I. Project 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 behavior 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 current status of the market and regulatory development is summarized in Figure 1 and Table 1. 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, there is limited ability of regulators in smaller markets to muster resources from license fees or industry levies to pay for regulatory activities. 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.

There is considerable interest among these institutions in accessing knowledge and technical support collectively, on a regional basis, in order to 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 scope and 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.

Regulators in the region face several priority areas for attention. Nonexclusive carrier licenses are either under development or require revision to reflect a competitive environment. Spectrum management plans are required to minimize the risk of interference to the traffic of competing mobile operators. Interconnection of incumbent and new entrant networks and the adoption of cost-based interconnection prices require regulatory oversight and regulatory decisions. Universal service schemes, initiatives and policies are required, as incumbent operators cease to be the default provider and new entrants compete for higher-value customers. Emerging challenges include the need to accelerate broadband deployment, to address anticompetitive behavior by carriers, and to establish robust dispute resolution processes where competing carriers are in dispute with one another. At the same time, regulators are required to develop their institutional infrastructure, to recruit qualified staff, to secure sufficient funding from government and the industry for establishment and operating costs, and to establish robust and transparent decision-making processes. Progress on these actions is vital to enhance the independence of the regulatory function and the credibility of regulatory decisions.

The Project acknowledges that the regulators are at different stages of development and face different regulatory challenges. PNG and South Pacific countries are well into the post market opening stage. In these countries the regulatory reform agenda includes issues such as converged/unified services licensing, spectrum pricing and management, and wholesale access regulation by the regulator if commercial incentives for the operators are not sustained. The operational focus for the new regulatory institutions is to monitor competition, including performance of license terms of existing operators, especially vis-à-vis new market entrants. Demand for technical support is on
issues such as: competition conduct investigations, including computer forensics training, the gathering and analysis of economic evidence and financial information, competition and market analysis generally, regulating access to essential facilities, and the preparation and presentation of competition enforcement cases in a court or tribunal setting. In these countries, the priority interventions will be to strengthen the capacity of new regulatory institutions to maintain competitive markets.

In the Northern Pacific (FSM, Kiribati, Marshall Islands, Palau, Tuvalu) market liberalization is still in progress or at an early stage of implementation. The challenge in these countries is to develop sufficient sector oversight capacity—particularly on the regulatory side—to support competitive markets, and to put in place the basic regulatory framework covering issues such as spectrum management and monitoring, numbering, tariffs, interconnection and universal service. Skills in these areas are also in very limited supply locally—and being sought by the ICT industry also, so reliance on internationally-sourced technical expertise is likely for the medium-term. The priorities here are to put in place the policy, legal and regulatory foundations for sector reform.

The concept of a regional regulatory/technical support 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, 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, Pacific ICT leaders formally committed to the establishment of a regional regulatory resource center 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 trust fund to support the establishment of a “Pacific ICT Regulatory Resource Centre” (the Project) 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 Project 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 participating countries, develop a work plan and management structure, and an initial set of knowledge products and learning events to demonstrate value. A Steering Committee for the Project was established comprising representatives from national regulators, officials and USP. In Phase 1, the Project technical specialists collected key industry statistics and prepared 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 members of different 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, the Project 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 participating countries under the Project have strongly pushed for the establishment of a
regional facility that would be tasked with knowledge sharing and providing access to technical assistance at a regional level. The delivery mechanism will draw on the experience gained during Phase 1 of the Project, 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 this be delivered through regional ICT regulatory development Project, implemented by USP. 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.” The Project will support the activities of USP and create a regional knowledge “hub” on ICT issues. It will also provide financing for technical assistance to regulators on technical, economic and legal issues with a regional or multi-country dimension. While implemented and executed by USP, the Project will continue to be governed by the above-mentioned Steering Committee to represent the interests and priorities of participating countries.

II. Proposed Development Objectives

The development objective of the Project is to strengthen the capacity of Pacific ICT Regulatory institutions and enhance regional collaboration on regulatory issues.

The primary beneficiaries of the Project are the Pacific island regulatory institutions. Indirect beneficiaries will include consumers, businesses (including telecommunications operators), government agencies, researchers/academia and communities receiving improved ICT services as a result of enhanced regulatory outcomes.

III. Project Description

Component Name
Regional capacity development and knowledge management
Comments (optional)
The focus is on enhancing knowledge sharing and cooperation among regulators, taking account of their different levels of institutional maturity. It will support region-wide dissemination of knowledge products on priority ICT topics, regulatory best practices, improve access to quality sector data and provide a central mechanism (interactive portal/website) for sharing up to date knowledge and experience throughout the region. This will also be done in collaboration with other partners, where appropriate, including the International Telecommunications Union, regulatory institutions outside the region (e.g., in Australia, New Zealand, Caribbean, East Asia).

Component Name
Regional advisory services
Comments (optional)
The component will finance quick-response advice delivered in the form of consultancies or specialized training to regulators on legal, economic, financial and technical issues in the ICT sector that have regional significance or offer a regional learning experience for the immediate benefit of two or more regulators. The component will support the provision of on-demand assistance where at least two regulators request assistance.

Component Name
Project administration
Comments (optional)
The component will finance Project administration, including financial management and procurement support, audit, and incremental operating costs.
IV. Financing *(in USD Million)*

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<th>Total Bank Financing: 4.50</th>
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V. Implementation

The Project will be implemented by USP. USP has a strong network of satellite campuses throughout the South and North Pacific (including FSM, Kiribati, Marshall Islands, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu.), which the Project will be able to access in order to improve service delivery to stakeholders throughout the region (rather than relying solely on a centralized, Fiji-based, delivery model). The Project will be implemented by USP as a Project under the university’s regional ICT outreach umbrella. USP has been mandated by the Council of Regional Organizations in the Pacific with responsibility for management and coordination of all regional ICT development initiatives.

USP will assume overall responsibility for the operation and evaluation of the Project, and for procurement and financial management in line with the work program approved by the Steering Committee. The Steering Committee will be the apex governance body for the Project and will be responsible for setting, reviewing and approving the annual work plans of the Project including the budget, and assessing implementation progress under each component. The Steering Committee will also review and approve the advisory service requests of the participating countries. The Steering Committee is expected to have an advisory and oversight role guiding the substantive activities of the Project, but not an administrative function.

VI. Safeguard Policies *(including public consultation)*

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<td>Projects in Disputed Areas OP/BP 7.60</td>
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</table>

Comments *(optional)*

The project will finance consultant services, training, workshops and office administration. It will not involve any physical investments. The project proposes not to trigger any of the safeguard policies.
VII. Contact point

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