goals, backed up with a strictly controlled media to mislead people.

For example, the often quoted past prophets, like Smith and Ricardo, have never said, or wrote the things attributed to them, now used to justify limitless greed and exploitation. Ricardo never advocated the free movement capital with his marginal advantage theory and the way Smith's "self interest" and "invisible hand" theories, both in the same short paragraph, have been distorted to come up with idiocies like "In competition individual ambition serves the common good" is outright fraud.

**If we really want to solve growing global poverty, ideologies and faith based "isms" are dead and should be buried, because sooner, or later some would be rulers will distort them and use them for their own power trips as they have distorted every religion, ideology and philosophical theory through history.**

Then we come to the calculations used by neoclassical market economists today, like the totally meaningless and fraudulent GDP, "growth", "productivity" and even "inflation" and "unemployment" figures and we can only shake our heads in awe how they can get away with it and how the public and politicians can be gullible enough to tie the lives of billions of people to these transparent lies?



For example, the stated purpose of economics, in every textbook, is "The science for the management and distribution of scarce resources". At the same time economic efficiency is defined in several different ways, but basically with the same meaning as "The biggest monetary returns for the smallest monetary inputs", totally ignoring the "distribution" aspect, replacing it with pigs fighting at the trough, as the ideal economic model.

To the best of my recollection, scientific laws and definitions are supposed to be sector neutral and apply equally to everybody, regardless of race, creed, or financial standing, while this aberration of decency, justice and logic gives a free hand to any sector to exploit others and the environment for their demands.

Monetary values can not be used for any scientific, or economic calculations, because they do not represent realities, but often violence induced, temporary perceptions, therefore **the presently used definition of economic efficiency is false and the cause of the biggest environmental destruction and human destitution on Earth.** Neoclassical economics are not a science, but the biggest crime wave in history.

With bank deregulation, money ceased to exist at a certain level and became a "License to control energy and resources, issued by a special interest sector for its own benefit". The present monetary system permits the creation of inflated, infinite amounts imaginary monetary capital by self appointed powers, who are then licensed by the perceived power of that non existing money to overcapitalize resource conversion systems and take control of whole countries to divert the benefits into the pockets of an international aristocracy, while the legal owners of the resources are disenfranchised and destituted. E.g., the population of oil producing countries, while their GDPs are flying high, in praise of the "wealth creating global marketplace" and tens of millions are starving.

"Wealth and property are the temporary control of resources and energy". This also includes profits. Neither can be created, only taken from the environment, or from other sectors. Profits are a form of unilateral taxation without representation and although they are necessary for the survival of businesses, when they reach certain levels in the hands of multinational oligopolies and conglomerates, they become outright theft and the cause of daily growing global income gap.

There's nothing wrong with private property, in fact it is necessary for human existence, I'm a property owner and independent business owner/manager in BC since 1957, just as there's nothing wrong with the occasional glass of wine, or beer. But there's a lot wrong with drunkenness and alcoholism, just as there's a lot wrong with the fact that less than 400 people own and control half of the world's resources and wealth, CEOs taking home tens of millions every year, while firing and outsourcing thousands of jobs and raising prices in the name of so called "economic efficiency". As JK Galbraith wrote many years ago "The purpose of economic competition is to eliminate competition". Today the main purpose is to raise incomes for a few and expropriate the lives of many with the perceived power of imaginary money.

**The key to poverty elimination is the promotion of self sufficiency and not specialization, as demanded by economists and politicians.** A certain degree and percentage of specialization is necessary, but it causes incompetence and reliance on systems controlled by special interests. Whenever the words "self sufficiency" are mentioned, economists go frantic, claiming that it increases costs. Quite the opposite. They don't know what real costs are, because they have no models to calculate them. Human labor doesn't cost anything to an economy. It only takes benefits, or if you like loot, from the pockets of special interests, who claim to be THE economy, because they managed to usurp the control of the strings of money creation and investment, in other words colonization and forced collectivization.

I have spent a lifetime on the planning and running of self sufficient family and locally based production systems and know that they work and bring a lot of benefits to the practitioners. Total self sufficiency is an impossible dream, but even with limited self sufficiency people can live very well on very low incomes and use far less resources in the process.



The reason economists oppose self sufficiency is that incompetent people must rely on the buying every item and service for their survival and this raises their phony GDP, which also includes the tremendous waste and pollution of physically inefficient, but economically "efficient" production systems.

I'm in daily contact and exchanging information with a well known and prominent scientist friend, well known by Al Hammond, working out of Winnipeg in the sustainability field. Just last week he was telling me of the plans for the dislocation of millions of farm families in China and jamming them into new cities. In the name of phony "economic efficiency" of course, disregarding the fact that city dwellers use far more water, 1400 gallons per person per day in the USA and Canada, plus all other resources, but all that waste will raise China's GDP even more.

In conclusion I would only like to add that **there's no point in talking about poverty without going back to the basics on what the causing factors are.** Technology, among other things, can indeed solve much of the problems, provided it is used in well planned doses and within limits, because in its present overcapitalized form it is one of the main reasons for the daily growing poverty and income gap statistics, which in turn also jack up the substance abuse, family violence, crime, accident and illness figures.

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**On November 12<sup>th</sup>, Kris Devi wrote:**  
(responding to [Lee Thorn's 11/11/04 post](#))

**For any project or venture to be successful, there has to be a return on investment, tangible or intangible.** Without this, the initiative is deemed unproductive and hence a waste.

Preferably, for sustainability, at least the variable cost should be covered fully. If it covers either a part or fully the fixed cost, it is ideal.

If it can also cover the "opportunity cost", there is the possibility of creating other better income generating opportunities in lieu of doing the current project, then there is motivation to continue and scale up the project. This is what is termed as profit by others.

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**On November 16<sup>th</sup>, Peter Burgess wrote:**

**In my view, not enough of the analysis of sustainability has been done taking a comprehensive view of the development situation as a whole.** The official development assistance (ODA) community has done little to measure performance in development at a level where decision making can be improved. There is a lot of information that shows, in the aggregate, that developing countries have deteriorated in the overall quality of life over a period of many years while similar data show that rich countries have become significantly richer over the past forty years.

High performance development, from my perspective, is when achievement is the maximum it can be given local resources, financial, human and natural. If this is the principal measurement, then development in places like resource rich Nigeria, for example, is a terrible failure while resource poor Somaliland should be considered successful.

After forty plus years of development, the position has been reached where many of the developing countries are not "sustainable" without external support. In such places, it is not simply enough for a business or project to be profitable in an accounting sense, but it must also prove to be "valuable" from the community and indeed the national perspective.



I want to keep this post short....but this is a big topic. I would suggest **that sustainable development needs, more than anything else, to be creating value.** Value creation needs to be funded. Success in development cannot be funded at this point in history by internally generated cash flows, so external funding is needed. But this funding has got to be allocated to, and go to, value adding activities.

**This is in contrast to the resource allocation that has dominated development for most of the past 40 years and continues today.** Too much of the resource flows from the international community has been going to value destruction, including foreign direct investment ("FDI"). FDI can be very profitable, but it is frequently a value destroyer in the host country and in the community where it is operating. Not always, but very often. "Studies" carried out by international experts and funded by the ODA community are often value destroyers. Too much of what is done in the ODA world has value to the donor, but not much to the nominal beneficiaries.

**I am a proponent of the sort of analysis that shows what an activity costs and what are the values derived, both in terms of local profit and in terms of indirect socio-economic value to the local community and to the national economy.** An approach using value creation is better than using just a profitability measure. In the corporate (business) environment profitability is often a good measure of value creation, but in many of the needed development interventions there is no simple way to measure profit, but it needs to be very clear that the local society does get value. Roads, communications, education and health are difficult to measure using the business profit concept as the measure, but can be measured by thinking through the "value" that is derived from such initiatives.

The World Bank uses some of these concepts in its project appraisal process but for some reason it has not delivered success in development. In my first World Bank assignment in 1978 I learned in part why the World Bank was getting it wrong. While its project analysis was quite rigorous (MacNamara liked numbers) the position of the project in the community context, the national context, and international context, was being ignored. In a local sense the projects did not address local priorities, and to some extent this was true at the national level, and in the global context the projects were so huge as to disrupt markets for decades! Not surprisingly it is in areas where the World Bank has not been marginally involved that development has progressed, notably places like Singapore, Mauritius and China, to name some.

Value creation is needed for sustainability, and profitability may be a measure of value creation, but not necessarily.

**Sustainability is also determined by "cash" and it is cash where development has most failed.** Good value adding projects get terminated when the cash runs out and nobody wants to keep funding them. Many countries with significant human and natural resources are stuck with no cash, and no way to handle their cash crisis. The UN, World Bank, IMF, capital markets and the corporate world have not yet created a financing vehicle that works for developing countries, and in reality, are still trending in the wrong direction.

**Certainly value adding is a requirement for sustainability and success in development.** But is anyone going to measure this and put it into the public domain for analysis and review? Maybe it is time for this to be done. Transparency, Accounting and Accountability and effective Monitoring and Evaluation (TAAME) needs to be on the agenda and implemented so that all can see success and failure.

**The NGO community and many development experts seem scared of the idea of profit.** Creating value is a responsible approach to development. Profits in a good business are a good thing. They help fund the next generation of good business. Spending good money on bad development is criminal. What resources are available should ALL be used on value adding activities.



**On November 16<sup>th</sup>, Atanu Garai (OneWorld South Asia) wrote:**

While believing that info-kiosks can reduce poverty, especially in rural areas, we espouse the socio-economic role of an info-kiosk in a rural community. Given the decreasing costs of wireless access equipment in general, **access to rural wireless networks seems to be profitably feasible in some areas -- areas where agricultural and SME productivity, literacy and an enabling infrastructure exists.**

For those areas, a multi stakeholder collaboration involving private, public and civil society institutions can start and operate small to large scale community wireless networks. Private sector Telcos can think of BOT mechanism, taking loans to build the infrastructure to later transfer to the rural entrepreneurs. While the role of public organizations would essentially be to facilitate the entrepreneurial venture availing the infrastructural, regulatory and financial facilities. Civil society institutions can be instrumental in feeding knowledge-based products into the network's services that can enhance the knowledge of rural communities.

**But what about those areas where the profitability seems to be a distant dream?** How can we address that issue? What would be the role of government, private sector and civil society in that case? For developing countries, grant mechanisms, be it through a USO model or donor-funded model, seems to be only solution as of now. We shall really seek an answer to this issue. Can we think of giving access to info-structures like community info-kiosks as essential as giving access to primary education or healthcare?

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**On November 16<sup>th</sup>, Michael Bosse (Equal Access) wrote:**

**I'd like to share a wonderful story about the concept of sustainability and profitability in the area my organization, [Equal Access](#), works: providing information and education to rural and under-served communities by broadcast technologies.** It's also an idea and short-cut for measuring sustainability where there is large reach. Equal Access uses audio programs (radio) but the central challenge presented applies to anyone who measures impact and profit beyond the direct price paid for services delivered (as Lee Thorn and others have suggested, profit can be much more than monetary).

**Sam Lanfranco's comments** about market failure where services are being delivered en mass that are difficult to charge for speaks to the heart of my organization's challenge: how do we show profit and achieve sustainability when we deliver a bi-weekly educational radio program to 1,000,000 listeners or more. Certainly there is the option of advertising, but... the production costs of quality educational programming eclipses advertising revenue (in rural Nepal) and advertising itself can clash with the nature of our programming.

