

1. Project Data:		Date Posted : 06/28/2007	
PROJ ID : P052736		Appraisal	Actual
<b>Project Name :</b> Dominican Republic: Telecom Regulatory Reform	<b>Project Costs (US\$M):</b>	19.52	23.34
<b>Country:</b> Dominican Republic	<b>Loan/Credit (US\$M):</b>	12.3	11.0
<b>Sector Board :</b> GIC	<b>Cofinancing (US\$M):</b>	0.0	None
<b>Sector(s):</b> Telecommunications (90%) Central government administration (10%)			
<b>Theme(s):</b> Law reform (29% - P) Rural services and infrastructure (29% - P) Regulation and competition policy (28% - P) Social safety nets (14% - S)			
<b>L/C Number:</b> L4505			
	<b>Board Approval Date :</b>		12/22/2000
<b>Partners involved :</b>	<b>Closing Date :</b>	06/30/2004	09/30/2006
<b>Evaluator :</b>	<b>Panel Reviewer :</b>	<b>Group Manager :</b>	<b>Group:</b>
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## 2. Project Objectives and Components:

### a. Objectives:

The project seeks to strengthen the policy, legal and regulatory environment in the telecommunications sector and improve rural access to services by encouraging private investment in those areas. Key indicators of success in achieving the project development objectives are:

- A decrease in the number of illegal transmitters by 75% by year four;
- An increase in the rural access to telecommunications services from 40% to 50% by year four; and
- An increase in the total number of lines (including mobile) per 100 inhabitants from 10 to 14 by year four.

### b. Were the project objectives/key associated outcome targets revised during implementation?

No

### c. Components (or Key Conditions in the case of DPLs, as appropriate):

The project consisted of four (4) components:

Component 1: Create new telecommunications regulatory framework (appraisal: US\$2.06 million; actual: US\$1.20 million). This component was to create the supporting regulations, to draft the necessary legal amendments, and to define the technical plans and methodologies to carry out the telecommunications reform as initiated by the 1998 Telecommunications Law (Law 153-98). It comprised the following actions:

- Develop a policy and draft regulations to promote competition in the telecommunications sector.
- Define and design regulations to grant concessions and licenses for telecommunication services.
- Analyze current costs and propose interconnection rates and tariffs.
- Design and administer the Telecommunications Development Fund (FDT) to provide financial incentives to expand telecommunication services to rural areas, as provided for under the new Law.
- Develop the fundamental technical plans and basic technical norms which would provide the basis for an efficient national telephone system, compatible with international standards.
- Draft technical regulations.
- Develop a plan for the national allocation of spectrum frequencies

Component 2: Create a new autonomous telecommunications regulatory entity (appraisal: US\$15.17 million; actual: US\$20.46 million). The objective of this component was to provide support for technical assistance, the recruitment and training of management and staff, and the procurement of equipment and other office items necessary to make the Dominican Institute of Communications (INDOTEL) operational. The component sought to:

- Establish operational procedures for INDOTEL.
- Design training plan based on skill assessments.
- Recruit and train key management staff and technical personnel.
- Create operation plan for INDOTEL, including the transition from the Directorate General of Telecommunications (DGT).
- Assist the Project Management Unit (PMU) and INDOTEL in developing the technical specifications for tender documentation.
- Acquire radio spectrum monitoring equipment.
- Acquire office equipment, furniture, computer and information systems, etc.

Component 3: Closure of the DGT (appraisal: US\$1.65 million; actual: US\$0.79 million). As mandated by the Law, the DGT was to disappear. The project would fund the severance payment of all redundant employees (some technical staff was retained by INDOTEL), in accordance with Bank guidelines and the Dominican Republic national civil labor law.

Component 4: Project Management (US\$2.78 million; actual: US\$0.89 million). This component was intended to support the successful implementation of the project by financing the PMU. Once INDOTEL was established, it would absorb the PMU and its responsibilities for project management. The PMU/INDOTEL team would be responsible for ensuring that adequate management arrangements were in place to meet Bank requirements. Additionally, the PMU/INDOTEL would oversee a public relations campaign to educate the public on the rationale and benefits of the reform program.

