

# *Connecting Bangladeshi Villages*

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*A Presentation to MIT Media Lab*

*Iqbal Z. Quadir, October 17, 2003*

## Arab world 'held back by poor governance'

The linking of economic prosperity to political reforms will strike a particularly sensitive chord in the Arab world. Many regimes pride themselves on being good students of multilateral institutions and justify their absolute power on the grounds that they are best suited to provide economic and social development.

*William Easterly, former Senior Advisor  
The World Bank*

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“ Many times over the last fifty years, we economists thought that we had found the right answer to economic growth. It started with foreign aid to fill the gap between “necessary” investment and saving.....

Supplementing this idea was the notion that education was a form of accumulating “human machinery” that would bring growth. Next, concerned about how “excess” population might overwhelm the productive capacity of the economy, we promoted population control. Then, we realized government policies hindered growth, we promoted official loans to induce countries to policy reforms. Finally, when countries had trouble repaying their loans they incurred to do policy reforms, we offered debt forgiveness.

None of these elixirs has worked as promised...”

## *All these approaches looked at poverty*

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- **in a top-down way (bird's eye view dealing with the lives of worms)**
- **as if the poor is a target, not a resource**
- **as if wealth (better life) is something to be provided to the poor**
- **overlooking how economies actually evolved historically in developed countries. (It involved empowerment from below)**
- **overlooking the fact that engaging poor people in commerce contributes to strengthening of democracies (which can then lead to better societies and economies)**

*Instead of seeing 2b mouths to feed,  
we need to think what we can do to make those*

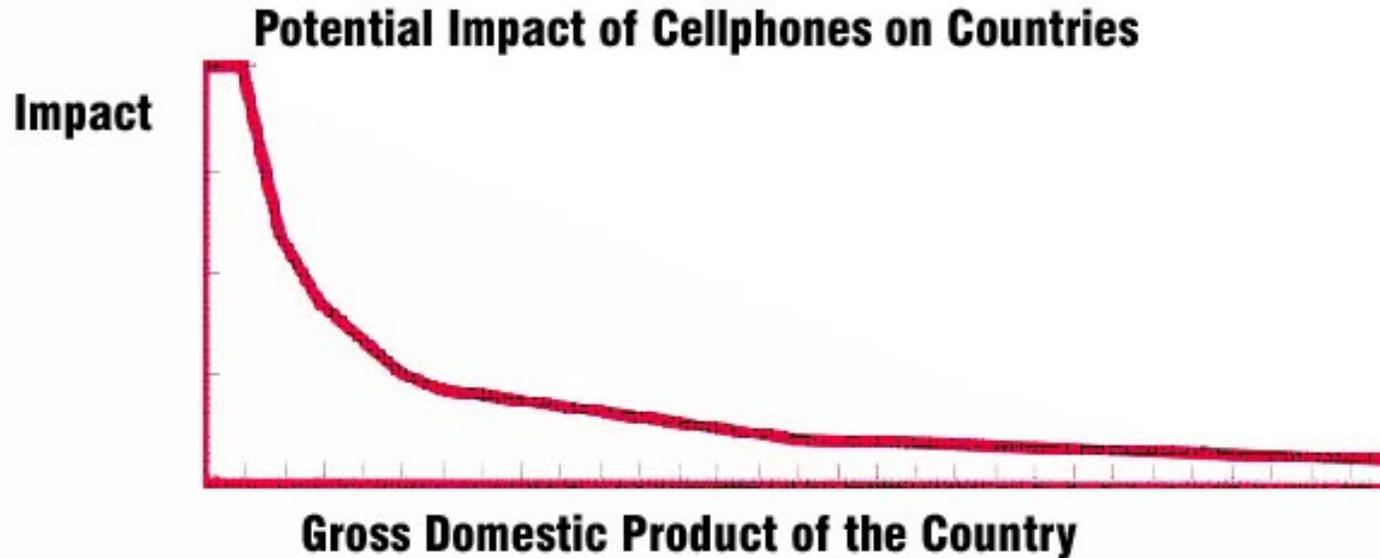
- *2b brains to think for themselves*
- *4b eyes and ears to keep watch on governments*
- *4b hands and legs to move things*

## *The question*

How can we adopt “the worm’s eye-view”?

