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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 3.7 MILLION
(US\$5 MILLION EQUIVALENT)

TO THE

REPUBLIC OF CONGO

FOR A

THIRD PHASE OF THE CENTRAL AFRICAN BACKBONE PROGRAM

March 9, 2017

Transport & ICT Global Practice
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2017)

Currency Unit = Franc CFA
612 Franc CFA = US\$1
US\$1 = SDR 0.73592723

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AfDB	African Development Bank
CAB	Central African Backbone)
CFA	Financial Cooperation in Africa/XOF in English (<i>Coopération Financière en Afrique</i>)
CFCO	Congo-Ocean Railway (<i>Chemin de Fer Congo-Océan</i>)
CITCG	Communication and Information Technology Project Congo Republic (<i>Programme régional de réseau haut débit en Afrique centrale – Projet République du Congo</i>)
DDF	Digital Development Fund (<i>Fonds de Développement du Numérique</i>)
DO	Development Objective
ICT	Information and Communication Technology
IDA	International Development Association
IP	Implementation Performance
ISR	Implementation Support and Results
IT	Information Technology
GoC	Government of Congo
M&E	Monitoring and Evaluation
MSMEs	Micro, Small and Medium Enterprises
PCN	<i>National Coverage Project (Projet de Couverture Nationale)</i>
PDO	Project Development Objective
PIU	Project Implementation Unit
PPP	Public Private Partnership
RAP	Resettlement Action Plan
SCD	Systematic Country Diagnostic
SDR	Special Drawing Right
SMEs	Small and Medium Enterprises
SOP3	Third Series of Project
US\$	United States Dollar

Regional Vice President:	Makhtar Diop
Country Director:	Ahmadou Moustapha Ndiaye
Country Manager:	Djibrilla Issa
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Task Team Leaders:	Jerome Bezzina / Marc Lixi

REPUBLIC OF CONGO
ADDITIONAL FINANCING TO THE THIRD PHASE OF
THE CENTRAL AFRICAN BACKBONE PROGRAM

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ADDITIONAL FINANCING DATA SHEET

Congo, Republic of

Central African Backbone SOP3 Republic of Congo Additional Financing (P160292)

AFRICA

Transport and Information and Communication Technology

Basic Information – Parent							
Parent Project ID:	P122398	Original EA Category:	B - Partial Assessment				
Current Closing Date:	29-Jun-2018						
Basic Information – Additional Financing (AF)							
Project ID:	P160292	Additional Financing Type (from AUS):	Cost Overrun, Restructuring, Scale Up				
Regional Vice President:	Makhtar Diop	Proposed EA Category:					
Country Director:	Ahmadou Moustapha Ndiaye	Expected Effectiveness Date:	15-Aug-2017				
Senior Global Practice Director:	Jose Luis Irigoyen	Expected Closing Date:	31-Dec-2019				
Practice Manager/Manager:	Boutheina Guermazi	Report No:	PAD2129				
Team Leader(s):	Jerome Bezzina, Marc Jean Yves Lixi						
Borrower							
Organization Name	Contact	Title	Telephone	Email			
Ministry of Telecommunications	Yvon-Didier Miehakanda	Coordonnateur Projet CITCG	+242 06517 9999	yvondm@gmail.com			
Project Financing Data - Parent (AFCC2/RI-Central African Backbone - APL3 - Republic of Congo-P122398) (in US\$ Million)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P122398	IDA-49740	Effective	25-May-2011	15-Jul-2011	19-Dec-2011	31-Dec-2016	29-Jun-2018

Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbur sed	% Disbursed
P122398	IDA-49740	Effective	SDR	9.40	9.40	0.00	8.91	0.49	94.79
Project Financing Data - Additional Financing Central African Backbone SOP3 Republic of Congo Additional Financing (P160292) (in US\$ Million)									
<input type="checkbox"/>	Loan	<input type="checkbox"/>	Grant	<input type="checkbox"/>	IDA Grant				
<input checked="" type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/>	Other				
Total Project Cost:		5.00			Total Bank Financing:		5.00		
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)							Amount		
International Development Association (IDA)							5.00		
Financing Gap							0.00		
Total							5.00		
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
Team Composition									
Bank Staff									
Name	Role	Title	Specialization	Unit					
Jerome Bezzina	Team Leader (ADM Responsible)	Senior Regulatory Economist		GTI11					
Marc Jean Yves Lixi	Team Leader	Senior Operations Officer		GTI11					
Clement Tukeba Lessa Kimpuni	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist		GGO07					
Francis Tasha Venayen	Financial Management Specialist	Financial Management Specialist	Financial management Specialist	GGO25					
Bella Diallo	Team Member	Sr Financial Management	Sr Financial Management	GGO25					

