

**INTEGRATED SAFEGUARDS DATA SHEET
RESTRUCTURING STAGE**

Note: This ISDS will be considered effective only upon approval of the project restructuring

Date ISDS Prepared/Updated: 15-Dec-2015

I. BASIC INFORMATION

1. Basic Project Data

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|--|--|-----------------------|---------------|
| Country: | Micronesia, Federated States of | Project ID: | P130592 |
| Project Name: | Pacific Regional Connectivity Program 2:Palau-FSM Connectivity Project (P130592) | | |
| Task Team Leader(s): | James L. Neumann,Natasha Beschorner | | |
| Estimated Board Date: | 17-Dec-2014 | | |
| Managing Unit: | GTI09 | | |
| Sector(s): | Telecommunications (98%), Public administration- Information and communications (2%) | | |
| Theme(s): | Infrastructure services for private sector development (97%), Regulation and competition policy (3%) | | |
| Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)? | | | No |
| Project Financing Data (in USD Million) | | | |
| Total Project Cost: | 72.50 | Total Bank Financing: | 47.50 |
| Financing Gap: | 0.00 | | |
| Financing Source | | | Amount |
| BORROWER/RECIPIENT | | | 0.00 |
| IDA Grant | | | 47.50 |
| Asian Development Bank | | | 25.00 |
| Total | | | 72.50 |
| Environmental Category: | B - Partial Assessment | | |
| Is this a Repeater project? | No | | |
| Is this a Transferred project? | No | | |

2. Current Project Development Objectives

The development objective of the Project is to reduce the cost and increase the availability of ICT

services needed to support social and economic development in the Recipient's territory.

Proposed New PDO (from Restructuring Paper)

3. Project Description

The Project will finance the following components.

Component 1. International connectivity infrastructure. (\$44.5 million).

(a) Subcomponent 1A: Palau-Yap-Guam Cable System (US\$22.5 million). In collaboration with Palau, financing for the construction of a new cable system (and/or the procurement of capacity rights) to connect Yap to the global telecommunications network;

(b) Subcomponent 1B: Chuuk-Pohnpei Cable System (US\$18.5 million). For an undivided right to own and manage a new cable system which will be constructed between Weno and either at the Pohnpei landing station or the branching unit on the Pohnpei spur to the HANTRU-1 cable system (whichever is financially and technically most advantageous); and

(c) Subcomponent 1C: Kosrae Connectivity (US\$3.5 million). This will finance a one-time purchase of international bandwidth for Kosrae on terms which promote equitable access to broadband access across FSM.

Component 2. Technical Assistance (\$2.25 million) will finance advisory services and training for:

(a) Design and ownership structure of existing and new infrastructure.

(b) Reform and development of FSM Telecommunications Corporation. Options for restructuring FSMTC and resulting actions to strengthen FSMTC's capacity to operate in a competitive market.

(c) Sector regulation and regulatory capacity development. Complementing the TA Project (P132686), financing for medium-term technical assistance to develop key capacities within the new sector regulator.

Component 3. Project management support (\$0.75 million) will finance Project management and coordination, financial management, audit, general Project reporting, monitoring and evaluation, Training, and administrative costs associated with project implementation.

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

The restructured project no longer proposes the joint construction by Palau and FSM of a standalone cable from Guam to Palau with a spur to Yap. A new—lower impact—solution has been identified. FSM would construct a spur linking Yap to the SEA-US cable system and would buy capacity on the SEA-US cable system connecting Yap to the global telecommunications network via an existing landing facility on Guam (a United States Territory). By utilizing capacity on SEA-US, rather than building a duplicate standalone cable system, these revised implementation arrangements would reduce costs, project management risks and social and environmental impacts significantly. The SEA-US consortium has selected NEC Corporation of Japan (NEC) to construct the SEA-US cable system. NEC would also construct the spur for FSM connecting Yap to the SEA-US cable system. SEA-US and NEC are reputable international operators and accordingly major environmental risks on

the applicable deep-sea cable segment used to supply capacity to FSM are not anticipated. It is understood that NEC's Submarine Network Division is ISO9001 compliant, is a member of ICPC and adheres to ICPC recommendations.

