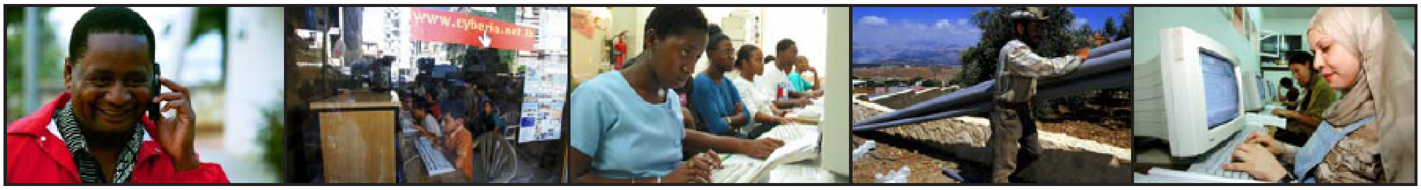
The Africa Regional
Communications Infrastructure Program
World Bank Group Support



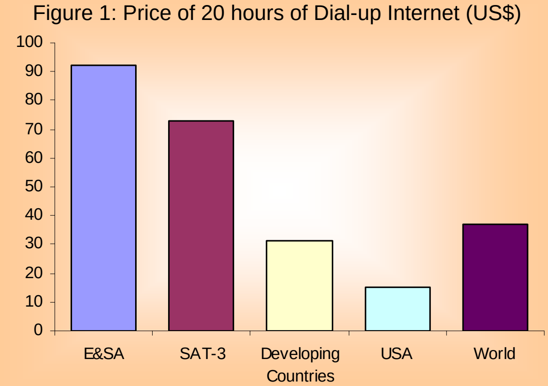
Background

In addition to its traditional country-level telecommunications operations, the World Bank Group is also supporting countries in a number of regional projects. Of particular relevance to the World Summit on the Information Society is the Regional Communications Infrastructure Program (RCIP) in East and Southern Africa.

Economic development in East and Southern Africa (E&SA) is held back by prohibitive telecommunications and ICT costs, including international wholesale bandwidth prices that are 20 to 40 times higher than those in the United States and international and sub-regional telephone call prices 10 to 20 times those of other developing countries. Incomplete liberalization (especially in the international segment), and the lack of a modern backbone to connect countries are key constraints, with most countries relying on expensive and poor quality satellite connectivity to link up with each other and the rest of the world.

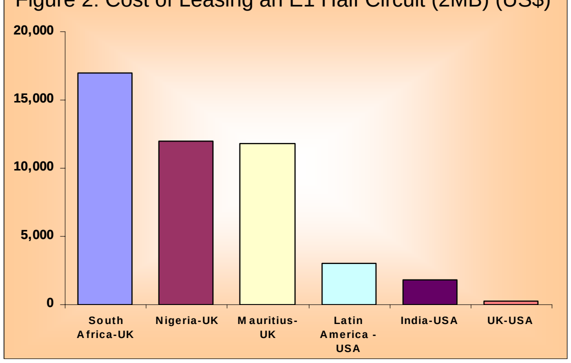
The Western coast of Africa is currently connected by fiber to the global fiber optic networks through the SAT-3 cable, but prices remain nearly as high as in East Africa, where there is no fiber connectivity. This is a result of the monopolistic club deal which underpinned the financing of the cable, and it shows that poorly regulated cable projects have a limited impact on tariffs and use and, as a result, have very low development impact. As shown in Figure 1, the price of dial-up Internet access in countries connected to SAT-3 remains twice as high as in other developing countries. In South Africa, as in other countries linked to the SAT-3 cable, the incumbent (Telkom SA) has exclusive rights to the international cable gateway. This has meant that other operators can only obtain access to the cable at very high retail prices - and many are forced to revert to costly US and European satellite circuits to carry international traffic. A comparison of prices of international bandwidth shows that operators in South Africa get charged 8 to 10 times more than operators in India for access to the international gateway (Figure 2). Significant regulatory and policy bottlenecks will need to be addressed to ensure competitive access to existing infrastructure in countries connected by or close to SAT-3, and as part of the effort to develop regional infrastructure in E&SA.

Figure 1: Price of 20 hours of Dial-up Internet (US$)



Source: World Development Indicators, 2003

Figure 2: Cost of Leasing an E1 Half Circuit (2MB) (US$)*



* Prices represent E-1 half circuit monthly lease prices excluding installation fees.
Source: World Bank analysis based on TRAI and Telegeography research, September 2005

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Rationale for RCIP and World Bank involvement

The proposed Regional Communications Infrastructure Program (RCIP) was developed at the request of the NEPAD Heads of State. It will finance a submarine fiber cable along the East Coast of Africa and connect countries in the region to the global telecommunications network, either directly or through terrestrial links. The World Bank Group is keen to support the roll out of the cable under an open access, pro-competitive communications regime that ensures capacity is available to all at a fair price.

By the end of the RCIP program (2012), all capitals and major cities in E&SA should be linked to the global networks through competitively priced high-bandwidth connectivity. Traffic in the region is expected to increase yearly by over 30%, and bandwidth costs are projected to decline more than tenfold from between USD 5,000-8,000 per month for 1 Megabit today to about USD 500 per megabit by 2009 and USD 230 by 2014.

Proposed World Bank Group Strategy

Support for the RCIP is being developed on the basis of a public-private partnership and implemented in several phases and subprojects. The Program involves: (a) technical assistance to promote further sector liberalization and foster market integration, as well as (b) investment financing for the key components of the overall program, namely: (i) the E&SA submarine cable connecting South Africa, Madagascar, Mozambique, Tanzania, Kenya, Somalia, Djibouti, and Sudan; (ii) the Eastern loop network connecting Kenya, Tanzania, Uganda, Rwanda, and Burundi to the submarine cable, and (iii) the Southern loop network connecting Mozambique, Malawi, Zambia, Botswana, South Africa, Zimbabwe, Lesotho and Swaziland (see map). In addition, portions of national backbone infrastructure in the countries concerned may also be considered for World Bank Group financing.

Status and next steps

A consortium of operators is planning the construction of an East African submarine cable system (EASSy). Key members of the consortium are promoting a closed ownership and operational structure similar to the SAT-3 cable. Proposed pricing schemes for the cable would force smaller equity holders to purchase capacity at prices about 4 times that being paid by larger countries. These features would undermine competition, increase prices and reduce traffic over the cable, greatly weakening its development impact.

The World Bank Group is responding to these challenges by stepping up its engagement with governments, particularly in countries where operators are likely to request public support to fund their contribution to the cost of cable rollout, to (i) assist these governments in counteracting proposed price discrimination, and (ii) propose an alternative public-private partnership-based financing structure that ensures open access and more competitive rates.

Figure 3: Proposed submarine cable and main terrestrial links