

**Tuvalu: Telecommunications and ICT Development Project (P159395)
Virtual Support Mission**

February 16 and 23, 2022

Aide-Memoire

I. INTRODUCTION

1. A World Bank team (Bank Team) completed a virtual implementation support mission for Telecommunications and ICT Development Project (P159395) between February 16 and 23, 2022. The mission team was led by Ms. Natasha Beschorner (Senior Digital Development Specialist and Task Team Leader) and supported by Mr. Shivnesh Prasad (Digital Development Specialist), Mr. John Haydon (Consultant) and Mrs. Eka Yabaki (Program Assistant). A list of people met during the mission is set out in Annex 1.
2. The objectives of the mission were to:
 - a. review the project plan and updated timeline,
 - b. discuss urgent next steps toward appointment of the Transaction Manager and Project Manager; and
 - c. discuss the possible extension of the project closing date.
3. The Bank Team extends its appreciation to officials in Government, implementing agencies and stakeholders for their support in availing themselves for discussions.

II. PROJECT DATA AND RATINGS

Table 1: Key Project Data and Project Ratings

Key Project Data:	Original
<i>Approval Date</i>	15-Jan-2019
<i>Effectiveness Date</i>	11-Apr-2019
<i>Closing Date</i>	29-Dec-2023
<i>Grant amount (US\$)</i>	29.00 M
<i>Disbursement (US\$)</i>	0.6M (2.27%)

Project Ratings:	Previous	Current
<i>PDO</i>	Unsatisfactory	Unsatisfactory
<i>IP</i>	Unsatisfactory	Unsatisfactory
<i>Project Management</i>	Unsatisfactory	Unsatisfactory
<i>Financial Management</i>	Moderately Unsatisfactory	Moderately Unsatisfactory
<i>Procurement</i>	Unsatisfactory	Unsatisfactory
<i>Monitoring and Evaluation</i>	Moderately Satisfactory	Moderately Satisfactory
<i>Safeguards</i>	Satisfactory	Satisfactory
<i>Risk</i>	High	High

III. IMPLEMENTATION PROGRESS AND KEY FINDINGS

4. **The Project comprises three components:**

a. **Component 1. Technical Assistance (US\$2.00 million)**

- i. Develop and implement a new ICT policy; new / amended legislation; and reforms for the ICT sector - which include strategies for Outer Islands and international connectivity incorporating a submarine optical fibre cable system.
- ii. Provide technical and management support for: the design of a public private partnership (PPP) for telecommunications and internet service provision,
- iii. Develop strategies to facilitate digital adoption, including a strategy and implementation plan for digital government and a new legal and regulatory framework to support digital government and digital commerce

b. **Component 2. Enhancing Connectivity Infrastructure (US\$26.5 million).**

Fund the Government's financial contribution to the PPP transaction to design, build and operate the international optical fibre cable system and domestic access networks to connect users on Funafuti to the global internet.

c. **Component 3. Project Management (US\$0.50 million).** Finance Project administration, fiduciary support, Project audit and communications and will complement the technical management support to be provided under Component 1.

5. **Progress towards achievement of the Project Development Objective (PDO) and overall Implementation Progress.** The development objective of the Project is to facilitate improved access to, and reduced cost of, internet services in Tuvalu. Progress towards achieving the PDO is rated unsatisfactory. There has been a delay in the procurement of key technical assistance positions (described in detail in paragraphs 7 and 8). As a result, operationalization of the PPP arrangement as envisaged under component 2 of the Project has not yet been achieved. Owing to these issues, the Implementation Rating remains unsatisfactory.

6. **Disbursements.** As of February 2022, disbursements are at about 2.7% overall, with no disbursements made in FY22.

7. **Delays in the recruitment and appointment of the Transaction Advisor.** The Ministry of Justice, Communication and Foreign Affairs (MJCFA) has started the recruitment of a new Transaction Advisor (consulting firm) for the planned Public-Private Partnership (PPP). The Request for Expressions of Interest (EOI) was published on November 8, 2021. The EOI review reports have been circulated among the members of the Evaluation Committee (EC). The EC is currently in the process of shortlisting the applicants before proceeding to the drafting the Request for Proposal. The mission noted that the Government is aiming to finalize the recruitment of the Transaction Advisor by the end of April 2022. As part of this recruitment, a number of steps need to be completed, in particular: preparation of the Request for Proposals and issuance to firms shortlisted after the REOI evaluation, evaluation of firm proposals, negotiations and award of contract.

8. **Appointment of the Project Manager.** The Government informed the mission that the procurement of the Project Manager (PM) was postponed to allow for the procurement of the Transaction Advisor to be completed first, following which a work program for the PM could be designed and the position subsequently recruited. The Bank Team advised the Government to consider doing the procurement of the PM position in parallel, as there are a number of project related activities, such as updating of the project plan and budget, overseeing the audit that could be completed by the PM while the recruitment of the Transaction Advisor is being finalized.

