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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
REGIONAL COMMUNICATION INFRASTRUCTURE PROGRAM (APL1)
KENYA TRANSPARENCY & COMMUNICATIONS INFRASTRUCTURE PROJECT
(TCP/CIP 1)
CREDIT

IN THE INITIAL AMOUNT OF SDR 76.21 MILLION
(US\$ 114.4 MILLION EQUIVALENT)

AND

A RESTRUCTURED AMOUNT OF SDR 76.21 MILLION
(US\$ 114.4 MILLION EQUIVALENT)

TO THE

REPUBLIC OF KENYA

February 24, 2010

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ABBREVIATIONS AND ACRONYMS

APL	Adaptable Program Loan
BP	Bank Procedures
BPO	Business Process Outsourcing
CCK	Communications Commission of Kenya
EASSy	Eastern Africa Submarine System
ESMF	Environmental and Social Management Framework
FM	Financial Management
FMS	Financial Management System
GoK	Government of Kenya
GP	General Policies
ICT	Information and Communications Technology
IRU	Indefeasible Right of Use
IDA	International Development Association
IFC	International Finance Corporation
ITES	Information Technology Enabled Services
IVR	Interactive Voice Response
Kenet	Kenya Education Network Trust
MoIC	Ministry of Information and Communications (Kenya)
M&E	Monitoring and Evaluation
OD	Operational Directives
OP	Operational Policy
OPN	Operational Policy Note
PAD	Project Appraisal Document
PPP	Public Private Partnership
RCIP	Regional Communications Infrastructure Program
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SMS	Short Messaging System
TCIP	Transparency and Communications Infrastructure Project
US\$	United States Dollars
US	United States of America
WBG	World Bank Group

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AFRICA
Regional Communications Infrastructure Program (RCIP)
Kenya Transparency and Communications Infrastructure Project (TCIP/CIP 1)

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ANNEX 1: Proposed Changes

- a. What are the proposed changes, as applicable, in the project's development objectives, outcomes, design, and/or scope?

There are no changes in the Project's Development Objectives (PDO), or in the Project Components. The changes relate mostly to a realignment of activities and minor adjustment of budget allocations in themes, with a few selected new activities. The reasons for the changes being proposed are as follows: there has been a dramatic evolution of the communication sector in Kenya since the Kenya Transparency and Communications Infrastructure Project (KCTIP) was prepared and approved by the Board in March 2007. Two submarine cables have landed in Mombasa, and a national backbone network has been rolled out and will be in operation shortly. Given such fast paced and dynamic sector, some activities under the Project need to be re-aligned with the current priorities in the sector. In addition, taking into account the current speed of Project implementation and capacity, it has emerged that there is a need to strengthen the implementation capacity at the implementing agency, so as to ensure adequate implementation progress and timely use of Project resources. The team believes that with the proposed changes and adjustments, the PDO is achievable in the original timeframe and the current closing date for the project¹.

The current changes have been discussed and agreed with the government and follow the characteristics below:

- (i) Alignment with the current Project Development Objective (PDO) and results framework: changes and reallocations are consistent with the original PDO and generally with the Project description as originally approved. Where changes are proposed in the activities, these are consistent with the original PDO and results framework for the project and the regional program;
- (ii) The criteria followed for identifying changes to be made were: (a) relevance to PDO, (b) need to simplify the Project, (c) need to accelerate implementation;
- (iii) The proposed changes are consistent with the breakdown in regional/national IDA allocation, since no funds are being reallocated from component 3 (eGovernment, funded solely through the national IDA allocation) to other components (all considered eligible for the regional IDA allocation). The reinforcement of Business Process Outsourcing (BPO) and IT enables Services (ITES) activities is proposed to be financed out of Component 3 – i.e national IDA allocation. While this budget has been taken out of the e-Government applications component, eGovernment applications can be funded through the funds allocated under the project.

