I. Introduction and Context

Country Context

The Pacific is in the midst of a “telecommunications revolution,” with improvements in connectivity seen as a way to reduce the region’s isolation and high cost of doing business. Telecommunications market liberalization is well underway in the South Pacific, notably in Papua New Guinea (PNG), Fiji, Samoa, Solomon Islands, Tonga and Vanuatu, resulting in significant increases in access to and variety of ICT infrastructure and services. The liberalization process is also commencing in the northern Pacific: Kiribati, Palau, Federated States of Micronesia and the Marshall Islands. The reform process has typically entailed governments’ adoption of new national ICT policies and legislation, and establishment of regulatory institutions to promote competitive behaviour by service providers and promote equitable service provision for consumers.

The proposed Project responds to a request from the Pacific region’s policymakers and regulators, as well as the telecommunications industry, to establish an institution that will facilitate the transfer
of knowledge and technical capacity to the region’s emerging regulators, promote harmonized regulatory approaches, foster collaboration among these institutions, and, potentially, pave the way for a regional regulator in the longer term.

**Sectoral and Institutional Context**

ICT markets across the Pacific are at varying stages of development. Some are just embarking on the liberalization process. Others are competitive markets with multiple operators. The regulatory institutions are similarly varied in terms of their experience in regulating markets. Some are newly established while others have been involved in market regulation for a number of years. Additionally, because the markets in which they operate are of different sizes, the ability of regulators in smaller markets to muster resources from licenses fees or levies based on industry revenues to pay for regulatory activities is limited. Revenues in some markets in the Pacific are sufficiently large as to generate the payment of license fees or levies that are adequate to enable the local regulator to hire external experts to advise on regulatory and legal issues. Other markets are small, and will likely remain so for the foreseeable future, which leaves the local regulators needing external financial or in-kind support to meet the regulatory challenges.

Accordingly, there is considerable interest among these institutions in establishing a central knowledge and technical support facility that will, inter alia, help build and analyze market data and other information, share regulatory experiences and lessons learned, build capacity across regulatory institutions, especially those that are less experienced than others, and increase economies of scale for all regulators in the region in terms of capacity and access to experts to assist with specialized tasks. Ultimately, by improving access to information and advice in a coordinated manner regionally, the burden of regulation may be reduced and regulatory outcomes will be improved for the benefit of market participants and the users of ICT services. A central facility could also support smaller regulators, both by providing assistance and by helping to facilitate information and knowledge sharing from regulators of larger, more competitive markets.

The concept of a regional regulatory/technical facility was first raised at a meeting of regional telecommunications/ICT stakeholders in 2007 at which the World Bank was requested to undertake an options assessment. With support from the Private-Public Infrastructure Advisory Facility (PPIAF), the World Bank undertook a detailed options analysis in 2008 and made its recommendations to the region’s ICT ministers. In 2010, under the Framework for Action on ICT Development in the Pacific (FAIDP), Pacific ICT leaders formally committed to the establishment of a regional regulatory resource centre and sought development partner assistance for implementation. On this basis, the World Bank and Asian Development Bank (ADB) mobilized resources from the Pacific Region Infrastructure Facility (PRIF) trust fund to support the establishment of a “Pacific ICT Regulatory Resource Centre” (PIRRC) hosted by the University of the South Pacific (USP) in Suva, Fiji. USP was selected as the host institution on account of its region-wide reach, its “knowledge” mandate, and its newly-established ICT centre and dedicated communications network that, inter alia, facilitates distance learning.

A two-phased implementation approach was envisaged. In Phase 1, supported by World Bank-executed and ADB-executed trust funds, arrangements were made with USP for office space and website hosting, and technical specialists recruited to reach out to prospective country members, develop a work plan and management/membership structure, and an initial set of knowledge products and learning events to demonstrate value. A Steering Committee for the PIRRC was established comprising representatives from national regulators and USP. In Phase 1, PIRRC
technical specialists collected key industry statistics and preparation of reports on the state of telecommunications competition in Pacific island countries and the performance of the industry in regard to prices, service quality and innovation; developed information packages on priority regulatory topics including those where technical skills may be required in analyzing industry trends, such as spectrum management, standardization or licensing of new services; conducted training for member countries on specialized regulatory topics; and issued best practice statements on telecommunications policies, laws, implementing rules and regulatory instruments and conducted case studies. An Annual Report was published in June 2012. However, PIRRC in Phase 1 is more a concept than an institution as it is fundamentally a technical assistance activity managed by the World Bank and ADB.

The members of PIRRC have strongly pushed for the establishment of PIRRC on a long-term basis in light of its achievements over the past two years and its envisaged medium-term work program. For Phase 2, to be supported under the proposed Project, it is proposed that the PIRRC be established as part of USP’s formal institutional structure. This is consistent with USP’s mandate as an institution serving the entire region, with responsibility, inter alia, for ICT outreach and “taking a leading role in the region’s ICT development.” In Phase 2 the capacity of PIRRC is to be further developed to provide technical, economic and legal advisory assistance to its members and to become a regional knowledge “hub” on ICT regulatory issues. While managed by USP, PIRRC will continue to be overseen by the above-mentioned Steering Committee to represent the interests and priorities of members.

