

PROJECT INFORMATION DOCUMENT (PID)

Report No.: AB2685

Project Name	Regional Communications Infrastructure Program (RCIP) Communications Infrastructure Project I,II,III (CIP1,2,3)
Region	AFRICA
Sector	Telecommunications (60%); General information and communications sector (20%); General industry and trade sector (20%)
Project ID	P094103
Borrower(s)	First Phase: Kenya (CIP1 or TCIP), Burundi (CIP2), Madagascar (CIP3)
Implementing Agency	Relevant Ministry in charge of Telecommunications
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Revised	February 12, 2007
Date of Appraisal Authorization	February 13, 2007
Date of Board Approval	March 29, 2007

1. Country and Sector Background

1. The proposed Regional Communications Infrastructure Program (RCIP) is a joint World Bank Group effort to leverage private sector participation along with regional IDA, IFC, *infoDev* and DevCo resources, alongside eight other development partners (AfDB, AFD, DBSA, DFID, EIB, EU, KfW and SIDA), in order to improve connectivity across Eastern and Southern Africa - the only part of Africa that is not connected to the global broadband infrastructure and a region that currently relies mostly on expensive and poor quality satellite infrastructure with costs amongst the highest in the world (international wholesale bandwidth prices are 20 to 40 times higher than those in the United States).

2. As a result of an evolutionary process, articulated by various stakeholders (including policy makers, telecom operators, NEPAD and donors), a clear structure for RCIP has emerged, with two distinct but complementary initiatives pursued in parallel. On one hand, an IFC operation as part of a joint IFC/EIB/DBSA/AfDB/AFD/KfW effort, is proposing to finance through a Special Purpose Vehicle, an operator-backed submarine cable, known as East African Submarine Cable System (EASSy), which will follow the coastline to connect South Africa, Madagascar, Mozambique, Tanzania, Kenya, Somalia and Sudan to the rest of the world. The main operating principle of this submarine cable, which differentiates it from many others funded under oligopoly regimes, is reliance on an open access, pro-competitive communications regime that ensures capacity is available to all operators at a fair price, independently of their status as shareholders of EASSy.

3. On the other hand, the proposed World Bank operation emerges from the Bank's Africa Action Plan, which identified advances in ICT as one of the three emerging positive trends in the 21st Century for Africa, offering "enormous opportunities to leapfrog stages of development."

4. RCIP has been designed as a horizontal Adaptable Program Loan (APL) regional International Development Association (IDA) operation to support the emergence of terrestrial networks to connect the main towns of all participating countries amongst each other and with the rest of the world. This operation is also designed to ensure the sustainability of the overall RCIP system and the productive use of this regional infrastructure, through targeted investments in capacity pre-purchase for Government use and other user groups (schools, universities, hospitals, etc.), rural network deployment and development of specific e-Government applications. It must be noted that the proposed World Bank operation, while

complementary, does not rely solely on the proposed EASSy cable, as there are a number of other submarine cable initiatives of which it is likely that one or two will materialize. The project will thus benefit from competition at two levels, between different cables, and between different operators providing service on the same cable (open access implies no restrictions to the number of service providers on one cable).

5. The first Phase of the RCIP World Bank operation will take the form of Communications Infrastructure Projects 1, 2 and 3 (CIP 1, 2, 3) with a combined IDA volume of around US\$166m and expected to reach the Board 1st quarter of 2007. This will include Kenya (CIP 1 or the Transparency & Communications Infrastructure Project, TCIP), Burundi (CIP 2) and Madagascar (CIP 3). Subsequent phases will reach the Board based on readiness of countries, as well as availability of IDA/IBRD financing. Interested candidates include Malawi, Rwanda, Mozambique, Tanzania, Zambia, Lesotho, Uganda, DRC and Mauritius (IBRD). In the particular case of Mauritius, the activities may include submarine cable-related activities and would likely have to be treated as a related but altogether different project. It is also expected that other countries will accelerate their dialogue to use IDA funds once the first tranche moves to effectiveness. It is also expected that some relevant complementary country-specific components will be added, on an opportunity- and readiness basis. Estimated combined IDA volume for the above countries (except Mauritius) in the second and subsequent phases is approximately US\$258m. Overall, the program is open to Angola, Botswana, Burundi, Comoros, DRC, Djibouti, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, Somalia, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe, provided these countries are eligible for IDA or IBRD financing. A public website (www.worldbank.org/rcip) has been developed to facilitate this process.