A summary of the changes is as follows: (i) activities have been reorganized – mostly for the purpose of monitoring - under main themes (Digital inclusion, Content, e-Government applications, Government Shared Services and BPO/ITES), (ii) there is an increased focus on implementation capacity through additional Technical Assistance (e.g. five additional program managers for the thematic areas above), (iii) revised implementation plan with

¹ An extension of the closing date has not been requested and is not necessary at this stage, but the Bank will monitor the situation closely and reassess at mid-term whether additional adjustments are needed.

priorities over time for accelerated delivery, (iv) adjustments mostly at the margin in budget allocation for selected activities to reflect realities and priorities on the ground, (v) selected new activities, aligned with original PDO, in line with the government current priorities (see discussion on outputs below). The current changes are consistent with the breakdown in regional/national IDA allocation, since no funds are being reallocated from Component 3 (e Government, funded solely through the national IDA allocation) to other components (all considered eligible for the regional IDA allocation).

b. What are the other complementary changes, as applicable:

Institutional arrangements	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Financing mechanism/Conduit	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Outputs	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

The main changes in terms of activities are as follows:

Activities to be scaled down, or dropped:

- Policy capacity building (from \$1m to nil- dropped): In the past 2 years, the Ministry and the Regulator have undertaken specific interventions to support a conducive enabling environment for the sector. Specific plans for capacity building have been budgeted and are already under implementation by the government and the regulator with their own resources. Technical assistance activities in this area, however, have been retained.
- Capacity purchase for Government use (from \$7m to \$6m): Capacity prices are now lower than initial estimates.
- BPO capacity purchase (from \$8m to \$1.5m): Due partly to industry development and also to implementation delays, the absorption of funds for this activity will be significantly lower than expected. The recent arrival of submarine cables is removing the original affordability constraint which was targeted by the capacity purchase support to the BPO industry.
- FOI related activities (from \$0.5m to \$0.3m): This activity is being scaled down. It is tied to the passing of the FOI Bill by the Kenya Parliament (which is pending). There has been up to now significant interest by various stakeholders, with diverse publicity and dissemination activities which have not required funding from KTCIP. After passing of the bill the critical exercise will be the classification of government records, for which budget has been retained.

Activities to be reinforced, or added:

- Capacity purchase for universities (from \$19m to \$21.5m): This activity includes (i) Capacity purchase, including IRUs and (ii) virtual network interconnecting the institutions. (iii) an Universities Network Operations Center. The capacity purchase and the virtual network contracts are ongoing. The actual contract amounts for the first phase were more than the budgeted amount and budget for this activity is therefore being reinforced.
- E-Government network (from \$16m to \$18m): This activity will be scaled up to account for complex implementation and operational challenges of e-Government components. To ensure optimal utilization of the virtual government network, the proposed Common IP Platform and the National Operations Centre (NOC) will be leveraged upon to achieve a Government wide shared services centre. This will be done through implementation support and technical assistance to exhaustively detail and support the implementation of e-Government shared services and contribute to streamline and implementation of E-Government application initiatives.

- Community Computers Program (from \$0 to \$2m - new): As affordability of communication improves, the access bottleneck is moving towards access to the user equipment. This Program intends to ease the access to computers and in the process generate more demand for Internet access in line with the Project's PDOs. It will operate as a discount voucher scheme, initially targeting students, and to be managed by the KICTB through KENET. Details will be described in the Grants Manual, subject to a disbursement condition. The program is a candidate for scaling up at a later stage².
- BPO market development (from \$0.3m to \$6.6m): The ongoing BPO Capacity purchase pilot has shown that take-up of capacity is constrained by the ability of the BPO industry to scale up. As the cost of high speed broadband access drops, job creation in the BPO industry (one of the intermediate indicators for the project) will be more effectively achieved through alternative capacity building and training activities targeted at addressing the lack of skills, which is now the most important binding constraint to the growth of the IT/BPO sector in Kenya. A comprehensive analysis and strategy in this regard has recently been developed and includes a clear action plan. This plan will guide part of this activity, which was already foreseen, but that will be reinforced to address, through capacity building initiatives, the lack of sufficient technical capacity in the priority areas of need. The initiatives foreseen are the setup of a Center of Excellence for BPO, a Software Developer Certification Scheme and support for the setup of a Business Incubator³.
- Implementation capacity through additional project managers (from \$0 to \$0.62m - new): Project management capacity may have been overestimated at project approval, and increased capacity had been foreseen at the e-government directorate. Project management capacity will be strengthened through hiring 5 additional project managers to concentrate on the thematic areas defined above. This is expected to increase implementation capacity and quality significantly⁴.
- Communications (from \$1m to \$1.2m): The communication/advocacy components will be aggregated into fewer packages, allowing for consistent communications across the project and at the same time simplifying the procurement processes for recruitment of the communications agency firm.
- Small increase in allocation for refurbishing office space for the project (from 100k to \$300k): Following actual architectural designs it was concluded that earlier estimates were too low. The project team needs adequate space to function, which has not been the case to date.