		Specialist	Specialist		
Emmanuel Ngollo	Environmental Specialist	Consultant	Environmental issues	GENDR	
Grace Muhimpundu	Team Member	Jr Professional Officer	Social Safeguards	GSU01	
Lucienne M. M'Baipor	Safeguards Specialist	Senior Social Development Specialist	Social Safeguards	GSU01	
Tasneem Rais	Team Member	Program Assistant	Program Assistant	GTI11	
Extended Team					
Name		Title		Location	
Emmanuel Ngollo		Environmental Safeguards Consultant		Washington, United States	
Grace Muhimpundu		Consultant		Kigali, India	
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Africa		Mbinda		X	
Africa		Dolisie		X	
Congo, Republic of	Commune de Brazzaville	Brazzaville	X		
Africa		Kinshasa		X	
Africa		Ouessou		X	
Africa		Kinshasa	X		
Africa		Ngamaba		X	
Africa		Owando		X	
Africa		Louvakou		X	
Africa		Mayoko		X	
Africa		Mossendjo		X	
Institutional Data					
Parent (AFCC2/RI-Central African Backbone - APL3 - Republic of Congo-P122398)					
Practice Area (Lead)					
Transport & ICT					
Contributing Practice Areas					
Additional Financing Central African Backbone SOP3 Republic of Congo Additional Financing					

(P160292)
Practice Area (Lead)
Transport & ICT
Contributing Practice Areas
Trade & Competitiveness

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an International Development Association (IDA) credit in an amount of US\$5 million to the Republic of Congo for an additional financing (AF) to the Third Phase of the Central African Backbone Program – Republic of Congo Project (CAB3, P122398, IDA Credit 4974-CG). This would increase the project IDA envelope from US\$15 to US\$20 million. To reflect the additional financing and associated activities, the project would be restructured to extend the current closing date of June 29, 2018 to December 31, 2019 and to revise the results framework.
2. The proposed AF would help finance the costs associated with: (i) the installation of the active layer (active equipment¹) on the fiber optic infrastructure in Congo’s western region from Pointe Noire to Mbinda along the *Chemin de Fer Congo-Océan* (CFCO Congo-Ocean Railway) railway infrastructure; and (ii) the establishment of an Information and Communication Technology (ICT) incubator and a Digital Development Fund (DDF) in the Republic of Congo. The construction of this fiber optic infrastructure was included under the CAB3 project scope as originally defined at appraisal. However, there are insufficient funds under the original IDA credit to finance some key equipment due to cost overruns, notably for termination and shelter equipment. Counterpart funding that was supposed to cover these extra costs has been delayed due to severe Government budget constraints.
3. The operationalization of this fiber optic link and related active equipment at the shelter level continue to be vital to the international connectivity of Congo and its connection to Gabon, as originally intended. It will also lead to more fully realizing the benefits of other structures already financed in the sector, most notably the *Projet de Couverture Nationale* (PCN National Coverage project) and the upcoming infrastructure project funded by the African Development Bank². In addition, the proposed AF will scale up activities under Component 3 by establishing and providing seed money for a new Digital Development Fund (*Fonds de Développement du Numérique*), aiming at leveraging private investors willing to promote entrepreneurship in the ICT sector in Congo, create local content, and new job opportunities for youth in the country.

II. Background and Rationale for Additional Financing in the amount of US\$5 million

4. The proposed changes are consistent with the priorities identified during ongoing development of the Systematic Country Diagnostic (SCD) for the Republic of Congo - “Ending Extreme Poverty and Boosting Shared Prosperity on the Road to Economic Development”. The ICT sector has been identified by the SCD as one of the key sectors

¹ Active equipment consists of an electronic device that enables the optic signal to be transmitted, received and monitored. In contrast the passive infrastructure comprises elements which enable the active elements to operate such as the ducts, poles, the fiber, etc.

² On May 18, 2016, the Board of Directors of the African Development Bank Group (AfDB) approved a EUR 52.04-million credit to the Government of the Republic of Congo to help finance the country’s component of the regional Central Africa fiber-optic Backbone (CAB) project. The loan will fund the deployment of fiber-optic telecommunications in Congo and the introduction of new e-services, benefiting the Congolese population.

potentially contributing to economic growth and diversification. The project is also aligned with the ongoing Country Partnership Strategy (FY13–FY16) (Report Number 71713), specifically contributing to Outcome 1.3: Improved Regional Telecommunications under the competitiveness and employment pillar. ICT has the potential to grow and enhance economic diversification in Congo. ICT provides leap-frogging opportunities, by enabling new and more efficient ways of communicating, sharing and storing information, delivering services and conducting business. While it is now globally acknowledged that ICT is an enabling input to various sectors (see for example the World Development Report (WDR) 2016 on Digital Dividends³), the ICT sector itself can be a source of job creation thus contributing to employment, especially for youth. The Government is increasingly considering innovation and entrepreneurship as a critical element for the promotion of social and economic development and diversification. Thanks to the successful deployment of interregional fiber optic links in Congo, and the on-going investments in similar networks in neighboring countries (Gabon, Democratic Republic of Congo (DRC), and Cameroon), Congo will soon be in the position to reap the benefits of the Digital Economy. To make this happen, the use of Public-Private Partnerships (PPP) can leverage the necessary resources from private operators, allowing the Republic of Congo to benefit from innovative solutions, additional foreign investments, and the creation of job opportunities.

