

USAID Last Mile Initiative in Peru - Impact Assessment

First Interim Report

Baseline Research Assessment in Jauja

Prepared for AED/dot-ORG



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Executive Summary

Background

Under the Last Mile Initiative Impact Assessment activity, AED/dot-ORG was tasked to undertake impact evaluations of LMI projects in close consultation with USAID Missions and the EGAT/OI&E office. The main purpose of the impact evaluations is to gather and share lessons from ongoing projects, help shape ongoing and future activities and contribute to broader knowledge management efforts.

The first LMI country selected for this activity was Peru. A team of researchers from the Instituto de Estudios Peruanos in Peru, and the Annenberg School for Communication at the University of Southern California was selected to implement the impact assessment activity under dot-ORG's oversight.

This report describes the results of the baseline study carried out in the first site of the Last Mile Initiative in Peru, the Province of Jauja. The goal of this report is to provide useful information for (a) data-driven, evidence-based project planning, (b) helping predict and monitor financial sustainability of project operations, and (c) identifying a yardstick against which we can measure impact at the end of the project cycle.

A mixed-method approach was used to collect baseline data, combining (a) a household survey that collected quantitative data from a probability sample of household heads, and (b) a set of qualitative interviews of relevant institutions and organizations in the area. A total of 400 surveys were completed. In addition, forty-nine qualitative interviews were completed with representatives of five key local sectors (government, health, education, business, associations) in each of the nine areas to be served by the project's site in Jauja.

In order to measure change over time, two other waves of data collection are scheduled. A second wave of data collection is scheduled for April 2006 and the final data collection is scheduled to take place in September 2006.

Key findings

- **Characteristics of the area served by the micro-telco**

The first site chosen for the implementation of the LMI project in Peru is Jauja, a province in the department of Junin located just east of Lima. Nine districts in Jauja have been selected to receive telecom services by a newly established micro-telco, Televias Puyhuan. Most of the areas (85%) selected for project implementation are considered urban settlements, though very small ones (typically around 2,000 inhabitants). All but one (Huancas) are district capitals, and all of them are well connected to both Jauja, the province capital, Huancayo, the department capital, and Lima. When this baseline research was conducted in December 2005, the equipment was installed but operations had not started.

- **Characteristics of the population & economic activity**

The main economic activity in the project area is agriculture. The target population is mostly composed by farmers who grow potato, corn, and artichoke in small size plots. Some also own cattle, and milk production is bought by the local Nestle subsidiary. According to data provided by the National Household Living Standards Survey, the target area does not concentrate poor households when compared to the rest of the region. This is consistent with the research team's results showing that only about 15% of the sample falls below the departmental poverty line (roughly below S/. 200 –US\$ 58– per month).

- **Access to and demand for basic telecommunication services**

There is currently no fixed phone service in the LMI implementation area, which explains the strong interest found among the target population for the service. The team's findings reveal that, despite the moderately low median family income in the region, many households are willing to pay up to 7% of their total income for the service, a considerable amount compared to international standards. This means that a sizeable portion of households is willing to almost double their current telephone spending. Even more interest was expressed by representatives from businesses and major educational, health, government, and civil society institutions present in the area, given their need for coordination with clients, members, and other institutions.

However, the team's analysis also reveals that this demand is somewhat weakened by the availability of substitutes. The team found public phones to be readily available in all target districts, mostly located within convenience stores that function as information hubs for the community. These are widely used by household as well as businesses and the personnel from local institutions. While only a minority of households own a cell phone, they also represent a viable alternative, particularly for the higher socioeconomic status population. The findings reveal cell phone penetration to be very significant among local institution personnel (nurses, teachers, association leaders, etc.), who readily combine personal and professional use.

The availability of substitutes represents a challenge to the sustainability of the micro-telco operator. The team's findings reveal that, though the business opportunity exists, marketing and pricing will need to be carefully crafted to attract subscribers. In terms of marketing, an emphasis on convenience seems appropriate given that a quarter of the household sample mentioned "difficult access" as an important reason for not using the phone more often (or at all), a finding that was confirmed in qualitative interviews. In terms of pricing, the contingent valuation analysis revealed a mean willingness to pay for fixed phone service of about S/.20 (US\$ 5.8) per month. This is consistent with existing spending patterns for alternatives. At this level, fixed phone service will be priced somewhere between public phone and cell phone services.

- **Demand for Internet access and related services**

In the case of Internet access and related services, the findings reveal a significantly lower demand among households, though among some institutions (particularly schools, health centers and local governments) the research team found a significant demand for Internet connectivity given the need to improve more complex coordination and information retrieval tasks. The demographic profile of the respondents – in particular the age distribution – may lead to an underestimation of potential demand. Yet the findings point to a consistent pattern of lack of skills and knowledge about the potential benefits

of Internet access that significantly reduces potential demand for residential access, despite the lack of alternatives in most districts (the only exception being Molinos, where the Puyhuan Group runs a local telecenter adjacent to the school).

- **Tentative recommendations**

Given the research team's limited information about the business plans of the micro-telco operator with regards to Internet connectivity and its planned information services, the team's recommendations are necessarily tentative. Findings indicate that significant efforts must be directed at servicing local institutions (particularly schools and other government offices) and other key social actors, where unmet demand is apparent. They also suggest the need for outreach and training efforts to educate the wider population about benefits tied to specific Internet-based information services (e.g., health, business, and employment information). Public shared-access facilities seem better poised to attract significant usage than residential access. As the majority of the population relies on existing media to obtain high-value information, partnering with local radio and newspapers could be a promising strategy to educate the public and develop relevant services.