Take advantage of the flexibility for E-Government applications component:

- The Government of Kenya (GoK) would like to take advantage of the existing flexibility under Component 3 (and Theme E-Government applications) in defining the proposed budgets dedicated to each application (i.e. ability to shift funding between proposed E-Government applications on a need and demand basis, even if this requires funding fewer applications). According to the original Project Appraisal Document eApplications are to be selected based on predefined criteria (i.e. quick wins, impact, existence of a champion, etc). Government would use these criteria to, in consultation with the World Bank, define the budgets that would go into funding each particular application, or to decide whether certain applications should be replaced by a larger support to others. Part of the funds for E-Government may be channeled through the implementation of Shared Services approach, which will in the future become a key platform for delivery of these services.

² For more details see Annex 4.

³ For more details see Annex 4.

⁴ The board has already hired an experienced procurement expert with Bank guidelines, who is working with the ICT board reviewing docs and on capacity building of procurement staff.

Project Cost By Component and/or Activity	Estimated Cost US \$million (original allocation)	Estimated Cost US \$million (revised allocation)	Change in allocation
COMPONENT 1 - Enabling Environment, M&E	15.00	14.35	(0.65)
(a) Legal and regulatory TA	1.00	1.00	-
(b) Policy and Regulatory Capacity Building	1.00	-	(1.00)
(c) Formulation of disbursement and governance mechanism (capacity purchase contracts, Digital Village and SMS/e- Services initiatives)	0.50	0.50	-
(d) Transaction Adviser of establishment of PPPs for eGov applications	1.50	1.50	-
(e) M&E system and associated capacity-building	2.00	2.05	0.05
(f) Transaction-enabled Government portal and services	4.00	4.00	-
(g) FOI-related consultancy for classification of Government data and collection & posting of statutory information	0.50	0.30	(0.2)
(h) Capacity-building contract	1.00	1.30	0.30
(i) Project Communications contract	1.00	1.20	0.20
(j) Additional TA and capacity-building (TBD)	2.50	2.50	-
COMPONENT 2 – Connectivity	63.00	62.00	(1.00)
(a) Capacity purchase scheme - Universities and technical Colleges	19.00	21.50	2.50
(b) Capacity purchase scheme - Government Use	7.00	6.00	(1.00)
(c) Capacity purchase scheme – BPO and relevant industries	8.00	1.50	(6.50)
(d) Governments’ communications network	16.00	18.00	2.00
(e) Support to Digital Villages Initiative	10.00	10.00	-
(f) SMS-e-Service	3.00	3.00	-
(NEW) Computer for Community Programme		2.00	2.00
COMPONENT 3 - Transparency - eGovernment applications	30.00	30.00⁵	-
(a) eGovernment applications	24.00		
(b) eProcurement roll-out in the supply branch	3.00		
(c) Forthcoming applications	3.00		
(NEW) Including BPO support activities			
COMPONENT 4 - PROJECT MANAGEMENT	2.978	3.578⁶	0.60
(a) Deputy MD ICT Board (full package) and MD (performance-related package component)	0.500		
(b) Technical Manager and Grant Manager	0.640		
(b) 2 Procurement Specialists and 2 Financial Management Specialists	0.880		
(c) M&E Specialist and governance officer	0.440		
(d) Office Equipment	0.100		
(e) Environment Contract	0.050		
(f) Incremental Operating Cost	0.148		
(g) Audit	0.220		
Total Baseline Cost	110.978	109.928	
Price Contingencies	5.000	6.050	
Total Project Costs¹	115.978	115.978	
Interest during construction			
Front-end Fee			
Total Financing Required	115.978	115.978	

⁵ For a breakdown of this revised allocation, see detailed cost table above.

⁶ For a breakdown of this revised allocation, see detailed cost table above.