2. Objectives

6. The RCIP Program, the CIP 1,2,3 Projects and following CIP Projects have two overarching development objectives (i) to contribute to lower prices for international capacity and extend the geographic reach of broadband networks (the “connectivity development objective”) and (ii) contribute to improved Government efficiency and transparency through e-government applications (the “transparency development objective”).

3. Rationale for Bank Involvement

7. The World Bank Group is well placed to contribute in the context of a multiple development partners’ effort: The overall program has been formulated with and alongside other donors’ interventions. (i) The Accra donors meeting in February 2005 articulated the comparative advantage of the World Bank in Infrastructure Financing and in the Policy and Regulatory interventions, in view of its extensive worldwide experience in reform of the telecom sector and its capacity to lend longer term resources for the realization of backbone infrastructure; (ii) The EASSy consortium members’ meeting in Livingstone, Zambia on April 6th, 2006 called on the World Bank Group to help mobilize financing partners around the concept of a open access and hybrid project structure; (iii) IFC has co-led the multi-donors efforts to finance the EASSy SPV; (iv) the World Bank has been co-opted alongside the African Development Bank to be a member of the joint Operators/Governments/DFIs Task Force.

8. RCIP fits within WBG’s Strategy for Africa, particularly within the framework of the Africa Action Plan, and addresses key Millennium Development Goals. The Bank’s Africa Region Development Strategy, discussed at the Board in July 2003, identified advances in ICT as one of the three emerging positive trends in the 21st Century for Africa, offering “enormous opportunities to leapfrog stages of development.”

9. RCIP also fits within the Bank’s comprehensive Africa Action Program developed in 2005 which further articulates goals and objectives covering several important development areas including: (1) Building national development strategies and measuring results; (2) Building capable states and improving governance; (3) Supporting drivers of growth; and (4) Strengthening and implementing partnerships at the country level.

10. CAS and PRSP links: While the countries that would benefit from this project vary in size and needs, common strategic themes identified in the various CASs and PRSPs - higher growth and economic opportunities for the poor; efficiently and effectively managed public sector; improved health management and enabling environment for economic growth and structural transformation – clearly benefit from improved communications infrastructure and cheaper access to ICT.

4. Description

11. The proposed World Bank Operation under RCIP aims at assisting E&SA countries to implement a strategy of effective regional connectivity and increased government efficiency through the use of this connectivity, by (i) offering technical assistance to promote further sector liberalization and resolve market efficiency gaps, (ii) leveraging private investment in the deployment of regional and national backbone infrastructure, as well as rural networks through public private partnership (PPP) arrangements, and (iii) leveraging infrastructure to increase government efficiency and transparency through the selective deployment of key eGovernment services.

12. To maximize flexibility and client-responsiveness in a multi-country environment, RCIP has been designed as a menu of options which individual Governments choose from in order to package their RCIP operation. The proposed options include:

Design Stage – Results Matrix

Options	Expected Results
Component 1: Enabling Environment, incl. Monitoring & Evaluation capacity-building	
1. Technical assistance (TA) and M&E capacity-building to foster regional market integration and promote further sector reform so as to maximize benefits from access to capacity. This will include, among others, support to promote further sector liberalization and regulatory reforms, regulatory capacity building and training, establishing the legal and regulatory framework for the information society, strengthening the Public Private Partnership (PPP) framework, building M&E capacity and supporting project communications.	Sound environment allowing to leverage private sector participation to develop the sector Increased penetration – lower costs to consumers
Component 2: Connectivity	
2.a Support to finance the landing station or virtual landing station (for landlocked countries) for the submarine cable (dry portion), involving a small construction with limited infrastructure and telecom equipment.	PPP guaranteeing: ③ Cost-based transit charge for use of landing station ③ Equal access for all operators to regional infrastructure
2.b Support to finance pre-purchased capacity on the regional infrastructure (both submarine and terrestrial) for schools, universities, hospitals,	Increased viability of regional and national infrastructure linked to: ③ Ten-fold traffic increase in universities/ school

