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MID-TERM EVALUATION
OF
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION'S
POLISH TELEPHONE COOPERATIVE TRAINING PROJECT
(EUR-0032-A-00-1028-00)

Submitted to
U.S. Agency for International Development
Bureau for Europe

and

A.I.D./Warsaw

by
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SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

1. Purpose of the project

The goal is to organize residents of 20 village telephone committees and convert them into telephone cooperatives. The purpose is to enhance, support and provide institutional strengthening for two rural development foundations through training and technical assistance to field staff in organization, management and operations of telephone cooperatives.

This project is closely related to the Polish Rural Telephone Development Project for creating at least one and up to four model rural telephone cooperatives. Two functioning cooperatives have been formed and are models for replication by the village telephone committees with ongoing support by the two rural foundations.

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 stands on its own.

The methodology included a 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. Two model cooperatives are operating as the only independent systems in Poland and are effective in energizing numerous telephone committees to form cooperative telephone committees. One-half of the 30 licenses issued by the Ministry of Telecommunications for independent operators are applications to form telephone cooperatives.

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, democratic business organizations. The full success of the models can not 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 the introduction of 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. Both model cooperatives use Northern Telecom equipment.

The most pressing issue for the conversion of telephone committees into operating cooperatives is securing long-term credit. NTCA is working with the World Bank towards undertaking a study for the creation of a 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.

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 and training efforts on resolving policy issues (e.g., interconnection agreements at reasonable cost-based tariffs, transfer of assets and subscribers to independent operators) and to help establish a "Polish REA" for financing and regulations in rural telecommunications.
- NTCA should provide technical assistance and training to the model cooperatives for analyzing their operating margins, ability to service debt and to expand services.
- NTCA should explore various immediate 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, and continue to work closely with the World Bank for long-term funding and the establishment of a Polish REA.

- NTCEA should conduct a baseline study on the economic benefits of rural telephone service to bolster the case for placing a priority on this sector.
- NTCEA should resist widely publicizing the model cooperatives and undertaking a major effort to convert telephone committees to cooperatives until the models have more operating experience and better data on their financial viability.
- NTCEA should consider expanding its program to other countries in Eastern and Central Europe and the Newly Independent States.
- NTCEA should work closely with the Europe Bureau for accessing additional resources from its privatization and telecommunications programs, rather than rely on uncertain funding for PVO programs.

5. Lessons learned

NTCA selected an appropriate project design and strategy to create model telephone cooperatives and to carry out training programs 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." U.S. training is essential to project success and institution building of the partner foundations.

NTCA's approach of working with local foundations has proven to be highly effective. As important, NTCA plays an important role in helping to resolve national policy and legislative issues. A combined strategy of policy dialogue and creating field models is working.

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

A principal lesson of this project is to tackle problems and organize new solutions in response to strong "felt needs" of the rural population rather than imposing 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.

Mid-Term Evaluation

Polish Telephone Cooperative Training Project

I. GOAL AND PURPOSE OF THE PROJECT

The Polish Telephone Cooperative Training Project (No. EUR-0032-A-00-1028-00) was signed May 10, 1991 by the National Telephone Cooperative Association (NTCA) with A.I.D.'s Bureau for Europe. The project currently is scheduled for completion in March 1994. It is funded at \$359,750.

The goal of the project is to organize residents of 20 village telephone committees and set up structures so that they will be able to apply for government loans to construct telephone systems, manage their own companies and constitute effective and responsible telephone cooperatives. The purpose is to enhance, support and provide institutional strengthening for two rural development foundations through training and technical assistance to field staff in organization, management and operations of telephone cooperatives.

This project is closely related to the Polish Rural Telephone Development Project to bring telephone service to rural Poland based on the U.S. cooperative model. Its purpose is to create at least one fully functioning rural telephone cooperative within the three year project period and, if feasible within financial and other constraints, a total of four pilot rural telephone systems. The project is funded through a cooperative agreement with the Bureau for Food and Humanitarian Assistance and its Office of Private and Voluntary Cooperation.

The original project design called for:

- field surveys to select 20 sites;
- hire and train Polish counterpart staff in various issues relating to the organization and operations of rural telephone cooperatives; and
- conduct 30 training workshops with counterpart staff to include approximately 500 residents per village or 10,000 over the life of the project.

The original project identified the Krakow Industrial Society and the Polish Telephone Foundation as counterpart organizations. These foundations would be institutionally strengthened to carry out ongoing field operations to assist at least 20 telephone committees. These committees are formed by local residents towards initiating self-help efforts to acquire telephone service. Generally, the telephone committees worked with the monopoly telephone company, Telekomunikacja Polska (TPSA), turned over

their assets to the company and seized to exist after telephone service was provided. This project was designed to provide an alternative approach by helping the telephone committees become independent operators which is permitted under new demonopolization legislation.

Modifications in project design

The cooperative agreement required NTCA to prepare a Project Implementation Plan for approval by A.I.D. This plan has been regularly revised and updated.

The plan calls for the following activities:

- Hire a project manager. (completed)
- Identify counterpart institutions. (completed)

NTCA found that the two organizations in the original proposal were inappropriate. The Krakow Industrial Society was already too committed to other activities and rural telephones were not a priority. The second organization is closely tied to European equipment suppliers and European Commission funding, and was not interested in collaborating with a U.S. organization. Its strategy for development of joint venture companies was not appropriate to the cooperative focus of the project.

Instead, NTCA is working collaboratively with the Regional Council for Economic Solidarity (RCES) in Rzeszow and the Swietokrzyskie Foundation in Kielce. NTCA has signed agreements with both foundations.

- Set up office and communications center. (completed)

NTCA arranged for its local representative to be able to access the offices of both foundations. In Warsaw, NTCA signed a memorandum of understanding with Northern Telecom, a U.S. supplier of DMS 10 switches and other telephone equipment, and uses its office for communications and other purposes.

- Prepare appropriate training materials and information regarding telephone cooperatives. (underway)

NTCA is currently developing a specialized document for use by telephone committees to explain to members in elementary terms the establishment and operations of rural telephone cooperatives. NTCA also is exploring development of a video for the same purposes.

- Recruit NTCA Volunteers. (ongoing)

This is an ongoing effort. NTCA has developed a data base and undertaken extensive recruitment efforts.

- Survey rural villages in Poland. (ongoing)

NTCA is closely collaborating with its two partner foundations in identifying appropriate sites for rural telephone committees. This activity involved extensive follow-up actions working with local leaders of telephone committees. The basic strategy is to group several villages together into a regional telephone cooperative for sufficient size to be economically viable. NTCA produced a video "Democracy in Action: The American Telephone Cooperative Movement" which has been translated into Polish and extensively used by local telephone committees and officials.

- Training needs assessment for each foundation. (completed)
- Select 20 villages to participate in the project. (ongoing)
- Design and carry out six week training course on cooperative organization, management, technical skills and training of training for six participants of the two foundations. (completed)
- Training of leaders of rural telephone committees. (beginning soon)
- Public seminars by telephone leaders (awaits development of training materials and video)
- Technical assistance to rural telephone committees and cooperatives. (ongoing)

II. PURPOSE OF EVALUATION AND METHODOLOGY

The purpose of this evaluation is to assess the extent to which NTCA has achieved or surpassed the project goal and purposes as provided for in the cooperative agreement. It also is designed to review the current implementation plan and to suggest modifications or additions to it. This mid-term evaluation is required by the terms of the cooperative agreement. Simultaneously, NTCA decided to undertake an internal evaluation of its related project with A.I.D.'s Office of Private and Voluntary Cooperation since both activities are closely interrelated. However, each evaluation stands on its own. The scope of work is attached.

