

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	MEXICO/CID - Isthmus & DR
▪ TC Name:	Support to the Digital Transformation and Social Inclusion in Mexico
▪ TC Number:	ME-T1436
▪ Team Leader/Members:	GARCIA ZABALLOS, ANTONIO (IFD/CMF) Team Leader; IGLESIAS RODRIGUEZ, ENRIQUE (IFD/CMF) Alternate Team Leader; MARQUEZ, CLAUDIA M (IFD/CMF); PORRAS HERRERA, FANNY ELIANA (IFD/CMF); BARRAGAN CRESPO, ENRIQUE IGNACIO (LEG/SGO); VILLALBA CASTRILLON, HAROLD (SPD/SDV); BERNEDO, CECILIA (IFD/CMF); PARK, SOONTAE (IFD/CMF); KIM, KYOUNG WOO (IFD/CMF); GONZALEZ MURILLO, LIDICE ALEXA (IFD/CMF); BARRIOS NUNEZ, URIEL (CID/CME)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	Program to promote the digital transformation and social inclusion in Mexico - ME-L1297
▪ Date of TC Abstract:	26 Feb 2020
▪ Beneficiary:	Secretaria de Comunicaciones y Transporte (SCT)
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$700,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/CMF - Connectivity Markets and Finance Division
▪ Unit of Disbursement Responsibility:	CID/CME - Country Office Mexico
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality ; Productivity and innovation

II. Objective and Justification

- 2.1 The technical cooperation will support to the following activities: (i) Infrastructure of critical and high performance networks for the economic and social development of Mexico, (ii) Social coverage and access to broadband as a basic service for welfare and social inclusion, (iii) Development of skills for the digital transformation of Mexico and the social inclusion, (iv) Technologies, standards, data, interoperability, cybersecurity and governance in telecommunications and broadcasting for development and (v) Public Policies and Technology Development Planning.
- 2.2 The Government participates in the Red Compartida, which will provide 4G mobile services to 92.2% of the population in 2024 and created CFE Telecommunications and Internet for All, which will take internet access to priority areas without coverage. It also has the Mexican Satellite System (MEXSAT), which can be used alternately for areas where other types of coverage are not technically or economically feasible. Despite this, it is necessary to deploy a high-performance backbone network that allows the provision of high-capacity internet services in 1,257 sites that are currently not connected and reduce the annual cost of its management by 25% thanks to the

interconnection of Internet traffic exchange centers and their associated ecosystems. Currently the main uses of computers and internet are entertainment and communication. Only 31% use the internet to interact with the government, 19.7% to buy products and 15.4% to conduct banking operations. This is due to their lack of knowledge, the difficulty of accessing a device; and the lack of digital solutions in different strategic sectors.

2.3 According to McKinsey, a greater penetration of Information Technology and Communications (ICT) would imply an additional growth of between 7% and 15% of the Gross Domestic Product (GDP) of the country by 2025. However, in Mexico, 38.6 million people still do not use this service and approximately 44% of the population living in rural locations (11.38 million people) lack mobile data coverage. The problem of limited internet access by the population is mainly due to three major obstacles: (i) lack of infrastructure; (ii) the lack of digital training; and (iii) the absence of public policies to promote the development of digital infrastructure solutions.

III. Description of Activities and Outputs

- 3.1 **Component I: Component 1. Feasibility study for the deployment of digital infrastructure to improve the connectivity of critical and high-performance infrastructure.** This component seeks to: (i) strengthen the deployment of high performance networks that allow the country's education and research centers to be connected to each other and abroad; (ii) enable critical and high-performance networks to provide connectivity to key sites such as airports, railroads, ports and other infrastructure; (iii) conduct technical feasibility studies and data traffic, as well as to prepare a roadmap for the enablement of internet traffic exchange centers.
- 3.2 **Component II: Component 2. Road-map for a digital transformation in the provision of public services in Mexico.** Through this component, the Digital Skills Framework (MHD) published by the SSCDT will also be updated and the prioritization of training and capabilities for digital transformation and inclusion will be proposed.
- 3.3 **Component III: Component 3. Capacity building for implementing institution.** The purpose of this component is to support the SSC, which will execute the connectivity of critical and high-performance infrastructures as well as the design of public policies that promote the spread of new technologies. In so doing, this component will contribute to improving the possibility of smooth operation and eventually successful implementation of those projects. This component includes two activities.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1. Feasibility study for the deployment of digital infrastructure to improve the connectivity of critical and high-performance infrastructure	US\$300,000.00	US\$0.00	US\$300,000.00
Component 2. Road-map for a digital transformation in the provision of public services in Mexico	US\$250,000.00	US\$0.00	US\$250,000.00
Component 3. Capacity building for implementing institution	US\$150,000.00	US\$0.00	US\$150,000.00
Total	US\$700,000.00	US\$0.00	US\$700,000.00

V. Executing Agency and Execution Structure

- 5.1 The IFD/CMF Division will be the executing agency, which will operate in coordination with the staff of the SSC from Mexico.
- 5.2 The reasons behind of this arrangement are aligned with Appendix 10 of the Operating Guidelines for TC Products (GN-2629-1): (i) The digital republic program comprises different areas of intervention with different stakeholders that have different roles, (ii) This technical cooperation has two main areas, one which is a feasibility study on the infrastructure needs to support the enhancement of the broadband connectivity and another one related to the review of the regulatory framework on spectrum.

VI. Project Risks and Issues

- 6.1 This project presents several risks that could affect the impact, quality or sustainability of the expected results and is the lack of institutional capacity to design, implement and monitor policy and regulatory reforms, such as the ones to be recommended in the project. Also due to the recent change of authorities and its potential impact on local counterparts; delays in compiling information; and difficulties in coordinating activities among different public and private entities could be impacted the success of the project.
- 6.2 This risk will be mitigated by the fact that the project will be executed by the IFD/CMF Division in collaboration with the IDB Representation in Mexico and the Korean government and institution who have a vast technical knowledge in the area. In addition, the project will include a monitoring process throughout the implementation of the project to allow for the different institutions to get involved from the beginning to the end of the project.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".