Financial management Yes No
 If, yes, please explain:

Disbursement arrangements Yes No

A reallocation between categories is being proposed as follows:

Category	Original Amount of the Credit Allocated (Expressed in SDR)	Amount of the Credit Allocated (Expressed in SDR)	Percentage of Expenditures to be Financed
(1) Telecom Services in respect of purchase of telecommunications capacity under Part 2(a) of the Project	23,315,000.00	20,424,016	100% of foreign expenditures and 90% of local expenditures
(2) Goods	16,180,000.00	26,494,840	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' Services	25,735,000.00	15,517,838	100% of foreign expenditures and 94% of local expenditures
(4) Works	65,000.00	207,759	90%
(5) Grants under Part 1(c), 2(d), 2(e) and 2(f) of the Project ⁷	5,330,000.00	6,410,256	100%
(6) Trainings	2,165,000.00	5,471,325	100%
(7) Operating Costs	90,000.00	392,065	90%
(8) Unallocated	3,330,000.00	1,291,901	
TOTAL AMOUNT	76,210,000.00	76,210,000	

The justification for these changes is as follows: (i) Decrease in Category 1 (telecom services): lower than expected needs for capacity purchase for BPO; the allocation for Universities Connectivity increased based on actual from the completed bids whereas the provision for the BPO Capacity purchase is reduced from US\$ 9 Million to 2 Million; (ii) Increase in Category 2 (goods): This is composed mainly by shifting of activities from Consultancy to Goods under the procurement plan –virtually all of the E-Government component (\$30m) had been categorized as consultants, whereas part of the financing will naturally have to be used for goods⁸. The current reallocation corrects this; (iii) Decrease in Category 3 (consultants): See justification for increase in category 2 (goods); (iv) Increase in Category 4 (works): Works has been increased to allow for the government team to complete small works in refurbishing their offices; (v) Increase in Category 5 (grants): The change in grants amount is justified by the inclusion of the support for the Community Computer Programme ; (vi) Increase in Category 6 (training): due to an increase in capacity building needed for BPO industry; (vii) Increase in Category 7 (operating costs): To correct a lower than normal allocation for operating cost budget in the original project design.

⁷ This refers to all grant activities under the project, and the references refer to the legal agreement. These grants activities include the content for the Government Information Portal, the SMS/IVR content, the Digital Villages revolving Fund and the Computers for the Community program.

⁸ This is the case namely for digitization of Lands records, digitization of High Court Registry, e-procurement system and digitization of wealth declaration forms – activities already foreseen in the original project description.

Procurement Yes No

Closing date Yes No

Implementation schedule Yes No

The Government and Bank teams have discussed prioritization of activities under the project, and established indicative priorities for delivery per quarter/semester:

Timeline	Priority activities
Q4 2009	<ul style="list-style-type: none"> ▪ Launch Company Registry Digitization ▪ Launch Judiciary Registry Digitization ▪ Start DV guidelines consultancy recruitment and advertise for DV MFI ▪ Launch Center of Excellence for ITES consultancy ▪ Launch recruitment for Software Development certification program ▪ Develop guidelines for Computers for Community Program ▪ Launch Shared Services Consultancy ▪ Common Government Integration Consultant on Board ▪ Finalize 'Market Information Database' Consultancy
Q1 2010	<ul style="list-style-type: none"> ▪ Launch Capacity Purchase (phase II) – KENET, E- Government ▪ Shared services consultancy on board ▪ Launch procurement for integration platform, NOC & Common IP Platform ▪ Launch Lands Registry Digitization ▪ Contract Communications Agency ▪ Launch 2nd Phase of Digital Villages training ▪ Advertise for DV Capacity & IT Support
Q2 2010	<ul style="list-style-type: none"> ▪ Launch Computers for Community Program ▪ Start work on Pensions CRM & System ▪ Launch Content & SMS Applications ▪ First round DV (Revolving fund)
Q3 and Q4 2010	<ul style="list-style-type: none"> ▪ Support to the Integrated Population Registration System (IPRS) ▪ Launch follow-up contracts to shared services ▪ FOI - Classification of Gov data and SI
2011	<ul style="list-style-type: none"> ▪ Second round DV (Revolving fund) ▪ Additional E- Government application ▪ Implementation of contracts above
2012 (closing date July 31)	<ul style="list-style-type: none"> ▪ Additional E- Government application ▪ Implementation of contracts above

ANNEX 3:
Results Framework and Monitoring
Regional Communications Infrastructure program (RCIP)
Kenya Transparency and Communications Infrastructure Project (TCIP/CIP 1)