The evaluation methodology included an extensive document review by the team leader including:

- Original proposal, logical framework and budget
- Grant agreement and addendum
- Quarterly A.I.D. reports

- Project implementation plan
- Trip reports
- Rural telephone training program, curriculum and evaluation of participants
- Letters of agreement with foundations

Prior to the field visit, the team leader conducted two detailed interviews with the NTCA Project Manager and reviewed the terms of the evaluation. In consultation with the A.I.D. project officer, the NTCA Project Manager developed an extensive list of questions for the evaluation and assisted the evaluator in identifying which questions were most appropriate for those being interviewed. Additional questions were provided by the A.I.D. Project Officer in the Bureau for Europe. The evaluation was carried out consistent with A.I.D. Handbook 3, Chapter 12 on project evaluation. A standard evaluation summary has been used based on common elements and a consensus of A.I.D.'s Bureaus.

From October 17 to October 22, the evaluator teamed up with Janusz Lato, the NTCA Project Coordinator in Poland, who fully participated in all interviews and the drafting of the evaluation summary of findings and recommendations. This evaluation is a team effort.

The evaluation team interviewed key policy makers in Warsaw including the Plenipotentiary for Rural Telecommunications and Vice Marshall of the Senate, Jozef Slisz, who is the driving force behind the project. The team travelled to project sites near Kielce and Rzeszow and interviewed local leaders, NTCA trainees, mayors, rural telephone cooperative managers, partner foundation directors and others. On their return, the team interviewed the office manager and others in the Polish office of Northern Telecom and presented a draft summary of findings and recommendations to Agata Litonska, the A.I.D. project specialist. In addition, the team had the opportunity to discuss the project with Fred Bieganski of A.I.D.'s Europe Bureau who also visited the model cooperative sites as part of an implementation mission for a related capital development initiative in telecommunications.

A draft copy of the evaluation was presented to the EUR project officer for comments which have been incorporated in the final draft. In order to provide detailed information on the responses to the evaluation questions, the team took extensive notes of each interview. This document also is attached.

III. FINDINGS AND CONCLUSIONS

This section is divided into three parts: background on project implementation, general findings applicable to both NTCA's

projects, and specific findings for the EUR-supported project.

Background

The project encountered initial start-up problems because of difficulties in establishing a strong partnership with the original local counterpart organization and in identifying a qualified local representative and overall NTCA project manager. Both of these impediments were satisfactorily worked out and, in fact, the delay prevented NTCA from taking some premature steps which could have ultimately hurt the project's success. NTCA took advantage of an unanticipated opportunity to draft legislation which created a Plenipotentiary for Rural Telecommunications to promote rural telephone service.

Since the project began, there have been many changes in the Polish government and the Ministry of Telecommunications. As a result of the new law, the former Polish Post, Telephone and Telegraph was divided into a separate postal service and state-owned telephone monopoly, the Telekomunikacja Polska S.A. (TPSA) in January 1992. Independent operators were illegal until the Telecommunications Law was approved in 1990. However, the legislation did not clarify a number of critical issues such as the transfer of TPSA to independent operators nor set policy on interconnection agreements critical to sharing revenue with the state monopoly.

The government-appointed plenipotentiary was delayed and not filled until April 1992 by Director General Stanislaw Popiolek. Working with Marshall Slisz and the World Bank, NTCA promoted the creation of a Polish regulatory and revolving fund for rural telephones similar to the Rural Electrification Administration (REA) in the U.S. NTCA expects to carry out a World Bank study soon to establish an REA and initiate a \$10 million pilot program to support independent rural telephone systems. Initially, it is expected that this office would be created under the plenipotentiary which reports directly to the Prime Minister, but remains closely tied to the Ministry of Telecommunications. However, further legislation may be needed to provide greater independence from TPSA and the Ministry.

The NTCA Project Coordinator, Janusz Lato, was hired in October 1991. He has played a critical role in representing NTCA and working in Warsaw and at project sites for identifying and bringing NTCA expertise to achieve the project's purposes. NTCA signed a memorandum of agreement with Northern Telecom, a U.S.-based manufacturer of DMS 10 switches and other equipment in April 1991 to support each other's work in Poland. NTCA also signed letters of agreement with its partner foundations.

Lato accompanied Director Popiolek, the Plenipotentiary, to the U.S. on a study tour in May 1992 of rural telephone cooperatives and the U.S. government offices associated with telecommunications

(i.e., REA, Federal Communications, Department of Commerce). He also accompanied and participated in the Rural Telephone Training Program for six staff members of the partner foundations. This training course was held from May 24 to July 4 in Washington D.C. and at two U.S. rural telephone cooperatives (Bledsoe Telephone Cooperative in Tennessee and Heart of Iowa Telephone Cooperative). The program also included a course in director training at Iowa State and a training of trainers.

Early in the project, NTCA identified villages to serve as the model cooperatives. However, several of these sites either decided to integrate with TPSA (not becoming independent operators) or were judged to be uneconomical because of their population base. NTCA's strategy is to establish a regional rural telephone cooperative based on several commune-based cooperatives. This approach is more economic and consistent with new legislation which provides self-government and limited taxing authority to communes. Thus, the communes can help finance and guarantee loans of the regional cooperative. The success of the two model cooperatives has generated considerable interest by local mayors and other telephone committees. NTCA and its partner foundations have identified several sites for converting telephone committees into cooperatives.

Since late 1991, NTCA has focused its technical assistance on two model cooperatives, Tyczyn and Wist. Wist was the first independent operator in Poland and was officially switched to the national network in May, 1992. Tyczyn was the second independent operator which was hooked up to the network in September 1992. NTCA is working with its two partner foundations in organizing several additional rural telephone cooperatives. The major constraints facing the existing and proposed cooperatives are achieving sufficient revenues through a fair interconnection agreement with TPSA, and sources of long-term finance for capital investments.

General Findings

1. NTCA's two complimentary projects are on track and exceeding their objectives within the project time frames. The goal of the rural telephone development project is to create at least one operating telephone cooperative and up to four. Already, two are functioning and several others have independent operating licenses and/or are in advanced stages of organization. The basic organizational strategy for each cooperative consists of local communes which are grouped together in a regional structure (a cooperative of cooperatives) in order to have sufficient size for profitable operations. It is anticipated that more than 20 village telephone committees will be merged into regional telephone cooperatives within the project timeframe.

Today, the two model cooperatives provide service to over 1,800

consumers and will greatly exceed project goals for service levels within the next year. The training project has provided critical institutional development to two supporting foundations which are NTCA partners in this effort. The NTCA-trained foundation staff are providing ongoing institutional strengthening to the model cooperatives and other grassroots groups who want to form telephone cooperatives.

2. Given the rapidly evolving situation in telecommunications, NTCA and its partner foundations have adapted well to changing circumstances and kept both projects on target. For example, NTCA worked with national legislators in the creation of a Plenipotentiary for Rural Communications within new telecommunications legislation to privatize the state system. While not anticipated in the initial pilot project grant, NTCA took advantage of the legislation to put in place an institutional framework for creation of a U.S.-style REA financing mechanism and to expand the model cooperatives into a nationwide network. NTCA invited the newly appointed Plenipotentiary for a study tour in the U.S. Thus, NTCA recognizes that it is critical to address policy issues (i.e. interconnection agreements) and financing while, at the same time, creating model cooperatives.

3. As the only functioning independent systems, the two models demonstrate rural telecommunications can be provided using cooperative methods and organization. The demonstration impact is amplified because all other efforts (e.g. stock companies, municipal owned) have produced no results so far. The two models are well publicized at the national and local levels. The majority of local mayors in surrounding voivodships (regions) have visited the sites and many of them are now organizing telephone cooperatives in their communities. NTCA and its two partner foundations are providing general support through their staff who have undergone extensive training in the U.S. Moreover, the model cooperatives are functioning grassroots democracies with contested elections and open membership. They are seen as new business-based cooperatives which are helping rehabilitate the image of genuine member-owned cooperatives. This project demonstrates the underlying principal of cooperative organization which is to mobilize from the bottom based on felt needs and a willingness of members to contribute time, effort and equity for a valued service.

