

AFRICAN DEVELOPMENT BANK GROUP



BENIN

COMMUNICATIONS DEVELOPMENT PROJECT

Project Performance Evaluation Report (PPER)

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

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EQUIVALENTS, ACRONYMS AND ABBREVIATIONS**CURRENCY EQUIVALENTS**

Currency Unit		=	Franc CFA
	CFAF 1	=	FF 0.01
AR Dec. 80	UA1	=	CFAF 380.318
PCR March 98	UA1	=	CFAF 796.014
PPER December 1999	UA1	=	CFAF 889.786

MEASURES

Watt (W)	=	Unit of power
1 Kilowatt (kW)	=	1000 Watt
Hertz (Hz)	=	Unit of frequency
1 Giga hertz (GHz)	=	10 ¹² Hz
1 kilometre (km)	=	10 ³ m = 0.612 mile
1 metre (m)	=	3,29 feet (ft)

BUDGET YEAR1st January – 31st December**ACRONYMS AND ABBREVIATIONS**

ADB	African Development Bank
ADF	African Development Fund
AFD	French Development Agency
BG	Benin Government
CAA	Caisse autonome d'amortissement
ERR	Economic Rate of Return
F.E.	Foreign exchange
FRR	Financial Rate of Return
ITU	International Telecommunications Union
LC	Local Currency
DL	Direct Line
MUA	Million Unit of Accounts
NA	Not Applicable
NE	Non Existent
NTF	Nigeria Trust Fund
OPT	Posts and Telecommunications
UA	Bank Unit of Account
USD	United States Dollars

PREFACE

1. This project performance evaluation report (PPER) concerns the Benin Telecommunications Development Project for which the Bank approved, on 18 April 1990, an ADF loan of MUA 6.93 and an NTF loan of MUA 7.00 which were signed in November and May 1990 respectively and which entered into force on 21 July 1992. These loans were on-lent to the Post and Telecommunications Authority (OPT), beneficiary and project executing agency.
2. The project falls within the framework of the emergency actions of the priority investment programme (88-93) defined on the basis of the telecommunications master plan (1985–2005) prepared with the assistance of the UNDP. The sectoral objective of the project is to improve the quality of the service by facilitating the access of urban and rural dwellers to basic services, and to help step up the efficiency and competitiveness of economic operators. Its specific objective is to meet the additional demand especially of Porto-Novo until 1995, and to strengthen OPT's financial and institutional capacity.
3. The project was implemented more than five years behind schedule, as a result of the administrative sluggishness on the part both of OPT and the government, delaying thereby the entry into force of the loans (14 and 19 months), of the sanctions on the country and of the problems around the availability of ADF V funds. This delay in project completion impacted adversely on the local currency cost which increased by 4.8% as a result of the devaluation of the CFA franc and on project performance since the delay in meeting demand was only partially reduced. On the whole, project components were well implemented and the equipment is in satisfactory working order. The economic, financial and institutional performance of the project was also satisfactory and the prospects for sustainability are good.
4. The quality of the project completion report (PCR), the distribution of which coincides with that of this report, is satisfactory, although a lack of information on the status of the sector's restructuring justified a performance evaluation mission to supplement the analyses of the PCR.
5. This report was prepared using the results of the performance evaluation mission fielded in July 1999 and refers to the project appraisal and completion reports. It evaluates project performance, in particular the extent to which the objectives were reached, focuses on the operational and institutional performance as well as the sustainability of its effects. It draws conclusions and lessons and formulates recommendations to the Borrower and the Bank for the consolidation of project benefits and for the sector's development.
6. The comments collected following the dispatch of this report to OPT as well as the comments of the Bank departments concerned will be the subject of an addendum to this version of the report.

BASIC PROJECT DATA**Preliminary data**

1. Country : Benin
 2. Project : Benin Telecommunications Development Project
 3. N° of loans : F/BEN/TEL/90/22
 N/BEN/TEL/90/01
 4. Borrower : Government of the Republic of Benin
 5. Beneficiary : Office des Postes et Telecommunications of Benin
 6. Executing Agency : Office des Postes et Telecommunications of Benin

A. Basic data on loan

	ADF	Projected	Actual
1. Loan amount in UA		6,926,311	6,564,042
2. Interest rate		1% from the eleventh year through to the twentieth year and 3% per annum thereafter	
3. Commitment charge %		0.75%	0.75%
4. Repayment period including the 10-year grace period.		50 years	50 years
5. Loan approval		-	18 April 1990
6. Signature		-	30 November 1990
7. Date of entry into force		Before 29 May 1991	14 July 1992

	NTF	Projected	Actual
8. Loan amount in MUA		7.00	6.911
9. Interest rate		4%	4%
10. Commitment charge		0.75%	0.75%
11. Repayment period including the 5-year grace period		20 years	20 years
12. Loan approval		-	18 April 1990
13. Signature		-	30 May 1990
14. Date of entry into force		Before 29 November 1990	30 June 1992

B. Basic Project Data

	<u>ENTRY</u>			<u>PROJECTED</u>			<u>ACTUAL</u>		
	F.E	L.C	Total	F.E	L.C	Total	%		
1. Total cost (MUA)			15.48			14.78			
2. Financing plan (MUA)									
ADF	6.92	-	6.92	6.43	-	6.43	43.5		
NTF	7.00	-	7.00	6.72	-	6.72	45.5		
OPT	-	1.56	1.56	-	1.64	1.64	11.0		
Total	13.92	1.56	15.48	13.14	1.64	14.78	100.0		
3. Preparation	:		-						
4. Appraisal	:		March/Apr. 1988			reappraised in Jan.1990			
5. Actual date of 1 st disbursement	:		ADF: 30/10/92			NTF: 24/2/93			
6. Deadline of last disbursement	:		ADF & NTF: 30/6/95						
7. Actual date of last disbursement	:		ADF: 29/9/97			NTF: 06/01/98			
8. Actual date of works start-up	:		July 92						
9. Actual date of works completion	:		November 1998						

C. Performance Indicators

1.	Project cost variation	:	- 4.5% and balance of MUA 0.779 on loans
2.	Project implementation duration	:	5 years
3.	Slippage on entry into force	:	NTF +19 months and ADF + 14 months
4.	Number of extensions	:	3
5.	Slippage on works start-up date	:	18 months
6.	Slippage on completion date	:	67 months
7.	Project status	:	Completed
8.	Implementation performance	:	unsatisfactory
9.	Bank performance	:	unsatisfactory
10.	Achievements	:	satisfactory

D. Missions

N°	Types	Number	Dates	No. persons	Man/weeks
1.	Appraisal	1	March/April 88	2	4
2.	Reappraisal	1	January 1990	1	1,5
3.	Supervision	1	December 1991	1	2
		1	April 1994	1	2
		1	May 1996	1	2
		1	December 1997	1	2
4.	PCR	1	March 1999	1	2
5.	PPER	1	July 1999	2	3
Total		8			18,5

E. Loan disbursement (in UA thousand)

Year	<u>Appraisal</u>				<u>Completion</u>			
	ADF	NTF	OPT	Total	ADF	NTF	OPT	Total
1991	3,951	2,046	397	6,393	-	-	-	-
1992	2,477	4,227	911	7,635	711	-	-	711
1993	494	708	253	1,455	1,110	2,543	327	3,980
1994					1,959	625	246	2,830
1995					1,601	1,088	164	2,853
1996					856	1,555	409	2,820
1997					189	845	264	1,299
1998					-	60	227	287
Total	6,922	7,000	1,560		6,426	6,717	1.637	14,780

F. Main Enterprises and Works Carried Out: See PCR Annex 10**G. Other Projects of the Sector Financed by the Bank Group**

Title of project	Loan details		Status		
	Approval	Amount (MUA)	Project	PCR	PPER
National Improvement and Maintenance Plan (PNAM)	26/10/87	10.72	Completed	August 96	August 99
Rural Telecommunications and Cellular Telephone Study	09/05/93	0.69	Completed	NA	NA

I. EVALUATION SUMMARY

1.1 Objectives and scope

1.1.1 This project performance evaluation report (PPER) focuses on the Benin Telecommunications Development Project which was identified in November 1987 when the Telecommunications Master Plan was presented to donor agencies, and was appraised in April 1988. It was only in April 1990 and when sanctions were lifted that the Bank Group approved its share of MUA 13.92 as ADF and NTF loans of MUA 6.93 and 6.56, respectively. The Bank was to finance 90% of the project cost estimated at MUA 15.483 or the entire foreign exchange cost, and OPT the remaining 10% or the entire local currency cost. Works were to last 3.5 years and the executing agency was OPT.

1.1.2 From the sectoral vantage point, the project was to contribute to the extension of basic telecommunications services in the country; its specific objectives were to meet Porto Novo's additional demand, contribute to improving the quality of service, and sanitising OPT's financial situation.

1.1.3 The project comprises re-planning of the local networks of Porto-Novo, purchase and installation of transmission equipment, recruitment of a consulting engineer for the supervision of works and an external audit firm, training of 40 engineers and technicians, acquisition of a HF station to strengthen the training centre and lastly, purchase of 3 vehicles and office equipment for the project management unit. The financial rate of return expected of the project was satisfactory at 20.27%.

1.2 Implementation Performance

1.2.1 Implementation performance was unsatisfactory because of: (i) the delay of more than 5 years to completion, and of 14 and 19 months to entry into force of the loans; (ii) administrative sluggishness, unfamiliarity with Bank rules of procedure for the procurement of goods and services, lax management of contracts; and (iii) disbandment of the management and coordination units set up under the project. Quarterly reports to the Bank were irregular and project accounts were not audited.

1.2.2 There was a project cost underrun of around 4.5% on the total cost and a balance of around UA 783,000 which on recommendation should be cancelled. The Bank Group's share in project funds was MUA 13.14, or all the foreign exchange expenses, and OPT financed the local currency cost of MUA 1.64 or 89% and 11% respectively, of the project cost. The provisions relative to the procurement of goods and services were on the whole complied with and apart from a general delay although there was no hitch to the disbursement of the loan.

1.3 Institutional Performance

The project comprised training and technical assistance to the financial departments, and was carried out satisfactorily; contrarily, the coordination and management units established under the project to assist OPT in managing implementation never took off. OPT's institutional capacity improved under the previously cited measures and it did under the PNAM project which was implemented shortly before this project. Immense ground remains to be covered however to rebalance the staff structure. The sector's reform programme is being defined.

