

Zimbabwe

Mashonaland Manicaland Digitalization Project (II)

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Field Survey: December 2006

1. Project Profile and Japan's ODA Loan



Map of project area

Station building constructed under the project

1.1 Background

In the telecommunication sector in Zimbabwe, the development of telecommunication facilities has not been able to keep up with the demand. This situation resulted in constant connection difficulties and was considered a serious problem from the viewpoint of economic development. As of December 1994, before this project was implemented, as shown in Table 1, there was a demand for 259,382 telephone lines in major regions in Zimbabwe, while the telephone service capacity was only 140,897 lines, meeting approximately 54% of the demand. The telephone density of the country was reported to be 1.27 per 100 people.

Table 1: Telephone Equipment Capacity by Region in Zimbabwe (December 1994)

Region	Telephone Demand (lines)	Subscriber Lines	Satisfaction Rate (%)
Harare City	109,829	68,576	62.4
Mashonaland	38,032	14,777	38.9
Bulawayo City	41,100	25,625	62.3
Matabeleland	7,294	4,833	66.3
Midlands	19,491	10,010	51.4
Manicaland	28,797	9,949	34.5
Victoria	14,839	7,127	48.0
Total	259,382	140,897	54.3

(Source) Prepared by the author based on the JBIC's appraisal material

With this background, an ODA Loan project "Telecommunication Expansion Project

(ZI-P3)¹ was launched with the aim of developing telecommunication facilities (the loan agreement signed in October 1989). As the effect of this project, the number of telephone lines and telephone density were expected to increase to 240,000 and 2.27/100 respectively by May 1996.

However, telephone demand in Zimbabwe was increasing rapidly and this trend was expected to continue. In addition, most of the existing facilities such as analogue switchboards were decrepit. Therefore, it was predicted that even after the completion of the “Telecommunication Expansion Project” (ZI-P3) the decrepit telecommunication facilities would not meet the telephone demand. Thus, there was concern over the shortage of telecommunication facilities that could be a bottleneck for business activities and constitute an obstacle to people’s lives .

A shortage of subscriber cables was also a serious problem. The desirable capacity of subscriber cables is said to be 130% of the exchange capacity, yet this ratio was 76% in the capital city Harare as of the time of appraisal. This shortage of subscriber cables resulted in problems in the effective utilization of the telecommunication system as a whole, making it difficult to satisfy the tight demand for telephone services.

Under these circumstances, the Government of Zimbabwe stated its commitment for the development and expansion of the telecommunication sector in the Second National Development Plan. Under this basic policy, the Telecommunication Sector Investment Plan was developed. With the objective of improving telecommunication services in the country, the Telecommunication Sector Investment Plan set a target of increasing the telephone demand satisfaction ratio to 90% on national basis by the year of 2005. This project, “Mashonaland Manicaland Digitalization Project (II)” (ZI-P6) was designed to improve quality and quantity of telecommunication services in the Mashonaland Provinces including the capital Harare and Manicaland where the telephone supply-demand situation was tight and the scope of this project was to cover all aspects of the telecommunication sector including switchboards and out-station facilities. This project is equivalent to the second phase of the above-mentioned ODA Loan project, the “Telecommunication Expansion Project” (ZI-P3).

In addition to the above-described general state of the sector, the socioeconomic situation of Zimbabwe needs to be taken into account when evaluating this project. After this project started, the Government of Zimbabwe enforced a strong land reform policy, which led to the collapse of the large-scale commercial agriculture system of the country in October 2002 when land acquisition was made for large farms owned by white farmers (about 5,000 farms), 11 million hectares in total. This situation resulted in stagnation in the agriculture industry, which

¹ The project was aimed to meet telephone demand and improve the quality of telephone services in the Mashonaland Provinces including the capital Harare and Manicaland Province by replacing the decrepit and obsolete step-by-step switchboards with digital switchboards and constructing fiber-optic transmission lines to connect major stations in Harare. The actual project cost was 6,753 million yen (ODA Loan disbursed amount: 5,246 million yen). Completed in April 1996.

was the main industry of the country earning most of Zimbabwe's foreign currency. The reform policy also caused the suspension of support and the outflow of funds due to the lowered international credibility. As a result, the macro economy of the country continued to deteriorate. It should be noted that the deterioration of the macro economy was one of the background factors behind the repeated delay in the repayment of the ODA Loan and the decision not to approve the extension of the loan expiry date for this project as described below.

