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K-12 BLUEPRINT

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PC Purchasing Programs Success Stories

toolkits

The following case studies present a number of approaches that have been successfully used to finance GAPP (Government Assisted PC Purchase) programs worldwide

UK

In 2003, the UK government set a goal of increasing the PC penetration rate to >70% in order to become a digital-inclusive society and become more competitive internationally. An Intel team consisting of in-country management, government affairs, and field influencer and sales teams were involved in discussions with the government. The team provided detailed analysis of the tax structure and the pros/cons of reducing various taxes for ICT purchase. An industry alliance was also formed between market leaders Intel, Microsoft, and British Telecom to drive deals, establish a pipeline, and provide unique added value (software, connectivity) and support. The alliance was the key interface that worked with government, industry, unions, and employer organizations.

The government decided to exempt PC purchases from the VAT, as they quickly realized that they could recoup much of the upfront tax reductions related to PC purchase through sales of add-ons such as peripherals and software, and/or secondary services such as Internet service. British companies now effectively offer their employees PC lease packages with a discount of up to 50% on the normal retail price. The program involves a salary sacrifice payment over 18-36 months, with full income-tax protection and exemption from VAT.

Although now terminated, the program was an effective catalyst, and the government is moving forward with other, similar inclusion initiatives. In the last two years of the program, 500,000 employees acquired home computing equipment. Many larger businesses led the way in implementing programs, but recent findings also suggest that growing numbers of small- and medium-sized businesses followed suit. In fact, the number of participating companies more than tripled in 2005, and 75% of computers were leased by lower-rate taxpayers.

Turkey

In Turkey, most small and medium businesses (SMBs) are geographically limited to doing business in their own city, where they are exposed to severe competition. Only 30% of SMBs have a Web page, and only 6% have the means to engage in e-Commerce. To expand economic opportunity for these businesses, KOSGEB, the Turkish organization responsible for SMBs, has established objectives to increase PC penetration to 95%, and ADSL penetration to 75%. With this infrastructure, they plan to increase e-commerce to 15% of all transactions and Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) usage to 15% of all industries that can benefit from these tools.

The program currently underway offers a turnkey solution that includes a 24-month no-interest loan that is offered by VakifBank. Local IT companies provide solution integration, hardware distribution and set-up, plus business applications. Intel and Microsoft are assisting with awareness and training sessions.

Spain

The Spanish wanted to provide subsidized IT access to six segments of the population: the excluded (unemployed or disabled), older people, teenagers, students, small businesses, and employees in large companies. The government, however, lacked the infrastructure to reach the target audience with tools/loans.

Intel developed programs with the Spanish government and various banks to reach both the SMB and student markets. The program used the banks' position of trust and natural reach into nearly all communities to develop a low-cost financing initiative, which was expanded to include distribution channel development and an awareness campaign.

For the SMB market, Banesto, Spain's third-largest bank, provided 150M€ in 0% loans to enable SMB IT modernization. SMBs purchased 45,000 PCs through this program, which was entirely subsidized by the Spanish government, mitigating Banesto's risk. The banks in turn built localized programs to advertise the low-cost loan program.

The program was so successful that the bank and government provided an additional 150M€ in 2006 to continue the program and set up an Employee Purchase Program (EPP) for SMB employees. The EPP featured an automatic repayment structure and required employees to set up paycheck direct deposit with Banesto, extending the bank's customer acquisition channel, as well as creating cross-sell and sell-up opportunities for additional bank services.

The Student Purchase Program (SPP) was created with Banco Santander in conjunction with various universities. Banco Santander and the universities owned this new company, called Universia, 70/30. Universia offered a comprehensive ICT and developed demand-creation activities on campuses, promoting the ICT and additional services such as Internet connectivity. Banesto provided 35M€ in 0% interest and government-backed loans for families with students, allowing the purchase of over 10,000 PCs. In universities, another 30,000 notebooks were sold.

Egypt

In 2006, the Egyptian Ministry for Communications and Information Technology announced a multi-track GAPP program to increase PC ownership within a target demographic of 5.5 million government employees, staff at over 39,000 schools universities, and almost 14 million Egyptian households. The first track is based on the success of the "PCs for Every Home" initiative, launched in 2002, which forged a robust partnership between the government banks and the telephone company. In this track, credit bank loans for desktop PC purchases are granted to Egyptian citizens using their telephone landline ownerships as loan collateral. Program organizers expect to reach about 25% of their overall aimed ICT growth with this strategy. The second track targets both desktop and laptop PCs, and credit loans are grained through normal retail banking credit procedures (HR letters, bank accounts, postal passbook deposits, etc.)

Nigeria

In an effort to bridge the digital divide, increase public- and private- sector productivity, and improve workforce access to PCs, the Nigerian Government collaborated with private-sector industry partners to implement a Government Assisted PC Purchase program called Computer for All Nigerians Initiative (CANI). As part of the program, participating financial institutions provide employers with funds that have reduced interest rates to loan to their employees so that they can purchase the CANI PC packages. To further ensure the affordability of CANI PCs, the federal government also provides tax waivers on CANI-related PC components. Employers worked with an Intel Program Management Office (PMO) and the PMO connected bankers and employers, sending employer applications to relevant banks. Banks decide on company eligibility, provide funds, and then let employers offer their employees 24- month financing with 20% down.

Philippines

The Philippines has a population of more than 80 million across its 7,000 islands and is the fourth largest English-speaking country in the world. Despite a literacy rate of 94 percent, 40 percent of the population lives in poverty and only three to four percent of households have access to a PC. In September 2003, President Arroyo launched the People's PC Program, which aimed to increase PC ownership by 110,000 PCs in 2004. The program has helped to bridge the country's digital divide and has supported its economic recovery.

Programs are funded in two different ways: The first is through a program with the Overseas Welfare Workers' Association (OWWA). The OWWA allows every Filipino working overseas to put a percentage of their income into a savings fund for family use, including PC purchase. The family can withdraw money from the fund for a down payment, and the OWWA will loan the remainder at 7% interest for 12 months. If a family has maxed out their credit with the OWWA, they can borrow money for a PC purchase from Banco de Oro and the bank will provide a check payable to the reseller. Terms are competitive with mainstream loans and are decided upon at the time of purchase.

Canada

Canada's Ministry of Health, Intel, and xwave Healthcare Practice have packaged Electronic Medical Records hardware, software, connectivity, and services such as training and system maintenance.

The packages were developed to meet the needs of most physicians, based on input from the Ministry. Ontario's Ministry offers $150 million in grants and subsidies to Ontario physicians, encouraging rapid adoption in the province. The government assistance package includes a $4,500 one time readiness grant, $2,500 performance recognition grant, and a $600 per month subsidy for certain services for up to 3 years. An additional $2,000 desktop grant is also available.

While this program was initially being pioneered in Ontario, Intel will showcase the success of the program to other nations and regions, encouraging other Canadian provinces to pursue EMR adoption programs.

Mexico

For low-income Mexican families, buying a computer is not possible as they are not eligible for bank credit. Homex, one of the fastest- growing construction companies in Mexico, wanted to differentiate their offerings from their competitors, and at the same time, help low-income families bridge the digital divide. They created a digital home offer — Casa Digitales — to provide a new PC in each new home that Homex constructed.

The computer cost is included in the price of the house — paid for over 20 to 30 years. After Intel and Homex worked to convince Infonavit, the government institution that provides credit to low-income Mexican families, that a PC is key for communication, education, and entertainment, and improves the quality of life, Infonavit underwrote the loans for both home and PC purchases.