



## Concept Paper

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Project Number: 50348-001  
March 2017

Proposed Grant  
REG: Improving Internet Connectivity for Micronesia

## CURRENCY EQUIVALENTS

(as of 1 March 2017)

Currency unit – Australian dollar (AUS\$)

A\$1.00 = \$ 0.7656

\$1.00 = A\$1.3062

## ABBREVIATIONS

ADB	–	Asian Development Bank
EA	–	executing agency
FSM	–	Federated States of Micronesia
FSMTC	–	FSM Telecommunication Corporation
IA	–	implementing agency
ICT	–	information and communications technology
O3B	–	Other Three Billion
TA	–	technical assistance

## NOTES

- (i) The fiscal year (FY) of the Government of Nauru ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2016 ends on 30 June 2016.
- (ii) In this report, "\$" refers to US dollars unless otherwise stated.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 50348-001	
<b>Project Name</b>	Improving Internet Connectivity for Micronesia (formerly Improving Internet Connectivity for FSM, Kiribati, and Nauru)	<b>Department /Division</b>	PARD/PAUS
<b>Country Borrower</b>	REG The Government of Nauru and Kiribati	<b>Executing Agency</b>	Ministry of Finance, Ministry of Finance and Economic Development
<b>2. Sector</b>		<b>Subsector(s)</b>	
✓ <b>Information and communication technology</b>		ICT infrastructure	
		<b>ADB Financing (\$ million)</b>	
		30.00	
		<b>Total</b>	
		<b>30.00</b>	
<b>3. Strategic Agenda</b>		<b>Subcomponents</b>	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	<b>Climate Change Information</b> Climate Change impact on the Project <span style="float: right;">Low</span>	
Regional integration (RCI)	Pillar 1: Cross-border infrastructure Pillar 2: Trade and investment		
<b>4. Drivers of Change</b>		<b>Components</b>	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	<b>Gender Equity and Mainstreaming</b> No gender elements (NGE) <span style="float: right;">✓</span>	
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas		
Partnerships (PAR)	Commercial cofinancing Private Sector Regional organizations		
Private sector development (PSD)	Public sector goods and services essential for private sector development		
<b>5. Poverty and SDG Targeting</b>		<b>Location Impact</b>	
Geographic Targeting	No	Regional <span style="float: right;">High</span>	
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG4		
<b>6. Risk Categorization:</b>		Low	
<b>7. Safeguard Categorization</b>		No Safeguards Categorization available.	
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>30.00</b>	
Sovereign Project grant: Asian Development Fund		30.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>5.00</b>	
Grant - Government		5.00	
<b>Total</b>		<b>35.00</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		No	
Use of country public financial management systems		No	

Source: Asian Development Bank

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## I. THE PROJECT

### A. Rationale

1. The Governments of Kiribati and Nauru have requested the Asian Development Bank (ADB) to support a submarine internet cable project connecting the Micronesian region with the world. The project will link Tarawa and Kiritimati, Kiribati; Nauru; and Kosrae State, Federated States of Micronesia (FSM) to an internet cable hub. The World Bank will provide grant support to the project to cover the Kosrae and Tarawa portions of the project cost. The project will complement ongoing and existing cable systems connecting all the major islands in the North Pacific region.<sup>1</sup>

2. The Micronesian countries participating in the project (Kiribati, FSM, and Nauru) are highly dependent on official development assistance, external funds flows, and rents from a limited set of natural resources such as oceanic fisheries and phosphate (for Nauru, and previously, Kiribati). Small and disperse populations and geographic isolation contribute to limited opportunities for productive business activity. The private sector base is narrow and large public sectors dominate economic output and employment. Infrastructure projects tend to be development partner financed, and private investment is difficult to attract. Private sector development will significantly help the growth outlook in these economies, reducing heavy dependency on public expenditure.

3. Telecommunications services in all three participating countries are relatively weak, although the demand for cellular phone (primary form of internet connection) and internet services is strong and growing. Cell phone use is widespread in Nauru (Digicel services around 17,000 cell phone connections for a population of 10,000),<sup>2</sup> in Kiribati basic cell phone penetration is more than 34% of the population spread over eight (of the 22 inhabited) islands, including Tarawa and Kiritimati, however only 2G is available on 6 of these islands; Internet access in Kiribati, Nauru and Kosrae, FSM, is via satellite (including Other Three Billion [O3B]) with limited bandwidth. Pohnpei is the only state in FSM having submarine cable connectivity, while the islands of Yap and Chuuk are in process of connecting via submarine cables, funded by the World Bank. In the interim, FSM Telecommunication Corporation (FSMTC) has contracted O3B to provide internet service to Yap and Chuuk. Competition in the sector is limited in all three countries – FSM is reliant solely on FSMTC although legislation allows for new entrants; Amalgamated Telecom Holdings Kiribati Ltd is the main telecom provider in Tarawa and the second mobile services licensee, Ocean Links, is in the process of setting up its operation; and in Nauru services are provided by government-owned Cenpac Net Incorporated and Digicel.