# Connectivity is productivity

ITU research:



Adam Smith: Specialization → Productivity

Specialization needs dependability

Dependability needs connectivity

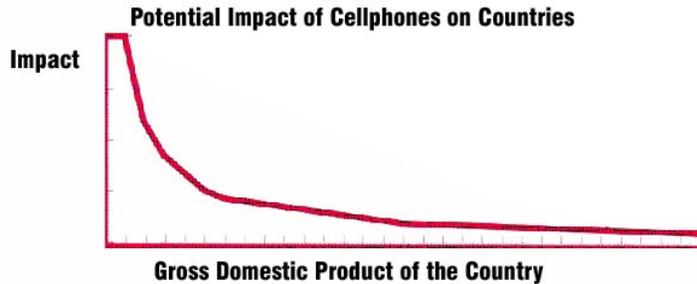
Connectivity → Dependability → Specialization → Productivity

Connectivity → Productivity

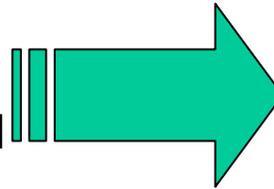
# Telecommunications in Bangladesh as of 1993

- Only 2 phones per 1,000 people
- Virtually none in rural areas, leaving 100 million unserved
- \$500 connection fee — and 5-10 years waiting period
- Most phones were analog and did not work

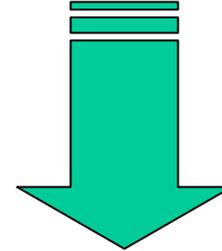
# A business opportunity



A part of the increased productivity could be channeled to pay for the service.



The government is not building the necessary infrastructures.



A business needs to be (and can be) created

# Myths, facts and solutions

| Myths   | Facts   | Solutions   |
|---|---|---|
| <b>Lacking buying-power</b> , the poor provide no market. | Production tools <b>create buying power</b> .             | <b>Value</b> (if higher than costs) can get people ahead. |
| <b>Initial individual buying power</b> may be too low     | Shared-access <b>reduces costs</b> for everyone.          | <b>Community</b> is the customer.                         |
| <b>Meet primary needs</b> first                           | A rise in income helps <b>people meet primary needs</b> . | <b>Ownership</b> empowers.                                |

# The real problem : A lack of other infrastructures

## Not Enough

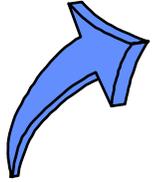
- Records for credit checks.
- Roads for Repairman.
- Contact points for customer service.
- Banks to collect bills.
- Schools for children of workers.

## Grameen Bank

- 1138 Branches.
- 12,801 employees.
- 2.3 mill. borrowers.
- 39,172 villages covered.
- \$33 mill. lent monthly.
- 94% borrowers female.

*At this point, I learned to adopt the worm's eye view  
from Grameen Bank*

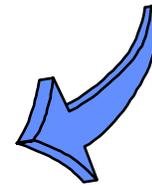
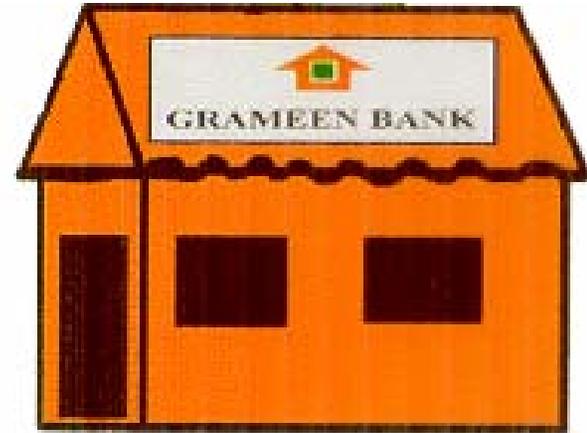
Milk



Money



Money



Money

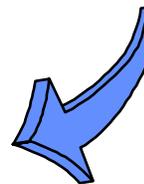
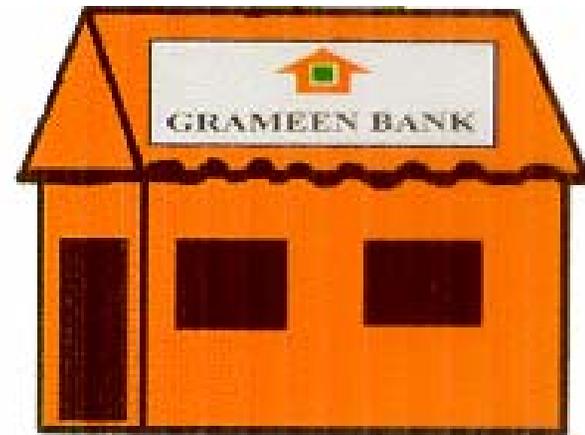
Service



