



# **DIGITAL FSM PROJECT**

*Semester Report  
December 2020*

Department of Transport, Communications, & Infrastructure

---

## Contents

---

1. EXECUTIVE SUMMARY .....	3
a. Overall Progress with Implementation and Semester Highlights	3
b. Key Issues and Actions Taken	4
c. Key Points Guidance is Sought	4
2. Progress with Component Implementation .....	5
a. Progress Toward Achievement of the Project Development Objective	5
b. Component 1 - OAE Projects – Connectivity Infrastructure	5
c. Component 2 - DTC&I – Digital Government Platform	5
d. Component 3a – DoJ - Legal and Regulatory Framework	6
e. Component 3b – DTC&I – Cybersecurity Program	6
f. Component 3c – TRA – Telecommunications Regulatory Support	6
g. Component 3d – DHSA – Strengthening Gender Development Office	7
h. Component 4a - Project Management	7
i. FSMTC Transition Report	7
j. CIU Update	9
3. Project Ratings .....	10
4. Financial Monitoring .....	11
5. Procurements .....	12
6. Environmental and Social Safeguards .....	13
7. Monitoring of Key Indicators .....	15
8. Progress in Meeting Legal Covenants.....	18
9. Progress with Meeting the Agreed Action Plan.....	22
10. Work Program for Next 6 Months .....	24
11. Appendix 1: Detailed Financials .....	26
12. Appendix 2: Detailed Procurement Report from STEP.....	27



# 1. EXECUTIVE SUMMARY

---

## a. Overall Progress with Implementation and Semester Highlights

The semester has been challenging and while progress has been made, it has not been as rapid as expected. Consequently, the project is now rated as Moderately Satisfactory progress towards its objectives.

The licensing of new operators and the real threat of competition is causing stresses to the incumbent operator. FSMTC has moved from paying lip service to the reforms in the hope they would go away to actively resisting and seeking to undermine them. FSMTC management remains in denial of the industry restructuring path that the FSM Government has embarked upon.

The actions of FSMTC over the last calendar year have caused issues for OAE and look to test TRA, the workings of the 2014 Telecommunications Act and the FSM Legal System. This has caused considerable additional workload and distraction for all involved.

Meaningful progress has been delayed as urgent distractions were dealt with. However, progress has been made in selecting a design company for the FTTH network (despite Covid-19), OAE has published prices, engaged with potential constructors and at the end of the Semester, the first Implementation Agreement had been signed with Yap State.

OAE has also shared high level plans for expanding into the Chuuk lagoon (Tonowas and Udot) and started planning on the Outer Islands.

The project is fortunate to retain the strong support of both the President, Congress and the Secretary of DTC&I and Secretary of Finance (World Bank Governor) who all remain committed to the project and the wider outcomes.

The TRA issued its fourth individual license to Kacific in July. Kacific has already started to make a significant impact in improving the availability of communications to Kosrae and the outer islands. In Pohnpei and Chuuk which already have fiber connectivity, Kacific's service is acting as a price / performance cap on FSMTC pricing. For business and Government customers it is providing a combination of an effective backup and offers higher speeds than are available through FSMTC's copper-based broadband. TRA has licensed two further resellers of Kacific's services - making a total of six licensed operators.

The 3<sup>rd</sup> license holder, iBoom, has started to make use of the 2014 Telecommunications Act in terms of seeking access to existing fiber networks and is likely to ask for voice interconnection.

With the entry of new operators, the first access requests to TRA and the imminent build of new open access infrastructure, real progress is being made. It is just stressful as the change process commences.

The CIO advisor role was advertised this semester and is expected to be recruited early 2021. This role is vital for the establishment of an effective Digital Government Platform.

A draft cyber security bill has been created and the project is looking forward to refining this next semester.

Little progress has been made on strengthening the capacity of the Gender Division of DHSA. This will be addressed in the following semester.

From a project perspective, the biggest challenge has not been able to recruit a permanent Project Coordinator despite two rounds of advertising. Covid-19 restrictions have made recruiting this task very challenging.