4. In 2013, the World Bank assisted Kiribati to set up a telecom sector regulator, the Communications Commission of Kiribati, responsible for the full range of services.<sup>3</sup> The regulation is weaker in Nauru where it has, to date, had limited responsibility in issuing telecom related licenses. The existing Telecommunication Act, passed in 2002 is being updated in consultation with other Pacific countries to introduce a fully functional regulator. In 2014, the FSM enacted the FSM Telecommunication Act which provides for an independent regulator of

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<sup>1</sup> The north Pacific system comprises the ADB financed connection for Palau, the World Bank financed connections for Yap and Chuuk States of FSM, and the United States of America Government financed connections for the Republic of Marshall Islands and Pohnpei State, FSM.

<sup>2</sup> Digicel Nauru is 20% Government of Nauru owned.

<sup>3</sup> Services comprise: Operator licensing, Type Approval, Radio communications licensing, Kiribati Radio Frequency Spectrum Plan, Numbering Rules (8 digit based services and number portability), and Universal Access.

the telecommunications sector. Continued technical assistance from World Bank and ADB will create the operating environment needed to pass on reduced access costs.

5. The affordability and quality of the service constrains higher internet usage. The use of O3B provided some interim relief in countries, but limited bandwidth capacity and weather disruptions are still major constraints. The retail internet prices, while reduced in last few years is still significantly above that achievable with a fiber-optic cable provided service in the region.<sup>4</sup>

6. A submarine cable would provide higher capacity and quality broadband internet at much lower cost to Micronesia, making the internet more accessible and affordable to the impacted population (around 75,000). Harnessing information and communication technology (ICT) could facilitate education and training for the labor force, raise overall efficiency in the delivery of basic public services, and open up business opportunities. Reduced internet costs would enhance regional trade (for example in services including tourism and back-office functions) and allow the region to form a sizable market for digital products and services.<sup>5</sup> It would also strengthen the existing regional public goods and encourage new ones by allowing countries to share the limited knowledge and human resources available in the Pacific. Moreover, a regional initiative will help the countries achieve significant savings in comparison with individual country cable investments.<sup>6</sup> It has been estimated that in low- and middle-income countries every ten percentage point increase in broadband penetration accelerates economic growth by 1.38 percentage points.<sup>7</sup> Such impacts result from reduced transaction costs for business, government, and households; new business opportunities; and the harnessing of ICT for improved public service delivery. The proposed project is included in ADB's regional operations business plan<sup>8</sup> and is consistent with the national development plans and strategies.<sup>9</sup>

## **B. Impact, Outcome, and Outputs**

7. The impact of the project will be improved telecommunications in Micronesia, in alignment with national development plans (footnote 9). The outcome will be low cost and high quality internet service in Nauru, Kosrae (FSM) and Kiribati. The outputs will be the (i) establishment and efficient operation of a submarine cable system connecting the islands of Kosrae in FSM, Tarawa in Kiribati, and Nauru to the international internet; and (ii) establishment and efficient operation of a submarine cable system connecting Kiritimati, Kiribati to the international internet.<sup>10</sup> The design and monitoring framework is in Appendix 1.

## **C. Investment and Financing Plans**

8. The total cost of the project is estimated to be \$65.0 million, of which ADB will provide

<sup>4</sup> The affordability index for broadband in Micronesia is more than 20.00% of GNI based on the average price of a 1GB (postpaid, computer-based) broadband plan, as compared to 4.88% in Australia.

<sup>5</sup> ADB. 2015. *Aid for Trade in Asia and the Pacific: Thinking Forward About Trade Costs and the Digital Economy*. Manila. pp 33-34 <https://www.adb.org/publications/aid-trade-asia-and-pacific-thinking-forward-about-trade-costs-and-digital-economy>.

<sup>6</sup> ADB. 2016. *Pacific Approach, 2016—2020*. Manila. para 34

<sup>7</sup> The World Bank. 2009. *Information and Communications for Development 2009: Extending Reach and Increasing Impact*. Washington.

<sup>8</sup> ADB. 2016. *Regional Operations Business Plan: Pacific, 2017—2019*. Manila.

<sup>9</sup> The Kiribati Development Plan 2016-2019 commits to “increase the rate of usage...of the internet” and the Nauru National Sustainable Development Strategy 2005-2025 prioritizes “profitable and reliable telecommunications services (phone, internet etc) provided to public, business and government at reasonable cost”.

<sup>10</sup> It is intended that the special purpose vehicle and telecom regulatory reform will be finalized ahead of board approval and so these are not currently reflected in the DMF as activities, rather as risks.

\$30 million for Nauru and Kiribati (Kiritimati) portions.<sup>11</sup> The government of Nauru has requested a grant of \$15.0 million from ADB's Special Funds resources to help finance their part of the project. The Government of Kiribati requested a grant of \$15.0 million for output 2 from the same source. The World Bank will provide parallel grant financing of \$30 million to the project covering the Tarawa portion of Kiribati costs and FSM costs.

