

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC417

Project Name	WS: Pacific Regional Connectivity Program: Phase 3 - Samoa (P128904)
Region	EAST ASIA AND PACIFIC
Country	Samoa
Sector(s)	General information and communications sector (100%)
Theme(s)	Infrastructure services for private sector development (50%), Rural services and infrastructure (40%), Regulation and competition policy (10%)
Lending Instrument	Adaptable Program Loan
Project ID	P128904
Borrower(s)	Ministry of Finance and Treasury
Implementing Agency	Ministry of Communications and Information Technology
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	13-Aug-2013
Date PID Approved/ Disclosed	08-Dec-2014
Estimated Date of Appraisal Completion	
Estimated Date of Board Approval	15-May-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Samoa is a small and remote Pacific island country that is highly vulnerable to external economic shocks and natural disasters. Samoa is 3,000 kilometers from New Zealand, 4,000 kilometers from Australia, and 10,400 kilometers from China. The total population is 188,000 people distributed in two main and two smaller islands. Upolu, which accounts for roughly 75 percent of the population, is where the capital city of Apia is located. Savaii is the largest island and accounts for most of the remaining 25 percent of the population. Samoa has a strong traditional culture and community and family cohesion. Since independence from New Zealand in 1962, Samoa has been a stable democracy. The Human Rights Protection Party has been in power for most of the past 30 years, most recently winning office in March 2011 with a five-year mandate running until 2016.

Samoa is a lower middle-income country. GNI per capita (Atlas method) stood at US\$3,220 in

2012. Samoa is rated as a country with "medium human development", ranking at number 96 out of 186 countries in 2012. Life expectancy in Samoa is 73 years, infant mortality stands at 16 per 1,000 and the literacy rate is 99 percent. After the abolition of primary education school fees in 2010, the net enrollment rate increased from 90 percent in 2010 to 94 percent in 2012. The government is currently planning for the elimination of secondary education fees with funding from the New Zealand Government. This should help increase secondary enrollment rates, which currently stand at 78 percent.

4. Economic performance and the impact of natural disasters. One of the best performing economies in the Pacific before the 2009 tsunami, Samoa's GDP growth averaged 4.3 percent annually between 1998 and 2008, but then fell to 1.2 percent in 2012. The main contributions to growth came from the commerce and transportation, and communication sectors, amounting to 32 percent and 23 percent of total growth, respectively, driven by tourism and remittances. Other growing sectors included public administration (16 percent) and non-public sector services (11 percent). The contribution of agriculture and fisheries to GDP has consistently declined between 1999 and 2009, going from 19 to 10 percent of GDP while manufacturing and construction have been largely stable at 22 percent. Among those formally employed, 40 percent work for the government and 60 percent for the private sector.

Sectoral and Institutional Context

Samoa was one of the first countries in the Pacific region to liberalize its ICT sector, and enjoys one of the highest rates of mobile phone coverage and access in the Pacific region. The reforms began with the adoption of an ICT policy in 2003 and the enactment of the Telecommunications Act in 2005 which provided for market liberalization and establishment of an independent regulator. New market entrants were licensed in 2006, and 75% of the state-owned incumbent (SamoaTel) was privatized in 2011— a majority stake in SamoaTel is indirectly controlled by AST Telecom LLC d/ b/a Blue Sky Communications (BlueSky). The minority stake (25%) in SamoaTel was purchased by the Unit Trust of Samoa. Total customers (fixed and mobile) climbed from 12,500 in 2002 to 152,800 by 2008 and then 168,000 by 2010. Precise data on mobile broadband are not available, but this market segment is growing rapidly due to operator pricing strategies.

The main challenge now is to meet the rising demand for broadband Internet and associated value-added services and applications. Bandwidth demand is projected to grow from about 200 Mbps in 2012 to over 3.5 Gbps in 2022 under a high-demand scenario. This demand will be driven both by increased household/individual use for high-bandwidth applications such as streaming video and multimedia, and also institutional use, including from government institutions that are being connected through the new "Samoa National Broadband Highway", a fibre/mobile network linking all government offices, schools and hospitals on Upolu and Savaii. The key challenge is therefore to secure more affordable and sustainable international bandwidth. Currently Samoan operators are using fibre and satellite international connectivity solutions. American Samoa Hawaii Cable LLC (ASHC) owns the American Samoa Hawaii cable system (ASH cable) and (indirectly) the ASH cable segment between American Samoa and Samoa (SAS Cable). The American Samoa Government owns a 33.33 percent stake in ASHC. The remaining 66.66 percent of ASHC is ultimately owned by the same company which owns BlueSky (i.e., eLandia International Inc). Bluesky, via its purchase of an interest in SamoaTel, also controls the cable station at Apia, Samoa, where the ASH cable lands. CSL has leased capacity from Bluesky under long term fixed price contracts. Digicel has opted for a regional satellite contract. These arrangements partially addressed short-term needs, at a high price, contributing to limited Internet uptake. The capacity on ASH is 1 GBps and Samoa and American Samoan demand is projected to exceed this by 200 Mbps by 2014;

in addition the ASH cable has an anticipated end of life by 2019. Digicel is considering a contract with the medium earth orbit satellite provider, O3B, in order to address short-term needs. All operators are looking for a medium to long term cable solution.

