

A.I.D. EVALUATION SUMMARY - PART I

PD-ABF-906
ISN 82353

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office <u>FHA/PVC</u> (ES# _____)		B. Was Evaluation Scheduled In Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY _____ Q _____		C. Evaluation Timing Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>	
D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)					
Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
938-0192	Cooperative Initiatives Program/ Polish Rural Telephone, Development Project	90	6/93	370.2	370.2

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required Extend the PACD to 6/94	Name of Officer Responsible for Action: F. Mertens Date Action Completed: 4/1/93
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APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation:				
	(Month)	(Day)	(Year)	
	9	9	92	
G. Approvals of Evaluation Summary And Action Decisions:				
	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Frank E. Mertens	D. Craun-Selka	Thomas Marchione	L. Stamberg
Signature	<i>Frank Mertens</i>	<i>D. Craun-Selka</i>	<i>Thomas Marchione</i>	<i>L. Stamberg</i>
Date	12/22/92	12/31/92	5/4/93	12/23/92

ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

The project purpose is to bring telephone service to rural Poland based on the U.S. cooperative model. At least one (if feasible, a total of four) fully functioning rural telephone cooperative should be created within the three-year project period. The project is being implemented be the National Telephone Cooperative Association. This mid-term evaluation (8/17/92 - 9/15/92) was conducted by an outside consultant from the U.S Overseas Cooperative Development Council and the Polish project manager on the basis of a review of project documents, visits to three project sites and interviews with project personel. The purpose of the evaluation was to assess the extent to which the project's goal and purposes are being met or exceeded and to provide suggestions on its current implementation plan for NTCA and A.I.D. The Major findings and conclusions are:

- The NTCA's projects are on track and exceeding the objectives within the time frame.
- The telephone cooperatives serve as models for bringing telephone service to rural areas and as member-owned and democratic business organizations, however, the full success cannot be determined until there is more operating experience and an analysis of whether revenues are sufficient to cover debt service.
- The project is leveraging considerable additional funding, including a complementary competitive cooperative agreement from the European Bureau and major purchases of U.S. equipment using Export-Import Bank credits. The project, already, has resulted in over \$2 million in U.S. sales of telephone switches, remotes and other equipment as well as local loans from a Polish bank and contributions from communes and others.
- The project period needs to be extended in order to provide critical support during early operations of the model systems, to resolve key policy issues for their replication and to examine and support the creation of a REA-type financial institution.

The evaluators noted the following "lessons":

- Working with local foundations has proven to be highly effective and plays an important role in helping resolve national policy and legislative issues.
- New private sector options in Poland can be developed quickly where there is strong local and national leadership.

COSTS

I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
Ted Weihe	Contractor	15		Project
J. Lato	Project Manager	5	3,244	

2. Mission/Office Professional Staff

Person-Days (Estimate) 4

3. Borrower/Grantee Professional

Staff Person-Days (Estimate) 6

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:

- | | |
|--|-----------------------------|
| • Purpose of evaluation and methodology used | • Principal recommendations |
| • Purpose of activity(ies) evaluated | • Lessons learned |
| • Findings and conclusions (relate to questions) | |

Mission or Office: FHA/PVC	Date This Summary Prepared: December 14, 1992	Title And Date Of Full Evaluation Report: Mid-Term Evaluation Polish Rural Telephone Dev. Project
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1. Purpose of the project

The goal is to bring telephone service to rural Poland based on the U.S. cooperative model. The purpose is to create at least one fully functioning rural telephone cooperative within the three year project period. If feasible, a total of four pilot telephone systems should be attempted.

2. Purpose of evaluation and methodology

The purpose of the evaluation is to assess the extent to which the project's goal and purposes are being met or exceeded and to provide suggestions on its current implementation plan for NTCA and A.I.D. Since NTCA is implementing two closely related cooperative agreements for rural telephone service, the evaluations have been undertaken at the same time, but each evaluation stands on its own.

The methodology included an extensive review of project documents, preparation of an extensive list of questions, and interviews in Poland with a wide range of project participants. A.I.D. participated prior to and following the evaluation, including briefings at U.S. A.I.D. / Warsaw and A.I.D. / Washington.

3. Findings and conclusions

The NTCA's projects are on track and exceeding the objectives within the time frame. The project is well-managed with high quality staff at NTCA and in Poland. Two model cooperatives are operating as the only independent systems in Poland.

NTCA has responded well to unexpected developments in the evolving telecommunications environment in Poland, including impacting national legislation and participation in a national commission to resolve impediments to rural telephone cooperatives.