9. The governments will make the proceeds of the grant from the cofinanciers available to national-level special purpose vehicles through on lending arrangements.<sup>12</sup> The governments will bear taxes and duties of \$5.0 million. The financing plan is in Table 1.

**Table 1: Tentative Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	30.0	86
Special Funds (Asian Development Fund) resources (grant)		
World Bank	30.0	
Governments of Kiribati and Nauru (equity)	5.0	14
<b>Total</b>	<b>65.0</b>	<b>100</b>

Source: Asian Development Bank estimates.

#### D. Indicative Implementation Arrangements

10. The Ministry of Finance in both Kiribati and Nauru will be the executing agencies (EA) for the project. The Governments of Nauru and Kiribati will each set up a cable operating entity in their country to implement and operate the submarine cable through a consortium with FSMTC. The members of the consortium will sign a construction and maintenance agreement to formalize the operating and cost sharing mechanism. The cable operating entities will be the implementing agencies (IA) and wholesale provider of the submarine internet bandwidth in their countries. They will be responsible for procurement and financial management activities. ADB will support as necessary, through ongoing technical assistance, building the capacity of the Nauru cable operating entity in the development of the project.<sup>13</sup> At present, representatives from FSM, Kiribati and Nauru have set up a project steering committee to coordinate, supervise and be the focal point for the project preparatory activities. The steering committee is being supported by project management and technical consultants to help them complete due diligence activities.<sup>14</sup> The organization structures are illustrated in Appendix 4.

11. Cofinancing arrangements between ADB and the World Bank, including procurement packages for works and goods and consulting services, will be detailed in the project design and described in the project administration manual. Procurement of equipment or consulting services covered by ADB's grant or technical assistance will conform with ADB's *Procurement Guidelines* (March 2015, as amended from time to time) and *Guidelines on the Use of*

<sup>11</sup> Both Kiribati and Nauru are grant-only countries and have accessed regional Special Funds (Asian Development Fund) resources for this project.

<sup>12</sup> The draft terms and conditions, will be subject to ADB endorsement, and will be formalized in a subsidiary grant agreement between the Department of Finance and Economic Planning and the special purpose vehicle in Nauru and similarly between Ministry of Finance & Economic Development and the special purpose vehicle in Kiribati.

<sup>13</sup> This will be done through TA 8540-REG Pacific Information and Communication Technology Investment Planning and Capacity Development Facility. World Bank is providing similar support to FSM and Kiribati.

<sup>14</sup> ADB's previous project experience with submarine cables guides implementation, with key lessons being to ensure advance contracting of the cable laying to avoid cost overruns, put in place a sound project communication strategy to build public awareness and political support for the project, and utilize a highly skilled and professional project management team.

*Consultants by ADB and Its Borrowers (2013, as amended from time to time).*

## II. DUE DILIGENCE REQUIRED

12. ADB and the World Bank are currently providing technical assistance to the steering committee to support project preparation activities (see para. 10) ADB will provide consultant support to the steering committee to carry out the following analysis (footnote 13):

(i) **Technical.** The capacity and operating life of the Hannon-Armstrong-1 cable connecting Guam (the optical communications hub of the North Pacific) to Pohnpei in FSM, and Majuro and Kwajalein in the Marshall Islands will be assessed for a possible interconnection in Pohnpei. The consultants will explore various cable configurations and prepare cost benefit analysis to support an optimum cost effective regional cable system connecting Kosrae, Tarawa and Nauru. They will help the steering committee to initiate the bidding process and select the most eligible supplier. Kiritimati will require a separate connection to a nearby cable system for a sustainable long term service. The consultants will talk to the owners of the proposed cable systems in the region and finalize the technical specifications and cost for a branching unit and spur for Kiritimati. They will also explore extending the O3B service to complement the cable system.

(ii) **Economic and Financial.** The economic viability and sustainability of the project will be assessed. Consultants will also establish the reasonableness of the cost estimate, financial viability and sustainability of the project following ADB guidelines, and also help in setting up a cost sharing mechanism for the cable system implementation and operation.

(iii) **Governance.** Options for the governance, ownership structure, and management of the special purpose vehicle which will implement and manage the cable system will be examined. Assistance to strengthen the operating environment for ICT entities, including through regulation and promoting competition, will also be provided. A Project Risk Assessment will be carried out for all EAs and IAs. The capacity gaps and risks, and relevant mitigating measures will be identified in relation to all players undertaking procurement and consulting services operations in the ensuing grants.

13. The terms of reference for the World Bank initiated safeguards due diligence—based on previous collaborations in the ICT sector—were agreed and safeguards documents prepared. The outputs of the due diligence have been reviewed and comply with the requirements of country systems and Safeguard Policy Statement 2009 as well as World Bank’s policies. The scope of work will not involve involuntary land acquisition resulting in physical and economic displacement. Works will be undertaken mostly under the ocean and onshore work will be on public or government owned land. No indigenous peoples impact is expected.