Money



Money



Money



# Mobilizing resources: 1993 - 1999



## FINANCIAL STRUCTURE

- Grameen Telecom
-  Telenor
-  Marubeni CORPORATION
- Gonofone

Equity (ordinary shares) : USD 55 million

**Total Financing : USD 55 million**

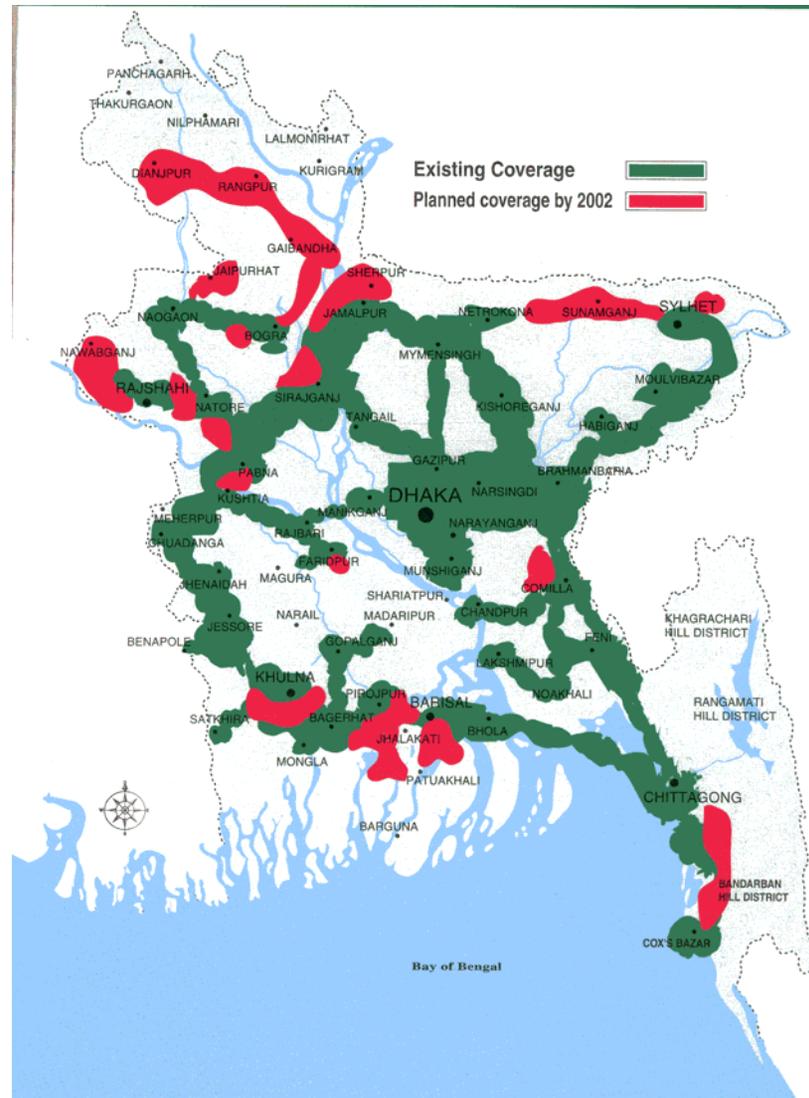
Loans : USD 50 million  
Equity (pref. shares): USD 5 million

- INTERNATIONAL FINANCE CORPORATION
- Commonwealth Development Corporation
- ASIAN DEVELOPMENT BANK

