

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC6062

<b>Project Name</b>	Caribbean Regional Communications Infrastructure Prog - Dominican Rep. (P147483)
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Dominican Republic
<b>Sector(s)</b>	Telecommunications (50%), Information technology (50%)
<b>Theme(s)</b>	Regional integration (10%), Regulation and competition policy (30%), Infrastructure services for private sector development (60%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P147483
<b>Borrower(s)</b>	Instituto Dominicano de Telecomunicaciones (INDOTEL)
<b>Implementing Agency</b>	INDOTEL
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	27-May-2014
<b>Date PID Approved/ Disclosed</b>	27-May-2014
<b>Estimated Date of Appraisal Completion</b>	27-May-2014
<b>Estimated Date of Board Approval</b>	24-Jul-2014
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

The Dominican Republic is an upper-middle income country with the largest economy among the CARIFORUM countries with a Gross Domestic Product (GDP) of over US\$60 billion (current US \$, 2013). The GNI per capita was US\$5,620 (Atlas method) in 2013 and the population was over 10 million in the same year. The Dominican Republic's economy is primarily dependent on manufacturing and services (17.8% and 52.2% of GDP in 2013 respectively), and is one of the Caribbean's largest tourist destinations.

Although, gains made by Government ensured a decade of long growth and macro-economic stability, poverty and inequality remain high in the country. For 2012, the poverty rate had declined from 50% in 2004 to 40.9%, higher than the average LAC rate and even higher than the poverty level in the country in 2000 (32%). Poverty is significantly higher in rural areas. Overall poverty

was 46 percent in rural areas vs. 26 percent in urban areas. Sustained growth needs to be complemented with an increase of social plans and social investment as a way of reducing poverty and stimulating sustainable human development. This includes providing equal infrastructure services, such as connectivity opportunities to quality affordable telecommunications services both in cities and (commonly underserved and poorer) rural areas. The Law on the National Development Strategy of the Dominican Republic 2030 (END, Law No. 1-12), identifies ICT sector as one of the key drivers to achieve its objectives. Access to the Internet will be monitored as one of the indicators to measure progress towards achievement of the END's objectives.

The Dominican Republic can play a key role within the CARIFORUM region in fostering growth and increasing the competitiveness of the region as a whole. The Dominican Republic's economy is currently the largest and most resilient in the CARIFORUM region. Moreover, its GDP is almost a third of CARIFORUM's total GDP. These facts point to the potential of the Dominican Republic for playing a leading role in fostering regional growth. The Dominican Republic's strategies for ICT can also enhance the competitiveness of the region by strengthening the region's ties to international markets and attracting foreign investment.

### **Sectoral and Institutional Context**

Liberalization of the telecommunications market has allowed the Dominican Republic's ICT sector to experience tremendous growth in the last decade. The General Telecommunications Law in 1998, created INDOTEL (Instituto Dominicano de las Telecomunicaciones), the state's independent regulatory authority for telecommunications, and opened the market to competition. The ICT sector has since grown to become one of the major pillars of the country's economy. In 2010, the ICT sector accounted for 15% of the GDP.

While fixed line penetration has remained around 10% in the past decade, mobile phone subscription showed dramatic increase. Mobile phone subscriptions surpassed 89% in December 2013. Competition has been successful in bringing prices down and providing access, including in some of the most marginalized areas of the country. Mobile broadband penetration is also very high, at 96%. However, there is still a big gap in both accessibility and prices for fixed internet between major urban centers and rural and remote areas. For the poorest households, fixed internet connectivity prices equal 79% of the household's earnings. In 26 municipalities (16.8% of the existing 155) there wasn't any fixed internet accounts registered, and only 14.4% of households have internet. The Dominican Republic shows records below the regional average for Latin America indicators: 35.5% vs. 39.5% of internet users; 4% vs. 7.5% of fixed broadband internet subscribers. Mobile broadband can serve certain users, but fixed broadband is more cost-effective and reliable for intensive users, such as institutional, corporate, and household users, because it allows for higher access speed and more stability. Fixed broadband is more reliable for government and corporate clients alike, especially those with decentralized units like schools or hospitals, which need to offer external online services or internal services through intranet or a private virtual network. The National Fiber Optic Network will help the national and municipal government reach citizens with improved services, and it will help citizens interact with the government.

Submarine cable international connections exist and are not an obstacle for fixed broadband supply. In March 2014 the NAP of the Caribbean (the main international broadband connectivity hub in the country) offered wholesale high speed internet at US\$125 for each Mbps of symmetrical speed (i.e. equal speed for uploading and for downloading). However, in most municipalities this service is offered by a single provider, for about US\$500 ; the difference in price between the NAP and the

average municipality is mainly due to national transmission (or backbone) costs. Most existing backbone networks are not open to other operators, and in many areas there is only one fixed broadband service provider because new private backbone network developments don't seem commercially viable or attractive enough.