Fortunately there is modest ongoing funding support available from donors. In this sense we are not sustainable in a "user pays" way, like a telecenter, but we are sustainable in that we can continue to convince funding agencies of the impact and efficacy of what we deliver to rural populations.

**But how do we concretely demonstrate value in terms that are quantifiable and can be compared to our cost so that we can determine whether we are being cost-effective and efficient in our use of funds?**

Our idea: What if we assigned a value to one person listening to one program that was so low it could not be challenged by a few grains of rice, per listener, per program. (A few grains of rice is worth less than an economic determination of the time cost of listening for our rural audience and our listeners are paying with the opportunity cost of the time they spend listening.) Then, if we multiplied those few grains of rice by 1,000,000 regular listeners, listening to an average of four



programs a week, as long as we could demonstrate the number of listeners and our very low assigned value was accepted, we could start to work on metrics of impact. (One million times a few grains of rice times four programs a week and you are actually talking about significant numbers). There are holes in this approach of course but it is the unorthodox approach we are working on in terms of demonstrating the economic value of our program impact. Whilst grappling with our next steps in trying to put a framework around this somewhat crazy idea, I got an email from a UNESCO bulletin about a strikingly similar approach taken in reality by one of our rural partners in Nepal to deal with a funding crunch. Radio Modanpokhara, which broadcasts many of our programs to its listeners, now funds a significant portion of its operations directly from its listeners through rice collection. For those in the US think of it as a public radio pledge drive with rice instead of checks in the mail. You can access the link to the original story [here](#). It is a fascinating example of a community coming up with a new approach to local sustainability for a service that is difficult to quantify and charge for.

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**On November 16<sup>th</sup>, Vikram Crishna wrote:**  
(responding to [Kris Dev's 11/12/04 post](#))

> For any project or venture to be successful, there has to be a return on investment, tangible or  
> intangible. Without this, the initiative is deemed unproductive and hence a waste. Preferably,  
> for sustainability, at least the variable cost should be covered fully. If it covers either a part or  
> fully the fixed cost, it is ideal. Who can argue with this?

**But how is the cost to be met - therein lies the difficulty and also to a large extent the disconnect between what works in one place and doesn't work in another.**

When I pick up a phone in India, I hear a certain kind of dial tone, which is quite different in the US and UK. I don't remember which place, it's a few years now, but I recall hearing a tone somewhere that made me get upset, thinking the phone wasn't working at all. Similarly, if a project does not return more rupees and paise, or dollars and cents if you prefer, than what is put into it, I could conceivably get upset. But only if I wasn't prepared to think that maybe there are other paybacks taking place, just that my monetary or even my measurement system hasn't learned to be flexible or inclusive enough.

I notice that most postings about 'social' benefits are dismissed as wishy-washy thinking, and cannot help but wonder why this is so? What is so difficult for an economist to quantify about spin-offs? A lot of long term R&D - like the space program for instance - is almost solely justified by the remarkable spin-offs we already enjoy in daily life. Maybe a lot of modern economists are shy about acknowledging social benefits - do they think this will label them as socialists?

Seems to me that **most corporate models of growth** - and definitely those of publicly held companies whose shares are listed in heavily trafficked exchanges - **are driven by such short term indicators that they cannot find any way of acknowledging in their balance sheets the work they do, and therefore too often don't do, to ensure that they are a part of society and not some kind of adjunct to it.**

Such a model leads us to a self-destructive way of doing things, whereby corporate funds get spent on ensuring that all the obstacles to 'efficiency' are swept aside, be it through payments directly to affordable GOs and/or NGOs, or indirectly. We keep seeing this in India, where the share of the organized sector is still a small fraction of the total economy. I can only imagine that it is far worse in more 'developed' economies. Some of the vignettes from documentaries like 'Bowling for Columbine' hint that such a surmise is not that far off target.

My discussions with academicians from Indian management institutions (of which I am myself a product, or alumnus, as they prefer to put it) indicates that there is no space for thinking beyond these narrow confines. The result is that young bright minds are led like sheep into the well



paying corporate sector, when the obvious need for measuring and building productivity outside the corporate sphere is much greater.

**I don't have a better model to suggest, but am certainly dissatisfied that the model of profitability we are discussing here is sufficient or even necessary to serve the purpose.**

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**On November 16<sup>th</sup>, Pam McLean (CawdNet) wrote:**  
(responding to [Adriana Labardini's 11/09/04 post](#))

> 4. Working on the demand side training people on the use of IT and developing useful LOCAL  
> applications that meet the communities' needs rather than providing cookie-cutter solutions.

It is important to build the capacity of local people to recognize and define local needs related to ICTs. Teachers in rural Nigeria are community leaders - they are also farmers in addition to being teachers. In a very real sense if you teach the teachers then you teach the community. This is something very much in the minds of the people running the "Teachers Talking" course at Fantsuam Foundation's centre at Kafanchan later this month. We hope to take advantage of the present situation of teachers seeking to "know computer" and use it to give these community representatives an insight into the potential of ICTs not just in education but in wider community development and economic growth.

As part of their introduction to ICTs we hope they will experience the power of the Internet as a resource for Life Long Learning - especially discussion lists and peer-to-peer learning across cultures. For further details of Teachers Talking (TT), or to apply to join the TT virtual community see <http://groups.yahoo.com/group/CawdTeachersTalking/> We hope these "ICT tourists" will be inspired by their visit and will go back to their communities with positive "travelers tales" about the connected world, a desire to revisit it whenever the opportunity presents itself, and the stirrings of vision for how it could benefit the rural communities they know so well. We hope to develop the course and offer it more widely, gradually building up a nucleus of teachers/ community leaders who can contribute to informed discussion on the role of ICTs in rural education and development.

To link this back in with the main subject of the discussion: Fantsuam began as a micro-credit organization. The course organizers are concerned with various aspects of training and livelihoods and are realistic about the need for establishing sustainable initiatives. The TT work is part of a wider vision for sustainable development.

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**On November 22<sup>nd</sup>, John Rogers (Wales Institute for Community Currencies) wrote:**  
(responding to [Vikram Krishna's 11/16/04 post](#))

My name is John Rogers. I am coordinator of the Wales Institute for Community Currencies working in the former mining and steel-making communities of South Wales which drove the Industrial Revolution in the UK for 200 years. Working here in a 'post industrial' context **we are experimenting with the tool of 'community currencies' to regenerate social networks in depressed communities with high unemployment and sickness rates.**

The concept of a 'community currency' is deceptively simple. Sometimes known as 'complementary currencies' they are local, regional or sectoral currencies designed to work in parallel with rather than to supplant national currencies. The problem with national currencies is their in-built scarcity due to factors of central control. Complementary currencies offer a different 'measuring tool' for effort, skills and value at the \*local\* level and they can be used by individuals, groups and businesses.



The first challenge for all of us (and the biggest) is to recognize the hegemony of mono-national currencies, not just over trading relationships, but over politics, economics and, most difficult of all, over our thinking. Once we admit the possibility of parallel currencies, all manner of creativity and 'thinking outside the box' is made possible. In fact whole new worlds of relationships can be created which are not possible with single currencies. **In systems-thinking terms this is a matter of creating measuring tools which capture 'local variety' to complement the 'national variety' which national currencies measure.**

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***On November 22<sup>nd</sup>, Jeff Cochrane (US Bureau for Economic Growth, Agriculture and Trade) wrote:***

Is profitability essential for sustainability? Answer: Of course not. But it might be the best answer in many more cases than we think.

Take any given activity deemed socially worthy -- an educational radio broadcast, for example. If it is socially worthy, then by definition it **\*\*should\*\*** happen. How, then, shall the costs of making it happen be afforded? There are likely many possibilities, each likely to succeed to some extent. Sustainability is presumably part of the definition of success.

**Of course profitability is not essential for sustainability.** Kassides at the Bank is an economist who argues essentially that there will always be some services ripe for public-sector management. That's perhaps another way of saying that some population broader than the immediate consumers of a good should pay for its production, if only because the benefits of the good flow beyond the immediate consumers to that broader population. So, if profitability is not essential for sustainability, there are of course successes out there that do not rely on profitability.

**Nonetheless, I do think that in some circumstances a solution based on profitability can be the optimal one.** In those circumstances, the challenge seems to be finding an innovative business model that targets the poor as consumers. The emphasis is on **\*\*innovative\*\***.

While I do not know what form that kind of "profitability" answer would take, in the case of the program [Michael Bosse](#) describes in Nepal, which has to do with education carried out by broadcast radio for a large number of very poor people, I have heard (through Digital Dividend and elsewhere) that there are interesting ideas worth exploring. Many of these move beyond the conventional advertising models perfected in the West for wealthier audiences.

The innovators will essentially ask, "If the traditional advertisers see no market through our radio programs sufficient for them to pay a lot of money for 30-second spots, then is there some other group out there willing to buy time on our show in order to meet some other market demand for their products?"

Or perhaps more cleverly they might ask, "Is there some entirely new way of using broadcast radio that can generate revenues sufficient to cover costs in a way we've never even thought of before?" In Mali, I hear birth, death, and wedding announcements generate the big bucks. In the USA I see we get the consumers themselves to pay for some programming. I'm sure none of these are the right answer for Nepal, the point merely being that **the key can be finding the right business model.**

Or stepping out into the bold new frontiers of innovative questioning, "Is there some way to tap the collective wealth of the very poor in order to provide our educational product while covering costs, whether with broadcast radio or without?" And then there's the "supply-side" question: "Are we truly selling a worthwhile product? Was our determination of "social worthiness" for our educational program properly done at the outset?" That's all part of the business model, yes?



Thus the crux of the matter for me boils down to this: **How do we set about the task of first unearthing, and then exploring, those innovative business models that can make profitability work for the poor**, not necessarily in every case, but at least in more cases than we're seeing now? My personal sense is that standard approaches to program development cannot cope.

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***On November 26<sup>th</sup>, Shahid Uddin Akbar (ICT Consultant) wrote:***

Sustainability is a very critical issue for any ICT for Development project with the focus on rural areas. Still we didn't find any single project which can claim itself as Sustainable in terms of being financially viable and serving the local rural communities anywhere in the world. And again, the Profitability is another major issue that needs to be addressed. Do all social initiatives need to be financially viable? Is it something of a purely business nature? Why are the organizations rushing for financial sustainability in the case of rural ICT projects? It also must have some donor driven ideology to make the development initiatives Commercially viable, which is not possible in a realistic approach.

Experience of different successful Rural ICT initiatives categorically shows that **the social benefits of the rural ICT project is much more valuable than financial viability**. These projects are aimed towards EMPOWERMENT of rural communities which can not be done through a commercial venture. So, can we put the idea aside to make all rural ICT for Development projects commercially viable?

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***On November 29<sup>th</sup>, Peter Burgess wrote:***

From what I learned as an engineer and economics student, and then as an accountant and involved with business management and consultancy, and then relief and development ... **it is absolutely clear that profitability is needed for sustainability**. The word for profitability can be changed to suit the not-for-profit world or the public sector ... but **nothing survives in the long run unless its value creation is greater than its cost**.

In my view **there can be enormous value in using modern ICT to facilitate productivity improvements ... but as private practitioners know, governments and regulators and incumbent controllers of local monopolies are not encouraging new innovations, but rather are discouraging valuable innovation**. Hopefully enlightened leadership will soon embrace the great possibilities of modern ICT and make progress possible.

My favorite major development project ... one that resulted in enormous improvement in US productivity was the US Interstate Highway System ...initially promoted by President Eisenhower ... and eventually built at tax-payer expense for the profit of almost everyone in the USA. The cost was huge but the incremental economic value was many times as much. And the capital markets encouraged the program. From the perspective of the US economy as a whole this was a profitable investment, though costly for the government.

