

TECHNICAL COOPERATION ABSTRACT (TC-ABSTRACT)

I. BASIC PROJECT DATA

Country: Mexico
TC Name: Mexican National Broadband Plan
TC Number: ME-T1236
Team Leader/Members: Antonio García Zaballos (IFD/CTI), Team Leader; Gregorio Arevalo (IFD/CTI); Nathalia Foditsch (IFD/CTI); Felix González (IFD/CTI); Enrique Iglesias (IFD/CTI); Cecilia Bernedo (IFD/CTI); and Carmen Masters (IFD/CTI).
TC Abstract authorization: May 21st, 2013
Operation type: Client Support (CS)
Reference to request: [IDBDocs#37784988](#)
Beneficiary: Mexico
Executing Agency and contact name: Mexican Secretariat of Communications and Transportation (Secretaría de Comunicaciones y Transportes México – SCT)
IDB Funding Request: US\$550,000
Local Counterpart: US\$ 0
US\$550,000
Required start date: June 1st, 2013
Execution period: 12 months **Disbursement period:** 15 months
Technical Unit: IFD/CTI **Disbursement Unit:** IFD/CTI
Type of consultancy: Individual Consultants, Firm
Included in Country: Yes []
Strategy/included in CPD: No [X¹]
GCI-9 Sector priority: Strategic subtheme in the current Sector Strategies: “Support Competitive Global & Regional Integration” (GN-2565-4); and “Institutions for Growth and Social Welfare” (GN-2587-2).

II. OBJECTIVE AND JUSTIFICATION

- 2.1 This Technical Cooperation (TC) aims at supporting the Mexican Federal Government in the development of a National Broadband Plan - NBP (Plan Nacional de Banda Ancha), hereinafter referred to as “NBP”, a policy framework which will take into account the needs of the public and private sectors to ensure the supply and promote the demand for telecommunications services in the country.
- 2.2 The proposal for a NBP is aligned with a major transformation currently undergoing in Mexico. In recent years, the Mexican government has undertaken several initiatives aimed at promoting the development of telecommunications sector and the adoption of information technology and communications (ICTs). The country is now

¹ It is a regional project.

- promoting a telecommunications reform at the Constitutional level, and one of its provisions specifically mentions that “the state shall guarantee the right of access to ICTs, as well as broadcasting and telecommunications services, including broadband”². Moreover, the existence of the so called “Pact for Mexico”³ an agreement among the three main political parties is also fostering a vibrant political agenda in the country. It is noteworthy its commitment to: (i) promote the benefits of an economy with competitive markets, and (ii) guarantee universal access to quality telecommunications services. As an effort to that commitment, “Pact for Mexico” has identified three main focus areas: (i) increase competition in telephony and data services; (ii) develop a robust telecommunications core network and a shared mobile network; and (iii) provide access to broadband in public facilities. Such initiatives are bringing the debate on broadband to a whole new level of priority in the country.
- 2.3 The telecommunications sector is led by three different entities within the Mexican government: the Secretariat of Communications and Transportation (SCT) as a policy maker, the Federal Communications Commission (Cofetel) as a regulator, and the Federal Electricity Commission (CFE) and the Mexico Telecommunications (Telecomm) as operators.⁴ Additionally to these three institutions, there are also other federal bodies responsible for promoting the adoption of ICT. The Organization for Economic Cooperation and Development (OECD) has recently found that there are significant overlaps between the competences of these different institutions.⁵ The roles of each institution are also part of the undergoing sectorial reorganization.
- 2.4 Within this restructuring context, the focus of the SCT is the advancement of the goal of broadband universality by conducting public-private agreements that take into account the availability of existing infrastructure, promote regulatory frameworks, as well as facilitate infrastructure sharing and the use of frequency bands from the digital switchover for the provision of broadband services.
- 2.5 Despite the recent developments in regards to the infrastructure, regulatory and policy developments of broadband in Mexico,⁶ the country still lacks a far-reaching and consistent national policy to encompass all the different angles through which such a complex issue should be looked at. Whereas many countries in Latin America have successfully developed NBPs, such as Argentina, Brazil and Peru, Mexico has not yet elaborated such policy.
- 2.6 This particular situation unveils a tremendous divide within Mexico, between urban and rural areas. Whereas in urban areas, 55% of households enjoy fixed telephony, 77% have mobile telephony, 40% own a computer and 30% have

² Article 6 of the Telecommunications, Radio and Television (TRT) Reform Bill.

³ The pact consists of 95 initiatives agreed upon by the governing Institutional Revolutionary Party (PRI), the National Action Party (PAN), and the Party of the Democratic Revolution (PRD).

⁴ The Federal Electricity Commission (CFE) operates a fiber optic network nationwide, and Mexico Telecommunications (Telecomm) is responsible for managing the satellite and operating state networks and to provide connectivity services at social centers serving remote locations.

⁵ “Study on telecommunications policy and regulation in Mexico” (OECD, 2012).

⁶ Examples of the recent efforts are the Spectrum Plan and the Satellite Policy, the approval of concession awards, the “e-Mexico” National System, the creation of the first Internet Exchange Point (IXP) within the country, as well as the national digital agenda.

Internet access, in rural areas, only 17% of households have fixed telephony, 36% have mobile telephony, 6% own a computer and 3% enjoy internet access.

- 2.7 Due to the aforementioned reasons, the SCT has identified the NPB as a priority to: (i) narrow the divide in terms of broadband infrastructure and use; (ii) the socio-demographic and economic divides, at the national, regional and state levels; and (iii) minimize the divide in private companies, local governments, educational institutions and health institutions.

