PROJECT ABSTRACT

Name of Project:	REDIBOL telecom project
Company:	AES Communications Bolivia S.A.
Project Number:	BO-0204
Country:	Bolivia
Sponsor:	AES Corporation, Arlington/VA, USA
Project Cost:	Approximately US$98 million
Size of IDB A/B Loan:	Up to US$40 million
Size of IDB A Loan:	Up to US$37 million
Size of IDB B Loan:	Approximately US$3 million
Status:	Approved by the Board of Executive Directors
Approval Date:	November 13, 2002

Project Description

The Bolivian telecommunications sector is small in comparison with neighboring Brazil and Argentina, but is growing at an impressive rate. This is particularly true in unregulated services such as cellular telephony, which in four years (1996-2000) grew from 33,000 to over 482,000 subscribers due to the lack of technical and financial capacity of the local fixed-line incumbents, which were unable to meet customer needs in the market. The sector can best be described as in the midst of truly dynamic change. This transformation began in 1995 with the capitalization (privatization) of the state-owned national telecommunications company, ENTEL, when 51% of its shares were purchased by Telecom Italia for US$610 million. The 1995 Telecommunications Law gave Telecom Italia a six-year period of exclusivity (monopoly) to operate national and international long distance services. Local telephony exclusivity was also given for the same period to the fourteen existing local telephone cooperatives located in the major cities of Bolivia. Cellular telephony, data transmission, retail internet, and other value-added services are not restricted by exclusivity rights.

Late November 2001, all exclusivity (monopoly) rights have been terminated in the Bolivian market. In anticipation of such deregulation, The AES Corporation made an approximately US$39 million dollar investment and initiated the REDIBOL Project by acquiring the assets of a La Paz-based data transmission company as well as the licenses and concessions necessary to offer long-distance telephony, data transmission and internet services to the Bolivian retail market as well as wholesale transportation services to other carriers. The Bank's up to US$40 million A/B loan investment in AES Communications Bolivia S.A. will partially finance the roll-out of AES' fiber-optic network and related infrastructure through and across Bolivia.

Network architecture is based on new generation multi-service technology that fully supports voice, data, internet and video on transmission equipment. In the first phase, this is being achieved through the roll-out of a national backbone extending 1700 km. In

addition to this, the network will consist of local access networks with state-of-the-art technology in ring architecture for the metropolitan areas of La Paz, Santa Cruz, and Cochabamba. Five other Departmental (state) capital cities (Sucre, Tarija, Cobija, Trinidad and Potosi) will be serviced by satellite service. Oruro will be serviced by an extension of the fiber optic cable. The international connections of the Bolivian network are made possible by an extension of the fiber optic cable westward from La Paz to the Peruvian border (Desaguadero) and another extension Patacamaya (near La Paz) to Tambo Quemado (Chilean border).

Project Benefits

The Bank's support to this Project will help to induce:

- Introduction of telecom competition with an alternative fiber optic infrastructure
- Expansion of telecom services offered both in terms of new services and geographical coverage as operators push into untapped markets.
- Reduction of tariffs across the board on all telecom services.
- Increase of communication and internet services penetration given lower tariffs and more availability.
- Improvement of quality of service/customer service, including a call center which is the first of its kind in Bolivia.
- Generation of employment: direct, from AES operations, maintenance, installation, and sales work force; and indirect, from suppliers and vendors of services/ products purchased by AES.
- Greater accessibility of telecommunications services for schools, universities, hospitals and other public service institutions.
- Increase in accessibility of information with spread of internet access, as well as expanded international contact, through internet penetration and lowering of international calling tariffs