



DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
AFR RI-CENTRAL AFRICAN BACKBONE SOP5
APPROVED ON JULY 16, 2014
TO
DEMOCRATIC REPUBLIC OF CONGO

DIGITAL DEVELOPMENT

AFRICA EAST

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I. BASIC DATA

Product Information

Project ID P132821	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 16-Jul-2014	Current Closing Date 31-Dec-2020

Organizations

Borrower Democratic Republic of Congo	Responsible Agency SOCOF - Société Congolaise de Fibre Optique
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Project Development Objective (PDO)

Original PDO

The development objective of the proposed project is to contribute to increase the geographical reach and usage of regional broadband infrastructure and to reduce the price of services so that more people in the DRC can access information and communication technology (ICT) services.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-H9810	16-Jul-2014	25-Jul-2014	22-Jan-2015	31-Dec-2020	55.72	30.98	16.13

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

A. Project status

1. The Central African Backbone SOP5 (CAB5), initially financed by an IDA grant in the amount of SDR 59,8 million (US\$ 92.1 million equivalent), to the Democratic Republic of Congo (DRC), was approved by the Board of Directors on July 16, 2014 and became effective on January 22, 2015. The project development objectives (PDO) are to contribute to increase the geographical reach and usage of regional broadband infrastructure and to reduce the price of services so that more people in the DRC can access information and communication technology (ICT) services. The project includes technical assistance (TA) activities and equipment acquisitions in support of the Ministry of ICT (Component A) as well as support and civil works for the incumbent operator SCPT, construction of fiber optic backbone infrastructure and PPP management of the infrastructure (Component B), and TAs and equipment to the regulatory authority, the ARPTC (Component C). Civil works under Components A and B were subject to disbursement conditions linked to the promulgation of the new Telecom Law and the adoption of a roadmap for the restructuring of the incumbent operator SCPT.
2. After 3 years of sector dialogue, none of the conditions had been fulfilled. As these conditions directly prevented any progress under Component B, and it had become clear that there was little prospect of these being met in the short to medium term, the project underwent a first restructuring in March 2019 that allowed for the construction of the vital fiber optic link between the WACS landing station in Moanda and the DRC capital city Kinshasa to proceed under Component B. Following a one-year extension granted under the first restructuring, the closing date was extended from December 31, 2019 to December 31, 2020. Given the lack of progress on the execution of Component B (see paragraph above), SDR 26.35 million (US\$36.4 million equivalent) of the IDA grant were cancelled in July 2020, through a second restructuring.
3. As of November 30, 2020, the project has disbursed the equivalent of S\$32 million (57 percent of the IDA credit balance after cancelation). After 4 years of slow implementation, the Project Implementation Unit (PIU), under the impulse of the new Government, has significantly accelerated activity completion and disbursements in the past 12 months, as reflected in the substantial uptake in annual disbursements over the past year : disbursement jumped from an average of US\$3.5 million a year over 2015-2019 to US\$12.8 million in 2020, almost quadrupling over the past year alone.
4. Under Component A, activities related to the state-owned operator SCPT have not been launched, as they are still subject to the adoption of a restructuring roadmap for SCPT, which is unlikely to happen by project closing. However, all studies under Component A have been completed and equipment acquisition to ensure business continuity of the Government during crises such as the COVID-19 will be finalized before December 31, 2020. Accelerated progress in implementation of Component B has also allowed the Korean company TAIHAN to complete 620 km out of the 650 km of the planned infrastructure in a record 11 months, despite confinement and border closures imposed earlier this year in response to the COVID-19 pandemic. The recruitment of the private operator (PPP contract) to manage and maintain this new infrastructure is also ongoing. The pre-qualification stage and move to the tender stage will be completed by December 31, 2020. In the last three months, Component C implementation has reached near 100% completion, with one last activity to be implemented by December 31, 2020: the acquisition of network integrity and cybersecurity equipment.
5. The project has also shown good progress toward PDO achievement. The updated results framework shows that 3 out of 5 DO level indicators have already met their targets: access to Internet Service indicator has already met its



target of 20%, wholesale national Capacity Transmission Price fell under its target value of \$200 at \$123, and the geographical reach of mobile services as a percentage of population covered already exceeds its target of 50%. The “Impact on Telecom Sector of WB TA” will likely reach the target value of 4 before June 2020 and will exceed its target if the new Telecom Law is promulgated. Direct Project Beneficiaries is still at zero, as the infrastructure is not operational yet.