1.4 Results and Performance

1.4.1 With the exception of the coastal station, the equipment is of satisfactory quality and working order and the technical objectives of the project were met in part and satisfactorily. 88% of the objective of the Porto-Novo local network was met (5064 connections against the projected 5749), saturated soon after it was commissioned. The equipment of the transmission component made it possible to open up 19 rural areas despite the disruptions due to an inadequate emergency energy supply system. The maritime station whose final acceptance is still not forthcoming is working without a power supply security system which could adversely affect the life span of the equipment.

1.4.2 Although still poor, the quality of the service and performance of Benin's telephone network have improved thanks to the implementation of the PNAM and the priority investment programme of which this project is a part. The current telephone density of 0.6 DLs/100 inhabitants meets the average for sub-Saharan Africa (0.4%) but is lower than the African average estimated at 1.7% and still far from the objective of 1% set for 2002. The fault reporting rate of 5.4% is unsatisfactory and less than the objective of 4%; the fault clearance and traffic rates are still low whereas the rate of demands satisfied is deteriorating with a waiting list of about 13,700 applications.

1.4.3 From the operational standpoint, the operating ratio has improved and is changing, albeit in an erratic manner. Between 70 and 60%, leaving a net margin of around 25%. Staff productivity which was 21.5/1000 DL in 1998, is very satisfactory and higher than the objective of 108 employees/1000 DL. OPT's financial structure is on the whole balanced and the long term debt, financial balance and immediate liquidity ratios are at satisfactory levels, whereas the rate of return of net assets reached a satisfactory level, or more than 10% as of 1996. The project's financial rate of return settled at 26.5%, higher than the 20.3% calculated at appraisal.

1.4.4 The performance of the consultants, enterprises and suppliers was satisfactory with the exception of the supplier of the security and power equipment for the coastal station, whereas the performance of the Borrower, Executing Agency and the Bank was satisfactory.

1.5 Sustainability

The project has made a significant contribution to the development of OPT's technical and institutional capacity and its equipment fit OPT's concurrent or recent installations well. These installations enhance the quality of project achievements and the development of services. The prospects for the sustainability of project effects are good and depend on the regular improvement of OPT's financial situation, a continuation of the programme to modernise and extend the network, actions for internal restructuring and the resolve to undertake a drastic reform of the network. The additional measures identified to consolidate sustainability are those relative to downsizing and readapting staff and the maintenance system to digital technology.

1.6 Project Impact

The project covered a major economic and urban centre and several rural areas. It contributed directly to the development of economic activity, making economic operators more efficient and contributing to opening up of the country. Better services contributed to a better life style and environment for the people concerned. There was no major negative effect on the environment and no barrier to gender mainstreaming.

1.7 Conclusions

Although implementation was unsatisfactory, the project's overall performance was satisfactory and the prospects for sustainability are good. Project objectives were for the most part met and except for the coastal station, equipment is in satisfactory working order. Prospects for sustainability are even better with OPT's improved financial situation and institutional capacity, but are subject to the sector's restructuring.

1.8 Feedback and Recommendations

1.8.1 Lessons

The following lessons have been drawn from the evaluation of the Benin Communications Development Project:

- i) the delay in the entry into force of the loans is recurrent and prevents compliance with the implementation schedule of the project concerned (see § 3.1 & 3.3);
- ii) a major delay in project implementation may jeopardise partially or totally the relevance of project objectives and therefore project design (see § 2.3.2, 3.5 & 4.1.3);
- iii) because the project was not fully re-appraised after the major delay at start-up, the equipment became saturated soon after being commissioned decreasing thus the sustainability of project impacts (see § 2.3.2);
- iv) the disbandment of the project coordination and management units before the end of its implementation recurs and is detrimental to proper implementation management and to the proper conservation of its archives (see § 3.4, 3.8 & 4.1.8);
- v) the lax management of the project and its contracts was a source of delay and disruption of project implementation (see § 3.3 & 3.5);
- vi) a lack of performance criteria and indicators may impact negatively on the quality of project supervision inhibiting its scope of surveys and of remedial measures where necessary (see § 2.5.2 & 4.1.1);
- vii) poor supervision exacerbated the negative effects of slack implementation management (see § 3.4).

1.8.2 Recommendations

In view of the foregoing it is recommended that:

The Government and OPT:

- i) determine the structural constraints to the timely entry into force of the Bank loan agreements and for future projects, define the conditions and practical provisions needed to lift these constraints (see § 3.1 & 3.3);
- ii) respect the provisions taken in agreement with the Bank for project management and in particular, the continuation and use of the management and coordination units throughout implementation (see § 4.1.8);
- iii) take the necessary steps not to use suppliers of goods and services whose performance and quality of services are unsatisfactory and counter to rules and ethics of their profession (see § 4.1.2, 4.1.5 & 4.6.2);
- iv) apply to the letter, contract clauses and conditions and penalise if they are not complied with (see § 4.6.3);
- v) apply all contractual provisions so that the supplier who defaulted on the coastal station replaces the faulty equipment and proceeds with the final acceptance of the installations (see § 4.1.5);

- vi) conduct a study and establish an adequate emergency system for the power supply of the rural connections (see § 4.1.6);
- vii) reorganise the maintenance system so as to adapt it to the demands of the digital technology equipment (see § 5.3);
- viii) provide the Office with a more rational staff structure, and rapidly replace staff close to retirement by qualified staff more receptive to the requirements of digital technology (see § 5.3);
- ix) pursue actions to reorganise and strengthen the institutional capacity of the Authority with a view to consolidating the financial structure, improving the rate of return of investments and making sure that the stock lasts (see § 5.4 & 4.2.4);
- x) improve the coordination of the various structures recently established bolstering it with a more effective information system (see § 4.4.2);
- xi) pursue and accelerate if need be, the sector's restructuring process and in that regard:
 - Define a plan of action accompanied by a precise schedule for separating postal from telecommunications activities; and
 - Freeze, until the adoption of laws and regulatory texts and the establishment of the regulatory organ, the issue of licences for operating the cellular networks and large-scale investments on the fixed network (see § 4.4.4, 4.4.5 & 5.5).

The Bank:

- i) ensure compliance with the logical framework matrix as well as the quality and reliability of its data throughout the project cycle (see § 2.5.2 & 4.1.1);
- ii) ensure, during project appraisal, that the necessary provisions are made to meet the conditions for entry into force of the loan within the prescribed deadline (see § 3.1 & 3.3);
- iii) work out operational guidelines for appraisal with specific instruments for studying the markets (see § 2.4.1, 4.13 & 4.7);
- iv) schedule a detailed reappraisal and if necessary, a review of the design of a project that has been delayed considerably at start-up or during implementation (see § 2.3.2 & 3.3);
- v) train project managers in the various Bank rules of procedure (see § 3.3 & 4.7);
- vi) ensure the continuation and proper running of the project implementation units (see § 4.1.8 & 4.7);
- vii) develop and strengthen the application of guidelines relative to the frequency, objectives and contents of the supervision missions in particular, monitoring and sending systematic reminders in view of the fulfilment of the loan agreement conditions and the audit of project accounts, and applying sanctions where necessary (see § 3.4, 3.5, 4.1.8 & 4.7);
- viii) cancel the loan balance after the audit and final settlement of the related amount (see § 3.6);
- ix) take active and effective part in the telecommunication sector's restructuring exercise in regional countries and in that underway in Benin (see § 4.4.6).

1.9 Follow-up Actions

In addition to the actions common to all projects and aimed at strengthening operational guidelines for the study, appraisal and monitoring of projects, the retrospective evaluation recommends that: (i) OPT, pursue actions aimed at internal restructuring and institutional strengthening, replaces staff nearing retirement and adapt the maintenance system to the new technology; and that (ii) the Bank gets involved in the sectoral restructuring process in countries and in Benin in particular. These actions are detailed in the Matrix of Actions in Annex 1 of this report.

II. BACKGROUND

2.1 National Economic Context

2.1.1 The economy Benin classified among the LAC is rather open. It has a narrow market and productive base, scarce natural resources and an unskilled manpower. Starting 1990, with the launch of the macroeconomic and sectoral reform programme and the gradual withdrawal of the State from productive activities, the average annual growth rate of the GDP in constant terms was 4.5% between 1991 and 1995, and 5.5% in 1996. Inflation was contained at 2.7% per annum until the shock of the devaluation of the CFA franc when the rate was 39% for 1994; it fell to 5% in 1996. The current structural reforms aim to promote the private sector and improve public services while on the social plane priority is given to poverty reduction with the emphasis on rural development and job creation especially through a labour intensive programme.

2.1.2 The monopoly of the public post and telecommunications services in Benin is held by the Office des postes et télécommunications (OPT), a public enterprise, independent since 1989 and supervised by the Ministry of Culture and Telecommunications. The telecommunications sector like that of most countries of sub-Saharan Africa had a large unmet demand (37%), a very poor and unequally distributed national penetration rate (0.3 DL/100 inhabitants), an unsatisfactory quality of service and poor management with in particular a staff productivity index of 108 workers/1.000 DL, higher than the African average of 60/1000.

2.1.3 To help solve the problem of saturation of the central and local networks, open up the rural areas and international links, a development master plan (1986-2005) was devised with the assistance of the UNDP at the same time as National Improvement and Maintenance Plan (PNAM) was crafted with funds from the Bank. A priority investment programme for 1988-1993, of an amount of US\$ 60 million was provided to meet the demand of the large economic and urban centres of Cotonou and Porto-Novo.

2.2 Background of Bank Operations

2.2.1 Since its activities started, the Bank Group has approved 51 loans in Benin for projects, studies, sectoral programmes and technical assistance for a total commitment volume of MUA 265.26 including MUA 24.40 from the ADB, MUA 225.43 from the ADF and 15.42 from the NTF. All sources combined, the communications sector is third of the beneficiary sectors with 9.6% of the total for the operations preceded by the transport and agricultural sectors which account for 28% and 23.8%, respectively.

2.2.2 In the telecommunications sector, three operations of a total of MUA 25.34 (MUA 18.34 out of ADF resources and MUA 7.00 from NTF), were approved for the financing of two projects and a study both of which have been completed. According to the performance evaluation report of the PNAM project completed in 1996 (ADF/BD/WP/99/84), the overall performance of the project was satisfactory mitigated by poor project preparation, inadequate

coordination and supervision during implementation because the project management unit was dissolved. The prospects for sustainability are good provided the sector is rapidly restructured and the private sector is called upon to take part.