1.2 Objective

The project aims to fulfill the increasing demand for telecommunications by developing telecommunication facilities including switchboards, transmission facilities and out-station facilities in the Mashonaland Provinces including the capital Harare and Manicaland to install an additional 128,800 lines², thereby contributing to the improvement of the living and investment environments of the region.

1.3 Borrower/Executing Agency

Post & Telecommunication Corporation (PTC) (Present TEL-ONE (PVT) LTD.)³
(Guaranteed by the Government of the Republic of Zimbabwe)

1.4 Outline of Loan Agreement

Loan Amount / Loan Disbursed Amount	11,451 million yen / 1,745 million yen
Exchange of Notes / Loan Agreement	June 1996 / July 1996
Terms and Conditions	
-Interest Rate	2.3%
-Repayment Period (Grace Period)	30 years (10 years)
-Procurement	General untied
Final Disbursement Date	October 2001
Main Contractors	Japanese companies, etc.
Consulting Services	Nippon information Technology Consulting Co.,L td. (Japan)
Feasibility Study (F/S), etc.	—

² 125,800 lines from subscriber switchboards and 3,000 lines from a long-distance switchboard in Mashonaland and Manicaland Provinces.

³ PTC was split and incorporated in July 2000 and the telecommunication service business was succeeded by TEL-ONE (PVT) LTD. (TEL-ONE). However, as of the time of evaluation, the shares of TEL-ONE are fully owned by the Government of the Republic of Zimbabwe.

2. Evaluation Result (Rating: D)

2.1 Relevance (Rating: a)

2.1.1 Relevance at the time of appraisal

Zimbabwe virtually abandoned its socialist economy in 1991 and developed the Economic Structural Adjustment Program 1991–95 (ESAP) under the initiative of IMF and the World Bank. ESAP required the country to tackle the issues of economic liberalization, relaxation and abolishment of regulations, etc. for the objectives of achieving sustainable economic development and eradicating poverty. The Second Five Year National Development Plan (SFYNDP) drawn up under ESAP set forth development strategies focusing on market liberalization and activation of private sectors.

SFYNDP set the goal of improving the telecommunication sector both in terms of quality and quantity for the purpose of activating economic activities and stabilizing the livelihood of the people. Under SFYNDP, the Public Sector Investment Program (PSIP) was developed including a specific investment plan for the telecommunication sector with a target of increasing the telephone demand satisfaction ratio to 90% on a national basis by 2005. Specific investment projects for 1995 to 2001 were listed in a five-year rolling plan. This project was mentioned in the rolling plan as one of the first priority projects and therefore its consistency with the development policy was confirmed.

In the project area of the Mashonaland Provinces including the capital Harare and Manicaland Province, telephone demand was projected to increase at an annual rate of 8.7% from 1990 to 1995 and 8.1% from 1995 to 2000. If nothing was done, such situation could have hampered various business activities and people's lives. In light of these matters, there was a strong need to improve telephone services in this region both in terms of quality and quantity. In light of this, it was considered important to respond to the telephone demand up to 2003 by installing and expanding switchboards, transmission facilities and out-station facilities, and therefore this project was consistent with the development needs of the country.

