

PROJECT INFORMATION DOCUMENT (PID)

76727

CONCEPT STAGE

Report No.:

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| <b>Project Name</b>                           | Broadband Governance and Competitiveness Project (P144640) |
| <b>Region</b>                                 | MIDDLE EAST AND NORTH AFRICA                               |
| <b>Country</b>                                | Yemen  |
| <b>Sector(s)</b>                              | Telecommunications (100%)                                  |
| <b>Lending Instrument</b>                     | Specific Investment Loan                                   |
| <b>Project ID</b>                             | P144640  |
| <b>Borrower(s)</b>                            | Ministry of Economy and Finance                            |
| <b>Implementing Agency</b>                    | Ministry of Telecommunications and Information Technology  |
| <b>Environmental Category</b>                 | C-Not Required   |
| <b>Date PID Prepared</b>                      | 5-Mar-2013   |
| <b>Estimated Date of Appraisal Completion</b> | 15-Mar-2013  |
| <b>Estimated Date of Board Approval</b>       | 24-Jun-2013 (RVP approval)                                 |
| <b>Concept Review Decision</b>                | 25-Feb-2013  |
| <b>Other Decision (as needed)</b>             |  |

**I. Introduction and Context**

**Country Context**

1. **Yemen is one of the poorest countries in the Arab region, with a per capita GDP of US\$1,160, and faces a wide range of developmental challenges.** The Human Development Index (UNDP, 2011) ranks the country 154th out of 184 countries assessed. Yemen has one of the highest population growth rates globally, at three percent, creating rapidly growing needs for educational and health services, infrastructure services, and employment opportunities. Yemen faces a severe water shortage, with available ground water being depleted at an alarming rate. Its oil production and reserves are declining, with severe fiscal consequences. The Yemeni economy is caught in a jobless slow growth cycle leading to stagnant per capita incomes and rising levels of unemployment, particularly among the youth. Social development indicators, such as child malnutrition, maternal mortality, and educational attainment, remain discouraging. Poverty, which was already increasing prior to the global economic crisis, is estimated to have risen further from 42 percent of the population in 2009 to 54.5 percent in 2012. There are large gender disparities, with significant gaps in women’s access to economic, social and political opportunities. As indicated by its first and second MDG Reports, Yemen was not expected to meet any of the MDGs. Weaknesses in governance have exacerbated the development challenges.

2. **Civil unrest and armed conflict that marked the country in 2011 represented the culmination of simultaneous political, social, and economic crises situated within an overall difficult regional environment.** Reaction to these crises from different groups of actors, including the politically aligned and non-aligned opposition in both the north and the south, prompted diverse alliances with different interests and divergent political aims. Militants from Al-Qaeda in the Arabian Peninsula (AQAP) and armed tribesmen took control of broad areas in the south. The mass unrest and revolts against the Government during this period emerged from, and were catalyzed by, conditions of acute societal fragility stemming from sectarian, tribal, and regional divisions which have been building up over the past few decades and were exacerbated by deepening poverty, lack of gainful employment opportunities (particularly for the youth), and by loss of faith in a State that was increasingly seen as not being capable meeting the pressing social and economic needs.

3. **Against this backdrop, Yemen has embarked on a two-year political transition brokered by the Gulf Cooperation Council (GCC) and overseen by the United Nations (UN) and other key stakeholders.** The GCC-initiated Transition Road Map reflects the government's commitment to host a viable National Dialogue, draft a new constitution, reform the military and security forces, and prepare for parliamentary elections. This process is expected to provide a forum for negotiating a new governance framework under which future economic and social policies would be created and implemented, and for expanding the political space beyond the current elite coalition to include a range of diverse stakeholders. Though implementation of the GCC agreement is broadly on track and there is gradual but steady progress, advances made thus far are vulnerable and significant challenges lie ahead.

