



1. Project Data :
OEDID: L3074
Project ID: P003688
Project Name: Third Telecommunication
Country: Fiji
Sector: Telecommunications & Informatics
L/C Number: Loan 3074-FIJ
Partners involved : EIB, Australia
Prepared by: Alain A. Barbu, OEDST
Reviewed by: Yves J. Albouy
Group Manager : Roger H. Slade
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2. Project Objectives, Financing, Costs and Components :
 The project, supported by a loan of US\$ 8.1 million, was approved in FY89 and closed one year behind schedule in FY97 at which time a balance of US\$0.5 million was canceled. The project encompassed Fiji Post and Telecommunications Limited (FPTL)'s 1990-94 investment program for a total cost of US\$47.9 million, to be co-financed by the Australian government and EIB. Actual cost of the program was US\$ 104.9 million, due to an increase in project scope. The project's primary objectives were: (i) establishment of an appropriate policy and regulatory framework; (ii) commercialization of Fiji's P&T; (iii) institutional strengthening of P&T; and (iv) expansion and modernization of the telecommunications network, including broadening of range of services and improvement in quality of service. FPTL's investment program included, *inter alia*, construction of 15,000 new DELs, digital switching and transmission equipment, and rural radio telephone stations. In addition, the project provided for technical assistance (via twinning) and training for FPTL and a newly-created Government Regulatory Unit, as well as a sector restructuring study.

3. Achievement of Relevant Objectives :
 Physical objectives were either met or slightly exceeded (as program was expanded to include modernization/replacement of equipment, beyond original plans). Most efficiency and quality of service targets were achieved, albeit later than scheduled. Although FTPL's financial situation worsened between 1994 and 1995 due to insufficient tariff increases, it had turned around by 1995 when all financial covenants were met anew. On the institutional and policy side, however, objectives were only partially met as the restructuring of the sector and the set up of a regulatory framework were hampered by senior management turnover and lack of Government commitment. Lately, sector reform appears to have regained impetus with the establishment of separate companies for posts (PFL) and telecoms (TFL) in 1996 and the initiation of a study of TFL's privatization in mid-1997.

4. Significant Achievements :
 Physical objectives met or exceeded and commendable improvements in efficiency and quality of service (see above). TPFL's finances recovered in 1995 after several years of insufficient tariff increases.

5. Significant Shortcomings :
 Belated progress on restructuring and regulatory front (see above). Lower-than estimated ERR (5.3 vs. 22 percent), which the ICR attributes primarily to expanded scope of investment program (in spite of decreases in unit costs per line permitted by advances in technology). Possible other explanation for lower ERR could be that tariffs remain below long-term economic cost of service.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Marginally Satisfactory	Achievement of physical targets marred by mixed financial performance (see above).

Institutional Dev .:	Partial	Modest	Because some basic ID objectives were not met, improvements in the sector's performance were mixed; e.g., substantial for quality of service, negligible for pricing regulation. Hence the impact is rated modest.
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	Mostly on account of more recent progress achieved in sector reform
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

Key importance of staff continuity on both Borrower and Bank side for smooth project implementation and policy dialogue.

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

Generally satisfactory on most counts, with one major exception, i .e. the lack of discussion of factors explaining apparent significant increase in unit costs per line constructed and correspondingly low ERR (see above). Region subsequently provided clarifications . Also, no comments from co-financiers included.