## III. PROCESSING PLAN

### A. Risk Categorization

14. The project is categorized as “low risk” because (i) the ADB-financed amount is below \$200 million (\$30 million); (ii) ADB has a sound record of implementation of similar submarine cable projects in the Pacific region,<sup>15</sup> (iii) the proposed EAs have capacity and experience with

<sup>15</sup> The submarine cable project in Tonga was successfully implemented in 2014. Similar projects in Samoa and Palau have just commenced implementation.



ADB project implementation,<sup>16</sup> and (iv) the proposed safeguard categorization is other than A. The safeguard categorizations proposed for the project are category B for environment, category C for both involuntary resettlement and indigenous people. The project is also proposed as category B for the procurement classification. The project team will confirm this during project preparation.

## B. Resource Requirements and Processing Schedule

15. The project preparation will require ten person-months of staff time for missions and office-based work.<sup>17</sup> The proposed processing schedule is shown in Table 2. To meet the timeline, the steering committee has committed to: (i) jointly select a regional cable configuration by the end of May 2017, and (ii) establish the cable operating entity by end May 2017.

**Table 2: Proposed Processing Schedule**

<b>Milestones</b>	<b>Expected Completion Date</b>
Grant fact-finding	23 May 2017
Staff review meeting	16 June 2017
Grant negotiation	26 June 2017
Board consideration	3 August 2017
Grant effectiveness	7 August 2017

Source: Asian Development Bank estimates.

## IV. KEY ISSUES

16. The choice of submarine cable route directly impacts the project cost and timeline. The project team will ensure, in collaboration with the World Bank and the steering committee, that EAs and IAs take necessary early steps to establish the technical solution and finalize the project cost estimate.

17. Regulatory reforms, establishment of the special purpose vehicles, and forming a consortium and agreeing to cost sharing mechanism are key to the project. Kiribati and Nauru have already regulatory bodies in place and are working to strengthen these. Establishing a consortium involving entities from multiple countries is a complex process and will require significant legal support. It may impact the time line of the project. Moreover, it can have an impact on the smooth operation of the cable in future. ADB will provide technical assistance in these areas.

18. ADB and the World Bank will establish a detailed collaboration strategy for the cofinanced components and applicable procurement rules in the due diligence phase. Discussion has already commenced on this.

19. Finally, output 2 of the project will depend on a third party to achieve a sustainable cable solution for Kiritimati. If the timing, cost and the terms and conditions do not align with project objectives, a different technical solution may need to be considered. The project team will start the due diligence early enough to avoid any last minute change.

<sup>16</sup> A specialized project management unit will be set up to support project implementation as has been done in other Pacific countries with international expertise and this will work with the to-be-established cable companies in participating countries.

<sup>17</sup> In addition, the project preparatory and capacity building activities covered by ADB technical assistance will provide 10 person-months of international consultant inputs. Consultants will be recruited with the following areas of expertise: Submarine cable technology, Financial-Economic analysis and legal.

## DESIGN AND MONITORING FRAMEWORK

<b>Impact the Project</b>			
<b>improved telecommunications in Micronesia</b>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting</b>	<b>Risks</b>
<p><b>Outcome</b> Decrease in cost and increase in quality of internet service in Micronesia</p>	<p>a. Retail price of fixed internet service for 2-megabit-per-second connection decreases at least 20% against 2017 b. Bandwidth availability will be increased at least 20% against 2017 baseline</p> <p>Availability of service will be 99% in accordance with the industry standard</p>	<p>a. Internet service price list published by ISPs and telecom operators.</p> <p>b. 'Ping' time at consumer level as measured by tools such as web-based speed tests (e.g. <a href="http://www.speedtest.net">www.speedtest.net</a>)</p>	<p>Lack of guidelines, policy, and capacity to manage the assets around the submarine cable.</p> <p>Monopoly or collusion among local supplier(s) prevents decrease in retail internet price.</p>
<p><b>Outputs</b> 1. Establishment and efficient operation of a submarine cable system connecting islands of Kosrae in FSM, Tarawa in Kiribati, and Nauru, to the international internet.</p> <p>2. Establishment and efficient operation of a submarine cable system connecting Kiritimati, Kiribati to the international internet</p>	<p>1a. The bidding for the project is responsive within time and budget by Q1 2018.</p> <p>1b. The submarine cable provider implements the project following industry standards and implementation guidelines as mentioned in the contract agreement.</p> <p>1c. The submarine cable provider achieves 99% system availability.</p> <p>2a. The submarine cable provider implements the project following industry standards and implementation guidelines as mentioned in the contract agreement.</p> <p>2b. The submarine cable provider achieves 99% system availability.</p>	<p>1a. Progress reporting</p> <p>1b. Operational reporting logs and periodic inspection.</p> <p>1c. Performance testing report including target of 1 hour(industry standard) for fault handling time (measured by mean time to recovery)</p> <p>2a. Operational reporting logs</p> <p>2b. Performance testing report including target of 1 hour(industry standard) for fault handling time (measured</p>	<p>Lack of technical experience in government relating to submarine cables.</p> <p>Delays in development of the special purpose vehicle.</p> <p>Delays in implementing telecommunications sector reforms.</p> <p>Lack of realized private sector project investment interest</p>