The lateral connecting cable to landfall in Yap is approximately 262 km in length, connecting to the main SEA-US cable beyond 1,000 m isobath. This is well beyond the territorial seas and contiguous zone of FSM, and well off the continental shelf. Deep ocean fiber optic cables are no larger than 17-21 mm diameter—about the size of a domestic garden hose—and are laid mainly upon the surface of the ocean floor. No specific environmental studies are undertaken for submarine cables which lie in deep sea. However, prior to laying cables, a detailed Cable Route Survey is done to ensure that the cable is not located in high risk locations or geological features (e.g., thermal vents) that often harbor unique faunal assemblages at abyssal depths. The International Cable Protection Committee (ICPC) publishes recommendations on key issues such as cable routing, cable protection and cable recovery and prescribes strict environmental standards. Extensive studies that are undertaken by cable suppliers prior to final cable laying work as effective safeguards against any possible environmental disruption, since in large part they are intended to identify routes for the cable that will avoid seamounts, volcanoes, canyons, vents, seeps, deep water reefs, dissected terrain—all areas that tend to be associated with higher biological value than the general abyssal plain.

The lateral cable spur between the main SEA-US cable and Yap would land in Yap at the existing appraised and approved landing site (or as otherwise documented in the project ESMP). The SEA-US cable system which would supply capacity to Yap between the branching unit and Guam will follow the same route and installation methodology as originally appraised. FSM will have no control or influence over the design, installation or functioning of the SEA-US cable. Nor will FSM contribute to the financial or technical feasibility of the SEA-US cable. The spur for Yap would likely be placed in the center of the shipping channel to the bridge, by Colonia harbor and then into Chamorro Bay, outside of the marine conservation areas, to the state-owned landing area and facility site. For Chuuk, it will likely be the corridor from the Guam-Pohnpei cable junction skirting a number of atolls, also outside of the marine conservation zones, to the North East end of the airport runway and then either to the existing FSMTC office or to the governor's complex via an existing easement.

The Initial Environmental Examination safeguards documentation prepared by the Recipient has indicated that in Yap, the inland location for the landing site, and the site for the cable station are on vacant government land and that the sites are not being used by other parties. No structures, crops, or productive trees will be used will be affected. No land acquisition will be required and no involuntary resettlement has been identified. The cable landing site in Chuuk is located adjacent to the airport and is currently being purchased by the state Government. The key issue here is to ensure that the compensation for this land is paid in full and that appropriate consultation has been carried out, that the compensation reflects the full replacement cost of this land and that no outstanding grievances exist in relation to this purchase. Both options for the actual cable station are located on Government owned land (one option is an FSM Telecom compound and the other is in the state Government headquarters of Michitiw). Existing government easements are proposed to be used to bring the fiber optic cable to the cable station.

FSM will revise its Environmental and Social Management Plan (ESMP), included as part of its Initial Environmental Examination (IEE) report to provide for due diligence reporting on environmental and social management systems and instruments applied by SEA-US in connection with the construction of the segment of the SEA-US cable which will supply capacity to FSM, consistent with FSM's status as a customer of SEA-US and accepted commercial practices. It is noted that, as a purchaser of capacity from SEA-US under a contract for an Indefeasible Right of Use (IRU), FSM would have no

influence or control over the activities of SEA-US or the design, installation or functioning of the SEA-US cable. All of the parts of the SEA-US cable south east of the branching unit that would connect Yap to SEA-US is outside the area likely to be affected by the project and does not fall within the area of influence of this Project. Any activities from Guam to Hawaii and beyond carried on by SEA-US is similarly outside the area of influence of this Project.

The population of FSM is comprised of many ethnicities; and all are descended from, and belong to, the Micronesian culture. These different ethnicities are Chuukese 48.8 percent, Pohnpeian 24.2 percent, Kosraean 6.2 percent, Yapese 5.2 percent, Yap outer islands 4.5 percent, Asian 1.8 percent, Polynesian 1.5 percent, other 6.4 percent, unknown 1.4 percent (2000 census). Based on recent analytical work completed by the World Bank the communities within FSM are not considered to have the four characteristics required to trigger OP 4.10 (self-identification as distinct indigenous cultural group and recognition of this identity by others; collective attachment to geographically distinct habitats or ancestral territories in project area and the natural resources in these habitats or territories; customary cultural, economic, social or political institutions separate from those of the dominant society and culture; and Indigenous language, often different from official language of the country or region).

