I. Introduction and Context

Country Context

The proposed operation is the third phase of APL 1 of the West Africa Regional Communications Infrastructure Program (WARCIP) that was approved on January 20, 2011. WARCIP is a World Bank Group regional APL instrument that seeks to contribute to increasing the geographical reach of broadband networks and reducing costs of communications services in West Africa. WARCIP- Benin seeks to improve Benin’s connectivity through securing its connection to the Africa Coast to Europe (ACE) submarine cable. APL 1C includes lessons learned in the preparation of earlier phases in a number of areas including, payment mechanisms for membership fees for the ACE submarine cable, safeguard issues related to landing stations, and public private partnership (PPP) structures.

A. Regional and Country Context

Despite significant economic progress, the ECOWAS region remains highly fragmented and characterized by a large number of small scale economies, many of which are physically cut off from key resources. Population density is generally low except in the urbanized areas along the Atlantic coast. The long distances and disparities in land mass and resources have resulted in high cost and uneven distribution of infrastructure in the region that translate into an especially high cost of doing business. The challenging geography makes it particularly important for a regional approach to infrastructure development in general and to Information and Communications Technologies (ICT) development in particular.

The implementation of APL 1C would better integrate Benin within the region, allowing increased regional trade as well as improving Benin’s opportunity to become more competitive internationally. An important component of the Government of Benin's economic development strategy is to ensure the country is in a position to become a digital hub for the region, and enhanced regional connectivity is a key component of this strategy. As underlined by the earlier experiences Benin has had with service interruptions caused by cable cuts, providing Benin with diversity of access to onward international connectivity via different submarine cables, is vital to ensuring reliability of service and competitive pricing. The economic benefits to each country participating in the regional connectivity program are also increased with each additional country entering. In addition, given the geographic location of Benin and the role it has already played in providing connectivity to the landlocked countries of Burkina Faso and Niger (as well as to Togo), having competitive access in Benin will also result in lower connectivity costs and more reliable connections to inland adjoining countries and will provide additional low cost capacity to the carrier Hotel in Togo, planned under WARCIP APL 2.

Sectoral and Institutional Context

As with other countries in the region, mobile uptake has seen strong growth, reaching 79% penetration in 2010. Fixed line penetration has languished at around 1.5% penetration, and internet penetration is also one of the lowest in the region at about 1.8% of the population. The number of broadband Internet (DSL) subscribers remains very limited in Benin and growth in the Internet industry is still slow and highly constrained by cost and availability. Broadband remains a service for use by industry, government, and a privileged few at home, with a household broadband penetration of less than 0.25% in 2010. This is partly because of the deficiencies in the national fixed infrastructure provided by the incumbent government owned operator, Benin Telecom SA (BTSA), which is unreliable and expensive to use. The high cost of broadband Internet access prevents Benin from reaping the benefits of the ICT revolution. Business users and private citizens have to pay US$105 per month for fixed broadband Internet access, while consumers in Senegal and Ghana pay only US$29 and US$64 respectively. This can be attributed to several
factors such as (i) the high cost and poor quality of international bandwidth, especially of the SAT3/WASC/SAFE system; (ii) the lack of an Internet Exchange Point (IXP) to reduce the cost of local Internet traffic; (iii) a monopoly structure for access to international capacity; and (iv) limited regulatory capacity to promote competition or fair and equitable access to bandwidth. Benin is currently dependent on a single submarine cable - SAT-3 - for its international capacity requirements. Aside from the reliability issues created by dependence on a single link (which have already caused extended service disruptions), SAT-3 is also an older cable that is reaching saturation in the capacity available to Benin. Therefore additional routes to the global backbone are needed to meet existing and future demand for reliable and affordable capacity.

Relationship to CAS
The proposed project supports two key pillars of the Bank’s Country Assistance Strategy (CAS) for FY09–12. It supports directly pillar 1- Strengthening competitiveness and accelerating private sector-led growth (CAS outcome 1). The project also support pillar 2 dealing with growth-inducing Infrastructure.