5. Following the fall of oil prices that struck the oil-based Congolese economy, the new Government is re-engaging with the World Bank within new economic constraints. There is a need to capitalize on the outputs of CAB3 so far, consolidate the project outcomes and scale-up the activities to ensure greater and more sustainable impact. A lack of concrete actions to scale up and complement the CAB3 activities would result in significant opportunity cost:
 - (a) A technical opportunity cost: once the civil works are completed with the fiber optic laid down, the network must be lit. Otherwise, this fragile infrastructure becomes almost impossible to properly maintain and the gradual deterioration would result in significant stranded assets and lost investment;
 - (b) An economic opportunity cost: A transaction adviser was recruited under the parent project to structure the transaction for the recruitment of an operator to manage, commercialize and maintain the infrastructure under a concession contract. The latest estimates provided by the transaction adviser for the Public Private Partnership (PPP) transaction show that once the transaction for the commercialization is finalized, the concession could generate important revenues for the owner of the infrastructure (around 150 billion FCFA over a period of 20 years, or the equivalent of US\$250 million at the current exchange rate);
 - (c) A missed opportunity of regional integration: the CAB network in the Republic of Congo is meant to be connected to the CAB network in Gabon. The two countries have already signed an interconnection agreement and committed at the highest level. The additional financing will provide the funds necessary for the future operators to rapidly install their equipment and interconnect the two countries.

³ <http://www.worldbank.org/en/publication/wdr2016>, World Development Report on Digital Dividends, report number 102725, World Bank, 2016

6. CAB3 (P122398) (or CITCG - Communication and Information Technology Project Congo Republic) was approved by the Board on May 25, 2011 and its Financing Agreement was signed on July 15, 2011 for an amount of US\$30 million, of which US\$15 million were financed through an IDA credit, and US\$15 million financed through national counterpart funding. The credit became effective on December 19, 2011. In November 2016, the project closing date was extended from December 31, 2016 to June 29, 2018 to allow some key activities of the parent project to be completed while awaiting the effectiveness of the AF.
7. The project is divided into four components to support the implementation of five high priority projects from the Government's ICT strategy:
 - a. Component 1 - "Enabling environment at the regional and national levels," supporting the development of the ICT legal framework (project P3⁴), and capacity development of the regulatory authority *Agence de Régulation de la Poste des Communications Electroniques* (ARPCE – Regulatory Agency for Electronic Communications and Post) (project P5);
 - b. Component 2 - "Connectivity," supporting the implementation of a broadband national network (project P1);
 - c. Component 3 - "Promotion of ICT sector," supporting the creation of Information Technology (IT) Micro, Small and Medium Enterprises (MSMEs) incubators (project P12) and IT parks (project P14); and
 - d. Component 4 - "Project Management," supporting the project implementation unit (PIU), monitoring and evaluation (M&E), communications activities and audits.
8. The project maintained a Satisfactory rating for both Development Objective (DO) and Implementation Performance (IP) in all Implementation Status Reports (ISRs) filed over the period January 2011-June 2015 (a total of 5 ISRs); in the most recent ISR, for the period July-December 2016, the project was rated Satisfactory on DO and IP. At this point in its 4-year long implementation period, CAB3 has completed nearly all activities as originally planned—except for the purchase of some active equipment and shelter construction. The civil works were completed in October 2016. As of March 1, 2016, disbursement rate had reached 95 percent. Dated covenants have been complied with, with the exception of the provision of counterpart funding, which is one of the reasons for the proposed AF.
9. As described in the recent ISRs, the CAB3 project is on track to achieve its PDO with eight out of ten of its DO and Intermediate indicators meeting or exceeding their respective targets. CAB3, through its Enabling Environment component, has provided the Republic of Congo with a modern legal and regulatory environment, which has fostered healthy competition, private investments, and efficiency: all these aspects translated in lower wholesale and retail prices.
10. The rationale for the Borrower to request the additional credit is two-fold: (a) to close the financing gap for the construction/equipment contract (cost overrun in Component 2);

⁴ The various P's (P3, P5, P1, P12, and P14) are in reference to the Government's ICT Strategy labeled projects.

and (b) to scale up the activities of Component 3 on the promotion of ICT in Congo. The AF would fund the cost overrun of Component 2, a scale-up of activities under Component 3, and add funding to Component 4 “Project Management.” There is no change to the original objectives of the project and only a moderate expansion of scope.