5. Environmental and Social Safeguards Specialists on the Team

Ross James Butler (GSURR)

| 6. Safeguard Policies | Triggered? | Explanation (Optional) |
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| Environmental Assessment OP/BP 4.01 | Yes | <p>The Project involves the laying of submarine cables and the construction of landing stations in FSM. Under the original project an existing landing station was to be used in Guam however this will no long be required as the restructured project would now intercept the (soon to be installed) SEA-US cable. Accordingly no construction activities will be required in Guam and no social or environmental impacts are anticipated.</p> <p>Potential negative environmental impacts related to the laying of the submarine cables, operations and maintenance phase of the cable operation and in the eventual removal of the cable are small-scale and temporary. The anticipated impacts include clouded water due to the temporary suspension of sand along the sections of the alignment due to cable laying and trenching; air and water pollutants as well as noise and vibration from survey and cable placement vessels; minor disturbance to coral reefs, mangroves, other marine</p> |

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| | | <p>habitats and hydrothermal vents; foreign, biologically-harmful or chemically-reactive cable materials or release of harmful substances during cable laying operations.</p> <p>The Recipient has completed an Initial Environmental Examination which included an Environmental and Social Management Plan (ESMP) for mitigation, monitoring and reporting of all identified impacts including institutional responsibilities, policy, legal, and administrative framework, cost and financing, and monitoring. Embedded in the ESMP is an Environmental Code of Practice (ECOP) which lists the items defined in the ESMP and adds further detail on boundaries and restriction to be adhered to by contractors conducting work in the marine environment and on shore. The IEE also contains procedures to establish a Grievance Redress Mechanism. The IEE includes assessment of all project-related development sites and general layout and extent of facilities at project-related development sites, analysis of alternatives for the determination of the best location and technology of the cable alignment, cable laying, landing sites and cable stations; flow diagrams of facilities/operations, design basis, size, capacity; pre-construction, construction and operational activities; construction, schedule, facilities and services; operation and maintenance activities. Community consultations were undertaken, and this has been documented in the IEE and ESMP and has been disclosed by the government.</p> <p>Unexploded ammunition from WWII poses risks that will be mitigated through careful management and due diligence; this issue is (also) addressed in the ESMP.</p> |
| Natural Habitats OP/BP 4.04 | Yes | This policy is triggered since the cable alignments for Yap and Chuuk will run |

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| | | through natural habitats but will not enter any conservation area, nor degrade or convert any critical natural habitat. Although the alignment runs close to 2 conservation areas in Yap, no impacts are expected given the small scale of the infrastructure being installed. The IEF has assessed the impacts on the marine life and the coastal ecosystems and has proposed mitigating measures in the ESMP. |
| Forests OP/BP 4.36 | No | This policy is not triggered as there will be no use of pesticides in this project. |
| Pest Management OP 4.09 | No | This policy is not triggered as there will be no use of pesticides in this project. |
| Physical Cultural Resources OP/BP 4.11 | Yes | This policy is triggered. Chuuk branch line will run directly from junction to Weno, entering the Chuuk Lagoon through the northeast channel. Draft Chuuk Historic Preservation Act declares there is a significant number of sunken World War 2 (WW2) relics (including 80 wrecks) in Chuuk Lagoon protected under law and these shipwrecks for nomination to UNESCO's World Heritage listing. The ESMP has identified potential impacts to the PCR and mitigating measures and chance find provisions are contained therein. A separate PCR management plan will be prepared and disclosed after detailed information on the relics is gathered during the oceanographic and bathymetric survey. The ESMP also establishes a chance-find procedure by requiring that if the alignment is found to affect any cultural heritage once the work has begun, mitigative actions will be discussed with local officials and an optional plan implemented and monitored. |
| Indigenous Peoples OP/BP 4.10 | No | This policy is not triggered as there are no IPs identified in the project sites. This is consistent with the PIC guidelines. |
| Involuntary Resettlement OP/BP 4.12 | No | No land acquisition is required for any of the landing sites and all cable routes are along existing government owned roads. Construction related impacts are |

