



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 05-Oct-2021 | Report No: PIDC31823

**BASIC INFORMATION****A. Basic Project Data**

Country Eastern Africa	Project ID P176181	Parent Project ID (if any)	Project Name Eastern Africa Regional Digital Integration Project (P176181)
Region AFRICA EAST	Estimated Appraisal Date Aug 01, 2022	Estimated Board Date Nov 15, 2022	Practice Area (Lead) Digital Development
Financing Instrument Investment Project Financing	Borrower(s) Republic of the Sudan, Federal Republic of Somalia, Federal Democratic Republic of Ethiopia	Implementing Agency East African Community (EAC)	

Proposed Development Objective(s)

The development objective is to increase access to broadband and digital services through the development and integration of digital markets in the Eastern Africa region.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	230.00
Total Financing	230.00
of which IBRD/IDA	230.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	230.00
IDA Grant	230.00

Environmental and Social Risk Classification

Concept Review Decision



Substantial

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. The Eastern Africa¹ region, spanning from Sudan to Tanzania, is home to about 375 million people, and a wide range of countries in terms of levels of socio-economic development.** Population growth in some of the countries is expected to increase by 30 percent in 2030, and up to two-fold by 2050.² While the population has been rapidly growing across the region, economic growth has been uneven. Djibouti, Ethiopia, and Kenya recorded the highest per capita growth rates, while in Somalia economic growth hardly outpaced estimated population growth; GDP per capita ranges from US\$274 in Burundi to US\$1,910 in Kenya. Countries in the region are also divergent in terms of their human and social development. For example, secondary school enrollment ranges from 25 percent in Uganda to 45 percent in Burundi (Table 1).
- 2. Prior to 2020, Eastern Africa was one of the continent's fastest growing economic regions, however it has been underperforming in terms of intra-regional trade.** Before 2020, the region's overall economic growth was projected at more than 5 percent, well above the continent's average of 3.3 percent and the global average of 2.9 percent. However, the COVID-19 pandemic has undermined this growth and estimates suggest that the region grew at 0.9 percent in 2020, far below the previous average growth of 2.1 percent during the same period. Economic projections are optimistic at 3 percent for 2021, however, in line with the continent's expected growth of 3.4 percent.³ The key drivers for growth include strong public spending in infrastructure, rising domestic demand, the benefits of improved stability, new investment opportunities and incentives for industrial development.⁴ However, when looking specifically at intra-regional trade, official statistics show a low level of trade due to significant barriers around import and export. This, despite untapped opportunities for the region. For example, Ethiopia represents a major market for its neighbors' manufacturing exports and the main exporter of agricultural products to the region. Somalia is a key import market, primarily purchasing vegetable products and processed food from the region. It is also noted that unrecorded cross-border trade is an important phenomenon in the region's borderland areas and may be as much as 20 times greater than officially recorded intra-regional trade⁵.

¹ For the purpose of the proposed project, Eastern Africa consists of Burundi, Djibouti, Ethiopia, Eritrea, Kenya, Rwanda, Somalia, South Sudan, Sudan, Tanzania and Uganda.

² UN World Population Prospects: Available at: <https://population.un.org/wpp/DataQuery/>

³ Anyanwu, J. C., & Salami, A. O. (2021). The impact of COVID-19 on African economies: An introduction. *African Development Review*, 33(Suppl 1), S1.

⁴ East Africa Economic Outlook 2020: Available at: <https://www.afdb.org/en/documents/east-africa-economic-outlook-2020-coping-covid-19-pandemic>

⁵ Official data on cross-border is only available for Ethiopia and Kenya. These suggest that intra-regional trade amounts to just under one percent of total trade. Taking currently unrecorded cross-border trade into account gives a very different perspective on the importance of regional trade.



