

World Bank Approves \$7 Million for Rural Telecommunications in Nicaragua

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WASHINGTON, April 27, 2006 – The World Bank's Board of Directors approved today a \$7 million, zero-interest credit to Nicaragua in order to increase access to and reduce costs of telecommunications services in rural areas.

"Despite Nicaragua's considerable progress in telecommunication services over the last decade, the country continues to have one of the lowest telephone density and ICT levels in Latin America," said Jane Armitage, World Bank director for Central America. "This project supports the Government of Nicaragua's modernization efforts where telecommunications contribute to poverty reduction by significantly lessening the economic and social isolation of rural areas."

The **Rural Telecommunications Project** will help spur competition in telecommunications and continue to bring phone service to remote areas, reducing the cost of services and connecting rural communities with the outside world.

Specifically, the project will support the following activities:

1. **Expand the telecommunication infrastructure in rural areas by co-financing a competitive award of funding to private-sector operators.** The private-sector operators will be responsible for installing, operating, and maintaining the new telecommunications systems on a commercial basis. This component will result in the doubling of the number of rural communities with populations greater than 400 people that have public payphones, as well as the extension of cellular telephone network to cover rural areas that are not presently covered.

This component will also establish a network of Internet points of presence (POPs) in 103 municipal heads that currently do not have access to the Internet, or it is too expensive. The Internet POPs will benefit nearly 830,000 people (16% of Nicaragua's population) by enabling approximately 676 public entities, including secondary schools, universities and municipalities, as well as NGOs and businesses to access the Internet for the first time and at affordable rates.

2. **Provide technical assistance to strengthen the sector regulator and capacity-building to communities.** This component will finance technical assistance to continue the organizational restructuring of the Regulatory Agency. Additionally, it will finance Internet applications and capacity-building for a number of existing educational, health, finance and e-government initiatives that will take advantage of the fact that rural communities will gain access to the Internet as a result of the first component of this project.

"This project will not only bring telecommunications and Internet services to rural areas that would not be served if left entirely to market forces, but it will also provide an important foundation for other important economic development and good governance initiatives in Nicaragua," said Eloy E. Vidal, World Bank task manager for the project.

The new project builds upon the achievements of the Government of Nicaragua, which with the assistance of the World Bank-financed Telecommunications Sector Reform Project, fully privatized the *Empresa Nicaragüense de Telecomunicaciones* (ENITEL) in 2001, and established a regulatory agency for the telecommunications and postal sectors, *Instituto Nicaragüense de Telecomunicaciones y Correos* (TELCOR). As a result, the country experienced a five-fold increase in the number of fixed and mobile phones from 194,000 in 1999 to more than 700,000 phones in 2004.

The \$7 million, zero-interest credit from the International Development Association (IDA) is repayable in 40 years, including 10 years of grace.

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For more information on the **Rural Telecommunications Project**, please visit the [project web site](#).

For more information on the World Bank's work in Nicaragua, please visit: <http://www.worldbank.org/nicaragua>