### **b. Key Issues and Actions Taken**

<b>Key Issues</b>	<b>Actions Taken</b>
FSMTC non-payment	<ul style="list-style-type: none"> <li>- OAE has developed a plan with DTC&amp;I and TRA to seek debt recovery through the courts.</li> <li>- DTC&amp;I will request supplementary funds to ensure OAE can meet its obligations.</li> <li>- DTC&amp;I will continue to monitor the situation and inform Congress and Governors.</li> </ul>
FSMTC misinformation and behavior	<ul style="list-style-type: none"> <li>- DTC&amp;I will take a lead on communications and coordinating activity through conversations with FSM Congress and the State Governors.</li> <li>- DTC&amp;I is seeking to provide better guidance to the FSMTC board through newly selected National Representative and the new Kosrae member.</li> <li>- TRA to meet with FSMTC board.</li> </ul>
Covid-19 has made resourcing a PC challenging and is impacting the project	<ul style="list-style-type: none"> <li>- Exploring using an existing consultant with FSM experience to do the task remotely.</li> </ul>

### **c. Key Points Guidance is Sought**

None for this Semester



## 2. Progress with Component Implementation

---

### a. Progress Toward Achievement of the Project Development Objective

At the end of December limited progress has been made towards the objectives. The project is still to move past start-up phase for most of the components.

### b. Component 1 - OAE Projects – Connectivity Infrastructure

OAE has been delayed in making further progress against the project plan. The actions of FSMTC impact OAE in terms of direct cash flow and in confusing the States who need to sign Implementation Agreements to meet the financing agreement conditions. Between the two issues OAE is limited in terms of activity it can complete on Component 1.

Despite the challenges progress has been made. A design company has been selected for completing the detailed FTTH design and further planning has been completed on the Chuuk lagoon and outer island connectivity.

OAE has released all its proposed pricing to the industry. It did not receive any specific feedback, iBoom have accepted them as “good” and FSMTC has not made any comment.

Yap State continues to offer the best location to start and demonstrate the benefits of the project. iBoom has committed to using the network and support from the State Governor and Legislature has been encouraging. iBoom have shared their wider plan with local officials and it is very compelling in terms of job growth and investment.

The semester has seen good conversations with CPUC on opportunities for them to expand into becoming a retailer. This is more out of general frustration in Chuuk with FSMTC and a desire to improve the outcomes for Chuukese than a business opportunity in its own right. The Chuuk State Legislature is considering amending the scope of CPUC to enter telecommunications.

OAE has also engaged with the Association of Micronesian Utilities (AMU) to understand potential prices and services for building and supporting the network.

Progress has been made on the outer islands high level planning, with an approach proposed and positive discussions with Kacific about the services they offer and what OAE is after. The launch of Kacific and the upcoming Low Earth Orbit (LEO) providers looks to be promising in so far as there will be further competition and increased supply of Satellite connectivity. This should mean that the project is able to deliver a compelling service for the islands.

### c. Component 2 - DTC&I – Digital Government Platform

The CIO Advisor position was advertised, and a shortlisting exercise is in progress. The evaluation panel will soon be finalizing the shortlisting/evaluation report with selection recommendation.



#### **d. Component 3a – DoJ - Legal and Regulatory Framework**

The draft cyber-security bill was revisited last semester and a revised bill is due in the first quarter 2021.

#### **e. Component 3b – DTC&I – Cybersecurity Program**

No progress has been made on this component.

#### **f. Component 3c – TRA – Telecommunications Regulatory Support**

A fourth individual license was awarded to Kacific on July 1<sup>st</sup> as an ISP provider as well as two further Internet Service Resellers. On September 16<sup>th</sup>, 2020 TRA issued a class license to MCS Pohnpei Inc and on December 2<sup>nd</sup>, 2020, a class license was issued to Pacific Satellites & Telecommunications Corporation. There are now a total of six licensed operators.

On the 8<sup>th</sup> of May, 2020, The TRA received a request for arbitration from FSMTCC to help settle a payment dispute between them and FSMTC. After review, the TRA informed FSMTCC that this type of dispute did not fall within their mandate and on the 14<sup>th</sup> of July, FSMTCC/OAE officially withdrew the request for arbitration.

iBoom has asked for assistance from the TRA in securing access to the existing Fiber network that FSMTC has built connecting Colonia to the OAE CLS.

iBoom is also expected to ask for PSTN interconnection as it develops services in Yap. This will likely require TRA intervention in the following semester.