B. Rationale for extending the closing date

6. The construction of the Kinshasa-Moanda link (under Component B) is well advanced but is running behind schedule. This critical link remains a top priority for the Government and is highly strategic, as it would be the only operationally reliable fiber optic infrastructure between the capital city and the only existing international landing station in Moanda. Its deployment would provide a much more reliable and cheaper internet connection to Kinshasa’s population, and eventually to other regions across the country. It is assessed that completing the construction of this link can also contribute considerable gains to DRC’s economy, and the creation of direct and indirect jobs, among many other benefits.

7. While the contract to carry out the construction of this link was signed on September 1, 2017, the civil works only started on February 1, 2020 after a series of challenges. For a start, these civil works were initially conditioned by the promulgation of the law (see section A above). Following many months of difficult dialogue with the Government, the project could be restructured in March 2019. However, the contractor (TAIHAN) had to complete the onsite technical surveys and other technical studies before construction could be launched, which further postponed the start of civil works by another 6 months. Those delays have been mostly absorbed and as of November 30, 2020, 620km (95 percent) out of the planned 650km fiber optic are now buried. In addition, the project has improved on many aspects: the PIU technical staff has been truly dedicated to complete all TAs, studies, and equipment purchase on time. The two line ministries (ICT and Portfolio) have personally been following up on implementation progress, creating a new dynamic to the project.

8. While completion of outstanding works was expected to reach completion by current project closing, the ongoing COVID-19 crisis has caused some new delays: from March to June, DRC borders were closed, making it very difficult to import any equipment or bring experts from outside the country. As a result, the final works were quasi-suspended. Those circumstances have pushed back the estimated completion date two months past the current closing date, i.e. in early February 2021.

9. In parallel, the selection process pertaining to the future private operator (PPP) to manage the infrastructure (also under Component B) has passed the prequalification stage and is on schedule to be completed by March 2021. The selection process was initially scheduled to start toward the end of the construction. However, as construction is running behind schedule, the Government's Transaction Advisor led by the Investment Bank CADMOS advised the client to conduct the selection process in parallel. Selection of the private operator is critical to ensure the sustainability of the infrastructure financed by the project.

10. Ensuring optimal sustainability and impact of all the IDA investments made through this project hinges on the completion of these two major on-going milestones under Component B (completion of the Kinshasa-Moanda link and selection of the future private operator/ PPP). Extending the closing date would ensure (i) the successful completion of the remaining activities under Component B and that (ii) the Bank remains involved and able to ensure completion of the works according to international standards and the contracting of the private operator to manage the new fiber optic network according to best standards. Otherwise there is a high risk of that the infrastructure will not be



completed and even vandalized given the inability of the government to fund remaining works in a context of severe post-COVID fiscal constraints.

11. Even if most of these achievements’ impact will not be visible before months after project closing, the completion of these two major activities is critical for the development of the telecom and digital sectors in DRC, with direct and indirect positive impact on many other sectors of the country economy. Project performance has improved over last few months as evidenced by acceleration in project implementation and disbursements, and PDO continues to be achievable but necessitate an extension of the closing date to meet all indicators target and ensure the sustainability of the project investments. More specifically, with an extension, the target associated to PDO-level indicator on policy dialogue impact will be met (or exceeded, should the Telecom Law be promulgated in the meantime). The number of direct beneficiaries of the new infrastructure will largely exceed the target of 5 million people, based on the most recent 3G penetration rate . All contracts are expected to be completed by the end of March. The required technical tests, contingency buffer for the recruitment of the PPP, and possible COVID-related delays, an extension of the project closing date until mid-June is being proposed.

12. In light of the above, this Level Two restructuring proposes to extend the closing date by 5.5 months, until June 18, 2021. There is no outstanding audit. This will be the second extension, bringing the total cumulative closing extension to 17.5 months.

II. DETAILED CHANGES

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-H9810	Effective	31-Dec-2019	31-Dec-2020	18-Jun-2021	18-Oct-2021