4. The full success of the two cooperatives can not be determined at this time because they only have been operating for several months and full financial data is not yet available. In one case, the major capital cost of the main switch was donated which lowers its debt base. The second cooperative has taken out loans and it can not yet be determined if revenues will be sufficient to cover debt service and expansion of services. There should be some caution in attempting to replicate the models until more data becomes available.

5. The state monopoly has attempted to block the entry of all new independent operators. NTCA provided the cooperatives with model separation agreements (i.e., revenue sharing) which formed the basis for their negotiations with the state monopoly (TPSA). However, TPSA and the local cooperatives agreed to temporary terms which disadvantage small operators. The terms do not take into account the full local contributions in toll calls. There is no independent body to determine equitable revenue sharing arrangements which is critical to profitable operations for independent systems.

6. As success has been achieved, resistance by TPSA has grown particularly with the cooperative form of organization since it mobilizes many local residents and has strong political support. It will require constant pressure on the monopoly and possibly further legislation to resolve issues such as rate sharing, territorial boundaries, transfer of property (e.g., buildings, outside plant) from TPSA to new operators. Recently, a working group of TPSA, independent operators, national legislators and ministry representatives was formed to work on these issues. NTCA and one of its trainees serve on this 12 person group. This commission has the potential to solve some of the short-term policy issues and to recommend additional legislation.

7. NTCA has established a good working relationship with Northern Telecom which is a U.S. supplier of DMS 10 switches. However, NTCA does not endorse any equipment manufacturer and provides unbiased advice. NTCA is aware of A.I.D.'s efforts to support U.S. companies for telecommunications investments in Poland (and Eastern Europe).

8. NTCA is working closely with the World Bank towards undertaking a study for the creation of a REA financing mechanism. NTCA expects to be chosen to participate in the study with a European firm. There are only three countries in the world with extensive rural telephone cooperatives and the appropriate expertise (U.S., Canada and Finland). The proposed REA would be the vehicle for a \$10 million World Bank loan to establish more models. The World Bank anticipates providing further resources if this demonstration effort succeeds. It is anticipated that bilateral agencies will provide technical assistance for the Polish REA. The U.S. Agency for International Development would be a logical source of bilateral funding for technical assistance to accompany World Bank credit to the proposed Polish REA. The combination of A.I.D. technical assistance and World Bank financing would be similar to other projects in Poland as well as rural electrification efforts underway in the Philippines, Bangladesh and elsewhere.

9. With very modest A.I.D. funds and as a new development organization, NTCA has performed extremely well with carefully timed interventions to push the process along. NTCA has hired

excellent staff. NTCA is critical to project success because only the U.S. has such an extensive network of rural telephone cooperatives which are organized into a strong national organization with full capabilities to provide technical advice, and to provide local training in U.S. cooperatives. NTCA has taken advantage of these assets through sending highly qualified volunteer experts to assist the Polish cooperatives, supporting foundations, policy makers and others. For example, NTCA provided experts in setting up cooperative by-laws, model interconnection agreements and organizational know-how.

NTCA has provided training to six key staff of the partner foundations who are fully utilizing their new skills. NTCA and the foundations' staff now are developing training materials (simple how-to booklets and videos) to begin to expand the models into a full nationwide system. One of the partners foundations, originally formed by Rural Solidarity, is now operating nationally, rather than only in its region. With this broader focus, NTCA will be able to provide assistance throughout the country and to disseminate the cooperative approach.

10. The critical issue for success in expanding the models into a nationwide movement is credit. Initially, there were substantial funds in the Counterpart Fund to support rural telephone development. These funds were supplemented by local contributions and those of the governors. The Counterpart Fund is much diminished, and governors no longer can provide any financial support. Self-governing local communes (gminas) now have taxing authority and can provide guarantees to support rural telephones. Yet, it remains extremely difficult for communes and local organizing committees to gain sufficient credit for the high capital costs of telephone switches and other equipment. Earlier, local banks were more willing to accept collateral against loans than at present. In other words, it is more difficult today to get credit to finance the development and expansion of the telephone cooperatives.

11. NTCA has established a good working relationship with key policy makers who are essential to resolving issues related to the successful operation of independent rural telephone cooperatives. An important aspect of building this relationship has been remaining neutral among the many competing interests and not becoming captive to any single group or supplier of equipment. Policy makers look to NTCA for critical advice because of its unique position of understanding all aspects of independent rural telephone systems. This relationship also has been enhanced through observational tours of U.S. telephone cooperatives and related government agencies.

Project Specific Findings

12. NTCA has chosen well its partner foundations and sites for the

development of rural telephone cooperatives. The success of the project is based on grassroots efforts by local leaders combined with NTCA know-how and technical assistance. At two sites where telephone committees are organizing themselves into cooperatives, the local leaders expressed their appreciation for the support of NTCA and its local partner foundations. Each of the foundations place a high priority and are committed to the formation of telephone cooperatives. The directors of the foundations indicated their reliance on NTCA for critical technical assistance and training.

13. The basic strategy of this training project is to strengthen the capacity of its partner institutions to provide ongoing technical assistance and training to rural telephone committees. The evaluators found that the staff members of the two foundations were qualified and appropriate for the U.S. training program. The course topics were appropriately selected and trainees rated the training experience highly. In the training program evaluation, the trainees indicated that all training courses were either satisfactory or highly satisfactory. Several trainees commented that they were most impressed that "common people" are directors of rural telephone cooperatives in the U.S. All of them praised the NTCA training program though several had difficulty with some of the more technical matters.

The test of training is how the trainees use their skills upon returning to Poland. The evaluators interviewed the trainees, foundation directors, rural cooperative managers, local mayors and others who have benefited from technical assistance by the trainees. All of them were complimentary of the new skills by the six trainees. They commented that the trainees now knew about cooperatives by "seeing them" and they returned committed to the cooperative approach. The trainees learned about the many facets of cooperatives as businesses.

14. A major purpose of the NTCA project is not only to provide telephone service, but to increase agricultural output. There is ample evidence of increased agricultural activity as a result of rural telephone service. Farmers save approximately eight hours a week in travelling to purchase inputs or to sell their commodities. They also save directly in the extra costs of frequent trips to town. Through use of the telephone, farmers are able to identify markets with higher prices for their commodities. In one case, an interviewee said that a child's life had been saved when he became ill at night and a doctor was immediately summoned by phone.

15. Despite a year's delay in passage of privatization legislation and impediments by the monopoly provider (TPSA), NTCA has made good progress in achieving the project's goal and purposes. It is likely that NTCA will be able to convert 20 telephone committees into cooperatives, based on its strategy of creating regional cooperatives, within the time framework. The major project

constraint is the lack of financial resources for purchasing telephone switches and other equipment. Key policy issues also must be resolved for the expansion of rural telephone cooperatives. A REA-type financial institution needs to be created to speed the conversion of telephone committees into cooperatives. NTCA is aware of the importance of addressing these issues.

16. NTCA has fulfilled all the European Bureau reporting requirements in a timely and comprehensive manner.

IV. PRINCIPAL RECOMMENDATIONS

1. NTCA should focus its technical assistance and training on resolving critical issues of revenue sharing between model cooperatives and TPSA through equitable interconnection agreements and for establishing a Polish REFA (i.e., rural telephone revolving fund and policy setting agency). This can be accomplished through carefully targeted observational tours of U.S. telephone cooperatives by senior policy makers who must resolve these issues. In particular, NTCA should consider such visits by Senator Stepien and officials within the Ministry of Telecommunications.

2. NTCA should seek to access additional resources from the Europe Bureau from its privatization and/or telecommunications programs to continue and expand this successful project. Resources for PVO programs are likely to be very limited for this type of activity. This project can result in a highly favorable policy environment and leverage loan funds from the World Bank for Northern Telecom which is the only supplier of U.S. telephone equipment for rural applications in Poland. The Europe Bureau may want to provide additional resources through amending the privatization or telecommunications capital projects to continue this low cost and effective NTCA project which is currently the only successful effort in Poland and possibly Eastern Europe to create and support the development of private telephone systems.