Relationship to CAS
While this Project is focused on regional issues and improving regional co-ordination among regulators, it will also build on and complement existing World Bank-supported programs for ICT development in the Pacific. PIRRC will play an essential role in improving co-ordination, co-operation and enhancing regulatory outcomes across the Pacific. The potential members of PIRRC include the regulatory agencies of 14 countries in the Pacific region, including all World Bank and ADB member countries. The Project will encourage regulators to work together in order to identify common issues and challenges; technical assistance will then be provided jointly to regulators to help address those issues which have a regional dimension. In addition it is expected that the Project will reduce the administrative and substantive costs of providing technical assistance to national ICT regulators. PIRRC will also perform a coordination and thought leadership role throughout the region.

The proposed Project supports the regional ICT strategy—the Framework for Action on ICT Development in the Pacific (FAIDP). It is consistent with the World Bank’s regional engagement framework which supports improving incentives for private sector-led growth and employment. The proposed Project also supports the regional strategy's objective of strengthening capabilities for service delivery, by both public and private sectors.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The development objective of the Project is to strengthen the capacity of the Pacific ICT Regulatory Resource Centre to deliver timely and relevant knowledge and technical expertise to Pacific regulatory institutions and enhance regional collaboration on regulatory issues.

The direct beneficiaries of the Project will be the PIRRC and its members, the regulatory agencies
in the Pacific region with responsibility for the ICT sector. Indirect beneficiaries will include individuals, businesses (including telecommunications operators), government agencies and remote communities who will receive improved ICT services as a result of enhanced regulatory outcomes.

Key Results (From PCN)
The key outcomes are expected to be: (a) increased access for Pacific regulators to advisory assistance across a range of specialist legal, regulatory and technical issues, measured in terms of technical/issue papers, toolkits and good practice notes; (b) increased knowledge-sharing across the region, measured in terms of relevant and timely quantitative data availability and case studies; and (c) provision and maintenance of a forum—both face-to-face and virtual—for regulators to convene to share and discuss regulatory issues. Results indicators will be developed during Project preparation and presented in the Project Paper.

III. Preliminary Description
Concept Description
A. Concept
13. The proposed Project is an IDA regional grant of US$4.5 million to the University of the South Pacific (USP) to manage a Pacific ICT Regulatory Resource Centre. USP is the region’s premier academic institution, established in 1968. During Project identification the World Bank confirmed that USP is a regional organization that meets the eligibility requirements to receive IDA grants and that funds could be provided directly to USP. The Project will support the transition from PIRRC as a Bank-executed TA activity to a Recipient-executed knowledge institution. The Project will finance (a) the operation and management of the PIRRC; (b) knowledge dissemination and coordination among regulators, including training and capacity-building activities, collecting, analyzing and improving access to industry statistics and data; and (c) the establishment and disbursement of an advisory services fund which will be used to help regulators access specialist assistance on issues with a regional dimension. National regulators will join PIRRC for modest annual membership fees.

1. Description
Component 1. PIRRC Operations, Knowledge Management and Capacity-Building (US$2.5 million). This component will finance:
(a) a Centre Director over a five year period. The Director will have deep sector/regulatory knowledge and be responsible for development and supervision of annual work plans, preparation of annual reports, providing a discussion forum for regulators, coordination with USP and the Steering Committee, stakeholder outreach, and managing the PIRRC technical and administrative staff/consultants. The Director will also be responsible for leading regulatory knowledge management, managing the Advisory Services Fund and ensuring that its outputs are broadly disseminated and translated into best practice statements.
(b) short-term technical specialists (economic, legal, engineering) to support the Center Director, especially in delivering core knowledge advisory services, training and development, including: preparation of "best practice" models; collecting, analyzing and publishing industry statistics and data (e.g., access and service level penetration, international connectivity, investment levels, industry revenues, standard license terms, spectrum management, broadband service levels, access prices, retail prices, quality of service).
Component 2. Advisory Services Fund (US$1.5 million). This will provide financing for quick-response advice in the form of short-term consultancy or training to regulators on legal, economic, financial and technical issues in the ICT sector that have regional significance or offer a regional
learning experience. The Fund will be available to support the provision of this on-demand assistance to any two or more regulators. It is envisaged that a small co-contribution (approximately 10 percent) may be required from regulators to increase the leverage of the fund and promote ownership of issues by regulators accessing the fund. The fund may not be used to help finance the procurement of technical assistance in relation to any litigation.

Component 3. Project Administration (US$0.5 million). This component will finance staff to undertake day to day Project administration, including procurement, financial management, communications and outreach and audit.

IV. Safeguard Policies that might apply

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V. Financing (in USD Million)

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VI. Contact point

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