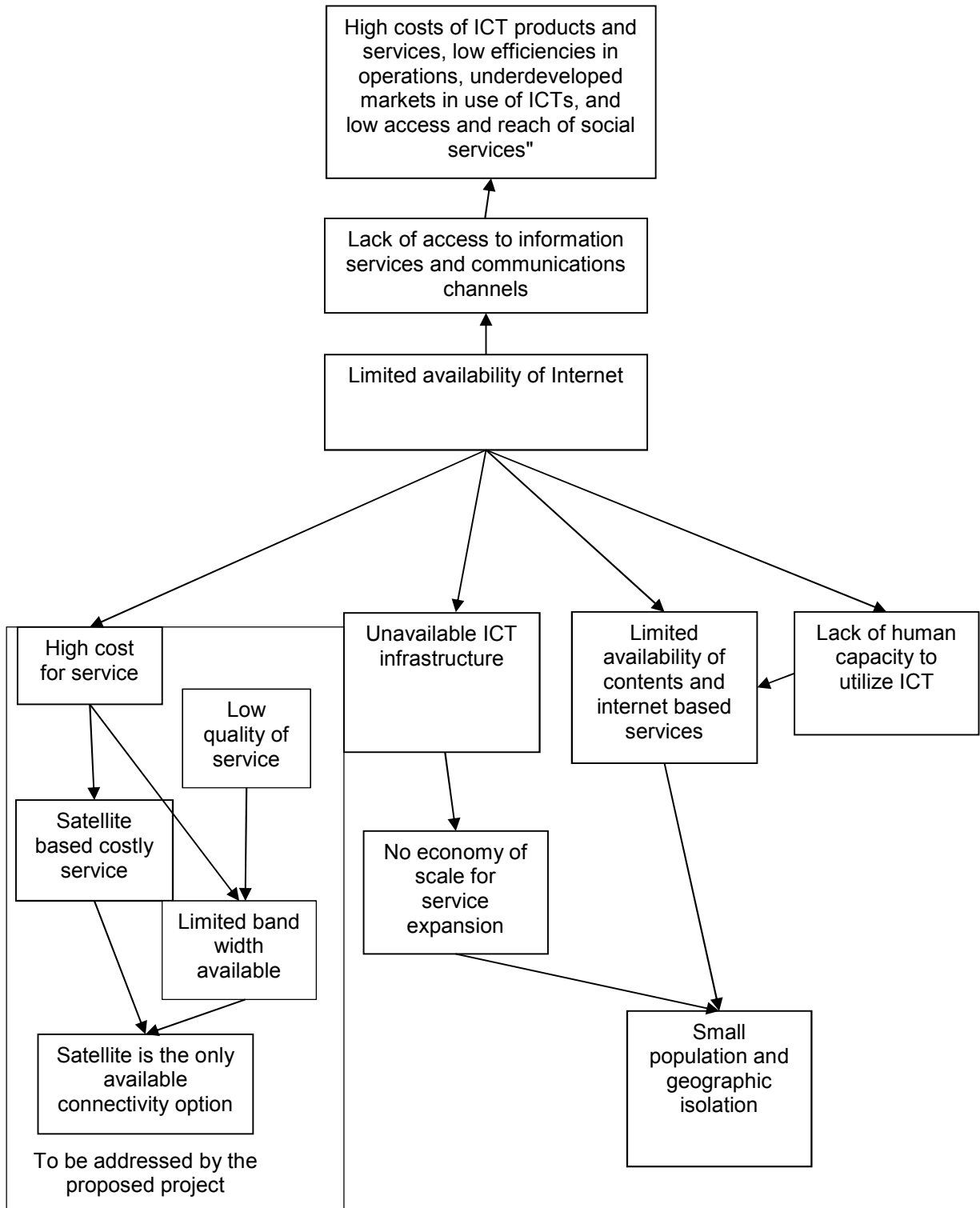
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
		by mean time to recovery)	
<b>Key Activities with Milestones</b>			
<p>1. Submarine cable connecting FSM-Kiribati-Nauru to the international internet</p> <ol style="list-style-type: none"> <li>1.1 Award contracts by Q1 2018</li> <li>1.2 Carry out marine survey and complete marine operations for laying cables by Q1 2018</li> <li>1.3 Install terminal equipment by the end of Q4 2018</li> <li>1.4 Equip cable landing systems with the necessary cross-connect facilities for customers by Q3 2019</li> <li>1.5 Train cable company staff on landing facility operation and maintenance, and update skills and knowledge periodically by Q3 2019</li> <li>1.6 Put in place an appropriate cable repair and maintenance agreement for spur before completing laying of cable by Q2 2018</li> <li>1.7 Achieve commissioning, provisional acceptance, and be ready for service by Q4 2018</li> <li>1.8 Final acceptance by Q1 2019</li> </ol> <p>2. Submarine cable connecting Kiritimati to the international internet</p> <ol style="list-style-type: none"> <li>2.1 Award contracts by Q1 2018</li> <li>2.2 Carry out marine survey and complete marine operations for laying cables by Q1 2018</li> <li>2.3 Install terminal equipment by the end of Q4 2018</li> <li>2.4 Equip cable landing systems with the necessary cross-connect facilities for customers by Q3 2019</li> <li>2.5 Train cable company staff on landing facility operation and maintenance, and update skills and knowledge periodically by Q3 2019</li> <li>2.6 Put in place an appropriate cable repair and maintenance agreement for spur before completing laying of cable by Q2 2018</li> <li>2.7 Achieve commissioning, provisional acceptance, and be ready for service by Q4 2018</li> <li>2.8 Final acceptance by Q1 2019</li> </ol> <p>Project Management Activities</p> <ul style="list-style-type: none"> <li>Continue regular monitoring and supervision until Q2 2019</li> <li>Follow up on safeguard issues and risk management plan in a timely manner until Q2 2019</li> <li>Manage contracts from Q3 2017 until Q2 2019</li> <li>Provide timely progress reports until Q2 2019</li> <li>Carry out regular accounting and annual audits until Q2 2019</li> </ul>			
<b>Inputs</b> ADB: \$ 30 million Grant			
<b>Assumptions for Partner Financing</b> Outputs necessary to reach DMF Outcome, not administered by ADB, include: The World Bank (\$30 million financing for cable system); Taxes and duties (\$ 5 million) will be borne by the Government of Kiribati and Nauru.			

