

## **Cooperative Program Support Grant**

### **FINAL REPORT National Telephone Cooperative Association For the Period May 1, 1994 - July 31, 1997**

#### **I. PROJECT DEVELOPMENT**

##### **Philippines**

In early 1995 staff attended the National Rural Electric Cooperative Association's annual meeting in order to make a presentation to and meet with some 50 Filipino rural electric cooperative (EC) leaders. The ECs wished to begin providing telephone service, and several had begun doing so using old equipment given them by the Philippine Long Distance Telephone Company.

Later that year, NTCA sent a small team to the Philippines to develop a project concept and carry out initial project design. NTCA's project concept was to create telephone cooperatives atop, or in conjunction with, the strongest of the country's 119 rural electric cooperatives. The team carried out field work with electric cooperatives, private telecommunications providers, local government leaders, bankers, business people and others in the islands of Cebu, Negros Oriental and Mindanao.

By early 1996 staff developed and finalized a draft proposal and budget for NTCA's potential activity in the Philippines. Staff traveled to the Philippines in April to meet with NTCA partner institutions and refine the draft. At that time, officials of the National Telecommunications Commission, the national regulatory body, told NTCA they had decided not to allow the NTCA project to proceed and would not grant licenses to the co-ops to provide phone service.

NTCA supporters within the government suggested that NTCA carry out a study in Mindanao on the benefits of using telephone co-ops to serve rural areas. That study was to be presented personally to the President by the Presidential Assistant for Mindanao and the Department of Communications Undersecretary for Municipal Telephone Projects.

One staff member, a volunteer member manager and an associate member traveled to the Philippines in July 1996 in order to obtain necessary information to complete the study. Shortly after, the Undersecretary for Municipal Telephone Projects was removed from his position. At this point NTCA decided to temporarily suspend efforts to build telephone co-ops in conjunction with ECs, and concentrate instead on

creating stand-alone telephone cooperatives.

In October 1996 NTCA was invited by the Philippine Cooperative Development Authority to deliver a speech on telephone cooperatives at the Second National Cooperative Summit. About 2,000 cooperative leaders heard this speech. Because of this trip, NTCA received important political backing from a prominent member of the Philippine Senate, and began developing plans for a major telecommunications/cable cooperative on the island of Samal, in Mindanao. Large land tracts on Samal have been bought by foreign investors, who plan to turn the island into a resort mecca. A Malaysian consortium has begun building a 1700-room hotel. Yet, there are no phones.

The idea of a Samal Island telephone/cable cooperative began as the result of the previous NTCA visits and culminated in February 1997, when NTCA staff met with the leaders of an NGO on Samal Island called LAWIG (Learned Assistance for the Welfare of the Island Grassroots Foundation) to propose the idea. LAWIG's leadership received it enthusiastically and immediately set about identifying other local leaders who would be interested in forming a steering committee to develop the idea.

Two other local NGOs quickly joined the initiative: REFORM (Resource Ecology Foundation for Regeneration of Mindanao), which provided assistance with the local governments, and SPARCC (Strategic Proaction & Resource Center for Cooperatives), which assisted with the organization of the cooperative, including cooperative education and facilitating the steering committee's meetings.

The leaders of the island's three major municipalities have been working with NTCA and LAWIG on this initiative. They believe that the co-op will bolster the islanders' development plans and give them some control over the future of Samal.

In April, NTCA staff returned to work with SPARCC and LAWIG staff and helped lead a day-long meeting at which the steering committee developed a plan of action to launch the telephone/cable TV cooperative. The steering committee consists of mayors, civic leaders, local business people, cooperative banks, community development leaders and private citizens. The steering committee members pledged approximately one million pesos as an initial fund to capitalize the co-op.

Between February and July, the NGOs carried out a preliminary feasibility study for the co-ops, using local graduate students. NTCA technical staff reviewed the study and suggested numerous refinements.

In June, NTCA brought the head of the SPARCC co-op organizing effort to Toronto for a major World Bank/CIDA conference (see page 11) and then to Washington, where he and NTCA made plans for the next stages of the co-op's development and met with potential donors, such as the World Bank's Social Action Fund.

NTCA staff returned to Samal in July to work with the steering committee and develop the community education program. (A series of community meetings were held in August. Seven NGOs are involved in the development of the telephone cooperative: SPARCC, LAWIG, REFORM, TUKOD (a low income housing development program), the Samal Island Federation of Cooperatives, the Samal Island Multipurpose Cooperative and the United Babak Lanceros Association (association of ferry operators).