2.1.2 Relevance at the time of evaluation

The telecommunication sector has remained to be one of the high priority sectors in the national development and investment policy of Zimbabwe to date. Although a Five Year National Development Plan has not been drawn up since 2000, development policies with medium term targets have instead been announced every two years. In one of these policies, "Zimbabwe: Towards Sustained Economic Growth – Macro-economic Policy Framework for 2005–2006" issued in November 2004, for example, the telecommunication sector is listed as one of the important sectors, along with agriculture, manufacturing, water, energy, mining, construction, tourism, and transportation. Therefore, the relevance of this project with the national development policies was confirmed as of the time of evaluation.

Particularly in the Mashonaland Provinces including the capital Harare and Manicaland Province, the needs for the development of the telecommunication sectors seem to remain strong. For example, in the four districts of Nyanga, Rusape, Chipinge, and Mutare in the Manicaland Province covered by this project where the planned installation of switchboards was not realized, the telephone main lines in operation-exchange ratio as of October 2006 was nearly 100% (94%, 89%, 88% and 99% respectively), indicating that measures to ease the demand-supply situation are urgently needed.

Although the call completion rate in the same province achieved 62% on average as of October 2006, that in the Mutare district where the switchboard was not installed under the project remained at an extremely low rate of 27.7%.

The telephone density per 100 population in the Manicaland Province was only 0.84 in 2003 and 1.15 in 2006, which is extremely low even compared with the averages of developing countries, which is generally said to be less than 10.

Therefore, the development needs in the telecommunication sector in the project area remain strong as of the time of the ex-post evaluation and the qualitative and quantitative improvement of telephone lines is strongly desired.

2.2 Efficiency (rating: b)

2.2.1 Outputs

The scope of this project is composed of 1) installation of switchboards, 2) installation of subscriber cables, 3) installation of transmission lines, 4) construction of station buildings, 5) installation of batteries, 6) consulting services, and 7) training services. The comparison between the planned and actual scope is shown in Table 2.

Table 2: Outputs of the Project (Comparison of Planned and Actual Scope)

Plan	Actual
1. Installation of switchboards: 128,800 lines in total	1. Installation of switchboards
· Local switchboards: 125,800 lines	· Local switchboards: 38,300 lines
Mashonaland (Harare): 71,300 lines	Mashonaland (Harare): 38,300 lines
Mashonaland (excluding Harare): 42,500 lines	Mashonaland (excluding Harare): Not started
Manicaland: 12,000 lines	Manicaland: Not started
· Long-distance switchboard: 3,000 lines	· Long-distance switchboard: Not started
2. Installation of subscriber cables: 131,364 pairs in total	2. Installation of subscriber cables: Not started
· Mashonaland (Harare): 66,100 pairs	

<ul style="list-style-type: none"> ·Mashonaland (excluding Harare): 59,800 pairs · Manicaland: 5,464 pairs 3. Installation of transmission lines <ul style="list-style-type: none"> · Inter-station transmission lines: Fiber-optic cables ·Backbone transmission lines: 140Mb/s system between Harare and Ruwa, 34Mb/s system between Rusape and Mutare 4. Construction of station buildings <ul style="list-style-type: none"> · Expansion of existing buildings: 24 stations 5. Installation of batteries 6. Consulting services <ul style="list-style-type: none"> ·Detailed design, preparation of bidding documents, bid evaluation, construction supervision 7. Trainings <ul style="list-style-type: none"> ·Technical transfer to the staff of the executing agency by the consultants and contractors 	<ul style="list-style-type: none"> 3. Installation of transmission line: Not started 4. Construction of station buildings <ul style="list-style-type: none"> ·Construction of exchange stations (8 additional stations) in urban areas of Harare 5. Installation of batteries: Not started 6. Consulting services: Partially implemented (the portion involving the installed switchboards) 7. Training Partially implemented (the portion involving the installed switchboards)
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As shown in Table 2, besides some portion of the original plan, this project was suspended. Of the main portions of the original plan, such as installing switchboards, subscriber cables and transmission lines, only the installation of some switchboards (38,300 lines in Harare of the planned 125,800 local lines) has been implemented. The remaining portions were to be procured as one package. However, because of the mismanagement that occurred during the bidding process, JBIC decided not to provide a loan for the remaining portions of this project. Details of the circumstances that led to the suspension of the loan disbursement are as shown in Table 3.

