



1. Project Data:		Date Posted : 03/11/2004	
PROJ ID: P034101		Appraisal	Actual
Project Name: PK-Telecom Reg & Privat	Project Costs (US\$M)	53.6	34.6
Country: Pakistan	Loan/Credit (US\$M)	35.0	17.76
Sector(s): Board: GIC - Central government administration (100%)	Cofinancing (US\$M)	0.0	0.0
L/C Number: L3950			
	Board Approval (FY)		96
Partners involved : None	Closing Date	06/30/1999	06/30/2003

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2. Project Objectives and Components

a. Objectives

The primary objective of the project was to support the reform and efficient development of the Pakistan telecommunication sector by implementing (a) a suitable regulatory framework for both public and private telecommunication operators; and (b) the efficient allocation and use of the radio spectrum. Specifically, the project was to assist in establishing the Pakistan Telecommunications Authority (PTA) and the Frequency Allocation Board (FAB). Through its regulatory activities, PTA would promote competition in the provision of telecommunication services and increase private participation. The FAB will provide the efficient management and allocation of the radio frequency spectrum for private and public use. Even though the project title implied direct support to Pakistan Telecommunications Corporation Limited's (PTCL) privatization process, it did not provide any direct assistance as the GOP had already contracted privatization transaction advisors from its own resources. However, the project supported PTA in addressing key regulatory issues that were critical to facilitate the privatization of PTCL.

b. Components

Originally, the project had four components. A fifth component was added late in project implementation. They are summarized as follows:

- (1) A technical assistance component for PTA and FAB which included the adoption of a technical cooperation arrangement with a reputable regulatory agency. Under the arrangement, PTA and FAB's priority tasks were to adopt appropriate organizational structures for their entire range of regulatory functions. The component comprised 48 expert-months of technical assistance to PTA and FAB for project implementation and 24 expert-months to FAB during its first year of operation to build operational and maintenance capabilities.
- (2) A staff training component for PTA and FAB comprising the provision of technical assistance through the arrangement of courses and seminars in Pakistan, study trips abroad, and training by suppliers for the operation and maintenance of the acquired equipment. Courses and seminars were to be offered by private firms, universities and associations dealing with specialized regulatory issues and general regulatory methods.
- (3) Procurement and installation of a National Frequency Management and Monitoring System (NFMMS) consisting of: (a) a central administrative facility at Islamabad; (b) regional licensing offices; (c) a satellite monitoring facility at Islamabad; (d) a network of fixed and mobile stations to cover the regions of the country where most of the wireless networks are operating; and (e) equipment for a Type Approval Laboratory. The system was designed as an integrated network that would provide both administrative services (mostly licensing) and technical facilities (frequency planning, radio spectrum monitoring, etc.) and could easily expanded in the future with increased use of the spectrum.
- (4) A sector policy reform component that supported GOP's sector reform program and facilitated the privatization process, e.g., tariffs, demand management, quality of service standards.
- (5) Consultancy: (i) for deregulation of the telecommunications sector basic services (fixed lines) to allow private sector entry and competition, which would include the formulation of a deregulation policy and its implementation; and (ii) to support Ministry of Science and Technology (MOST) in formulating and implementing its Information and Communications Technology (ICT) development strategy.

c. Comments on Project Cost, Financing and Dates

Actual project cost was US\$34.6 million or 35 percent less than the US\$53.6 million estimated at project appraisal because of a lower than estimated cost of the NFMMS, the cancellation of the Type Approval Laboratory and a significant reduction in the scope of the technical assistance and training components of the project. As a consequence, financing by the Bank loan decreased from US\$35.0 million to US\$17.8 million after cancellation of US\$10.0 million in 1998 (following a project mid-term review), US\$1.4 million in 2002 (cancellation of the Type Approval Laboratory) and cancellation of un-disbursed US\$4.1 million on November 21, 2003 (loan closing date was June 30, 2003). The GOP financed the equivalent of US\$16.8 million. The loan closing date was extended three times by a total of four years to account for the delay of about two years in project execution caused by the sanctions imposed on

Pakistan in connection with its nuclear program and later, for the extra time needed by MOST to design and implement a new deregulation policy which is now considered one of the most significant successes of the project. The Bank denied GOP's request for a fourth extension of the loan closing date in order to clear a remaining payment to the supplier of the NFMMS.

