

Telecommunications Sector Review

EBRD Evaluation department

2013

This study presents an evaluation of EBRD telecommunications projects approved between 2006 and 2011 under its 1999 Information and Communication Technology sector strategy. The results of this study were to provide input into the preparation of a new sector policy.

About the study

This study examines the relevance, effectiveness, efficiency, transition impact and sustainability of the telecommunications projects under review to provide input into a new telecommunications sector policy.

EvD reviewed 17 projects representing 80 percent of telecommunications projects approved between 2006 and 2011. Seven sample telecommunications projects were evaluated with field visits, and 10 further projects were reviewed through a desk study.

Bank performance of these projects was rated overall as “partly successful” according to above evaluation criteria.

Recommendations

Regular policy updates: The ICT sector, including telecoms, is subject to particularly fast changes in technology, consumer preferences and market patterns. Therefore, the Bank’s operating priorities set for such a sector may become obsolete within years or even months. To ensure it stays abreast with the changing environment, the Bank should consider introducing regular (either annual or semi-annual) reviews of its ICT operations policy.

Privatisation: The EBRD may still play a role in accelerating or enabling privatisation of large telecom companies as strategic investors still prefer to co-invest in this sensitive sector alongside institutions, such as the Bank, which provides additional political comfort.

Technological changes impact on project structuring, and transition benchmarks and objectives:

Demand for fixed telephony was replaced by demand for mobile phone networks, leading to changes to expected results, and changing methods of calculating expected revenue. Equity financing is particularly vulnerable to technological and regulatory changes.

Limitations to market consolidation: EBRD projects aiming to achieve market consolidation with clients can be limited by anti-monopoly laws. Attention should be paid to avoid strengthening the positions of operators already dominant in other markets (such as cable television), while supporting their broadband expansion.

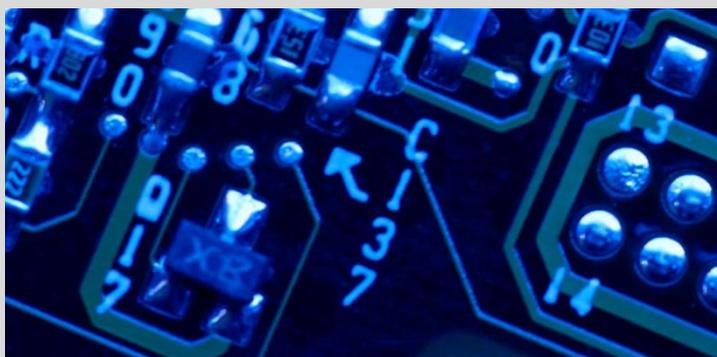
Expansion of broadband: In developing its new sector policy, the Bank should consider ways to better emphasise the opportunities for financing broadband infrastructure with both operators and local authorities, particularly those which strengthen alternative operators through for example consolidation.

Promotion of e-business to develop telecom sector: More vigorous promotion of e-business and e-government by the Bank’s projects across different sectors could help facilitate the telecoms sector development. The link between the new telecoms policy and other sector policies should be considered, particularly for small and medium-sized enterprises; the municipal and environmental infrastructure sector and country strategies for early transition countries.

Policy dialogue and technical cooperation: The EBRD should continue to support the staff of regulators and judges through the Legal Transition Programme. It should focus more on the effective monitoring of compliance and enforcement of existing regulations.

Regulatory changes: The EBRD should take account of the side effects of regulation experienced in comparable circumstances elsewhere. In particular, the relevance of the levels of termination rates and telephony penetration to number portability should be considered.

Analysing subscriber base: When assessing the viability of an investment in a telecoms operator, it is vital to distinguish between the number of active subscribers and the total number of subscribers. An operator can have an impressive subscriber base but little or no cash flow coming from it.



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www.ebrd.com/evaluation.

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