(By November 1997, the first 120 co-op members had signed up and had pledged in-kind contributions of equity and land totaling 2.5 million pesos (equivalent to \$96,153 pre Asian market plunge; \$71,428 as of December 1997).

NTCA has also been asked to carry out a needs assessment of the nine existing telephone cooperatives in Mindanao in order to determine what needs to be done to strengthen them.

### **Ukraine**

NTCA staff, including the Warsaw representative, traveled to Ukraine in January and again in March 1997 to explore possible project activity.

NTCA met with the leaders of an NGO called the Ukraine Association of Cities, which is engaged in institutional development of small urban areas. Some 160 small cities belong to the association. Many of those cities have very poor and limited telephone service. NTCA and the UCA agreed to work together to create a pilot, model telephone cooperative that would serve a small city. From there it could "springboard" into neighboring rural areas. Preliminary meetings with USAID staff, including the Mission Director, were very positive.

In May staff returned to for a week to work with the UCA on site selection. The groups identified not one but seven cities that would be appropriate for such a project.

Staff met with the director of the local office of the Soros Foundation (Open Society Fund). Soros has a new Internet project and was extremely interested in NTCA's potential work. The director made a verbal commitment that Soros/Kiev would make available additional financial support for the pilot project.

(In September NTCA submitted to USAID/Kiev a proposal for a project to develop five telephone cooperatives over a four-year period. The project is valued at \$8,204,061, and NTCA has requested from AID \$2,546,061).

### **South Africa**

NTCA staff traveled to South Africa in January 1995 to work as part of a small

team under the auspices of a black-owned company, the Vulindlela Bulatsela Corporation (VBC). The team's job was to develop a proposal to provide training and assistance to a community development group serving the historically disadvantaged community, the South African Research and Development Trust (SARDET).

The consortium members were drawn from VBC, NTCA, the National Rural Electric Cooperative Association (Washington, DC), Black & Veach, Inc. (Kansas City, KS) and Associates in Rural Development, Inc. (Burlington, VT).

The SARDET and VBC directors were unsuccessful in seeking South African government and foreign donor assistance to support the work outlined under the proposal. However, NTCA and VBC later that year signed a memo of understanding. VBC was involved in number of development projects in a variety of sectors (e.g. transportation, water, sewage, electricity and telecommunications). VBC's objective is to ensure that South Africa's "historically disadvantaged communities" participate and have ownership in the development projects affecting their communities.

In January 1997 the head of VBC was appointed by President Mandela to be Chairman of the new South African Telecommunications and Regulatory Authority, Because of the VBC-NTCA association, he asked NTCA to initiate work in South Africa.

In June 1997 the TDA sponsored a trip for the SATRA regulators to the U.S. With the SATRA people were others from the South African Universal Service Agency (USA). SATRA is designed to function as the South African equivalent of the FCC and oversees the work of the USA. The USA's job is to find creative ways to get telephone service out to the historically disadvantaged populace.

The Universal Service Agency invited NTCA to send a small team to begin exploring specific assistance NTCA could provide to the Agency. (NTCA did so in October 1997 under the Cooperative Development Program funding).

### **Bulgaria**

At the expiration in mid-1996 of an ENI grant supporting work in Poland and Bulgaria, NTCA devoted CPSG resources to continuing to work in Bulgaria. Under CPSG funding, NTCA finished organizing two communities into legally registered cooperatives, and carried out a detailed technical and financial feasibility study of the service area of the primary co-op, which was to be located in Ravda, on the Black Sea, in a heavy tourism area (Ravda has several dozen hotels with no telephone service). NTCA also carried out extensive policy dialogue with members of Parliament and the top policy makers of the national regulatory body, the Committee for Posts and Telecommunications.

Unfortunately, the Bulgarian Telephone Company refused to grant a license unless a significant sum of money was made available to it, which NTCA declined to

provide. Project development came to a halt at this point (late 1996) partly because of this issue and partly because of the collapse of the economy and the resulting civil anarchy. In accordance with the strong suggestion of USAID/Sofia, NTCA put its work on hold due to the social and economic uncertainty gripping Bulgaria.

(In mid-1997 PVC granted NTCA's request to transfer funds budgeted for Bulgaria to South Africa).

### **Romania**

The CPSG enabled staff to participate in the group OCDC project development mission to Romania that resulted in the CHF-led NGO development effort in Timisoara, funded by PVC and ENI. NTCA has supplied six consultants to the program, in such as areas as Internet connectivity, board of directors training and fundraising.