3. Achievement of Relevant Objectives:

The project objectives were substantially achieved. The enactment of the Telecommunications Ordinance in 1995 has supported the reform to make an effective development of telecommunications in Pakistan. It implemented a regulatory framework for both public and private telecommunication operators and established the Pakistan Telecommunications Authority (PTA) and the Frequency Allocation Board (FAB). The regulatory activities PTA are promoting competition and private participation in the provision of telecommunication services and FAB has started to provide an efficient management and allocation of the radio frequency spectrum for private and public use. Further, the implementation in 2003 of the telecommunications deregulation policy has removed PTCL's monopoly in fixed lines, introduced the universal service scheme, and allowed private sector entry and competition in the sector basic services. This is also facilitating the privatization of PTCL.

4. Significant Outcomes/Impacts:

(a) Fixed telephone lines have increased from less than 1.7 lines/100 inhabitants in 1995 to about 3.2 lines/100 inhabitants in 2003. Mobile telephones have increased from less than 0.1 users/100 inhabitants in 1995 to about 1.6 users/100 inhabitants in 2003. The introduction of the prepaid calling card service and the Calling Party Pays regime has created a surge in the growth of mobile phones that is estimated to reach over 5 million users by the end of 2004. The tariff structure has been rebalanced: local calls rates have been increased by 60 percent, national long distance calls rates have been reduced by 37 percent, and international calls rates have been reduced by 55 percent.

(b) The US\$27.5 million NFMMS (the main infrastructure financed by the Bank) has become an essential tool for FAB to make an efficient radio frequency spectrum allocation and monitoring. Examples: FAB has significantly reduced the time for spectrum allocation/site-clearance from over four months to 6 weeks, and provisional clearance to mobile operators is given in 7 days; illegal users can be identified by FAB and reported to PTA for further action; radio interference analysis allows FAB the reassignment and re-utilization of radio frequencies; FAB is making systematic monitoring of the proper utilization of assigned frequencies

5. Significant Shortcomings (including non-compliance with safeguard policies):

The project was not able to develop full institutional capability of PTA and FAB. PTA is fully staffed (75 officers and 126 supporting staff) but it requires further technical capacity and regulatory expertise, especially in connection with entry of private operators to the telecommunication sector. Similarly FAB staff requires additional training in radio spectrum management and monitoring to allow them to make full use of the capabilities of the NFMMS. A matter of concern is how to better coordinate and match the functions of PTA and FAB now that FAB remains in the Ministry of Information Technology and Telecommunications (MOITT) and PTA has been transferred from the MOITT to the Cabinet Secretary. In retrospect, during project preparation and appraisal the Bank should have taken a stronger stand to create only one regulatory institution instead of the two-agency approach adopted by the GOP.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	Good performance and diligence of the Bank during project supervision overweighs some weaknesses during project preparation and appraisal.
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- (a) The establishment of new regulatory agencies and the enabling of private sector participation takes considerable time and multidisciplinary resources, particularly legal and economic expertise. This project was very ambitious and it was necessary to extend its implementation by four years, two of which were needed to develop and implement deregulation measures.
- (b) A sector reform agenda is better implemented by a ministry having a limited sector portfolio. In Pakistan, when the responsibility of the telecommunications sector was transferred to the MOITT, the project took momentum and the GOP could then announce the progressive implementation of the telecommunication sector policies.
- (c) A training program for capacity building in new institutions should be designed and detailed implementation arrangements agreed to at an early stage of project preparation and appraisal. This is crucial to achieve institutional development.
- (d) The introduction of the Calling Party Pays regime and prepaid calling cards is a strong incentive to growth in the mobile telephone market.

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The ICR complies fully with the Bank guidelines for ICRs. In 16 pages (supported with 7 annexes packed in 15 pages including the Borrower's contribution) the ICR presents a concise and articulated description and evaluation of the project achievements, impacts and shortcomings. It presents many lessons learned which are applicable to projects dealing with the regulation and privatization of the telecommunications sector.