Table 3: Circumstances that Led to the Suspension of the Project (regarding the Bidding Process)⁴

<p>July 1996: Loan Agreement was signed</p> <p>August 1996: Consultant Contract was agreed</p> <p>May 1997: A negotiated contract for some portions of the equipment acquisition was agreed (switchboards for 38,300 lines of the planned 71,300 lines in Harare)</p> <p>May 1998: Bidding process for the remaining project portions (referred to as the “main part”) was announced (international competitive bidding)</p> <p>September 1998: Bidding for the main part was closed</p> <p>October 1998: Technical evaluation of the bids for the main part started <The evaluation process was delayed because of a complaint filed by a bidder regarding the qualification of another bidder></p> <p>January 2001: JBIC agreed on the technical evaluation</p> <p>March 2001: Price proposal documents submitted by bidders were stolen</p> <p>April–August: 2001: JBIC requested the Zimbabwean Government and the executing agency to report on the details of the theft including consideration of measures to prevent a recurrence of similar incidents and ensure fairness, but did not receive a reply satisfactory.</p> <p>October 2001: A decision was made not to extend the loan expiry date (21st of this month) and to suspend the remaining portions of the project.</p>
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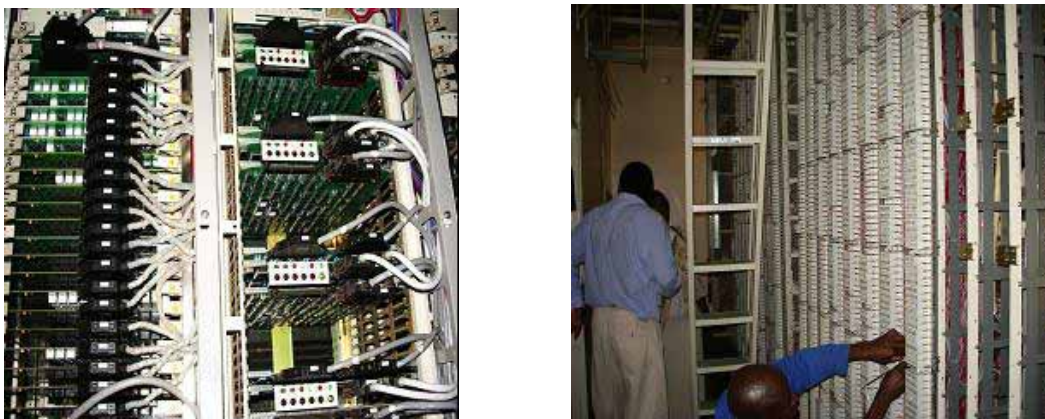
These circumstances described in Table 3 indicate that the final decision to suspend the project was made because of the theft of the bidding documents for the main part of the project and the obscurity of the facts regarding the theft incident⁵ and in consideration of the situation in which it was uncertain when a fair rebidding process could be conducted. In light of the importance of this project, the Government of Zimbabwe requested JBIC’s approval for rebidding. JBIC did not extend the loan expiry date taking into consideration the above-described facts and consequently this project was discontinued upon expiry of the loan period. Moreover, continuation of the loan disbursement to Zimbabwe was questioned from the viewpoint of protecting credit because the country often delayed in the repayment of ODA Loans and, given the international criticism of Zimbabwe’s land reform program, it was difficult to continue providing support to the country by extending the loan expiry date. These circumstances also seem to have significantly influenced the decision to discontinue this project.

⁴ The circumstances that led to the cancellation of the loan disbursement for this project shown in Table 3 are summarized by the author on his own responsibility based on the internal documents of JBIC.

⁵ In spite of JBIC’s request to the Zimbabwean Government for a detailed report of the theft incident, the facts have not been made clear.

