

## TECHNICAL COOPERATION DOCUMENT (TC-DOCUMENT)

### I. BASIC PROJECT DATA

<b>Country:</b>	Costa Rica		
<b>TC Name:</b>	Costa Rican National Broadband Plan		
<b>TC Number:</b>	CR-T1099		
<b>TC Taxonomy:</b>	Client Support (CS)		
<b>Team Leader/Members:</b>	Félix González (IFD/ICS, Team Leader); Antonio Garcia Zaballos (IFD/ICS, Alternate Team Leader); Pilar Jimenez de Arechaga (LEG/SGO); Lorena Cano (IFD/ICS); Enrique Iglesias (IFD/ICS); Enrique Moreno (IFD/ICS); and Cecilia Bernedo (IFD/ICS)		
<b>TC Abstract authorization:</b>	May, 2014		
<b>Operation type:</b>	Client Support (CS)		
<b>Reference to request:</b>	<a href="#">IDBDocs#38667565</a>		
<b>Donors providing funding:</b>	Special Broadband Program (BBD)		
<b>Beneficiary:</b>	Costa Rica		
<b>Executing Agency and contact name:</b>	Inter-American Development Bank, Institutional Capacity of the State Division, Félix González (felixg@iadb.org)		
<b>IDB Funding Request:</b>			US\$250,000
<b>Local Counterpart:</b>			US\$ 0
		<b>Total:</b>	<b>US\$250,000</b>
<b>Required start date:</b>	June, 2014		
<b>Execution period:</b>	21 months	<b>Disbursement period:</b>	24 months
<b>Technical Unit:</b>	IFD/ICS	<b>Disbursement Unit:</b>	IFD/ICS
<b>Type of consultancy:</b>	Firm		
<b>Included in Country Strategy/included in CPD:</b>	Yes [ X ] No [ ]		
<b>GCI-9 Sector priority:</b>	The current Sector Strategy: “Institutions for Growth and Social Welfare” identifies improving innovation and productivity as a major area where the Bank can help the Region overcome the challenges that hinder growth and social welfare. To this end, the IDB will work towards strengthening institutions, and has specifically recognized the need to improve policies and governmental action in the ICT sector (par.5.21 of the referred Sector Strategy). It is also worth remarking that the Sector Strategy: “Support Competitive Global and Regional Integration”, identifies bridging the digital divide as one of the Bank’s priorities to promote integration, placing specific emphasis on promoting broadband infrastructure. Consistent with these Strategies, the Bank has been working in the design and implementation of a Broadband Platform to accelerate the penetration rate and usage of broadband services in the Region.		

## II. OBJECTIVE AND JUSTIFICATION

- 2.1 **Justification.** Costa Rica has embraced broadband as a catalyst for economic growth and social inclusion. This is reflected in its current National Broadband Plan (NBP) launched in 2009 and covering the period 2009-2014.<sup>1</sup> Although this comprehensive strategy has had positive effects in terms of broadband development (the number of broadband subscriptions rose from 107K<sup>2</sup> in 2008 to more than 448K in 2012), the country still faces challenges in terms of broadband access, adoption and usage. This particular situation unveils a divide with developed countries. Whereas broadband penetration in the OECD countries averages more than 75 percent, in Costa Rica it averages 10 percent. There is also a divide within Costa Rica, between urban and rural areas. Whereas in departments like San Jose, 55 percent of households enjoy Internet connection and 53 percent own a computer; in others, like Limon only 27 percent of households have Internet connection, and 31 percent own a computer.
- 2.2 To overcome that challenging situation, the country needs a revised, far-reaching and consistent national policy to encompass all the different angles through which such complex issues should be looked at and renewed national objectives in terms of broadband access, adoption and use. The necessity of an updated plan with new goals based on a diagnosis of the status-quo is crucial to allow Costa Rica to continue pursuing its goals in terms of universality and affordability.
- 2.3 The Government of Costa Rica (GoCR) has requested the Bank's support for the review of the current NBP in order to develop a new version that covers the next five-year period (2015-2020). The new NBP will be based on a review of the existing policy framework taking into account the needs of citizens, enterprises and public institutions. It will also outline specific actions and strategies (public policies and strategic regulation) both on supply and demand to achieve the national goals in terms of broadband universality and affordability.
- 2.4 Due to the aforementioned reasons, the new NBP is a priority for GoCR to: (i) continue narrowing the divide in terms of broadband access, adoption and use with respect to other countries; (ii) use broadband as an economic growth and social inclusion catalyst; and (iii) make the NBP one of the pillars of the National Telecommunications Development Plan.
- 2.5 **Alignment with the Bank's Strategy in Costa Rica.** Broadband has a catalytic effect across sectors (government, education, healthcare, business, justice, etc.) and is an element of social inclusion. For this reason, this TC indirectly contributes to certain of the strategic lines described in the Bank's Strategy with Costa Rica (2011-2014), such as: (i) education improvement (the broadband plan will consider education as a sector to address); (ii) incorporation to the labor market (by providing citizens with Internet connectivity, which will enable them