In contrast, the information highways in developing countries are not getting built and the political and business leadership and the financial community (capital markets) have not yet become committed beyond the easy high profit elite (rather than universal) market. Hopefully this is now changing and will soon change a lot more.

Some time ago I evaluated an FAO - UNDP project. It was an excellent project that did not cost much, and made a huge difference to a quite large rural community. The project was sustainable ... bit it did not sustain because, in this case, the country itself could not sustain anything beyond



mere subsistence. The country had become totally dependent on foreign donor funding .... and then landed in the vicious cycle of guns and diamonds and all that. Sad. But **the lesson is that both micro (the entity) and macro (the nation) need to be profitable to be sustainable.**

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**On November 29<sup>th</sup>, Jeff Buderer (oneVillage Foundation) wrote:**

(responding to [Shahid Akbar's 11/26/04 post](#))

When I first read your article Shahid, I thought you were referring to ecological sustainability. Reading it more carefully I now see you are talking about financial sustainability. However many say the same truth also applies to the development of ecologically and socially sustainable projects. I know there are at least a few of us here who are concerned with the social, ecological as well as financial issues of sustainability. In America, we refer to this as the triple bottom line.

In terms of what we at the [One Village Foundation](#) are shooting for, we want an integrated model for rural or urban (what do we actually mean by rural) development that is community oriented. There are several missing gaps I have seen in these email exchanges that focus on these two areas:

1. The important social and community aspects of sustainability
2. A whole systems approach to sustainability as mentioned below

Andrew Kean previously worked for a leading eco-think tank in America called Rocky Mountain Institute. He explains the importance of whole systems thinking, specially looking at the development of the [Factor Ten Engineering movement](#) in the engineering field:

Factor 10X engineering is based on a proactive approach and optimistic outlook despite the challenges. An influential book, [Factor Four](#) suggested that large productivity gains are possible, that it is possible to double output while halving resource consumption. Factor Ten is based on a revision of this by Friedrich Schmidt-Bleek of the [Wuppertal Institute](#) of Germany who suggested that in developed countries factor four was unlikely to be enough. Professionals from governmental, industrial and academic institutions met in [Carnoules, France](#) to further define Factor Ten in 1994. This is known as the declaration of the Factor 10 club.

The phrase factor ten, comes from the realization that globally, the material turnover (per unit of production) needs to be drastically reduced in order to ensure sustainable resources use and ultimately survival of industrial society. They noted that to address adverse ecological and the associated health and social affects of modernization to sustainable levels, we would need to reduce the current human footprint by around a factor of TEN.

Large gains in resource productivity are achieved by a shift in thinking, by an integration of management, technological and process improvements. Attention is directed not only to the manufacture of products and delivery of services but to consideration of the way your products and services are designed, produced, packaged, transported, sold, used and disposed of.

While we at oneVillage Foundation are not engineers we feel that we have a grasp on the necessary **changes that need to take place to make human systems sustainable over the next few years.**

**1. Introduce pedagogic tools on whole system design.** The first stage of our program is aimed at developing Community and Technology centers to provide hands-on experiences in the design of sustainable systems for the grassroots/bottom up economy starting with communities we have identified in Africa to be the first sites for Unity Centers. Our proposed Open and Distance Learning Program will teach Africans to develop and evolve sustainability concepts based on their own local perspectives and needs.



2. The next step involves **exploring case studies/best practices on whole systems design that are relevant to local needs**. Sustainable systems will be designed to boost resource productivity and replicate them at the community level, first in the centers and then expanding to the surrounding community or communities, using factor ten or similar methodologies in all aspects of human design and development.

**3. Develop financially profitable self-sustaining economies at the local rural level** to encourage local production empowering local economies and mitigate unsustainable global trade flows of capital and resources.

All social initiatives do not need to be financially viable but they have to be aligned with cross sector partners who will see a reason to fund these projects indefinitely. I see a model that might fit your needs and concerns.

It is not so much an issue of whether a project is of a purely business nature so much as the reality that the money has to come from somewhere and I think we would all prefer that capital flow be sustainable and not interrupted. **The core issue is not financial sustainability but financial stability and local empowerment**. Many current projects are not financially sustainable and they are dependent on funding from affluent countries. Now I am not necessarily against this but I do feel that it needs to be a system that is more accountable, more direct, focusing on "end-to-end human services" rather than on sustaining bloated, inefficient and highly centralized bureaucracies with high overhead.

**With ICT, we can enable networks that make the bottom-up economy empower the grassroots in emerging markets but also the grassroots in affluent countries.** This is what we call at oneVillage a multi-track approach because it considers the complementary (rather than adversarial) nature/relationships of people in both the affluent and non-affluent worlds and explore how we can work together through the development of end-to-end human services.

I would say the donor driven ideology is problematic in the development field because it encourages a disconnect to emerge between the people who are served and people who provide the funding, organize the projects and design and build them. It also encourages a dependency mentality whereby people spend much time filling out grant proposals and all the associated paper work. This from my perspective has a very limited ROI and actually inhibits our creative and innovative capacity to find solutions and effectively move forward in reaching our ambitious sustainable development goals.

An alternative non-profit subsidy framework could involve using ICT to develop a research database to outline the costs of the current globalization model and to evaluate the economic, social and ecological sustainability of existing capital and resource flows. For example, because Ghana faced a high debt load in the 80s, it was forced to increase the export of natural resources and much of this was not ecologically sustainable as the forest cover dwindled.

Now if these transnational trade flows were deemed unsustainable (as most are), then a tax would be levied on that product or service. Consumers in affluent countries would then more accurately pay the full ecological and social cost of that product. This fee would go to defray and mitigate the costs of these unsustainable practices possibly building rural development/empowerment centers. The emphasis would not be on profitability but on developing local social enterprises that would provide local services using ICT to build capacity through education, health and improved agricultural practices, and to promote the sustainable management of natural resources. They might actually be profitable in many cases with the money plowed into the replication/expansion of these sustainable prototypes. Their focus would be on addressing local ecological degradation such as biodiversity loss, soil loss, water loss, desertification, and loss of cultural identity through tree planting, land preservation, carbon sequestration and sustainable agriculture, etc.

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**On November 29<sup>th</sup>, Peter Baldwin (Geekcorps) wrote:**

I am currently in Mali working on sustainable (from a profit-seeking standpoint) business models for Internet access in some of the poorest regions of the world. Not only is the profit motive an essential focusing element in the work I do, but it is a fun challenge. And, I am happy to report, **it is possible to make a profit providing Internet access here.**

**Peter Burgess** said essentially all that need be said with regard to the need for profit as a necessary condition for sustainability: "nothing survives in the long run unless its value creation is greater than its cost." If this isn't intuitively obvious, you need think only of the opportunity cost of money-losing projects. If a project is not creating value, then it is destroying value and resources that could be put to better use elsewhere. Such a situation will not long endure; anyone reading this has an interest in value-creation (or they wouldn't subscribe to this List) and must surely take offense at the squandering of finite resources.

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**On November 29<sup>th</sup>, Tom Abeles wrote:**

(responding to [Peter Burgess's 11/29/04 post](#))

Peter Burgess has nailed some critical points on the head. He writes convincingly and hints at some caveats which are worth considering:

1) I think that we are in agreement that a sustainable project needs sufficient cash flow to cover operating costs with sufficient reserve to replace equipment and/or to expand the operation - This is a typical "business model" regardless of the organizational structure.

2) Of significance, here, is Peter's introduction of the governmental sector into the equation, such as the US government's underwriting the interstate highway system. This was done, largely with US funds and US contractors, so funds stayed in the country. **USAID has been purported to quote that 80+ % of funds provided for development flow back to the US.** Similarly, projects sponsored by other agencies, such as the WB, also see a large percentage of the loans flow out to developed world contractors and suppliers, including non-profits.

The loan portion of these funds must, then, be repaid with hard currency. **Often these repayments require structural shifts in the developing countries in order to generate this foreign exchange.** The issue can be made more problematic when the results also increase the loss of hard currency, due to, for example, an increase in imports over lower value agriculture exports, for example.

ICT's are small infrastructure projects when considered on the community level. Building and sustaining these as macro structures, such as an interstate highway or electric utility grids, needs one to think well beyond a small village access to ICT's. It is more than foot-dragging Luddites in bureaucratic positions that are the only barriers that need systematic attention. Like Peter, I can cite numerous examples. For the really dark side, one might want to look at John Perkin's recent book, Confessions of an Economic Hit Man.

3) **Corporate models are fairly straight forward.** Income-Expenses = Profit to cover overhead, replacement, growth and dividends (if any). **"Non-profits" are another matter.** The costs are often not visible until, for example, a volunteer leaves and needs to be replaced or a piece of donated equipment fails. Many "volunteer" organizations even pay volunteers because the cost for maintaining an unpaid staff can be expensive as is the infrastructure support. Many projects become tenuous or fail when these costs are made visible by the cost of replacement.

Real cost/benefits are unknown because ICT's are not fully deployed and hindsight is better than foresight. But the felt need, or the felt importance and benefits, for ICT's, have seemingly blocked



consideration of the critical arena that can bring a project down, the hidden costs, or those which are wished away. It would be good to see an honest micro/macro analysis that did not shove many of these issues into the category, "externalities".

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***On November 29<sup>th</sup>, Arrigo della Gherardesca (Managing Director, ITAfrica) wrote:***

*(responding to [Shahid Akbar's 11/26/04 post](#))*

We have developed a viable model for financing the initial investment to set up rural Telecenters/kiosks, with donor money, on a wide scale. But thereafter, **telecenters HAVE to be able to pay for maintenance, amortization of equipment and operating costs, by themselves!** In fact, a lot of donor money DEPENDS on providing credible forecasts about this.

One year's costs can be as much as the whole initial investment and the donors we work with don't want to have to come in year after year, or see the projects fail. Therefore, we have developed (and are close to marketing even in Bangladesh) a system called "VillagE-volution", a Knowledge, Information, Commercial and Consultancy system, aimed at rural communities worldwide, that should greatly help villagers in their development process and therefore even in paying for the Telecenters.

We are even putting together a good, sustainable, telecenter business model, based on VillagE-volution and the best services that can be provided with today's most up-to-date technology (VSAT, wireless and all), to be presented very soon to the donors and then implemented locally, through NGOs and other entities with which we are connected. Therefore, we are analyzing all the information that we can find on rural telecenter profitability.



## Profitability as an Indicator and a Driving Force - Hybrid Profit/Non-Profit Models?

*On November 9<sup>th</sup>, Al Hammond (World Resources Institute) wrote:*

**Sam Lanfranco** makes some nice points about profitability as an indicator and driving force, even for "non-profit" or socially-motivated projects. I'd like to turn the point around and argue that being profitable, or the profit motive, is not a good basis for judging the social motivation or social potential of an activity. In effect, I'd like to challenge the more-or-less automatic assumption, which I see expressed in many parts of the NGO and development communities, that a for-profit activity cannot also have a socially beneficial goal. Of course, many businesses have no social motivation. However, in our research, **we have found that many of the successful companies in BOP markets have an explicit social metric or goal as well as a business goal. This is true in large companies as well as in entrepreneurial start-ups.**

I agree that profitability is, in several senses, an important indicator for many activities--and I think that the profit motive does not disqualify an entity from also having a social motive.

