
GRANT NUMBER D556-FM

Financing Agreement

(Digital Federated States of Micronesia Project)

between

FEDERATED STATES OF MICRONESIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

EXHIBIT "B"

21-2163

GRANT NUMBER D556-FM

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between FEDERATED STATES OF MICRONESIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to twenty-two million three hundred thousand Special Drawing Rights (SDR 22,300,000) ("Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are January 1 and July 1 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall:

- (a) cause Part 1 of the Project to be carried out by the FSM Open Access Entity;
- (b) carry out Parts 2, 3 (a), 3 (b) and 4 (a) of the Project through the Department of Transportation, Communication and Infrastructure;
- (c) cause Part 3 (c) of the Project to be carried out by the Telecommunication Regulation Authority;
- (d) carry out Part 3 (d) of the Project through the Department of Health and Social Affairs; and
- (e) carry out Part 4 (b) of the Project through the Department of Finance and Administration;

all in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement, the Project Agreements, and the Project Implementation Agreements.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.
- 4.02. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Secretary of Finance and Administration.
- 5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Department of Finance and Administration
P.O. Box PS158
Palikir
Pohnpei
Federated States of Micronesia 96941; and

(b) the Recipient's Electronic Address is:

E-mail:
fsmsofa@mail.fm

5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Association's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423 (MCI)	1-202-477-6391	cdpngpacific@worldbank.org

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AGREED as of the Signature Date.

FEDERATED STATES OF MICRONESIA

By

Eugene Amor

Authorized Representative

Name: Eugene Amor

Title: Secretary of Finance & Administration

Date: 12-Apr-2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Michel Kerf

Authorized Representative

Name: Michel Kerf

Title: Country Director, PNG & Pacific Islands

Date: 09-Apr-2020

SCHEDULE 1

Project Description

The objectives of the Project are to expand access to the internet, promote private sector investment in digital services and establish the critical foundations for digital government services and the digital economy in the Recipient's territory.

The Project consists of the following parts:

Part 1: National Digital Connectivity Infrastructure

- (a) Constructing and installing domestic fiber optic and wireless networks and related infrastructure to strengthen domestic internet and telecommunications connectivity.
- (b) Constructing and installing telecommunications infrastructure and providing connectivity services in underserved and remote areas in the Recipient's territory, selected in accordance with criteria and procedures detailed in the Project Operations Manual, including via public private partnership arrangements when appropriate, pursuant to the requirements set forth in the POM.

Part 2: Digital Government Platform

Carrying out a program of activities designed to develop the Recipient's National Government and State Governments' digital capabilities, including:

- (a) Developing a digital government strategic framework on the direction, principles and practices of the National Government and State Governments' use of digital technologies, including stakeholder consultations and developing processes for implementation;
- (b) Designing and implementing a unified national government online portal for information and services, including transactions with the Recipient's departments and agencies;
- (c) Conducting a readiness assessment for selected priority digital services and identifying and developing high value pilot e-digital services to demonstrate the value of shared digital government infrastructure and services;
- (d) Designing and implementing a digital identification platform establishing a single, secure mechanism for individuals to prove their identity online and to facilitate access to digital government services consistent with the Principles on Identification for Sustainable Development; and

- (e) Designing and implementing secure government network systems to promote common information systems, standards and applications, including e-mail, for government users.

Part 3: Enabling Environment for Digital Government and Digital Economy

Carrying out a program of activities designed to strengthen the Recipient's enabling environment for digital government and the digital economy, including:

- (a) Developing the policy legal and regulatory frameworks, and developing and strengthening institutional capabilities for digital government and digital economy, including but not limited to data privacy, data protection, cybersecurity, Net safe principles and practices to regulate harmful digital communications, cybercrime, e-commerce and digital transactions, authentication standards, and protocols and processes to improve data governance;
- (b) Supporting the development of a cyber security program, including the development of operational and administrative standards, assurance, monitoring, audit, cyber security emergency response capabilities, institutional capacity building, training and awareness programs.
- (c) Strengthening the capacity of the Telecommunication Regulation Authority to fulfil effectively its responsibilities and mandate under the Telecommunications Act, as well as such other responsibilities that may be conferred on it from time to time, including but not limited to data privacy, data protection, harmful digital communications and cybersecurity; and
- (d) Strengthening the institutional capacity of the Gender Division of the Department of Health and Social Affairs of the Recipient to carry out activities to increase participation in the digital economy on a gender informed basis, including policy development, research, monitoring and evaluation, citizen engagement, and outreach activities relating to digital literacy and digital entrepreneurship.