Like the previous phases of the WARCIP Program, this phase is fully aligned with the World Bank Partnering for Africa’s Regional Integration: Progress Report on the Regional Integration Assistance Strategy for Sub-Saharan Africa (RIAS) dated March 21, 2011. The updated RIAS seeks to create economies of scale, facilitate intra-regional trade and exports, and connect landlocked countries to regional and global trade routes by reducing barriers to movement of goods and services between countries. It recognizes the key role ICTs can play in regional integration and increasing competitiveness of African economies. The project is also fully in line with the new World Bank Africa Strategy Africa’s Future and the World Bank’s Support to It dated March 2011. By facilitating cheaper access to Internet and supporting the development of national and regional communications infrastructure, the project would promote competitiveness and sustainable employment (Pillar 1: Competitiveness and Employment). The project would also focus on partnerships by leveraging private sector investments.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

18. The program development objective for WARCIP 1-C is to contribute to increasing the geographical reach of broadband networks and reducing costs of communications services in Benin.

Key Results

- Volume of international traffic (Kbit/s per person)
- Access to telephone services (%)
- Access to internet services (%)
- Average monthly price of wholesale international E1 capacity link from capital city to Europe
- Number of direct project beneficiaries, of which female

III. Preliminary Description

Concept Description

APL 1-C phase will have three components as follows:

Component 1- Supporting Connectivity: The connectivity component will focus on supporting Benin to have access to ACE submarine cable. Benin has a submarine landing station already – SAT-3 – but pricing and capacity limitations mean that the country needs a second, higher capacity international link, to improve reliability and to service anticipated increased demand from the growing number of operators in the recently liberalized market. The project will finance the cost of ACE membership fee while the Government creates a PPP framework to own and manage the landing station. The government would initially pre-finance the infrastructure and the private operators would pay the government back based on a payment schedule to be agreed.

Component 2 - Creating an enabling environment for connectivity: This component will focus on (i) the transaction design and operating model for ownership and management of international, regional and national infrastructure using PPP frameworks, (ii) related open access principles to create an enabling environment for improved connectivity and (iii) strengthening of policymaking and regulatory functions in Benin. The funding requirements for this component will not be significant as a number of activities are already included under the enabling environment component of the e-Benin Project. WARCIP Benin will complement this support with particular attention on the following:

(i) Finalizing the transactional design for the Special Purchase Vehicle (SPV): Under the e-Benin project consultants have been hired to develop the business plan for the ACE landing, taking into account that ACE will be the second cable in the country, and to develop the PPP framework for the landing station. Support under the project will focus on finalizing all legal documents related to the new SPV, discussion of transfer of Construction and Maintenance Agreement (CMA) signatory rights and obligation from Benin Telecom to the new SPV and support to develop all legal and contractual instruments for the SPV. Under this activity, support will be provided to facilitate negotiations with operators in landlocked countries and development of Indefeasible Right of Use (IRU) agreements or any other legal documents to secure access to capacity by neighboring countries.

(ii) Addressing policy, market and regulatory bottlenecks to maximize the benefits of the proposed connectivity agenda. Specifically, this activity will provide support to the regulator to develop regulatory instruments for open access, including support
for licensing the new SPV, and the wholesale regime for capacity pricing and other instruments to ensure open and non
discriminatory access to ACE capacity. The project will also provide technical and regulatory support to guarantee redundancy
between ACE and SAT-3. The project will also provide support to the Government to reposition Benin Telecom in the market.

(iii) Institutional strengthening: Institutional strengthening support will be offered to (i) BTSA, as the company is going through
initial restructuring process to convert to a carrier’s carrier, (ii) Regulatory Authority to strengthen its capacity in regulating the
sector, (iii) the Ministry of Communications and Information Technologies to support its policy making function, and (iv) initial
support to the SPV in the first formative months.

Component 3: Project Implementation:
This activity will provide support needed to strengthen the capacity of the Government to implement the connectivity project,
including incremental cost for the e-Benin PIU which will implement this project (cost of additional year of implementation as e-
Benin is expected to close one year before WARCIP- Benin, cost for an additional procurement assistant and an additional
technical expert for the PIU). The component will also cover incremental operating costs, audits, communications, M&E, and
environmental and social studies, including their implementation and/or the monitoring of their implementation.

IV. Safeguard Policies that might apply

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