The TRA has undertaken presentations to MOF and DTC&I on market development matters to assist the relevant Secretaries in their roles when talking to stakeholders and Congress.

For community/public awareness purposes, TRA had also made efforts to meet with the Governors of all 4 states of the FSM to further introduce themselves, provide updates, and discuss any questions with all the states on the on-going events taking place in the telecommunications sector within the FSM. The TRA met with the Governors of Yap, Kosrae, and Pohnpei individually through Video Teleconference between October 28<sup>th</sup> and November 13<sup>th</sup>, 2020. A meeting with was held with the Chuuk Governor's staff and a further meeting is to be scheduled in the new year.

TRA submitted its annual report covering period September 2019 to September 2020 to World Bank on Nov. 5, 2020. It also submitted its nomination for the 3<sup>rd</sup> member of the TRA to the President on November 5, 2020.



### **g. Component 3d – DHSA – Strengthening Gender Development Office**

During the project development stage, considerable progress was made on planning this component. Unfortunately, the key lead in DHSA has changed and the project is starting again with new leadership in DHSA.

The project hopes to make a start next semester.

### **h. Component 4a - Project Management**

The Acting Project Coordinator (APC) continued to play an extended role in the sector especially in the political arena as a result of FSMTC's continual attempts to delay the project and introduction of competition.

The actions of FSMTC have been the biggest challenge to the project this semester. Their unilateral decision to stop paying their invoices to OAE has caused financial stress on OAE and concerns for new entrants looking to establish themselves in FSM and to other external partners.

Reacting to and managing the situation has taken considerable effort.

The project has benefited from the strong support of the President and Secretary of DTC&I throughout the Semester.

Unfortunately, due to COVID-19 restrictions there was no in-country mission during the Semester. A virtual mission is scheduled for completion in the new year.

A request for EOI was issued for a Project Coordinator to cover both the ICT project and the newly approved Digital FSM project. A second advertisement of the position was completed during the semester, but again no suitably qualified applicants were available. Recruiting has been complicated by Covid-19 restrictions which mean that even if a suitable candidate was found they would not be able to travel to FSM and would be restricted in their ability to suitably engage with the projects.

An alternative solution is being explored to use an existing consultant familiar with the FSM and the project to fulfill the role remotely for the interim.

The impact is that many of the project tasks required by the financing agreement are delayed. The PSC has met but without the state representatives and the Implementation Agreements have taken time.

Sustained focus is now being placed on clearing the outstanding project actions.

### **i. FSMTC Transition Report**

The semester has seen a draft report produced that outlines the challenges with FSMTC and the options for moving forward. Both a detailed long form report and a short PowerPoint summary have been completed.



During the Semester, the President submitted legislation to transfer the ownership of the Hantru cable to OAE. This received mixed support in Congress and highlighted the challenges in implementing legislative change for what is a relatively simple piece of asset restructuring between two state owned entities. As a result, Secretary Apis has not yet presented the report to Congress as the project team agreed that Congress is not ready to receive such a report and act on it in a positive manner.

The summary report has been used with States to explain the wider program of reform and highlight the need for change in FSMTC.

The project team has focused less on the actual report and instead on creating the environment that would cause the FSMTC Board to direct management to engage with DTC&I with a backstop position that reform would be a necessary condition for any future request for shareholder funds.

The key issue the project team is looking to solve in completing the condition of the financing agreement is not the "answer" in terms of what solution needs to be implemented, but having an environment where change is able to be implemented and effective.

Four paths have been followed over the semester to create an environment for change:

**(a) Actively engage State Governors for them to instruct the FSMTC Board to support reform and the Digital FSM project**

Governance of FSMTC sits through the board members appointed by each state. This nominally gives good regional representation, but it has not ended up being effective in assisting management through the industry changes that the Government wishes to implement.

As the Digital FSM project needs to engage with each of the states to secure the implementation agreements it made sense to include the request for each state to fully support the wider program of reform. The IA specifically obligates each State to instruct their FSMTC Board representatives to support the reforms and to engage with the National Government.

**(b) Increased activity and response by TRA to FSMTC conduct**

**(c) Demonstration in Yap of the obvious benefits and the Government's commitment for change**

Yap looks to be where the benefits of reform and the Digital FSM will be shown first. Yap's Governor and key officials have long involvement in communications and believe that they can drive wider economic development. Yap is also fortunate to have a native technology entrepreneur who is looking to return home and invest in improving the opportunities and creating jobs for locals. The combination of Government and motivated private investment is key to showing what can be done.