9. **Updated Project Plan.** In view of the on-going delays and the need to accelerate implementation, MJCFA in consultation with Ministry of Finance (MOF) is re-evaluating the project timelines and revising the procurement plan through the assistance of the Central Project Management Office (CPMO). The Government has agreed to share further updates on these with the Bank Team by April 8, 2022.

10. **Dedicated focal point to be appointed within MJCFA.** The Bank Team has recommended that the Government consider appointing a person as the dedicated focal point within the MJCFA with whom the Bank Team could liaise on a regular and on-going basis. This would ensure that the Bank Team is aware of progress at the operational level and at the same time render as much support as possible to MJCFA to successfully navigate any bottlenecks or procedural challenges and to assist in accelerating implementation.

11. **Potential Project restructuring request and Mid-Term Review.** Given that the project is scheduled to close in December 2023, restructuring and closing date extension will be needed if the project is to proceed. To date there has been minimal progress towards implementation and meeting the project development objectives. The Bank Team acknowledges the Government's on-going efforts to increasing connectivity to the outer islands but notes that such initiative has been undertaken outside of the project financing. The Minister requested that the prospective restructuring take into consideration the progress achieved and outlays made by the Government in improving the connectivity to the country and to the Outer Islands in particular. The mission agreed to review these activities with the support of project management and of transaction advisors for the PPP once they have been appointed.

12. **Internet Services and Digital Infrastructure Update.** Current delivered satellite capacity into Tuvalu is around a combined capacity of 510mbps split between ABS and Kacific. Discussions between Tuvalu Telecommunications Corporation (TTC) and EUTelSat are on-going for additional capacity to support 4G services expansion into the Outer Islands. The average download of data per device is about 9GB/user/month, with 95% of devices in use being 4G/ LTE capable. TTC confirmed during the mission that the number of sim cards in use is around 3500, with strong customer preference to use data for OTT services such as Skype, viber and messenger over traditional voice and SMS services. Further details of sector developments are summarized in Annex 2 which indicates considerable existing unmet demand that would use and benefit from an expanded and developed sector as envisaged under the project. Some additional observations by the Bank Team on the developments are summarized below:

- a. **Government investment in additional satellite capacity as well as change in suppliers has reduced prices and increased accessibility to ICT services for outer islands.** The arrival of additional service providers (Kacific) and falling prices of wholesale satellite bandwidth (from 750 USD in 2018 to 280 USD in 2022) has enabled significant increase in Tuvalu's in-service bandwidth from 50mbps in 2018 to 510 mbps at present time. Government decision to reorganize and increase satellite capacity is aligned to their strategy to increase connectivity to the communities in the outer islands. Currently 8 of the islands are connected to broadband services, and there are plans to expand 4G mobile services to four of the outer islands by the end of 2022. The Bank Team views the current investments in satellite capacity as a sound near term solution as the capacity could be repurposed for redundancy and to enhance outer island connectivity further once a cable system lands in Funafuti.
- b. **Investment in Outer Islands Distribution Network.** Complementing the additional satellite capacity, TTC has installed between 3 and 5 Hotspots on each of the Outer Islands which has enabled users to purchase capacity and connect directly to broadband services. Complementing the Hotspots, TTC is also supplying direct connect satellite service based on a user purchased satellite antenna enabling homes to have dedicated broadband service. Demand for this new service has exceeded TTC equipment stocks and TTC have ordered additional units to meet demand.
- c. **Steady increase in number of broadband users.** Referencing industry specific data for Tuvalu on Datareportal¹ reveals that Tuvalu had steady increases in the number of broadband users. The number of broadband users at the start of the project was estimated to be about 2,800 (a combination of fixed line and mobile users on Funafuti). Datareportal reports that as of February 2022, Tuvalu has 5,915 active broadband users (which count now includes dedicated satellite and hotspot users on Outer Islands as well as an expanded base on Funafuti). This steady growth may be attributed to improvement in the accessibility of services following TTC being able to access additional satellite capacity as well as a general decline in prices of mobile broadband, with the indicative price of 1GB broadband internet falling from 14 USD in 2018 to 7 USD in 2022.

¹ <https://datareportal.com/reports/digital-2022-tuvalu#:~:text=Internet%20use%20in%20Tuvalu%20in,at%20the%20start%20of%202022>

- d. **MJCFA and TTC need to consider methodology for sector data collection.** The ability to collect and analyze critical sector data is a very important tool for the Government. While the Government receives financial data from TTC, accessing timely data about customer needs and behavior helps identify relevant industry trends and informs the future policy and regulatory interventions that will be required to further develop the sector. On the basis of a review of data from third-party sources, there seems to be an indication of good growth. However, there is a risk that the reported progress may be understated, especially in light of the investments Government has undertaken to increase accessibility of services to the outer islands. Having periodic release of sector data officially by Government will help further capture developments that may be going unreported by the third-party sources. To facilitate a clear picture of the current state of affairs, it would be helpful if official and detailed data on the sector would be made available as soon as possible.