Revised components: **No**

**d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

The project cost (US\$23.34 million) was 19.6 percent higher than the appraisal estimate (US\$19.52 million); excluding project preparation fund and loan front-end fee (US\$2.14 million). It was invested in creating a new telecommunications framework (US\$1.20 million), creating a new autonomous telecommunications regulatory entity (US\$20.46 million), closing of DGT (US\$0.79 million) and project

management (US\$0.89 million). The investment was financed with contributions of US\$11.92 by the loan and US\$12.42 million by the Government. The Loan Agreement was declared effective in December 2000 or 17 months after Board approval because of the delay in the Dominican Congress approval. The loan closing date was extended three times for a total of two years and closed in September 2006. US\$1.33 million were cancelled from the loan.

### 3. Relevance of Objectives & Design:

The project objectives were consistent with the then Country Assistance Strategy (CAS of May 2, 1995) that stressed the need to:

- Ease infrastructure constraints to private sector development;
- Increase the coverage of basic infrastructure services; and
- Involve the private sector in the provision of these services.

The project was to support these goals by improving the efficiency of infrastructure services provision and expanding service coverage to rural areas.

The project outcomes are aligned with the latest Country Assistance Strategy (2005 CAS). The overarching focus of the 2005 CAS is to improve governance and strengthen institutions. One of the main outcomes of the project is the creation of a strong and independent regulatory agency. INDOTEL is often acknowledged as an exemplary institution in the government and well respected by all agents in the sector (operators, government and general public).

The project design was appropriate to establish a telecommunications regulatory framework and associated institutions, to remove barriers for ample participation of private sector in the telecommunications business, and to develop the resources (human and physical) necessary for the regulation and oversight of the telecommunications sector.

### 4. Achievement of Objectives (Efficacy):

Extent of achievement of specific objectives:

The project achieved substantially the objective to strengthen the policy, legal and regulatory environment in the telecommunications sector by encouraging private investment, and improving rural access to telecommunication services. Most of the new regulatory framework is in place, and the regulatory entity was successfully established, replacing the DGT. The FDT has developed several projects since its creation, focusing on rural and underserved low income communities nationwide as shown by the key indicators of project development objectives. Substantial achievement of the project key performance indicators is demonstrated by the facts indicated below:

**Key indicator 1** : Decrease in the number of illegal transmitters by 75% by year four. **Achievements** : (i) Closing of more than 200 illegal radio stations (includes stations closed more than once), 3 TV channels, 31 Cable TV channels, 20 call and internet centers, and 13 mobile phone dealers; (ii) Acquisition and operation of a Spectrum Monitoring and Administration System (SMAS); and (iii) Bidding of more than 30 radio stations to make spectrum usage more efficient. Since the number of illegal operators in the telecommunications sector (i.e. the 100% baseline number) in 1999 is not given in the ICR or the PAD, there is no way to prove if the 75% target has been accomplished. However, the number of closures and the operation of the SMAS allowing INDOTEL pinpoint the location of any illegal broadcasting nationwide suggest a substantial achievement.

**Key indicator 2** : Increase of rural access to telecommunications services from 40% to 50% of the population by year four. **Achievement** : Given the fact that in 1999 there were 650 public payphones (of which only 580 worked, i. e. the 40% baseline) in rural communities of at least 300 inhabitants the installation of 2,250 payphones represents an increase of about 300% in access to telecommunication services. Consequently, the 50% target was highly exceeded.

**Key indicator 3** : Increase of total number of lines (including mobile) per 100 inhabitants from 10 to 14 by year four. **Achievements** : Coverage by fixed and mobile phones reached 55.7 per 100 inhabitants as of June 2006, or an increase from about 1.0 million subscribers in year 2000 to more than 4.5 million subscribers in 2006. Observing that the baseline was indeed 18.7 (p. iii of Data Sheet), it can be observed that the increase to 55.7 per 100 inhabitants is 200% or significantly higher than an increase from 10 to 14 target (i.e. only 40% increase). Moreover, private investment in the sector added up to more than US\$2 billion between the years 2000 and 2005. These investments are mostly related to long-term projects that involve an increase in service coverage and quality of service. Additionally, the IT Training Centers (CCIs) program providing Internet access to many communities has been a great success.

**Key indicator 4** : Make INDOTEL operational. **Achievements** : Operational procedures and operation plans were established for INDOTEL, its management staff and technical personnel were recruited and trained, and its radio spectrum monitoring equipment acquired. Transition of INDOTEL from DGT was accomplished. However, due to legal difficulties, the project failed to deal with the disposal of DGT's physical assets (mainly consisting of office buildings scattered throughout the whole country) which were inherited by INDOTEL.