11. In 2014, the CAB3 project awarded the contract for the construction of the fiber optic infrastructure from Pointe-Noire to Mbinda under Component 2, to Chinese vendor HUAWEI. The project had initially underestimated the construction costs (change of route and increasing civil works costs) and the contract had to be split into two parts: Part 1 of the contract, fully funded by the CAB3, financed the passive infrastructure (construction and fiber optic); and Part 2 (“conditional part” for around FCFA 4.2 billion) finances active equipment (shelters and electronic/communication equipment).
12. In April 2016, the Government released a first tranche of FCFA 2 billion of counterpart funding to be allocated as follows: FCFA 1.5 billion to Part 1, and FCFA 0.5 billion to Part 2. The main part (Part 1) of the contract was therefore fully funded, and the work completed on October 31, 2016. In order to launch Part 2 of the contract, the vendor and the World Bank need evidence that funding⁵ is available. In July 2016, the Government released a part of the second tranche for an amount of FCFA 700 million. Another part of the second tranche for FCFA 1.3 billion is expected to be released before March 31, 2017. The proposed AF will close the remaining FCFA 1.7 billion gap (US\$3 million equivalent) that is needed to finance active equipment (shelters and electronic/communication equipment) necessary to scale up the investments under Part 1 of the contract and strengthen achievement of the PDO.
13. Finally, from a safeguards point of view, the project prepared a RAP which was not properly implemented due to a design change. In this case, the activities of the project prepared to occur on the right side of the Congo-Ocean Railway were implemented on the left side instead; this change resulted in no physical displacement or land acquisition. Since the RAP did not reflect the project activities, a commission was put in place to carry out a census of the PAPs, an assessment of the affected properties and compensation of the PAPs for crop and fruit trees losses.
14. The Government of Congo (GoC) is also increasingly considering innovation and entrepreneurship as critical elements for the promotion of social and economic development and diversification. To encourage ICT innovation and entrepreneurship, the project will seek to tackle two constraints: access to finance for innovators and entrepreneurs, and lack of supportive incubation services. With this in mind, US\$1.1 million of the proposed AF will provide seed money to establish a DDF and an associated incubator. The DDF and incubator will seek to achieve two objectives respectively: (i) leverage private funding through creative financing tools (direct cash or in kind private sector contribution, equity participation, projects bounds, etc.) and enable access to finance for micro, small and medium enterprises (MSMEs) in the ICT sector in Congo through the DDF; and (ii) stimulate job creation and facilitate economic diversification through the incubator.

⁵ FCFA 3.7 billion which is FCFA 4.2 billion minus FCFA 0.5 million first tranche

15. More specifically, the DDF will support the establishment of appropriate mechanisms to mobilize investments for MSMEs and infrastructure in the ICT sector. The AF will finance the studies and consultations necessary to establish the Fund and its governance framework. The project will also finance the fund-raising mechanisms to complement IDA seed money with private investment. The AF will also contribute to the establishment of an incubator for the ICT sector, according to the recommendations of a feasibility study previously carried out under the CAB3 project. The incubator has been identified as an efficient way of helping entrepreneurs leverage necessary resources in a global marketplace where information and networks are important competitive assets for spurring innovation.
16. The fast-track preparation of an AF will facilitate the signature of the conditional part (Part 2) of the fiber infrastructure contract and thus avoid any disruption in the timeline of the civil works. Conversely, halting construction at this stage of the process could have adverse effect on network integrity and result in stranded assets and lost investment for the country. Our assessment is that AF is the most efficient option to ensure the timely and successful delivery of the CAB3 infrastructure. In the current Government budgetary situation, the remaining FCFA 1.7 billion of counterpart funding may not materialize before the end of the current project.

III. Proposed Changes

Summary of Proposed Changes	
<p>This AF is sought in order to support (i) the completion of connectivity infrastructure in Congo western region (i.e. installation of active equipment) from Pointe Noire to Mbinda along the CFCO railway infrastructure; as well as (ii) the support to a local ICT incubator and the establishment of a DDF. The construction of this fiber optic infrastructure was included under the project scope as originally defined at appraisal. However, there are insufficient funds under the original IDA credit to finance some key equipment due to cost overruns in the delivery of the civil works and of the active equipment (notably termination and shelters equipment). In addition, the proposed AF will establish and provide seed money for a new DDF, aiming at leveraging private investors willing to promote entrepreneurship in the ICT sector in Congo, creation of local content, and create new job opportunities for youth in the country. As part of the AF, a restructuring will take place to extend the closing date and to revise the results framework to reflect the additional time and activities.</p>	
Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Results Framework	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change of EA category	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Other Changes to Safeguards	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Legal Covenants	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Loan Closing Date(s)	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Cancellations Proposed	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Reallocation between Disbursement Categories	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Estimates	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change to Components and Cost	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Institutional Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Financial Management	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Procurement	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Implementation Schedule	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Other Change(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Development Objective/Results	
Project's Development Objectives	
Original PDO	

The development objective of the proposed project is consistent with the PDO for the CAB Program: to contribute to increase geographical reach and usage of regional broadband network services and reduce their prices, in the Republic of Congo.

Change in Results Framework

Explanation:

The scale-up of Component 3 (Promotion of ICT) with the support of existing Incubators initiatives will be measured through three new indicators: "Number of incubatees using and graduating from the supported incubators", "Amount of funds leveraged by the project to endow the DDF", and "Amount of money disbursed by the DDF". The level of citizen engagement will be measured through a new indicator "Beneficiaries satisfied with access and quality of services". The Results Framework has been updated accordingly.

End targets have been increased for many indicators to reflect the extension of the project closing date and the positive progress achieved so far in terms of access to internet services and the volume and prices of international internet traffic.