IV. NEXT STEPS AND AGREED ACTIONS

13. The next implementation support mission which would also be the Mid- Term Review is tentatively proposed for August 2022. In the meantime, the Bank Team remains at the disposal of the Government, implementing agencies and stakeholders for any further assistance and on-going discussions. The following table sets out the summary of agreed actions from this mission.

Table 2: Summary of agreed actions from this mission

	Actions	Responsible	Due Date
1.	Initiate procurement of Project Manager	MJCFA	ASAP
2.	Appoint a dedicated focal point for on-going communication with the Bank Team	MJCFA	8 April 2022
2.	Submit updated project plan	MJCFA CMPO	8 April 2022
3.	Supply ICT Sector data sought via Excel Spreadsheet	MJCFA TTC	8 April 2022
4.	Government to agree on dates for the mid-term review	MJCFA & MOF	29 April 2022
5.	Finalize recruitment of the Transaction Advisor	MJCFA	29 Apr 2022

Annex 1- Persons and Institutions Consulted:

Ministry/Organization	Name	Title
Ministry of Finance	Hon. Seve Paeniu	Minister
	Mr. Taufia Patolo	CEO
Ministry of Communication, Justice and Foreign Affairs	Hon. Simon Kofe	Minister
	Peter Njoroge	Consultant
	Dr. Tausi Taupo	CEO
Tuvalu Telecommunications Commission	Ms. Tenanoia Simona	General Manager

Annex 2- Sector Developments

The team met virtually with the General Manager of TTC to discuss the current state and prospective developments in the ICT Sector. This was intended to supplement information separately requested of TTC via an Excel Spreadsheet tabulation. TTC was not able to complete and provide the spreadsheet in advance but had agreed to supply data requested as soon as it had gathered the data from its systems. In regard to pricing information, the meeting noted that the information sought related to TTC near term plans and not prices already published on the TTC website.

TTC noted that some of the information on wholesale data sought may be commercial in confidence and TTC advised that it would seek advice about these items and respond accordingly.

In the discussions, TTC were able to describe the current sector developments as follows:

- Current international connectivity comprises ABS - 160 Mbps; Kacific - 350 Mbps across eight islands (Niulakita not in this group but is to be served in the near future). The mix of connectivity is tailored to each island. Contracts with Speedlink have ended and it no longer supplies any capacity to Tuvalu.
- ABS (Ku Band) has provided a 2.4M dish for four islands all of which are in service. Kacific (Ka Band) has provided a 1.8 M dish for each of eight islands which are supporting the WiFi Hotspot networks on these islands and a 4.5 M dish for network control on Funafuti. Additionally, it provided about 90 1.2 M dishes for residential services, all of which are in service.
- Discussions between TTC and EUTelSat are in train for additional capacity to support 4G services in the Outer Islands (using the Blue Arcus model in place on Funafuti) however these are in early stages.
- The deployment of Kacific on the outer islands has been successful – all Kacific residential service terminals (AU\$1500 ea+AU\$500 installation + \$AU 5 per GB) have been sold and a second order of terminals has been placed.
- The arrangement with ACCLinks has been replaced by Blue Arcus and all 3G and 4G installations now operational and planned are with Blue Arcus
- TTC is planning expansion of the 4G network (with Blue Arcus) to include four islands by end 2022 and then progressive expansion to other (to be determined) locations.
- The CSO payment arrangement between TTC and GoTV has not been active in latest years but will be part of business planning in FY 2021-22.
- The current business plan expects a dividend payment to the Government at the end of the 2021-22 financial year.
- New Business Planning envisages reduced retail prices, but no details are as yet not determined. TTC offered to provide forward looking pricing plans (current plans are available per website).
- Subscriber count is about 3500 (3G +4G) based on SIM card count. About 95% of devices in use are 4G/ LTE devices.
- Average download of data per device is about 9GB / user/ month
- International SMS is now operational
- Users tend to use data (Skype/ Zoom/ messenger) for telecom services rather than traditional voice /SMS which makes measures based on minutes of use and SMS sent/ received less descriptive of the performance of the sector.

Supply by TTC of the separate data sought will provide a stronger understanding of the Sector and improve the basis of discussions toward restructuring of the Telecommunications and ICT Development Project for Tuvalu. WB may ask GoTV for a copy of the TTC business Plan and Budget as part of preparations and planning for the restructuring of the project. Additionally, the Bank still needs to appreciate the substance of arrangements already contracted or planned for service to the OIs and the proposed 4G rollout.