Results Framework

PDO		Project Outcome Indicators		Use of Project Outcome Information	
Current	Proposed	Current	Proposed	Current	Proposed
Connectivity development objective: To contribute to lower prices for international capacity and extend the geographic reach of broadband networks	[No proposed changes]	Volume of international traffic Volume of national traffic using 2 proxies ⁹ : <ul style="list-style-type: none"> ▪ Internet user penetration ▪ Total teledensity (fixed and mobile) Average price of international communications using the proxy: price of wholesale international E1 capacity link	[No proposed changes]	Assess trends in international communications and regional communications integration Assess level of access to communications services within targeted countries Assess competitiveness of countries with regards to cost of capacity	[No proposed changes]
Transparency development objective: To contribute to improved Government efficiency and transparency	[No proposed changes]	Satisfaction of users with gov't services received through electronic delivery Volume of electronic records/events processed with the E-Government applications	[No proposed changes]	Show improvement in quality of E-Government services Indicate successful rollout and use of E-Government services	[No proposed changes]
Intermediate Outcomes		Intermediate Outcome Indicators		Use of Intermediate Outcome Monitoring	
Current	Proposed	Current	Proposed	Current	Proposed
-	Have impact in people's	-	Number of project direct beneficiaries ¹⁰		Track the number of project direct

⁹ To be measured as percentages, in addition to subscriber numbers only, for easier benchmarking.

¹⁰ This indicator has been included to comply with IDA-15 requirements. Some observations (i) the number of direct beneficiaries will be calculated as the sum of the direct beneficiaries for SOME of the project components, and namely: # people benefitting from trainings under the project (including SDC, COE, digital village and incubator), # students in universities benefitting from capacity purchase financed in the project, # government employees in departments benefitting from capacity purchase financed in the project, # BPO employees in companies benefitting from capacity purchase financed in the project, # users in Digital Villages, # computers purchase through the Computer for the Community Program. These sub-indicators above have been chosen as the ones which are 'measurable' or 'collectable'; (ii) the number of direct beneficiaries for eGovernment applications is not possible to measure, given that these are mostly internal processes improving efficiency in government processes. Some applications will have a direct interface with the public, but at this stage it is not possible to know which ones, or what will be the targets; (iii) the number of female direct beneficiaries is not possible to measure because of manner in which data is collectable. Data could be provided but only for some of the sub-indicators and in a non-standard manner; (iv) the number of Indirect beneficiaries is not possible to measure because very diffuse and virtually the whole population. Some of it is captured in the teledensity figures or the number of internet users in the country (both are indicators in the current RF)

	lives.				beneficiaries
Component 1: Enabling Environment, incl. Monitoring & Evaluation capacity-building					
Sound environment conducive to investment and competition	[No proposed changes]	Increased protection of intellectual property & of electronic transactions	Price of national backbone loop ¹¹	Monitor sector competitiveness and efficiency of regulation	[No proposed changes]
Component 2: Connectivity					
Unfettered access for all operators to regional infrastructure	[No proposed changes]	Number of market players buying capacity at the landing station	[No proposed changes]	Monitor competitiveness and assess fair access to infrastructure	[No proposed changes]
Broadband demand is not constrained by cost or access	[No proposed changes]	Price of Internet Access Number of BPO jobs	[No proposed changes]	Monitor level of access to broadband services	[No proposed changes]
Universities are connected to broadband services	[No proposed changes]	Number of university PCs connected to broadband ¹²	[No proposed changes]	Monitor level of access to broadband services for students	[No proposed changes]
Increased viability of regional and national infrastructure	[No proposed changes]	Already captured	[No proposed changes]	Monitor increase in take-up of capacity	[No proposed changes]
Government is connected	[No proposed changes]	Number of government institutions connected to the government virtual network Share of documents with security classification % government employees with email account	[No proposed changes]	Assess level of connectedness within government, assess readiness for decentralization Quality improvement of electronic government services over paper based transactions	[No proposed changes]

¹¹ To be measured as the Price of National Backbone loop for 1Mb link from Nairobi to Thika

¹² Indicator includes both PCs owned by universities as well as PCs owned by students connecting to university provided broadband

Component 3: E-Government Applications					
Improved governance and public sector services through E-Government applications	[No proposed changes]	<ul style="list-style-type: none"> ▪ Number of Departments adopting E-Government applications ▪ % of land records digitized in central office of the Ministry of Lands ▪ % of archived High Court registry digitized ▪ % of wealth declaration forms analyzed ▪ Cost of small purchases of office supplies ▪ Number of government domain names 	<ul style="list-style-type: none"> ▪ Number of Departments adopting E-Government applications ▪ % of land records digitized in central office of the Ministry of Lands ▪ % of archived High Court registry digitized ▪ [Number of shared services applications developed]¹³ ▪ Cost of small purchases of office supplies ▪ Number of government domain names 	<p>Level of demand for E-Government services indicating successful implementation of E-Government</p> <p>Measure of success of adherence to standards</p>	[No proposed changes]

