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Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 12-Feb-2018 | Report No: PIDISDSC23241



BASIC INFORMATION

A. Basic Project Data

Country Micronesia, Federated States of	Project ID P163922	Parent Project ID (if any)	Project Name Federated States of Micronesia Maritime Investment Project (P163922)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Aug 10, 2018	Estimated Board Date Dec 20, 2018	Practice Area (Lead) Transport & Digital Development
Financing Instrument Investment Project Financing	Borrower(s) Department of Finance and Administration	Implementing Agency Department of Transportation, Communication & Infrastructure	

Proposed Development Objective(s)

Facilitate maritime access and safety in the Federated States of Micronesia by improving marine infrastructure and assets, and strengthening institutional arrangements.

Financing (in USD Million)

Financing Source	Amount
IDA Grant	15.00
Total Project Cost	15.00

Environmental Assessment Category B-Partial Assessment	Concept Review Decision Track II-The review did authorize the preparation to continue
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Other Decision (as needed)



B. Introduction and Context

Country Context

The largest nation in the Micronesian sub-region, the Federated States of Micronesia (FSM) is made up of four, semi-autonomous states (Kosrae, Pohnpei, Chuuk, Yap) that are located between Palau and the Philippines to the west and the Republic of the Marshall Islands to the east. FSM consists of more than 600 islands scattered over an area of about 2.6 million square km, including its Exclusive Economic Zone. However, its land area covers just 700 square km. The overall population of about 102,500 (est. 2016) has declined about 4 percent since 2000. Overall population decline has been the trend since 1994 and reflects significant out-migration that closely aligns with economic and financial challenges faced at the state level, and the open migration available for FSM citizens to the United States of America (USA). Within FSM, approximately 45 percent of the population live in Chuuk, 37 percent in Pohnpei, 11 percent in Yap, and 7 percent in Kosrae. FSM has experienced considerable internal migration across states, particularly to Pohnpei Island, where Palikir, the capital, is located, for employment with the national government. This is in addition to migration from outer islands to the main islands of each state.

As an archipelagic nation, FSM's economy is highly dependent on maritime transport for international, inter-state and inter-island trade via the sea, and for access to education and health services to and from the main and outlying islands, making maritime connectivity of critical importance. Seven islands have airstrips, but there are only two, seven-seat planes that provide domestic air services. FSM recently took ownership of a new Chinese-made Y-12E aircraft, which is intended to be used for cargo transport, rescue and medical services.

In 2016, GDP was about US\$334 million, which equated to some US\$3,260 per capita. Economic activity has been largely supported by the Compact, and as a consequence, FSM is largely reliant on external financing, but the country also receives substantial revenue from fishing license fees. In 2016, the public sector generated 37 percent of GDP, agriculture and fisheries, the main economic activities, contributed around 26 percent of GDP, and foreign grants generated 33 percent of GDP. Most private sector activity centers on the production of non-traded goods and services to the government and its employees. The majority of goods are imported, and there are few exports.

Sectoral and Institutional Context

Given FSM's dependence on the sea for commerce, trade and mobility, the maritime sector plays a central role in national development and social cohesion and service delivery.

International shipping into FSM is administered through the Micronesian Shipping Commission entry assurance system (EAC). Under EAC arrangements, three shipping lines are licensed to provide service for five years, which helps ensure reliability of service. Intra-state (domestic) shipping is essential, especially in Chuuk, Pohnpei and Yap, which each consist of several islands. Kosrae is a single island state with no outer islands.

Dekehtik Port is Pohnpei's only commercial seaport and is owned and operated by Pohnpei Port Authority. The main cargo wharf serves international cargo vessels, tankers, and purse seiners, while the smaller adjacent wharf is used by domestic vessels. In 2016, Dekehtik Port handled around 2,000 inbound twenty-foot equivalent unit (TEUs), 70,000 tons of breakbulk cargo, and 25,000 tons of diesel and jet fuel (via a pipeline). There is little outgoing traffic as export volumes are limited.



Chuuk's Weno Port receives international ships and serves as a “hub” port for the state. In 2014, 72 ships called at the Port and the annual container throughput was 1,155 TEUs. Present annual throughput is estimated at 700 full import containers and 700 empty outbound containers, confirming a strong imbalance in trade. Domestic shipping originates from the port to islands within the Chuuk Lagoon, as well as islands outside the Lagoon. Until 2012, inter-state shipping services were provided by the FSM government-owned MV Chief Mailo, but this vessel is now out of service. To fill the gap, several smaller, private fishing boats have been converted into cargo/passenger vessels and now provide services within the Lagoon and outer islands.