Compliance

Conditions

Source Of Fund	Name	Type
IDA	Withdrawal Conditions; Withdrawal Period. Schedule 2, Section IV, B, 1 (b)	Disbursement

Description of Condition

Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made: (b) for payments made for expenditures under Category (3) of the table set forth in paragraph A.1 of this Schedule unless the Recipient has adopted the DDF Manual, and model digital development or Incubation Agreement, in a manner acceptable to the Association, including a report, satisfactory to the Association

Risk

Risk Category	Rating (H, S, M, L)
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Low
6. Fiduciary	Low
7. Environment and Social	Low
8. Stakeholders	Low
9. Other	-
OVERALL	Substantial

Finance

Loan Closing Date - Additional Financing (Central African Backbone SOP3 Republic of Congo Additional Financing - P160292)									
Source of Funds			Proposed Additional Financing Loan Closing Date						
International Development Association (IDA)			31-Dec-2019						
Loan Closing Date(s) - Parent (AFCC2/RI-Central African Backbone - APL3 - Republic of Congo - P122398)									
Explanation:									
As part of the Financing Agreement, the closing date of the parent project CAB3 is extended to December 31, 2019 to match the AF closing date.									
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)				
IDA-49740	Effective	31-Dec-2016	29-Jun-2018	31-Dec-2019	29-Jun-2018				
Change in Disbursement Estimates (including all sources of Financing)									
Explanation:									
Disbursement schedule has been revised to take into account the extension of the parent project closing date until December 31, 2019, and the new Disbursement Schedule of the proposed Additional Financing until December 31, 2019.									
Expected Disbursements (in US\$ Million) (including all Sources of Financing)									
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual	1,308,337	893,767	1,614,831	2,475,142	4,251,084	1,922,503	3,240,249	2,225,000	1,619,087
Cumulative	1,308,337	2,202,104	3,816,935	6,292,077	10,543,161	12,465,664	1,5705,913	17,930,913	19,550,000
Allocations - Additional Financing (Central African Backbone SOP3 Republic of Congo Additional Financing - P160292)									
Source of Fund	Currency	Category of Expenditure	Allocation		Disbursement % (Type Total)				
			Proposed		Proposed				
IDA	SDR	(1) Goods, non-consulting services, and consultants' services for Part B of the project	2,500,000.00		100.00				
IDA	SDR	(2) Goods, non-consulting services, training and consultants' services for Part C of the project	740,000.00		100.00				
IDA	SDR	(3) Incubation grants for goods and consultants' services under the DDF under Part C of the project	80,000.00		100.00				
IDA	SDR	(4) Goods, works,	380,000.00		100.00				

		Operating Costs, non-consulting services, and consultants' services for Part D of the project		
		Total:	3,700,000.00	

Components

Change to Components and Cost

Explanation:

As a result of the proposed AF, US\$3.4 million of IDA funds will be available to close the financing gap of the CAB infrastructure contract (FCFA 1.7 billion) under Component 2 (Connectivity). US\$1.1 million will provide seed money to establish a DDF and an associated incubator, as part of the scaling-up of Component 3 (Promotion of ICT sector). These additional funds to Component 3 will contribute to achieve two objectives respectively: (i) leverage private funding through creative financing tools (direct cash or in-kind private sector contribution, equity participation, projects bonds, etc) and enable access to finance for MSMEs in the ICT sector in Congo through the DDF; and (ii) stimulate job creation and facilitate economic diversification through the incubator. The remaining US\$0.5 million will be allocated to Component 4 (Project Management). The design and establishment of the incubator sub-component will be based on the extensive feasibility studies previously carried out during CAB3 implementation.

More specifically the proposed AF will fund the following activities:

Component 2 - Connectivity: the AF will close the financing gap for the delivery of the rest of the active equipment (notably termination and shelters equipment). The civil works (i.e. construction and installation of the fiber optic) have been completed and the technical tests on the fiber optic have been successful. However, active equipment (telecommunication (termination) equipment) and shelters still need to be purchased and installed.

Component 3 - Promotion of ICT sector: this component will fund the implementation of recommendations and findings of the Bearing Point study ("Implementation of an Incubator in Congo Brazzaville" 2013) funded under the original project. Based on the findings of the study, the project will select the most promising incubator according to pre-established criteria. Support to the selected incubator will be provided following the business model established in the study. This incubator will also benefit from a Digital Development Fund support to incubatees.

The project will fund under sub-Component 3a: (a) light retrofitting of the selected incubator premises and coaching and support to startups, and logistics for US\$0.5 million; (b) support for the creation of a curriculum at the selected incubator for US\$0.35 million; (c) organization of a hackathon for US\$0.05 million; and (d) support to the incubator management and operating costs for US\$0.1 million.

The establishment of the DDF under sub-Component 3b will include: (a) technical assistance and Advisory Services to set up the DDF for US\$0.5 million; and (b) Contribution to the fund for US\$0.1 million. The main objective of the DDF is to support the development of innovations in the field of ICT content (applications, software), create jobs, and participate in the creation of an ICT sector-specific industrial cluster in the Republic of Congo. The DDF will be located within the future technopole funded under the AfDB project. More specifically, the DDF will support the development of initiatives within local incubators (such as Yekolab) and will foster the development of public-private partnerships. The DDF will also make medium- and long-term investments in equity or quasi-equity in ICT companies or start-ups. It will target companies with high growth potential, developing innovative technologies or deploying new

products/services or innovative business models with the ambition to become market leaders. The investment areas of the fund are the technological sectors necessary to the development of a sound digital economy, for instance software, Internet of Things (IoT) , products/hardware, artificial intelligence, and new digital services, e-health, and e-education. Under this sub-component, the CAB project will finance an international consultant as a transaction advisor to the Government with the dual objective of (i) establishing the fund; and (ii) raising funds from private investors. The advisor will support the definition and implementation of the institutional arrangements for the creation of the fund (management and administration of the fund).

