



1. Project Data:		Date Posted : 01/24/2001	
PROJ ID: P008843		Appraisal	Actual
Project Name: Telecommunications	Project Costs (US\$M)	462.3	464.2
Country: Slovak Republic	Loan/Credit (US\$M)	55.0	49.5
Sector(s): Telecommunications & Informatics	Cofinancing (US\$M)	230.8	246.0
L/C Number: L3637			
	Board Approval (FY)		94
Partners involved : EIB, EBRD, Export Credits, Slovak Telecommunications Company	Closing Date	06/30/1998	06/30/2000

Prepared by :	Reviewed by :	Group Manager :	Group:

2. Project Objectives and Components

a. Objectives

The Project's objectives were:

- (i) to support the digitalization and expansion of the core network;
- (ii) to improve the institutional and policy framework; and
- (iii) to development policies and mechanisms for liberalization in line with EC guidelines . This was an additional objective and was approved by the Board in August 1997.

b. Components

The project had five components :

- (i) construction of a digital overlay network focusing mainly on long -distance facilities but with appropriate complimentary international and local network improvement;
- (ii) technical assistance and training to support institutional improvements, especially in financial management, human resources management, and market orientation;
- (iii) support the Borrower's development program during the period 1992-1998 in the digitalization and expansion of the core network;
- (iv) support institutional and policy improvements in the Borrower's telecommunications operations; and
- (v) support the establishment by the Guarantor of a modern regulatory agency for the telecommunications sector .

c. Comments on Project Cost, Financing and Dates

The Borrower was the Slovak Telecommunications Company (ST), which, at appraisal, was a state-owned enterprise. ST was privatized in May, 2000. Total project costs were US\$464.2 million, which was US\$1.9 million over the appraisal figure. The Bank provided loans in the amount of US\$49.5 million (US\$55.0 million at appraisal). EIB provided loans in the amount of US\$55.9 million (US\$55.3 million at appraisal) and EBRD provided loans in the amount of US\$54.1 million (US\$0.9 million under the appraisal estimate). The project was also financed by export credits in the amount of US\$58.7 million (US\$66.2 million at appraisal) and the Borrower provided financing in the amount of US\$246.0 million, compared to an appraisal estimate of US\$230.8 million. The project was slated to close in 1998, but the Board approved additional objectives and the amendment of three financial covenants, as well as an extension of two years. The project closed on June 30, 2000.

3. Achievement of Relevant Objectives:

- Support the digitalization and expansion of the core network : This objective was substantially achieved. Telephone service was transformed from an analog network into a digital network; the number of installed telephone lines increased from 935,000 in 1992 to more than 2,070,000 in June 2000; and the number of working lines increased from 821,000 in 1992 to more than 1,730,000 as of June 2000. In addition, in 2000, the public is being served by some 800,000 cellular telephone lines. The efficiency of ST, as measured by the number of staff per 1,000 working lines improved from 14.7 in 1992 to around 8.3 in 2000.
- Improve the institutional and policy framework : This objective was substantially achieved. Under the project, the sector structure changed fundamentally with : (a) the separation of Post and Telecommunications activities

which took place on 1 January 1993; (b) the creation, by an amendment to the Telecom Law, enacted in May 1993, of a new regulatory agency, the "Telecommunications Office of the Slovak Republic (TOSR)"; (c) the issuance of a new Telecommunications Law in May 2000; and (d) the introduction of private participation in the Slovak Telecommunications sector in July 2000.

- Development policies and mechanisms for liberalization in line with EC guidelines : This objective was achieved. The Government's sector policy (Resolution No. 981/1995), promoting competition and private provision of services, was issued in December 1995. The sector was further liberalized with Cabinet Resolution No. 438 of December 1995. As a result, the Slovak Republic has seen the introduction of privately-owned cellular companies and private long-distance networks.

4. Significant Outcomes/Impacts:

Beyond the project's excellent physical achievements, the changes to the telecommunications sector have been significant. The new Telecommunications Law, which was approved by Parliament in July 2000, allows for the establishment of a regulatory authority. The Telecommunications Office of the Slovak Republic (TOSR) was re-confirmed and re-organized as the Telecom Sector Regulator and its staff was hired and trained. The Government's sector policy promotes competition and private provision of services. The Slovak Telecommunications Company was corporatized and changed to a Joint Stock company. Subsequently, ST is now under private management.

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

None.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Satisfactory	Highly Satisfactory	
Institutional Dev.:	High	High	
Sustainability:	Highly Likely	Highly Likely	
Bank Performance:	Highly Satisfactory	Highly Satisfactory	
Borrower Perf.:	Highly Satisfactory	Highly 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:

- Privatization transactions should be preceded by a well-designed public relations campaign.
- A strong display of Government commitment is crucial in attracting private investors.
- The promotion of private sector involvement is a long and complex process. The establishment of an appropriate legal and regulatory framework is a crucial first step without which private investors are unlikely to find potential investments attractive.
- There are potentially significant employment benefits as a telecommunications sector is liberalized and new services are developed (i.e., cellular and paging services).

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The overall quality of the ICR is satisfactory; however, it's otherwise clear and detailed presentation is hindered by two issues: (i) it is vague about the meaning of "privatization." It speaks of the "privatization of ST," but does not expand on whether privatization means private ownership and management, or simply private management. If ST is privately managed, but the state owns at least a portion of it, the ICR's statement that the project contributed to the, "complete liberalization and privatization of the sector (p. 11)," is somewhat misleading; (ii) the ICR has numerous editorial oversights.