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| | | <p>managed via the ESMP to ensure these are mitigated and inconvenience to local communities minimized.</p> <p>Due diligence documentation has been prepared for the FSM landing site. The project site (cable landing site and site for cable station) in Yap will be located on a government land in Nimar Village in Welo Municipality, Colonia (Parcel No. 002 F 01 title) thus will not require land acquisition. Both cable landing site and site for cable station are on a vacant government land in a government precinct including staff quarters, government offices, the Post Office and Office of Lands in the capital.</p> <p>The cable landing station for Chuuk will be on land which has already been acquired by the State Government prior to the project and not for the direct purpose of the project. The land on which the cable landing site will be located is fully owned by the Government. This is confirmed in a letter from the Governor of Chuuk State to the Chairperson of the FSM Fiber Optic Cable Taskforce. Ongoing monitoring will be undertaken by the PMU to confirm there are no outstanding issues for this land.</p> <p>Whereas under the original project a new cable was being built from Palau to Guam and a spur line to Yap would then be connected to this cable, the Yap spur will now connect to the SEA-US cable. The project therefore operates independently from the ADB supported connection of Palau (which will also have a spur to the SEA-US cable). Accordingly all Palau related impacts are now removed from the World Bank supported project.</p> |
| Safety of Dams OP/BP 4.37 | No | This policy is not triggered as there are no dams involved the project. |
| Projects on International Waterways OP/BP 7.50 | No | This policy is not triggered as submarine cable systems will be deployed in the |

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| | | open ocean, not in shared waterways (rivers, lakes). |
| Projects in Disputed Areas OP/BP 7.60 | No | No disputed areas. |

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the Restructured project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The scale of social and environmental impacts is very low. The revised implementation arrangements further reduce any impact by avoiding the need to construct a second dedicated cable from Palau Yap to Guam. The only additive infrastructure as a result of this Project includes the spur that will be installed linking Yap to the SEA-US cable system as outlined above.

An IEE has identified key social and environmental impacts and benefits for the FSM (Yap-Chuuk) component to date. Another IEE was prepared for the Palau component, which will no longer be relevant as this will not form part of the World Bank supported project.

The IEE include social assessments which confirm that the project is expected to have an overwhelmingly positive social impact by improving the accessibility and quality of ICT services which will benefit the people of FSM.

No land acquisition is required for the project however some localized disturbance may be created during construction. These have been assessed and management provisions established in the Environmental and Social Management Plan (ESMP).

Some negative environmental impacts may occur due to physical works including construction of cable landing sites and laying and/or burial of the submarine cables on seabed floor. 1 km buffer zones for sensitive environments (e.g., seamounts and hydrothermal vents) and selection of appropriate technologies and cable placement methods have been established to minimize environmental disturbance and are included in the ESMP. Maximizing placement of the cable in shipping channels will avoid harm to coral reefs, mangroves, other sensitive marine environments as well as sunken cultural relics. Although two conservation areas (CAs) in Yap are located adjacent to the project area, these areas can be avoided and the ESMP requires that contract specifications establish a cable route that provides $\geq 75\text{m}$ distance from CA boundaries, and requires all survey and cable laying vessels to maintain this distance at all times (limited by the proximity of CAs to the shipping channel).

UXO Safety Risks have also been identified in the ESMP and additional detailed work will be required during implementation to ensure UXO does not represent a risk to workers, the community or the environment.

An Environmental Code of Practice (ECOP) is embedded in the ESMP and will be used during ongoing consultation processes in guiding the effective delivery of the project.

The ESMP requires that a PCR management plan be prepared after detailed information on the sunken relics are obtained after the oceanographic and bathymetric survey. The ESMP also establishes a chance-find procedure by requiring that if the alignment is found to affect any cultural heritage once the work has begun, mitigative actions will be discussed with local officials and an optional plan

implemented and monitored.

FSM will revise its ESMP to provide for due diligence reporting in connection with the construction of the cable system segment by SEA-US which will supply capacity services for Yap. It is noted that, as a purchaser of capacity from SEA-US under a contract for an Indefeasible Right of Use (IRU), FSM has no influence or control over the activities of SEA-US.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

Construction of support infrastructure may have small-scale and localized temporary impacts. No long term impacts are expected.

