



1. Project Data :	
OEDID:	C2101
Project ID:	P004192
Project Name:	Second Telecommunications
Country:	Lao
Sector:	Telecommunications & Informatics
L/C Number:	Credit 2101-LA
Partners involved :	UNDP, Japan
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2. Project Objectives, Financing, Costs and Components :
 The project, supported by an IDA credit of US\$ 24.5 million equivalent, was approved in FY90 and closed in FY98, two months behind schedule. Actual project cost was US\$45.6 million, about 11 percent higher than the appraisal estimate, mostly due to US\$ depreciation and expanded work program. Co-financing was provided by Japan (US\$11.7 million) and UNDP (US\$1.2 million). Project objectives were to: (i) expand the country's telecommunications network, using modern (digital) technology, and improve international telecommunications services; (ii) strengthen the telecommunications/postal agency (EPTL)'s planning, operational, managerial and financial capabilities; and (iii) develop EPTL's human resources. These objectives were relevant for the time (1990) and in light of the borrower's very limited institutional capacity. The project comprised three components: (i) expansion of telecommunications facilities, including 15,000 new switching lines and added long-distance transmission facilities; (ii) technical assistance incl. 8.2 staff-months of consulting services in project management, planning and finance; and (iii) training of EPTL's technical staff (about 300 staff-months).

3. Achievement of Relevant Objectives :
 Project objectives were substantially exceeded. Switching capacity was expanded by 23,200 lines (54 percent above appraisal target), expansion of long-distance and international transmission capacity was significantly above appraisal estimates, as were the provision of consulting and training services. As a result, telephone density in Laos tripled over the project's period and operational efficiency as well as quality of service greatly improved. EPTL's finances remained generally sound as the Government approved the required tariff increases, although Government accounts receivable have stayed over the covenanted limit. On the policy front, progress was made well beyond the original project objectives, with the incorporation of separate companies for postal and telecommunications services in 1995 and the partial (49 percent) privatization of the state's telecommunications assets in 1996 (via the formation of a joint-venture with a Thai company). Project's ERR was re-estimated at 16.1 percent (versus 12.6 percent at appraisal).

4. Significant Achievements :
 All physical, institutional and policy objectives significantly exceeded (see above).

5. Significant Shortcomings :
 A competitive process for the telecommunications privatization transaction would have been preferable. And the quasi-monopoly granted to the new joint-venture will require close monitoring and regulation by the Government --and a corresponding strengthening of staff skills and expertise in this area. These are areas where the Bank could have helped had it been more proactive in its sector policy dialogue during project supervision.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Satisfactory	Highly Satisfactory	
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Likely	

Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Highly Satisfactory	Highly Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

(i) In telecommunications projects, technical specifications need to be kept sufficiently flexible so as to capitalize on rapid technological advances; (ii) The Bank needs to be proactive during project supervision and be open to opportunities for a broadening of its role in policy assistance when circumstances warrant (e.g. on privatization and regulatory aspects).

8. Audit Recommended? Yes No

Why? Cluster audit of this project and the preceding Rehabilitation and TA project (Credit 1684), with a particular focus on (i) opportunities for Bank assistance to sector reform during supervision; and (ii) initial impact of Laos's approach to restructuring and privatization on sector performance, and relevance to other small countries with similar characteristics.

9. Comments on Quality of ICR :

ICR is satisfactory. In particular, includes a full set of comments from co-financiers. However, could have been more explicit in its assessment of Bank performance during supervision.