3. NTCA should seek to expand its technical assistance and training to model cooperatives for analyzing their operating margins, ability to service their debts and establishing baseline data for national standards. NTCA may want to consider additional analytical training for the NTCA Project Coordinator and one of the foundation trainees. It is critical to be able to provide independent and sound data on the financial viability of telephone cooperatives. Currently, the model cooperatives and others who are organizing cooperatives rely on consulting firms which represent the manufacturers of equipment and may not provide full cost accounting beyond the immediate sale of equipment.

4. NTCA should explore various options for immediate international financing for rural telephone cooperatives in Poland such as the Polish American Enterprise Fund, European Bank for Reconstruction and Development, International Finance Corporation,

A.I.D.'s Private Sector Guarantee Fund and others. In general, current financing options in Poland are too short-term for utilities such as telephone cooperatives. Long-term capital is required so that generating revenue over time can cover initially high capital costs. Utilities have a steady rate of return and usually provide good investment opportunities.

5. NTCA should continue to work closely with the World Bank in undertaking its study to establish a Polish REA which would provide financing to more model cooperatives. NTCA should keep A.I.D. informed of the progress of this study and develop a parallel unsolicited proposal for A.I.D. which would place a long-term U.S. expert within the newly created REA-type financing structure.

6. NTCA should postpone training of the managers of model cooperatives until late next year. They are too busy with the initial stages of setting up the cooperatives and expanding service to the initial service areas. Also, they have not been operating the systems long enough to know what they need to learn. NTCA should work closely with its partner foundations in the design of such a training program.

7. NTCA should respond to the request of the Rzeszow-based foundation for providing a short-term marketing expert to assist the two model cooperatives in seeking expanded revenues from extended services (e.g., billing center, information, telephone books).

8. NTCA should conduct a baseline study prior to and after the receipt of telephone service to determine economic impacts, especially on agriculture and agriculturally-related businesses. This survey and analysis can quantify impacts and strengthen the financial case for donors and others to support expanded telephone service in rural areas. The study can either be carried out by the Rzeszow foundation or through a local consultant. NTCA's Washington staff should review similar surveys undertaken by other A.I.D. contractors in providing guidance for the analysis.

9. NTCA should consider working closely with the plenipotentiary to obtain fuller cost and other critical data from TPSA in order to more fully be able to work out connection rates. This data should be sought during the World Bank study.

10. NTCA should resist widely publicizing the model cooperatives, such as holding national conferences or workshops until the models have more operating experience and better data on their financial viability. NTCA should continue to support grassroots organizing efforts but caution them that long-term finance for capital purchases (e.g., switches) may take considerable time to work out. In general, NTCA should focus its technical assistance to assure success of the models and resist a groundswell by local communes which appears to be building for organizing additional

cooperatives.

11. NTCA should modify and update its logical framework. It is important for NTCA to seek longer term funding from A.I.D. to assure uninterrupted technical assistance to these highly successful projects. There are few A.I.D. projects which have already leveraged, and have the potential to leverage, such large investments by U.S. telephone equipment manufacturers and other firms in related technologies than this modestly funded activity. NTCA should discuss with the Europe Bureau the use of its current resources in its Europe Bureau project for gthe

12. NTCA should consider expanding its programs to other Eastern and Central European countries and to the Newly Independent States of the former Soviet Union. NTCA should work with Northern Telecom towards carrying out similar technical assistance and training programs for independent rural cooperatives in these countries. NTCA may want to consult and work closely with the Europe Bureau's capital development project for telecommunications in such an expanded effort.

NTCA's program manager should travel to several Eastern European countries to explore project opportunities. Estonia may be a promising opportunity for NTCA assistance given its ethnic and linguistic ties to Finland which also has telephone cooperatives. The Finnish cooperative center is deeply engaged in providing assistance to Estonia including preparation of new cooperative legislation. Estonia had the strongest cooperative movement in the Baltics prior to World War II. The Czech and Slovak Republics also may be good candidates given their promixity to the model cooperatives in southeastern Poland. NTCA might want to consider holding a small workshop at the Polish model cooperatives for key rural leaders in the region.

V. LESSONS LEARNED

Project Design Implications

1. In the project design, NTCA assumed that the conversion of telephone committees to cooperatives could be achieved largely through training and technical assistance. At the time of project development, there were national resources to finance the development of independent systems. However, these resources are more limited today.

2. NTCA chose to begin its efforts at the grassroots and to create model cooperatives because Polish farmers and leaders needed to "see to believe." These models would be replicated through training of telephone committees. Since there was no previous experience with this type of cooperative, it was essential that key policy makers and staff of its partner foundations come to the U.S. to understand and learn about this rather unique self-help approach

to rural telephone service. The project demonstrates the importance of U.S. training.

3. There needs to be flexibility in project design because the telecommunications policy environment in Poland (and Eastern Europe) is so volatile.

Broad Action Implications

4. It is clear that NTCA project success benefited from the focusing of cooperative development efforts by several cooperative development organizations in southeastern Poland. This region formed the heart of Rural Solidarity support with its small farmer entrepreneurial spirit. Local organizers of the telephone committees have participated in training programs under the Farmer-to-Farmer Program and through cooperative training in the U.S. They show an understanding and strong support for private cooperatives which are promoted by an active local foundation.

5. NTCA found that it was hard to hire a qualified local representative because (1) applicants were concerned about job security, (2) few candidates spoke good English and (3) they were more interested in technological than organizational solutions to rural telecommunications. Instead, NTCA found an excellent local representative that excelled in sports as a national champion, had a general technical background, and demonstrated a capacity to operate independently. Finding appropriate local staff where there is no U.S. expatriate is a difficult and time-consuming task.

6. One of the key lessons of working in Eastern Europe is to recognize that the people think very differently because of the communist legacy. For example, one NTCA applicant thought that reporting and having a supervisor was like the communist system. Under capitalism, he believed that everyone did as they want with little or no line responsibility to their boss.

7. The NTCA project proves that there can be rapid progress in Eastern Europe in overcoming difficult developmental challenges if there is strong leadership at the top and bottom. NTCA has benefited from extraordinary leaders who deserve most of the credit for project success.

8. A major principle of cooperative (and grassroots) development is to organize around felt need. Rural people in Poland desperately want telephones and are willing to contribute their time and money to obtain telephone service. NTCA has been a catalyst to strong local initiative. In converting telephone committees to cooperatives, it is important to provide early training on the importance of operating an independent system. Once telephone service is provided, there is little interest by village leaders and members to form their own telephone cooperative. Once the village turns over equipment, outside plant

and other local contributions to the monopoly provider, there are legal impediments to the conversion to an independent system.

9. The NTCA project experience indicates that demonopolization of state services will be difficult and long-term. The monopoly provider is strongly resisting independent operators. The monopoly appears to be particularly threatened by the cooperative form of private business because it is politically well supported and represents a potential broad base of popular support. The monopoly sees initiative from telephone committees as a means to raise local assets to be acquired in exchange for hooking up to the network.

10. The cooperative approach to rural telephone service has succeeded in Poland while investor approaches have failed. The investor alternates appear to be less successful because of the lack of political support, lingering opposition to "capitalists" and these efforts have been premised on cooperation with the monopoly which had not been forthcoming.

11. The solution to development problems in Poland (and probably Eastern Europe) will increasingly depend on attracting foreign capital, rather than the acquisition of technical know-how. With accelerating success in privatization, the competition for capital is intensifying.



The Voice of Rural Telecommunications

NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

MID-TERM EVALUATION

SCOPE OF WORK

COOPERATIVE AGREEMENT No. EUR-0032-A-00-1028-00

I. INTRODUCTION

The Polish Telephone Cooperative Training Project was signed May 10, 1991 by ENE and the National Telephone Cooperative Association (NTCA). The project is scheduled for completion in March 1994. This mid term evaluation is scheduled to take place in October 1992.