Component 4 - Project Management: this component will extend support to the Project Implementation Unit (audit, communications and fiduciary functions of the project) for US\$0.5 million.

Current Component Name	Proposed Component Name	Current Cost (US\$ Million)	Proposed Cost (US\$ Million)	Action
Component 1: Enabling environment at the regional and national levels	Component 1: Enabling environment at the regional and national levels	3.55	3.55	No Change
Component 2: Connectivity	Component 2: Connectivity	9.00	12.40	Revised
Component 3: Promotion of ICT sector	Component 3: Promotion of ICT sector	1.00	2.10	Revised
Component 4: project Management	Component 4: Project Management	1.00	1.50	Revised
	Total:	14.55	19.55	

Appraisal Summary

Economic and Financial Analysis

Explanation:

The economic and financial analysis is based on (a) the economic model of the PPP to manage and commercialize the CAB infrastructure and (b) the financial analysis of the incubator. These analyzes have been concurred with respectively by (a) the transaction adviser in charge of recruiting the private partner to manage and operate the infrastructure; and (b) the consultant in charge of developing the business model for the incubator in Congo.

(a) Interregional fiber optic links and their related active equipment (shelter level) continue to be vital to the international connectivity of Congo within the Central Africa region, and its connection to Gabon will allow for increased competition on the wholesale market segment. In addition, it will lead to fully realizing the benefits of other structures already financed in the sector, most notably the PCN and the upcoming infrastructure project funded by the African Development Bank. Overall, the economic and financial analysis carried out during the original project appraisal remains valid (see Economic and Financial Analysis in Annex 7 of the PAD of the parent project P122398).

(b) The rationale for the support to an incubator and a digital development fund is to boost the uptake of ICT services and application and promote job creation in the ICT sector. The supported incubator will encourage the application of youth and women entrepreneurs from regions, localities and stations along

the corridor Pointe Noire - Dolisie - Mbinda. The incubator business model covers five years of operation. In the model proposed by the consultant, the incubator breaks even after two years of operation. Existing incubators in Congo, such as Yekolab, BantouHub, are good candidates to be supported by this additional financing. This is provided that the Government's in-kind contribution includes premises to host the incubator. The consultant also estimated that the implementation of the incubator will facilitate job creation in 50 MSMEs (micro, small, and medium enterprises). The direct job creation will include five staffs for the incubator and 120 MSME employees after 18 months of operation. In a first phase, the incubator will be either located within premises provided by the GoC, or within its existing premises, depending on its current business model. Once the AfDB-funded "technopole" is in place, the incubator is expected to move to this new site. As part of the technopole, the incubator will contribute to a broader ICT ecosystem.

Technical Analysis

Explanation:

The proposed AF will allow the project to avoid interruptions in the construction works financed under the original project by allowing for the immediate procurement and installation of the active equipment. The construction of the fiber optic backbone implies: (a) the provision of passive infrastructure (digging trenches along existing railway tracks and roads, laying ducts and chambers, and pulling the fiber optic cable in order to have an end-to-end optical continuity between technical centers); and (b) subsequent installation of active equipment (that will enable the transmission of information along the fiber optic cable). The passive infrastructure laid along roads under the original project is now completed. For the active infrastructure, bids under the original project have been structured in an "optional tranche" for the equipment to be financed by the Government under counterpart funding. There are insufficient funds under the original IDA credit to finance some key equipment due to cost overruns incurred in the delivery of the rest of the civil works and of the active equipment (notably termination and shelters equipment). Counterpart funding that was supposed to cover these extra costs has been delayed due to severe budget constraints facing the Government. The installation of the active equipment will allow the project to light the fiber, identify technical problems and fix them, and prevent any deterioration of the overall infrastructure.

The support to an existing incubator (or other eligible candidates) will be established through minimal investment and operating costs. The support to the incubator will consist of premises (as needed) and highly skilled staff to provide targeted and focused services. Among the services and expertise provided by the selected incubator, incubatees will benefit from technical support in domains such as: customer experience for railways services, innovative applications to improve efficiency of CFCO such as: signaling, railways safety, freight optimization, customs. The project will finance the organization of hackathons with a focus on one of the themes mentioned earlier.

As part of the CAB Project's AF, a financial management assessment of the fiduciary unit of CAB unit has been carried out. The objective of the assessment is to determine whether: (a) this unit has adequate financial management arrangements to ensure that the AF funds will be used for purposes intended in an efficient and economical way; (b) the project financial reports will be prepared in an accurate, reliable and timely manner; and (c) the project assets will be safeguarded. The financial management assessment was conducted in accordance with the Financial Management Practices Manual issued by the Financial Management Sector Board on November 3, 2005 as revised in March 2010. The assessment concluded that the existing financial management system (budgeting arrangement, accounting software, internal control system, funds flow arrangement and reporting system) is suitable for the implementation of the additional financing to the project; the overall residual financial management risk is substantial.