It should be pointed out that the difference in the situation between the times of the ex-ante appraisal and ex-post evaluation is not due to the change in the needs or external conditions relating to this project. The needs for this project have not decreased at all based on the survey conducted by the evaluator.

Figure 1: Installed switchboard



2.2.2 Project period

The implementation schedule of this project was initially planned as presented in Table 4.

Table 4: Original Plan for the Implementation Schedule of the Project

	1996	1997	1998	1999	2000
Bidding preparation	←→				
Bidding and contracting		←→			
Equipment Manufacturing			←→		
Installation				←→	
Consulting services	←→				
Acceptance				←→	

As shown in Table 4, in the original plan it was scheduled that the bidding preparation would be completed by the first half of 1997 and the bidding process would start in the second half of 1997, thus the signing of the contract was expected to take place in the middle of 1998 at the latest. However, as already mentioned, the bidding process for the main part of this project was announced in May 1998, already one year behind schedule. Furthermore, the problems described in 2.2.1 above occurred at the stage of the bid evaluation. Thus, the bidding process was not completed and in the end this project was discontinued in October 2001 upon expiry of the loan period.

2.2.3 Project cost

Table 5 shows a comparison between the planned and actual project cost. The ODA Loan covered the entire foreign currency portion shown in Table 5.

Table 5: Comparison between Planned and Actual Project Cost

(1) Planned project cost

	Foreign Currency (million yen)	Local Currency (million yen)	Total (million yen)
1. Installation of switchboards	3,661	0	3,661
2. Installation of subscriber cables	5,581	1,379	6,960
3. Installation of transmission lines	282	0	282
4. Construction of station buildings	0	53	53
5. Installation of batteries	486	0	486
6. Consulting services	756	0	756
7. Training	140	0	140
Contingency reserve	545	72	617
Total	11,451	1,504	12,955

(Note) 1) Exchange rate: Foreign currency 95.2 yen/US dollar, local currency 11.2 yen/ZW dollar

2) Base year used for cost calculation: October 1995

3) Price escalation rate: foreign currency 0%, local currency 0%

4) Contingency reserve: 5%

(2) Actual project cost

	Foreign Currency (million yen)	Local Currency (million yen)	Total (million yen)
1. Installation of switchboards	1,142	0	1,142
2. Installation of subscriber cables	-----	-----	-----
3. Installation of transmission lines	-----	-----	-----
4. Construction of station buildings	0	*	*
5. Installation of batteries	-----	-----	-----
6. Consulting services	449	0	449
7. Training			
Total	1,591	*	*

(Note) Some station buildings were constructed with the Zimbabwean side's own funds. However, as the amount is unknown, it is shown as * in the above table.

The project cost substantially decreased because, as already mentioned, support for the implementation of this project was discontinued after some portions were completed.

2.3 Effectiveness (rating: c)

In this project, installation of subscriber switchboards for 125,800 lines (excluding long-distance lines) was planned to meet the expected telephone demand for FY 2003. However, for those reasons described above, subscriber switchboards for only 38,300 lines were installed in the Mashonaland Provinces. In Zimbabwe, where it has been indicated that there is a capacity shortage of subscribed cables in comparison to switchboard capacity, the effect of the installation of switchboards only is believed to be limited. The new switchboards installed under the project Z1-P3 (equivalent to Phase 1 of this project) have not been used to full capacity because of 1) shortage of subscriber cables and 2) deterioration of subscriber cables in the capital, Harare. In this project, therefore, installation of subscriber cables was considered an important component. However, switchboards were installed only in the Mashonaland Provinces and the project was terminated before commencing the installation of switchboards in Manicaland Province and the installation of subscriber cables. Therefore, the effect of this project was generated only to a limited extent of the expected effects and the effectiveness of this project has to be considered to be low.

Also, it is difficult to measure the quantitative effectiveness of the installed switchboards for 38,300 lines only. The reason is that although this project was equivalent to Phase 2 of the "Telecommunication Expansion Project (ZI-P3)," the component implemented under this project was so limited that it was considered difficult to physically separate the effect of Phase 2 from that of Phase 1.