This project is funded at \$259,750.00 under Project # 180-0032.

NTCA also has a cooperative agreement with the FHA/PVC Bureau of USAID, currently scheduled for completion in the Winter 1993. The goal of the FHA/PVC grant is to set up a maximum of four working model telephone cooperatives. Under this grant, two telephone cooperatives have been established and are connected to the national telephone network, providing telephone service to more than 2000 subscribers. These two cooperatives are the only operating independent telephone systems in Poland other than the national state run monopoly - Telekomunikacja Polska S. A. (TP SA). The success of this project is related to the FHA/PVC-funded project in that the FHA/PVC model cooperatives will serve as examples and resources for the local cooperatives under this ENE project.

GOAL AND PURPOSE OF THE PROJECT

The goal of the ENE project is to:

To organize the residents of 20 village telephone committees and set up structures so that they will be able to apply for government loans to construct telephone systems, manage their own companies and constitute effective and responsible telephone cooperatives.

The purpose of the project is to

Enhance, support and provide institutional strengthening two rural development foundations through training and technical assistance to field staff in organization, management and operations of both telephone companies and cooperatives. NTCA will work collaboratively with the foundations to achieve the goal.

PURPOSE OF THE MID-TERM EVALUATION

This mid-term evaluation will assess the extent to which NTCA has achieved or surpassed the stated objectives of the project to date as outlined in the revised detailed implementation plans. The evaluation will examine work accomplished in terms of the institutional strengthening of the counterpart organizations and assess the workplan strategies of meeting the remaining objectives of the project. The evaluation will enable NTCA and ENE to revise implementation plans if necessary to achieve the desired impact within the timeframe of the project.

The emphasis of the evaluation will be on the implementation of the project. (However the broader issues of this project's impact on the independent cooperative movement may also be touched upon). The overlap between this project and the FHA/PVC funded project will be taken into account only when necessary.

II. EVALUATION QUESTIONS

INSTITUTIONAL STRENGTHENING

The original project design stated that NTCA would work collaboratively with two local development organizations. The two organizations stated in the proposal - the Krakow Industrial Society (KIS) and the Polish Telephone Foundation (PTF) were determined to be unsuitable for this type of project and the decision was made, after signing the agreement with ENE, that NTCA would not collaborate with them.

NTCA's first and foremost project goal was to identify two suitable replacement rural development NGO's. The Regional Council for Economic Solidarity (RCES), and the Foundation for the Development of the Świętokrzyskie Region (FDSR) were selected - the RCES in the voivodship (district) of Rzeszów and the FDSR in Kielce.

Once the agreements with RCES and FDSR were signed, staff members from each foundation were identified to work on this project and needs assessments were taken. Based on the needs of the staff members and NTCA's project needs, a training program was designed and implemented in the US during May and June 1992 for these employees.

The evaluator will consider the following questions in the evaluating NTCA's institutional strengthening of the RCES and FDSR in relation to this project:

1. How well did NTCA respond to the changing conditions regarding the collaborating organizations? Were the conclusions sound?
2. Has NTCA selected appropriate organizations to collaborate with on this telephone cooperative project?
3. Are the foundations currently involved in other rural development activities in their regions?
4. Does the management of the foundations support the activities of NTCA and are the resources provided by NTCA used efficiently?
5. Does the management and board of directors of each foundation understand the issues involved in telephone cooperative development?
6. Is it important for local and regional governments to be part of the process and, if so, are the foundations taking strides to involve these government offices in the support of the project goals?
7. Was the course outline of the Rural Telephone Training Program appropriate
6. Were the staff members chosen to participate in the Rural Telephone Training Program in the US qualified and suitable candidates?
7. Was the training program curriculum suitable for the trainees based on their backgrounds and training needs?
8. Is the information provided in the training program transferable to conditions in Poland?
9. Do the trainees use their new skills in their work with the foundations?
10. How well do the foundations work with NTCA and with each other in the implementation of the project?
11. What would be the most efficient use of NTCA volunteers' time in terms of implementing joint training workshops with the foundation staff members?

FIELD IMPLEMENTATION

SURVEY AND SELECT VILLAGES

As stated above, the goal of the project is to assist villages, gminas (a local government entity made up of one or more villages and the surrounding areas), telephone committees and towns to organize themselves into a local cooperative. (In the original proposal and grant agreement, the term "village" was used to designate all of these entities). It should be noted that the terms "telephone committees" refer to a small group of people who have been chosen to represent a larger group of people interested in obtaining telephone service. The telephone committee may or may not consist of local government leaders and will sometimes act independently of village and gmina leaders.

In trying to identify which villages to work with, a number of factors and criteria for participation must be taken into account. NTCA, in conjunction with the RCES and FDSR have spent a great deal of time and effort meeting with leaders and telephone committees to discuss the factors listed above. The lack of available credits and outside money, along with little support from government leaders has forced committees to sign agreements with TP SA without knowing the consequences. One of the major activities in the "surveying" of communities has been educating the committees and local leaders as to the various options and the pros and cons of forming a cooperative versus signing an agreement with TP SA.

Many local leaders and committees are waiting to see how the model cooperatives fare and if they become economically viable before committing themselves to forming their own cooperative. This has had an impact into the number of communities interested in participating in the project. Some of the villages identified earlier as participants in the project (as well as a few under the FHA/PVC project) have signed agreements with TP SA. As a result, they cannot be included in the list of villages selected to participate in the project.

Once the decision to organize has been made and a local cooperative is registered, it may or may not be able to form itself into a telephone "company" due to its size or lack of adequate resources. Local cooperatives may join together to form a larger regional cooperative and this then may or may not be able to obtain a license to provide telephone service to its members. In many cases the decision as to whether or not take the steps to form a cooperative is based on the possibility of joining local cooperatives. If two or more local cooperatives wish to join together, the larger regional cooperative must fulfill the above criteria. (NOTE: the two successful cooperatives in Poland are regional cooperatives).

In relation to this information and NTCA's field activities of surveying and selecting communities, the evaluator should consider the following questions:

1. Have the institutions (NTCA FDSR and RCES) adequately provided information on the alternatives of participation or not to the villages?
2. Are the foundations appraised of the current situation in Poland regarding the activities of the Ministry of Communications and TP SA and what steps are they taking to support the independent movement?
3. Are the foundations appraised of current laws affecting telecommunications, cooperatives?
4. What ways could NTCA better publicize the advantages and disadvantages of forming independent telephone systems or forming agreements with TP SA?
5. What steps have the institutions taken to educate the communities on the possible options? Have they provided adequate information?

OTHER CONCERNS AND QUESTIONS

The evaluator will consider the following questions:

REPORTING REQUIREMENTS

1. Has NTCA fulfilled all of its reporting requirements? Are there any recommended changes to the report documents in terms of format, style or content?
2. What changes are necessary in staffing or reporting for NTCA to meet the objectives of the project and fulfill its obligations under the grant agreement?

IMPLEMENTATION PLANS

1. Are the projected activities outlined in the implementation plans set in a realistic timeframe? What changes need to be made to meet the objectives of the project?
2. Is the logical framework presented in the original proposal make accurate assumptions and set reasonable and obtainable goals? What improvements are recommended?

III. COMPOSITION OF EVALUATION TEAM

The chief evaluator for this project will be Mr. Ted Weihe. Mr. Weihe is currently the Executive Director of the Overseas Cooperative Development Committee. Mr. Weihe has done extensive work with USAID and has over 11 years of evaluation experience. Mr. Wiehe will be supported by Mr. Janusz Lato, the NTCA Polish Project Coordinator. Mr. Lato will accompany Mr. Weihe in Poland and serve as translator, when necessary.