Samoa's ICT sector stakeholders have considered several options for improving connectivity in Samoa. The WB has undertaken a detailed analysis of these options November 2012, updated July 2013. This analysis examined ICT sector development options and strategy issues, including an assessment of existing network infrastructure, a supply and demand analysis, and an initial review of the current policy and legal environment. The reports concluded that a new international submarine fibre optic cable link would be required within the short term in order to meet forecast bandwidth demand from 2014 onwards. The analysis also concluded—with confirmation by stakeholders-- that such a cable investment would not be viable on purely commercial terms without contributory concessional financing. The option preferred by stakeholders is a 1,200km repeatered cable from Samoa to the Southern Cross Cable Network in Fiji with an estimated cost of US\$36 million (CAPEX). Other options considered are: (a) a link to the new Tonga-Fiji cable in Tongatapu, with spurs to the Tongan islands of Vava'u and Ha'apai; (b) O3B options, and (c) regional cable proposals including Hawaiki and AJX-East.

Institutional and Regulatory Framework. Responsibility for ICT Sector Policy falls under the Ministry of Communications and Information Technology (MCIT) together with the Ministry of Finance (MOF). The Office of the Regulator (OoTR) is the regulator for the telecommunications, broadcasting and postal sectors. The OoTR was established as an independent regulatory agency in 2006 under the Telecommunications Act 2005. The OoTR has responsibilities for licensing telecommunications and broadcasting services, managing and licensing radio spectrum usage, administering the national numbering plan, managing competition in telecommunications sector, providing consumer protection services, approving equipment types, resolving telecommunications disputes, and promoting consumer awareness. As of 2013, OoTR functions as a multi-sector regulator. Key regulatory issues that will need to be addressed in conjunction with the proposed new cable investment include: provisions for open access and fair and non-discriminatory wholesale pricing; separation of wholesale and retail service provision; and quality of service.

To progress and implement the proposed cable project, the following approach has been agreed in principle by the Government and industry stakeholders. A special purpose vehicle, "Samoa Cable Company (SCC)" will be established as a cooperative non-profit arrangement to finance and manage the investment in the new fibre optic submarine cable. Robust governance arrangements will be needed to ensure open and non-discriminatory access to international cable capacity. SCC will comprise both public and private members. It is envisaged that the SCC will be responsible for the cable system including construction and operation of the network, technical specifications and operating parameters. The funds raised by the SCC will finance the overall investment required to construct and operate the proposed cable system. The size of financial participation in the SCC by the telecom operators will be directly proportionate to their capacity entitlements on the cable.

Policy commitment from the Government of Samoa in support of new ICT infrastructure is strong. Recognizing the benefits of high-speed Internet for broad-based economic and social development, the Government of Samoa has requested the World Bank and other partners provide financial assistance for the proposed cable project, to be channeled through SCC. The Government is also seeking support for further reforms aimed at strengthening the legal and regulatory environment for broadband and the capacity of the Office of the Regulator.

Relationship to CAS

The Project is consistent with the World Bank's regional engagement strategy in the Pacific. The Project supports improving incentives for private sector-led growth and employment. It also supports the regional strategy's objective of strengthening capabilities for service delivery, by both public and private sectors. The Bank has extensive experience in supporting telecommunications market liberalization and development of new regulatory structures, including in small island economies in the Pacific (Fiji, Solomon Islands, Vanuatu), Africa, and the Caribbean. The Bank, together with other regional partners, has also supported the establishment and operation of a Pacific ICT Regulatory Resource Centre for the Pacific, hosted at the University of the South Pacific in Fiji.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The development objective of the Project is to reduce the cost and increase the availability of ICT services to support social and economic development in Samoa.

Key Results (From PCN)

Key results under the Project. The Project is expected to contribute to the following longer-term, higher-level goals: improved public service delivery (including online government services, health and education and financial services), increased private sector development opportunities, and reduced transaction costs for businesses and individuals. The Project will also contribute towards regional integration objectives of improved service delivery, trade and communications between Pacific island economies, and contribute to more efficient use of revenues within the region.

Monitoring indicators. Progress will be measured against the following results indicators:

- Increased international connectivity: measured in bandwidth availability (Mbps)
- Increased access to ICT infrastructure and services using two proxies
- Access to broadband Internet access services: measured in terms of penetration per 100 people
- Access to mobile voice services: measured in terms of penetration per 100 people
- Reduced price of international communications: measured in terms of retail prices for core services (mobile calling and broadband Internet).

III. Preliminary Description

Concept Description

Component 1. Submarine cable system. IDA financing will be provided through onlending or an equity contribution to Government to finance its participation in the "Samoa Cable Co"/SCC. SCC will be responsible for procuring and managing the proposed submarine cable system, including commercial arrangements for backhaul and interconnection, as appropriate.

Component 2. Technical Assistance for sector regulation and regulatory capacity development. This will finance medium-term technical assistance for the Office of the Regulator to review, develop and implement effective regulation for the sector with a particular focus on wholesale markets. Such assistance will include provision of legal and regulatory expertise, especially for: competition and market regulation activities; review of existing legal regulatory framework including drafting new instruments and reforms; and training and skills development. Additionally, funding will be provided for procurement of technical equipment that is needed to administer and plan effective arrangements for the sector.

Component 3. Project management support for a Project management unit to be established in the Ministry of Finance, consistent with arrangements for other IDA-financed operations. This component will finance overall Project coordination, financial management, audit, communications and outreach, and reporting, monitoring and evaluation.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04	x		
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11			x
Indigenous Peoples OP/BP 4.10	x		
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	38.00	Total Bank Financing:	15.50
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			4.00
International Development Association (IDA)			15.50
Asian Development Bank			18.50
Total			38.00

VI. Contact point

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