The telephone cooperatives serve as models for bringing telephone service to rural areas and as member-owned and democratic business organizations. The full success of the models cannot be determined until there is more operating experience and an analysis of whether revenues are sufficient to cover debt service.

The state telephone monopoly is strenuously opposing competition and placing major road blocks in the way of independent operators. The monopoly particularly resists the cooperative form of organization because of its broad public and political support.

NTCA has established a strong working relationship with Northern Telecom, a U.S. supplier of DMS-10 and other telephone equipment which is particularly suited for rural applications. As a membership organization, and to remain objective in its technical assistance, NTCA does not endorse any particular type of equipment. However, NTCA indirectly has promoted the U.S. supplier because it is more suitable for small rural systems. Both model cooperatives use Northern Telecom equipment.

The most pressing issue for replication of the models is securing long-term credit. NTCA is working with the World Bank towards undertaking a study for the creation of an REA-type financing mechanism for rural telephone systems. A.I.D. may want to support this effort through providing bilateral technical support for long-term expertise in setting up the REA.

NTCA's volunteers have been effective in providing critical interventions for the establishment of the model systems. NTCA's training in the U.S. also has been essential to project success. NTCA provides unique technical assistance based on the U.S. experience. Only two other countries have networks of telephone cooperatives and the U.S. experience is more recent and applicable to the situation in Poland. NTCA has chosen appropriate sites for the model cooperatives and supporting partner foundations to bolster the grassroots efforts of local leaders.

There is ample evidence that the project is helping increase agricultural output through attracting new agribusinesses to areas served by the telephone cooperatives. Farmers save about eight hours a week in obtaining inputs and substantially can increase their profits through the use of telephones.

4. Principal recommendations

- NTCA should focus its technical assistance efforts on resolving policy issues (e.g., interconnection agreements) and helping establish a Polish REA.
- NTCA should provide technical assistance to assist the model cooperatives in analyzing their operating margins, ability to service debt and to expand services.
- NTCA should explore various financing options for rural telephone cooperatives in Poland such as the European Bank for Reconstruction and Development and A.I.D.'s Private Sector Guarantee Fund. NTCA should continue to work closely with the World Bank for the establishment of a Polish REA.
- NTCA should conduct a baseline study on the economic benefits of rural telephone service to bolster the case for placing a priority on this sector.
- NTCA should resist widely publicizing the model cooperatives until they have more operating experience and better data on their financial viability.

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5. Lessons learned

NTCA selected an appropriate project design and strategy to create model telephone cooperatives prior to the resolution of various national policy issues. Given that Poland has no experience with telephone cooperatives, it was essential to provide models because "seeing is believing." Bringing senior policy makers to the U.S. to see rural telephone cooperatives was critical to project success.

NTCA had to modify its approach, such as abandoning the provision of used equipment because of national policies which permit only state-of-the-art equipment. Given the shifting telecommunications situation, NTCA needs to be given project flexibility to respond to unexpected events.

NTCA's approach of working with local foundations has proven to be highly effective. Yet, NTCA also continues to play an important role in helping resolve national policy and legislative issues.

This project has greatly benefited from focusing different types of cooperative development efforts in the same region where there is strong small farmer entrepreneurship and local leadership.

Finding strong local staff, where there is no U.S. expatriate, is difficult given the communist legacy. Assistance agencies should seek individuals who have excelled in other fields and are willing to learn, rather than based on their technical knowledge.

This project proves that new private sector options in Poland (and probably Eastern Europe) can be developed quickly where there is strong local and national leadership.

A principal lesson of this project is to tackle problems and organize new solutions to respond to strong "felt needs" of rural people rather than impose outside priorities.

The project indicates that demonopolization of public services in Poland will be difficult and long-term. The monopoly is resisting independent operators at every step and appears to be particularly threatened by cooperatives which enjoy broad local and political support.

The development challenge in Poland may be increasingly shifting from technical know-how to accessing private and public capital for successful private sector initiatives.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

One Evaluation Report entitled "Mid-Term Evaluation of National Rural Telephone Cooperative Association's Polish Rural Telephone Development Project".

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

Mission Response:

FHA/PVC agrees with the evaluators' findings and recommendations. A.I.D. will extend the project by one year, with changes in the log frame, to give the project more time to finish the project and try to leverage more money from different funding sources to create a Polish REA (Rural Electrification Authority that does financing in the U.S. of rural telephone systems) to provide financing of more model cooperatives.

Grantee Response:

NECA will submit a revised budget and log frame to justify the one year extension.

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