Part 4: Project Management

- (a) Supporting the Project Implementation Unit on management and implementation of the Project, including financing of Training and its Operating Costs.
- (b) Supporting the Central Implementation Unit with regard to preparatory and implementation activities related to the Project, as well as other projects financed by the International Bank for Reconstruction and Development and/or the Association in the Recipient's territory, including financing of Training and its Operating Costs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Project Steering Committee

1. The Recipient shall provide oversight, coordination, and support for Project implementation through the Project Steering Committee in accordance with the provisions of this Agreement, the Project Implementation Agreements, and the Project Operations Manual.
2. To this end, the Recipient shall establish, not later than one (1) month after the Effective Date, and then maintain, during the entire period of the Project implementation, the Project Steering Committee, chaired by its Secretary of the Department of Transportation, Communications and Infrastructure, (or their representative), and comprised of *inter alia*, the Secretary (or their representative) of the Department of Finance and Administration, the Secretary (or their representative) of the Department of Justice, the Secretary (or their representative) of the Department of Health and Social Affairs, and representatives of OAE and TRA and each of the State Governments appointed by the respective State Governor, and with an institutional framework, functions, and resources required for the implementation of the Project, in form and substance satisfactory to the Association.

Project Implementation Unit

3. The Recipient shall establish, not later than one (1) month after the Effective Date, and then maintain, during the entire period of the Project implementation, the Project Implementation Unit within the Department of Transportation, Communications and Infrastructure, with mandate, composition and resources satisfactory to the Association, which shall be responsible for day to day management of the Project. Without limitation to the generality of the foregoing, the Project Implementation Unit shall be headed by the Project Coordinator, with terms of reference, qualifications and experience satisfactory to the Association, and shall include the following minimum key staff, or be supported by specialists from the Central Implementation Unit, each with terms of reference, qualifications and experience satisfactory to the Association, in the following roles: (a) a financial management specialist; (b) a procurement specialist; (c) a safeguards specialist; (d) monitoring and evaluation specialist; and (e) communications specialist.

Central Implementation Unit

4. The Recipient shall maintain, during the entire period of the Project implementation, the Central Implementation Unit with mandate, composition and resources satisfactory to the Association, which shall be responsible for providing safeguards, procurement, and financial management coordination and support for the Project. Without limitation to the generality of the foregoing, the Central Implementation Unit shall include staff performing the following key functions, each with terms of reference, qualifications and experience satisfactory to the Association: (a) program management; (b) procurement; (c) safeguards; (d) communications; (e) monitoring and evaluation; and (f) financial management.

Department of Justice

5. The Recipient shall maintain, until the Closing Date, a focal point within its Department of Justice, with terms of reference, qualifications and experience satisfactory to the Association, who shall be responsible for supporting Department of Transportation, Communications and Infrastructure with the implementation of Part 3 (a) of the Project, with support from the State Governments as required.

Other implementation covenants

6. The Recipient shall take all measures required or necessary on its part to ensure that: (a) equipment, facilities or infrastructure, including but not limited to fiber optic networks, used in the supply of ICT services by FSMTC or the Open Access Entity, is used in an economically efficient manner; (b) from the Effective Date any new investments in fiber optic networks for telecommunications services shall be owned by Open Access Entity and such equipment, facilities or infrastructure shall be operated by the Open Access Entity, and not by FSMTC or any other publicly owned or controlled entity; and (c) FSMTC shall not compete against the Open Access Entity or otherwise duplicate OAE's investments in equipment, facilities or infrastructure used in the provision of telecommunications services.
7. The Recipient shall submit to its Congress, within 6 months from the Effective Date, a report detailing the FSMTC's transition to a retail-focused service provider, addressing the risks the potential financial and operational impacts on FSMTC of the competitive telecommunications market and the development of the national digital connectivity infrastructure under Part 1 of the Project.
8. The Recipient shall submit to its Congress, within 24 months of the Effective Date, legislation on electronic transactions, data protection, privacy, cybercrimes and

harmful digital communications, and cybersecurity, reflecting international best practices appropriately applied to the context of the Recipient.