2.3. Project Design

2.3.1 Paragraphs 3.1 and 3.2 of the PCR describes the background and design process of the project. The project was identified during the meeting of November 1987 convened to present the telecommunications master plan to donor agencies. The meeting defined the priority investment programme which covers the project. It was appraised in March/April 1988 but related funds of UA 13,926 million from ADF resources (MUA 6.926) and NTF (MUA 7.0), were approved only on 18 April 1990 when sanctions were lifted. Project cost was estimated at MUA 15,483 and works were to last 3.5 years. The executing agency was OPT.

2.3.2 The project was appraised on the basis of engineering designs carried out by the ITU and OPT, whose technical, institutional and financial constraints latter were well identified. Although the qualitative objectives were relevant and the proposed components in line with these objectives, their quantification was called to question by an under-estimated demand. Indeed, the relatively high annual growth of the number of telephones between 1973 and 1987 (from 7.3 to 8.3%) and the high demand in abeyance required a strong sector development policy; yet the rate projected at appraisal (6.8%) was much lower and well below the 14% recommended for African countries by the African Telecommunications Conference held in Tunis in November 1987. The reappraisal mission of 1990 also fell short of expectations failing to update this rate and the demand projections, even though the gap had widened between the requests in abeyance between 1988 and 1990.

2.3.3 The project faced few technical risks in the area of operating and maintenance, for OPT had just benefited from a national maintenance plan which had improved its methods, procedures and maintenance practices, reorganised part of the network and created a Principal Maintenance Centre responsible for repairing telecommunications and power equipment modules.

2.4 Project Rationale

2.4.1 Benin's telephone network at appraisal was made up of 34 telephone electro-mechanic exchanges of a total capacity of 23 600 lines. The transmission network was most inadequate for the inter-city links, and the international transmissions went through the earth station and International Transit Centre of Cotonou. With the exception of the Digital Transit Centre this equipment was of analogic technology. More than 80% of the urban network of Cotonou and Porto Novo which accounted for 70% of the telephone lines was saturated. This network could not meet the modern and reliable communications demands of Benin's transit vocation and its economic recovery. This project is aimed at addressing in part these constraints of capacity and quality of service.

2.4.2 Although under-estimated, the objectives of the project fall well into line with the national guidelines that aim at the country's economic recovery and at better public finance. For its part, the Bank has no specific telecommunications policy but the project is in keeping with the Bank's assistance to the development of profitable and independent public sector enterprises geared towards economic growth.

2.4.3 This project, promoted by OPT a parastatal structure, was justifiable from the technique-economic vantage point and was an answer to the rate of return criterion, set at 20.3% during appraisal. The criterion of autonomy was not effective at the time of appraisal but the legal framework was being modified and in 1989 the post and telecommunications services became an independent public enterprise.

2.5 Objectives and Scope at Appraisal

2.5.1 The objectives of the project were: (i) from the sectoral standpoint, to contribute to the extension of the country's basic telecommunications cover; and (ii) specifically, to meet the additional demand of Porto Novo and contribute to improving the quality of service and to sanitising OPT's financial situation.

2.5.2 The Logical Framework Approach (ACL) was inexistent at project appraisal consequently, the objectives formulated then were not specific; quantifiable indicators were inadequate and therefore it was difficult to determine the degree of achievement. The PCR recast the project matrix without showing post implementation achievements and without precise indicators to analyse project performance; the tables shown in Annex 6 of the PCR only serve to illustrate the capacity trend and the network's main links. The matrix of retrospective project evaluation given in Annex 2 of this report tries to address some of these shortcomings.

2.5.3 Project components were:

- a) reorganisation of the local Porto-Novo network;
- b) acquisition and installation of transmission equipment;
- c) recruitment of a consulting engineer for supervision of the transmission component as well as of an external audit firm;
- d) training of works engineers, recruitment of a transmission expert to train 28 technicians, purchase of a HF station school, and strengthening of the telecommunications training centre;
- e) purchase of 3 vehicles and office equipment for the project management unit.

2.6 Financial Provisions

2.6.1 The project, whose cost was estimated at MUA 15.28 was financed by the Bank and the Government of Benin to the tune of 90 and 10% respectively whereas the priority programme which covers this project and whose cost is estimated at US\$ 65.3 million was financed by the World Bank and the Bank to the tune of 16% each, and by the EIB, French Cooperation, OPT and CIDA to the tune of 14%, 9.3%, 6.5% and 3.5% respectively. The Bank covered 100% of the foreign exchange costs of the project and the Benin Government the entire local currency cost.

2.6.2 The loan was subject to three conditions aimed at OPT's financial recovery: (i) regular communication of the audited financial reports; (ii) transmission not later than 30 September 1991 of the 92-94 Programme Contract; and (iii) communication of the Authority's financial projections together with the proposed tariff increases for the improvement of the rate of return of investments not later than 31st October of each year.

2.7 Evaluation Methodology and Approach

2.7.1 This project is a follow up to the National Improvement and Maintenance Plan (PNAM) financed by the Bank in Benin; accordingly, on completion of the latter, and given the sector's rapid world trend both from the institutional and technological vantage points, an abridged evaluation of the performance of the PNAM and a more in-depth evaluation of the telecommunications development project was recommended on its completion.

2.7.2 This report was written following the performance evaluation mission fielded in July 1999, uses the appraisal and completion reports and draws on: (i) information available in Bank project files; (ii) documents, data and statistics collected by the mission; (iii) discussions and talks the mission had with the authorities and top OPT officials. The report evaluates project performance and compares the means provided and the results obtained in relation to those projected at appraisal; it draws the conclusions and lessons and formulates recommendations to the Borrower and the Bank Group.

III PROJECT ACHIEVEMENT

3.1 Entry Into Force of the Loan

The ADF and NTF loans became effective on 4 July and 30 June 1992 respectively, or 20 and 25 months after the signature of the loan agreements and a delay of 14 to 19 months on the maximum suggested. These delays are due to red tape inherent to a highly bureaucratic and centralised system made worse by the sanction levied on the country.

3.2 Modification of Project Scope

The project's list of goods and services was revised twice but this has no significant influence on its objectives and cost and made it possible to extend the access of the population to basic services with the purchase of 200 payphones and 200 telephone booths as well as the purchase of equipment for the installation of supplementary rural links.

3.3 Implementation Schedule

The project was completed more than 5 years behind the appraisal schedule due in particular to: (i) a two-year delay because the country was under sanction, ADF funds were not available and consequently the loan agreement had to be renegotiated; (ii) entry into force of the loans 14 to 19 months behind schedule. This situation was compounded by administrative sluggishness, unfamiliarity with Bank rules of procedure for the procurement of goods and services, poor administration of the contracts and in particular, poor application of the penalty and termination clauses. As a result, the units set up to manage the project were disbanded.

3.4 Reporting

OPT did not keep the Bank informed as required under the loan condition, and therefore the Banks reacted late, in 1997, when it was indispensable to audit project accounts and to apply the necessary measures. Accordingly, throughout implementation only two quarterly activity reports and an annual report on audited project accounts were sent to the Bank. The project completion report provided by OPT was very brief and its data inaccurate.

3.5 Procurement of Goods and Services

Goods and services were procured in compliance with Bank rules of procedure and in line with the provisions of the loan agreements, although despite OPT's independent management, deadlines for project implementation were particularly long causing further accumulation of connections in abeyance and of course a loss of profits. The procurement of

equipment for the coastal station was marred by incidents both at the competition phase (unsuccessful to begin with) and the contract implementation phase (litigation).

3.6 Project Cost

The final cost of the project was MUA 15.48 or overall savings of 4.5% on the projected cost comprising savings of 5.6% on the foreign exchange cost and a cost overrun of 4.9% on the local currency cost attendant on the devaluation of the CFA franc in 1994. The balances of UA 283,443 on the NTF loan and of UA 500.124 on the ADF loan were still available as at 20/12/99. On review of Table 3.1 below which gives cost by component and the variations in relation to the appraisal estimates, modifications were financed on the budget reserves for physical and financial contingencies.

Table 3.1 – Projected and Actual Project Costs (in UA million)

	<u>Appraisal</u>			<u>Actual</u>			<u>Variation (%)</u>	
	F.E	LC	Total	F.E	LC	Total	F.E	Total
Networks of PortoNovo	4.32	0.30	4.62	4.70	0.33	5.01	+ 8.1	+ 8.3
Transmission	6.32	0.62	6.94	6.72	0.80	7.51	+ 6.3	+ 8.3
Training	1.37	0.35	1.72	1.62	0.46	2.08	+18.2	+21.5
Consulting engineers	0.32	0.03	0.35	0.05	0.04	0.10	- 83.3	+78.5
Project management unit	0.04	-	0.04	0.08	-	0.08	+78.5	+78.5
Contingencies (phys. &fin.)	1.55	0.26	1.81	-	-	-	-	-
Total	13.92	1.56	15.48	13.14	1.64	14.78	-5.6	-4.5

Sources: Bank PCR

3.7 Sources of Finance and Disbursement

3.7.1 As can be seen in Table 3.2 below, the Bank financed 89% of the project cost, close to the projected 90% and OPT 11% instead of 10%. The ADF loan financed the foreign exchange cost of the Porto Novo local networks, Training, Consulting Engineers and the Project Management Unit or 43.4% of the final project cost whereas the NTF loan financed those of the Transmission component or 45.5% of this cost.

Table 3.2 – Trend of Project Financing Plan (in MUA)

	<u>Projections</u>				<u>Actual</u>			
	F.E.	L.C.	TOTAL		F.E.	LC	TOTAL	
			Value	%			Value	%
ADF	6.92	-	6.92	44.7	6.426	0	6.426	43.5
NTF	7.00	-	7.00	45.2	6.719	0	6.719	45.5
OPT	0	1.56	1.56	10.0	0	1.637	1.637	11.0
TOTAL	13.92	1.56	15.48	100	13.143	1.637	14.780	100

Sources: Bank PCR and AR

3.7.2 The list of Bank and OPT loan disbursement operations is shown in Table 3.3 below. It shows that the disbursement period started a year late for the Bank loans and spanned 7 years instead of the initially scheduled 3 because of the delays at project start-up. The extension of the disbursement period in addition to the delays at project start-up is a sign that the provisional

disbursement schedule was badly drawn up and did not take into account the actual disbursement process and the administrative deadlines for expenditure commitment and execution.