4. **A Mutual Accountability Framework (MAF) was agreed upon by the Government of Yemen and Development Partners at a donor conference held in Riyadh, Saudi Arabia, on September 4<sup>th</sup>-5<sup>th</sup>, 2012.** The MAF draws on a number of initiatives including the GCC brokered political initiative, the United Nations Security Council Resolution 2014, and the Government's Transitional Program for Stabilization and Development (TPSD). The World Bank will primarily provide support to the TPSD's medium-term development agenda including for: transport, public works and roads, education, social protection, and the development of the information and communications technology (ICT) sector. World Bank support for the ICT and telecommunications sector would be aligned to Pillar II of the MAF, *Create Opportunities particularly for Youth and Women*, and the program would support the following two goals:

- creating a conducive environment for the private sector -- for both ICT service providers and ICT users -- to revive and renew economic growth; and
- strengthen employment opportunities with an emphasis on modern jobs for youth and women that will help Yemen make the transition to a service- and knowledge-based economy.

## **Sectoral and Institutional Context**

### **Sector Context:**

5. **The impact of ICT on economic growth has been well documented, and there is growing consensus that high-speed broadband Internet service, in particular, is a key driver of modern competitiveness and economic growth.** A number of studies have found a positive contribution of broadband to economic growth. A World Bank study, using a panel of 120 countries concluded that an increase of 10 percent in broadband Internet penetration in developing countries could result in a 1.38 percent GDP growth<sup>1</sup>. Another recent study, carried out by Deloitte, GSMA and Cisco, shows that a doubling of mobile data (mobile broadband) use leads to a 0.5 percent increase in GDP per capita growth, and a 10 percent increase in mobile penetration leads to a 4.2 percent increase in productivity<sup>2</sup>. Further, the World Bank has estimated that adding 8 million additional broadband subscribers in Egypt (approximately a 10 percent broadband penetration increase), would result in an incremental contribution (approximately a 39 percent increase) to GDP for the period 2010-2020 of between US\$35 and US\$48 billion, with between 25,000 and 36,000 additional jobs per year<sup>3</sup>.

6. **Recent economic growth analysis for Yemen suggests that a service led growth scenario would yield the biggest impact among all sectors**<sup>4</sup>. Communications and information services are a key element in the services sector because of their cross-cutting impact on productivity in economic and social sectors. Development and uptake of ICTs can have a transformative impact on economic sectors (e.g. trade facilitation, finance and banking) as well social sectors (e.g. education, health, public service delivery), transforming the way in which people communicate, do business, provide services, and create new jobs. The ICT sector itself could potentially become a key employer in Yemen, providing modern and salaried jobs in telecommunications, IT and software development, and localized digital content creation. Moreover, the transformative nature of ICT in respect to citizen participation became evident during the Arab Spring, as citizens found the means to engage in the national dialogue through social media and the Internet. Not investing in ICT development today will cost Yemen's existing youth and future generations both economic and social opportunities. This proposed project focuses on the building blocks of the ICT sector, namely telecommunications infrastructure development with an emphasis on expansion of broadband services and the regulatory framework that would provide a level playing field for ICT service providers.

7. **Yemen's ICT and telecommunications sector development has until recently focused on meeting the demand for basic voice service.** Basic mobile services are widespread with mobile networks reaching about 90 percent of the population. The number of mobile phone subscriptions more than quadrupled from 3 million in 2006 to about 14.5 million in 2012, leading to almost a 50 percent penetration for a population of over 25 million. Growth rates fell in 2011 most likely due to the civil unrest, but they are now recovering at a

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<sup>1</sup> Qiang, C., Rossotto, C. "Economic Impacts of Broadband." IC4D 2009 Washington DC, World Bank (2009).

<sup>2</sup> <http://www.gsma.com/publicpolicy/wp-content/uploads/2012/11/gsma-deloitte-impact-mobile-telephony-economic-growth.pdf> (Accessed 12/28/2012)

<sup>3</sup> Socio-Economic Assessment of Broadband Development in Egypt, Reimbursable Technical Assistance delivered to Egypt's Ministry of Communications and Information Technologies (MCIT), and to National Telecommunications Regulatory Authority (NTRA). World Bank (2011).

