

Third Party Evaluator's Opinion on Extension and Improvement of Telecommunications Networks (1) (2)

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Scope of the Project:

Undertaking comprehensive extensions to and improvement of the communications network in the Jakarta Region.

Loan Amount / Disbursed Amount:

Phase I Project: 3,587 million yen / 3,366 million yen

Phase II Project: 13,766 million yen / 13,290 million yen

Implementation Schedule : November 1993 to December 2001

Field Survey : August 2003

The Relevance

Building of comprehensive extensions to and improvement of the communications network in the Jakarta Region has very high relevance. Through this project the demand for communications services in the region can be fulfill. This project also contribute to the improvement of the call completion rate (CRR) for long-distance calls from other regions accessing Jakarta, and thereby to contribute to improving communication conditions throughout Indonesia. This project Consistent with the goal of Indonesia' s sixth five-year national development plan: REPELITA VI (1994-1997) to "increase the efficiency and reliability of telecommunications services", and coinciding with the goal of the national development plan: PROPENAS (2000-2004) to "develop IT infrastructure and improve telecommunications access" and the goal of the executing agency's long-term business plan to "improve and upgrade telecommunications services".

Efficiency

The report pointed out that the actual cost in each Phase was much lower than the estimate at the time of appraisal (about 5.5% for Phase I and 7.4% for Phase II). The cost under-run resulted mainly from depreciation of the local currency (Rupiah), which exceeded inflation, and competitive binding process which enabled in efficient ordering. The output of this project were modified and the major changes made during Phase I and Phase II included : (1) an increase in the number of switchboards from 32 to 111, and (2) an increase in the number of subscriber cables from 180,900 pairs to 209,600 pairs. The report pointed out that the project was completed 2 months ahead of schedule which indicated efficiency in managing this project. However, the report did not explain whether or not the project was cost efficient.

Effectiveness

Through this project the switching capacity increased (approx. 360,000 terminals added in Phase I and Phase II. Equivalent to 37% of 6th 5-year plan target). Besides, the Telephone density, line availability, Call Completion Rates (CCR) , Fault ratios, Sound quality, also improved or Increased. The report states that the FIRR at appraisal of the entire project (Phase I and II) was calculated at 8.14% (after tax) assuming revenues from line installation, basic charges, call charges and others as project benefits, and operation and maintenance (O&M) and replacement costs as project costs. at appraisal. However, by using the same assumptions during ex-post evaluation the FIRR reduced to 7.53% which slightly lower than the appraisal figure. Since the FIRR may be seen as indication of the effectiveness of the project it might be said that effectiveness of this project decreased due the increases in currency-denominated project cost.

Impact

The report pointed out that this project had positive impacts on local economic activities, and non-quantifiable positive socio-economic impacts on the regions. The report pointed out that more than 60% of interviewees in Jongor and Cikarang (50 people in each area) stated that they were “highly satisfied” or “satisfied” with telecommunication service content (improved CCR, etc.); more than 70% stated that they were “highly satisfied” or “satisfied” with customer service content (faster repair response, etc.). Furthermore, in interviews with 10 companies in the above areas, all companies stated that telecommunication service content had “improved dramatically” or “improved”; 9 companies expressed “satisfaction with current services”. Even though seventeen plots of land were acquired for the construction of switching centers, the project did not necessitate any relocation of residents.

Sustainability

The report considers three factors, i.e., Technical capacity, Operation and Maintenance System, and Financial status. The report points out that the employees assigned to perform technical operation and operation and maintenance work have sufficient skills to undertake operation and maintenance work and there are no problem in this area. In addition, where necessary, workers are being dispatched to training centers both within Indonesia and abroad. The report pointed out that under new organizational structure, the executing agency has subsequently been working to strengthen its business through effort to expand the scope of its services, improve customer services and improve the health of its finances. Since 1998 until 2002, Operating Revenues, ROA improved significantly. At the same period, although the company’s liquidity ratio and equity ratio fluctuated, they are moving within a certain range.

Under new regulation (Law Number 36, 1999) the Indonesia’s communications service enter a competitive market.