Yap's Colonia Port serves international cargo vessels, fuel tankers, and the occasional longline fishing vessel. It is served by three multi-purpose shipping lines about every two weeks. Around 15 to 30 full inbound TEUs and about the same number of empty TEUs are exported per ships' call.

Outer islands throughout FSM typically lack access infrastructure and aids to navigation, and many do not have reef channels to access the islands. Consequently, vessels must anchor offshore and transfer passengers and cargo using small workboats or tenders. This poses a safety risk because many of the outer islands experience strong winds and waves. Government services to the outer islands are limited, and private operators are not regulated. Providing safe and reliable transportation to outer islands is a significant challenge.

Due to its political structure, responsibilities for the maritime sector are divided into a two-tier system involving the national and state governments. There are also several private operators active in the sector.

National Level

- The Marine Division (MD) within the Department of Transport, Communications and Infrastructure (DoTCI) is responsible for overseeing FSM's maritime sector. MD is tasked with managing the development and enforcement of legislation and regulations, coordinating among the states and external agencies (e.g., US Coast Guard), and providing inter-state domestic shipping services using national vessels. The Division also provides technical support to state port authorities or agencies responsible for managing the ports and other maritime affairs, and regulates tariffs under its concession agreement with the Pohnpei Stevedoring Company.
- International shipping in the sub-region (FSM, RMI and Palau) is regulated by the Micronesian Shipping Commission (MSC) and governed by three commissioners, one from each of the participating countries. Combining three countries under the Commission was necessary to generate sufficient demand to attract shipping lines to serve the area. There are presently eight carriers in the system, and licenses are renewed every five years.
- The National Oceanic Resource Management Authority (NORMA) is responsible for the national fisheries sector and provides licenses to fishing companies within its Exclusive Economic Zone.

Pohnpei State

- The Pohnpei Port Authority (PPA) manages both air and seaports under a joint budgetary arrangement. PPA operates under a hybrid landlord/tool port structure for port management, where the authorities focus on the development and maintenance of infrastructure and superstructure, including aids to navigation, and regulation of port activities, while cargo handling and terminal operations are leased to a private operator over a specified period. Pilotage is provided by PPA using private pilots and is compulsory due to the narrow channel and limited turning basin. However, because PPA doesn't have tug boats, the use of tugs is not mandatory.



- The Pohnpei Stevedoring Company, a private operator, currently provides stevedoring services at Pohnpei Port under a 5-year lease agreement (ending in 2019). The stevedoring agency sets its own tariffs, which must be approved by PPA.

Chuuk State

- The Sea Transportation Division (STD) within the Department of Transport and Public Works (DTPW) is responsible for oversight of the maritime sector, regulatory enforcement, intra-state shipping, and for developing and maintaining port infrastructure and aids to navigation. STD also registers vessels below 12m in length. STD's annual budget has decreased in recent years and is not sufficient to cover the cost of maintenance at Weno Port.
- The Truk Transportation Co., Inc. (Transco) is a private company providing stevedoring services under a long-term lease agreement with the Chuuk state government. It supplies stevedore services and related equipment. As part of its lease, Transco also provides port security services and is responsible for minor maintenance at Weno Port.
- Chuuk's Environmental Protection Agency (EPA) is an autonomous agency administered by the state and is responsible for enforcing environmental regulations in the marine sector (there is no national EPA, but there is a national Office of Environment and Emergency Management).

Yap State

- Yap's STD is responsible for maritime oversight, regulatory enforcement, intra-state shipping, and maintaining port facilities and aids to navigation. A private firm, WAAB Transportation Company, provides stevedoring services, as well as port security and safety. Yap is considering converting STD into a port authority (along the lines of the model used in Pohnpei) in an effort to strengthen the independence of port decision-making and management.
- The Yap Fishing Authority (YFA) is responsible for overseeing domestic fisheries. It was reported that because Yap is too far west for purse seining, there is no large-scale transshipment of fish in the area. YFA offers minor maintenance and repair services for local vessels and can vacuum package fish. It also has warehousing and cold storage facilities on its dock, mostly for long-line fishing vessels when they call at the port.
- Like other state EPAs throughout FSM, Yap's EPA is an autonomous agency administered by the state and is responsible for enforcing environmental regulations in the marine sector. The state agency has limited capacity with just four staff to carry out all EPA responsibilities throughout the state.
- The FSM Fisheries and Maritime Institute (FMI) is the only maritime training institute in Micronesia, but only serves students from FSM. Established in 1989, it is funded by the national government and donor contributions. FMI is equipped with classrooms and can accommodate up to 60 students, all of which are fully-funded by the Government.