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*On November 10<sup>th</sup>, Mark Davies (BusyInternet, Ghana) wrote:*

We started a \$1.7 million technology center in Ghana exclusively with philanthropic/social motivation, but quickly moved from a 'non-profit' model to a for-profit private sector investment. **There are all sorts of benefits positioning yourself in the private sector, from attracting certain personnel, investors, strategic partners as well as having a disciplined financial environment to operate within.**

The problem is that I think we lack more models of this hybrid social/profitable venture. There's no easy way to explain (or replicate!) our motivations and people tend to be extremely suspicious when you say that you seek a social return over and above a financial one (this is slightly different to starting a business that also has 'social' goals). **I'd like to argue that a good social objective (actually delivering something people want or need) may even be better crafted if left (to varying degrees) to the marketplace itself to vote by buying the services themselves.**

I also have encountered some NGOs that don't want to be involved in our programs to discuss or promote ICT4D because there's a profit element in our organization. That's really frustrating. **I don't quite know whether the development world has really gotten to the point where they can have an honest discussion about leveraging the private sector to deliver services.** I hear lots of talk about this, and some 'transformative' period at the World Bank, but they still seem to be estranged partners unwilling to have constructive dialogue to truly co-operate.

I think people should be able to make profits out of delivering socially beneficial services. But **what words do we use, how do we classify this, how can we assess motives and reward in a more modern vernacular. What does 'social' mean anyway?** And I also think that in many developing communities there is a donation-dependency syndrome, where gifts are the model people are comfortable with, attracted to, and receives the social recognition in the media. Clearly, there's been a historical context where outside intervention merits a decent amount of suspicion with regard to motives. But I just hope that participants on this list, and working in this area, can recognize a variety of models for development that harness the private sector and social entrepreneurship. I think it may be a much quicker, more efficient, and more responsive model than traditional development organizations that are focused on next year's board meeting to secure the next round of funding.



**On November 10<sup>th</sup>, Bob Spear (Professor, Prince George's Community College) wrote:**

The first rule of business is to have a list of objectives. This list describes the reason you are in business in the first place, and it informs your business plan. Now, making money does not need to be the first or most important reason for being in business. However, if making money is not one of your top three objectives, you are not likely to be in business for very long.

This does not in any way suggest that making money is incompatible with providing a social benefit. But it does mean that **if you want to provide a social benefit, and especially if you want to provide this social benefit on a wide scale (either a large enterprise or thousands of tiny replications), then you must figure out a way to provide this social benefit at a profit.** The reason for this is quite simple: The many people who must buy in to your socially beneficial idea also need to earn a living, and the only way that can happen is if your enterprise is profitable.

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**On November 22<sup>nd</sup>, Pam McLean (CawdNet) wrote:**  
(responding to [Mark Davies 11/10/04 post](#))

Regarding hybrid organizations our experience, organizational development and present thinking echoes this problem. I will describe it from my own viewpoint, simply because there has to be some narrative thread and my story is the one I can do most accurately.

I got involved in a small rural development project in Nigeria through personal friendships. I was in the UK and everyone else was in Nigeria. The project was called Oke-Ogun Community Development Agenda 2000 Plus (OCD 2000+). The main activists were the OCDN 2000+ committee (three chiefs and a farmer) a VSO (Voluntary Service Overseas) volunteer from Kenya and me. I simply called us "the OCDN 2000+ team".

Following the death of Peter Adetunji Oyawale, the project's initiator - see [http://www.cawd.info/content/cawd/our\\_founder.html](http://www.cawd.info/content/cawd/our_founder.html) - I had acquired an extended role and a responsibility for directing some aspects of the project, despite complete ignorance about Nigeria. But my ignorance didn't matter - as everyone else was an expert on rural Nigeria. I was needed because I had worked with Peter in the UK, and I had a home Internet connection - I was the link across the digital divide. Outsiders found this confusing. The expectation seemed to be that either all the team was in Nigeria, or that the UK side was an NGO - but we were just a tiny team, involved with ICTs - and ICTs overcome geographical boundaries. I was "the leader" when it came to interacting with the connected community - I was right on the far edge when it came to interacting with the rural community. In Nigeria, the chiefs represented the project on one level and Timothy Oyawale (the farmer) and David Mutua (VSO) worked on it with the community in Ago-Are.

We were a tiny team based in two different continents and two different cultures. As we started to interact more formally with outside organizations we had to formalize our structure. We split into two different groups, the OCD 2000+ committee went for registration in Nigeria as OCDN (Oke-Ogun Community Development Network) a desperately expensive procedure for a tiny group like us. In the UK I was joined by another volunteer with an Internet connection, Lorraine Duff, and with Peter's widow Agnita we formed a UK registered charity CAWD (Charity for African Welfare and Development - named after the Committee for African Welfare and Development which Peter had founded). Lorraine and I called ourselves "CAWD volunteers" and Lorraine did a [sponsored swim](#) to raise money.

The CAWD volunteers had gradually started to work with other groups. It started to get very cumbersome listing the various individuals and the groups they were with - so we developed a group identity "CawdNet" as a handy shorthand. On the Internet we describe it as a network. In Nigeria, Victoria Adetona, director of RUSEL (Rural Search Light - a micro-credit organization)



describes us as the "CawdNet family" (the "family" has recently grown again, to include a youth group in Kenya).

Although CAWD is a registered charity "CawdNet" is just a loosely connected group of individuals again - drawn together by overlapping vision and activity - and **here we come to the "hybrid problem" that Mark Davies described. Some of the things that we do and want to expand - such as community information services - are purely social and will never make money. Others - such as training, and business development - should pay their way and could even be profitable.** We are going to try to untangle them. In our minds we are already thinking of our projects in terms of "CawdSocial" and "CawdEnterprise" (although we don't know what the "real names" will be). Given that most CawdNet things have come out of our own pockets, and that our main wealth is information, ideas and networks, there is no complicated accounting to be done as yet in separating them out...

Our intention is that CAWD will fund-raise for CawdSocial projects. If people managing projects of CawdSocial choose to buy any goods or services from CawdEnterprises all well and good and all totally transparent. CawdEnterprises should be able to provide what is really needed in a very competitive way because of what it knows about needs. While we are small we may have some problems distancing CawdSocial decision making from CawdEnterprise business services - but that should get easier as we grow and more people become involved. In our long term vision we'd rather like CawdEnterprise to make huge profits and be able to donate to CAWD. However CawdEnterprises is not to be set up on the "earning money to support a charity" model of organizations (like for example the charity shops of Oxfam trading supporting Oxfam the charity). CawdEnterprise is supposed to make money. One of its first objectives is to earn enough money so that people within CawdNet can start to earn reasonable salaries within CawdNet instead of juggling day jobs and voluntary work. We can't see ourselves giving up the voluntary work we do within CawdNet on the CawdSocial side, and we are happy to continue doing that. However we don't want the social projects to keep undermining the viability of the potentially financially viable ventures.

**Maybe a time will come when hybrid organizations become more mainstream** and parts of CawdSocial and CawdEnterprise will comfortably merge. But for now we think outsiders will find it easier this way. We intend to present our projects clearly as one or the other - social or business - although, as individuals, we will find ourselves jumping from one to the other. There will probably be some overlap and grey areas, where expressions of interest will have to be made clear, but we will try to think carefully about organizational systems and draw accurate boundaries. We think separation will be clearer than being a hybrid - and as volunteers within CawdSocial we'll continue to ask our friends to help us out - and as effective business people within CawdEnterprise we will expect to pay them the rate for the job. Good Idea? Bad Idea? Who knows? But it is one way to tackle the hybrid problem.

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***On November 23<sup>rd</sup>, Keith Birkhold wrote:***

A terrific variety of approaches. I wanted to share how we have approached the development of a hybrid e-school in Indiana. Our founding board had a choice of forming a private school, where students pay the tuition, or a public school sponsored by a state university. The public path had many more hurdles, but we saw no other way of serving low income families. So far, the project has been delayed by one year while we remove impediments to this form of education, and while we expand our business plan to our sponsor, who wants to ensure the school has 100% chance of success as it will be the first school of this type in Indiana.

Several other schools of this type have been formed in Ohio. They have set up a public school but the founders have either formed a for-profit management company or have sold curriculum to the school for profit. These models have had difficulties getting a non-profit status from the



US Internal Revenue Service, and thus have had limited success in acquiring public grants and donations.

We did not set up a management company for this reason, although if the school sets up other schools a different management structure will be needed. In our example, choosing a non-profit business format is the best during the early development period. The first years are where the "profits" need to be re-invested anyways, and is the period when the school quickly needs non-profit status. In later years, a for-profit component could be added once there are profits available, and the need for donations is reduced. This is a project in the works, so we will see how it goes.

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***On November 23<sup>rd</sup>, Martha Davies (Quipunet) wrote:***

We are a Latino group working for the Betterment of Latino Communities in South America and in the Puget Sound area of Washington State. Here is some information about us: Electronic Communication and Information Exchange (ECIE), a non-profit that is actually a spinoff from [Quipunet](#), the virtual non-profit organization. We are a virtual organization/ community, formed by Peruvians and friends of Peru, who, since 1995, have been helping rural schools in Peru. We have also started several rural libraries in Peru. It is through the volunteer work for Quipunet that we learned the tools of Information and Communications Technology, tools we are applying now to our present work.

ECIE's project, "[Empowering Communities](#)" was started 18 months ago with the web page for Peruvians in this area. We have a few sponsors (Peruvian businesses) who are very happy to be helping pay (partly) for the web page. This web page is all in Spanish and it contains very good information for our Peruvians.

The second project we have started only a few months ago has a lot of potential. We are providing directories: A [Directory of communities](#), a directory of resources for those communities (starting with addresses of the richest resource entities, the libraries), a directory of links (we are always looking for good sites in Spanish), and now, a directory of businesses. All the mentioned directories are free, but....the business directory has the option of upgrades. For \$100 a year the business can have 1) their logo, 2) their link to their web page if they have one), and 3) more information, which by the way they can change if they have sales, or change of menus, etc. How they can do this? We are using xoops, a PHP community program that has several neat modules that you can implement whenever your community needs it.

The problem? We are still trying to "create a culture of awareness" among the Latino population. But we are plugging along, one step at a time.

The future? We are working with a group of students from the Evergreen College (third year we have been chosen as a project) and this year's group is working on a simple page/forum from where we hope we'll be able to conduct classes for our Small Latino enterprises. This projection for the future is what is beginning to "sell" the upgrades to the businesses. It is extremely hard for any 'mom and pop' business owner to leave their business to take classes.

Will it work? We hope this idea will give us enough to live on, and be able to give the necessary aid to our underserved community. We hope it will be a win-win situation.

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**On November 24<sup>th</sup>, Gopi K Sedahin wrote:**  
(responding to [Keith Birkhold's 11/23/04 post](#))

**The idea of Hybrid Profit and Non-Profit Business Models** proposed by Keith Birkhold **for reaching out to the low income families seems a bit ridiculous to me.** The models neither encourage profit makers to make more investment on their business nor guarantee the donors that company management would not exploit the targeted beneficiaries of the communities. However, these models for delivering services have been widely promoted in Nepal by most of the bi-lateral and multi-lateral donor agencies to prove that the public service agencies are inefficient and ineffective in providing the services, including education to the poor. I wonder why the proponents of a free-market economy and polycentric approach of service delivery are providing direct support to a select few and pushing ahead of other private sectors providing similar services? The motive behind it is not to reduce the gap of digital divide in the society but to displace public agencies out of the field and promote the private sector.