ADB = Asian Development Bank, DMF = Design and Monitoring Framework, ISP = internet service provider,

Q = quarter

<sup>a</sup> Source: Asian Development Bank

**PROBLEM TREE**



## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Federated State of Micronesia, Kiribati and Nauru	Project Title:	Improving Internet Connectivity for Micronesia
Lending/Financing Modality:	Project Grant	Department/ Division:	PARD/PAUS

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

FSM, Kiribati and Nauru have recognized ICT as a key area under their national development strategy.

The ICT sector is widely recognized as an enabler of economic growth, social stability and development worldwide. It brings efficiency and reduces the cost of such services and in turn enables an environment conducive to private sector investments. The proposed project will contribute indirectly to reduce poverty in Micronesia. The submarine cable will lower the cost of communication for businesses and individuals. As a result, general public will have better access to information and services essential for socio-economic development. Affordable and accessible internet communication will help to implement efficient and effective service delivery in private as well as public sectors. It will also open up new opportunities for business activities such as business process outsourcing thus creating new employment opportunities.

Support for ICT remains consistent with ADB's Pacific Approach 2010–2014, which identifies ICT as a priority enabler to enhance regional connectivity, competitiveness and opportunities for socioeconomic development.

#### B. Poverty Targeting

General Intervention  Individual or Household (TI-H)  Geographic (TI-G)  Non-Income MDGs (TI-M1, M2, etc.)

The proposed project does not target a specific segment of the population of Micronesia. It is intended to benefit the general public through more efficient and affordable telecommunication and internet services.

#### C. Poverty and Social Analysis

##### 1. Key issues and potential beneficiaries.

The primary beneficiaries will include telecommunication operators and internet service providers. But ultimately the general public as well as local business will receive a higher quality of international communication service at a lower cost. Private and public sectors can take benefit of it and bring efficiency in their service delivery. It will open up new opportunities for revenue growth and create employments for the general public.

The communications service market in these countries primarily has one dominant operator providing mobile communications and internet services. The proposed project will lower the end-user price of the services reflecting the low cost of international bandwidth. It will require a strong regulatory capacity to ensure the benefit of the submarine cable is translated to retail consumer benefit.

##### 2. Impact channels and expected systemic changes.

The telecommunication market in these countries relatively small and is dominated by only one service provider. The existing (and potential future) providers are key to passing on the benefits of lower internet cost (introduced by the project) to the wholesale market. These countries in an advanced stage of introducing necessary telecommunication regulation to ensure this. Lower pricing and better internet quality from the submarine cable will lead to innovative services and in turn will increase demand, thus reducing the cost in a competitive market fueling further growth. It will make the sector profitable and sustainable. New businesses are also expected to create more employment opportunities to the population.

##### 3. Focus of (and resources allocated in) the PPTA or due diligence.

The primary focus of the due diligence will include: (i) understanding of the internet awareness of the general public; (ii) assessing the capacity to fully utilize the availability of connectivity for capacity and knowledge development and improving social services such as ICT application in health, education and public service delivery; (iii) spreading awareness and restricting misuse of internet and (iv) project preparatory due diligence as required

##### 4. Specific analysis for policy-based lending. NA

## II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?

Given the benefits and importance of ICT, men and women need to have equal opportunities to access and use them. The most basic gender equality issue in ICT is access, which is linked to the availability of the necessary infrastructure. For the population residing in the outer islands, additional investment in domestic backhaul network (e.g., microwave links, etc.) and regulation for cross-subsidy for rural users may be required to expand the access for both men and women, but more for women in terms of proportion because many poor women live in rural areas.