Relationship to CPF

The Regional Partnership Framework (RPF) for FY17 to FY21, which was approved in February 2017, covers nine small Pacific island countries (PIC9), including RMI.¹ The RPF identifies four areas of focus for PIC9 as: (i) fully exploiting the available economic opportunities; (ii) enhancing access to economic opportunities; (iii) protecting incomes and livelihoods; and (iv) strengthening the enablers of growth and opportunities (macro-economic management, infrastructure and addressing knowledge gaps). The proposed Federated States of Micronesia Maritime Investment Project (FSMIP) generally supports all four focus areas. With improved port and maritime services, opportunities to

¹ The nine include Kiribati, Nauru, the Republic of the Marshall Islands, the Federated States of Micronesia, Palau, the Independent State of Samoa, the Kingdom of Tonga, Tuvalu and Vanuatu.



increase transshipment services are there, which enhances access to economic opportunities. Without a well-functioning maritime sector, livelihoods could be compromised, since FSM imports much of its food, pharmaceuticals and fuel. As such, FSMIP would support focus areas (i), (ii) and (iii). FSMIP would also support focus area (iv) by creating more reliable access to maritime infrastructure, and improving the safety and resilience of services. The RPF also highlights the key role that maritime shipping and internal connectivity play in trade in basic goods in the nine PICs.

As defined in FSM's Infrastructure Development Plan for FY2016-FY2025 (IDP), the scope and objective of FSMIP are also in line with several key Government development objectives. IDP recognizes the critical contribution that maritime transportation infrastructure and services play in terms of supporting market opportunities throughout the country, and in facilitating modern, safe and efficient inter-state and inter-island passenger and cargo services. FSMIP will also support improved dock facilities to meet both fisheries and commercial shipping needs, and help improve the quality of aids to navigation.

C. Proposed Development Objective(s)

Facilitate maritime access and safety in the Federated States of Micronesia by improving marine infrastructure and services, and strengthening institutional arrangements.

Key Results (From PCN)

Progress will be measured against the following PDO-level results indicators:

- (a) Cargo vessel turnaround times at project ports reduced (minutes);
- (b) Reduced damage to vessels and maritime infrastructure at project ports (percentage);
- (c) Strengthened maritime institutional and regulatory arrangements; and
- (d) Grievances registered related to delivery of project benefits that are addressed (percentage).

A detailed results framework will be developed during preparation.

D. Concept Description

Project Financing and Project Preparation Advance. FSMIP will be financed by a US\$15.00 million IDA grant. A country programmatic preparation advance (PPA) of US\$5.5m has been approved for FSM for the preparation of the IDA18 and some of the IDA19 portfolio. The project will access US\$1.70 million in PPA funds to prepare the necessary technical, economic, environmental, social and design studies for the project. Expected PPA activities include: (i) identifying and estimating costs, conducting economic evaluations, prioritizing investments and preparing bid documents for investments at one or more of FSM's principal ports; (ii) determining shortcomings and recommending measures to strengthen institutional and regulatory arrangements at the national and state-levels; (iii) undertaking stakeholder engagement and consultations and preparing safeguards documents; and (iv) funding a consultant to oversee project preparation.

The following table estimates cost per component in US\$ million:

Component	Cost	IDA	PPA
Component A: Maritime Infrastructure	11.50	11.50	0.00



Component B: Technical Assistance and Project Management	3.50	1.80	1.70
Component C: Supporting Post-Disaster Recovery	0.00		
Totals:	15.00	13.30	1.70

FSMIP has three components:

Component A: Maritime Infrastructure (est. US\$11.50 mil.): Given that there is a comprehensive need to improve access, safety, environmental management and the efficiency of main ports throughout FSM, this component would fund basic improvements to overcome some of the more serious shortcomings, such as repairing quay walls, providing adequate protective (fenders) and anchorage (bollards, cleats, dolphin buoys) systems, paving key work areas, reconstructing warehousing facilities, and/or replacing/upgrading aids to navigation. Reception facilities could be installed to better manage solid waste and wastewater. It is expected that State officials would submit requests to the national government for financial support to carry out improvements at their respective ports under this component.