eGovernment use and other priority targeted user groups.	<ul style="list-style-type: none"> ③ Five-fold increase of Government traffic <p>Some priority targeted user groups able to buy communications input at same price level as competitors in other countries.</p>
2.c Support to finance country-anchored regional backhaul networks and national ICT backbone network, as well as the establishment of national IXPs, on the basis of PPPs, leveraging private sector investment.	<p>Increased viability of regional infrastructure linked to:</p> <ul style="list-style-type: none"> ③ Incremental traffic generated by national infrastructure ③ Redundancy to regional routes made possible by construction of missing links <p>District level areas connected to the global infrastructure</p>
2.d Support to finance the establishment of a government virtual private network (GovNet) to cater to all the government communications needs (both data and voice/video).	<p>Halving cost of government communications</p> <p>Improved decentralization governance</p>
2.e Support to leverage private sector investment on the basis of PPPs with competitive award of subsidies, if required, to extend the telecommunications and ICT infrastructure in rural areas and/or community-driven ICT development.	<p>Increased viability of regional infrastructure linked to incremental traffic generated by rural areas</p> <p>Increased penetration in rural areas</p>
Component 3: eGovernment Applications	
3. TA and goods/services for the implementation of five to six major applications amongst the government services which are candidates for transition to eGovernment delivery, through the use of technology, business process re-engineering to streamline processes, and change management to ensure acceptance of the new methods of working. Selection of target applications will be prioritized based on potential impact in terms of transparency and accountability, existence of a change champion, possibility of private sector participation, and high potential for quick success. Examples include public finance, procurement, in-land revenue collection and budgetary allocations, to the widely needed and citizen facing ‘cradle-to-grave services’ such as registrations of birth, marriage, and death, and transaction based services for company registrations, property titling and vehicle/driver registrations, insurance, citizen’s ID cards, utility payments, and so forth.	<p>Increased viability of regional and national infrastructure linked to incremental traffic generated by eGovernment applications</p> <p>Improved governance</p>

5. Financing

11. Proposed funding includes for the first Phase an IDA contribution of about US\$166.1 million, allocated as follows:

Country	Total
Kenya	US\$116 million
Burundi	US\$20.1 million
Madagascar	US\$30 million

IDA contribution for the second and subsequent phases is estimated to be potentially US\$258 million.

6. Implementation

12. For countries participating in the first Phase, the projects will be anchored as follows: Ministry of Information and Communications in Kenya, Ministry of Transport, Post and Telecommunications in Burundi and Ministry for Telecommunication, Posts and Communication in Madagascar. The implementation and institutional arrangements will be described in the relevant Project Appraisal Document.

7. Sustainability

13. The program and related projects have been designed to ensure forward-looking sustainability as well as positively impact the viability of forthcoming cross-border communications project. Built-in Monitoring and Evaluation mechanisms will allow stakeholders to monitor the sustainability of the respective projects.

8. Lessons Learned from Past Operations in the Country/Sector

14. The program will build upon previous regional programs with a horizontal APL project design, providing the replication and scaling up of a program across countries within a common framework. Regional Programs reviewed include the Social and Institutional Development and Economic Management Technical Assistance Program (SIDEM) for EU8 countries¹, as well as the Southern Africa Power Market Program. Review of the PAMIR project also confirms a need for establishing effective social protection measures which will enable investors and operators to agree to a tariff profile that reflects consumers' ability to pay. In the case of PAMIR, the high degree of commitment at the early stage of both IDA and IFC to buy down the cost of capital acted as a catalyst to attract much larger investment for the project. It is also critical to build on the experience of previous regional projects in the area of Safeguards.

9. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[X]	[]
Natural Habitats (OP/BP 4.04)	[]	[X]
Pest Management (OP 4.09)	[]	[X]

¹ EU8 countries include the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic and Slovenia

Cultural Property (OPN 11.03 , being revised as OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Indigenous Peoples (OD 4.20 , being revised as OP 4.10)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas (OP/BP/GP 7.60)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP/GP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

10. Contact point

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* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