This is the best chance the project has of showing what can be done, all local parties are motivated in doing best for Yap rather than just securing an acceptable return on investment. The team has focused on making this a success to encourage wider change.

Success in Yap is the best method to getting the FSMTC Board and Congress's attention to the need for change.

**(d) Prepared for any request of FSMTC for additional funding**

This is the backstop activity which prevents FSMTC from getting additional funding from Congress unless it commits to reform.

Based on the draft report's assessment of FSMTC's finances and the further pressures from the entry of Kacific on key business revenues, the core assumption is that the corporation would need further Government assistance. FSMTC has been struggling to meet debt obligations and had been claiming falling revenues. This has been signaled early this year when FSMTC asked for exemption of Tax, OAE and TRA obligations.

With the draft report completed, DTC&I and DoFA would be able to respond quickly and authoritatively to any request for additional funds and link it to structural change.

In summary, there is no easy solution or single task that will secure the necessary changes to FSMTC. The stalling of the Hantru legislation in Congress has shown that there is no quick win. Anything through the Congress must have near universal support and little controversy.

Progress with State leadership has gone well and a slow rebuilding of support is occurring.

The project's working assumption that the combined pressure from Governors, emerging competition in iBoom and from Kacific plus the regulatory processes will build the case for change.

**j. CIU Update**

CIU activities continued with the Unit providing support to the PIUs across the portfolio. Contracts for the Program Manager, Program Assistant and three finance officers transferred from their respective funding sources i.e. PROP and PFM projects over to the \$5M budget set aside for the CIU under DFSM. In addition, there were other procurement costs for the procurement pool of specialists hired to assist the Procurement Advisor under the PFM and SEDAP projects. During the period there was also budget for a 'gender based violence' review of the FSM-WB portfolio. This was advertised and recruitment unsuccessful due to no applicants and so this was re-advertised.

During the period, the CIU budget was submitted and cleared by the World Bank for planned activities which are mainly for: CIU personnel; procurement pool specialists; training and operational costs of the CIU.

### 3. Project Ratings

---

As at the end of the Semester, no support mission has been completed and only high level PDO and Implementation Progress assessments have been received. The setbacks for the project have seen the PDO rating fall compared to last semester.

<b>Project Ratings:</b>	<b>Previous</b>	<b>Current</b>
Project Development Objective	Satisfactory	Moderately Satisfactory
Implementation Progress	Moderately Satisfactory	Moderately Satisfactory
Project Management	-	-
Financial Management	-	-
Procurement	-	-
Safeguards	-	-
Risk	High	High



## 4. Financial Monitoring

No financial management implementation review of the FM arrangements of the Project could be conducted this Semester due to COVID-19 Health Emergency restrictions.

The FM performance has not yet been rated

### Expenditure by Component (USD)

	Budget	Open Encumbrances	All Prior Periods Expenditure	6 months to 12/31/20 Expenditure	Total Expenditure	Remaining Balance	PPA Digital	Remaining Balance post PPPA
Component 1. National Digital Connectivity	15,000,000	62,512	-	101,400	101,400	14,836,088	96,838	14,739,250
Component 2. Digital Government Platform	6,500,000	-	-	-	-	6,500,000	-	6,500,000
Component 3. Enabling Environment for Digital	3,000,000	-	-	-	-	3,000,000	-	3,000,000
Component 4. Project Management	6,300,000	281,859	20,472	99,246	119,718	5,898,423	193,150	5,705,273
<b>Total</b>	<b>30,800,000</b>	<b>344,371</b>	<b>20,472</b>	<b>200,646</b>	<b>221,118</b>	<b>30,234,511</b>	<b>289,988</b>	<b>29,944,523</b>