As in the overall economic strategy, the Dominican Republic can play a pivotal role in making the CARIFORUM region an attractive location for the global ICT market, by creating a foundation to facilitate the attraction of foreign investment in the region and fostering local innovation. CARCIP can support the government's efforts to improve the use of ICT's in vulnerable communities by working on the demand side of broadband. In the 2014-2015 Biennial Plan, INDOTEL included a set of projects to reduce the digital divide. In addition, the Ministry of High Education, Science and Technology (MESCyT) and the Ministry of Industry and Commerce (MIC) are promoting entrepreneurship and ICT support programs. The Presidential Office of ICT (OPTIC) in its Strategic Plan 2013-2016, identified among its objectives: 1) enhancing the use of e-government in public sector decision making; 2) creating channels for citizen participation; and 3) facilitating the use of e-services in society and the private sector. CARCIPs will align with these efforts and support an Open Innovation Platform to build ICT skills, particularly among the poor and women, and foster a culture of entrepreneurship by involving citizens in identifying and solving their own problems through ICT solutions

### **Relationship to CAS**

CARCIP is fully aligned with the World Bank's Country Partnership Strategy (CPS) FY14- FY17 for the Dominican Republic. Particularly with regard to supporting strategic objective III: "Improved access to more efficient and reliable ICT services". This is an area of strong demand for WBG support for which the WBG has extensive global experience, and given the importance of increased access to ICT services for nationally integrated and inclusive growth and for the open data agenda, this is a high priority area for engagement when applying selectivity filters.

One of the Challenges for Poverty Reduction and Shared Prosperity underlined in the draft of the CPS FY14-FY17 for the Dominican Republic is access to efficient and reliable infrastructure services. This is a missed opportunity to increase shared prosperity. Recent research shows that a 10% increase in broadband penetration in developing countries can have an impact of close to 1.4 % in increase in GDP per capita. This GDP increase can average up to 3.2% in LAC according to the IDB.

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

### **Proposed Development Objective(s) (From PCN)**

The project development objective (PDO) of the Dominican Republic CARCIP seeks to increase access to regional broadband networks and advance the development of ICT-enabled services in the Caribbean Region.

CARCIP's objective is expected to be achieved through: (a) targeted investments in ICT infrastructure that fill the gaps at the national and municipal level, preferably in partnership with the private sector; (b) creating an open innovation ecosystem that fosters the development of ICT skills and ICT enabled services; and (c) strengthening institutional capacity/arrangements to ensure effective program implementation and outcomes.

### **Key Results (From PCN)**

As a result of the program, it is expected that the Dominican Republic population would benefit by having greater access to better quality and lower prices of ICT services, enhanced and diversified employment opportunities, and increased ICT skills. Overall, the Dominican Republic would see a boost to its competitiveness, social inclusion, and economic diversification.

The National Fiber Optic Network financed under CARCIP will provide high-speed fiber optic connectivity to at least 12 head municipalities, and support the creation of a PPP that could expand that connectivity to all 32 head municipalities, the Capital District, and a large percentage of the 155 municipalities in the country, including the 32 above-mentioned. The infrastructure will enable the general population and the public sector to have affordable high-speed connectivity. It will reach interconnection points with regional backbone networks, as part of CARCIP's regional strategy. This would significantly increase affordability and therefore access to broadband-enabled services, particularly amongst mid and low income households.

Furthermore, the project will foster the development of innovative ICT based services. This will provide locally generated content on top of the broadband infrastructure, and stimulate the demand of ICT enabled services and jobs. Capacity building activities will be carried out in existing public facilities, assisted by facilitators, and made available in different points of the country leveraging the existing network of public telecenters. This will help minimize the barriers of entry and maximize inclusiveness of citizens with less income.

### **III. Preliminary Description**

#### **Concept Description**

The program is structured along three main components, as described below:

(i) Component 1: Regional Connectivity Infrastructure. This component will support the reduction of connectivity gaps between rural and urban, and poor and developed areas in the Dominican Republic, through the deployment of a National Fiber Optic Network. This network will provide high-speed fiber optic connectivity to several municipalities in the country. The infrastructure will contribute to increase access to more affordable high-speed connectivity in the Dominican Republic. The fiber optic network will reach interconnection points with regional and global backbone networks, as part of CARCIP's regional strategy.

There are two subcomponents: (A) Enabling Environment (US\$1million); and (B) Broadband Backbone Network (US\$24million). Subcomponent 1A will provide technical support to ensure that the legal and regulatory framework is aligned with the project, as well as design the PPP bidding process to leverage the project funds with private sector investment. Subcomponent 1B will roll out the connectivity infrastructure according to the proposal awarded in the competitive bidding process.

(ii) Component 2: Open Innovation Hib. This component will provide targeted support for human capacity and business development, while facilitating the creation of a culture of use and adoption of ICTs throughout the general public. Funds under this component would contribute to collaboration with the private sector for targeted skills development, building on top of INDOTEL's social programs (e.g. telecenters).

(iii) Component 3: Implementation Support. This component will provide resources for the establishment and logistic support for a core PCU staff to administer and coordinate the project's

implementation and conduct monitoring and evaluation. It will also support oversight arrangements and capacity building for key Policy and Regulatory institutions.

#### IV. Safeguard Policies that might apply

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

#### V. Financing (in USD Million)

Total Project Cost:	30.00	Total Bank Financing:	30.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			30.00
Total			30.00

#### VI. Contact point

##### World Bank

Contact: Elena Gasol Ramos  
 Title: Senior ICT Policy Specialist  
 Tel: 458-2919  
 Email: [egasolramos@worldbank.org](mailto:egasolramos@worldbank.org)

##### Borrower/Client/Recipient

Name: Instituto Dominicano de Telecomunicaciones (INDOTEL)  
 Contact: Jorge Roques  
 Title:  
 Tel: 8293786151  
 Email: [jroques@indotel.gob.do](mailto:jroques@indotel.gob.do)

##### Implementing Agencies

Name: INDOTEL

Contact: Jorge Roques  
Title:  
Tel: 18293786151  
Email: jroques@indotel.gob.do

**VII. For more information contact:**

The InfoShop  
The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 458-4500  
Fax: (202) 522-1500  
Web: <http://www.worldbank.org/infoshop>