<sup>4</sup> Joint Social Economic Assessment by the World Bank, United Nations, Islamic Development Bank, the European Union, and the Government of Yemen, Sana'a, July 2012.

good rate. There are four operators in Yemen's mobile phone segment of the telecommunications market. TeleYemen first introduced mobile phone services in Yemen over its analogue system and transferred operations to its new mobile arm, Yemen Mobile in 2004. Competition in this segment was introduced in 2000 with the award of licenses to MTN Yemen and Sabafon, and a third license to Y-Telecom which launched its operations in the country in 2007. A HHI index<sup>5</sup> of 3196.02 (10,000 indicates a monopoly) indicates there is an adequate number of market players in the mobile service segment.

**Table 1. Mobile phone market structure, 2012<sup>6</sup>**

| Operator               | Market share | No. of subscribers | Technology                                      | Ownership              |
|------------------------|--------------|--------------------|---|------------------------|
| Yemen Mobile           | 33.66%       | 4.9 million        | CDMA2000 1x (2.5G),<br>CDMA2000 1xEV-DO<br>(3G) | State-owned            |
| MTN Yemen              | 33.25%       | 4.8 million        | GSM (2.G, 2.5G)                                 | Private, South Africa  |
| Sabafon                | 27.51%       | 4.0million         | GSM (2G, 2.5G)                                  | Private, multi-country |
| Y-Telecom (HiTSUnitel) | 5.58%        | 818,350            | GSM (2G)  | Private, multi-country |

8. **The fixed-line market segment has remained stagnant at 1.1million subscribers, equal to a current household penetration rate of 20.1 percent, which is in line with global trends as mobile phone subscriptions outpace fixed-line subscriptions.** The relevance of fixed-line service will continue to diminish as broadband Internet users start using VoIP (voice over Internet protocol) to make voice calls, and in particular international calls.

9. **Despite having four operators, the mobile market is underperforming.** Mobile density in Yemen is below the regional average and has significant potential for growth. At 50 percent, Yemen's mobile penetration rate is one of the lowest of the MENA region, the average for which is over 100 percent. Countries with comparable income-levels have achieved a higher penetration: Yemen<sup>7</sup> (GNI per capita US\$ 1,070; mobile penetration 48%); Mauritania (US\$ 1,000; 93%); Nicaragua (US\$ 1,170; 82%); Senegal (US\$ 1,070; 73%); Tajikistan (US\$ 870; 91%). There is ample room for growth for the four mobile operators.

10. **One of the primary reasons the mobile market is not growing at a desired pace is because Yemen Mobile, a state-owned company, is the only operator allowed to provide 3G services (also known as mobile broadband).** The other three private operators have licenses to provide speeds up to 2 to 2.5G only. The three operators have made requests to the government for new licenses as demand for 3G and faster services grows in Yemen and more Yemenis switch from using basic mobile phones to smartphones and tablet computers that require mobile broadband speeds and data capacity. The three operators are rapidly losing

<sup>5</sup> Herfindahl-Hirshmann Index.

<sup>6</sup> Data are from PTC.

<sup>7</sup> Data are for 2011

their competitive edge without the option to provide mobile broadband services. Yemen Mobile enjoys other preferential treatment including (i) unhampered access to the domestic backbone infrastructure, the International Gateway, and Internet Gateway, all of which are wholly state-owned; (ii) discounted interconnection rates; and (iii) the ability to advertise bundled services including their mobile service with Internet service provided by the state-owned domestic backbone operator, Public Telecommunications Company (PTC).

11. **Provision of better mobile broadband services will be critical to ensure uptake of communications and information services by Yemenis in the medium-term.** Mobile devices (i.e. smartphones, tablet computers) will be the primary mode of access to communications services for Yemenis in the coming years, as the Internet through fixed-line broadband services as well as personal computers will not be affordable to the general public for the medium-term. This is evident in other low-income countries.

12. **In terms of domestic backbone infrastructure, the state-owned PTC, has developed an important fiber optic network of about 13,000 km reaching primary and secondary cities as well as many rural locations.** International connectivity is provided by the third state-owned company<sup>8</sup>, TeleYemen, through satellite links, submarine cables and a terrestrial fibre cable linking to Saudi Arabia. TeleYemen concluded a US\$36 million agreement in May 2005 to connect to the FLAG Telecom's Falcon fibre optic submarine cable through two landing stations in Al Hidaydah and Al Ghaidah. Another submarine cable built in 1994 and owned by a consortium of TeleYemen, DjibTel and TaTa Communications, connects Aden to Djibouti City. Earth stations for connections to Arabsat and Intel sat operating IDR-TDMA systems were also modernized in 2001. There are three Intelsat stations (two Indian Ocean Region and one Atlantic Ocean Region), 1 Intersputnik station and two Arabsat stations.