Since the Project Concept Note was held on June 29, 2016, before July 1, 2016, procurement for the proposed AF project will be carried out in accordance with the World Bank's "Guidelines: Procurement of

goods, works and non-consulting services under IBRD Loans and IDA Credits by World Bank Borrowers” dated January 2011, revised on July 2014; and “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits by World Bank Borrowers” dated January 2011, revised on July 2014, and the provisions stipulated in the Legal Agreement.

A procurement assessment of the fiduciary unit of CAB unit has been carried out. The CAB PIU will continue to handle project procurement activities, and to be responsible for the administration, coordination, and monitoring of the project, as well as compliance with procurement procedures. From the procurement point of view, the CAB PIU has performed satisfactorily since effectiveness of the project and the procurement assessment concluded that the existing procurement management system and team are suitable for the implementation of the AF activities.

A Procurement Plan for the first 18 months of the AF was discussed with the World Bank team during appraisal and approved by IDA on January 21, 2017. The procurement plan includes: (i) Purchase for the completion of connectivity infrastructure from Pointe Noire to Mbinda along the CFCO railway infrastructure (US\$ 3.4 million); (ii) Support of Yekolab for the creation of a Curriculum training (US\$0.350 million); (iii) technical assistance for the organization of an application competition (US\$0.05 million); and (iv) technical assistance for the creation of the DDF (US\$0.5 million).

Implementation arrangement. The CAB unit has performed satisfactorily under the parent project (P122398) project since effectiveness. The following major strengths were identified: (i) project manual of procedures as well as project software are in place and functioning well, fiduciary staff have been trained in the use of these tools; (ii) staff has been trained in the use World Bank fiduciary procedures. The US\$5 million are expected to be disbursed over four years according to the schedule below.

Social Analysis

Explanation:

Social. The AF is expected to generate substantial social benefits similar to those generated by the original project, including the possibility of better access to ICT services for the population of Congo, and improved government-service delivery. Improved quality and reduced costs of communications lower the cost of doing business and improving access to markets.

The RAP has been updated and finalized by the consultant on January 2017 prior to appraisal and was cleared by the Senior Social Development Specialist and finally submitted in the system to Regional Safeguard Specialist on January 16th 2017. A gentle reminder message was sent to RSA on March 1, 2017 who confirmed the document will be cleared very shortly.

Following the conclusions of the Social and Environmental mission, the team launched the social audit which has been finalized by the consultant and which will be submitted to the World bank by no later than March 15. The environmental audit will be launched right after completion of all infrastructure related activities, tentatively planned for September 2016.

In recent years, several ICT applications were developed in different countries in the region, bringing other sectoral improvements through ICT platforms. Examples of this are: access to financial services through mobile banking, improved livelihoods of farmers through increased information on agricultural techniques and crop prices, and positive impacts on education through access to eLearning programs. More generally, the project will:

- enable ICT to become a driver for sustainable economic growth;
- set the basis for enabling the Government to use ICT to provide decentralized services;

- improve access and quality of ICT services for the population, businesses, and the Government;
- create additional opportunities for women entrepreneurs to own ICT-related small- and medium-enterprises.

Gender. The AF is not classified as gender informed analogous to the original project, because it does not include specific actions to address the distinct needs of women/girl (men/boys) and/or to have positive impacts on gender equality. Direct beneficiaries of the project include people who are connected to the communications network in the Republic of Congo (including telecommunication services and internet users, schools, hospitals, banks, corporations, government and public administrations). Indirect beneficiaries potentially include all of the country’s population, since increased communications capabilities at affordable rates for some of the population may eventually have externalities for all. However, the World Development Report 2016 on “Digital Dividends” highlights that in many countries, gender gaps in technology remain vast. Barriers to access can be particularly salient in the case of the internet, especially in poor and remote localities where access is predominantly outside the home, and where social norms for socializing or safety concerns can become a barrier. In Africa, for example, women are 50 percent less likely to use the internet than men. In addition to ownership and access, lack of control over the use of the technology can be an additional barrier for women.

Environmental Analysis

Explanation:

The AF will not fund any works or construction that was not included in the original project. Therefore, no change on environmental impact is expected.

CAB AF for Congo, once implemented is expected to increase the country’s climate resilience efforts particularly in response to climate change. Among other factors, climate change is expected to affect the Republic of Congo by way of sea-level rise increased risk of flooding, possible increase in waterborne diseases in the hot and humid environment and change in soil composition with a knock-on impact on agricultural production. The investments in the international and national connectivity infrastructure will facilitate important redundancy in the network as protection against outages from climate events; facilitate monitoring (and timely response) of weather and climate affected impacts in water and soil systems. Furthermore, through its impact on the penetration rates of ICT services, the project would generate efficiency gains for the economy, including on transport and other polluting industry. It is estimated that 100 percent of the project investment would generate climate co-benefits.