3. **Though trends in poverty have been positive for the overall region, the pace of poverty reduction has been too slow, and population growth too rapid, to meaningfully reduce the number of people living in extreme poverty.** Overall, an estimated 144 million people across the region live below the international poverty line of US\$1.9 a day. For example, more than half of the workers in Burundi are living in extreme poverty and the situation is expected to worsen over 2021. In Rwanda, close to half of the workers are living in extreme poverty. These examples of high levels of extreme poverty among workers implies that economies in Eastern Africa are failing to create enough quality jobs and that the robust growth experienced in the region has not been sufficiently inclusive. Poverty rates in rural areas (40 percent) are close to three times higher than in urban areas (15 percent), while poverty in the border areas of some of the countries is 12 percentage points higher than poverty in the non-border or core areas.

Table 1: Socio-Economic Indicators

Country	Population Growth (annual %)	Youth Pop. (10-24 years, %)	GDP per Capita	GDP Growth (annual %)	Poverty Headcount at US\$1.9/day (%)	HDI	Primary School Enrolment (%)	Secondary School Enrolment (%)	Life expectancy at birth, years
Burundi	3.1	32	274	0.3	73	185	119	45	62
Djibouti	1.5	27	3,426	0.5	17	166	74	55	67
Eritrea	1.4	32	589	-0.6	n.a	180	68	48	66
Ethiopia	2.6	33	935	6.1	31	173	101	35	67
Kenya	2.3	33	1,910	-0.3	37	143	103	57	67
Rwanda	2.6	32	781	-3.3	57	160	131	44	69
Somalia	2.9	34	327	-1.5	69	N/A	23	6	57
South Sudan	0.8	33	460	9.5	76	185	73	11	58
Sudan	2.4	33%	483	-3.6	12	170	77	47	65
Tanzania	3.0	33	1,036	2.0	49	163	99	32	65
Uganda	3.6	35	672	2.9	41	159	103	25	63
Regional Average	2.4	33	990	1.1	46	168	88	37	64

Source: World Economic Indicators, Human Development Index, Horn of Africa REM 2021. Note: The Human Development Index ranks 187 countries in ascending order (2017).⁶

4. **The region faces an employment challenge that is compounded by its rapidly growing population.** The working-age population just in the Horn of Africa⁷ countries is projected to grow from 107 million in 2020 to 143 million by 2030⁸, leading to a surge in demand for jobs and economic opportunities for youth. A rapidly growing working age population can be a boon for economic growth through the “demographic dividend,” when” more working-age adults are becoming economically productive while the average number of

⁶ Population growth estimates are based on 2019 WB staff calculations and are based on latest available survey data: 2011 for Eritrea; Youth population, GDP Growth, and Life Expectancy estimates are based on 2019 estimates WB staff calculations and are based on latest available survey data; GDP per capita estimates are based on 2020 WB staff calculations and are based on latest available survey data. Poverty estimates are based on WB staff calculations and are based on the latest available survey data: 2013 for Burundi, 2014 for Sudan, 2015 for Ethiopia and Kenya, 2016 for Rwanda, South Sudan and Uganda, 2017 for Djibouti and Tanzania, Data Unavailable for Eritrea; HDI rankings data are based on UNDP 2019 estimates; Primary school enrollment estimates are based on 2019 WB staff calculation and based on latest available survey data: 2007 for Somalia, 2015 for South Sudan, 2016 for Kenya, 2017 for Sudan and Uganda, 2018 for Eritrea, 2019 for Tanzania and Burundi, 2020 for Djibouti; Secondary school enrollment estimates are based on WB staff calculations and based on latest available survey data: 2007 for Somalia and Uganda, 2009 for Kenya, 2015 for Ethiopia and South Sudan, 2017 for Sudan, 2018 for Eritrea, 2019 for Burundi, Rwanda and Tanzania, 2020 for Djibouti; Life expectancy at birth estimates are based on WB 2019 estimates.

⁷ Horn of Africa is a subset of countries within the Eastern Africa region consisting of Djibouti, Ethiopia, Eritrea, Somalia, South Sudan and Sudan.

⁸ World Bank. 2021. Horn of Africa Regional Economic Memorandum (estimates exclude Sudan).



dependents supported by their incomes falls sharply. However, this is not the case because fertility rates and dependency ratios in the region remain high and are declining at only a moderate pace.

