

PROJECT SUMMARY
NETWEY: INTERNET FOR ALL
(ME-L1313)

The project seeks to contribute to the solution to this problem by increasing Internet service coverage for vulnerable segments of the population, making this service more accessible and more affordable.

Widespread Internet access remains a challenge in Mexico. The country still lags significantly behind its peers in the Organisation for Economic Co-operation and Development (OECD) in terms of the percentage of the population with access to these services, with a gap in excess of 13% of the population. Access shortfalls are particularly significant among lower-income households and populations living in marginalized urban and rural areas, posing risks of deepening socioeconomic disparities.

Internet services generate major opportunities for economic and social development, helping improve the quality of life for households and driving productivity and efficiency. Internet services enable access to an array of digital services (finance, business, education, health, etc.), as well as to information and data that are critically valuable in the modern economy, in addition to enhancing the capacity of individuals and businesses to communicate with suppliers, clients, employees, or family members. The benefits of these services have been made clear, especially in the post-COVID-19 era, when the need to minimize physical contact has made society and the economy more dependent on remote communications media.

With the project, IDB Lab will provide financing to Netwey, a startup founded in 2018 to bring Internet services to the typically unserved segments of the population, segments that to date have not sparked the interest of the top telecommunications companies in Mexico. To help close this digital divide, bringing the Internet to areas with low penetration represents a major business opportunity with the potential for social impact, given the large market to be served.

Netwey has developed an innovative business and marketing model to serve this segment with wireless Internet services, based on selling a modem at extremely low cost (at cost, without a profit margin)—placing it directly with the users with a sales force hired from the same areas where demand is located—using a prepaid sales modality for Internet services, in small blocks of gigabytes/time making consumption affordable and desirable by clients from low, vulnerable socioeconomic levels. These services are made possible with the use of technologies that enable the service to be turned on and off remotely. Its last mile model—in which the user has the option of making payments weekly or based on consumption of gigabytes—is designed to accommodate the needs of the country's most vulnerable populations, thus providing connectivity to a sector of the population that was being left unserved by the companies that dominate the market.

The solution that Netwey offers is backed by the public-private initiatives behind Red Compartida—which began operating in March 2018, invests in telecommunications infrastructure to connect communities without Internet access, and sells this access as a wholesale provider. Red Compartida itself is a highly innovative, pioneering structure pursuing the deployment of a mobile broadband network that offers exclusively wholesale services to provide coverage to the population through services delivered by retail operators. Red Compartida is administered by Altán and has financing from the IDB and IDB Invest.

The IDB Lab loan to Netwey, for up to US\$1 million, is designed specifically to finance startups in early growth stages and will be repaid periodically as a percentage of the revenue generated by the company, in line with its rate of growth.

It is estimated that the project will help provide Internet service access to 789,000 new households (to reach a total of 895,700 households, considering the households of Netwey's current users), most of which pertain to low-income and vulnerable socioeconomic segments, located in marginalized urban areas and small or rural towns. In addition, Netwey will create around 620 direct new jobs in the localities served.