13. **Yemen's connectivity infrastructure has not resulted in significant provision of (fixed-line) broadband services, reinforcing the importance of mobile broadband.** State ownership and management of the infrastructure is leading to inefficiencies, in particular in the provision of broadband Internet. PTC and TeleYemen are the only providers of Internet service in Yemen, and a significant portion of the subscriptions is still for dial-up services. Of the 500,000 subscribers to PTC's Internet service, 400,000 use dial-up services providing speeds of about 56Kbps. There are two primary reasons for this: first, broadband packages are not currently affordable; and second, the last mile lines from the backbone to the home or building have not been rolled-out in many locations. The remaining services are for ADSL (asymmetric digital subscriber line) offering speeds up to 4Mbps. Internet access therefore continues to lag, with the number of Internet users at 15 percent of the population and only 81,000 broadband Internet subscribers.

14. **Further, available bandwidth is limited and quality (broadband) Internet service remains a luxury in Yemen.** Even with the diverse modes of international connectivity, the

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<sup>8</sup> The three state-owned companies include Yemen Mobile providing mobile services; Public Telecommunications Corporation (PTC) operating the domestic backbone and providing fixed-line telephony and Internet services including broadband Internet; and TeleYemen that owns the International and Internet Gateways (i.e. access to international connectivity via terrestrial and submarine cables).

existing bandwidth (i.e. transmission capacity of the infrastructure) is only at 10GB. The Ministry of Telecommunications and Information Technology (MoTIT) estimates that overall country demand for bandwidth will grow to 80GB in just the next 2-3 years, and it plans to increase bandwidth from the existing capacity of 10GB to 20GB in the next year through its terrestrial connection from Saudi Arabia.

15. **It is also important to note the socioeconomic challenges to increasing uptake of Internet in Yemen.** In general, low literacy rates and the country's low GNI per capita will hinder Internet uptake and will require long-term solutions. However, currently there is a latent demand for quality (high-speed broadband) services in urban centers that is not being catered to. Satellite services often target the needs of foreign companies and international organizations and are often the most costly option. Demand for broadband Internet service is also growing among Yemeni firms, universities and other institutions, such as health clinics and schools. Without broadband, Yemeni firms must forgo opportunities to expand their markets regionally and internationally; and universities must also forgo opportunities for collaboration and learning. Increasingly, top universities such as the Massachusetts Institute of Technology in the United States are offering free courses via the Internet. Furthermore, foreign companies may rethink starting operations and investing in Yemen without quality communications services, which is today a key factor for a country's competitiveness.

#### **Institutional Context:**

16. **The governance structure of the sector is unclear, resulting in an unpredictable regulatory environment with uncertain rules, hampering investment in infrastructure and provision of new value-added ICT services.** The overarching issue is that there is no clear separation between policy, regulatory, and operational roles. The MoTIT is responsible for all three of these functions, leading to a perception of bias towards the state-owned entities, PTC, TeleYemen and Yemen Mobile. MoTIT's remit includes issuing licences, management of radio frequencies (a scarce resource), and deployment and operations of telecommunications infrastructure. MoTIT is currently not adequately staffed for its various roles. Further, more than half of its revenue from the three operators flows to Treasury.

17. **As mentioned above, PTC provides domestic services in both fixed-line telephony and Internet service through its extensive infrastructure which reaches the second tier cities and many rural locations.** PTC is a separate legal entity under the MoTIT. PTC is also taking on the Universal Access agenda, aiming to provide affordable Internet services to more remote areas of the country. This agenda normally resides with the ministry's policy arm and with the regulator for implementation.