5. **A considerable share of youth across the region are Not in Employment, Education, or Training (NEET).** Around half (49 percent) of youth in Djibouti, 32 percent in Somalia, 13 percent in Kenya and 10 percent in Ethiopia are NEET⁹. Young women are particularly at risk of being NEET, and unemployment is significantly higher in urban areas. Between 2014 and 2019, the Human Development Index (HDI), a summary measure of average achievements in health, education, and living standards, improved in all countries except for Eritrea. However, except for Kenya, the HDI remains below the average for Least Developed Countries (LDCs).
6. **Gender inequality remains a significant impediment to growth and well-being across East Africa.** Women face differential barriers in access to services, employment, markets, capital and technologies. The employment-to-population ratio for men is 17.3 percentage points higher than for women.¹⁰ While the overall region is shifting away from primarily farming economies towards services and industries, this shift does not seem to be impacting women: 96 percent of women in Burundi, 76 percent in Kenya, 84 percent in Rwanda, 71 percent in Tanzania and 77 percent in Uganda still work in agriculture¹¹. There are also some gender disparities in the coverage of foundational Identity Document (ID), such as in Sudan, where 89 percent of males have a national number compared to 72 percent of women¹² and in Ethiopia, where 71 percent of male adults have a kebele ID compared to 51 percent of women¹³. Women without a foundational ID face disproportionate challenges proving and authenticating their identify, and accessing services such as social protection, education, and healthcare.
7. **The region also includes countries with a long history of fragility, catastrophic droughts, and seemingly intractable conflicts.** A complex set of historical, ideological, political, economic, geographical, territorial, and environmental factors have created tensions within and between many of the Eastern African states. These conflicts have, in turn, further weakened states' capacity to provide public services, social cohesion, and further increased the vulnerability of its population (particularly in historically marginalized border areas), thereby increasing the risk of future conflicts. Climate change is now exacerbating an already difficult situation, leading to increased tension over scarcer natural resources. Successive shocks of different kinds have led to record numbers of displaced people and increased migration¹⁴, including more recently from the Tigray region in northern Ethiopia into neighboring Sudan.
8. **COVID-19-induced disruption has contributed to job losses, increased humanitarian needs and will aggravate poverty and income inequality.** The COVID-19 pandemic has pushed up unemployment rates in the region in the short-to-medium term as production, supply chains and businesses are disrupted, leading to loss of income, and increasing poverty rates and inequality. Output in Sub-Saharan Africa (SSA) collapsed by an estimated 2.4 percent in 2020 and it experienced its first economic contraction in a generation and the

⁹ Ibid.

¹⁰ Report on employment in Africa (Re-Africa) – tackling the youth employment challenge – International Labour Office – Geneva: ILO, 2020

¹¹ USAID East Africa Gender Factsheet, May 2021

¹² World Bank, Rapid ID4D Diagnostic for Sudan, April 2020.

¹³ The kebele ID is issued at the Kebele level and confers legal identity. World Bank ID4D Country Diagnostic: Ethiopia, 2016.

¹⁴ In 2018, over 315,000 migration movements were observed between the HoA and the so-called Eastern Route (towards Yemen and the Arabian Peninsula), increasing to 469,000 in 2019 (DTM, 2019; https://ronairobi.iom.int/sites/default/files/document/publications/2019_DTMRegionalSnapshot_EHoA_2019.pdf).



deepest recession since the 1960s. Output in SSA is expected to expand a modest 2.8 percent in 2021, and 3.3 percent next year. Positive spillovers from strengthening global activity, better international control of COVID-19, and strong domestic activity in agricultural commodity exporters are expected to gradually help lift growth. Nonetheless, the recovery is envisioned to remain fragile, given the legacies of the pandemic and the slow pace of vaccinations in the region. In a region where tens of millions more people are estimated to have slipped into extreme poverty, per capita income growth is set to remain feeble, averaging 0.4 percent a year over 2021-22, reversing only a small part of last year's loss.¹⁵ Addressing these challenges and reversing this trajectory will require reshaping regional markets.

