

23 Sri Lanka Telecommunication Network Expansion Project in the Colombo Area

Assisting in the deregulation and privatization of the telecommunications sector through the development of telephone network infrastructure

Loan Amount / Disbursed Amount 10.023 billion yen / 8.346 billion yen
Loan Agreement August 1997
Terms & Conditions 2.3% interest rate, 30 year repayment period (10 year grace period), General untied
Final Disbursement Date October 2004
Executing Agency Sri Lanka Telecom (<http://www.slt.lk>)



Project Objectives

The objective of this project was to meet the demand for telephone service by assisting in eliminating the waiting list for main lines in the Colombo metro area, by installing telephone exchange equipment, transmission lines and external plants, and thereby contribute to the revitalization of economic activity in the region.

Effectiveness and Impact

Rating **a**

The capacity of telephone exchange equipment (about 110,000 lines) installed during this project was equivalent to approximately 10% of all telephone subscriptions (910,000 nationwide) in 2005. The call completion rate (the rate of calls successfully connected) also improved to 47.14% (143% of the figure at the time of appraisal) in 2005. Expansion of the fixed telephone network following deregulation also enhanced the introduction of various telecom services (telephone services utilizing Wireless Local Loop (WLL) and CDMA technology). The project improved volume, quality, and diversification of telecom services in Sri Lanka, and thereby contributed to the overall enhancement of the telecom environment. Therefore, this project has largely achieved its objectives and its effectiveness is highly satisfactory.

Relevance

Rating **a**

This project has been highly relevant with the national policies both at the time of the appraisal and at the time of ex-post evaluation. At the time of appraisal, responding to telephone call demand in the Colombo metro area was the main issue. At the time of

ex-post evaluation, the policy addressed the need to provide options for inexpensive and efficient telecommunication methods. Thus, there was a strong need for a fixed telephone network to form the basic structure for telecom services in the area.

Efficiency

Rating **b**

Although project costs were lower than planned (61.5% of planned), the project period was longer than planned (119% of planned period), therefore the evaluation for efficiency is moderate. The main reason for the delay was the additional procurement of materials due to an increase in the introduction of external plants.

Sustainability

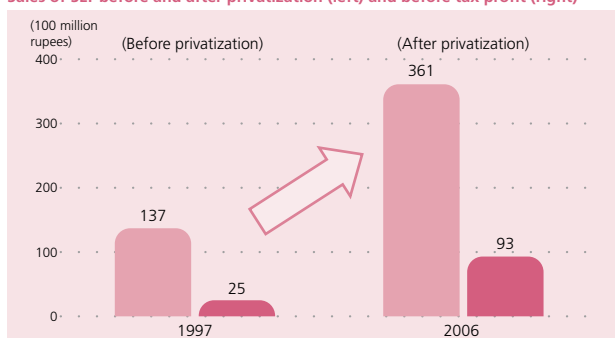
Rating **a**

No major problem has been observed for the capacity of the executing agency nor its operation and maintenance system, therefore sustainability of the project is high. The financial performance of the executing agency showed significant improvement during the past 10 years, and financial stability is high from both short-term and long-term perspectives.

Conclusion, Lessons Learned, Recommendation

In light of the above, the project is evaluated to be highly satisfactory. A lesson learned is that, trends in regulation policies should be fully considered prior to project implementation. It is advisable to expand the areas where faster ADSL services are provided through fixed telephone networks.

Sales of SLT before and after privatization (left) and before tax profit (right)



Third-Party Opinion

The establishment of a modern telecommunications infrastructure through this project enabled deregulation and the entry of new telephone operators into the sector. As a result, the fixed telephone network is expanding rapidly.

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