Risk

Explanation:

The overall risk rating of the project is substantial. There are substantial political and governance risks, as well as macroeconomic risks affecting the ability of the Borrower to provide adequate and timely counterpart financing to the project. The macro-economic risk is being upgraded to substantial given the continuous precarious government budget situation and the impacts that is having on the project in terms of delays in counterpart funding. The sector risk is rated moderate. While the Republic of Congo now benefits from an improved and enabling institutional and regulatory environment, with a strong regulatory authority, there are several important decisions pending: in particular, the creation of the public asset-holding company (SPN) has been delayed for years, mainly because of the local political economy. Although the project CITCG can play that role until the SPN is put in place, this solution is not sustainable on the long term. In addition, the AF is partly dependent on adequate coordination on both sides of the border to provide effective cross border interconnectivity between Gabon and Cameroon and between Gabon and Equatorial Guinea. Therefore, risks to technical design is rated Substantial. Fiduciary risks are low, thanks to the good performance of the parent project, which gained solid experience in management

of World Bank-funded project. Finally, with the increasing appetite of the ICT stakeholders for new investments in the ICT sector in the country, the risks to Stakeholders is deemed to be low.

V. World Bank Grievance Redress

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

RESULTS FRAMEWORK

Project Development Objectives

Original Project Development Objective - Parent:

The development objective of the proposed project is consistent with the PDO for the CAB Program: to contribute to increase geographical reach and usage of regional broadband network services and reduce their prices, in the Republic of Congo.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Volume of international traffic- International internet bandwidth (bits per second person)	<input type="checkbox"/>	Number	Value	51.00	2480.00	3341.00
				Date	31-Dec-2009	16-Jun-2016	31-Dec-2019
				Comment			Target increased from 500 to 3341
Revised	Access to Internet Services (number of subscribers per 100 people)	<input checked="" type="checkbox"/>	Number	Value	6.10	32.00	40.00
				Date	31-Dec-2010	16-Jun-2016	31-Dec-2019
				Comment			Target increased from 15 to 40
Revised	Average monthly price of wholesale international E1 capacity link from capital city to Europe	<input type="checkbox"/>	Amount (US\$)	Value	3200.00	1592.00	892.00
				Date	31-Dec-2010	16-Jun-2016	31-Dec-2019
				Comment			Target increased from 800 to 892
Revised	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	50000.00	1500000.00	1732051.00
				Date	31-Dec-2010	16-Jun-2016	31-Dec-2019
				Comment			Target increased from 1.5 million

Revised	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage	Value	23.00	30.00	37.00			
			Sub Type							
			Supplemental							
New	Beneficiaries ⁶ satisfied with access and quality of services	<input type="checkbox"/>	Percentage	Value	0.00		80.00			
								Date	31-Jan-2017	31-Dec-2019
								Comment		

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target				
Revised	Average cost of mobile call (three minutes, local, peak)	<input type="checkbox"/>	Amount (USD)	Value	0.50	0.06	0.06				
								Date	31-Dec-2009	16-Jun-2016	31-Dec-2019
								Comment			Target revised from 0.10 to 0.06
Revised	Retail price of internet service (per 256 kbit/s per month, in USD)	<input type="checkbox"/>	Amount (USD)	Value	300.00	83.00	46.00				
								Date	31-Dec-2009	16-Jun-2016	31-Dec-2019
								Comment			Target revised from 80 to 46
Revised	Coverage of mobile network (percentage of population covered)	<input type="checkbox"/>	Percentage	Value	89.00	95.00	96.00				
								Date	31-Dec-2009	16-Jun-2016	31-Dec-2019
								Comment			Target increased from 95 to 96
Revised	Number of operators and service providers buying capacity from the regional infrastructure deployed	<input type="checkbox"/>	Number	Value	0.00	0.00	3.00				
								Date	01-Dec-2016	16-Jun-2016	31-Dec-2019
								Comment			Target reduced from 5 to 3

⁶ Project Beneficiaries are defined as people who may be connected to the internet or more generally to communications networks.

Revised	Number of localities with broadband internet access (128 kbps)	<input type="checkbox"/>	Number	Value	4.00	10.00	14.00
				Date	15-Apr-2011	16-Jun-2016	31-Dec-2019
				Comment			Target increased from 10 to 14
Marked for Deletion	Length of Fiber Optic Network Built (km)	<input checked="" type="checkbox"/>	Kilometers	Value	0.00	212.00	520.00
				Date	02-Feb-2015	16-Jun-2016	30-Jun-2016
				Comment			
New	Number of incubatees using and graduating from the supported incubator(s)	<input type="checkbox"/>	Number	Value	0.00	0.00	4.00
				Date	01-Dec-2016		31-Dec-2019
				Comment			
Marked for Deletion	Number of urban zones connected to the national backbone	<input type="checkbox"/>	Number	Value			
				Date			
				Comment			
New	Amount of money leveraged by the project to endow the Digital Development Fund	<input type="checkbox"/>	Amount (USD)	Value	0.00		200000.00
				Date	02-Jan-2017		27-Dec-2019
				Comment			
New	Amount of money disbursed by the Digital Development Fund	<input type="checkbox"/>	Amount(USD)	Value	0.00		126500.00
				Date	02-Jan-2017		27-Dec-2019
				Comment			