18. **PTC's present financial viability is made possible by its participations in TeleYemen and Yemen Mobile.** The core business model of PTC itself, based on fixed-line revenues, revenues from interconnection, and income from leasing access to its backbone network, will not guarantee the viability of this operator. PTC has over 9,000 employees on its payroll, a significant percentage of whom are probably not essential. The important assets in backbone fiber are presently underexploited. As the demand for (fixed-line) broadband service will likely be substituted by mobile broadband, the need for national and international

backbone is more limited. However, the backbone infrastructure should be considered as an important asset for the country as the overall broadband market grows and data needs by individuals, firms, and other institutions increases. The economic and social cost of the status quo likely outweighs the revenue being collected by PTC.

19. **TeleYemen is currently a profitable company, with a solid business growth and good margins on the international communications segment.** However, this position is achieved by keeping a monopoly in this market segment (connecting international calls). The position of TeleYemen is sustainable in the short term, but will face increasing challenges in the future, as VoIP and other modes of bypass (technological changes) will erode TeleYemen's core business. In 2011, the operator Skype added more minutes of conversation than all telecommunications operators in the world combined (this includes giants like ATT and France Telecom). It is evident that the business model in international communications is rapidly changing, and TeleYemen needs to use its current strength to evolve to a business model that provides a more diversified stream of services and revenues.

20. **Recognizing the current limitations of the sector, the Government intends to undertake significant policy, legal and regulatory reforms, and improve sector performance.** Several priorities have been highlighted by MoTIT including: (i) issuance of a mobile broadband license to respond to the growing demand for services at faster speeds; (ii) adoption of a new legal framework which will separate the regulatory function from MoTIT through the establishment of a Telecommunications Regulatory Authority (TRA); and (iii) assessing the strategic management of PTC including its dependence on revenue from TeleYemen and its 9,000 employees.

### **Higher Level Objectives**

21. **As mentioned above, the ICT sector has been included under the Government's Transitional Program for Stabilization and Development (TPSD) 2012-2014 as a medium-term priority.** The proposed project would assist the Government to address the pressing issues that are currently hampering ICT sector development by supporting the transition to a more accountable and transparent sector governance structure. By implementing the building blocks for a sound regulatory framework and a competitive market, the proposed project would prepare the Government for future country-wide ICT development and related programs such as improving digital literacy and utilizing ICT for economic diversification.

22. **In light of the emphasis on ICT as an input to Yemen's future growth, an ICT Sector Assessment has been included as an output of the World Bank's Interim Strategy Note (ISN) for Yemen.** The ISN covers the period 2013-2014 and was approved by the Board in September 2012. ICT is acknowledged in the ISN as an important input for Yemen's future economic growth and social development and comes under the pillar: promoting growth and improving economic management. The ICT Sector Assessment is currently being finalized and has provided inputs to the design of this proposed project.

## **II. Proposed Development Objective(s)**

Proposed Development Objective(s)

23. **The Project’s higher-level goal** is to contribute to fostering a competitive and vibrant ICT sector in Yemen.

24. **The Project Development Objective (PDO)** is to (i) develop the broadband market; (ii) improve the legal and regulatory framework for the telecommunications sector; and (iii) develop a medium-to-long term telecommunications sector liberalization plan.

## B. Key Results

| Level   | Indicator  |
|---|--|
| PDO   |  |
| i. Broadband market development                           | <ul style="list-style-type: none"> <li>Increased number of mobile broadband subscribers (as a result of one or more new licenses)</li> </ul>   |
| ii. Improved legal/regulatory framework                   | <ul style="list-style-type: none"> <li>Development of legislation related to sector reform</li> <li>Development of regulatory instruments and guidelines</li> </ul>  |
| iii. Plan for liberalization                              | <ul style="list-style-type: none"> <li>Establishment of the Telecommunications Regulatory Authority</li> <li>Adoption by Government of a medium-to-long term telecommunications sector liberalization plan</li> </ul>                      |
| Component 1. Development of the Broadband Market          | <ul style="list-style-type: none"> <li>At least one new mobile broadband license awarded</li> <li>Adoption by Government of a National Broadband Plan</li> <li>Adoption by Government of a Universal Access and Service Program</li> </ul> |
| Component 2. Improving the Legal and Regulatory Framework | <ul style="list-style-type: none"> <li>Key staff positions filled in the new TRA</li> <li>Operations manual for TRA completed</li> <li>Training for TRA completed</li> </ul>   |