Taking account of these situations, 1) this project was not as effective as expected at the time of planning because the installation of subscriber cables, which was an important part of this project, was not implemented, and 2) even if there were a clear separation between the effect of Phase 1 and that of Phase 2, the achieved effect of this project would have been considered quit limited comparing with the planned effect. Therefore, the effectiveness of this project has to be determined to be low.

2.4 Impact

As with effectiveness, it is impossible to measure the impact of this project separately from the impact of Phase 1 because most of the outputs planned at the time of appraisal were not implemented.

In relation to the impact of this project, a beneficiary survey was conducted to households (147) and companies (29) having an address in the capital, Harare, to find out the telecommunication situation in Harare where switchboards were installed.⁶ Below is the summary of the survey. It needs to be noted that these results reflect the general

⁶ Those households and companies having address in the capital Harare subject to the beneficiary survey were selected at random from the list of customers of TelOne.

telecommunication situation in Harare and the respondents' answers cannot be taken as those about this project.

Of the respondent households, approximately 75.5% (111 out of 147) are very satisfied or mostly satisfied with the telecommunication situation. Those who answered "not satisfied" accounted for only 21.1 % (31 households) of all households. Based on these results, it is possible to determine that the telecommunication situation of Zimbabwe is not poor as far as in meeting the demand of individual users. However, it needs to be noted that this beneficiary survey was conducted in the capital, Harare, which has the most developed telecommunication environment in the country. As for companies, the rate of the respondents who answered they were not satisfied with the telecommunication situation was 31.0%, about 10 percent higher than that among households. Judging from these results in general, improvement in the telecommunication sector in Zimbabwe is not sufficient to satisfy the advanced needs of businesses, suggesting the necessity for measures for future improvement in this sector.⁷

The implementation of the project had no particular impact on the environment.

2.5 Sustainability (rating: c)

2.5.1 Executing agency

At the time of appraisal, the Post & Telecommunication Corporation (PTC) was supposed to be the executing agency of this project. PTC was a public corporation founded in 1970 under the supervision of the Ministry of Information, Posts and Telecommunications and was engaged in telecommunication and postal services. This project was planned to be managed and operated by the Telecom services of PTC and its subordinate regional offices in each province.

PTC was split and incorporated in July 2000 and the telecommunication service division was succeeded by TelOne (PVT) Ltd. (TelOne). Therefore, the executing agency of this project as of the time of evaluation is TelOne.

2.5.1.1 Technical capacity

At the time of appraisal, PTC had the Communication Equipment Manufacturing Division

⁷ The results of the beneficiary survey concerning the telecommunication situation as of the time of evaluation are as follows:

<Household Survey> (147 households) *The parenthesized figures indicate the number of effective answers.

- Regarding the telecommunication situation: Very satisfied (63), mostly satisfied (48), not satisfied (31)
- Reason for dissatisfaction: Telephone calls are not connected (6), Internet access is not available (2), charges are expensive (8), not repaired as scheduled (13), maintenance is poor (2)

<Company Survey> (29 companies) *The parenthesized figures indicate the number of effective answers.

- Regarding the telecommunication situation: Very satisfied (6), mostly satisfied (13), not satisfied (9)
- Reason for dissatisfaction (* Multiple answers allowed): Telephone calls are not connected (5), Internet access is not available (4), charges are expensive (6), not repaired as scheduled (11), maintenance is poor (6), the network often fails (7)

for the purpose of repairing and manufacturing communication equipment and owned a communication equipment plant in Harare. By hiring consultants, PTC was expected to strengthen the structure for implementing this project. Also, technical training for the staff of PTC and operation and maintenance assistance were planned to be provided by contractors with a view to helping the staff of PTC acquire and improve capacity to operate the system to be installed under the project. Considering these points in general the technical capacity of PTC was expected to be enough to implement the project.