¹³ % of wealth declaration forms analyzed removed as this component is proposed to be dropped

Proposed changes to the target values are outlined in the table below:

Arrangements for results monitoring at country level - Kenya

Target Values

Data collection and reporting

Outcome indicators	Baseline (2007)	YR1	YR2	YR3	YR4	YR5	Frequency and reports	Data collection instruments	Responsibility and Data Collection	Proposed Changes
Volume of int'l traffic (Mbit/s simplex)	450 Mbit/s			5000 Mbit/s		7500 Mbit/s	yearly	CCK Monitoring	CCK	Baseline figure to be corrected from original baseline of 4000Mbit/s simplex to 450 Mbit/s. ¹⁴
Internet user penetration	1,250,000			2,000,000		3,000,000	yearly	CCK Monitoring	CCK	[No change]
Teledensity	7,500,000			10,000,000		15,000,000	yearly	CCK Monitoring	CCK	[No change]
Price of wholesale international E1 capacity link	US\$7500 /month			US\$2000 /month		US\$1200 /month	yearly	CCK Monitoring	CCK	[No change]
Satisfaction of users with E-Government services received through electronic delivery	0			30%		50%	Mid-Term and Closing	E-Government directorate Survey	E-Government directorate	[No change]

¹⁴ The original baseline was found to have combined both voice circuits and data. Separation of the two figures has since been achieved, allowing for measurement of data alone which is the relevant indicator.

Volume of electronic records/events processed with the E-Government applications	0					100,000	yearly	E-Government directorate Survey	E-Government directorate	[No change]
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Target Values

Data collection and reporting

Results Indicators	Baseline (2007)	YR1	YR2	YR3	YR4	YR5	Frequency and reports	Data collection instruments	Responsibility and Data Collection	Proposed Changes
Number of direct project beneficiaries ¹⁵	0	200	50,400	161,400	222,500	283,500	yearly	KICTB /KENET/eGovt direct/KICTB monitoring	KICTB /KENET/eGovt direct	NEW
Component 1										
Price of National Backbone Loop for 1Mb link from Nairobi to Thika [US\$/month]	US\$650			\$250		\$50	yearly	CCK Monitoring	CCK	Replaces “Increased protection of intellectual property & e-transactions”
Component 2										
Number of operators buying capacity at the	0	0	>4	all	all	all	yearly	CCK Monitoring	CCK	Correction of inconsistency in name of indicator in

¹⁵ Will be calculated as the sum of the direct beneficiaries for SOME of the project components, namely: # people benefitting from trainings under the project (including SDC, COE, digital village and incubator), # students in universities benefitting from capacity purchase financed in the project, # government employees in departments benefitting from capacity purchase financed in the project, # BPO employees in companies benefitting from capacity purchase financed in the project, # users in Digital Villages, # computers purchase through the Computer for the Community Program.

landing station										original PAD – used to read ‘operators with access to...’
Price of Internet Access for 512kbit/s	US\$1250/month			US\$400/month		US\$300/month	yearly	CCK Monitoring	CCK ¹⁶	Change from measuring price for 128kbps ¹⁷
Number of BPO jobs	500	2,000	4,000	6,000	8,000	10,000				[No change]
Number of university PCs connected to broadband	10,000					65,000	Mid-term and closing	Kenet Monitoring	Kenet	YR5 target revised up to 65,000 from 50,000 ¹⁸
Number of Government institutions connected to the Government virtual network	0	0	>20	>30	>40	>50	Yearly	E-Government directorate Survey	E-Government directorate	[No change]
Share of government employees with email account	No unique systems in use		50% of Government employees with email account			100% of Government employees with email account	Quarterly monitoring reports	Web reports	E-Government directorate	[No change]
Component 3										
Share of land titles available electronically in the central office of the Ministry of Lands (Nairobi)	<5% of 300,000 archived land titles	25% of archived land titles and begin capturing new land titles	75% of archived land titles plus 25% of new land titles	100% of archived land titles plus 50% of new land titles	100% of archived land records plus 75% of new land titles	100% of archived land titles and no backlog in electronic availability of new land titles	Quarterly monitoring reports	System count reports	E-Government directorate and Ministry of Lands	[No change]

¹⁶ Data is collected with 6 ISPs and averaged out.

¹⁷ Indicator to be measured as price of 512 kbps rather than 128 kbps as initially proposed because the market has moved due to technological progress.