Relationship to CPF

9. **The proposed project is a series of projects (SOP) that is aligned with various regional strategies of the World Bank Group (WBG).** There is growing consensus that the digital infrastructure, markets and solutions are now critical inputs to development and for the achievement of the WBG's twin goals of shared prosperity and end of extreme poverty. By leveraging digital solutions, countries can strive for more inclusive economic development, economic diversification, job creation and offer innovative products and services as inputs to other sectors. Expected contributions of the proposed project to IDA19 Digital Commitments are further elaborated in **Annex 2**. The project aligns with the objectives of the following WBG strategies:
- **Africa Regional Integration and Cooperation Strategy Update (FY21–23)¹⁶:** Pillar 1 of the Africa Regional Integration and Cooperation Strategy Update, 'Building Regional Connectivity', supports the integration of digital markets including broadband infrastructure connectivity and financial payment platforms, in line with what this program would aim to achieve.
 - **AfCFTA Support to Negotiations and Implementation (P172232):** This Technical Assistance (TA) supports the AUC and AfCFTA member states to conclude the pending negotiations of the AfCFTA protocols on trade in goods, trade in services and investment by providing analytical inputs and TA, and to start preparing the administration of the AfCFTA treaty both at regional and national level by enabling the establishment of protocols and procedures based on best international practices.
 - **Strategy for Fragility, Conflict and Violence (FCV), 2020–2025¹⁷:** The FCV Strategy aims to ameliorate conflicts by addressing drivers of fragility, including climate change, and enhancing partnerships with regional institutions to bolster regional markets. The FCV Strategy recognizes that "digital transformation has the potential to play a positive role in promoting peace but can also widen economic gaps and drive exclusion". The proposed project would support the development of the underlying digital infrastructure to support the required digital solutions, and the support the development of an enabling regulatory environment.
 - **Digital Economy for Africa Initiative (DE4A)¹⁸:** The project would support the WBG Digital Economy for Africa (DE4A) initiative, which aims to contribute to the operationalization of the African Union (AU) Digital Transformation Strategy and is aligned with the findings and recommendations of several WB analytical / TA efforts focused on digital economy, digital technologies and financial services. The AU strategy sets out a bold vision that calls for every African individual, business, and government to be

¹⁵ World Bank Group. Global Economic Prospects. June 2021.

¹⁶ <https://documents1.worldbank.org/curated/en/249911623450779120/pdf/Supporting-Africa-s-Recovery-and-Transformation-Regional-Integration-and-Cooperation-Assistance-Strategy-Update-for-the-Period-FY21-FY23.pdf>

¹⁷ <https://www.worldbank.org/en/topic/fragilityconflictviolence/publication/world-bank-group-strategy-for-fragility-conflict-and-violence-2020-2025>

¹⁸ <https://www.worldbank.org/en/programs/all-africa-digital-transformation>.



digitally enabled by 2030, to drive the digital transformation of Africa and ensure its full participation in the global digital economy.

- **Single Digital Market (SDM) for East Africa¹⁹:** The SDM framework proposes the simultaneous integration of the connectivity, data, and online markets, which form distinct yet interconnected layers for a single digital market. The SDM presents a vision and roadmap for creating a single connectivity market for the telecom and broadband services, a single data market to enable secure exchange, storage and processing of data across borders and a single online market in East Africa, supported by a regional enabling environment.

10. As this is a regional project, there are a large number of national CPFs that are potentially relevant.

For example, the Ethiopia CPF FY18-22 identified the need to strengthen the information communication technology (ICT) sector to increase productivity, advance structural transformation and contribute to poverty reduction and shared prosperity (Focus Area 1). In the case of Somalia, the CPF FY19-22 points to leapfrogging opportunities by leveraging ICTs “towards financial inclusion, e-government, a safety net based on mobile money transfers and digital entrepreneurship; a vibrant private sector connected to an informal global network; and economic integration, through infrastructure and trade, with the broader Horn of Africa and Red Sea region”. This regional project would align with Area 2 Restoring Economic Resilience and Opportunities. The regional project would also complement and reinforce planned and ongoing national projects²⁰.