### Expenditure by Category (USD)

	Budget	Open Encumbrances	All Prior Periods Expenditure	6 months to 12/31/20 Expenditure	Total Expenditure	Remaining Balance	PPA Digital	Remaining Balance post PPPA
Personnel	1,278,242	-	12,996	15,134	28,131	1,250,111	-	1,250,111
Travel	2,919,940	-	-	2,125	2,125	2,917,815	115,592	2,802,223
Other expenses	1,984,021	2,716	2,676	1,305	3,981	1,977,325	9,766	1,967,558
Consultancy Services	12,769,637	341,656	4,800	182,081	186,881	12,241,100	164,630	12,076,470
Fixed Assets	11,848,160	-	-	-	-	11,848,160	-	11,848,160
<b>Total</b>	<b>30,800,000</b>	<b>344,371</b>	<b>20,472</b>	<b>200,646</b>	<b>221,118</b>	<b>30,234,511</b>	<b>289,988</b>	<b>29,944,523</b>

Separate budget codes for the components implemented by each Agency have been set up to monitor/track expenses. For TRA, an arrangement has been made where the CIU processes prepayments of TRA project expenditures relating to their component. As per the TRA, this has been working effectively as they get the checks within three days. For the FSMTC, the current arrangement is through reimbursements.

An updated commitments register is now being maintained that facilitates a more efficient and easier monitoring of active contracts. An improved project filing system is being maintained for the projects with documents properly filed for reference and documentation purposes.

The quarterly IFRs for the ICT project were submitted to the Bank on the following dates:

IFR for quarter ending	Submitted to the Bank
September 30, 2020	November 15, 2020

Next IFR for March 31, 2021 is due 15 May 2021.

## 5. Procurements

Below are active project funded contracts for the reporting semester period.

Name	Role	Value	Start Date	End Date	Status
<b>FSMTCC</b>					
Mike Lott	FTTH Advisor	260,450	22- Nov 20	30-Jun-21	Underway
Peter Garamfel	FTTH Rollout Manager	195,000	31-Jan-20	28 Feb 23	Underway
UCG	FTTH Detailed Design	617,517			Not yet signed
<b>DOFA</b>					
Beulah Daunakamakama	CIU Program Manager	233,200	12-Oct-20	26-Sep-21	Underway

The complete Procurement Plan can be found on the World Bank STEP Website. Further detail is in appendix 2.



## 6. Environmental and Social Safeguards

---

The core objective of the Environment and Social risk management plan for the project is to prevent as much as practicable, and/or mitigate any potential adverse impacts on people, their environment and cultural assets during the project's implementation.

The Digital FSM Project has an Environmental and Social Risk Classification (ESRC) of moderate for both environmental and social risks as per the World Bank Environmental and Social Framework (ESF). The potential impacts of the project are considered readily preventable and mitigatable.

As a result of this assessment, the Government of FSM prepared the following instruments in accordance with the World Bank's Environmental and Social Framework (ESF) to guide the delivery of the projects scope of works:

- Environmental and Social Management Plan (ESMP);
- Environmental and Social Commitment Plan (ESCP);
- Labor Management Procedure (LMP); and
- Stakeholder Engagement Plan (SEP).

The above project instruments have been disclosed and are available on the WB, DTC&I and DOFA – CIU web sites.

The project is supported by the CIU Safeguard team which includes an International Safeguards Specialist and a full time National Safeguards Coordinator who provide timely support and relevant advice to the Project.

### Component 1 – FTTH and Outer Island

The safeguard instruments (ESMP) that were completed as part of the project approval process remains valid and no additional updates have been required.

The updated ESMP has been incorporated into the project's safeguard management systems and will be included in all projects bidding documents and scope of works for the pre-construction and construction phase of the project to ensure contractors include all safeguard requirements.

The Land Access Protocols for the FTTH project are outstanding. The FTTH project will involve extensive build in the public utility space and issues with private land access and how that will be secured be resolved before build can commence. Further internal design considerations and stakeholder discussions are required to ensure the project land access process meets the project and WB requirements.

Stakeholder engagement will continue throughout the project's life; including state site visit/s by the CIU safeguard team to assist in the projects stakeholder awareness and



understanding of the safeguard implications to the project's development, the development of safeguard monitoring actions associated with compliance and the management of the projects GRM and contractors. COVID travel implication during the latter half of this reporting period has prevented international and domestic travel within the FSM. As such increased, virtual communication activities have been instigated and will remain until COVID restrictions are lifted.

The focus over the next 12-18 months will be the integration of E&S risk identification and advisory into high level planning under Component 1, consultations, completion of the projects land access plan, Grievance Redress Mechanism (GRM) awareness raising and the supervision relating to the installation and building of the FTTH and outer islands connectivity.