3.3 – Disbursement Table (MUA)

YEAR	Projected				Actual			
	ADF/NTF	OPT	TOTAL		ADF/NTF	OPT	TOTAL	
			Value	% cumul.			Value	% cumul.
1991	5.997	0.396	6.393	41.3	-	-	-	-
1992	6.724	0.911	7.635	90.6	0.711	-	0.711	4.8
1993	1.202	0.253	1.455	100.0	3.653	0.327	3.980	31.7
1994	-	-	-		2.584	0.246	2.830	50.9
1995	-	-	-		2.689	0.164	2.853	70.2
1996	-	-	-		2.411	0.409	2.820	89.3
1997	-	-	-		1.035	0.264	1.299	98.0
1998	-	-	-		0.060	0.227	0.287	100.0
TOTAL	13.923	1.455	15.483		13.143	1.637	14.780	

Sources: Disbursement statements and Bank PCR

3.8 Application of Loan Agreement Conditions and Provisions

The retrospective evaluation tallies with the developments of paragraphs 4.1.3 and 4.1.4 of the PCR on the fulfilment of conditions for the entry into force of the loan agreement 14 to 19 months behind schedule. Of the other loan agreement conditions listed in paragraph 4.1.2 of the PCR only three conditions (i), (iii) and (iv) are listed in the loan agreements. The latter, intended to strengthen OPT's financial control and management system in view of a better financial performance were relevant and were fulfilled. The general conditions to keep the ADB informed of project implementation and to audit project accounts were not met, and it is unfortunate that the project implementation units were dissolved without consulting with the Bank and in violation of the provisions of the loan agreement.

IV. PERFORMANCE EVALUATION

4.1 Operating Performance

4.1.1 It has been difficult to evaluate the intrinsic effects of the project and to determine performance without precise quantifiable objectives, and appropriate performance criteria and indicators. Although the impact of the Porto Novo local network is easy to determine in terms of capacity, that of the other components financed under the project (transmission, training) is harder to pinpoint and more general on the performance of the enterprise. Indeed, given the fact that the programmed projects, the priority investments and the PNAM were implemented virtually at the same time, it is unreasonable to attribute this project to the current performance of telecommunications and quality of service.

4.1.2 With the exception of the Coastal Station, the equipment complied with the characteristics and norms laid down at appraisal and is in satisfactory working order. The objectives assigned the project were met in part from a technical standpoint. The objective of the Porto Novo local network was met to the level of 88 % (5064 DLs out of the 5749 planned) and the rural transmission system (19 links) is often out of order from failure of the power supply security system.

4.1.3 The Porto Novo network was fully recabled with the international standard 10-base cable and 4,00 pairs were connected for conveyance, 9,15 for distribution making it possible to connect 5,064 subscribers (June 1999) against the existing 2,086 at project appraisal. The saturation of the network limits the possibility of more connections and of additional profit and it helps deteriorate the quality of service if it is not rapidly extended.

4.1.4 The installation and operating of the Coastal Station was faced with various problems because the protection and energy equipment was poor:

- Delivery and installation of equipment delayed;
- Generator set damaged in part by thunder during its provisional acceptance, putting the station equipment out of order;
- Inverters damaged and causing damage to the emergency batteries.

4.1.5 The dispute between OPT and the supplier has still not been settled although the latter undertook in April 1999 to re-do the works and thus repair the fault to the system. However, OPT has replaced the part and has started the procedure for replacing the batteries. Meanwhile, the station is working although it is yet to be accepted finally without electric supply security. This will no doubt have a negative effect on the duration of the equipment in the short term, from the standpoints of: (i) safety of maritime navigation since the station is registered to run non-stop at the ITU; and (ii) financial with the revenue loss for OPT.

4.1.6 The rural digital radio-relay networks have made it possible to open up 19 rural communities although they are often out of order because the capacity of the emergency battery is too low for the frequent fluctuations and brown-outs on the main power network.

4.1.7 The capacity of the Training Centre was improved by training 13 trainers, purchasing teaching materials and implementing several training modules; for two years this Centre was assisted by a Consulting Firm in the design of course modules and to train trainers. Two accounting firms audited accounts for the 89 to 94 financial years and assisted in the restructuring of OPT's accounting and financial departments.

4.1.8 The units created to coordinate and monitor the various components of the projects, set up in compliance with one of the loan conditions were dissolved without the Bank's knowledge. Consequently, the project could not be properly implemented in compliance with Bank rules and contributed thus to implementation delay and to non-compliance with the rules and loan conditions (reports, audit of accounts, etc).

4.1.9 The features and performance of Benin's telephone network have improved thanks to the implementation of the PNAM project and the priority investment programme which covers this telecommunications development project; nonetheless, these are modest in comparison with those of neighbouring countries as Table 4.1 below shows.

Table 4.1 – Comparison of the Main Indicators in the Sub-Region (1997)

Indicators	Benin	Togo	Ghana	Côte d'Ivoire
Average annual growth rate of the sector between 90&96 (%)	14.0	14.8	9.9	10.1
Telecommunication capacity (DLs)	32,679	24,050	77,886	129,808
Teledensity (lines/100 inhab)	0.59	0.57	0.44	0.88
Number of agents/1.000 DLs	25	28	28	32
Waiting list	11,000	7,555	28,349	82,406
Number of telephone booths (1996)	226	191	453	277
Cellular subscribers	2587	-	12,766	13,549

4.1.10 At the end of 1998, Benin's telecommunications network comprised 27 automatic telephone stations of a total capacity of 54,432 DLs with a connection rate of 70.5%, at saturation point. 56% of the telecommunications equipment are concentrated in Cotonou and only 835 lines currently serve 32 rural communities; there are about 417 payphones operated by OPT in addition to the private teleservice and an analogic cellular network operated by OPT with 6,470 subscribers. The digitalisation rate of the switching system rose from zero to 78% between 1987 and 1999.

4.1.11 The telephone density of 0.6 DLs/100 inhabitants is of the average for sub-Saharan Africa (0.4%) and lower than the average for Africa estimated at 1.7%. This density is still far from the 1% objective recommended for African countries in 2000, and the prospects for attaining the 1.26% in 2002 as proposed under the priority investment programme are very uncertain. The density distribution is uneven and ranges from 1.35% in Cotonou and Porto Novo to 0.02% for the rest of the country. Considerable effort is needed to densify the rural network especially by installing pay phones.

4.1.12 The quality of service is still poor despite investment in the local networks and in maintenance. Concerning fault reporting, the 4% objective was not reached and the rate of 5.38% reached in 1998 for a fleet of about 38 000 DLs is far from satisfactory. The pace of fault clearance is very slow and this is particularly so in the case of the VR7 which in a satisfactory network should be 100%; the VR30 for its part should not be controlled. The traffic flow is still light and the efficiency rate for the inter-city network varies between 22.7 and 33.6% for in-coming and out-going traffic respectively, and that for international calls varies between 33 and 56%.

4.1.13 Staff productivity of 21.5 employees/1000DLs registered in 1998 is very satisfactory and exceeds the objective of 108/1000 set for 1998, whereas the rate for meeting demand is declining and there is a waiting list is around 13,700 requests. Table 4.2 below illustrates the trend of overall OPT performance, all projects combined for the 1987 non-project reference year and for 1998.

Table 4.2 – Trend of OPT's General Performance

	1987	<----- 1998----->	
		Actual	Projected
1. Technical Indicators			
a/ National switching capacity	23,600	54,432	n.a.
b/ National total of subscribers connected	2,848	38,354	28,112
c/ Saturation rate of switching network (%)	54.40	70.5	n.a.
d/ Capacity of the telex network	528	1.024	n.a.
e/ Telex network occupancy rate (%)	94.0	17.7	n.a.
f/ Digitalisation rate of switching network (%)	0	77.64	n.a.
g/ Digitalisation of transmission system (%)	0	23.5	n.a.
g/ Telephone density (DLs/100 inhab.)	0.3	0.6	1.26 (in 2002)
h/ Subscribers connected in Porto Novo	2,86	5,064	5,749
i/ Occupancy rate of the Porto Novo local network (%)	65.0	90.0	n.a.
2. Productivity and Quality of Service Indicators			
a/ Requests in abeyance	7,500	13,695	n.a.
b/ Staff productivity (employees /1000 DLs)	108	28	n.a.
c/ Fault reporting rate (%)	30	5.3	4.0
d/ Fault clearance rate (%)			
	VR1 (24h)	n.a.	34.59
	VR2 (48h)	n.a.	55.08
	VR7	70.0	74.96
	VR30	n.a.	88.47
i/ Transmission availability (%)	n.a.	98.77	99.5

Sources: OPT statistics and PCR

4.2 Financial Performance

4.2.1 The rating of the performance of the Communications Project in Benin reflects the main conclusions of the PCR (see paragraphs 7.1 and 7.2) relative to the trend of OPT's financial situation which improved consistently with the implementation of the priority investment programme. Table 4.3 below summarises the operating income, shows that OPT's operating revenue covers most of the expenditure and the operating ratio which was higher than 1 in 1993 has since improved albeit in an erratic manner between 70 and 60%. OPT's turnover registered an average annual growth of 15.5% between 1990 and 1998, slowing down as of 1996 because the network was saturated, because there were frequent brown-outs on the main power network and because tariffs were readjusted downwards.

Table 4.3 – Operating Income (in CFAF billion)

<u>Entire OPT</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998*</u>
Total revenues	12.22	16.08	19.32	20.75	25.03	27.52
Net operating income	-1.64	1.28	2.09	4.32	7.85	10.76
Self-financing	5.29	3.92	4.38	6.90	11.82	15.46
Operating ratio (%)	102.5	60.70	53.10	60.00	70.10	62.00
Rate of return on investments (%)	n.a.	3.95	5.20	9.20	14.24	15.91
<u>Telephone activity</u>						
Net income	-2.51	1.53	2.59	4.95	10.02	n.a.
Rate of return on inv.(%)	n.a.	6.56	8.77	14.06	26.56	n.a.

Sources: OPT's financial statements. The 1998 accounts are provisional (*)

4.2.2 During the 1993-1997 period, investments in telecommunications increased 17.5% on average per annum whereas the growth of the activity as measured by its turnover was 22.7%; consequently, the cash flow and net income of OPT progressed considerably enabling thus the rate of return on investments to reach the objective of 15% overall in 1998 and in 1997 for the telecommunications activity. Although OPT's self-financing capacity tripled between 1993 and 1998 and reached CFAF 15 billion, the financing requirements remain significantly high (40 billion approximately). Given these results and those shown in Annex 7 of this report, it is obvious that the Authority's postal activity is subsidised to a great extent by those of telecommunications.

