

EvSum493

INDIA-UNITED ARAB EMIRATES SUBMARINE TELEPHONE CABLE, 1985-87

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The Project

This project consisted of 1,964km of coaxial underwater cable, together with installation facilities for a 14 Mhz telecommunications system, linking Bombay in India with Fujairah in United Arab Emirates (UAE). The cable was co-owned by India and UAE telecommunications authorities (VSNL and ETISALAT respectively). ODA grant support of £3.7m was provided from its Aid and Trade Provision (ATP) to assist the purchase of the Indian share of the cable.

The Evaluation

The evaluation was carried out by an economist from ODA, an economist from DTI and a consultant telecommunications engineer.

This evaluation report was used in the preparation of an additional report: "ATP Synthesis Evaluation Study: a synthesis of the evaluation studies of 8 projects financed under the Aid and Trade Provision" (see EvSum490).

Overall Conclusion & Success Rating

The project has been *highly successful*. Implementation was trouble free and within budget. The cable generated high financial and economic returns.

The Main Findings

- The financial rate-of-return was around 33%. This was lower than at appraisal, because the cable filled more slowly than expected. The economic rate-of-return may have been around 80%. These returns are typical of the international telecommunications sector.
- Despite this, the project was not optimal. Domestic exchange and transmission constraints have limited the uptake of the cable. The alternative, expanding satellite use to accommodate traffic growth, would have been cheaper.
- In addition, although the project is technically and financially sustainable, the Telecommunications Corporation operating the cable does not maximise the potential benefits it offers.

- No monitoring of the project was undertaken. In the event, this did not have any detrimental effects.
- The benefits of the project were shared by business, in the form of better telecommunications services; government, in the form of increased taxes and revenues; and private callers. The poor will have benefited only indirectly.
- The use of ATP was not necessary to secure the contract for the British manufacturer. Its tender was the cheapest and the best. The UAE authorities were not eligible for ATP assistance, so their decision was made on the tenders alone. The same was true, in this instance, of the Indian authorities.

Lessons

- The level of ATP appraisal involved in this study did not include proper assessment of whether the satellite alternative was preferable. In addition, it did not focus on the critical constraints imposed on the project by the domestic network, or the institutional makeup of the client institution. Detailed appraisal is necessary in ATP projects to allow judgements on the overall appropriateness of an investment strategy to be made properly.
- In some circumstances ATP recipient governments will not be influenced by credit terms, but will prefer to make decisions purely on the basis of the tenders themselves. Appraisals should seek to establish the manner in which aid and credit terms are to be evaluated by prospective purchasers.
- ATP should not be provided in circumstances where shared ownership means it cannot have a decisive influence on the tender award.