In our case in Nepal, many I/NGO, charity organizations, are involved in providing education, health, drinking water, and micro finance services to the community which later have been turned out to be one of the costlier service providers compared to any private profit agencies. Therefore, in my opinion, public services such as education, health, drinking water and even milk supply can be neither fully controlled by government nor totally deregulated as no agency should be freely allowed to make a profit over the basic human requirements for survival in the changing context of globalization of trade and services. I hope many of you, particularly in the developing countries, would agree with my argument where private sectors are not less corrupt than government.



## Where Do the Roles of Corporations End and NGOs Begin?

**On November 1<sup>st</sup>, Sam Lanfranco (Distributed Knowledge Project) wrote:**  
(responding to [Al Hammond's 10/29/04 post](#))

We are on a slippery slope here. In one direction we slide into generalities about what could be. In the other direction we slide into danger. At the core of this discussion is the helping relationship, or more bluntly, the gifting relationship. At the core we are talking about how the "haves" help the "have nots" to reduce the quality of life gap that divides them.

The world has a long history of gifting relationships, most built within communities and ranging -in practice- from simple giving to more sensitive joint efforts with all those desirable partnership properties we are so keen to identify as essential. **The world has a long history of good (and bad) corporate participation in such efforts, some carried on as charitable "gifting" and some carried on as social entrepreneur efforts.** It comes as no surprise that within an era where entrepreneurship is touted, that we have the emergence of NGOs looking to carry out socially progressive business and focus on "social capital" schemes.

The driver at the heart of this is no different than that which has been at the heart of utopian community efforts across time. Can we work together and can we do better?

There is nothing wrong with the motive, the WHY. The challenges come with the WHAT and HOW. The corporate sector may just want to "Do good", it may be looking to "More markets", or it may be trying to blend both. That is obvious and efforts can be judged as they unfold.

**What is less obvious but more slippery is the roles for NGOs here.** For most NGOs the WHY motive is laudable. The problems arise with the WHAT and HOW. The core problem for most NGOs is access to resources. The solution, in most cases, is to seek resources from the "haves" to help/work with the "have nots". There are only three ways for NGOs to get resources: 1) seek them as donations; 2) seek them as contracted program/project funds; or 3) act like a business and "grow" them from revenues.

The risk here is that the HOW drives the WHAT. This is the problem of what I call "The NGO dance". Simply put, the problem for the NGO is either "Who do you dance with?" or "Who do you dance for?" Dancing WITH and dancing FOR are long recognized as two very different kinds of dance activity. Sometimes the appropriate response to an offer of a helping hand, or a novel internal business strategy, is to say "Thanks but no Thanks." This is frequently the appropriate response for the have nots of the world, and may be the response that NGOs should consider if they wish to remain true to their vision and their mission. Better to be small and part of the solution than to be large and part of the problem. Enter the dance with caution.

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**On November 3<sup>rd</sup>, Lee Thorn (Jhai Foundation, Laos) wrote:**

In the Jhai PC and communication system case, farmers and their families have come up with three ways to make money:

1. by beating the closest middle man by finding out the price for their commodities in the local market town by using the VoIP phone to a family member in that town.
2. by developing a local, sit-on-the-ground-and-sell-your-goods market in one village for use by five villages (thus, increasing the multiplier effect in the area), developing it through use of VoIP phones among women in the slower rainy season.



3. by trading with their relatives overseas in such a way that both their relatives and they make money, rather than their relatives sending them remittances. For example, they send a piece of woven goods to America where their cousin sells it (for a profit) in the Diaspora.

*(responding to [Sam Lanfranco's 11/1/04 post](#))*

We at Jhai Foundation have some experience with all of these, but perhaps most useful is our experience with business and the 'growing' of revenues... We just spun off our coffee business to a cooperate we helped develop. (To be successful), we have developed many relationships (corporate, NGO, government) over the course of this experiment. It is always about, at least in large measure, personal relationships.

How do we dance with funders? In order to do what we do the way we do it - through the reconciliation method of development - we have to find partnerships that want to go along with what farmers see as their own priorities. We have to disappear as much as possible in the negotiation. And we have to say 'no' sometimes to funders.

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***On November 5<sup>th</sup>, Cornelio Hopmann wrote:***

*(responding to [Al Hammond's 11/3/04 post](#))*

On one side you are perfectly right: large corporations do have resources like technical expertise, logistics and capital, that could and should be leveraged to fight poverty. Yet I'm afraid that your definition of NGOs only comprises that type of organization you yourself are involved with: Northern, mostly philanthropic associations, that make their living from donor money and sponsoring/executing smaller or larger, but never large-scale-projects. **The term NGO within developing countries extends far beyond this limited vision, as here NGOs are all types of social organizations of the "beneficiaries" themselves, when they are not established as commercial or public entities.** This means a teachers' organization is an NGO, and most of their programs go way beyond classical trade-unions as they are student-associations, small farmers associations, women's-associations, health-associations and so on.

This framework, almost a natural one and not something crafted, joins more expertise on Development-issues, success and failures and the reasons why, then the whole bunch of experts of large multilateral organizations like the World Bank, UNESCO, UNDP, FAO and the big corporations jointly. For a strikingly simple reason: it's their life that's at stake not only success-reports or quarterly earnings.

(To scale up projects) there at least about 50 or 60 local idioms to be considered, hundreds of different cultural traditions and thousands and thousands of different local social settings, in which each needs a sometimes larger sometimes smaller adjustment of training-materials, strategies and settings. So without close-support of local NGOs the task cannot and hence will not be done. **The true challenge is not getting the corporate-world involved but to get thousands of local NGOs involved as counterparts.** The former is almost simple: convince the CEO and the Board of Directors, maybe some important shareholders. The second is the truly hard task, but unavoidable if you would like to succeed "on scale".



## How Can ICTs Create New Business Partnerships?

*On November 8<sup>th</sup>, the GKD moderator wrote:*

Most corporations trying to enter markets in developing countries view the poor simply as consumers and consider NGOs as just an extension of welfare services. Yet international corporations often lack sufficient market data, an understanding of local needs and preferences, or distribution channels. ICTs could help the poor and NGOs become business partners, suppliers, distributors and sources of market information to large companies. For example, using ICT, small local enterprises can network to produce for large-scale demand from corporations, while operating individually when demand is slow. Some corporations have gained success by using ICTs to partner with micro-enterprises, local entrepreneurs, and NGOs. In India, for example, Hewlett Packard worked with a local women's self-help group to "product test" solar-powered digital cameras cum printers, and helped create business opportunities for hundreds of local women. Vodacom's community phone shops in South Africa and Uganda's Grameen Phone create jobs for local entrepreneurs as well as low-cost access to phone service.

Yet some argue that powerful multinational corporations (MNCs) drive out small, local companies in poor communities, and local businesses should be protected. Brazil nurtured its computer industry that way. This view contends that the power balance between MNCs and local entrepreneurs or NGOs is so uneven that the latter can't possibly protect their interests.

From a different perspective, some warn ICT-based corporations to avoid partnerships in poor countries because intellectual property rights go un-enforced, and the companies will find themselves competing with cheap bootleg copies of their own products.

Key Questions:

- 1) Do you know of examples where ICT helped create win-win partnerships between an international corporation and local entrepreneurs? What factors made it successful?
- 2) Are there examples of small companies using ICTs to thrive in local contexts, and to collaborate when international corporations demand large-scale production? Please give concrete examples.
- 3) How can ICTs be used to encourage corporate investment that creates productive partnerships with the poor in developing countries, and not just expanded consumerism?
- 4) What role can NGOs and universities play with regard to "ICT and pro-poor business approaches"? Should they partner with businesses to expand ICT-based products and services offered to poor communities? Should they take on a "watch-dog" role to monitor business practices?
- 5) What role should donor agencies play? Should they just focus on improving the ICT regulatory and enabling environment for business? Build more private sector roles into "ICT for development" projects? Create incubators or investment funds to stimulate local ICT entrepreneurship?
- 6) How serious is the threat of intellectual property violations for potential partnerships between international corporations and local companies? What are the best solutions for addressing this problem?
- 7) Are there times when developing countries should shut their borders to foreign imports in order to protect their nascent ICT industries?



**On November 8<sup>th</sup>, Barry Coetzee (iVeri Payment Technology, South Africa) wrote:**

I run a small (15 employee) IT company in South Africa that provides electronic payment solutions to African banks and payment processors. Our philosophy is that we HAVE to make the "poor" (the majority of our population) profitable. They will be our only market once the MNCs have 'cherry-picked' the top-end of their market.

My experience is that **there are very few partnerships with MNCs**. They buy-out the locals if they see any profits. However, as their focus is actually their home states, they do not want to build on the local industry, but to further distribute the products and services that they developed at the head-office. Thus, my experience is that, in general, MNCs look after their own interests. In Africa that tends to be the top end of the market. **The result of this is that the difference between the "haves" and the "have nots" tends to increase with the advent of MNCs.**

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**On November 8<sup>th</sup>, Jeff Cochrane (US Bureau for Economic Growth, Agriculture and Trade) wrote:**

(responding to [Barry Coetzee's 11/08/04 post](#))

Barry Coetzee raises an issue I know is the focus of research, for example, within Community Economics, and is certainly the object of a popular debate here in the United States.

A parallel example: Recently a number of communities in the USA have passed regulations effectively barring a major company, Wal-Mart, from locating in their markets, apparently because they recognized the broader impacts that might have on the mix of employment, economic growth, etc.

Much of the conversation here seems to focus on how large corporations can somehow address low-income market segments. Barry Coetzee seems to be wondering if we're addressing the right question.

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**On November 11<sup>th</sup>, John Hibbs (Benjamin Franklin Institute of Global Education) wrote:**

1. Communities should take a page from Microsoft about value of a monopoly.
2. Arguably, the most important monopoly that communities control is the air waves and the communication networks.
3. Who says that a well managed community can't provide affordable broadband to every single home. There are some efforts in Utah to do just that - a "break even" model for universal broadband, at \$9.00 per month per home, take it or leave it you still pay the \$9.00. The communities are buying into the undertaking on the "residual" basis that comes with a computer and a good connection in every home - some of which includes on-line utility bill paying.
4. Creative recognition of new sources of revenue should not be automatically beaten back because of the "attraction" of free market "competition".
5. Isn't connectivity as important as water delivery? And a lot more promising? Why shouldn't the profits flow entirely to well managed cities who don't need to pay the top guy eight zillion dollars for turning a profit. I mean how hard can it be to run a monopoly at a profit...and do a good job of it as well?

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**On November 12<sup>th</sup>, Nevine Gulamhusein (Aga Khan Council for USA) wrote:**  
(responding to [Jeff Chocrane's 11/08/04 post](#))

Jeff, you're right, even Toys R' Us hiccupped against Wal-Mart and they had to revise strategies.

I agree, to an extent that big businesses are the support pillar in alleviating poverty, marginality (creating jobs but they can also abuse the workforce equally) but in reality, every individual, in question, needs to be motivated and take ownership to improve their livelihood. I believe innovativeness is equally important and with the support and backing of the family, community and government, there is an opportunity. I am currently working on my thesis which may underscore this theory.

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## Win-Win Business Models

***On November 12<sup>th</sup>, Al Hammond (World Resources Institute) wrote:***

For Tom Abeles and others who have joined the conversation recently, I would like to point out that **we have documented a number of what we believe can be win-win models, and even sustainable models, in connectivity, agriculture, finance, health care, and other sectors**, in detailed case studies that can be found on [www.digitaldividend.org](http://www.digitaldividend.org) or with links under the resources page of the conference Web site, [povertyprofit.wri.org](http://povertyprofit.wri.org). We have also posted earlier in this discussion detailed market data characterizing the size of the low-income or bottom-of-the-pyramid markets in a number of developing countries. Many of the companies coming to the "Eradicating Poverty Through Profits" conference in San Francisco next month are seriously exploring how to serve such markets in ways that generate real local value, while also yielding a profit.