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<sup>1</sup> The current NBP is available at <http://www.telecom.go.cr/index.php/publicaciones/telecom/publicaciones/estrategia-nacional-de-banda-ancha-consulta-publica/download>

<sup>2</sup> UIT Estadísticas <http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>

access to training and employment portals); and (iii) improvement of government institutional capacity (by means of the development of innovative e-government solutions). On top of that, this TC will also favor the strategic IDB goal related to innovation (increasing investment in R&D; increasing private investment including investment in R&D; promoting the development of technical/scientific human capital) since better and more affordable connectivity along with more developed digital skills will help Costa Rica continue being an innovation hub in Central America.

- 2.6 **Objectives of the project.** The objective of this Technical Cooperation (TC) is to support the GoCR to promote broadband universalization in terms of access, adoption and usage by means of a comprehensive strategy that will be consolidated in the form of an updated NBP.

### III. DESCRIPTION OF ACTIVITIES

- 3.1 This TC will finance activities mainly directed to generate the new NBP using as a starting point the current NBP and the renewed national objectives determined by the GoCR. The new NBP will cover the five-year period 2015-2020 and will address access, adoption and usage.
- 3.2 In addition to the current NBP and national objectives, the analysis will consider the international experience as a reference of the strengths, limitations and problems of the various broadband plans that have been deployed globally. The components of this framework will be the following:
- 3.3 **Component 1 – Development of the National Broadband Plan.** This Component will develop the new NBP using as an input the existing NBP and the national objectives in terms of access, adoption and usage. The four main activities included in this component are: (i) review and assessment of the results of the existing NBP; (ii) design and development of the new NBP<sup>3</sup>; (iii) development of public policy and regulatory recommendations; and (iv) design of a governance model and monitoring and evaluation framework.
- 3.4 **Activity 1.1 – Review and assessment of the results of the existing NBP.** For the first activity, consultants will analyze the current strategy, its goals and accomplishments, providing a report with the main conclusions. This analysis will serve as an input for the second main activity.
- 3.5 **Activity 1.2 – Design and development of the new NBP.** For this activity, consultants will prepare a study updating and complementing, when appropriate, the assumptions, facts, and objectives of the current NBP and propose specific plans, projects and actions to support the renewed government goals and the country needs within a comprehensive structure for the plan.

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<sup>3</sup> As a reference National Broadband Plan and structure, the consulting firm that will be hired is advised to consult the NBP developed by the Bank's Broadband Team to support the Government of Panama. <http://www.innovacion.gob.pa/descargas/PlanEstrategicoBandaAncha.pdf>