B. OAE Subsidiary Agreement

1. To facilitate the carrying out of the OAE's Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Category (I) of the table set forth in Section III.A of this Schedule available to the OAE under a subsidiary agreement between the Recipient and the OAE ("OAE Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include:
 - (i) the obligations of the Recipient to: (A) make available part of the Financing to the OAE under terms and conditions acceptable to the Association, and otherwise to take all action necessary to enable the OAE to carry out Part I of the Project and ensure the achievement of the objectives thereof; and (B) ensure that all responsibilities and rights associated with the implementation of Part I of the Project are vested in the OAE in a manner satisfactory to the Association; and
 - (ii) the obligations of the OAE to: (A) take all required actions, including provision of timely consents and approvals as may be necessary, to facilitate the utilization of said proceeds of the Financing and the implementation of Part I of the Project, and to comply with its undertakings under the Project Agreement; (B) obtain all licenses, permits and approvals required for the operation and supply of domestic wholesale communication services; (C) enter into all necessary land use agreements; (D) promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the implementation of Part I of the Project and the achievement of the objectives thereof; (E) at the request of the Recipient, exchange views with the Recipient and the Association with regard to the progress Part I of the Project and the achievement of the objectives thereof; and (F) carry out Part I of the Project in accordance with the Anti-Corruption Guidelines and the ESS Instruments.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. TRA Subsidiary Agreement

1. To facilitate the carrying out of the TRA's Respective Part of the Project of the Project, the Recipient shall make part of the proceeds of the Financing allocated

from time to time to Category (2) of the table set forth in Section III.A of this Schedule available to the TRA under a subsidiary agreement between the Recipient and the TRA ("TRA Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include:

- (i) the obligations of the Recipient to: (A) make available the part of the Financing to the TRA under terms and conditions acceptable to the Association, and otherwise to take all action necessary to enable the TRA to carry out Part 3 (c) of the Project and ensure the achievement of the objectives thereof; and (B) ensure that all responsibilities and rights associated with the implementation of Part 3 (c) of the Project are vested in the TRA, in a manner satisfactory to the Association; and
 - (ii) the obligations of the TRA to: (A) take all required actions, including provision of timely consents and approvals as may be necessary, to facilitate the utilization of said proceeds of the Financing and the implementation of Part 3 (c) of the Project, and to comply with its undertakings under the Project Agreement; (B) promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the implementation of Part 3 (c) of the Project and the achievement of the objectives thereof; (C) at the request of the Recipient, exchange views with the Recipient and the Association with regard to the progress Part 3 (c) of the Project and the achievement of the objectives thereof; and (D) carry out Part 3 (c) of the Project in accordance with the Anti-Corruption Guidelines and the ESS Instruments.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

D. Project Implementation Agreements

1. In order to ensure a proper coordination and implementation of Project activities within the territories of all of the Recipient's States the Recipient shall enter into, and after that maintain during the entire period of the Project implementation, Project Implementation Agreements with each of its State Governments on terms and conditions satisfactory to the Association, which shall include, *inter alia*, the State Governments' obligation to facilitate the implementation of the Project activities within their respective territories in accordance with the provisions of this Agreement, Project Operations Manual and ESCP.

2. Each State Government shall designate and after that maintain, during the entire period of the Project implementation, a focal point responsible for, *inter alia*, coordination of the Project related activities within the respective State.
3. The Recipient shall carry out and exercise its respective rights under the Project Implementation Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any of the Project Implementation Agreements or any of their provisions.
4. In case of a conflict between the provisions of a Project Implementation Agreement and this Agreement, those of this Agreement shall prevail.

E. Project Operations Manual

1. The Recipient shall adopt, not later than one (1) month after the Effective Date, the Project Operations Manual which shall set forth, *inter alia*, the following detailed arrangements and procedures for the implementation of the Project: (i) institutional arrangements for the day-to-day execution of the Project; (ii) the preparation and successive updates of the Procurement Plan and its implementation arrangements; (iii) implementation arrangements for the ESS Instruments; (iv) budgeting, disbursement, auditing and financial management arrangements; (v) Project monitoring, reporting, evaluation and communication arrangements; (vi) the criteria and procedures to be used for selecting areas for the activities under Part 1 (b) of the Project, as well as for employment of public private partnership arrangements or such other alternative arrangements as may be necessary or appropriate; and (vii) any other administrative, financial, technical and organizational arrangements and procedures as shall be necessary for the implementation of the Project and the achievement of its development objectives.
2. The Recipient shall, and shall cause the Project Implementing Entities, to ensure, that the Project is carried out in accordance with the Project Operations Manual, and except as the Association may otherwise agree in writing, the Recipient shall not amend or waive, or permit to be amended or waived, any provision of the Project Operations Manual.
3. In the event of any conflict between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