IV. EVALUATION SCHEDULE

Saturday, October 17 Depart

Sunday, October 18 Arrive

Monday, October 19

Interviews: Jozef Slisz, Vice Marshall of the Senate
Stanisław Popiołek, Plenipotentiary for the Government for
Rural Telecommunications

Depart for Kielce

Tuesday, October 20,

Interviews: Monika Kot, Trainee and foundation employee
Marzena Sliz-Bednarz, Trainee and foundation employee
Beata Mandylis, Trainee and foundation employee
Wojciech Czech, Director FDSR
Bogdan Borkowski, Deputy Director, FDSR
Mrs. Kosterska, Office Manager, FDSR

Depart for Rzeszów

Wednesday, October 21

Visit Łąka and Tyczyn

Interviews: Kazimierz Jaworski, Manager and Chairman, Tyczyn Cooperative
Tadeusz Sliz, Manager and Chairman, Wist Cooperative
Jan Kocur, Trainee and foundation employee
Edyta Majkut, Trainee and foundation employee
Jarek Łacinski, Trainee and foundation employee
Tadeusz Kensity, Director of RCES

Thursday, October 22

Interviews continued if necessary

Travel to Przeworsk (?) meet with Antoni Pawlak and/or Piotr Łuksik

Depart for Warsaw

Friday, October 23

Interviews: Andrew Kerry, Northern Telecom
Jan Kolbowski/AID Project Officer

Saturday, October 24 Depart

V. METHODS

The following documents will be reviewed by the evaluator:

- ** Original proposal with Logical framework and budget
- * Grant Agreement and addendum
- * All quarterly reports
- * Project Implementation Plan and Revised Implementation Plan
- * Dan Craun-Selka's Poland Trip Reports
- * Rural Telephone Training Program curriculum, outlines and evaluations
- * Participant needs assessments
- ** Letters of Agreements with foundations

Upon review of the above documents, the evaluator will travel to Poland and interview the directors of each foundation, each trainee and local officials who have supported the project. After these interviews, the evaluator will prepare a written report for submission to USAID/ENE.

VI. BUDGET

SALARY

Ted Weihe	\$321	x	10 days	\$3210
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PER DIEM

Warsaw	\$142	x	3 days	\$ 426
Other	\$ 77	x	2 days	\$ 154

TRAVEL

Roundtrip Coarch Washington - Frankfurt - Warsaw				\$ 614
Rental Car	\$100	x	4 days	\$ 400

TOTAL				\$4804
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VII. ATTACHMENTS

Mr. Weihe's Curriculum Vitae

RESPONSES TO INTERVIEW QUESTIONS

POLISH TELEPHONE COOPERATIVE TRAINING PROJECT

INSTITUTIONAL STRENGTHENING

1. How well did NTCA respond to the changing conditions regarding the collaborating organizations? Were the conclusions sound?

The three NTCA trainees were new employees of Foundation for the Development of the Swietokrzyskie Region (FDSR) and now they said they know what is expected of them. They said what is most important is that they learned not by books, but from their experiences in the U.S. Two trainees had worked with FDSR only since May; the other one, for a year. They said they learned the legal, organizational and technical aspects of telephone companies which helps them put together all the elements needed to promote such an approach in their region. When they meet with officials of the FDSR, they said they could now answer all of their questions.

The Regional Council for Economic Solidarity (RCES) is expanding nationwide with a major focus on cooperative rural telephone systems. The three trainees were long-term employees of RCES who will be able to provide organizational and technical assistance in cooperative telephone matters initially in nearby voivodships and later nationwide.

The RCES foundation is more established and has been carrying out cooperative development projects for over three years. The FDSR foundation is newer and has fewer staff members. NTCA is responding well to the different capability levels of each foundation.

The manager of the Tyczyn cooperative particularly complemented NTCA on its help with rate separations. He said that the NTCA volunteers worked until 3 a.m. He said the draft agreement was perfect, but not accepted by TPSA. The NTCA experts were very knowledgeable, he said.

2. Has NTCA selected appropriate organizations to collaborate with on this telephone cooperative project?

Yes, both foundations were well chosen because of their dynamic local leadership and desire to form rural independent telephone companies. The selection was confirmed by the Plenipotentiary for Rural Telecommunications. In general, the two model cooperatives use the RCES foundation for legal and advocacy help, computer systems and to review technical analysis which is often provided by a private consulting firm, PolMaik. The RCES helps especially with finance. The Wist coop was donated a switch and received counterpart funds guaranteed by two communes. It has financing from the Bank for Food Economy with credit terms at 16% interest for 5 years. The Wist coop will be applying for a hard currency loan of \$400,000 at 8% for 5 years in 10 equal installments to purchase a

remote for expanding service.

The RCES director said that NTCA is working with the two most effective foundations because they are oriented towards grassroots development. The RCES foundation is nonpartisan, but based on supporters of Rural Solidarity. He said that his foundation is expanding nationwide and is now promoting telephone cooperatives to two additional regions (voivodships). In some cases, the communes are not sufficiently large enough to introduce viable telephone cooperatives.

FDSR's board consists of political leadership of region but operates on a nonpartisan basis. It has a full-time executive with goals to undertake practical activities for the general good. The president is the elected leader of the self-governing local communes.

Two local organizers of a new telephone cooperative in Przeworsk said they received extensive support from RCES especially in legal organizing their cooperative and applying for an operating license. He said the foundation provided them support whenever they asked.

3. To what extent are each of the foundations currently involved in other rural development activities in their regions?

The FDSR is undertaking the following other types of projects: meals on wheels, camps for disabled youth, coordinating outside assistance (i.e., working out plans for a highway, protecting underground water supplies) and AIDs education. Rural activities include working with Polish Water Foundation on bringing drinking water to rural areas, rural tourism and telecommunications. They also advise local communes on tax issues. These taxing powers include property and business taxes and user fees.

RCES is now undertaking three activities nationwide: (1) training of farmers and cooperative board of directors, (2) working with NTCA on telephone cooperatives and (3) small business development in rural areas.

Thus, rural telephone cooperatives are of high priority to both foundations.

4. Does the management of the foundations support the activities of NTCA and are the resources proved by NTCA used efficiently?

There is strong support for NTCA within the leadership of both foundations. FDSR director thinks that "seeing is believing" and he supports the NTCA approach of creating model cooperatives. They believe it is possible to form 5-6 viable regional telephone cooperatives in the region. The trainee said they get excellent support. She said the major problem is overcoming the attitudes of TPSA. TPSA recently approved a policy that its employees could not

work elsewhere. They view a former employee who was a NTCA trainee as "really dangerous" because of her knowledge and support for independent systems. The three trainees receive \$160-170 for their work with the FDSR and have two year contracts. The trainees felt that the \$15,000 NTCA grant was sufficient.

The Kielce Governor said that he observed a difference in the trainees when they returned because they had become advocates of cooperatives. He said they come back realizing that regional cooperatives were necessary, rather than small ones at a single commune.

5. Does the management and board of directors of each foundation understand the issues involved in telephone cooperative development?

Yes, they understand the issues including the need to create genuine Western-style, member-owned and business oriented cooperatives (as they use to be in Poland before communism).

6. Is it important for local and regional governments to be part of the process and, if so, are the foundations taking strides to involve these government offices in the support of the project goals?

Yes. The FDSR foundation involves the entire rural leadership of the region who make up the assembly for the foundation. The governor recently appointed one of the trainees as his plenipotentiary for rural communications of the region. Both governors in the two voyvodships (regions) where NTCA is active are supportive and kept well informed. But, they can no longer provide financing as in the past. Governors in Poland are appointed and when there will be elections is uncertain. Currently, political power resides in self-governing communes and the elected village mayors make up a regional assembly. The governors now share power with the elected president of the assembly. In the case of Kielce, the president also heads the foundation with which NTCA is closely working.

7. Were the staff members chosen to participate in the Rural Telephone Training Program in the U.S. qualified and suitable candidates?

Yes. FDSR chose two lawyers to deal with legal and organizational issues and an expert in telecommunications for technical assistance. All are highly qualified, young and dynamic. There was a limited pool of candidates since trainees need legal and technical skills and an ability to speak English well.