## III. Preliminary Description

### Concept Description

25. **Global trends indicate that as the sector shifts towards provision of broadband services, the governance of the sector also requires continued updating and revisions in order to keep up with technological advances which are particularly fast in the ICT sector.** Best practices indicate that regulatory oversight should be kept independent from the policy-making arm, and kept flexible and technology-neutral to encourage operators to invest in new technologies that increase the benefits to the consumer (i.e. speed and affordability). Further, convergence of technologies, such as VoIP, is gradually eroding the lines between mobile, fixed and even broadcasting services, necessitating new business models for operators. As the traditional segmentation in the market (i.e. mobile, fixed, Internet) diminishes, the need for segmentation between policy, regulation, and operation of services increases to set the stage for a competitive and vibrant ICT sector.

26. **These trends apply to Yemen’s ICT Sector.** In order for Yemen’s ICT sector to develop further and for Yemenis to benefit from existing and future technological advancements, sector governance needs to be strengthened in line with global best practices. Maintaining the status quo would mean to significantly hamper private participation, resulting in dependence on provision of services by state-owned enterprises which are constrained in terms of innovation, adaptation, and efficiency.



27. **The proposed project would support the MoTIT to transition into a more accountable, transparent government agency with improved capacity for sector governance.** The first component would support the development of the broadband market starting with the introduction of a new mobile broadband license and further definition of a national broadband strategy. Technical assistance in the second component would focus on strengthening the MoTIT and establishing the Telecommunications Regulatory Authority, the overarching mandates for which will be defined under the Telecommunication and IT Law, which was selected under the GCC initiative as one of the laws to be enacted by the Transition Government. Under a separate ongoing technical assistance activity, the Bank is providing recommendations on amendments to the draft Law. The proposed project would include an activity, under Component II, to support MoTIT in finalizing the draft Law in accordance with internationally recognized good practices. The proposed project would also support the Government's implementation of key provisions of the law, once it is passed. The third component of the project would support the restructuring of existing state-owned entities in preparation for gradual liberalization, in line with Yemen's World Trade Organization (WTO) commitments in the telecommunications sector.

28. **The duration of this project is envisaged for a period of three years (2013-2016), covering the transition period.** Legislative and presidential elections are planned for February 2014.

### **Component I: Development of the Broadband Market**

29. This component would support MoTIT to further develop the broadband market, by introducing competition into the mobile broadband segment through awarding of at least one additional license and developing a national strategy for further broadband development.

#### Subcomponent A. Introducing Competition in Mobile Broadband

30. The project would finance drafting of the license(s) and associated tender documents and the retainer fee and reimbursable expenses charged by the transaction advisor for the new license award. The project would also support MoTIT to prepare a detailed transaction strategy for the award of the new license(s). Once a specific transaction strategy is agreed, the project would assist MoTIT in executing this strategy by: (i) preparing the initial prospectus; (ii) inviting initial expressions of interest from potential investors; (iii) short-listing investors; (iv) selecting and negotiating; and (v) finalizing the transaction.

#### Subcomponent B. Broadband for Economic and Social Development

31. This subcomponent would support MoTIT in identifying and defining the national objectives and strategies for extending broadband infrastructure and services to benefit national economic and social development. This subcomponent would assist the MoTIT in defining the following parallel strategies for the telecommunications sector:

- *Telecommunications Sector Liberalization Plan:* The project would assist MoTIT

prepare a plan that would be a “road map” for the transition of the ICT sector to greater liberalization. The Plan would identify the market segments (e.g. Internet, international gateway) that require the relaxation or reform of regulations, institutional changes, and introduction of more competition. The Plan would also sequence the timing of actions for each segment, taking into consideration the impact on state-owned entities (see activity #2 below). The Plan would provide milestones that would help meet some of Yemen's WTO commitments in the telecommunications sector.