11. The project is also aligned with strategies of regional and sub-regional bodies in SSA: These include but are not limited to the:

- **The Digital Transformation Strategy for Africa (DTS4A) (2020-2030)²¹:** The document adopted by the AU on February 9, 2020, includes a series of recommendations and actions to drive digital transformation, propel industrialization in Africa and contribute to the digital economy in support of AfCFTA. The strategy covers foundational pillars, critical sectors and six cross-cutting themes (Digital Content and Applications; Digital ID; Emerging Technologies; Cybersecurity; Privacy and Personal Data Protection; Research and Development) to support the digital ecosystem. The DTS4A also underscores the criticality of creating a conducive environment for the uptake of digital financial services and promoting digital trade.
- **SMART Africa Strategic Vision²²:** The SMART Africa Manifesto was endorsed by all Heads of State and governments of the AU in 2014. The umbrella objective is to accelerate sustainable socio-economic development on the continent through the development of a knowledge economy through affordable access to broadband and usage of information and communications technologies (ICT). The proposed project could support several of the SMART Africa initiatives including programs for bulk purchase of wholesale submarine and satellite internet bandwidth, the One Africa Network for mobile broadband services, and the Smart Africa Alliance e-Payments initiative. The e-Payments initiative aims to facilitate trade across the continent, building practical solutions that will promote economic integration and achieve Africa’s potential. The goal of connecting customers and financial service providers (banks and non-banks including MNOs and fintechs) in one inclusive network along with the development of interoperable,

¹⁹ World Bank 2019. *A Single Digital Market for East Africa: Presenting a vision, strategic framework, implementation roadmap and impact assessment*.

²⁰ Ongoing and planned national projects include: Burundi (P176396), Kenya (P170941), Rwanda (P173373) and Tanzania (P160766), Ethiopia (P171034); Uganda (P171305); Djibouti (P174461) and Burundi (P176396).

²¹ <https://au.int/en/documents/20200518/digital-transformation-strategy-africa-2020-2030>

²² <https://smartafrica.org>



accessible payment systems at national, regional and continental level have been identified as a key panacea for increasing the digital payments footprint and supporting trade. The success of regional payment systems integration initiatives is therefore critical to this trade facilitation goal.

- **The HoA Initiative²³**: The project forms part of the HoA Initiative and it would contribute to Pillar 1 ('Improving Regional Infrastructure Connectivity'), which aims to build cross-border regional infrastructure, and potentially Pillar 2 ('Economic and Trade Integration').
- **EAC Common Market Protocol and ICT Strategy²⁴**: The program is aligned with a number of EAC's ongoing projects that aims to establish and operate a cross-border broadband infrastructure network within the EAC and plans to develop a regional framework for the harmonization of National ICT policies and in a bid to enhance the realization and sustenance of the common market.
- **The Association of African Central Banks (AACB)**: The program is aligned to the ongoing AACB continental integration initiative driven by a Task Force whose membership is drawn from regional economic groupings, including the EAC. The initiative is focusing on the development of an Inter-Regional Payment System Integration Framework and an Integrated Inter-Regional Mobile Payments Strategy, building on inputs from country and regional experiences.

C. Proposed Development Objective(s)

The development objective is to advance regional economic integration through the development of cross-border digital infrastructure and services.

Key Results (From PCN)

12. The following indicators for achievement of the PDO at a programmatic level would be considered during program preparation phase²⁵:

PDO-level indicators

Regional-level indicators

- a) Increase in the volume of cross-border trade of digital services; and
- b) Increase in the volume of cross-border international bandwidth (by capacity and usage)

National-level indicators

- c) Increase in the number of unique mobile broadband subscribers in participating countries (of whom, female users)

D. Concept Description

²³ <https://hoainitiative.org/>

²⁴ <https://www.eac.int/about-eac/94-sector/infrastructure/communications>

²⁵ Each Recipient would have a different combination of PDO indicators depending on their needs.