RCES choose a lawyer, economist and computer expert. Two of the trainees were original foundation employees and have worked there for two and one half years. The RCES director said that the choice

was limited due to the need to speak English. Some potential employees of TPSA for U.S. training could not participate because they feared it would be seen as disloyal.

8. Were the topics covered in the Rural Telephone Training program appropriate for the participants?

Yes. They found every topic to be appropriate though some were more interested in some subjects than others. For example, the telecommunications expert from FDSR was more interested in the operations of switches and other technical topics. The two FDSR lawyers more interested in organizational issues such as operations and legal foundations of cooperatives. They particularly enjoyed learning about advocacy and remember the presentation by Shirley Bloomfield.

The FDSR technical trainee was most impressed with how rural cooperatives can work within the overall system. She had previously traveled to the U.S. to learn technical issues about DMS 10 switches, but now understands separation issues between large carriers and local cooperatives. While a former employee of TPSA, she is a strong advocate for independent systems. (She is the only woman out of 12 who was appointed to special commission by Senator Slisz to resolve issues of separations with TPSA and consider new telecommunications legislation). She said that they must have a new law for small operators and overcome financial issues. She said that cooperatives were a good solution to meeting needs of rural telecommunications. They keep revenue in the community. She was surprised to see how successful they are in the U.S. which, she observed, is 50 years ahead of Poland.

The RCES computer trainee liked more technical sessions such as rate sharing. The topic was difficult but very useful. The NTCA project coordinator (also a trainee) said they had to ask lots of questions to see if they completely understood it. The concepts were difficult, but at the same time simple, he said. The RCES trainee also liked the courses on billing system, especially in Tennessee. He has written a simplified billing program based on this training.

The two other RCES trainees said that they could "see real everyday life in coops." They particularly liked the training at Iowa State University in financial systems. The lawyer trainee enjoyed the lectures by Jim Magnuson and Roger Ginder at Iowa State. These nontechnical trainees said they had some trouble understanding the U.S. telephone industry. Initially, they had a poor understanding of what was being taught until they invited the lecturer back for more discussion. They suggested that future courses spend more time on training in the telephone industry.

9. Was the training program curriculum suitable for the trainees based on their backgrounds and training needs?

Yes. Everything was appropriate according to all of the trainees. Some subjects were more interesting than others. They said that when they did not understand something, they discussed it among themselves. They could clarify points and in one case asked the lecturer to come back for further explanations. They had prepared questions to ask prior to sessions. The two lawyers from FDSR said they were at the very beginning while other trainees had more knowledge. But, they caught up and "learned everything." The FDSR technical trainee appreciated information on tariff schedules which she obtained during training in the U.S.

The RCES trainees said that some of the technical subjects were difficult and many of the legal aspects were different in the U.S. They suggested that NTCA modify its curriculum to provide initial training across all subjects, then break out sessions in smaller groups on specific topics of most interest and usefulness to the fields of the trainees.

10. Is the information provided in the training program transferable to conditions in Poland?

Yes, FDSR trainees clearly support the creation of telephone cooperatives as the "only alternative" for rural Poland. It also gives ownership to local residents, and strengthens the communities, they said. The FDSR trainees stressed that they were impressed that nontechnical, "common people" could be involved in telephone cooperatives. Prior to the training, they felt that only technical people could be involved on a board of directors (which is how former so-called cooperatives operated in Poland which were management driven). They particularly appreciated learning how to become extension agents and remember the USDA video and lecture.

They appreciated how materials were provided to them before a training session. This is not done in Poland. They now realize how important training materials are. They are producing a simple promotional document for the "common people" on telephone cooperatives. They want to produce an instructional video based on Polish experience. The document and video should stress the responsibilities and rights of telephone cooperative members. They like the NTCA video on "Democracy in Action." They could see that the U.S. rural areas were the same as Poland in the 1950s with very limited phone service. They were amazed at how local people could overcome financial problems in creating telephone cooperatives. They said that one area that was not transferable to Poland was that Americans know how to hold meetings and to organize.

The RCES trainees said that the American pattern of telephone cooperatives is appropriate for Poland and that the U.S. experience is valuable to them. They said they had first heard of U.S. telephone cooperatives through VOCA volunteers.

11. Do the trainees use their new skills in their work with the

foundations?

Yes. The FDSR trainees are using their new skills through adapting their learning to overcome legal and organizational issues and applying their new telecommunications knowledge. All three trainees are deeply involved in promoting telephone cooperatives. Each said that by seeing how the U.S. coops operate they can communicate to communities about how they work. Two weeks ago, they applied to the Ministry of Telecommunications for a license to operate an independent regional cooperative for the villages of Pierzchnica, Rakow, Szydtow, Daleszyce and Gnojno.

The FDSR trainees said that they learned how to talk to people at meetings which they found very important (i.e., train the trainer sessions). They learned how to become advocates and to use different types of media. While being advocates, they understand the need to remain nonpartisan ("Shirley's speech was one of the best").

The manager of the Wist cooperative said he had used a trainee to help with a legal problem in the transfer of property from a social telephone committee to the coop. He also expects to use the trainee who is an expert in computers to help set up his billing system.

The manager of the Tyczyn cooperative said the trainees were already helping them: using computer training in setting up billing system (his employee), and helping in the organization of the cooperative (i.e. help with meetings, finance, economics, review of feasibility studies and to work out problems). He said that legal assistance was particularly helpful (one of trainees is a lawyer), in dealing with TPSA. He said they need a third side (NTCA or the Foundation representative) in such negotiations. The trainees also are helping the cooperative with bookkeeping. He said that continuing help from foundations was more important than training or conferences by outside experts.

The computer trainee from RCES said he could not believe that U.S. cooperatives can be so simple. He said he now understands billing systems, cooperative organization, management and finance. He said the lecture by Bob Lee was most helpful which described technical background on how a switch operates. He is now writing software for a billing system based on his training.

The other two RCES trainees said that the most important skill they learned was to understand the range of problems of cooperatives "as businesses." They learned that the success of telephone cooperatives also depends on the general situation of the telephone industry. The RCES trainees said that the most useful new skill they acquired was to undertake economic analysis. The lawyer trainee had just completed a preliminary analysis of the operating revenues of the two existing telephone cooperatives. They also are

using new skills learned in their training in negotiating interconnection rates and property between the cooperatives and TPSA. Currently, they are examining whether or not the cooperatives must accept all subscribers under the new telecommunications law regardless of costs of extending service to them.

The RCES director said that the trainees before going to U.S. training had "lots of goodwill, but almost no experience." He said the trainees were now very helpful in solving problems. He did not recommend sending them back to the U.S. for more training, but recommended different people (with possibly an exception). He said the training program should be set up earlier with "both sides involved." However, he said that the initial NTCA training was "almost perfect," though it is hard to evaluate since it is the first in the world. Compared to other U.S. training, he said NTCA's program was "very appropriate and of high quality." He said the program as "perfectly designed." Unlike some other U.S. training which had been good technically, but poorly organized, he said that the NTCA program was both technically and organizationally sound.

The organizer of a new telephone cooperative said that the trainees showed the video on how cooperatives were established in the U.S. He said they gave lots of information. He said they bring their notes with them and know what they are talking about because they have visited U.S. cooperatives.

12. How well do the foundations work with NTCA and with each other in the implementation of the project?

The FDSR trainees are working well with RCES which is more advanced. They can see how the two RCES model cooperatives are operating and how they are overcoming their problems. There is very good cooperation and they stay in touch with the RCES trainees. Previously, the FDSR trainees viewed RCES as competitors. But through NTCA, they now see them as cooperators. RCES has offered to help them in their training programs and share information with them (e.g. cooperative law, separation agreements).