Because of that trip and a later speaking engagement at a telecommunications conference in Bucharest, NTCA was introduced to the management of a private data transmission company called Transdata. Fifty-one percent of Transdata is owned by the Romanian-American Enterprise Fund. The Romanian national telephone company, ROMTEL, has asked Transdata to bid on doing a rural telecommunications feasibility study in the region of Craiova, in southwest Romania. The Enterprise Fund managers would like such a study to point up the desirability of using U.S.-manufactured equipment.

Transdata does not have the experience to carry out such a study and wishes to access NTCA expertise to do so. This project is in development.

### **Poland**

The CPSG enabled NTCA to open an office in Warsaw staffed by the NTCA Project Coordinator.

Two of the major obstacles to telecommunications development in the CEE countries have been the lack of sufficient financing and trained managers and employees.

To deal with this, NTCA established a relationship with Central European Telecommunications Investment (CETI), an investment fund established in 1994 by the International Finance Corporation and private American investors. The fund's goal is to invest in rural telephone systems throughout Eastern and Central Europe, either as a strategic partner or as a contributor to community rural telecom initiatives (e.g., cooperatives). CETI and NTCA signed a memo of understanding to cooperate and support each other's activities.

CETI and NTCA worked together and successfully started five investor-owned rural telephone companies in Poland. CETI provided much of the capital and NTCA provided much of the training and organization. As of late 1996 CETI had invested \$48 million in the five companies, which plan to serve more than 40,000 (combined) by the end of 1998.

As part of the plan to develop long-term sustainability for the Foundation for the Promotion of Telephone Cooperatives (FPTC), which is run out of the Tyczyn Telephone Cooperative, Foundation staff developed sophisticated billing software to be marketed to the independent telcos in Poland.

In March 1997 the NTCA CEE/NIS regional representative and the engineers who developed the software held a presentation of the software for 25 representatives from other independent telephone companies and the Polish national telephone company, TP SA. Eventually this software can be modified and marketed to many kinds of companies that need to send out bills.

### **Ethiopia & Kenya**

Thanks to contacts made at an International Telecommunications Union meeting (travel to which was funded by the CPSG), NTCA was invited by telecommunications officials in Ethiopia and Kenya to carry out an assessment visit to both countries in order to determine project potential.

The Ethiopian Telecommunications Authority asked NTCA to assist it in increasing Internet access and setting up cooperative community telecenters. NTCA also hoped to work with a local NGO to train community leaders in the concept, formation and operation of cooperatives, which is a form of business virtually unknown in Ethiopia.

However, the USAID Mission in Ethiopia refused to concur with NTCA's request to work there, citing the fact that VOCA was already doing cooperative training. Extensive communications between and among the Mission staff, NTCA staff and NTCA's PVC project officer produced no change in the Mission's position.

In Kenya, officials expressed interest in having NTCA do training on co-ops in general. However, activity was put on hold due to the development of a new law on telecommunications for the country and the complete restructuring of country's governmental regulatory body.

## **II. ADDITIONAL RESOURCE MOBILIZATION**

### **CETI**

See page 5.

### **PHARE**

Staff participated in two 1997 PHARE (European Union) regional fora for top telecommunications officials from CEE countries. NTCA was invited to make presentations at both to the assembled policy makers on the benefits of using telephone cooperatives as an initial step in liberalizing/privatizing the telecommunications sectors.

Countries represented were Bulgaria, Poland, Hungary, Slovenia, Albania, Slovakia, Romania, Estonia and Lithuania, Bosnia and Macedonia. The European Union was represented by the head of the directorate for telecommunications.

### **The World Bank**

### **The Government of the Netherlands**

### **The U.N. Development Programme**

See page 11, last paragraph.

## **III. INTERNAL MANAGEMENT AND ADMINISTRATION STRENGTHENING**

### **Staff**

In 1994, when the CPSG went into effect, NTCA had only one full-time employee devoted to its new International program, whose salary was paid out of a PVC Innovative Grant. Thanks to the CPSG, NTCA has been able to formalize and expand its International institutional structure, without which there would, of course, be no program.

The International staff currently consists of a General Manager, a Senior International Projects Officer, an International Projects Officer, a half-time Administrative Secretary, a half-time International Accountant, and several local contractors.

### **International Advisory Council**

In 1994 NTCA created an International Advisory Council, which is composed of some of the individual members who have worked overseas on behalf of NTCA. It meets twice a year and functions as a resource group and sounding board for NTCA International program staff.