F. Annual Work Plans and Budgets

1. The Recipient shall prepare and furnish to the Association not later than:

- (a) two (2) months after the Effective Date (or such later date which, after consideration of the reasons for the delay, the Association has confirmed in writing is acceptable to the Association in its sole discretion); and
- (b) July 1 of each year for every subsequent year during the implementation of the Project (or such later date which, after consideration of the reasons for the delay, the Association has confirmed in writing is acceptable to the Association in its sole discretion);

for the Association's review and no-objection, an annual work plan and budget (once the Association has provided its no-objection, an "Annual Work Plan and Budget"), which shall, *inter alia*: (a) list all activities (including Training and activities incurring Operating Costs) proposed to be carried out under the Project during the Recipient's following fiscal year; (b) provide a budget for their financing (with a financial plan specifying all sources of financing including the Financing and any other resources provided by the Recipient); and (c) describe the ESS measures taken or planned to be taken in accordance with the provisions of Section I. G of this Schedule 2.

- 2. The Recipient shall, and shall cause the Project Implementing Entities to, ensure that the Project is implemented in accordance with the Annual Work Plans and Budgets; provided, however, that in the event of any conflict between the Annual Work Plans and Budgets and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- 3. Any amendment to an Annual Work Plan and Budget needed during the fiscal year covered by such plan shall be subject to the prior written no-objection of the Association.

G. Environmental and Social Standards

- 1. The Recipient shall, and shall cause the Project Implementing Entities to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
- 2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause the Project Implementing Entities to ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall, and shall cause the Project Implementing Entities to, ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;

- (b) sufficient funds are available to cover the costs of implementing the ESCP;
- (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and
- (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Association shall otherwise agree in writing and the Recipient has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

- 2. The Recipient shall, and shall cause the Project Implementing Entities to:
 - (a) take all measures necessary on its part to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) promptly notify the Association of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.
- 3. The Recipient shall, and shall cause the Project Implementing Entities to, maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

- 1. The Recipient shall furnish to the Association each Project Report not later than forty five (45) days after the end of each calendar semester, covering the calendar semester.

2. The Recipient shall carry out, jointly with the Association, not later than four (4) years after the Effective Date, or such other period as may be agreed with the Association, a mid-term review of the Project ("Mid-Term Review") to assess the status of Project implementation, as measured against the indicators acceptable to the Association, and compliance with the legal covenants included or referred to in this Agreement. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of ESS measures; (v) implementation arrangements and Project staffing; and (vi) the need to make any adjustments to the Project to improve performance. To this end, the Recipient shall:
- (a) prepare and furnish to the Association, at least one (1) month before the date of the Mid-Term Review, a report, in scope and detail satisfactory to the Association and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.1 of this Schedule 2, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
 - (b) review jointly with the Association the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; and (b) repay the Preparation Advance; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training for Part 1 of the Project	10,700,000	100%
(2) Goods, works, non-consulting services, consulting services, Operating Costs and Training for Part 3 (c) of the Project	550,000	100%
(3) Goods, works, non-consulting services, consulting services, Operating Costs and Training for Parts 2, 3 (a), 3 (b), 3 (d) and 4 of the Project	10,700,000	100%
(4) Refund of Preparation Advance	350,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
TOTAL AMOUNT	22,300,000	

- B. Withdrawal Conditions; Withdrawal Period**
1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date;
 - (b) under Category (1), unless and until the Recipient has entered into the Project Implementation Agreements with each of its State Governments pursuant to Section I.D of this Schedule.
 2. The Closing Date is March 31, 2026.