With improved telecommunications and access points made available in communities, women can easily communicate with their counterparts in other areas without having to travel and incurring high expenses. Women will have more access to information leading to improved employment opportunities and productive transactions.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes  No Please explain.

The project will not directly contribute to gender equity and empowerment as access to ICT depends more on the affordability and availability of these services than social factors that might disadvantage women. However, the project will have follow-on technical assistance to support the design of health and education services based on the newly available high speed internet. In the design of these services, particular attention will be given to (i) employment of female workforce in delivering health and education service; (ii) design of services that address women's needs; and (iii) ICT-based productive activities conducive for women participation.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes  No Please explain

The project will contribute to telecommunications and internet services at lower prices and with higher capacity than before. This will benefit both men and women.

4. Indicate the intended gender mainstreaming category:  GEN (gender equity)  EGM (effective gender mainstreaming)

SGE (some gender elements)  NGE (no gender elements)

## III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

The primary beneficiaries will include telecommunication operators and internet service providers. Ultimately, the general public as well as local business will receive better quality of international communication service at lower cost. The government is going to set up a task force involving all the stakeholders for regular communication and consultation during the project preparation and implementation. There will also be regular press releases to provide updates to general public.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?

The task force for the stakeholders will be the forum to engage all the participants in the project. There is no issue requiring special attention for poor and excluded groups but nevertheless their participation will be ensured.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

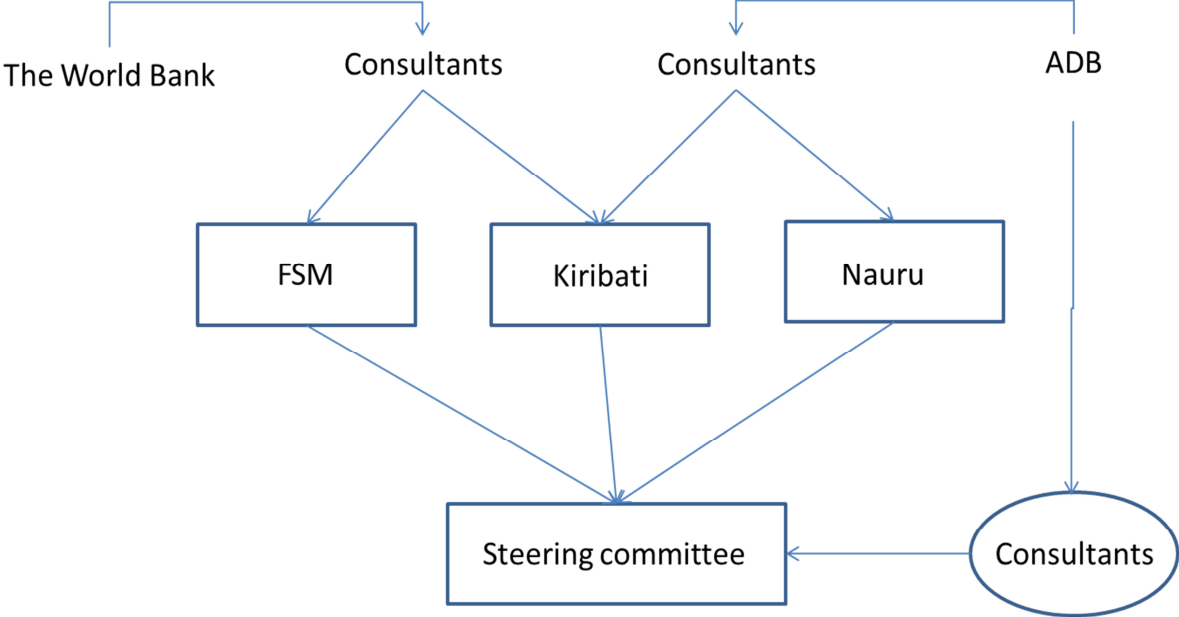
Information generation and sharing  Consultation  Collaboration  Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed?  Yes  No

The proposed project will set up the infrastructure to make internet affordable and available for general public. Most of the infrastructure will be under the ocean and will not involve any land acquisition or resettlement.