13. **The proposed project aims to advance the regional integration of digital markets Eastern Africa, based on the SDM framework (Figure 2) which maps out the simultaneous integration of the connectivity, data, and online market layers.** Advancement in each distinct market layer is expected to create a virtuous cycle as each segment builds on another, reinforcing the development, expansion and integration of the region’s digital market and creating economies of scale and positive spillovers. The following components are proposed for the project, which would consist of a menu of activities from which participating countries and entities could choose. Key criteria for interventions will include client demand in areas where there is political will to collaborate, areas in which the project can support clear regional gains and economies of scale; areas in which there are robust analytical underpinnings and areas that would be aligned to regional objectives such as that of the African Union (AU).

Figure 2. SDM Framework



14. **The proposed project will adopt a two-track approach (Figure 3) to support country recipients as well as key regional bodies working towards digital market integration.** It is proposed that the project incorporates both regional IDA credit and grant financing to meet the needs of the different recipients in the region, consisting primarily of country beneficiaries, as well as IDA grant financing to relevant regional organizations to support the development, harmonization and adoption of regional policy/regulation/standards. Through this two-track approach the project aims to support regional coordination to create economies of scale for investments in the participating countries.

15. **Interventions under each component are intended to be relevant to both the country recipients and regional bodies, however they would be sequenced and tailored to the needs of each sub-region considering their different stages of digital development.** The EAC sub-region is more advanced in the digital sector in the region and its challenges mainly consist of regional harmonization of regulations related to the free flow digital services. Countries in HoA need both support for the development of regional regulations as well as for the development of their broadband infrastructure. The proposed grant to the EAC will be linked more explicitly to the respective national level digital acceleration projects in the EAC countries which will run concurrently and include project activities and financing to support national level adoption/implementation of harmonized laws, regulations, policies and standards developed at regional level⁴¹. In addition, Kenya and South Sudan are part of both the EAC and HoA and could provide opportunities to expand the agreements of the EAC further to its HoA neighbors. The shared instruments

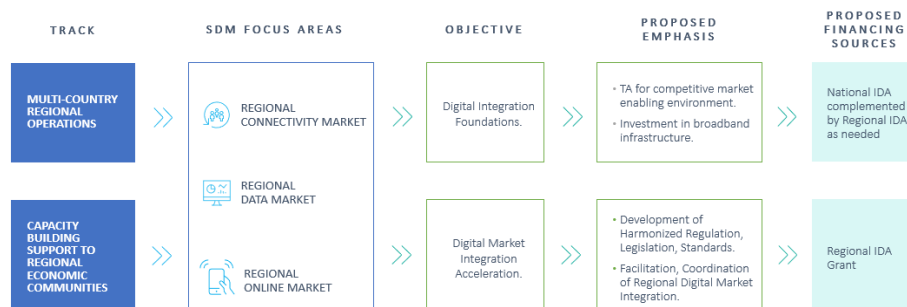


developed and adopted at EAC level provide the HoA countries/region a demonstration effect or precedence in regional harmonization of agreements and regulations and enable HoA development and integration with East Africa which would strongly benefit both regions due to an expanded market.

16. **The project’s support to regional bodies will contribute towards integration between the two sub-regions of East and the HoA as well as across the continent.** The role of regional bodies on the African continent in the pursuit for digital development is expected to increase significantly in the next few years as they prepare to implement the AfCTFA (in particular, the eCommerce Protocol) and work towards free flow of digital services across borders. Albeit capacity deficits, regional institutions can play a critical role in advancing the regional digital integration agenda through knowledge spillover and the harmonization of legal and regulatory environments. To further bridge the two sub-regions and facilitate spillover, the project will explore the addition of a regional body for the Horn of Africa (HoA). The selection of regional bodies will be determined based on several factors, including interest in the project, relevant mandate, capacity and legislative enforcement powers among other factors. The coordination and integration mechanisms supported through the project can pave the way for spillover beyond the Eastern Africa region and contribute towards the continent-wide integration agenda.