¹⁸ Figure revised upward to account for addition of “one million laptops” component.

Number of Department adopting E-Government ¹⁹	0		2			6	yearly	E-Government directorate Survey	E-Government directorate	[No change]
Share of High Court records in “current” status over the past 13 years available electronically	0% of 130,000 records	25% of records and begin capturing electronically new court records	50% of records plus 25% of new court records captured	100% of records plus 50% of new court records captured	100% of records plus 75% of new court records captured	100% of records no backlog in electronic availability of new High Court records	Quarterly monitoring reports	System count reports	E-Government directorate and Registrar of the High Court	[No change]
Cost of small purchases of bulk office supplies in the Supplies Branch	Inflated prices in the order of 70%; no E-Procurement system for small purchases		Small purchases at market prices; E-Procurement system of small purchases operational in selected large ministries			Purchases at below market prices; E-Procurement system of small purchases operational across all government ministries	Quarterly monitoring reports	Web reports	E-Government directorate and Public Procurement Oversight Authority	[No change]
Number of shared services applications developed	0					>5	yearly	E-Government directorate	E-Government directorate	New indicator replacing the previous ‘Share of wealth declaration forms analyzed’.
Number of Government Domain Names	160					300	yearly	E-Government directorate	E-Government directorate	[No change]

¹⁹ Measured as departments that have functioning eApplications with end-users being able to interact.

ANNEX 4:

Additional details for new activities to be financed under the project

A. Summary of proposed Community Computers Program (\$2m)

Objective and scope. The objective of the Community Computers Initiative is to contribute to increase access to the internet and usage of computers, with all associated development impact benefits by providing a financial incentive towards purchasing a laptop for a targeted group of Kenyans, such as students, civil servants, and SMEs. Easier access to end-user equipment would enable more people to benefit from the affordable connectivity that has become available through the recent arrival of submarine cables at the coast of Mombasa. This component would provide a specific mechanism for providing the financial incentive for laptop purchases. Its objective is also to develop and test a mechanism for doing so which may be used to scale up this support to additional users.

Operational Mechanism for the Community Computers Programme. Many people, especially students and people in rural areas, cannot afford a computer and do not have access to finance (i.e. are not credit-worthy). Governments from around the world have been developing incentive programs for increasing access to computers. The Bank has been involved in such schemes, namely in Armenia and Sri Lanka. The intention is not to finance the laptops themselves but rather to provide a financial incentive to lower the access barriers to owning a laptop. There is an explicit choice not to procure devices or connectivity packages centrally, but rather to let the market work and give the choice to consumers - the incentive will be managed in the format of a voucher scheme. The government will issue a Request for Information (RFI) to potential private sector partners to get offers and negotiate reduced prices, given the sale volumes expected as a result of the initiative.

KTCIP contribution to the Community Computers Program. KTCIP would provide a \$2m financing contribution that would be used towards the development of the program guidelines and its implementation, including financing of vouchers for ~18,000 laptops. KTCIP would initially work with the universities target group, and the scheme would be managed in partnership with KENET (already a partner in other activities) or an equivalent institution. The Bank has discussed with government the mechanism for the contributions and the implications that such new activities would have upon the existing project arrangements in different areas, a summary is provided below:

- **Procurement implications:** None. Consultancy requirements are covered by existing methods. Payment against vouchers would be done on the basis of SOEs.
- **FM implications:** Funds to flow through vendors against certification of number of vouchers received and on the basis of Statement of Expenditures (SOEs). Auditing and certification arrangements to be setup. Entity to do certification of vouchers would be FM assessed. All arrangements to be described in a Specific Annex to the Grants Manual.
- **M&E implications:** There is already an indicator under the project that monitors the number of university PCs. This indicator and target values have been slightly modified to capture results under this component (see Annex 3).
- **Disbursement categories:** Funds for the voucher contributions to be disbursed under the grants category, requiring a specific Annex to the Grants Manual.
- **Other safeguards:** given the nature of the investments no new environmental or social safeguard categories are triggered.

B. Summary of proposed activities for BPO market development (\$6.6m)

Objective of new activities. The objective of the activities proposed below is to contribute to lower the skills barrier for BPO/ITES in Kenya and therefore contribute to the creation of jobs in the BPO sector. Given the significant drop in cost of connectivity following arrival of submarine cables at the coast of Mombasa, connectivity cost is no longer as large a concern as previously to the IT/BPO sector in Kenya. The cost of high speed broadband access has started to drop is expected to come down even further. As such, job creation in the BPO industry (one of the intermediate indicators for the project) will be more effectively achieved through alternative capacity building and training activities targeted at

addressing the lack of skills, which is now the most important binding constraint to the growth of the IT/BPO sector in Kenya.