The RCES director said that there was good reporting on NTCA activities. He said the relationship of NTCA and RCES should be seen as "a tool" for development. RCES does not want to represent cooperatives or coordinate them. On the other hand, we understand their problems which need to be solved. He is very satisfied with the relationship with NTCA. He also appreciated the financial support from NTCA which he said was "quite enough."

The RCES director said that they had several exchanges with the other foundation in Kielce, but again cautioned about starting too

many model projects in too many different places at least in the beginning. He expressed concern that the Kielce Foundation may be too dependent on PolMaik, a private consulting firm. But, added that there are different and strange connections which are not necessarily wrong. He said that the PolMaik analysis was not the best. He encouraged more cooperation among the two foundations. He suggested that the NTCA project coordinator may want to further explore ways the two foundations could better coordinate, but we should keep in mind the main function is to help those in the field. Coordination is important, for example, in developing new legislation, he said.

13. What would be the most efficient use of NTCA volunteers' time in terms of implementing joint training workshops with the foundation staff members?

FDSR will develop terms of reference for NTCA volunteers in the management and technical field. They want technical assistance in setting up their initial model cooperative, not general training.

The RCES trainees said that NTCA volunteers could help in training the managers and Board of Directors and assist in financial analysis of the two operating model cooperatives. They indicated that more training was not needed at this time and should await more experience in operating the model cooperatives. The foundation has sufficient knowledge for ongoing help to the models.

The RCES director asked NTCA to provide a marketing expert for increasing phone useage and to develop other revenue generating activities (i.e. marketing information, telephone directories).

FIELD IMPLEMENTATION

1. What steps have the institutions (NTCA, RCES and FDSR) taken to provide the communities on the possible options regarding how to obtain a telephone? Have they provided adequate information? What more could be done? Have the institutions adequately provided information on the alternatives of participation in this project to the villages?

FDSR trainees wants to make sure that their first telephone cooperative effort succeeds. The most important problem, they said, is to overcome financial constraints, and difficulties with TPSA on rate sharing. There is constant conflict with TPSA which sees cooperatives as a major threat because of their grassroots political support. The trainees will develop terms of references for two NTCA volunteers in management (e.g. board management) and technical fields (e.g., billing systems) for assistance in setting up telephone cooperatives. They would like assistance in February after they have taken the initial steps. The technical trainee suggested one week at FDSR and the second week at RCES with the two foundations coordinating the program.

Given the situation in Poland, they do not see any other option than to organize cooperatives. TPSA is not interested in rural areas though it wants to retain all control over the network and does not view independent systems as additional sources of revenue.

The FDSR technical trainee would like NTCA to check her business plan for the model telephone cooperative. (A copy was provided to NTCA.)

RCES director said the models need to prove themselves. We need to work on legal problems "at the top." He said the issue of rural telephones is very explosive and the major issue is to identify sources of financing. We do not need special credits, rather long-term finance of 15 years at 14% interest.

The RCES director agreed with the need for NTCA to provide more assistance in carrying out financial analysis of the model cooperatives. He suggested train-the-trainer sessions in financial analysis. While we do financial studies, we need a more standardized approach and additional viewpoints. He also asked for NTCA assistance in identifying sources of credit.

2. To what extent are the foundations apprised of the current situation in Poland regarding the activities of the Ministry of Communications and TPSA and what steps are they taking to support the independent movement?

NTCA's project coordinator provides continuing information on current activities of the Ministry of Communications and TPSA. He serves on a recently created national commission to resolve policy issues with TPSA. He also is working with two key Senators who are preparing new legislation to resolve outstanding impediments to the development of independent rural telephone cooperatives. NTCA keeps the two foundations apprised of these developments.

The RCES director urged NTCA to work at the Warsaw level to gain better data from TPSA. He said they can get some information locally, but the data is hidden. He encouraged the use of an NTCA volunteer to acquire data from TPSA in Warsaw. They currently must rely on estimates and would like certain standards to be established.

3. To what extent are the foundations apprised of current laws affecting telecommunications, cooperatives?

See response above. NTCA helped prepare the new privatization legislation with Senator Slisz and assisted him in authoring the section that created a Plenipotentiary for Rural Telecommunications. This section of law was intended to pave the way for the creation of a Polish REA. Senator Slisz said he understood the role of REA in finance, but is now just as interested in its role in policy setting.

4. What ways could NTCA better publicize the advantages and disadvantages of forming independent telephone systems or forming agreements with TPSA?

The FDSR trainees are publicizing widely the advantages of independent telephone cooperatives. The foundation is considering bring suit against TPSA to void a contract between Chiny and TPSA which they believe is not fair to the local residents. The trainees have put on two presentations including the local press in which they gave details of their training trip to the U.S. They gave press conferences to argue against giving up switches and equipment, which are raised through local funding, to TPSA in order to be hooked into the network.

The director of RCES cautioned against publicizing the advantages of telephone cooperatives until the financial viability of the model cooperatives is proven. The success of the model cooperatives is widely known throughout Poland. NTCA does not need to publicize it. Rather, NTCA should focus on overcoming regulatory and financial constraints of the model cooperatives before attempting to broadly replicate them.

OTHER CONCERNS AND QUESTIONS

Reporting

1. Has NTCA fulfilled all of its reporting requirements? Are there any recommended changes to the report documents in terms of format, style or content?

NTCA has fulfilled all of its reporting requirements. The current format appears to be comprehensive and focused appropriately on project implementation. Reporting could be expanded beyond specific project steps to provide a broader overall picture of the telecommunications situation in Poland.

2. What changes are necessary in staffing or reporting for NTCA to meet the objectives of the project and fulfill its obligations under the grant agreement?

None.

Implementation

1. Are the projected activities outlined in the implementation plans set in a realistic time frame? What changes are needed to be made to meet the objectives of the project?

Yes, the projected activities can be met in a realistic time frame. However, NTCA should discuss with the Europe Bureau shifting resources to focus on technical assistance and training to overcome policy and financial constraints for expanding the rural telephone

movement. NTCA also should consider requesting authority to explore expanding NTCA activities in other Eastern European countries from the project resources including holding a small workshop at the model cooperatives for rural leaders from other countries. NTCA should prepare an unsolicited proposal to provide long-term expatriate staff to assist the Plenipotentiary and in the formation of a Polish REA. This proposal should be developed in conjunction with the World Bank project for assisting rural telephone development.

2. Is the logical framework presented in the original proposal make accurate assumptions and set reasonable and obtainable goals? What improvements are recommended?

The logical framework should be revised in particular to note the constraints presented by TPSA and to focus on training for telephone committees within the context of the regional cooperative approach.

3. What are the recommendations as to future program directions with respect to anticipated requirements for assistance in increasing the telephone cooperative movement in Poland (and other Eastern European countries)?

Major NTCA efforts should be focused on the creation of a Polish REA, overcoming regulatory and policy constraints by TPSA and analyzing the financial experience of the model cooperatives. NTCA should prepare an additional unsolicited proposal for these purposes or discuss with the Europe Bureau increasing resources and expending the completion date of its current cooperative agreement.

NTCA should continue to work with the World Bank on accessing additional resources for the model cooperatives. NTCA also should explore additional financial resources from the A.I.D. Private Sector Guarantee Fund, the European Bank for Reconstruction and Development, the Polish Enterprise Fund, OPIC and others.

NTCA should consider expanding its efforts in the region using the model cooperatives in Poland as a training base for rural leaders in nearby countries (i.e., Czech and Slovak Republics). NTCA also should consider working with the Finnish cooperative center to introduce rural telephone cooperatives in Estonia where private sector cooperatives were strong before World War II. Finland is the only country in Europe with rural telephone cooperatives and has close cultural and linguistic ties with Estonia. The Finnish cooperative center is currently helping revise the cooperative law in Estonia.

NTCA should consider working with Northern Telecom in exploring other opportunities in Eastern Europe and the Newly Independent States. NTCA may want to consult with implementors of A.I.D.'s capital development project in telecommunications for seeking out

additional countries where there may be ~~an~~ interest in developing rural telephone cooperatives.