The projects GRM is operational and to date no environmental, social, health and safety (ESHS) incidents have been reported.

The projects GRM remains valid, however discussions have been initiated to undertake a review and update of the projects GRM to include recent WB and FSM government initiatives associated with Gender Based Violence (GBV), Sexual Exploitation and Abuse (SEA) and Sexual Harassment (SH). It is envisaged that the GRM will be updated during the first quarter of 2021, including training and awareness raising activities.

### **Component 2 – Digital Government Platform**

This component is yet to establish. Key issues will be considering the social impact of increased online usage.

### **Component 3 – Enabling Environment for Digital Government**

The CIU safeguard team, throughout the reporting period monitored work progress and periodically met with the OAE and TRA project manager to discuss safeguard implications of the project. No specific safeguard activities were required during this reporting period, however the CIU safeguard team will continue to monitor safeguard requirements and liaise with the project manager as required. The projects safeguard instruments remain operational including the GRM.



## 7. Monitoring of Key Indicators

The table below shows no progress on any of the PDO indicators. This is to be expected given the stage of the project. Market monitoring to improve reporting is an action for the TRA.

The TRA has circulated to all operators for consultation the market data it is considering requiring operators to provide. The consultation process is due to be completed in April 2021, with a final determination to be made by the TRA in May 2021. While this will create a law obligation on operators to report the required data, actual compliance may take some time.

### Expanded access to the internet

	Baseline	Actual (Previous)	Actual (Current)	End Target
Date	31-Dec-2019	17-June-2020	31-Dec-2020	31-Mar-2026
▶ Expanded access to internet services on outer islands (percentage of outer islands with internet access) (Percentage, Custom)				
Value	0.00	0.00	0.00	50.00
▶ People provided with access to the Internet (Number, Corporate)				
Value	35,000.00	35,000.00	35,000.00	55,000.00
▶ Number of people that benefited from new access to Internet Service (Number, Corporate Breakdown)				
Value	0.00	0.00	0.00	20,000.00
▶ Number of people that benefited from improved Internet Service (Number, Corporate Breakdown)				
Value	0.00	0.00	0.00	35,000.00
▶ People provided with access to the Internet – Female (Number, Corporate Supplement)				
Value	17,500.00	17,500.00	17,500.00	27,500.00

### Promote private sector investment in digital services

	Baseline	Actual (Previous)	Actual (Current)	End Target
Date	31-Dec-2019	17-June-2020	31-Dec-2020	31-Mar-2026
▶ Number of fixed broadband retail providers in FSM (Number, Custom)				
Value	1.00	1.00	1.00	2.00



► Number of mobile service providers in FSM (Number, Custom)

Value	1.00	1.00	1.00	2.00
-------	------	------	------	------

**Establish the critical foundations for digital services**

	Baseline	Actual (Previous)	Actual (Current)	End Target
Date	31-Dec-2019	17-June-2020	31-Dec-2020	31-Mar-2026

► Digital government strategy adopted by National and State governments (Yes/No, Custom)

Value	No	No	No	Yes
-------	----	----	----	-----

► Regulatory framework for digital services adopted (Yes/No, Custom)

Value	No	No	No	Yes
-------	----	----	----	-----

**Intermediate Results Indicators by Components**

**Component 1: National Digital Connectivity Infrastructure**

	Baseline	Actual (Previous)	Actual (Current)	End Target
Date	31-Dec-2019	17-Jun-2020	31-Dec-2020	31-Mar-2026

► Availability of fiber services in the deployment area (homes passed) (Percentage, Custom)

Value	0.00	0.00	0.00	80.00
-------	------	------	------	-------

► Premises with a fiber connection (Percentage, Custom)

Value	0.00	0.00	0.00	25.00
-------	------	------	------	-------

► Cost of entry level fixed broadband service (Amount (USD), Custom)

Value	26.00	26.00	26.00	26.00
-------	-------	-------	-------	-------

► Speed (Kbps) of entry level fixed broadband service (Number, Custom)

Value	512.00	512.00	512.00	10,000.00
-------	--------	--------	--------	-----------

► Mobile broadband penetration (Percentage, Custom)