Loans : USD 10 million

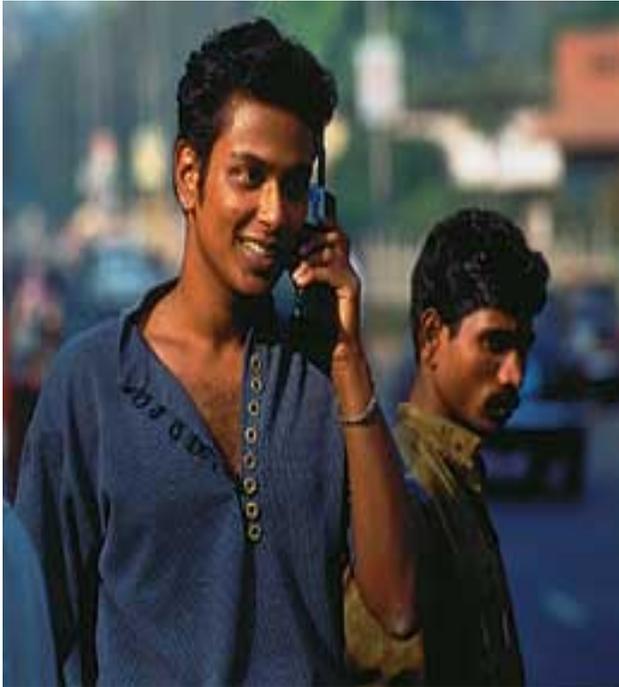
**NORAD**

# Current coverage of GrameenPhone



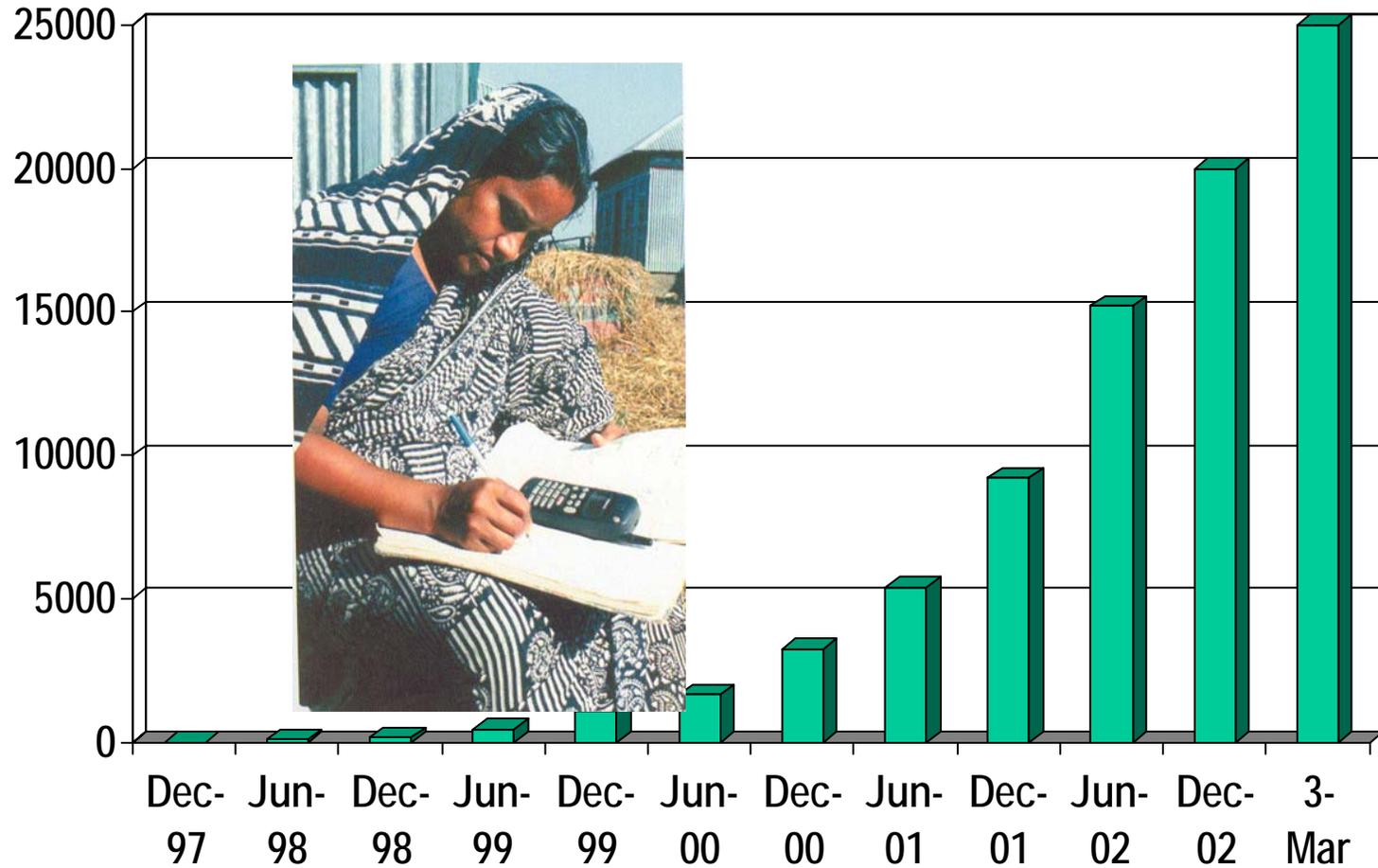
# Summary results of GrameenPhone

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- Approaching \$300 million in investment
- The expected 2003 net income (earnings after tax) is \$60 million
- Largest telephone company in Bangladesh with 1,000,000 urban subscribers
- 33,000 villages served, giving telephone access to 50 million people in rural areas
- Revenues \$100/month per village phone
- Profit of \$2/day/phone, more than twice the per capita income

# Growth of Village Phones



# Increasing Incomes / Improving welfare

## ■ Increasing incomes

- generating profits for local entrepreneurs
- farmers can get market information and better prices for crops
- deals are being made over the phone



## ■ Improving welfare

- ability to call a doctor
- can connect with urban or overseas relatives
- substitutes for costly trip into capital city



# Design makes a difference

## ■ Prior perceptions

- The poor is seen as the recipients
- Too expensive to provide services to the poor
- Enhancing skills is seen as a separate expensive project

## ■ Post implementation

- Poor people is a resource
- Reduced cost of the service
- Skills of the poor enhanced