**5. Efficiency (not applicable to DPLs):**

<b>Efficiency (not applicable to DPLs):</b>	SAR Coverage/Scope	ICR Coverage/Scope
ERR	25%	100%
		Not available

The ICR did not attempt to estimate an ERR of the project. Instead, it estimated that consumers served with fixed and mobile phones will have a consumer surplus of approximately US\$668 million, and that 2,250 rural communities of more than 300 inhabitants served with public payphones will save about US\$5.0 million per year.

**a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :**

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	25%	100%
ICR estimate		%	%

\* Refers to percent of total project cost for which ERR/FRR was calculated.

**6. Outcome:**

**Outcome Rating:** Based on achievements and rating presented in Section 4 and benefits indicated in Section 5, the Project Outcome is rated as *Satisfactory* .

**a. Outcome Rating** : Satisfactory

**7. Rationale for Risk to Development Outcome Rating:**

The risk to development outcome is rated as **Negligible to Low** based on the following considerations:

- INDOTEL has become an exemplary institution and respected by both private operators and the public in general. The strong telecommunications regulatory framework established is well supported by a regulatory agency staffed with competent technical and management team.
- Investments in the telecommunications sector of more than \$2 billion are mostly related to long-term projects that involve an increase in service coverage and quality of service. Telephony projects in rural towns are operated and maintained by private operators financed by the FDT under public-private partnerships. Moreover, the IT Training Centers installed in private schools have been welcomed by the communities.

**a. Risk to Development Outcome Rating** : Negligible to Low

#### **8. Assessment of Bank Performance:**

a. Ensuring Quality at Entry: The project was well identified and responsive to both Bank CAS and GDOR priorities. Several lessons learned in other projects in the telecommunications sector were reflected in project design. The Project Development Objectives and the outputs defined at appraisal were well defined. Notwithstanding, the key development indicators were conceptually well defined but not easily measurable. The PAD did not include a methodology to measure them. The Bank helped GDOR pass the law during project preparation. The Bank was a key instrument in setting up INDOTEL as an autonomous regulatory agency, and making the PMU to become part of the regulatory agency, guaranteeing coordination and better supervision of project implementation. However, a broader analysis of the closing of DGT, as mandated by the Law, should have been done at appraisal in order to anticipate and avoid the legal complications later faced with the disposal of DGT's physical assets. **Rating** : *Satisfactory*

b. Quality of Supervision: The Bank team kept a pro-active relation with the project. It carried out an average of one supervision mission per year and advised the government, INDOTEL and the PMU when necessary on procurement and implementation of the various components. During the adoption of procurement and financial management duties from UNDP in 2000, the Bank trained two experts that eventually remained in the PMU until the project closed. The Bank helped project implementation by agreeing in three necessary extensions of the loan closing date and reallocation of funds among loan disbursement categories. It also reported progress and evaluation of project implementation and objectives in realistic Aide-Memoirs, PSRs and ISRs. **Rating**: *Satisfactory*

c. Overall Bank Performance: Based on above considerations Overall Bank Performance is rated *Satisfactory* .

**a. Ensuring Quality -at-Entry**:Satisfactory

**b. Quality of Supervision** :Satisfactory

**c. Overall Bank Performance** :Satisfactory

#### **9. Assessment of Borrower Performance:**

a. Government Performance: **Rating** : *Satisfactory*

Throughout project preparation and implementation, three Administrations of DR proved to be committed and supportive of the project. Ministries and government officials collaborated with the Bank, the PMU and INDOTEL, in despite of delays and occasional lack of coordination (examples: lack of coordination in the repair of a road needed for the installation of a Monitoring Station of the SMAS, and in a couple of FDT projects).

**b. Implementing Agency Performance:**

INDOTEL's performance is rated as *Satisfactory*. The project helped INDOTEL in becoming an independent and strong regulatory entity, with management and technical staff that gave confidence to all agents. All INDOTEL Directors appointed throughout implementation strongly supported the project. The PMU was part of INDOTEL which implemented satisfactorily the project components.