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***On November 15<sup>th</sup>, Cornelio Hopmann wrote:***

It's simply and plainly wrong that "what sells, serves" - sometimes it serves, sometimes it doesn't. It's again a gross misperception that earnings even of hundreds of thousands of "new" middlemen in ICT-service-distribution-chains "eradicate poverty". If it were true, then your proclaimed benefit of ICT -- that is, eliminating existing middlemen in existing distribution channels -- and eliminating supply-chains for other goods by using ICT, the examples you present as success stories -- would likewise increase poverty.

The most frequent examples -- sales and purchase-prices -- are misleading, as their impact is based not on informing individuals but on informing the public, therefore producing synchronized actions.

May I stress: I'm definitely in favor of large companies discovering "the poor" as possible markets, yet please don't propagate it using misleading arguments or misnomers. It's a business like any other business: not any less nor more humanitarian than any other.

I still have some hope that in some moment in time they also will re-discover an old discovery made by Henry Ford: **the key is not only to produce a Model-T car at low cost but to increase the worker's salaries up to the point where they themselves could afford to buy one**. Hopefully the Chinese workers producing Cellular Phones, Computers and Cars and other appliances will have in the near future an income sufficient to allow them to buy one.

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***On November 17<sup>th</sup>, Pam McLean (CawdNet) wrote:***

*(responding to [Cornelio Hopmann's 11/14/04 post](#))*

The related question I want to address is "How can ICTs help the poor to become less poor?". The approach that we are working on may be of interest -- ICTs are key to our approach to "making the poor less poor" by enabling other business development. CawdNet members network through community development projects in rural Nigeria and through the Internet. Some key members of CawdNet have considerable experience of helping the very poor through micro-credit. They also have experience of squeezing maximum communication benefit from minimum ICT infrastructure, and are involved with various training initiatives. The next natural step is to move up from micro-credit (which usually enables very small enterprises like petty trading and



soap making) to something slightly larger. **We see ICTs as key to this development in the following ways:**

- \* Enabling us to find information about possible projects for local small industries/businesses - ones that do not require much capital to set up, but more than local people can normally afford.
- \* Enabling us to create small working groups, and development teams, across national boundaries to develop and test ideas (although we are small we already work in this way on social projects, with small teams where the members work from different continents thanks to the Internet.) .
- \* Enabling us to raise the profile of our work to attract new partners and investment..
- \* Helping us to find the best sources of components for the small businesses that we will help to set up.

We intend to try things out on one of our sites. Ideas that work out we will share more widely - training people to run similar small businesses in various locations, and helping them to find the money to do so. Once we have trained some people on site, then we intend to increasingly use video etc. so we can "take training to people" instead of people needing to come to our site. As phones and cyber-cafes start to reach into the areas where we work we will use them too.

> May I stress: I'm definitely in favor of large companies discovering "the poor" as possible markets ..snip...

> the key is...to increase the worker's salaries up to the point where they themselves could afford to buy ..snip...

Cornelio Hopmann was referring to ICT purchases but the idea has wider relevance too. The Small is Beautiful model of economic development (over-simplified version) enables local people to buy from local people by creating a larger mass of people in a position to sell to and buy from each other. We hope to use the information and communication potential of ICTs to help to make that happen. I am not sure how that relates to big business, except that we would like to learn from them (and if they want to know about rural Nigerian reality then they could learn from us), and we may need to buy things from them, and we are always looking for people with shared interests who want to join with us in some kind of win-win situation.

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***On November 17<sup>th</sup>, Tom Abeles wrote:***

Guess I am still a "Doubting Thomas". **Perhaps we need to go back and define poverty and exactly what this means.** Is it different in a developed country and a developing world? Is it based on consumption?

The old "solar" example is very good here. If I hang my clothes out to dry, my capital outlay is for string and clips. If I use modern technology then I need a washer and a dryer. The former consumes no energy and the latter uses non renewable resources. The latter is measurable and fits into the neo-classical economic model. Goods are bought and sold, profits are made and the economy expands, including the expenses for the disposal of the pollution and the costs to citizens because the power companies depreciate the diminishing resource base. course, agriculture is full of good examples. The patenting of gene lines so that farmers have to buy back products from the NEEM, or are unable to save seeds because they are patented.

McDonald's and Wal-Mart certainly have figured out how to enter the developing world's market and they have to make sure this entrance does not drag down their profits or their stock will suffer. Of course, we could use Clayton Christensen's model on innovation and define the under served and non-served markets for products and services which will provide the impetus for the rest of the corporate world to identify opportunities in developing countries. **The question one needs to ask is what this means for the total pressure on the world's resources and whether, in the long term, what is being consumed is beneficial to the larger community.**



We haven't found new ways for the corporate world to go into new markets; what we are doing is gathering the doubters for a pep rally and moral support -- legitimizing as it were.

AI is right, there are many ways to engage profit making corporations with new markets with innovative approaches to marketing and product development/delivery. What I would like to see is WRI's projection on the resources of the world with its increasing success in this approach to poverty alleviation even with increased efficiency and maximum recycling.

Ed Deak's most eloquent "screed", far more articulate than my thoughts, seems applicable here. Neo classic economics is not a theory in the scientific sense. It is a story in the true post modern concept. A new story is needed, the one emerging from the heterodox theorists -- the post autistic economists. John Gray, the English political philosopher was at Thatcher's side, supporting the British experiment in privatization and "free markets". He is now an avowed "apostate", and has eloquently discussed his rejection of this model as an effective path.

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***On November 18<sup>th</sup>, AI Hammond (World Resources Institute) wrote:***  
(responding to [Tom Abeles 11/17/04 post](#))

Tom Abeles raises the question of resource use if development succeeds. I don't want to get into that issue, although I think it is clear that the choice of whether and how to develop lies with individual countries and peoples, not with anyone else. But ICT is quite powerful in its ability to make possible livelihoods and economies based on knowledge (an infinite resource) rather than on natural resources, and to enable access to information and education that can help people make more sustainable choices.

***On November 18<sup>th</sup>, Arrigo della Gherardesca (Managing Director, ITAfrica) wrote:***  
(responding to [Pam McLean's 11/17/04 post](#))

I refer to writings by Pam McLean and others on providing knowledge, information, networking and other services to poor rural communities, through ICT. **Let's assume one had developed an ICT product (or system), that could be very helpful to rural communities. Aside from its local distribution, another problem arises: the lack of Telecenters** (Community Digital Information Centers, Access Centers; they are called with many names. Basically a PC + telephone, Fax, printer, plus Internet connection, in their initial structure). If this problem was solved, it could be a Win-Win situation. Rural communities would greatly benefit by using the system, and local NGOs by distributing and supporting it. Now, how could one go about financing the Telecenters, on a reasonably wide scale? A mix of donor-grant and debt financing?

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***On November 18<sup>th</sup>, Kris Dev wrote:***

Recently I visited a rural kiosk network and addressed about 50 women near Chennai, Tamil Nadu, India. Most of them don't know English and are 8th class or 10th class pass and in their mid 30s to 50s. They are the volunteer entrepreneurs who have taken loans and set-up computer kiosks, some in their thatched roof verandah (front foyer) of the house, much against the wishes of their own family, friends and neighbors. They are doing a wonderful job of making the poor less poor, by aiding the villagers in their various activities.

I offered to support them with our tracking tools for communications, activities, finance, inventory, etc., to run their kiosks more profitably, and benefit the society by helping them, particularly the self-help groups run by women.



It can also be used to track grievance redressal for the villagers from the village / municipal / taluk / district / state administration. If the tool is used by the various departments of the government and integrated, all pending activities of any department can be transparently seen by the top administration and accountability ensured.

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***On November 18<sup>th</sup>, Peter Burgess wrote:***

I very much like the small-scale low cost business model that starts slow and grows organically as fast as it can. (Pam McLean's CAWDNet approach in Nigeria). I also like the big initiatives like BusyInternet in Ghana that struggle to overcome big local constraints to attempt to be of international quality and profitable.

**The win-win of ICT needs to be funded, but the mechanisms for doing this really don't exist at the present time.** The UN Year of Microcredit starting today is going to help improve access for some .... but there also needs to be mini-finance for small business operations and muni-finance to help communities pay for what the community needs in common. All of these finance segments can be profitable and support a proper sustainable finance sector based on value-adding that happens in the local community.

Sadly, the viability and profitability and sustainability becomes much more difficult when the borrowing or lending is international and denominated in a currency such as the dollar, Euro or Yen and exchange risk is factored in.

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***On November 19<sup>th</sup>, Pam McLean (CawdNet) wrote:***

*(responding to [Kris Dev's 11/18/04 post](#))*

I look forward to something similar happening in the rural areas where CawdNet networks - once mobile phone coverage reaches out that far. Mobile phones networks are gradually spreading in Oyo State. You don't have to travel to the state capital, Ibadan, to make a phone call anymore. It is possible from some of the big towns quite a way out now, like Isseyin, but not yet out as far as Ago-Are.

I use "call by the minute" phone services when I am in Ibadan - there are a couple of young men with phones in a petrol station near the hotel I use. It is a very useful service. I can imagine some of the women and youths that I know running businesses like that in the rural areas if the chance arises (and I am happily imagining the wasted journeys that could be saved if you could send better messages beforehand - especially if the person with the phone could be relied on to pass on a message accurately....)

> It can also be used to track grievance redressal....If the tool is used by the various  
> departments of the government and integrated, all pending activities of any department can be  
> transparently seen by the top administration and accountability ensured.

Sounds good - but slowly perhaps on some of the "whistle blowing" activities - don't want to get any small business "phone by the minute" people into trouble - that would need careful discussion about implications. On the other hand we do have the start of an e-gov Special Interest Group - through someone involved at State level on issues related to the working practices of local government workers. Maybe that could be a starting point.

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**On November 19<sup>th</sup>, Lee Thorn (Jhai Foundation) wrote:**

(responding to [Arrigo della Gherardesca's 11/18/04 post](#))

> Let's assume one had developed an ICT product (or system), that could be very helpful to rural > communities.

We have initiated proof of concept work on the Jhai PC and communication system on the Navajo reservation in Arizona with follow-on betas in preparation in at least South Africa and China. We have had inquiries from over 65 countries. This system is for communities without electricity, telephone lines or cell phone connectivity. We have a business plan that lays out our strategy that I would be glad to share. There is an economist piece about the project on our Web site.

<http://www.jhai.org/economist.htm>

> Now, how could one go about financing the Telecenters, on a reasonably wide scale?

We assume a mix of donor-grants and debt financing.

The hard work of the people in Phon Kham and elsewhere in Lao PDR cannot be over-emphasized. They defined the problems to be addressed, they searched for solutions that fit their situation, they helped us define and test their solution and worked hard to achieve permission for the first site, and we partnered with them to develop the business tools to make the project sustainable. This, I believe, is **the most important information in this piece. End users defined the problem and helped solve it.** We expect this in each implementation. End users are involved from day one.