4.2.3 The financial structure is balanced overall as can be seen through the aggregates and ratios summarised in Table 4.4 below. Accordingly, the ratios long term debt, financial balance and immediate liquidity are of satisfactory levels. The rate of return on equity became satisfactory as of 1995 whereas those of fixed assets became satisfactory a year later, at a rate higher than the 10% usually expected of such a highly profitable sector.

Table 4.4 – Summarised OPT Balance Sheets (in CFAF billion)

	1990	1993	1994	1995	1996	1997	1998*
Total assets	30.95	46.27	71.11	98.56	103.93	112.60	131.11
Net fixed assets	20.71	8.13	10.45	11.78	14.36	17.16	21.34
MLT debts	5.54	14.64	33.45	37.94	40.66	41.96	45.04
equity	15.19	12.82	13.81	15.23	18.61	24.66	31.31
permanent capital	20.72	30.88	54.11	63.60	59.45	68.00	77.20
<u>Ratios</u>							
Net income/equity (%)	11.39	<0	9.28	13.69	23.20	31.83	34.38
LT debt/permanent capital	0.27	0.34	0.49	0.48	0.52	0.45	0.42
Immediate liquidity	1.00	1.57	2.53	1.80	1.46	1.51	1.39
Permanent capital/fixed assets.	1.00	2.19	2.58	2.49	2.17	2.17	2.01
Net income/fixed assets (%)	8.34	<0	5.53	7.18	12.75	19.94	22.25

Sources: OPT financial statements (1998: provisional statements)

4.2.4 To implement its current investment programme (CFAF 76.5 billion of which 16.9 has already been disbursed) OPT has resorted to self-financing; in addition, an investment programme of US\$ 78 million for the 2000-2004 period designed primarily to increase the country's teledensity to 2%, was presented to donor agencies for consideration. This intensification of investments may overshadow some of these ratios and the revolving fund, and is besides premature in the current context of sectoral pre-restructuring and in the absence of a regulatory framework and detailed sectoral policy on interconnection and fixed network density.

Rate of Return on Investments

4.2.5 The project's financial rate of return as calculated in the PCR (para. 7.3 and Annex 9) settled at 26.5%, higher than that projected at appraisal (20.3%). The evaluation of the project's performance reflects this rate and the methodology and calculation assumptions which led to this result are in line with the Project's performance. This performance is very satisfactory compared with that projected at appraisal and in similar projects (10 to 15%) and to the opportunity cost of capital (about 13%).

Accounts, Audit

4.2.6 The accounting and audit systems are well explained in paragraph 6.3 of the PCR. The two components Training and Consulting Engineer made it possible to strengthen and restructure the accounting and financial departments and in particular to improve the quality and regularity of various financial statements and reports. The certification of the annual accounting and financial statements by an external firm of international renown is regular thanks to the project. The problem pointed out by the PCR, over the Authority's computer system which was getting obsolete and a cause of considerable delay is being addressed with the purchase and installation of new and more state of the art equipment and software.

Tariffs

4.2.7 The internal tariff system based on those established by the African Post and Telecommunications Union and in line with those of West Africa was established by the Board of Directors on the proposal of the General Manager. International systems for their part were laid down by international agreements on the recommendations of the ITU. Since the appraisal of the project, national tariffs increased by 20% then by 10% after the devaluation of the CFA Franc in 1994. The international tariffs decreased generally by about 20% in 1996, followed by a readjustment of the preferential time frame rate. It is important that with the prospect of the sector's restructuring and privatisation the tariff system be reviewed on stricter lines (cost accounting) to improve transparency in the management of the various activities of the sector and enable a more rational approach to better productivity and efficiency of the Authority.

Billing and Recovery

4.2.8 The turnover was CFAF 21.4 billion in 1998 comprising 90% of basic services, 1% each for telex and data transmission services and 8% for mobile telephones. Billing, which had improved with the computerisation of the system in 1988, faced the same problems of delay and reliability as the system aged and its processing capacity decreased with the increase in connections. Thus in 1998, delays in issuing bills ranged from 31 to 39 days against the objective of 21 days, and a rebate of CFAF 2 billion or the equivalent of a little less than two months of bills. These problems will soon be resolved with the commissioning of the recently acquired system (equipment and system). The bill recovery rate of 83% at the date of payment is satisfactory; it was 91% three months after the date of payment.

4.3 Economic Performance

4.3.1 The project contributed to the extension and the improvement of the country's basic telecommunications services, a vital medium for the circulation of information among economic operators and for economic development. Its economic rate of return as shown in chapter 8 and Annex 10 of the PCR is highly satisfactory at 32%; the performance evaluation reflects the methodology used for its calculation and the results obtained. The project has besides contributed to improving the comparative advantage of Benin, a country at the crossroads and supplier of services to its landlocked neighbours. However, this advantage is difficult to quantify and was not taken into account in the calculation of the rate of return.

4.3.2 Despite these efforts in investment and an annual sector growth sustained at around 15%, the delay in the telecommunications equipment persists and the waiting list reached 13700 in 1998 61% for the Cotonou area alone. The consumption of professional subscribers in 1998, excluding the Government and OPT, represented about 36.3% of all bills or an increase of 1.3% in comparison with 1997. The demand from this segment of the market is inhibited by an inadequate offer of basic services and also by the fact that very few new high value added products (data transmission and mobile) are on offer. The network will have to

develop and with it value added services like Panaftel trunk, an unavoidable link with other countries of the sub-region, and the south-west link with Nigeria a lead trade partner.

4.4 Institutional and Social Performance

A – Institutional Development

4.4.1 The trend of OPT's institutional, legal and organisational frameworks is explained fully in paragraphs 6.1 and 6.2 of the PCR. In 1989, Benin's Office des Postes et Télécommunications, an industrial and commercial parastatal institution, became a privately managed commercial enterprise under the supervision of the Ministry of Culture and Communications. OPT was then allowed freedom of administrative and financial management; its staff was no longer governed by Civil Service Rules and Regulations but by a collective agreement, and the structure of its central services was modified, anticipating thereby the separation of the postal from the telecommunications management. Three-year programme contract designed as an instrument to improve the enterprise's performance, defines the contractual relations between the Government and the Authority, but its implementation is facing frequently met weaknesses such as:

- The fact that the objectives lack incentive and are not realistic;
- No precise definition of the State's resource obligations;
- No retroactive measures and actions to counter-performance.

4.4.2 The prospect of a sectoral restructuring and privatisation of its activities recently prompted the Office to review its structure in a concern to improve its efficiency and performance. The new organisation chart does not appear more efficient; it has about twenty directorates and departments directly linked to the General Manager; if the management information system is not reviewed accordingly this distribution of tasks and responsibilities may exacerbate a highly centralised power system and make coordination difficult. According to OPT's Directorate, other measures and in particular the delegation of power, will be implemented to fine-tune this system aimed at greater responsibility of the professionals of the Office.

4.4.3 Even if Benin can mobilise the funds necessary for its next five-year 2000-2004 plan, teledensity will in time reach the level of just 1.28%, lower than the current African average of 1.5%. A supplementary programme of US\$ 78 million intended to increase this density to 2% in 2004, with an objective of 10% in 2010 was proposed to donor agencies in April 1999; unfortunately, this objective will be difficult to attain in the current context of spending cuts in the public sector. According to the World Bank, a teledensity objective of 4% means an increase in the fleet to 296,000 DLs, whereas the 10% objective means an extension by 800,000 DLs; if it is to fully assume its economic and strategic transit role and mobilise the funds required to catch up on its technological backwardness, Benin must do its best to rapidly and radically reform the sector in order to attract new investors and better meet the quantitative and qualitative needs of its clients.

4.4.4 In 1997, a steering committee was set up to monitor the sectoral restructuring process the main lines of which were:

- separation of the telecommunications from the postal and finance services;
- creation of a new regulatory framework; and
- liberalisation of the sector.

The steering committee proposed a sectoral strategy note and two bills, one on the post and the other on telecommunications, for submission to Parliament for enactment. The bills are rather scant, in line with Benin's constitutional principles; on the telecommunications law in particular, aspects such as the attribution and use of radio frequencies, network inter-links, charges and opening up of rural areas are overlooked.

4.4.5 These weaknesses are all the more unfortunate as the new regulatory framework and organ have still not been defined and the two operating licences for the GSM cellular networks were granted in January and May 99, prematurely without any related regulations and terms for attribution and at a time when OPT was operating a cellular network itself and at the same time playing the role of regulatory organ.

4.4.6 Despite its major commitment to finance Benin's telecommunications sector development, the Bank is totally absent from the current review phase, preparatory to the sector's reform contrary to the World Bank which is fully involved not only in Benin where it has just resumed dialogue on the matter but in other countries as well. OPT Management has expressed its desire to see the Bank take a more active part in the process and especially in defining and implementing concrete actions to separate the postal from the telecommunications activities and to privatise telecommunications activities.

B – Efficient Management and Organisation

4.4.7 Paragraphs 6.1 and 6.2 of the PCR explain the reorganisation and manpower measures taken by OPT during this decade. The authorities of OPT are competent and motivated to implement various reforms in view of a more rational and stricter equipment management; however, the main weakness of the Office lies in the management of human resources which requires energetic measures to counter: (i) poor supervision of the line staff by the supervisory staff i.e. a rate of around 10%, against the 18 to 20% usually expected of the sector; (ii) the ageing of its staff on an average age of 44 years and the departure on retirement of 2/3 in the next 5/6 years; (iii) poorly qualified staff whose capacity do not match the technology of the equipment. These measures are inevitable if the risks to sustainability and integrity as well as to the effects expected of the sector's restructuring, are to be prevented from getting worse.

4.4.8 OPT can boast of a training centre whose staff, material means and teaching aids are adequate to train the executing agents, supervisory staff and to provide further training. The senior officers are generally trained abroad, at the Multinational Higher Telecommunications School in particular, of which Benin is a founding member. The PNAM project for its part made it possible to strengthen the OPT's maintenance system and to foster a maintenance culture among its staff.

C – Socio-Economic Impact

4.4.9 The project increased considerably the means and quality of communications in Porto Novo and in the country at large especially by opening up 19 rural communities in the regions of Mono, Zou and Oueme which together account for 48.11% of the Benin population. It will have contributed to:

- greater competitiveness and effectiveness of economic operators;
- a better integration of the country into the economy of the sub-region;
- a better standard of living and environment of urban dwellers, and easier access of rural dwellers to these economic and social advantages; and
- the stability of rural dwellers.