**c. Overall Borrower Performance:** Overall performance of the Borrower is rated as **Satisfactory**.

**a. Government Performance** :Satisfactory

**b. Implementing Agency Performance** :Satisfactory

**c. Overall Borrower Performance** :Satisfactory

**10. M&E Design, Implementation, & Utilization:**

(i) M&E Design: At appraisal, Key Performance Indicators (KPI) were conceptually well defined for the output of each project component. However, the lack of a methodology made it difficult to measure them. In spite of that shortcoming, the KPIs were useful for assessing the progress towards achieving the project objectives taking into account the nature of the physical and institutional development components of the project. **Rating : Substantial**

(ii) M&E Implementation: KPIs were regularly collected by the PMU, and presented and analyzed by the Bank during supervision missions. Missions Aide-memoirs included attachments with updated KPIs. **Rating : Substantial**

(iii) M&E Utilization: During project implementation the evolution of KPIs helped the Bank and the PMU to monitor project progress towards the PDO, allocate resources, and take corrective measures. **Rating : Substantial**

M&E Quality rating: **Substantial**

**a. M&E Quality Rating** : Substantial

**11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):**

The project was rated “C” for environmental assessment purposes. The ICR is silent regarding said matter even though project appraisal indicated that the FDT will be designed to include an environmental assessment of all rural expansion projects supported by the Fund, to ensure that there is no adverse environmental impact.

No issues regarding procurement or financial management were raised throughout the project. On this note, it must be mentioned that all annual audit reports were satisfactory. UNDP was in charge of all procurement and financial management activities during project preparation. After the project became effective, the government decided to appoint personnel of their own to take care of procurement at which time two members of the PMU were trained by Bank’s staff in procurement and financial management activities. These resources remained as part of the team until project completion, guaranteeing an adequate compliance with all Bank requirements.

12. Ratings:	ICR	IEG Review	Reason for
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			Disagreement / Comments
<b>Outcome:</b>	Satisfactory	Satisfactory	
<b>Risk to Development Outcome:</b>	Negligible to Low	Negligible to Low	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Performance :</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

**13. Lessons:**

- **Building up a successful institution is time-consuming and challenging and requires close Bank supervision, especially during changes of Government administration.** The creation of INDOTEL required a lot of time during project preparation because the aim was to create both the regulatory entity and the regulatory framework. Although it is best practice that the regulatory entity be independent and separated from the government entity taking policy decisions, in the case of Dominican Republic INDOTEL is both Regulator and Ministry, a fact that was not an obstacle to project development.
- **Closing an institution implies a thorough review of all its assets.** At appraisal, the team failed to recognize the complicated legal procedures to dispose of DGT's physical assets (postal and telephone offices throughout the country). As a result, INDOTEL inherited most of those unwanted assets.
- **Internet community centers require a specific use.** The IT Training Centers (CCIs) program has been a great success in the Dominican Republic because the CCIs have a specific purpose (education), and their administration is being done by experienced NGOs highly committed with the communities served.
- **A good Spectrum Monitoring and Administration System requires more than just the equipment.** It also requires the merging and reconciliation in one data base of all records of supervision, licensing and broadcasting existing in government departments prior to the introduction of the SMAS. It took INDOTEL more than two years to transfer all the existing records to the new system, to inspect all the stations in the country and to clean the database.
- **Mobile networks are very active and expand in a timely manner.** Many sites where the FDT placed public payphones (identified as towns without telecommunications services during appraisal) already had mobile phone services. Notwithstanding, all communities, especially in extremely poor areas, welcomed the payphones, because many people could not afford to buy mobile phones.

**14. Assessment Recommended?**  Yes  No

**15. Comments on Quality of ICR:**

The ICR presents a satisfactory account and evaluation of project background, design, implementation and results. However, the ICR could have, in addition: (1) made comments on the environmental assessments supposed to be done for each FDT rural telecommunication project; (2) attempted to



estimate the ex-post ERR or the IRR of the project as it was done at project appraisal; (3) made a critique of the PAD regarding the lack of a methodology to measure the KPIs; (4) commented on the project mid-term review; and (5) included an incomplete table on Bank staff used in lending in years 1998 and 1999 (it also shows resources spent in supervision when the project was still in the preparation/appraisal phase).

Also, the ICR includes a number of qualitative statements which are not fully supported by surveys or physical evidence. For examples: p. 13 para.1: "... the regulatory agency is well regarded by Dominicans"; p. 14 para. 2: "The expansion of mobile networks due to aggressive competition from entrants benefited all users, specially lower income ones in urban and rural areas"; p.13 last para: "Even though no specific numbers are available, the installation of public payphones in rural areas through the FDT has had an impact on the communities that were served".

**a. Quality of ICR Rating** : Satisfactory