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**On November 23<sup>rd</sup>, Vikram Krishna wrote:**

(responding to [Lee Thorn's 11/19/04 post](#))

**Involvement in any leading edge kind of developmental activity is only meaningful if knowledge and understanding is at a high level.** Unfortunately, most societies and communities have an enormous hangover of half-baked knowledge (even this one, if we are willing to be objective about the quality of our own posts). In the case of the countries of the African and Asian continents, this is overlaid by the colonial experience, one that encouraged the suppression of independent thought and fostered huge dependencies.

I was struck by Lee's mention of a single village, and the clear reference to time and patience, both of which lead inescapably to the points I have made above. For that matter, even if we step back and look at how US and European corporations (and there have been significant differences in approach within the two groups) have automated their business processes over the years using ICT, it is clear that there has been a very long and gradual learning curve, punctuated by concerns expressed over and over about ROI.

**How much more important then to exercise patience and expect long-term engagement, if one is to meaningfully achieve anything in regions and with peoples that have been kept out of the loop since time immemorial?** And top-down or trickle-down approaches just aren't the way, they tend to exacerbate existing divides and differences that usually have overtones of oppression and injustice.



**On November 24<sup>th</sup>, Graham Knight (BioDesign) wrote:**

I have resisted entering into this debate up till now because it has been rather too theoretical for my taste. But now a few people are talking about helping the really poor - the billions who often go hungry. Most of them cannot even afford batteries for their radios let alone having an accessible phone line for IT. Quite important!

We have been trying to deal with the radio (does no-one count this as IT?) problem by supplying a means to overcome it - cost \$1. It involves us supplying parts for the poor to assemble the product - preferably with them starting a business. And it works! But every Western NGO approached has refused to help. Possible explanations will be offered to anyone who wants them.

However the demand from the South is now growing so rapidly that we are becoming concerned. How are we going to be able to cope if no assistance is soon forthcoming?

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**On November 24<sup>th</sup>, Ken DiPietro wrote:**

**If you want to sell me something (or to any of your customers) I have to see the value.** How do we make it so? Well, one of the things we understand here is that businesses will adopt the technology more readily than end-users and will generally pay more. In other words, we target these business owners as a way of subsidizing residential as the telephone companies have done since their inception.

If you are willing to accept this model then perhaps we should follow this up. Do you think a public kiosk model would work? I could see the pre-pay model working for this. If this concept was implemented you would have two things going for you. First, someone has to build, sell and maintain the kiosks. This would also create revenue and more correctly, industry in your area. More to the point, it creates a need for your service that can pay for itself and probably earn money while making it possible for the "common man" to afford internet access.

Next up, **how about lowering the overall cost for internet access by selling advertising.** Perhaps the way this would be implemented would be a set price for each day's advertising. For example, I see this working as each day of the month a small advertisement would either be at the top of everyone's browser or perhaps a 30 second splash screen would appear (a redirected home page perhaps) displaying that day's sponsor. This too, presents some interesting possibilities as someone will need to learn flash animation and will be able to charge for the creation and upkeep of these advertising pages. If you get really lucky you will be able to get a few multi-nationals like Coke or Pepsi to advertise and the entire upstream connection could be paid for!

**How about a Skype server being put into the network?** Whether or not people would be able to call the cell network (or POTS network = Plain Old Telephone Service network) is up to you to decide. What you might be able to create is a "free" voice communications service that is useable by anyone that has your service or pays at the kiosk. This would allow pre-recorded voice messages to be left for anyone, anytime for retrieval at their convenience. Using the kiosk model, video messages could also be sent and later collected. This is especially cool because none of the traffic ever goes upstream to the net, it all stays local on your wireless network.

I have been saying for years that **one of the greatest untapped resources we have in this world is the world's poor.** If we can make it so, this massive potential market has the power to spend, and the world's economy will leap forward at all levels.

**I can see video messaging as being a service that would even outstrip cell phone activity.** Imagine the joy of someone being able to send a video message to their loved ones halfway around the world. Instead of just hearing a disconnected voice in pretty lousy quality, it would now



be possible to send video of the new born baby or being able to see someone's face they haven't seen in a number of years. This is a service that I believe would be more valuable to many people than a cell phone.

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***On November 26<sup>th</sup>, Tom Abeles wrote:***

**One of the most interesting turn of events is happening in the United States with regards to access to broadband.** Cities and towns, ranging from a major center, such as San Francisco to a small rural town in Minnesota are providing or planning to provide area wide broadband to the entire community using the free spectrum portion of the band. This allows all access to a minimum level of broadband (silver) and at extra cost (gold, platinum levels) faster services as may be needed.

This is paid for through a basic levy on all citizens/businesses whether they subscribe or not, much as other infrastructure is paid for -- this could be an annual tax, a property tax, a charge much like water and sewage are paid for, or other vehicles which the city can use to cover capital and operational costs. Of course, one can think of other entrepreneurial vehicles to reduce the base cost, much like "free" web page services sell advertising, etc. There are also many ways to reduce both the capital and operating costs when the system is community wide.

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***On November 27<sup>th</sup>, Kirin Menon wrote:***  
(responding to [Graham Knights 11/24/04 post](#))

This is in response to Graham Knight's suggestion of using the radio as an effective medium of IT transfer to the lesser privileged. We ([The Footprint](#)) are presently working with a captive IT services unit of one the biggest electronic goods manufacturers in the world. I have been pleasantly surprised to see the enthusiasm with which a great number of employees and leadership of the company identified with the need to take a simple radio to the rural communities of India. In a very innovative program run in the company, the radio and other such electronic goods are taken to the rural communities as technology used for development.

Therefore you have the simple radio which is rid of its batteries and works on mechanical power - the crank mechanism. The success of the radio is now being replicated and tested with other products. Now this is an example of a conventional IT services unit - of an electronics leader - taking IT and their core competency for the development of the lesser privileged communities.

The demand in this case has also been growing, and we are experiencing much the same concerns that Graham has expressed here. What adds to this is that the news of success has traveled and other communities want to replicate the model. Therefore one possible solution is a distribution channel and/or a franchising option down the line that will create employment and build resources for the community and at the same time further the reach of this project!

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## What New Technologies and Business Models are on the Horizon?

### ***On November 16<sup>th</sup>, the GKD moderator wrote:***

Some claim that emerging ICTs will disrupt the existing global market, opening new opportunities for the poor in developing countries. These technologies will enable the poor to enter international markets. For example, villagers can use cell phones that can link to the Internet to send information about handicrafts, herbal remedies and other locally produced items. New technologies can also make it easier and more attractive for corporations to invest in areas of developing countries that are outside the major cities. WiMAX, for example, can make it easy to locate data entry facilities in rural areas.

Other observers are more pessimistic. They argue that ICT costs will never be sufficiently affordable to open new livelihood opportunities for the majority of the poor. They warn that ICT breakthroughs will never alter corporate investment patterns. Those investments will never reach the poorest countries, but only the emerging market "stars".

### Key Questions:

- 1) Are there new technologies that will "disrupt" the status quo and open new business opportunities for the poor? What specific technologies and how will they be used?
- 2) Are there new technologies and new business models that will help the poor compete in -- or benefit as consumers from -- global markets? What are those new technologies and models, specifically, and how will they reach the poor?
- 3) What new roles can ICT play in expanding "pro-poor" business approaches during the next 5 years?
- 4) Can open-source-like collaborations facilitate the growth of pro-poor business approaches in the coming years? Or will market forces and competition be a more effective driver for meeting the needs of the poor?
- 5) Do new ICTs pose risks by making corporations less reliant on local input from poor communities? Could new ICTs undermine efforts to create partnerships between corporations and the poor?

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### ***On November 16<sup>th</sup>, Ken DiPietro (Founder, New-ISP) wrote:***

In 1999 my wife and I decided to bring high speed Internet connectivity to our area of Vermont as it was unlikely that the bigger players would ever do so. After nearly a year of research, we launched our company, New-ISP.net, delivering high-speed Internet connectivity to businesses in our area using Fixed Wireless and SDSL technology.

So as you can all better understand my background, we built our company by a method known as "bootstrapping" - meaning that we had no outside investors and no real availability of working capital. Over the years we have developed a network of suppliers that can provide wireless equipment very inexpensively. I can reliably say that we can light up a town in our area for well under \$3,000 all-inclusive. Since we are looking at using current technology in our installations in many cases the technology that we are using would be overkill and by implementing "outdated" technology we can provide suitable connectivity to a town for very little money relatively speaking.



To give you a specific example, not including the upstream connection to the net, we can provide everything necessary to connect and distribute access to 10 points in a town (with specific RF requirements taken into account) for well under \$1,000 total. While doing so, we are also creating a small business that would act as equipment manufacturer and installation service provider, for maintenance and as an ISP. While this sounds complicated I can assure you it is not and the entire process can be taught pretty quickly.

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**On November 17<sup>th</sup>, Lee Thorn (Jhai Foundation) wrote:**

*(responding to [Ken DiPietro's 11/16/04 post](#))*

For what it is worth, I think Ken is offering us what I often have seen offered and often have seen accomplished in many places in the developing world. Amazing ingenuity...and doing things on the cheap ..and still making enough profit (or creating a sustaining side-business that makes profit) to keep going.

**I think some of the best thinking on Earth is done by poor people.** I think when you open up to this, then many things become possible. Bootstrapping is one. Ingenious solutions is another. Very well-localized solutions are another.

**This is something that MNCs actually know.** Think about drug companies, for example. Where do you think they, uh, steal the ideas for the templates for new drugs? From shamans in remote villages. MNCs tend quite often to forget the respecting this takes...as do most of us, definitely including me. But we can also remember it, if we are prompted. I think the problem is we are all too impressed with ourselves to see what is in front of us.

What if this entire discussion was turned on its head? What if we simply asked: **how do we get to know poor people well enough that they trust us enough to let us help them create their own solutions?** Then we can talk. Then we are bringing something to the table.

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**On November 18<sup>th</sup>, Ken DiPietro (Founder, New-ISP) wrote:**

*(responding to [Kris Dev's 11/12/04 post](#))*

> For any project or venture to be successful, there has to be a return on investment, tangible or  
> intangible. Without this, the initiative is deemed unproductive and hence a waste.

>

> Preferably, for sustainability, at least the variable cost should be covered fully. If it covers  
> either a part or fully the fixed cost, it is ideal.

Forgive me for saying this but I believe **some of you are missing the bigger picture from what I can see.** In our industry (we refer to ourselves as WISPS) we look at our overall job as replacing the telephone company one small installation at a time. I believe this closely parallels what many of you are trying to do but there is no existing communications infrastructure in place and where there is, it is substandard. Fine, I see opportunity there, (but) I believe many of these issues are interrelated and that by attacking some of them many of the rest will work themselves out in ways that we might even have trouble predicting.

Take, for example, communications. How would we attack this problem in our society? To describe this in very simple terms, we would put together a plan, raise capital, train the personnel, provide the equipment bought with the capital we raised and then build the network. The idea is that we would build a "telephone company" that would provide a "for pay" service which would employ trained people to maintain and expand the network as necessary but most importantly would make a small percentage of profit that would be returned to the investors.



What I don't see happening here is that **there doesn't seem to be any value accorded to the network itself once it is built.** Assuming that we didn't look at the connection of this network to the worldwide telephone network but instead only considered it as an infrastructure useful to the people that built/run it, the costs would be very low indeed.

So, what I would propose would be to create an "investment group" that also doubles as a charity (in case of failure) that would allow people from both sides of the divide to collaborate in building out this connectivity network. Perhaps we could structure it so as small communities adopt or partner with communities in developing nations, they invest a small amount of money in their "sister community" and help build this out. Considering that many of these smaller communities could be connected to the countrywide network for only a few hundred dollars I would expect this kind of support could be pretty easily generated.