Component B: Technical Assistance and Project Management (est. US\$3.50 mil.):

- ***Institutional sector strengthening:*** Based on the PPA-financed review of institutional arrangements, carry out key recommendations to address gaps in policies, legislation, compliance with international conventions, and roles and responsibilities of key stakeholders involved in the maritime sector.
- ***Review of port operations:*** Funding would be used to conduct reviews and updates of port operations and masterplans analyzing current cargo and container handling at key ports, including assessments of financial sustainability of operations, and environment, health and safety (EHS) management.
- ***Assessment of franchise shipping scheme for Chuuk Lagoon:*** In an effort to improve the reliability and safety of passenger services in Chuuk Lagoon and its outer islands, an assessment of options to introduce a franchise shipping scheme involving private service providers would be carried out. The objective would be to identify a program that would competitively engage shipping operators to provide regular services with higher safety standards based on minimum subsidy requirements.
- ***Seafarer training and capacity building:*** To help meet demand for seafarer certification at upper class levels through FMI, additional classrooms and possibly some equipment could be financed as part of this activity. Training and specialized technical advisory services would also be funded to enhance capacity to better operate and regulate the maritime sector.
- ***Project management:*** Funding would be required to implement the project, including qualified staff to support procurement, financial management, and safeguards.

Component C: Supporting Post-Disaster Recovery (est. US\$0.00 mil.): This zero-sum component will finance response to an Eligible Crisis or Emergency, as needed.

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SAFEGUARDS

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

The Project will finance physical works at primary ports in FSM, which could be one or more of the ports at Pohnpei (Dekehtik), Chuuk (Weno), Yap (Colonia) and Kosrae. The ports are located in modified foreshore environments in urban areas. The land-lease arrangements will be identified during project preparation, but it is anticipated that the ports are on State-leased land. The near-shore water quality and ecosystems are degraded due to urban runoff, reclamations and sea walls, dredging, poor waste management and wastewater and ballast discharges from vessels at the docks. At Dekehtik, there are numerous ship wrecks that litter areas adjacent to the docks. Nearby all ports are reef and mangrove ecosystems which are modified but also maintain high diversity and function. Chuuk Lagoon has a large number of World War II ship wrecks that are considered heritage artefacts and are a tourist attraction, but they are not located near the working port area.

The franchising of passenger services in Chuuk Lagoon will support services to outer island communities that are vulnerable due to their relative remoteness from employment, business opportunities and schools. For many, regular travel to Weno is their only opportunity for income and education.

Most islands have land-based sources of aggregates for construction purposes, although aggregates are commonly imported to Chuuk for large-scale projects or for specific purposes (such as runway resealing). All main islands have landfill facilities and waste oil recycling collection for export.

Gender-based violence rates are high in FSM and women are vulnerable to trafficking, illegal sex work, unwanted pregnancies, harassment and violence. Imported and transient workforces such as the fishing industry and construction industry are known to contribute to these issues.

B. Borrower's Institutional Capacity for Safeguard Policies

DoTCI will be responsible for project implementation. The Department has had limited experience with World Bank safeguards policy implementation through the ICT project, which involved the installation of submarine cables. It does not have an internal safeguards team, but has been well-supported on the ICT project by a part-time environmental consultant based overseas. The State transport departments, Ports Authorities and private sector operators will be key stakeholders in the project, with decision-making and implementation support responsibilities (such as works supervision, or asset management), but have no experience with World Bank safeguards policies. This creates a risk that safeguards will not be properly coordinated and that gaps in safeguards management will result. Some effort will be required to coordinate the safeguards management across the components and responsibilities of the various agencies and ensure that all agencies have the resources they need.

DoTCI will engage consultants to prepare the safeguards instruments, assess capacity and facilitate stakeholder engagement and consultations during preparation. This will include training and raising awareness with key stakeholders to overcome the risks outlined above. A safeguards specialist will be funded by the Department of Finance and Administration (DoFA) to further assist with institutional capacity building, and will undertake the safeguards responsibilities for the project during project implementation. This position will act as a coordinating role for safeguards across the various stakeholders and components which will provide consistency and cohesion.