Even after PTC was split and incorporated, TelOne, which succeeded the rights and duties of the Telecommunication Division of PTC, remains to be the leading organization of the telecommunication sector in Zimbabwe. Although deregulation of this sector in the future is being discussed, TelOne it is expected to continue to take a leading role in technical development in this field in Zimbabwe. The results of the beneficiary survey show that some are dissatisfied with the maintenance services. However, any potential cause of technical problems has not been reported to date.

2.5.1.2 Organization

In 1995, consultants were hired by the fund provided by the World Bank and a study for the organizational reform of PTC directed toward privatization was conducted. Based on the results of the study, it was planned at the time of appraisal to split PTC into four strategic organizations (a postal division, telecommunication division, mobile communication division, and communication equipment manufacturing division) while maintaining the existing framework as a public corporation, and each organization was to operate businesses with their own decision-making process and for their own growth targets. In this context, the organization reform of PTC was already under discussion at the time of appraisal and it was recognized that the progress in the structural reform of PTC and the reform of the Zimbabwean telecommunication sector should be considered when implementing and supervising the project.

PTC was split and incorporated in July 2000 and its telecommunication service division was taken over by TelOne. TelOne is a company limited by shares created as a result of the split of PTC and is basically not different from other private companies in legal terms. However, as the Government of the Republic of Zimbabwe owns all shares of TelOne at present, the government controls the company as a shareholder. Therefore it is different from other limited companies in general.

It has been decided by the Cabinet that TelOne will be privatized and that, after privatization, 70% of its share will be owned by the government and the remaining 30% will be owned by a private entity called a strategic partner. However, details of privatization

including who will own 30% of the shares have not been decided as of the time of evaluation.⁸ Considering these matters, the future direction of TelOne has not been decided and is uncertain at this point.⁹

2.5.1.3 Financial status

At the time of appraisal, the financial status of PTC was not concluded to be stable because the values of various indicators for reliability, fluidity, profitability, etc. fluctuated overall. However, as those values for FY 93/94 achieved certain levels, it was considered to be close to satisfactory at the time of appraisal.

Looking at the financial status of TelOne that succeeded the Telecommunication Service Division of PTC, as shown in Table 6, it continues to run a deficit on a pretax basis due to 1) the increase in general operation expenses and personnel expenses caused by rapid inflation and 2) foreign exchange losses resulting from substantial depreciation of the local currency, reflecting the macroeconomic conditions of Zimbabwe. Therefore, the financial position of TelOne, especially that after adjusting for inflation, has to be determined to be weak.

Table 6: Profit and Loss of TelOne (unit: thousand ZW dollars)

	(Current cost bases)			(Acquisition or cost bases)		
	2003	2004	2005	2003	2004	2005
Sales	577,707,416	7,815,699,971	6,011,120,391	108,421,563	834,276,894	2,533,092,888
Gross Profit	279,567,808	3,333,088,131	3,695,528,471	50,066,895	536,506,164	1,293,565,828
Personnel Expenses	-227,559,946	-3,515,490,345	-2,635,234,565	-38,378,624	-366,248,385	-837,545,033
Operating Profit	12,928,547	-592,166,245	1,012,894,680	5,012,711	155,169,698	416,788,679
Foreign Exchange Losses	-1,933,878,176	-9,093,417,580	-19,639,458,846	-196,142,205	-1,312,185,231	-19,631,402,808
Pretax Profit	-435,856,909	-8,739,119,041	-11,233,802,843	-182,738,531	-1,178,532,622	-19,759,383,136

(Source) TelOne Annual Reports

Annual Report 2004 for the data for 2003 and Annual Report 2005 for the data for 2004 and 2005

⁸ TelOne says that the selection of the strategic partner should be up to the government's policy on the grounds that shareholders of TelOne will be in a position with significant influence on the telecommunication sector in Zimbabwe. On the other hand, the competent Ministry of Transport & Communications insists that TelOne should select the strategic partner on its own responsibility. The ministry argues that as TelOne has more information regarding the telecommunication sector in terms of quality and quantity, TelOne has the ability to select an appropriate shareholder which is internationally recognized. It would be correct to assume from this situation that at present the government and TelOne are trying to grasp each other's intention concerning the direction TelOne should take in the future.

