

# INTEGRATED SAFEGUARDS DATA SHEET

## IDENTIFICATION / CONCEPT STAGE

**Report No.:** ISDSC18618

**Date ISDS Prepared/Updated:** 25-Jan-2017

### I. BASIC INFORMATION

#### A. Basic Project Data

<b>Country:</b>	Palau	<b>Project ID:</b>	P160504
<b>Project Name:</b>	Palau: ICT Sector Technical Assistance		
<b>Team Leader(s):</b>	James L. Neumann		
<b>Estimated Date of Approval:</b>	15-Mar-2017		
<b>Managing Unit:</b>	GTI09	<b>Lending Instrument:</b>	IPF
<b>Financing (in USD Million)</b>			
Total Project Cost:	0.7	Total Bank Financing:	0
Financing Gap:	0		
<b>Financing Source</b>			<b>Amount</b>
Free-standing Single Purpose Trust Fund			0.7
<b>Environment Category:</b>	C - Not Required		

#### B. Project Development Objective(s)

5. The activity's development objective is to reduce the cost and increase the availability of ICT services in Palau.

#### C. Project Description

7. The project is intended to support the analysis of options to: (i) reposition the ownership, governance, management and operational arrangements of PNCC and BSCC; and (ii) attract new private sector led investment and promote effective competition. The focus is to maximize private sector involvement, while ensuring that the benefit(s) of competition and public investment in the ICT sector flows through to end-users (disaggregated to include analysis of potential gender impacts).

8. The following specific activities will be prioritized:

(a) Strengthening PNCC: Options for positioning PNCC to operate effectively in a competitive market, including: (i) commercial capacity to compete effectively with new entrants; (ii) technical capacity to operate in a competitive market, such as providing interconnection with its fixed and mobile networks; and (iii) financial sustainability, including capital adequacy and capacity to service its debts and maintain positive cashflow.

(b) Repositioning PNCC and BSCC: An economic, financial (including market due diligence) and legal analysis of the assets and liabilities of PNCC and BSCC is needed to determine optimal ownership arrangements, including any asset transfer(s), which minimize financial and operational risks to Government, promote future private sector investment and maximize long-term benefits for users of ICT services. This includes consideration of obligations owed to third parties, e.g., creditors (RUS), major suppliers (O3b), other unsecured creditors and staff.

(c) Analyzing additional infrastructure needs and financing: In anticipation of the new international fiber optic cable, a review of existing domestic infrastructure is needed along with a gaps analysis to determine the minimum bundle of assets required to utilize the international submarine cable effectively and promote sector growth and development. In particular, the potential for a new or upgraded terrestrial fiber ring will be analyzed, including financing, ownership and management options.

(d) Operationalizing BSCC: Support for the operationalization of BSCC to ensure financial sustainability and the robust supply of international and domestic wholesale connectivity services. A definitive asset plan, business plan, financing, staffing arrangements, etc., is needed and will be prepared. A critical focus will be on developing implementation arrangements which minimize cashflow risks for servicing third party financing commitments and promote utilization at the lowest cost. Options such as anchor IRU contracts over international and domestic fiber infrastructure will be analyzed.

(e) Marketing the ICT sector to potential investors and international operators: As part of the evaluation of sector assets and liabilities, support is needed to promote Palau as a destination for new private sector investment. Assistance will be provided to support marketing activities and attract new market entry by private sector operators, pursuant to arrangements aimed at minimizing the monopoly problem and the need for extensive ex post regulation. The desirability of bundling the market opportunity in Palau with other connected regional markets, such as FSM, will also be prioritized.

(f) Implementing asset restructuring: Support is needed to help the Government execute its decisions for repositioning PNCC and BSCC, including consequential divestitures and/or any asset transfers. Support to prepare legal instruments, work with stakeholders to review and finalize all instruments (legislative, regulatory, governance, contractual, etc.) and to assist Government during any Congressional legislative reform processes will also be provided.

9. Government is focused on reorganizing the sector to minimize its exposure to competitive parts of the market that can be better served by the private sector, while ensuring that assets which have essential facility characteristics are held pursuant to arrangements which minimize monopoly risk and the costs of regulation. The Project will provide assistance to help identify and implement mechanisms to move the costs and risks associated with the Government's investments in core infrastructure, including e.g., the new cable system, to the private sector. Options to minimize the risk of free riding by new entrant private sector operators will also be assessed.

**D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

None.

**E. Borrower's Institutional Capacity for Safeguard Policies**

N/A

## F. Environmental and Social Safeguards Specialists on the Team

Ross James Butler (GSU02)

## II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

## III. SAFEGUARD PREPARATION PLAN

Appraisal stage ISDS required?: No

## IV. APPROVALS

Team Leader(s):	Name: James L. Neumann	
<b>Approved By:</b>		
Safeguards Advisor:	Name: Peter Leonard (SA)	Date: 04-Oct-2016
Practice Manager/ Manager:	Name: Jane Lesley Treadwell (PMGR)	Date: 10-Oct-2016

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.