APPENDIX

Section I. Definitions

1. "Annual Work Plan and Budget" means each annual work plan and budget (including related cash forecasts) for the implementation of the Project approved by the Association, in Section I.F of Schedule 2 to this Agreement; and "Annual Work Plans and Budgets" means, collectively, all such plans and budgets.
2. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. "Central Implementation Unit" means the Recipient's Central Implementation Unit, established within the Department of Finance and Administration, or any successor thereto.
5. "Department of Finance and Administration" means the Recipient's department responsible for finance, or any successor thereto.
6. "Department of Health and Social Affairs" means the Recipient's department responsible for health and social affairs, or any successor thereto.
7. "Department of Transportation, Communication and Infrastructure" mean the Recipient's department responsible for transportation, communications and infrastructure, or any successor thereto.
8. "Digital Identification Platform" means a system for registering and authenticating a person's unique identity which provides identification credentials on the basis of a minimal set of attributes about the person, such as biometric and demographic data.
9. "Environmental and Social Commitment Plan" or the acronym "ESCP" means the Recipient's environmental and social commitment plan, acceptable to the Association, dated January 27, 2020, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Association, and such term includes any annexes or schedules to such plan.

10. "Environmental and Social Standards" or "ESS" means, collectively:
(i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Association at <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework>.
11. "ESS Instruments" means jointly ESCP and any other instruments to be prepared thereunder.
12. "FSMTC" or "Federated States of Micronesia Telecommunications Corporation" means the corporation established and operating pursuant to Chapter 2 of Title 21 of the Recipient's Laws, responsible for providing telecommunications services or any successor thereto.
13. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated December 14, 2018.
14. "ICT" means information and communication technologies.
15. "OAE Project Agreement" means the Project Agreement between the Association and OAE.
16. "OAE Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Open Access Entity.
17. "Open Access Entity" and its acronym "OAE" mean the legal entity established by the Recipient pursuant to the Telecommunications Act, also known as the FSM Telecommunications Cable Corporation.
18. "Operating Costs" means reasonable incremental expenditures incurred on account of Project implementation and based on Annual Work Plans and Budgets approved

ex ante by the Association, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, meeting expenses, travel, subsistence and lodging expenses, administrative staff, project implementation support personnel, and other administrative costs directly related to the Project, exclusive of salaries of any member of the Recipient's (or any of its sub-divisions) civil service, siting fees, bonuses, fees and honoraria or equivalent payments.

19. "Preparation Advance" means the portion of the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on November 9, 2017 and on behalf of the Recipient on November 9, 2017.
20. "Principles on Identification for Sustainable Development" means the *Principles on Identification for Sustainable Development: Toward the Digital Age*, which details ten guiding principles of identification systems that include principles of inclusiveness, security, sustainability, data protection and usage rights, as amended from time to time, available here: <http://documents.worldbank.org/curated/en/213581486378184357/Principles-on-identification-for-sustainable-development-toward-the-digital-age>
21. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.
22. "Project Implementation Agreements" means jointly all the agreements to be executed between the Recipient and each of its State Government pursuant to Section I.D of Schedule 2 to this Agreement, and "Project Implementation Agreement" means any one of these agreements.
23. "Project Implementing Entities" means the Telecommunication Regulation Authority and the Open Access Entity, and "Project Implementing Entity" means any one of these entities.
24. "Project Implementation Unit" means a unit within the Department of Transportation, Communications and Infrastructure, with mandate, composition and resources satisfactory to the Association, to be established by the Recipient pursuant to the provisions of paragraph 3 of Section I.A of Schedule 2 to this Agreement.
25. "Project Operations Manual" means a manual to be adopted by the Recipient pursuant to the provisions of paragraph 1 of Section I.E of Schedule 2 to this

Agreement, as such manual can be updated from time to time with a prior written approval of the Association.

- 26. "Project Steering Committee" means the Recipient's committee to be established pursuant to the provisions of paragraph 2 of Section I.A of Schedule 2 to this Agreement.
- 27. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
- 28. "Telecommunications Act" means the Recipient's P.L. No. 18-52 which may be cited as the Telecommunications Act, of 2014 Title 21 of the Recipient's Laws.
- 29. "Telecommunication Regulation Authority" and its acronym "TRA" means the Recipient's independent telecommunication sector regulator established pursuant to the Telecommunications Act, or any successor thereto.
- 30. "TRA Project Agreement" means the Project Agreement between the Association and TRA.
- 31. "TRA Subsidiary Agreement" means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Telecommunication Regulation Authority.
- 32. "Training" means reasonable costs of Project related training activities, including workshops, all based on Annual Work Plans and Budgets approved by the Association, including preparation and reproduction of training materials, rental of facilities and equipment, transportation costs, tuition fees, per diem of trainers and trainees (if applicable), and any other expenses directly related to the Project preparation and implementation.