III. DESCRIPTION OF ACTIVITIES

- 3.1 The National Broadband Plan-NBP to be developed through this TC will consider the international experience as a reference of the strengths, limitations and problems of the various broadband plans that have been deployed globally. It will also take into account the targets set by Mexico before the OECD and other international organizations, as well as the recent policy efforts aimed at promoting broadband access, adoption and use. Moreover, despite the fact that the NBP will inform a national policy, regional and state demands are also going to be taken into account.
- 3.2 The NBP will address the most important challenges related to the supply and demand for broadband in Mexico services in the country. The final product consists of a proposal for a broadband plan which the Government will be able to use as a framework for its national policy. The components of this framework will be the following:
- 3.3 **Component 1 - Identification of main challenges in terms of broadband infrastructure.** The identification of the main challenges will address the reduction of the infrastructure divide in Mexico. For that goal, this component will analyze the current status in terms of infrastructure; the estimated demand and the resulting gap to be bridged in terms of infrastructure (backbone, backhaul and “last mile”) always within a technologically neutral approach that favors cost-efficiency and service quality. As a reference, the “Pact for Mexico” has identified as a crucial element the deployment of a core national network that relies on the existing national fiber optic network owned by the Cofetel and the creation of a shared mobile telecommunications network. An additional particular element will be the study of specific actions to deploy an Internet Exchange Points (IXPs) in order to promote local content hosting and traffic.
- 3.4 **Component 2 - Establishment of regulatory principles.** The guiding principles that will permeate all the policies and regulations under the NBP will be formulated under this component. Examples are the generation of sustainable economic models; the formulation of technologically neutral policies; the avoidance of unnecessary investments; the prioritization of price, coverage, quality and equality goals; the establishment of regulatory changes related to the unbundling of network infrastructure.
- 3.5 **Component 3 - Definition of policies targeting the universal access to broadband.** This component will focus, among other actions, on policy measures that are necessary to promote the access to infrastructure; policies focused on the so-

called “last mile”; and the policies to subsidize the demand to purchase internet services or terminals. Moreover, this component comprises a set of specific policies that can favor private investment or the creation of public-private partnerships, a review of the regulation in terms of interconnection, a proposal on how to take advantage and use of federal, state and local rights of way and the review of regulation and policies in terms of spectrum.

- 3.6 **Component 4 - Definition of actions targeting the digital inclusion.** This component will focus on how to promote the demand for telecommunications services, particularly from marginalized individuals and groups. Examples of actions under this component are the promotion of the use of ICTs and broadband in education; the advancement of the technical capacity towards a national telemedicine system; the promotion of the use of ICT in micro and small enterprises; as well as the promotion of e-government services by the national, state and local governments.
- 3.7 **Component 5 - Establishment of indicators, targets, responsibilities, timeline and budget.** This component will identify relevant indicators to measure progress in the actions proposed by the NBP. It will set specific goals for use and penetration of telecommunications services, as well as coverage, quality and price thereof.
- 3.8 **Component 6 - Design of a governance model.** This component will propose a governance model that promotes concerted efforts among the various stakeholders involved. A coordinating body will be established, as well as the design of mechanisms for consultation, monitoring and evaluation.
- 3.9 **Expected results.** As a result of this project Mexico will have a solid framework for a national broadband policy, covering all the issues necessary towards the goal of universality. The issue is very time sensitive, since it is necessary to take advantage of the political effort happening in Mexico right now, something that has been waited in Mexico for a long time.

Table: Indicative Budget

Activity/ Component	Description	IDB/Fund Funding	Total Funding
Component 1	Identification of main challenges in infrastructure	200,000	200,000
Component 2	Establishment of guiding principles	50,000	50,000
Component 3	Definition of actions targeting the universal access to broadband	90,000	90,000
Component 4	Definition of actions targeting the digital inclusion	90,000	90,000
Component 5	Establishment of indicators, targets, responsibilities, timeline and budget	40,000	40,000
Component 6	Design of a governance model	80,000	80,000
Total		550,000	550,000

IV. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 4.1 The Mexican Secretariat of Communications and Transportation (SCT) will execute the TC, making sure that the activities of this TC are undertaken in

accordance to the major telecommunications reform currently being promoted in the country.

- 4.2 Stakeholder consultations will be undertaken in order to ensure that the “National Broadband Plan” is supported by the different institutions across the federal, state and local governments as well as by the civil society and private sector.

V. PROJECT RISKS AND ISSUES

- 5.1 This TC addresses issues which are quite sensitive in Mexico due to the nature of its telecommunications market. Since the market has been very concentrated for the past decades, the changes currently being promoted by the legislative and executive powers represent a major effort to alter the current dynamics of the telecommunications markets in the country. At the same time, the existence of a “Pact for Mexico” is a significant indication of favorable political window to promote the changes that are needed in the country. The major risk for this TC, thus, is having a final product—the proposal for a National Broadband Plan—which is not going to be fully implemented by the Federal Government. In order to mitigate this risk, the Bank will supervise the execution of the TC, and make sure that the final proposal is aligned with the Constitutional and policy changes already being promoted. Lastly, having a multi-stakeholder approach will ensure that the final product corresponds to a concerted effort rather than a unilateral effort from the SCT or the IDB.

VI. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

- 6.1 Due to the nature of this TC, there are no expected environmental and social risks associated with the implementation of the project. The operation was classified as Category “C”, according to the Bank’s classification toolkit. (See link [IDBDocs#37789938](#)).