Skills constraints in the BPO/ITES industry and in Kenya. The Information Technology (IT), and IT enabled services (ITES) industry (also referred to as Business Process Outsourcing or BPO) represents a tremendous opportunity for Kenya, as there is a huge untapped and unclaimed market for a developing country like Kenya. There is a broad agreement that several key factors determine competitiveness in the sector e.g. (i) availability of employable skills (including IT skills), (ii) competitive costs, (iii) quality of infrastructure relevant to the IT/BPO industry, and (iv) an overall environment that is conducive to business. Of all these factors, the availability of skilled manpower remains the single largest bottleneck to growth of the global IT/BPO industry. Countries can substantially increase their international competitive advantage if they execute smart strategies to increase their skills offering for the industry and Kenya is no exception. The arrival of the submarine cable has eased the cost of bandwidth and thus skills become a key bottleneck that needs to be addressed. The project will include initiatives with a budget allocation of \$6.6m to be funded through the project, to help bridge this skills gap in Kenya.

Center of Excellence (COE) for ITES. The first initiative is the setup of a COE in ITES in Kenya. It is proposed to invite leading Kenyan and global BPO companies to partner with the COE, which will function as an umbrella institution for industry collaboration on BPO talent development and skills excellence. For co-development of the COE, companies may choose to participate individually or as a consortium to leverage differing strengths (e.g. training companies may partner with leading global BPO providers). The partnership model proposed for the COE is that the participating companies/consortia will contribute by undertaking the following activities (i) Training of Trainers, (ii) Content, (iii) Certification. Training companies should be leading providers of BPO training and should have at least one partner company who is a leading BPO global player - the stipulation on participation of leading companies is with a view to ensuring that the BPO training program becomes a strategic initiative to attract investments into Kenya. Initial estimates for this work would be in the order of \$2m. GoK will engage an initial consultancy to prepare a detailed Business Plan for establishing the COE. The Business Plan will form the basis for funding of the COE through the project. The Business Plan could potentially provide the rationale for sole sourcing an anchor institution and financing training activities through the institution by the end of 2010.

Software developer certification program. In addition to the COE, support to the local IT industry would be made available by improving its access to high quality IT skills by financing the development of internationally benchmarked IT skills. Software developer skills are of particular importance for the growth of the Kenyan IT services industry. Although there are a number of software courses at present from different organizations (e.g. IEEE, CompTIA, BCS etc.) and companies (Oracle, Microsoft, Sun Microsystems etc.) most existing certification programs are paper-based examinations that do not sufficiently test the ability of software developers to write and execute high quality code. The proposed approach is therefore to develop and roll-out an internationally benchmarked software developer certification program that tests the ability of software developers to write and execute code. KICTB will recruit a leading international academic institution or standards body to develop and implement an internationally recognized and sustainable software developer certification program (Certification Program) for Kenya. The Certification Program will have multiple components, including content and processes for local software developers to prepare, register and be certified; an Internet enabled credentialing program; and an initial pilot testing; evaluation and fine tuning of the Certification Program. The program should be underpinned by a sustainable business model. Initial estimates for this work would be in the order of \$3m, and work is expected to start by mid-2010.

Support for incubation. The KICTB has additionally requested that additional \$1.6m be set aside for support of an incubator program in Kenya. This contribution would go towards financing technical assistance for developing the business model for such incubator and hiring an institution that would provide facilities, and bandwidth. The specific

arrangements will be developed following models developed and supported by the Bank in other countries with similar characteristics.

KTCIP contribution and arrangements. The Bank has discussed with government the implications that such new activities would have upon the existing project arrangements in different areas, a summary is provided below:

- **FM implications:** None.
- **Procurement implications:** None. Consultancy requirements are covered by existing methods.
- **M&E implications:** There is already an indicator under the project that monitors the number of BPO jobs. The current target for creation of BPO jobs by the end of the project is 10,000, which is still considered to be a relevant target, given that the bandwidth support is being substantially scaled down and substituted by the different types of support proposed above.
- **Disbursement categories:** Activities to be disbursed through existing categories (consultants and goods and services).
- **Other safeguards:** given the nature of the investments no new environmental or social safeguard categories are triggered.