4.5 Impact on Women and on the Environment

4.5.1 Impact on Women

This specific project or telecommunications projects in general have no impact on women, who make good the socio-economic benefits mentioned earlier. With regard to the situation of women at OPT, it is comparable to that of enterprises in the sector, i.e. concentration of women in the administrative and commercial positions and generally on lower grades. Thus, at the end of 1998 in the telecommunications directorate, women represented 10.7% of staff; 9.1% of the professional staff and 11.7% of the line staff.

4.5.2 Impact on the Environment

Environmentally speaking, the telecommunications sector is generally considered safe. Moreover, as the project involved rehabilitation and extension, there was no negative impact on the environment. There were no cases of expropriation and the deforested areas were reforested after the works. The only negative impact possible concern a high consumption of paper (directories, etc) and the frequent use of petrol-run vehicles for moving around to repair and maintain the networks. These secondary effects are outweighed by the advantages of telephone communication which contributes to a decrease in road travel and therefore in air pollution and to the development of data transmission techniques (savings on paper).

4.6 Performance of Consultants, Entrepreneurs, Suppliers and the Borrower

4.6.1 The performance of the consultants and consulting engineer who audited OPT's financial statements and supervised transmission works respectively, was judged satisfactory and in conformity with specifications. With the exception of the firm Sindus Equip, the suppliers fulfilled their obligations within the prescribed deadlines pursuant to the contracts, and their performance was judged satisfactory.

4.6.2 Sindus Equip, the enterprise that supplied the protection and power equipment for the coastal station performed poorly. It was the source of delay in project implementation because it did not respect its contractual deadlines, its equipment was faulty and the reservations made at the provisional acceptance persist and a serious risk to the installations of the coastal station currently in working order. This supplier is not a first offender. Other OPT projects financed by the Bank had been served poorly. Supplies under the PNAM were unsatisfactory as was rightly pointed out. The fact that it was selected for this project illustrates that procurement was conducted in a careless manner by OPT and the Bank.

4.6.3 The performance of the Borrower and OPT, beneficiary of the loan and project executing agency was unsatisfactory despite the fact that there was no project cost overrun. Project implementation featured: (i) delay in the entry into force of the loan and in project implementation; (ii) dissolution of the project management and coordination units almost at project start-up; and (iii) lack of thoroughness in the selection of suppliers, in the management of contracts and in the application of the contractual clauses and other penalties.

4.7 Performance of the Bank Group

The Bank Group's performance was unsatisfactory. Market assumptions were not revised during the reappraisal of the project two years after its appraisal. Supervision missions were infrequent and of poor quality. The dissolution of the project management and coordination units and non-compliance with Bank loan conditions were penalised once the project had been completed. The Bank however responded positively to the requests from the Executing Agency and the Borrower concerning the application of rules of procedure for the procurement of goods and services and for disbursement.

V. PROJECT SUSTAINABILITY

5.1 The sustainability of project effects depend on the quality of the equipment installed, on whether they comply with the other equipment of the network, on OPT's capacity to run and maintain them, on continued improvement and stabilisation of the OPT's financial situation, the degree to which its institutional capacity has been strengthened and lastly, on whether the sector's restructuring and liberalisation is effective and rapid.

5.2 The project has greatly contributed to the development of the capacity of the telecommunications network and its equipment fit into the parallel or recent OPT installations. The policy of digitalisation and opening up of rural areas undertaken by the Authority is wise and the new installations strengthen project achievements in terms of quality and development of services.

5.3 The maintenance system must be reviewed both in terms of organisation and staff in order to meet the latest developments of digitalisation and improvement of the rural network. Indeed, the current system which was strengthened under the PNAM meets the demands of the analogic type network and the fact that it is highly centralised is a major obstacle to addressing effectively the maintenance of the rural telecommunications system. The operating and maintenance staff, well trained under the PNAM is competent, has the necessary maintenance reflexes and its conversion into the new digital technology should not be a problem if those who have reached retirement are replaced by the Authority which now has disposes of adequate training means.

5.4 OPT's financial situation has improved; its stability and consequently the probability of the sustainability of project effects will be strengthened through: (i) increased density and full digitalisation of the network; (ii) better productivity of staff and equipment; and (iii) better quality of service to the client. Priority must therefore be given to restructuring and to streamlining management (promotion of the customer service, commercial and financial functions), as well as those aimed at renewing and training staff.

5.5 The telecommunications sector has focused on the concepts of globalisation which has meant keener competition even in those countries where activity is controlled the public sector. Benin, whose natural resources are limited, has little financial resources to develop the sector; its economy is centred on the services which must be reorganised so that join in this globalisation by:

- separating the postal from the telecommunications activity;
- defining state-run public services;
- developing high value added services by or with the private sector;
- ensuring underprivileged areas and population easier access to basic services; and
- defining and establishing an independent organ to regulate the sector.

VI. PERFORMANCE RATING

Tables of detailed project performance rating are shown in Annexes 3,4 and 5 of this report.

6.1 Implementation Performance

Implementation performance was unsatisfactory; the deadlines and conditions relative to the loan were not fulfilled and the project management and coordination units were dissolved aggravating thus implementation problems.

6.2 Bank Performance

The Bank's performance was unsatisfactory; it did not respond favourably to the request for a reappraisal of the project; supervision missions were infrequent and of poor quality and project implementation fell well behind schedule.

6.3 Programme Achievements

The project's achievements were satisfactory; most of its main objectives were met; project components were all implemented and except for the coastal station, all equipment are in satisfactory working order. The prospects for sustainability of are made better by the improvement in OPT's financial situation and in its institutional capacity but remain tributary to the sector's restructuring.

VII. CONCLUSIONS AND RECOMMENDATIONS

7.1 Overall Evaluation

The overall performance of the Telecommunications Development Project in Benin which is rated an average of 2.77 of all individual indicators, is satisfactory. Project implementation was not strictly managed, fell well behind schedule but did not exceed the projected cost. The prospects for the sustainability of project effects are good enhanced by a better financial situation and institutional capacity. However, actions to streamline and readapt staff and the maintenance system are required. The competitiveness of the sector, its viability in the long term are tied to the resolve to the Government and OPT to restructure the sector and to attract the private sector to take part in these activities under a well-defined framework.

7.2 Feedback and Recommendations

Lessons

7.2.1 The following lessons have been drawn from the evaluation of the Benin Communications Development Project:

- i) the delay in the entry into force of the loans is recurrent and prevents compliance with the implementation schedule of the project concerned (see § 3.1 & 3.3);
- ii) a major delay in project implementation may jeopardise partially or totally the relevance of project objectives and therefore project design (see § 2.3.2, 3.5 & 4.1.3);
- iii) because the project was not fully re-appraised after the major delay at start-up, the equipment became saturated soon after being commissioned decreasing thus the sustainability of project impacts (see § 2.3.2);
- iv) the disbandment of the project coordination and management units before the end of its implementation recurs and is detrimental to proper implementation management and to the proper conservation of its archives (see § 3.4, 3.8 & 4.1.8);
- v) the lax management of the project and its contracts was a source of delay and disruption of project implementation (see § 3.3 & 3.5);
- vi) a lack of performance criteria and indicators may impact negatively on the quality of project supervision inhibiting its scope of surveys and of remedial measures where necessary (see § 2.5.2 & 4.1.1);
- vii) poor supervision exacerbated the negative effects of slack implementation management (see § 3.4).

Recommendations

7.2.2 In view of the foregoing it is recommended that:

The Government and OPT:

- i) determine the structural constraints to the timely entry into force of the Bank loan agreements and for future projects, define the conditions and practical provisions needed to lift these constraints (see § 3.1 & 3.3);
- ii) respect the provisions taken in agreement with the Bank for project management and in particular, the continuation and use of the management and coordination units throughout implementation (see § 4.1.8);
- iii) take the necessary steps not to use suppliers of goods and services whose performance and quality of services are unsatisfactory and counter to rules and ethics of their profession (see § 4.1.2, 4.1.5 & 4.6.2);
- iv) apply to the letter, contract clauses and conditions and penalise if they are not complied with (see § 4.6.3);
- v) apply all contractual provisions so that the supplier who defaulted on the coastal station replaces the faulty equipment and proceeds with the final acceptance of the installations (see § 4.1.5);
- vi) conduct a study and establish an adequate emergency system for the power supply of the rural connections (see § 4.1.6);
- vii) reorganise the maintenance system so as to adapt it to the demands of the digital technology equipment (see § 5.3);
- viii) provide the Office with a more rational staff structure, and rapidly replace staff close to retirement by qualified staff more receptive to the requirements of digital technology (see § 5.3);
- ix) pursue actions to reorganise and strengthen the institutional capacity of the Authority with a view to consolidating the financial structure, improving the rate of return of investments and making sure that the stock lasts (see § 5.4 & 4.2.4);
- x) improve the coordination of the various structures recently established bolstering it with a more effective information system (see § 4.4.2);
- xi) pursue and accelerate if need be, the sector's restructuring process and in that regard:
 - Define a plan of action accompanied by a precise schedule for separating postal from telecommunications activities; and
 - Freeze, until the adoption of laws and regulatory texts and the establishment of the regulatory organ, the issue of licences for operating the cellular networks and large-scale investments on the fixed network (see § 4.4.4, 4.4.5 & 5.5).

The Bank:

- i) ensure compliance with the logical framework matrix as well as the quality and reliability of its data throughout the project cycle (see § 2.5.2 & 4.1.1);
- ii) ensure, during project appraisal, that the necessary provisions are made to meet the conditions for entry into force of the loan within the prescribed deadline (see § 3.1 & 3.3);
- iii) work out operational guidelines for appraisal with specific instruments for studying the markets (see § 2.4.1, 4.13 & 4.7);

- iv) schedule a detailed reappraisal and if necessary, a review of the design of a project that has been delayed considerably at start-up or during implementation (see § 2.3.2 & 3.3);
- v) train project managers in the various Bank rules of procedure (see § 3.3 & 4.7);
- vi) ensure the continuation and proper running of the project implementation units (see § 4.1.8 & 4.7);
- vii) develop and strengthen the application of guidelines relative to the frequency, objectives and contents of the supervision missions in particular, monitoring and sending systematic reminders in view of the fulfilment of the loan agreement conditions and the audit of project accounts, and applying sanctions where necessary (see § 3.4, 3.5, 4.1.8 & 4.7);
- viii) cancel the loan balance after the audit and final settlement of the related amount (see § 3.6);
- ix) take active and effective part in the telecommunication sector's restructuring exercise in regional countries and in that underway in Benin (see § 4.4.6).