As of July 31, 1997 current and past members were:

L. Dan Wilhelmson, Chairman  
General Manager, Consolidated Telephone Cooperative

Dickinson, North Dakota

Dorrene Benthin  
General Manager, Monitor Telephone Cooperative  
Woodburn, Oregon

Ken Brannies  
President, Guadalupe Valley Telephone Cooperative  
New Braunfels, Texas

Conley Cathey  
President, Cathey, Hutton & Associates  
Dallas, Texas

Bobby Clemons  
General Manager, Bledsoe Telephone Cooperative  
Pikeville, Tennessee

Bruce Erickson  
President, ETS  
Pesotum, Illinois

Paul Hartman  
President, Paul Hartman Associates  
Littleton, Colorado

John Metts  
General Manager, Penasco Valley Telephone Cooperative  
Artesia, New Mexico

James Newell  
General Manager, Citizens' Telephone Cooperative  
Floyd, Virginia

Earl Owens  
General Manager, Blackfoot Telephone Cooperative  
Missoula, Montana

Tom Sanderson  
President, Peoples' Telephone Company  
Randolph, Wisconsin

David Schmidt  
General Manager, Heart of Iowa Telephone Cooperative  
Union, Iowa

Wayne Vick  
General Manager, Northern Telephone Cooperative  
Sunburst, Montana

Larry Ware  
General Manager, Garden Valley Telephone Cooperative  
Erskine, Minnesota

Dwight Welch  
General Manager, Hardy Telephone Company  
Lost River, West Virginia

Approximately 70 NTCA members have volunteered to work overseas. NTCA has been unable to accommodate all the members who want to do so.

### **International Membership**

In February 1995, The NTCA Board of Directors approved an international membership category for international local exchange carriers, either commercial companies or cooperatives. The two cooperatives in Poland were the first two NTCA international members.

Between that date and July 31, 1997 41 telephone companies and cooperatives joined NTCA as international members. They are:

COTAS Ltda., Santa Cruz, Bolivia  
Brooke Telecom Cooperative. Ltd., Inwood, Ontario, Canada  
Hay Communications Cooperative Ltd., Zurich, Ontario, Canada  
Huron Telecommunications Cooperative, Ltd., Ripley, Ontario, Canada  
Mornington Communications Cooperative Ltd., Milverton, Ontario, Canada  
Quadro Communications Cooperative, Kirkton, Ontario, Canada  
Tuckersmith Communications Cooperative, Kippen, Ontario, Canada  
Amaritel, S.A. de C.V., Mexico City, Mexico  
Palau National Communications Corporation, Koror, Palau  
Bicol Telephone & Telegraph, Tabaco, Luzon, Republic of the Philippines (ROP)  
Calapan Telephone System, Inc., Calapan, Oriental Mindoro, ROP  
Calbayog City Telephone System, Calbayog City, Samar, ROP  
Continental Telecommunications Systems, Inc., Manila, Luzon, ROP  
Danao Telecom Company, Inc., Danao City, Cebu, ROP  
Independent Telephone Company, Binan, Luzon ROP  
Iriga Telephone Co., Iriga City, Luzon, ROP  
L.M. United Telephone Company, Calabanga, Luzon, ROP  
Labo Telephone System, Labo, Luzon; ROP  
Lukban Telephone System, Lucban, Luzon, ROP  
Marbel Telephone System, Inc, Koronadel, Mindanao, ROP

Mati Telephone Corporation, Mati, Mindanao, ROP  
Naga Telephone Co., Naga City, Luzon, ROP  
Northern Telephone Company, Manila, ROP  
Philippine Association of Private Telephone Companies, Manila, ROP  
R.C. Yulo Telephone System, Bacolod City, Luzon, ROP  
Racitelcom, Inc., Maycauyan, Panay, ROP  
San Carlos City Telephone System, San Carlos City, Negros Occidental, ROP  
San Carlos City Telephone System, San Carlos, Luzon, ROP  
Santos Telephone Corporation, Calauag, Luzon, ROP  
Southern Iloilo Telephone Co., Inc., Miagao, Panay, ROP  
Telecommunications Management & Services, Inc., Toledo City, Cebu, ROP  
L.M. United Telephone Co., Calabanga, Luzon, ROP  
Victorias Telephone, Inc., Victoria, Negros Occidental, ROP  
Western Batangas Telephone System, Balayan, Luzon, ROP  
Polska Telefonika Wiejska, SA, Mielcc, Poland  
PT Retel SA., Lapy, Poland  
RUTEL, Warsaw, Poland  
Telefony Brzeskie SA, Brzesko, Poland  
Telekomunikacja Debicka SA., Debica, Poland  
Tyczyn Regional Telephone Cooperative, Tyczyn, Poland  
Wist Telephone Cooperative, Laka, Poland