17. **During the preparation stage, the project will go through a filtering process to ensure that interventions optimize Private Capital Mobilization (PCM), in line with the principles of the Cascade approach.** The project will provide technical assistance and capacity building to help create the optimal regional regulatory and policy framework to attract private sector investment. Given the significant broadband infrastructure deficit in the HoA, the project will also provide infrastructure investment financing where there is insufficient private sector interest to fully address the gaps and needs of the region. Project preparation will engage the IFC to jointly undertake a series of pre-feasibility studies which will assess the extent to which private financing could be leveraged and to identify public financing needs that would facilitate crowding-in of private investments. This will include assessment of existing entry and market structure bottlenecks for the broadband sector. Proposed pre-feasibility studies to be conducted during project preparation, as part of the PCM filtering process, are described in **Annex 4**. By taking a regional approach the project will help create the currently missing economies of scale and scope for both public and private investments.

Figure 3. Proposed two-track approach





18. **The proposed regional project will enhance ongoing and planned national-level projects that support digital development in the region²⁶, and in some exceptions, could also include components focused on national objectives that are financed by national IDA.** While many countries in the region already have projects supporting national objectives in the digital sector, some countries - such as Eritrea, Sudan, South Sudan and Somalia - currently do not, and, therefore, this regional project could potentially include support to such national objectives which would be critical to set the path for integration. For countries with on-going national projects, like Djibouti and Ethiopia, the proposed project will focus on regional connectivity needs and enabling cross-border flows of digital service. In both these instances, the project will ensure that national interventions are aligned with regional goals, and that the balance between national and regional interventions is maintained overall.
19. **It is proposed for the project be a Series of Projects (SOP) to allow flexibility for countries to join when ready in future phases.** The project would be open for all countries and selected regional bodies in Eastern Africa that require support in advancing a regional digital integration agenda. It is proposed for the project to be open to Yemen if and when it may want to join and benefit from the regional approach to digital development. Yemen has been considered as part of the HoA sub-region based on its geographical, economic and historical ties and shares many of the characteristics and challenges in the digital sector faced by its neighbors (i.e. limited international access, weak enabling environment). Therefore, the addition of Yemen would be appropriate in terms of expanding and reinforcing the regional digital market. The SOP approach also allows for the potential scale-up of regional digital integration efforts, paving the way for a continent-wide digital integration agenda.
20. **Some stakeholders have already expressed interest in participating in SOP I (Annex 3).** To date Ethiopia, Sudan and the EAC have indicated interest in participating in the project and Somalia is a potential candidate for participation in SOP I. Expanding on this interest is likely given some of the interconnected needs of countries in the region. For example, in the case of HoA, efforts to increase overall access to international bandwidth capacity for the HoA sub-region would rely on the participation of one or more of the coastal countries as the new internet capacity would be coming in through their subsea gateways.

Component 1: Connectivity Market Development and Integration (US\$95m, IDA)

21. **This component would support reforms to reduce barriers to the provision of cross-border telecoms services through open markets as well as broadband connectivity infrastructure deployment, to increase access and affordability of connectivity for end-users.** Broadband infrastructure, such as fiber optic and mobile networks, as well as broadband services, benefit greatly from scale, as the cost of capital investment and operating costs can be spread across more users through infrastructure sharing based on open access. Economies of scale from a regionally integrated market could also unlock opportunities for private sector investment. Increased competition would enable wholesale, and subsequently, retail

²⁶ These include: Digital Tanzania Project (P160766); Additional Financing for ICT Sector Support in Somalia (Phase 2) (P164441); Kenya Digital Economy Acceleration Project (P170941); Ethiopia Digital Foundations Project (P171034); Uganda Digital Acceleration Project – GovNet (P171305); Rwanda Digital Acceleration Project (P173373), Djibouti Digital Foundations Project (P174461) and Burundi Digital Foundations Project (P176396.); Somalia Capacity Advancements, Livelihood, and Entrepreneurship through Digital Uplift Project (SCALED UP) (P168115); Sudan Women and Youth Entrepreneurship (SWAYE) (P176998), and Ethiopia Financial Sector Support Project (P171627).