7.3 Follow-up Actions

Points that need follow-up action are given in the matrix of actions below in Annex 1.

BENIN – COMMUNICATIONS DEVELOPMENT PROJECT
PROJECT PERFORMANCE EVALUATION REPORT

MATRIX OF FOLLOW-UP ACTIONS

Findings and Lessons	Recommendations	Follow-up action	Responsibility
<p><u>Design</u></p> <p>1. The Bank did not formally prepare the project.</p> <p>2. Project objectives were relevant but qualitatively unclear; performance criteria and indicators were not defined.</p>	<p>1. Project preparation must be compulsory and officialised by a report that gives the project's status and the prerequisites for its appraisal.</p> <p>2. A detailed evaluation matrix must be prepared systematically at appraisal and on completion of projects for a better definition and quantification of performance indicators.</p>	<p>1. Strengthen the operational guidelines for project preparation.</p> <p>2. Adapt and strengthen the application of the MPDE and work out an exhaustive list of performance indicators for the sector.</p>	<p>1 et 2: OPVP: OCD pays OCOD</p>
<p><u>Implementation</u></p> <p>3. The executing agency (EA) was unfamiliar with Bank rules of procedure.</p> <p>4. Project implementation was set back by the dissolution of the project coordination units.</p> <p>5. The project was not satisfactorily supervised and supervision missions were infrequent. No measure was taken to strengthen the provisions of the loan agreements.</p>	<p>3. It is vital to train the EA officers in Bank rules of procedure.</p> <p>4. Provisions for project management made in concert with the Bank must be respected.</p> <p>5. Project supervision must be systematic to keep project implementation under control. It must be consistent with guidelines on their frequency, objectives and contents.</p>	<p>3. Make training of EA employees systematic.</p> <p>4. Ensure compliance with loan agreement conditions and provisions.</p> <p>5. Spell out and strengthen application of the operational guidelines relative to supervision, midterm review.</p>	<p>3. OPVP Borrower</p> <p>4. OPVP Borrower</p> <p>5. OPVP</p>
<p><u>Compliance with Loan Agreement Conditions</u></p> <p>6. Project accounts were not audited; activity reports were irregular and the project management and coordination units were dissolved without informing the Bank.</p>	<p>6. The Borrower must comply strictly with the loan agreement conditions and compliance must be checked and strengthened during supervision missions.</p>	<p>6. At appraisal, earmark funds for the audit of project accounts and monitor more closely application of loan conditions.</p>	<p>6. OPVP OCOD Borrower</p>

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PROJECT PERFORMANCE EVALUATION REPORT

MATRIX OF FOLLOW-UP ACTIONS

<p><u>Project Performance</u></p> <p>7. The installations are virtually saturated on commissioning and need to be extended.</p> <p>8. The coastal station works in an unpredictable and unsafe manner.</p> <p>9. The emergency batteries for the radio links are inadequate and often out of order as a result of long periods of brown-outs.</p>	<p>7. Any major delay at project implementation start-up must be followed by full reappraisal especially of its market study.</p> <p>8. The supplier must quickly address flaws in his security system.</p> <p>9. The emergency system must be replaced by a more effective system.</p>	<p>7. Improve on the operational guidelines relative to appraisal and establishing instruments specifically for market projections.</p> <p>8. Demand that the supplier set his equipment in working order and lift the reservations made at their acceptance.</p> <p>9. Review and establish a new emergency system.</p>	<p>7. OPVP: OCOD OCD countries</p> <p>8 and 9: Borrower OPT</p>
<p><u>Sustainability</u></p> <p>10. The sustainability of project effects may be jeopardised by a shortage of staff and an inadequate system to maintain the digital technology facilities as well as by the delay in the sector's restructuring.</p>	<p>10. Actions to build the institutional capacity of the enterprise particularly to upgrade staff must be pursued and the sector's reorganisation accelerated.</p>	<p>10. Proceed with the readaptation of the staff component and maintenance of the digital system and speed up the sector's restructuring process.</p>	<p>10. Borrower OPT OPVP OCD country</p>

BENIN – COMMUNICATIONS DEVELOPMENT PROJECT
PROJECT PERFORMANCE EVALUATION REPORT
RETROSPECTIVE MATRIX

Narrative description	Verifiable indicators	Means of verification	Assumptions and risks																																										
<p><u>Sectoral Objectives:</u></p> <p>1. Contribute to the extension of the country's cover in basic telecommunications services</p>	<table border="0"> <tr> <td></td> <td align="center"><u>1987</u></td> <td align="center"><u>1998</u></td> </tr> <tr> <td>Teledensity (LP/100 inhab)</td> <td align="center">0.3</td> <td align="center">0.6</td> </tr> <tr> <td>Exchange capacity (DLs)</td> <td align="center">23.600</td> <td align="center">54.432</td> </tr> <tr> <td>Total connections</td> <td align="center">12.848</td> <td align="center">38.354</td> </tr> </table>		<u>1987</u>	<u>1998</u>	Teledensity (LP/100 inhab)	0.3	0.6	Exchange capacity (DLs)	23.600	54.432	Total connections	12.848	38.354	* national statistics																															
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<p><u>Achievements:</u></p> <p>1. <u>Local Network of Porto Novo</u> . Reorganisation of the network and connection of 5.749 DLs</p> <p>2. <u>Transmission</u> . Rehabilitation of maritime station . HF rural links</p> <p>3. <u>Consulting engineers for:</u></p>	<p>1. <u>Local network of Porto Novo</u> . rehabilit: 2.800 pairs for conveyance & 13.000 distribution, terminals . 5.064 DLs connected.</p> <p>2. <u>Transmission</u> . Maritime station rehabilitated but shows signs of disfunction. . Analogic multiplex installed for the 4 existing links. . 19 HF digital rural links installed.</p> <p>3. <u>Consulting engineers recruited for:</u></p>	*OPT quarterly activity and completion reports. * Back-to-office, supervision and Bank completion	*The project is 5 years behind schedule. * The coastal station is behind schedule although not officially accepted. * financial results have improved.																																										

BENIN – COMMUNICATIONS DEVELOPMENT PROJECT
PROJECT PERFORMANCE EVALUATION REPORT
RETROSPECTIVE MATRIX

<p>. works supervision . external audit of financial statements</p> <p>4. <u>Training of</u>: . 12 works engineers, . 28 transmission technicians . acquisition of a HF station school for the training centre</p> <p>5. <u>Management Unit</u> . purchase of 3 vehicles and office equipment</p>	<p>. the supervision of transmission works . external audit of OPT's annual financial statements.</p> <p>4. <u>Training of</u>: . 12 works engineers trained in factory for 2 months . 12 works engineers and 16 technicians trained on the site in 3 months . HF school station installed. . 7 technical assistants recruited for the training centre.</p> <p>5. <u>Management Unit</u> . purchase of 3 vehicles and office equipment.</p>	<p>reports.</p>																																																																																																				
<p><u>Activities</u></p> <p>1. Competition. 2. Procurement of goods and services 3. Civil works and mounting 4. Works inspection and supervision 5. Training</p>	<table border="0"> <tr> <td>1. <u>Cost</u>: (MUA)</td> <td>Project</td> <td>Actual</td> <td>Variation (%)</td> <td></td> </tr> <tr> <td>Porto Novo network</td> <td>4.62</td> <td>5.01</td> <td>+ 8.3</td> <td></td> </tr> <tr> <td>Transmission</td> <td>6.94</td> <td>7.51</td> <td>+ 8.3</td> <td></td> </tr> <tr> <td>Training</td> <td>1.72</td> <td>2.08</td> <td>+21.5</td> <td></td> </tr> <tr> <td>Consulting engineers,</td> <td>0.35</td> <td>0.10</td> <td>-71.4</td> <td></td> </tr> <tr> <td>Project management unit</td> <td>0.04</td> <td>0.08</td> <td>+78.5</td> <td></td> </tr> <tr> <td><u>Conting. (physc & fin.)</u></td> <td>1.81</td> <td>-</td> <td>n.a</td> <td></td> </tr> <tr> <td>Grand Total</td> <td>15.48</td> <td>14.78</td> <td>-4.5</td> <td></td> </tr> <tr> <td colspan="5">2. <u>Financing plan</u>: (MUA)</td> </tr> <tr> <td></td> <td align="center" colspan="4"><----- Projected-----></td> <td align="center" colspan="4"><----- Actual -----></td> </tr> <tr> <td></td> <td align="center">F.E</td> <td align="center">LC</td> <td align="center">Total</td> <td align="center">%</td> <td align="center">FE</td> <td align="center">LC</td> <td align="center">Total</td> <td align="center">%</td> </tr> <tr> <td>ADF</td> <td align="center">6.92</td> <td align="center">-</td> <td align="center">6.92</td> <td align="center">44.7</td> <td align="center">6.43</td> <td align="center">-</td> <td align="center">6.43</td> <td align="center">43.5</td> </tr> <tr> <td>NTF</td> <td align="center">7.00</td> <td align="center">-</td> <td align="center">7.00</td> <td align="center">45.2</td> <td align="center">6.72</td> <td align="center">-</td> <td align="center">6.72</td> <td align="center">45.5</td> </tr> <tr> <td>OPT</td> <td align="center">-</td> <td align="center">1.56</td> <td align="center">1.56</td> <td align="center">10.0</td> <td align="center">-</td> <td align="center">1.64</td> <td align="center">1.64</td> <td align="center">11.0</td> </tr> <tr> <td>Total</td> <td align="center">13.92</td> <td align="center">1.56</td> <td align="center">15.48</td> <td align="center">100</td> <td align="center">13.14</td> <td align="center">1.64</td> <td align="center">14.78</td> <td align="center">100</td> </tr> </table>	1. <u>Cost</u> : (MUA)	Project	Actual	Variation (%)		Porto Novo network	4.62	5.01	+ 8.3		Transmission	6.94	7.51	+ 8.3		Training	1.72	2.08	+21.5		Consulting engineers,	0.35	0.10	-71.4		Project management unit	0.04	0.08	+78.5		<u>Conting. (physc & fin.)</u>	1.81	-	n.a		Grand Total	15.48	14.78	-4.5		2. <u>Financing plan</u> : (MUA)						<----- Projected ----->				<----- Actual ----->					F.E	LC	Total	%	FE	LC	Total	%	ADF	6.92	-	6.92	44.7	6.43	-	6.43	43.5	NTF	7.00	-	7.00	45.2	6.72	-	6.72	45.5	OPT	-	1.56	1.56	10.0	-	1.64	1.64	11.0	Total	13.92	1.56	15.48	100	13.14	1.64	14.78	100	<p>* OPT's quarterly activity reports.</p> <p>* Bank mission reports (inspection. supervision. completion).</p> <p>* Bank disbursement statements.</p>	<p>* Financing plan of the Borrower and the Bank set in motion.</p> <p>* Goods and services and works satisfactory with the exception of those concerning the coastal station.</p>
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BENIN – COMMUNICATIONS DEVELOPMENT PROJECT
RAPPORT D'EVALUATION DE PERFORMANCES