**With the proper coordination we would have a network built that would have enormous value to the people it served, allowing intra-country communications for almost nothing.**

This kind of infrastructure allows for trade, collaboration and the ability to have access to information that would otherwise not be available.

One more thing: **in the next several months we will be seeing some truly revolutionary technological devices being introduced into the mainstream market.** The next generation of cell phones will have the capacity built in to connect to WiFi networks. There is already an open-source system that can be built using an old computer that is capable of handling 255 concurrent telephone calls. In other words, it is now becoming possible to "roll your own" telephone company for next to nothing while providing Internet connectivity.

Please feel free to drop by [www.wispdirectory.com](http://www.wispdirectory.com) and take a tour. If there is anything you all would like to see added we will be working toward providing a comprehensive section on "how to build a wireless infrastructure" that I hope will be an enormous help to this community.

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***On November 18<sup>th</sup>, Paul Richardson (ExpLAN Computers Ltd) wrote:***  
(responding to [Ken DiPietro's 11/18/04 post](#))

I run a small company (ExpLAN Computers Ltd) which is the lead partner in a group of 14 companies and individual engineers who have spent the last 4 years designing an ultra-low energy computer suitable for running indefinitely off renewable power sources - particularly solar. You can get an overview of the Solo on [www.explan.co.uk/solo](http://www.explan.co.uk/solo)

Ken, you will understand that most other group members are either currently working or intending to work on the very edges of where computer technology can reach. Whilst some access to mains power or (pollution creating) generators is assumed, our Solo Project is intended to release us from even that requirement. Of course this only solves half the problem...you still need telecommunications if the accessibility to Western knowledge or trade markets is to be achieved.

In the Western World we only get our secondary/service industries because our taxes and personal health-plans (etc) generate enough income for us to pay for them. In the Developing World, we Westerners have supplied secondary/service sector facilities such as schools and clinics, largely through the previous 200 years of missionary work, followed by a plethora of charities and one-off aid/relief appeals. However, **until we can assist the countries of the Dev-World to create their own primary/ commercial sector industries, they stand no chance of being able to support these expensive service-industries we have supplied them with.**

Simply \*giving\* things to the Dev-World doesn't help the problem...even if these things are container-loads of 2nd hand PC's and generators! Moreover, even if we succeed in stimulating



commercial work within these countries, the WTO rules mitigate against them being able to trade these goods fairly. Middle-men operate these rules and take the substantial portion of the profits.

Our solution is to only manufacture our Solo computers in Developing World countries. So we are effectively going to be issuing a direct challenge to the current trade imbalance! Even those GKD members working for (Western) aid organizations would have to buy their Solo computers from a Manufacturing Base operating as a cottage industry in a rural location of the Dev-World. Our Project is effectively fully commercial, but simultaneously altruistic.

We are still many months from actually entering our manufacturing phase. However, it would be useful for those running other (non-IT) projects to prepare themselves for the possibilities of moving the frontiers out and being able to operate indefinitely within those large rural areas where there is no mains electricity. With the right attitude - the future's looking brighter for the countries of the Developing World.

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## What Do We Mean by Poor?

**On November 18<sup>th</sup>, Cornelio Hopmann wrote:**

I suspect that we operate under two quite different concepts of "poor", which in turn gives rise to more confusion.

Under the first concept, as for instance used by UNDP for the Human Development Index, **"poor" or "not so poor" is measured in terms of "liberty", understood as real choices to conduct their own life, and "freedom", understood as being free from most basic threats like risks to life or health, hunger, fear of oppression".**

Under the second concept, as used by pure economists, **"poor" or "not so poor" is measured in income, consumption, or productive capacities.**

Both concepts are somewhat related, but not in a straight forward manner: i.e. Bill Gates has apparently more liberties and freedoms than, say, the woman in the Philippines that puts the latest version of Windows XP into their boxes.

Likewise there are backward-constraints: some services that imply more liberty, like education, or more freedom, like health services, need resources (i.e. they are not for free and hence the question arises what to do if those who need those services don't have nor can they contribute collectively the resources that are needed to provide those services).

It isn't an extremely serious problem in countries or societies, where those "without" are a smaller fraction of the whole population. Here it can be solved by insurance and taxes (it's a classical "political" problem).

However it becomes an extremely serious problem without easy solutions in those countries - the overwhelming majority - where those "without" count for 50% to 80% of the population. And in these cases it cannot be solved either by insurance or by taxes, simply because there aren't enough resources available that might be partially re-distributed.

Having said all this, let me clarify my position:

**(1) There is no doubt that ICT can, and many times does, make the poor "less poor" in the sense of the first concept.**

**(2) Yet even in these conditions a careful analysis beforehand is needed, to see whether the same effect could not be obtained by using a lesser amount of resources, without going over to "ICTs". I found out that sometimes ICT is indeed the most cost-effective solution, whereas in other situations it's an outright waste of resources.**

**(3) However if we are talking about a win-win situation between corporations and the "poor" (persons, families, sectors, countries, regions) then it would be deeply unfair for the poor to measure on one side of "win" in terms of Dollars and Cents and on the other side of "win", in terms of liberty and freedom, because this implies that we condemn the "poor" to remain forever "poor" in the second sense, which, due to the backward-constraints mentioned above, implies that they will depend forever on charity or lack basic liberties and basic freedoms (on any level: persons, families, sectors, countries, regions).**

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**On November 19<sup>th</sup>, Bokary Guindo wrote:**

(responding to [Cornelio's 11/18/04 post](#))

There is no doubt that poverty is a multidimensional phenomenon and **I am not sure if the numerous concepts of "poor" that are floating around are clear enough both to the poor and the policy-makers themselves.** Furthermore, the relative definitions of poverty are not making the understanding of the phenomenon much easier either.

According to Dr. Karoma (LIPI), the multi-dimensionality of poverty may still be relevant to be revisited as it is widely considered that the ultimate objective of poverty analysis is to come up with policies. He called for the inauguration of a certain task-force working on various poverty aspects as a real effort towards better understanding of poverty, (i.e. poverty seen by the poor rather than solely by policy makers) because as he states: **"It is often the case that what we define and think of poverty is significantly different than what the poor people think and feel"**.

On poverty as seen by the poor, "the following criteria were used by local people in Asia and Africa for defining poverty and ill-being: being disabled; widowed; lacking land, livestock, farm equipment, being unable to decently bury their dead; being unable to send their children to school; having more mouths to feed, fewer hands to help; lacking able-bodied family members who can feed their families in a crisis; lacking social support; having to put children in employment; being a single parent; being dependent on common property resources". - Robert Chambers, Institute for Development Studies, quoted in UNDP 1997

Can ICT address all of the above needs? The answer is yes, but, in terms of applications for development, the concept of "poor" as perceived by the poor would be a more effective parameter in addressing real needs. **ICT can make the poor "less poor" only if the real and expressed needs of the poor are fully addressed.**

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**On November 22<sup>nd</sup>, Gary Garriott (E-Governance Advisor, UNDP) wrote:**

(responding to [Cornelio's 11/18/04 post](#))

In previous posts Cornelio Hopmann has placed a heavy emphasis on the need for before-after or target-control group evaluations and analysis when designing interventions using ICTs. **When we are talking about the rural poor, I am wondering if there are limits to our ability to make such assessments sufficiently predictive to be useful in multiple venues.**

The reason is that even (and perhaps especially) in "poor" villages (however defined) the **economic-socio-cultural milieu is, surprisingly, extremely complex and dynamic.** So the best we can do using conventional methods is to take uncertain snapshots at a point in time which may not be particularly valid. Given that the ICT "knife" (or any technology) cuts both ways (it is both a creator and destroyer of values and norms), perhaps it is not so surprising that sometimes ICT is the most "cost-effective" solution and other times it is not, as Cornelio himself reports. Add the usual socio-political manifestation of the "Heisenberg Uncertainty Principle" where the act of observation itself changes what is being observed and a fair question is, "what have we learned that is truly useful?"

**If uncertainty is an inherent feature, what is the alternative?** I recall that nearly thirty years ago when I was involved in an academic competition involving renewable energy projects, an engineering professor strongly suggested that instead of analyzing and optimizing sub-systems individually, that we simply sequentially change input variables (such as the average tilt over time of a solar collector facing the sun) for the entire system taken as a whole to see what happens to the output. In others words, treat the entire system as a "black box" without worrying much about what was happening between and among the various subsystems inside the box. At the time, this



approach created such an epiphany for many in his audience that he was bombarded with requests for copies of his presentation which I have kept to this day. What the professor described, without access to the lexicon we have available today, was a practical way to deal with a "complex system."

Fast forward about twenty-five years to the advent of the concept of a "development dynamic" described in the Digital Opportunity Initiative <<http://www.opt-init.org/>>. This "new paradigm" was based in part on the recognition that both the new network dynamics made possible by ICTs as well as development dynamics were complex and could only ever be partially understood. So the emphasis was placed instead on exploring a "strategic framework to guide action." The field of action for the DOI was at the national level, but I think the same principles could be applied at local levels as well.

If we were to do this, we would more willing to try different approaches (obviously informed by past experience, knowledge, and context) and to allow those to be "tweaked" until we and our partners get it right for that particular milieu, i.e., vary the inputs (e.g., more community discussions which could lead to more computers in schools available for use in the evening), one by one, to obtain the desired output (e.g., greater adult computer literacy). Another situation/venue would likely require a different mix to achieve the same result, not to mention a different result. But we would cease to be so preoccupied with applying the ultimate in evaluation methodologies because we would realize that prediction and description are only partially achievable at best anyway. So we would take risks and focus on action. **Not all risk-taking efforts would lead to desired results, but we would be "doing something" instead of holding endless meetings and intellectual discussions that do nothing except set the stage for the next round of meetings and intellectual discussions. I do not think we have this luxury anymore.**

We are losing the race toward achieving the MDGs. Poverty is rampant and growing. Everywhere the "have-nots" are increasing along with the attendant despair and violence. Quality of life disparities between "rich" and "poor" are greater than ever before. Our exquisitely planned and intricately analyzed interventions are not working.

The Undecidability Theorem in mathematics suggests that the fastest way to test software code is just to run it and see what happens. It is also impossible to wring out uncertainties in applying technology without also eliminating creativity in a development context. Perhaps the corollary in the development game given the present exigencies is to "just do it."

There is a wonderful graphic at <http://www.chaordic.org/commons/graphics.htm> illustrating that "living systems thrive in a narrow band between chaos and order." I think that development also happens in this "narrow band." **Unless we are willing to spend the energy and take the risk of using technology to find this region wherever we are working (and doing it over and over again, however imperfectly), ICTs as significant poverty-busting tools are a lost cause.**

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## **Links to Organizations and Initiatives mentioned during the online conference:**

**BusyInternet, Ghana**  
**CawdNet, Nigeria**  
**Datamation, India**  
**Digital Dividend Program**  
**Drishtee, India**  
**e-Choupal (ITC Ltd.), India**  
**Enlace Quiche, Guatemala**  
**Equal Access**  
**Fantsuam Foundation, Nigeria**  
**Grameen Phone, Bangladesh**  
**HLL iShakti, India**  
**Jhai Foundation, Laos**  
**Jhai Coffee**  
**Macedonia IT Cluster**  
**n-Logue, India**  
**oneVillage Foundation**  
**OneWorld South Asia**  
**Reliance Industries, India**  
**Smart Communications, Philippines**  
**Tarahaat, India**