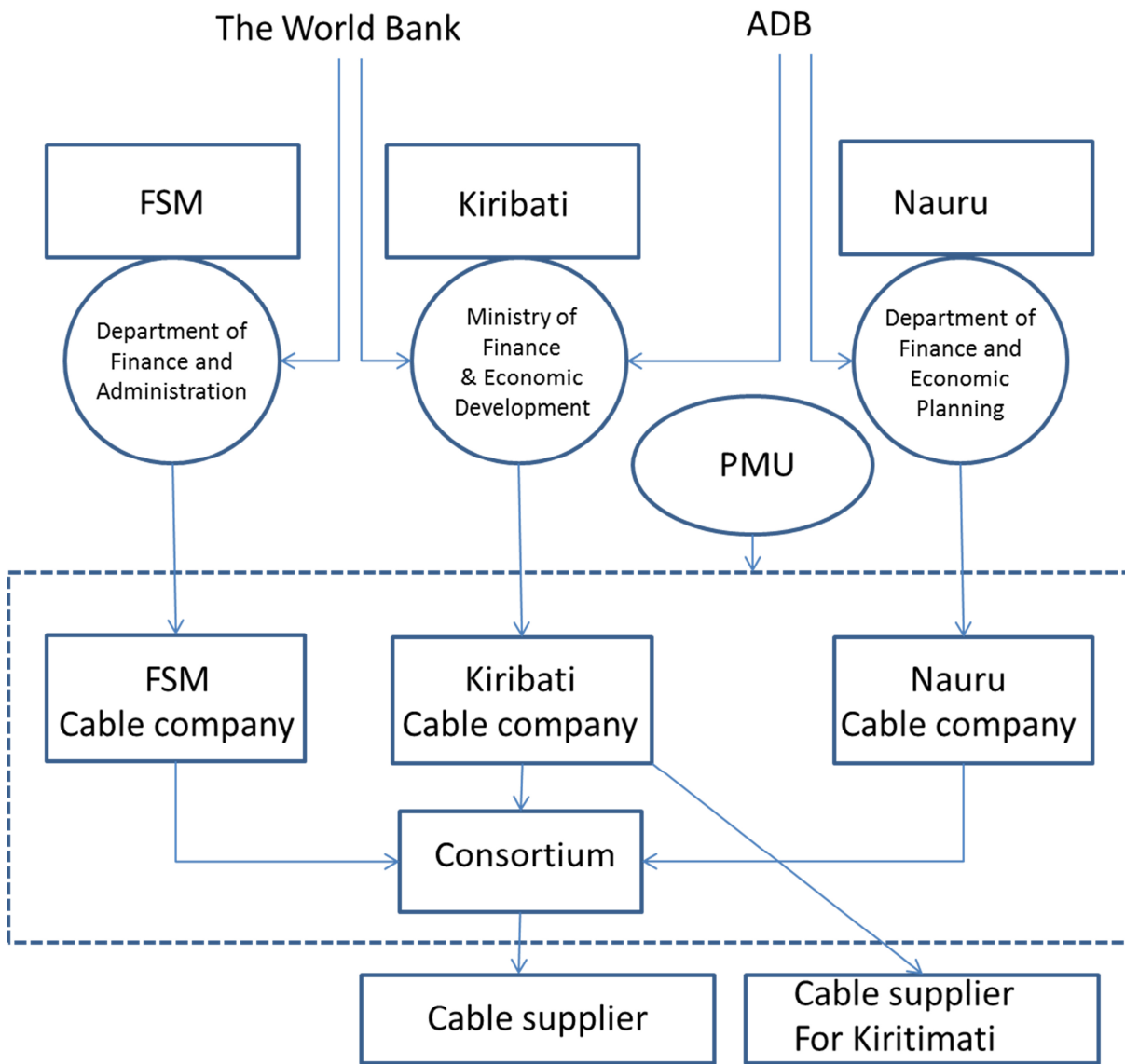
<b>IV. SOCIAL SAFEGUARDS</b>	
<b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI	
<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>The activities under the proposed project will mostly occur under the ocean with some near the shore activities. The construction of the cable path and landing station will be on public or government land to minimize any land acquisition. At this point, no resettlement is anticipated.</p>	
<p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan                      <input type="checkbox"/> Resettlement framework                      <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement                      <input checked="" type="checkbox"/> None</p>	
<b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI	
<p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	
<p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Most of the activities under the project will occur under the ocean with some near shore activities. Land activities will be confined in public or government owned land.</p>	
<p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>There is no indigenous people in the project area as defined in the ADB's SPS (2009).</p>	
<p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan    <input type="checkbox"/> Indigenous peoples planning framework    <input type="checkbox"/> Social Impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement                      <input checked="" type="checkbox"/> None</p>	
<b>V. OTHER SOCIAL ISSUES AND RISKS</b>	
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input type="checkbox"/> Creating decent jobs and employment    <input type="checkbox"/> Adhering to core labor standards    <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS    <input type="checkbox"/> Increase in human trafficking    <input checked="" type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration    <input type="checkbox"/> Increase in vulnerability to natural disasters    <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts    <input type="checkbox"/> Others, please specify _____</p>	
<p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>Ongoing work on telecom regulation will ensure that the cost advantage of the proposed cable infrastructure is passed on to general public by the local telecom operators.</p>	
<b>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>	
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?</p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>	
<p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence?</p> <p>FSM has used World Bank grant to conduct the environment and safeguard due diligence for the project.</p>	

**Organization Structure During Project Preparation**





### Organization Structure during Project Implementation



### Organization Structure during Business Operation