- *National Broadband Plan:* The project would assist MoTIT to define national objectives and goals for broadband expansion across the country for national economic and social development. The project would finance drafting of a National Broadband Plan that would reflect both supply and demand of broadband service to ensure that national objectives can be met in a realistic timeframe. The demand assessment would include existing and future users of broadband in government, private sector, universities, schools, health facilities, and other user groups.
- *Universal Access and Service Program:* Based on the National Broadband Plan and other market gaps that may still exist (i.e. voice telephony), the project would support MoTIT in the design of a Universal Access and Service (UAS) program. The aim of the program would be to identify disadvantaged geographical areas and communities that do not have access to adequate communications and to define appropriate approaches to encourage private sector participation to meet the unmet needs and demand.

## **Component II – Improving the Legal and Regulatory Framework**

32. The objective of this component would be to support the development of a modern legal and regulatory enabling environment for the ICT sector, including a new Telecommunications Law, subordinate legislation and regulatory instruments, and the establishment and operationalization of a new, independent, telecommunications sector regulator. This component would include two subcomponents:

### Subcomponent A. Development of a new legal and regulatory enabling environment for ICT:

33. This subcomponent would support the preparation of a new regulatory framework, including a new Telecommunications Law that (among other matters): introduces a unified, technology neutral, licensing regime; establishes the TRA as an independent, industry funded, regulator for the ICT sector; provides for wholesale access regulation, including access to infrastructure; addresses anti-competitive conduct and customer protection; provides for technical regulation, including spectrum management and numbering; and includes mechanisms for appeals and enforcement.

### Subcomponent B. Assistance to the New Telecommunications Regulatory Authority

34. Following the enactment of the Telecommunications and IT Law, which would allow for the creation of the Telecommunications Regulatory Authority, this subcomponent would support the transfer of regulatory functions from MoTIT to TRA and the operationalization of the TRA. This would involve moving existing departments and staff responsible for

regulation; assessing organizational design; defining additional staffing needs and key job profiles; drafting of the operations manual; developing a staff training plan; establishing a regulatory plan to address key regulatory priorities; and establishing a viable funding mechanism for the TRA. The component would focus on developing key capacities within the regulator, such as (i) preparing internal procedures and documentation for the conduct of the functions of that office, including licensing, spectrum allocation, numbering allocation, number portability, interconnection and wholesale access services, consumer protection, and control of anticompetitive behavior; (ii) developing criteria for the setting of fees for licensing and the use of spectrum; (iii) establishing and maintaining internal financial controls to ensure effective financial management and proper financial reporting; and (iv) preparing plans (short, medium and longer term) for carrying out its responsibilities under the new legal and regulatory environment, and enforcing its decisions. If the new Law is not enacted within a reasonable period during the duration of the project and thus the TRA cannot be established, the project would still support advance planning of the aforementioned elements.

### **Component III: Project Management**

35. The MoTIT would appoint a team within the Ministry as the Project Management Unit (PMU). The PMU would consist of MoTIT staff and contract staff. Later, staff from the new TRA would be added. This component would finance the hiring of contract staff, operating costs, and training. Training would include financial, procurement and project reporting functions.

#### **IV. Safeguard Policies that Might Apply**

| <b>Safeguard Policies Triggered by the Project</b> | <b>Yes</b> | <b>No</b> | <b>TBD</b> |
|--|------------|-----------|------------|
| Environmental Assessment OP/BP 4.01                |            | <b>X</b>  |            |
| Natural Habitats OP/BP 4.04                        |            | <b>X</b>  |            |
| Forests OP/BP 4.36                                 |            | <b>X</b>  |            |
| Pest Management OP 4.09                            |            | <b>X</b>  |            |
| Physical Cultural Resources OP/BP 4.11             |            | <b>X</b>  |            |
| Indigenous Peoples OP/BP 4.10                      |            | <b>X</b>  |            |
| Involuntary Resettlement OP/BP 4.12                |            | <b>X</b>  |            |
| Safety of Dams OP/BP 4.37                          |            | <b>X</b>  |            |
| Projects on International Waterways OP/BP 7.50     |            | <b>X</b>  |            |
| Projects in Disputed Areas OP/BP 7.60              |            | <b>X</b>  |            |

## **V. Tentative financing**

| <b>Financing Source</b> | <b>Amount</b> |
|-------------------------|---------------|
| Borrower                | 0.00          |
| MNA Transition Fund     | 3.00          |
| Total                   | 3.00          |

## **VI. Contact point**

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