Consultation highlighted concerns about increased vulnerability to human trafficking and increased accessibility of undesirable websites due to improved technology

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Alternative technologies, cable alignments, and methods were considered in the IEE, as outlined in the report. Six options for the land site in Yap and three alternative landing sites in Chuuk were considered.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The cable laying operations will avoid infringing on any live coral reefs or areas where coral is recovering from past degradation. To that end the oceanographic survey team will receive instructions to align the cable around living reefs (based on the 2014 surveys to date no such interaction is anticipated, so long the cable is placed in the shipping channel).

If not placed with care and in the shipping channel the cable could impact local seagrass meadows in both sites (albeit minimally, given that the cable is 3-7 cm in diameter). To avoid this, the cable placement will be confined to a narrow path (less than 0.4m (15") wide and 0.75m (29.5") deep, and these specifications will be included in contract documents, and avoiding seagrass meadows wherever possible. Seagrass meadow locations were identified and none found to be in the recommended cable-placement corridor, or anywhere near it.

The IEE established the limited technical capacity of the project implementing entity, the Project Coordinator or the PMU, to credibly implement the ESMP. Nevertheless, this capacity will be reinforced by the recruitment of a Safeguards monitor who will oversee the monitoring the Project's safeguards performance. Capacity building activities will be conducted to strengthen the PMUs capacity to supervise compliance with the ESMP and ECOP.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Department of Transport, Communications and Infrastructure, FSM Open Access Entity (once established), Department of Finance and Administration, MicroPal Committee (Palau-FSM joint steering committee).

The ESMP establishes the need, and outlines a process for stakeholder consultation including the requirement to conduct a series of consultations before, during and after construction activities with government, private sector and non-government organizations including women and youth to address a number of issues including progress of work and cable alignment. These consultations have the

objective of informing, and seeking feedback from all interested people on the work and general alignment location and methods to used. Coastal resource users will be consulted and cable laying activities kept to as short a period as possible, preferably outside any fishing seasons which will be defined during the consultation with Marine Resources authorities and the above community consultation activities.

The ESMP requires that a safeguards monitor-technician be retained as needed by the project coordinator's office or the national government to provide on-the-job assistance with information distribution, community consultation, and compliance monitoring tasks. The Cost of community awareness activities—such as community meetings/public consultations and information materials prior to construction, during and after construction—have been budgeted for and are expected to be approximately \$20,000, or about \$10,000 in each of Yap and Chuuk.

B. Disclosure Requirements

| Environmental Assessment/Audit/Management Plan/Other | |
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| Date of receipt by the Bank | 17 December 2015 |
| Date of submission to InfoShop | 18 December 2015 |
| For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors | NA |
| "In country" Disclosure | 17 December 2015 |
| Pacific Islands | |
| <i>Comments:</i> | |
| If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP. | |
| YES | |
| If in-country disclosure of any of the above documents is not expected, please explain why: | |
| NA – Disclosed in country | |

C. Compliance Monitoring Indicators at the Corporate Level

| OP/BP/GP 4.01 - Environment Assessment | |
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| Does the project require a stand-alone EA (including EMP) report? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |
| OP/BP 4.04 - Natural Habitats | |
| Would the project result in any significant conversion or degradation of critical natural habitats? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> NA <input type="checkbox"/> |
| If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank? | Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/> |
| OP/BP 4.11 - Physical Cultural Resources | |
| Does the EA include adequate measures related to cultural property? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |
| Does the credit/loan incorporate mechanisms to mitigate the | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |

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| potential adverse impacts on cultural property? | |
| The World Bank Policy on Disclosure of Information | |
| Have relevant safeguard policies documents been sent to the World Bank's Infoshop? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |
| Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |
| All Safeguard Policies | |
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |
| Have costs related to safeguard policy measures been included in the project cost? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |

III. APPROVALS

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|---------------------------|---|------------------|
| Task Team Leader(s): | Name: James L. Neumann, Natasha Beschoner | |
| <i>Approved By:</i> | | |
| Safeguards Advisor: | Name: Peter Leonard <i>for Leonard</i> | Date: 12/22/2015 |
| Practice Manager/Manager: | Name: Randeep Sudan <i>Randeep Sudan</i> | Date: 12/24/2015 |