⁹ Given the present conditions of the macro economy of Zimbabwe as described in "1.1 Background," it seems impossible at this point in time to promote the early privatization of TelOne because it is almost unlikely that there is any strategic partner who is willing to own shares of the company with such a huge foreign exchange loss as mentioned in "2.5.1.3 Financial status."

2.5.2 Operation and maintenance status

Operation and maintenance activities are carried out according to the prescribed schedule based on manuals. Maintenance work is performed routinely for predetermined items to be checked for each period. With respect to the implemented components, the constructed or installed facilities are properly air-conditioned and locked up and no problems have been found in particular. However, because of the limitation of the total budget, there seems to be a concern that a sufficient budget will not be allocated for the procurement of necessary parts or personnel development.

3. Feedback

3.1 Lessons Learned

In this project, following the occurrence of mismanagement in the procurement process (theft of bidding documents for the main part of the project), it was decided not to extend the loan expiry date because the facts of the theft incident were obscure, that the possibility of the recurrence of theft was not eliminated, and that it was uncertain when a fair rebidding process would be conducted. Consequently the project was discontinued upon expiry of the loan period in spite of the request for continuation from the Government of Zimbabwe. At that time, the continuation of loan disbursement to Zimbabwe was questioned from the viewpoint of protecting credit because the country often delayed in the repayment of ODA Loans and also it was extremely difficult to continue providing support to the country by extending the loan expiry date amid the international criticism of Zimbabwe's land reform program. Considering these points together, the decision to discontinue this project was the right decision. However, given the strong need for the support for the telecommunication sector in the country and the importance of ODA Loans in this sector, the suspension of support had a huge influence on this sector and improvement of telephone lines both in terms of quality and quantity is still strongly desired. Although it was inevitable for JBIC to suspend support as an organization providing bilateral assistance based on the socioeconomic situation of the borrower country as was the case in this project, JBIC should propose to the Japan Government that due consideration should be given to the greatness of the influence that such decision would have on the development of the borrower country given the largeness of its presence.

Comparison of Original and Actual Scope

Item	Plan	Actual
1. Outputs		
1) Installation of switchboards	128,800 lines in total	
·Local switchboards	125,800 lines	38,300 lines
·Long-distance switchboard	3,000 lines	Not started
2) Installation of subscriber cables	131,364 pairs in total	Not started
3) Installation of transmission lines		Not started
·Inter-station transmission lines	Fiber-optic cables	
·Backbone transmission lines	Backbone transmission lines: 140 Mb/s system for Harare-Ruwa, 34 Mb/s system for Rusape-Mutare	
4) Construction of station buildings	Expansion of existing buildings: 24 stations	Construction of exchange stations (8 additional stations) in urban areas of Harare
5) Installation of batteries	Installation of batteries	Not started
6) Consulting services	Detailed design, preparation of bidding documents, bid evaluation, construction supervision	Partially implemented (the portion involving the installed switchboards)
7) Training services	Technical transfer to the staff of the executing agency by the consultants and contractors	Partially implemented (the portion involving the installed switchboards)
2. Project Period	44 months July 1996 – February 2000 (Started with signing of L/A and ended with termination of the consultant contract)	64 months July 1996 – October 2001 (Started with signing of L/A and ended with loan expiry because of the problem in procurement)
3. Project Cost		
Foreign Currency	11,451 million yen	1,591 million yen
Local Currency	1,504 million yen	Not known (the portion involving construction of

Total	12,955 million yen	station buildings)
ODA Loan Portion	11,451 million yen	Not known
Exchange Rate	Foreign currency	1,745 million yen
	95.2 yen/US dollar	
	Local currency	
	11.2 yen/ZW dollar	
	(As of October 1995)	