connectivity services prices to fall in the region. More affordable prices would in turn help expand access and boost demand for related services, generating increased data traffic and online activity critical to the business case for further network investment in capacity upgrades and expansion to new areas. Doing so can help address deficits for landlocked countries or close to urban-rural divide, which is a key lever for job creation and advancing inclusive economic growth. Lower cost and more accessible connectivity would also pave the way for more innovative services and digital businesses that rely on higher bandwidth capacity, further reinforcing this positive cycle. In line with regional goals, this component could potentially include support to national objectives which would be critical to set the path for integration.²⁷

22. **For SOP I, activities will be sequenced based on priorities and readiness of the beneficiary country or regional body.** This includes sequencing the proposed activities to factor in the necessary preconditions at the regional and national levels, such as bilateral or regional agreements and meeting of possible performance-based conditions. It is envisioned that the HoA country projects will focus on broadband connectivity market development including a heavy emphasis on creating a competitive enabling environment. While for the EAC, it is envisioned that the grant will support the updating of the regional mobile roaming efforts to reflect changes in the market offerings, among other areas to be examined during preparation.

Component 2: Data Market Development and Integration (US\$55m, IDA)

23. **The component aims to enable the secure exchange, storage and processing of data across borders to support regional deployment** and access to data-driven services, innovation and infrastructure, including reducing regional restrictions on the free flow of data and increasing investments into data infrastructure. It would also enable and encourage the development of a data pool to support regional deployment and access to data-driven services and innovation. The creation of a larger data market would also generate substantial cost savings by creating economies of scale that make investment in regional data centers that support online services, including cloud hosting, to unlock investment opportunities for the private sector. A more integrated data market in Eastern Africa could boost innovation and enhance ‘big data’ analytics, resulting in significant economic and social benefits and efficacy gains across virtually all sectors (e.g. public sector governance, social protection services, e-commerce, telecommunications, etc.).²⁸In line with regional goals, this component could potentially include support to national objectives which would be critical to set the path for integration.²⁹

Component 3: Online Market Development and Integration (US\$25m, IDA)

24. **The component aims to support the development and integration of the online market, which would enhance regional economic integration through trade, specifically via cross-border delivery and access of digital goods or services.** This component would support governments, firms and citizens in participating countries to access and deliver both public and private services online, as well as make online purchases seamlessly from anywhere in the region. The project could support advancing cross-border mutual recognition of ID credentials and interoperability between ID systems to strengthen regional integration. This component

²⁷ National projects that are relevant to, and aligned with, the regional outcomes of this project may be added to this component.

²⁹ National projects that are relevant to, and aligned with, the regional outcomes of this project may be added to this component.



will complement the projects underway that are focused on the development of national infrastructure (e.g. citizen registries for digital ID), to support their integration with regional markets. In doing so, it would also help to enable cross-border payments and commerce through reducing barriers around cross-border transactions (e.g. digital financial services), which are expected to increase the speed and reduce the costs of payments. Digital payments need to be supported by sound and proportionate legal framework to ensure their effective operations. In this context regulatory frameworks based on good practices and international standards need to be in place and harmonized at regional level to be applicable across countries. Through spill over effects, citizens and businesses would gain larger access to a wider range of digitally enabled services. In line with regional goals, this component could potentially include support to national objectives which would be critical to set the path for integration.³⁰

25. **Component 4 would provide TA and capacity support for project preparation and implementation.** It will finance the operating costs of the Project Implementation Units (PIUs) for each participating country as well as a PIU embedded in the participating regional body. Support will be provided to ensure the establishment of adequate social and environmental safeguards capacity, as well as fiduciary and monitoring and evaluation (M&E), for the implementation of activities. Due to potential high safeguard risks associated with the project, particular attention will be provided to ensure adequate development of technical studies and capacity building of relevant institutions and coordination measures. Other technical expertise/support could also be provided as needed. Project preparation would also include a set of technical studies to ensure PCM approach is taken as well as the necessary environment and social safeguards studies and assessment around climate co-benefits.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	TBD
Projects in Disputed Areas OP 7.60	TBD
Summary of Screening of Environmental and Social Risks and Impacts	

³⁰ National projects that are relevant to, and aligned with, the regional outcomes of this project may be added to this component.



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