## **External Relations**

### **Speaking Engagements**

Staff accepted prominent speaking engagements and/or attended important industry meetings in order to spread the word about NTCA's international work and build credibility within the international development and international telecommunications communities. These included:

- The second National Cooperative Summit, in Davao, the Philippines (audience: 2,000);
- The Global Information Infrastructure Conference, sponsored by the US Trade and Development Agency; held in Warsaw (audience: 300);
- The Conference on Rural Telecommunications Development, sponsored by the Department of State and held in Bucharest, Romania (audience: 250);
- A conference on global telecommunications convened by the U.S. Office of Technology Assessment (audience: 75);
- A day-long USAID conference hosted by the Global Bureau on the use of information technology to improve development programs (audience: 175)
- The 1996 Kentucky State Telephone Association annual meeting (audience: 120);
- The first U.S. national conference on telecenters and televillages, held in Dallas (audience: 80).

## AFCOM

NTCA staff attended the sixth, seventh and eighth U.S.-Africa Telecommunications and Broadcasting Conferences and contributed an article on rural telecommunications to the conference magazine for the sixth conference.

## Supercomm

Staff attended the four-day Supercomm meeting on Dallas in 1996. This is the largest telecommunications exposition in the world and was attended by 38,000 people, including a large number of international visitors.

## ITU

Staff also participated as a part of the U.S. State Department-led delegation to two major conferences of the International Telecommunications Union: one in Geneva, and regional meeting for Africa, held in Abidjan, Cote d'Ivoire, in 1996. NTCA was a member of the Africa delegation's subcommittee on financing and contributed a significant section to the U.S. financing paper, outlining the potential benefits to African countries of community-owned telephone systems.

## Global Knowledge '97

NTCA was an associate sponsor of *Global Knowledge '97*, a conference hosted by the World Bank and the Government of Canada in June, 1997. Almost 2,000 people from 140 countries attended *GK'97*, which was devoted to exploring how information and information technologies can be used to approach development problems and meet the needs of the poor in developing countries.

NTCA staff worked as part of the conference's planning committee. Sponsors and associate sponsors included the governments of the United States (represented by USAID), Switzerland, France and the Netherlands; Nortel; SR Telecom; and numerous United Nations agencies, including the U.N. Development Programme, the International Telecommunications Union, the World Health Organization, the U.N. Center for Science and Technology Development, the U.N. Industrial Development Organization and the U.N. Economic Commission for Africa.

During the conference NTCA put on a workshop, in which staff discussed the concept of community-owned telephone systems and its experiences in Poland and the Philippines. (A report on the workshop can be found on the conference's website: [www.globalknowledge.org](http://www.globalknowledge.org))

There was also a major Exposition, at which NTCA was an exhibitor. Hundreds of people stopped by to talk with staff and pick up brochures, annual reports, videos and other materials on NTCA's international work.

This conference has led to very promising discussions with UNDP, the World Bank's InfoDev program, the government of the Netherlands, USAID's Global Bureau and other

sponsors regarding joint activity with (and support for) NTCA.

## **Publications/Video**

### Update

In 1994 NTCA started a monthly newsletter. The International *Update*, for members interested in the international program. It is produced the first of every month and faxed to about 100 individuals.

NTCA's regular member newsletter introduced an International column in 1995. About a dozen stories on international activity have appeared in the newsletter during the last two years.

### Brochure

Staff produced a brochure describing NTCA's international program and the concept of community-owned telephone systems as a solution to the shortage of telecommunications facilities in developing countries. An initial run was printed in English. Editions in French, Spanish, Portuguese and Romanian are in the works.

The brochure describing NTCA's international program and the concept of community-owned telephone systems as a solution to the shortage of telecommunications facilities in developing countries was translated and printed in English, French, Spanish, Portuguese, Romanian, Russian and Ukrainian. It appears on NTCA's website in the first five of these languages (see [www.ntca.org](http://www.ntca.org)).

### Video

NTCA produced a 17-minute video describing the impact of the telephone cooperatives in Poland. It has been translated into Slovakian (paid for the by Department of State), Russian and Bulgarian. More than 900 copies have been distributed worldwide.

## **Core Grant Evaluation**

Staff worked with the USAID independent evaluation team on the mid-term evaluation of progress made under the CPSG. Two members of the team also visited the NTCA regional office in Warsaw and were taken by NTCA local staff to visit rural telephone systems that NTCA helped establish in southeastern Poland.