Annex 3

IMPLEMENTATION PERFORMANCE

Indicators	Rating	Remarks
1. Compliance with implementation schedule.	1	Project implementation fell 5 years behind schedule. 2 of which were due to sanctions levied on the country.
2. Compliance with cost.	3	Project cost underrun on 4.5%. as well as a small balance of MUA 0.783 (5%) on loans after completion. These variations are lower than the 10% provision generally set aside for contingencies. Project modifications were financed out of the provisions for financial and physical contingencies.
3. Compliance with loan agreement conditions.	1	Precedent and other loan agreement conditions complied with but the project coordination units set up under the project are not operational and the general condition relative to the audit of project accounts was ignored.
4. Measuring follow-up evaluation against quarterly progress reports.	1	Activity reports were irregular and the project coordination units did not take off.
5. Satisfactory operation.	2	With the exception of problems around the maritime station and those concerning electric energy supply. all equipment performed satisfactorily and their pace quickened in less than no time.
Overall evaluation of implementation performance.	1.6	Implementation performance was unsatisfactory; it was adversely affected by a major delay and slack implementation.

BENIN – COMMUNICATIONS DEVELOPMENT PROJECT
PROJECT PERFORMANCE EVALUATION REPORT

Annex 4

PERFORMANCE OF THE BANK

Indicators	Rating	Remarks
1. At identification	NA	The project was identified during the implementation of the PNAM project financed by the Bank.
2. At project preparation.	2	The Bank did not officially prepare the project but took part in the donor meeting.
3. At appraisal.	2	Despite the two missions the quality of appraisal was unsatisfactory. The second appraisal which carried out two years after the first. did not update demand and consequently the equipment was saturated virtually as soon as it was commissioned.
4. At supervision	2	One supervision mission was fielded every two years. More missions should have been organised given the delay registered at project start-up and implementation. The Bank took no steps for non-compliance with loan agreement conditions, particularly regarding the discontinuation and utilisation of the coordination units set up under the project.
<u>Overall evaluation of Bank performance</u>	2	The Bank's performance was unsatisfactory. missions were infrequent and of poor quality.

BENIN – COMMUNICATIONS DEVELOPMENT PROJECT
PROJECT PERFORMANCE EVALUATION REPORT

Annex 5
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PROJECT ACHIEVEMENTS

	Indicators	Note	Remarks
1	Relevance and attainment of objectives.	2.17	Most objectives were relevant and attained.
i)	Macro-economic policy	3	Macro-economic reforms implemented during the 90s. with gradual state withdrawal from the productive sectors. The rhythm of growth remains sustained at a rate of 5.5% in constant terms in 1996. and OPT's status and management changed into a private and more autonomous management.
ii)	Sectoral policy	2	The sector's development policy is coherent in line with the general recommendations of ITU; its application requires considerable financial resources however. that only private sector participation and competition could help provide.
iii)	Physical achievements	2	With the exception of the coastal station. installations were implemented in compliance with trade practices and are in satisfactory working order. The main emergency energy supply system must be bolstered.
iv)	Financial results	2	The financial ratios have improved and OPT generates positive income regularly although its telecommunications activity still subsidises its postal activity.
v)	Poverty reduction. social aspects and gender mainstreaming.	2	The project's impact on poverty and on women is marginal; it however contributed to opening up the rural areas.
vi)	Environment	S.O.	There was no specific effect on the environment; nevertheless. it contributed somehow to improving the standard of living of the people concerned.
vii)	Private sector development	2	There was no project impact on the private sector other than enterprises took part in its implementation.
2	Institutional development	2.33	Performance was satisfactory.
i)	Institutional framework including restructuring.	2	OPT's status was modified in view of greater operational. legal and financial independence. and measures for its internal restructuring are underway. Nonetheless. sectoral restructuring is yet to be undertaken. The disbandment of the project coordination and management units was detrimental to its implementation and to ensuring that related data is kept.
ii)	Financial information and management system. including the audit system.	3	Accounting and financial management in conformity with the provisions of the OCAM accounting system and the audit function was strengthened. The systems set up are adequate or are being revisited and geared to the sector's restructuring.
iii)	Technology transfer.	S.O	OPT is versed in telecommunications technology and keeps its staff abreast of the latest developments.
iv)	Provision of skilled manpower. training and provision of counterpart staff.	2	OPT can boast of staff qualified to operate the existing equipment and training in the new technologies is given in its training centre whose means were strengthened under the project. The ageing of its staff must be taken into account to avoid malfunctioning of equipment.

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PROJECT ACHIEVEMENTS

3	Sustainability	2.57	Sustainability of project effects highly probable and highly likely with the improvement of OPT's financial situation.
i)	Continued commitment of the Borrower.	2	The sector's development are a source of constant concern to the Government and OPT and review along the main lines of the sector's restructuring and private sector participation is well underway.
ii)	Environmental policy	3	Structural reforms currently implemented aim at promoting the private sector and improving public services; from the social standpoint priority given to poverty reduction and emphasis is put on rural development.
iii)	Institutional framework	2	OPT's institutional capacity has improved greatly with the implementation of the PNAM and the priority programme. A sectoral restructuring exercise is being devised on the basis of the country's vocation. the need to open up underprivileged areas would consolidate these achievements.
iv)	Technical viability and staff upgrading.	2	OPT's experience is solid and its training means adequate. Nonetheless, it is vital to launch a plan to replace staff; more than 30% will reach the age limit in the next five years.
v)	Financial viability including cost recovery system.	3	OPT's financial viability and its telecommunications activity are positive; this is overshadowed by the poor results of the postal activity and will take a turn for the better only if the sector is reorganised and the two activities are separated.
vi)	Economic viability.	3	Project achievements have had a positive impact on the flow of traffic and the connection capacity. The project's economic rate of return is very satisfactory and the sector's development will help enhance the country's transit role.
vii)	Environmental viability.	S.O.	The project had no effect on the environment.
viii)	Operating and maintenance mechanisms.	3	Equipment technically satisfactory and the PNAM project previously financed by the Bank enabled a strengthening of the maintenance system. The operating results are improving as is the quality of services. The projected sector restructuring can only improve on these various results.
4	Financial rate of return	4	Satisfactory with a rate of 26.5%. or higher than the 20.3% projected at appraisal.
5	<u>Overall evaluation of results</u>	2.77	The overall results of the project are satisfactory.

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Annex 6

OPT Operating Income and Financial Statements (CFAF billion)

	1993	1994	1995	1996	1997	1998
<i>OPT'S OVERALL ACTIVITY</i>						
TOTAL PRODUCTION	12.222	16.080	19.324	20.746	25.031	27.524
OPERATING CHARGES	12.531	9.754	10.256	12.454	17.542	17.057
OPERATING INCOME	-0.309	6.326	9.068	8.292	7.489	10.467
NET INCOME FINANCIAL YR	-1.636	1.281	2.086	4.317	7.850	10.763
Operating ratio (%)	102.5	60.7	53.1	60.0	70.1	62.0
Net income/TO (%)	-13.38	7.97	10.79	20.81	31.36	39.10
Net cash flow	5.293	3.920	4.378	6.895	11.821	15.459
<i>ACTIVITY</i>						
<i>TELECOMMUNICATIONS</i>						
PRODUCTION	10.501	14.683	17.503	19.474	23.774	<i>n.a.</i>
Operating income	-0.736	6.547	9.447	9.365	12.026	<i>n.a.</i>
NET INCOME ACTIVITY	-2.510	1.525	2.592	4.946	10.023	<i>n.a.</i>
TOTAL INVESTMENT	19.766	26.723	32.358	37.832	37.653	<i>n.a.</i>
Relative production (%)	85.92	91.31	90.58	93.87	94.97	<i>n.a.</i>
Relative staff charges (%)	68.11	65.96	62.58	61.94	60.35	<i>n.a.</i>
Net relative income (%)		119.06	124.25	114.56	127.69	<i>n.a.</i>
Rate of return on invest. (%)	<i>n.a.</i>	6.56	8.77	14.09	26.56	<i>n.a.</i>

FINANCIAL STATEMENTS (CFA billion)

	1993	1994	1995	1996	1997	1998
ASSET						
IMMOBILISATIONS NETTES	19.943	26.369	31.693	36.030	42.707	54.049
FIXED ASSETS	22.067	28.062	35.488	39.191	45.442	56.400
OPERATING ASSET	0.185	0.214	0.446	0.984	1.224	3.141
REALIZABLE AND LIQUID ST	24.013	42.834	62.621	63.756	65.933	71.568
FLOATING ASSETS	24.198	43.048	63.067	64.740	67.156	74.709
TOTAL ASSET	46.265	71.110	98.555	103.931	112.599	131.109
LIABILITY						
EQUITY CAPITAL	12.817	13.812	15.233	18.606	24.661	31.310
Including CAPITAL	7.650	7.650	7.650	7.650	7.650	7.650
CARRIED FORWARD	6.556	5.020	5.897	6.987	8.822	10.299
NET INCOME	-1.636	1.281	2.086	4.317	7.850	10.763
MST DEBTS	14.641	33.452	37.935	40.660	41.961	45.042
PERMANET CAPITAL	30.881	54.113	63.604	59.445	68.002	77.202
ST DEBTS	15.383	16.997	34.950	44.486	44.597	53.907
TOTAL LIABILITY	46.264	71.110	98.554	103.931	112.599	131.109
FINANCIAL RATIOS						
ST debts/ permanent capital	0.47	0.62	0.60	0.68	0.62	0.58
Immediate liquidity	1.57	2.53	1.80	1.46	1.51	1.39
Financial balance	1.55	2.05	2.01	1.65	1.59	1.43
Rate of return on equity (%)	-12.76	9.28	13.69	23.20	31.83	34.38
Net income/net liabilities (%)	<0	5.53	7.18	12.75	19.94	22.25
Rate of return on investments (%)	<i>n.a.</i>	3.95	5.20	9.20	14.24	15.91