- 3.6 It is important to note that the recommendations will focus on both supply and demand, and in the case of proposed specific projects, estimated CAPEX and OPEX<sup>4</sup>, as well as timing. As for the supply side, this study will conduct a high level analysis of the needs in terms of infrastructure so that specific projects and actions are proposed to achieve the national objectives in terms of universality and affordability. As for the demand side, this Component will also finance the development of a comprehensive analysis that includes the current status in terms of usage of broadband services by the different social and productive sectors of the economy as well as the identification of the challenges and opportunities regarding the leveraging of broadband technologies. Based on the results of the analysis, the study will identify a set of specific projects targeted to overcome the challenges identified in the diagnosis.
- 3.7 Among others, some examples of projects that might be proposed under this Component include: (i) the promotion of the use of Information Communications Technologies (ICTs) and broadband in education; (ii) the advancement of the technical capacity towards a national telemedicine system; (iii) the promotion of the use of ICT in micro and small enterprises; (iv) the promotion of e-government services by the national, state and local governments; and (v) a plan to spread the use of devices to access broadband services among citizens, enterprises and public institutions.
- 3.8 **Activity 1.3 – Development of public policy and regulatory recommendations.** For this activity, consultants will formulate recommendations in terms of public policy and strategic regulation that actually support and favor the success of the projects, plans and actions that emanate as a result of Activity 1.2. These recommendations must be intended to achieve the national objectives (in terms of access, adoption and usage) and the plans outlined in the revised NBP (Activity 1.2), and will therefore constitute an important element of the NBP. Examples of public policies are: (i) affordability policies (e.g. subsidies); (ii) content production promotion policies; (iii) capacity building; (iv) improvement of the process to get licenses and rights of way; and (v) efficient use and structuring of universal service funds. Examples of regulatory recommendations are: (i) efficient use of spectrum; (ii) interconnection and unbundling regulation; (iii) cost accountability frameworks; (iv) market analysis; (v) generation of sector sustainable economic models; (vi) regulation of rights of way; (vii) infrastructure sharing regulation; and (viii) regulations on price, coverage and quality. All the public policies and regulatory recommendations will be condensed in a plan that will contain the budget and timing per proposed activity.
- 3.9 **Activity 1.4 – Design of a Governance model and monitoring and evaluation framework.** For this activity, consultants will develop a governance model that promotes concerted efforts to achieve universality and affordability of broadband service among the various stakeholders involved in the implementation of the NBP in general, and specifically on all the proposed projects under Component 1. Examples of the elements expected in this activity are: (i) proposal for a

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<sup>4</sup> CAPEX are the capital expenditures (investments) and OPEX are the operating expenditures

coordinating body; and (ii) a monitoring and evaluation framework that contains a detailed schedule for the implementation of the NBP (clearly identifying the responsibilities of the stakeholders involved) and a monitoring dashboard with specific Key Performance Indicators (KPIs) for each of the goals.

- 3.10 **Component 2 – Dissemination and edition of the NBP to foster policy discussion with relevant stakeholders.** This Component will finance a workshop to disseminate and socialize the plan among stakeholders in Costa Rica, such as the Superintendencia de Telecomunicaciones (SUTEL), the Vice-Ministry of Telecommunications (VMTEL) and others who may be interested or involved. The objective of this workshop will be not only to disseminate the results, but also to foster the policy discussion among relevant stakeholders and ensure a rapid and effective implementation of the plan.
- 3.11 Moreover, this Component will finance the edition of the NBP into a single document,<sup>5</sup> including the acquisition of a set of USBs that will contain the document. This activity will be completed after the socialization stage.
- 3.12 **Expected results.** As a result of this technical cooperation Costa Rica will increase the access, adoption and usage of broadband services by means of an updated robust NBP.

**Table 3.1: Indicative matrix of the results**

Suggested indicator	Measurement Unit	Baseline	Target at the end of the TC
<b>Output Indicators:</b>			
Component 1 – Updated National Broadband Plan - National Broadband Plan - Regulatory Recommendations Framework - Governance model - Monitoring and evaluation framework	No. of Documents	0	1
Component 2 – Dissemination and edition of the NBP to foster policy discussion with relevant stakeholders - Dissemination workshop - USBs containing the plan	No. of Workshops No. of USBs	0 0	1 50
<b>Outcome Indicators:</b>			
Increased government awareness and understanding of the current status of broadband in the country and additional related set of actions to accelerate the penetration, adoption and use of broadband services (in the form of a NBP)	No. of citations of the TC products in national government strategic documents	0	3

<sup>5</sup> A suggested structure of the document may be: (i) diagnosis of broadband (in terms of access, adoption and usage); (ii) national objectives; (iii) connectivity plan (access) with estimated budget and timeline per initiative; (iv) adoption and usage plan with estimated budget and timeline per initiative; (v) regulatory recommendations; (vi) public policy recommendations, (vii) governance model; and (viii) roadmap.