The World Bank task team will provide training and support to DoTCI, relevant port authorities, and DoFA to build their awareness and understanding of safeguards policies and their responsibilities under this project.

C. Environmental and Social Safeguards Specialists on the Team

Penelope Ruth Ferguson, Environmental Safeguards Specialist

Ross James Butler, Social Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>Maintenance and upgrades will be carried out at primary ports across the four States (actual works and ports to be confirmed during preparation). This may include improvements to anchorage systems (bollards, cleats, dolphin buoys) and aids to navigation. Screening has identified potential social and environmental impacts from construction: seabed disturbances, water pollution, health and safety of port users and workers, and influx of foreign labor for construction works, causing harm or harassment (including gender-based violence) to host communities. There are potential improvements to safety of passengers and workers following dock upgrades and more reliable outer island services in Chuuk, although the changes to outer island services may have negative impacts on small boat-owner livelihoods.</p> <p>Technical assistance will include a review of regulations and policies, which may lead to changes in environmental management and enforcement and / or investments in infrastructure and equipment. The review of master plans and port operations could lead to future activities beyond the project such as more significant port redevelopments, dock extensions or dredging.</p> <p>OP4.01 is triggered. The project is screened as Category B as the impacts are considered moderate and readily prevented and mitigated. An environmental assessment will be undertaken and an environmental audit conducted on the existing operations. An ESIA / limited ESIA will be prepared to document the assessment (commensurate with the nature and scale of impacts), along with an ESMP to cover all components, including physical investments and technical assistance activities. Social impacts will</p>



		be a key focus; the ESIA will include a Stakeholder Engagement Plan, social assessment and a baseline assessment of social issues such as gender-based violence. It will identify the likely size of imported vs local workforce required to complete the works based the potential location, type and scale of physical investments.
Natural Habitats OP/BP 4.04	Yes	An assessment of the impact of physical works and technical assistance on the marine ecosystem is required. The ESIA will confirm the presence of natural habitats in areas of influence and the potential for impacts from physical works or future operations as a result of this project. There is the potential that nearby mangrove and / or reef ecosystems may be negatively affected by water pollution during physical works or the seabed disturbed while installing navigation aids and anchorage.
Forests OP/BP 4.36	No	The project will not involve the removal or degradation of, change the access to, or change the management of, mangrove forests. There may be temporary sedimentation impacts from physical works at one or more ports. This type of impact will be assessed under OP4.01 and OP4.04.
Pest Management OP 4.09	No	There will be no pest management under this project or the requirement to purchase and use pesticides.
Physical Cultural Resources OP/BP 4.11	TBD	The physical investments will all be carried out within the footprints of port areas or the immediate marine environment. These areas are highly modified, and PCR are not anticipated. World War II ship wrecks are not located near the dock areas. The ESIA will identify the potential for PCR to be impacted from temporary, ancillary, land use, water pollution or physical works and measures to avoid them.
Indigenous Peoples OP/BP 4.10	Yes	Almost the entire population of each state is indigenous (Chuukese, Yapese, Mehn Pohnpei, Kosraean). To ensure that the principles of the policy are addressed, a Stakeholder Engagement and Consultation Plan will be prepared in compliance with the policy and consistent with an Indigenous Peoples Policy Framework, reflecting a Free, Prior and Informed Consultation approach that addresses the needs of vulnerable people and women.
Involuntary Resettlement OP/BP 4.12	TBD	The project will involve physical investments and although the need for involuntary land acquisition or resettlement is not anticipated as it is rarely applied in FSM, it is possible that the OP may need to be



triggered. The decision will be informed by the ESIA and social assessment process. The ESIA will also identify whether any supporting infrastructure or facilities such as laydown areas are required, and will identify if any livelihoods will be affected. The ESIA will identify the potential involuntary resettlement risks from future works influenced by technical advisory. Given the complex land management issues in the four states, and because exact work areas are not yet known, this will be assessed in detail as part of the ESIA process.

Safety of Dams OP/BP 4.37 No

This policy is not triggered as the project does not rely on a dam or will be affected by the operation of an existing dam.

Projects on International Waterways OP/BP 7.50 No

Projects in Disputed Areas OP/BP 7.60 No

There are no disputed areas in the project area of influence. This policy is not triggered.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jul 16, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

Consultant recruitment for safeguards specialists is ongoing. The studies are expected to commence by February 2018 and safeguards instruments will be prepared by mid-July 2018.

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APPROVAL

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