

Third Party Evaluator's Opinion on The Regional Telecommunications Development Project

Dr. Raufdeen Rameezdeen
Senior Lecturer
University of Moratuwa, Sri Lanka

Relevance

At the time of Appraisal and Ex-post evaluation the project found to be relevant to both Government and beneficiary needs. The relevance of the Project at present is discussed under following sub-headings.

Beneficiary's Vision

To make Sri Lanka the telecommunications hub of South Asia. Sri Lanka is moving towards a fully liberalized telecommunications market environment. Sri Lanka Telecom is looking forward to using this opportunity to grow and to provide state-of-the-art services. Therefore, project is in line with the vision of the beneficiary.

Beneficiary Needs and Priorities

After privatization, SLT gave priority to adding new connections, upgrading its network, installing an efficient financial system, and creating a customer friendly work culture. The project has addressed the first two objectives of SLT. Thus, the project is highly relevant to the beneficiary needs and priorities.

Government Policy

The following two policy statements form the backbone of telecommunications policy adopted by the present government. It is within the scope of the Telecommunications Master Plan (1991-2005).

1. Monopoly agreements will be discouraged and network building institutions will be encouraged to have a separate Cable Port/ Landing Point in Sri Lanka to serve the entire island as Sri Lanka is located very close to Global Fibre Cable Network which runs across the Indian Ocean.
2. Suitable action will be taken to support the development of telecommunications technology at all regional centers, other urban centres, and in community based rural centres. Particular emphasis will be given to the establishment of Multipurpose Tele Centres at these locations.

The Government's policy of creating competition has resulted in major improvements in this sector. The project is in line with the Government policy of promoting telecommunication access in the regions and other urban centres (outside Colombo Metropolitan Region).

Government Priority

Even though developing telecommunications was a top priority at the time of Appraisal of the project, presently Government places a very high emphasis on development of Information Technology under the Communications sector. Nevertheless, this shift does not have a major impact on the relevance of the project.

Conclusions

An efficient and effective telecommunications network contributes to encourage investments and this stimulates economic growth.

It enhances productivity of scarces resources. The Government policy of developing the periphery is reflected in its Telecommunications Master Plan as well. Thus, the project objectives are consistent with the present Government policy. In addition, it is in line with the beneficiary requirement of adding new connections and upgrading its network to provide state-of-the-art services to its customers.

Sustainability

The project sustainability was found to be positive at the ex-post evaluation stage. The sustainability as at today is analyzed using the following criteria.

Institutional Aspects

Sri Lanka Telecom (SLT) was the country's first telecommunications company and it is the successor to the former government owned Telecommunications Department. It has a long history, tradition, a pool of technical know-how, institutional infrastructure such as training

facilities and the human resources. In addition, a strong organizational culture is found in the SLT due to its monopolistic history in the Sri Lankan telecommunications sector. It transformed itself from a lethargic state entity to a dynamic service provider within a short period of time. This was done by upgrading its communications infrastructure, strengthening its marketing skills and strategy, installing new financial systems and controls, and making best use of its human resources.

SLT has benefited immensely from its alliance with NTT. NTT has provided strategic advice, trained SLT employees and helped the Company develop its marketing infrastructure and strategy. NTT expertise has also facilitated the development of SLT's networks, service platforms, information technology and its operating and financial controls and systems. The above analysis shows that SLT has a very strong organizational capacity and culture.

Shareholders

In 1996 SLT was incorporated as a public limited liability company and in 1997 NTT Communications Corporation invested US\$ 225 million to take a 35% stake in SLT. In 2002 SLT went ahead with its Initial Public Offering (IPO) where the Government of Sri Lanka, the majority shareholder, divested a 12% stake in the company. Consequent to this IPO the Government now owns 49.5% Of SLT, NTT Communications Corporation owns 35.2%, and the public owns the balance 15.3%. SLT became the largest listed company in the Colombo Stock Exchange with this IPO. This shows the investor confidence in the SLT. SLT is in a very strong position having the Government, an international telecom company and the public as its shareholders.

The above analysis shows very clearly that institutional sustainability of SLT is extremely high.

Market and Services

SLT leads the telecommunications industry with 87% of the fixed line network. In 2002 SLT acquired Mobitel, one of the leading mobile operators in the country, in which it previously had a 40% stake.

SLT provides a range of services to domestic and corporate subscribers including domestic and international voice, internet services, data services, domestic and international leased circuits, frame relay services, ISDN, ADSL, satellite up-link services and maritime transmission.

With the diverse spectrum of services covering almost all aspects of communications, the competitors cannot easily challenge SLT's position in the market. Therefore, the probability of sustaining the existing markets by SLT is extremely high.

Operation and Maintenance Capacity

The service quality of SLT improved remarkably after privatization. Improvements in faults clearance, the call completion ratio etc., are proof of the service quality of the organization. Thus, it can be expected that the operation and maintenance of project facilities would be carried out by SLT with due diligence.

Financial Stability

For the year ended 31st December 2003 SLT had revenue of LKR 24,477 million and generated a net profit of LKR 2,383 million. The revenue and net profit of year 2002 was LKR 25,383 million, and LKR 2,685 million respectively. The comparison shows a declining financial performance by SLT over the years. However, there is no real threat to the financial sustainability of the executing agency.

Conclusions

The sustainability of the project benefits continues unabated. It was found that SLT has the capacity and financial stability to sustain the project benefits for a long time to come.