**Table 3.2: Indicative budget**

Activity/ Component	Description	IDB/Fund Funding	Total Funding
Component 1	<b>Development of the National Broadband Plan</b>	<b>200,000</b>	<b>200,000</b>
	Activity 1.1: analysis and assessment of the existing NBP	25,000	25,000
	Activity 1.2: development of the new NBP (supply and demand)	100,000	100,000
	Activity 1.3: Establishment of public policy and regulatory recommendations	55,000	55,000
	Activity 1.4: Design of a Governance model and monitoring and evaluation framework	20,000	20,000
Component 2	<b>Dissemination and edition of the NBP to foster policy discussion with relevant stakeholders</b>	<b>50,000</b>	<b>50,000</b>
<b>Total</b>		<b>250,000</b>	<b>250,000</b>

#### IV. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 4.1 Given the fact that in the NBP there will be different entities and ministries involved, the technical cooperation will be executed by the Institutional Capacity of the State Division (according to the Operational Guidelines for Technical Cooperation Products OP-619-1), which will operate in coordination with the staff of the VMTEL, the SUTEL and other stakeholders involved (private sector). To that goal, a project coordinating group will be established with at least one representative from the VMTEL and one from SUTEL, and the IDB project team. That project coordinating group will monitor the progress of the project and provide guidance regarding relevant strategic decisions.
- 4.2 In addition to this justification, it is also important to note the general recommendation of having the Bank executing the technical cooperations in Costa Rica as indicated by the Representative: [IDBDocs# 38772567](#).

#### V. PROJECT RISKS AND ISSUES

- 5.1 One of the major risks for this TC is obtaining a final product—the proposal for an updated National Broadband Plan—that is not fully implemented by the Government of Costa Rica. In order to mitigate this risk, the Bank will lead the execution of the TC, and make sure that the recommendations are shared among main relevant players and their concerns are taken into account. Additionally, to mitigate the previous risk, as it has been described, the TC includes, under Activity 1.4, the preparation of an implementation schedule identifying the responsibilities associated to each of the agents involved.
- 5.2 A second risk associated to this TC is a possible lack of responsiveness from the institutions involved. To minimize this, an effort will be made by the Bank to involve all of the key institutions in the process from the beginning as well as in the final dissemination workshop; additionally, there will be a coordinating group as explained in paragraph 4.1. Also, to ensure a high degree of

participation of the institutions, they will be encouraged to actively participate in the review process of the documents produced.

- 5.3 A third risk is related to the lack of involvement of other stakeholders (e.g. operators, civil society) other than the public institutions when the plan is issued. This risk will be mitigated by the proposal of the design of the mechanisms for consultation that the GoCR may use at the launch of the NBP.

## **VI. ENVIRONMENTAL AND SOCIAL CLASSIFICATION**

- 6.1 Due to the nature of this TC, there are no expected environmental and social risks associated with the implementation of the project. This operation is classified as a Category “C” according to the classification toolkit of the Bank (see the link: [IDBDocs#38667564](#)).

### **ANNEXES:**

- Annex I – Request Letter ([IDBDocs#38667565](#))
- Annex II – Terms of Reference ([IDBDocs#38820563](#))
- Annex III – Procurement Plan ([IDBDocs#38820609](#))

## **COSTA RICAN NATIONAL BROADBAND PLAN**

**CR-T1099**

### **CERTIFICATION**

I hereby certify that this operation was approved for financing under the Broadband Special Program (BBD) through a communication dated May 1, 2014 and signed by Ana Paula Sanchez (ORP/GCM). Also, I certify that resources from said fund are available for up to US\$250,000 in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

(Original Signed)

8/26/2014

Sonia M. Rivera  
Chief

Date

Grants and Co-Financing Management Unit  
ORP/GCM

### **APPROVAL**

**APPROVED:**

(Original Signed)

8/26/2014

Carlos Santiso  
Division Chief

Date

Institutional Capacity of the State Division  
IFD/ICS