Value	0.00	0.00	0.00	40.00
-------	------	------	------	-------

► Base-stations installed on outer islands (Number, Custom)

Value	0.00	0.00	0.00	20.00
-------	------	------	------	-------

► Project beneficiaries reporting satisfaction with improved internet services (Percentage, Custom)

Value	0.00	0.00	0.00	50.00
-------	------	------	------	-------



ψ of which female (Percentage, Custom Breakdown)

Value	0.00	0.00	0.00	25.00
-------	------	------	------	-------

#### Component 2: Digital Government Platform

	Baseline	Actual (Previous)	Actual (Current)	End Target
Date	31-Dec-2019	17-Jun-2020	31-Dec-2020	31-Mar-2026
▶ Digital government strategy developed (Yes/No, Custom)				
Value	No	No	No	Yes
▶ Digital services implemented by Government (Number, Custom)				
Value	0.00	0.00	0.00	2.00
▶ Passage of harmful digital communications bill (Yes/No, Custom)				
Value	No	No	No	Yes

#### Component 3: Enabling Environment for Digital Government and Digital Economy

	Baseline	Actual (Previous)	Actual (Current)	End Target
Date	31-Dec-2019	17-Jun-2020	31-Dec-2020	31-Mar-2026
▶ Government's Digital Cyber Security Program developed (Yes/No, Custom)				
Value	No	No	No	Yes
▶ Number of people reached through digital literacy and entrepreneurship programs (Number, Custom)				
Value	0.00	0.00	0.00	5,000.00
ψ of which female (Number, Custom Breakdown)				
Value	0.00	0.00	0.00	2,500.00

#### Component 4: Project Management

	Baseline	Actual (Previous)	Actual (Current)	End Target
Date	31-Dec-2019	17-Jun-2020	31-Dec-2020	31-Mar-2026
▶ Grievances responded and/or resolved within the stipulated service standards (Percentage, Custom)				
Value	0.00	0.00	0.00	75.00



## 8. Progress in Meeting Legal Covenants

### Conditions of the Digital FSM Financing Agreement – Deemed Effective 20 May 2020

	Obligation	Ref	Specific time stated or general obligation	Specific Date	Status Last Semester	Current Status
1	Establish and maintain Project Steering Committee	Schedule 2, Section 1, A 2	Within 1 month of effective date	20 June 2020		Partial DTCI-9
2	Establish and maintain Project Implementation Unit	A 3	Within 1 month of effective date	20 June 2020		Overdue DTCI-1,2
3	Maintain Central Implementation Unit	A 4				Complied with
4	Maintain focus within Department of Justice to support component 3a of the project (Develop policy, legal and regulatory frameworks for digital government and digital economy)	A 5				Complied with
5	Ensure that all equipment, facilities or infrastructure used in the supply of ICT services by FSMTC or OAE is used in an economically efficient manner.	A 6 (a)				Being monitored
6	Any new investments in fiber optic networks for telecommunications services be owned by Open Access Entity and such equipment, facilities or infrastructure shall be operated by the Open Access Entity, and not by	A 6 (b)	From the effective date	20 May 2020		Being monitored



	<b>Obligation</b>	<b>Ref</b>	<b>Specific time stated or general obligation</b>	<b>Specific Date</b>	<b>Status Last Semester</b>	<b>Current Status</b>
	FSMTC or any other publicly owned or controlled entity					
7	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	A 6 (c)				<b>Being monitored</b>
8	Submit a report to Congress detailing FSMTC's transition to a retail focused service provider, addressing the risks of the potential financial and operational impacts on FSMTC of the competitive telecommunications market and the development of Part 1	A 7	Within 6 months of effective date	20 November 2020		<b>Alt. approach being adopted</b> <b>DTCI-3</b>
9	Submit to congress legislation on electronic transactions, data protection, privacy, cybercrimes and harmful digital communications, and cyber security	A 8	Within 24 months of effective date	20 May 2022		<b>1<sup>st</sup> Draft complete</b> <b>DoJ-1</b>
10	General OAE obligations – set up to implement Part 1 and comply with the agreement	B 1,2				<b>Complied with</b>
11	General TRA obligations – set up to implement Part 3c and comply with the agreement	C 1,2				<b>Complied with</b>



	<b>Obligation</b>	<b>Ref</b>	<b>Specific time stated or general obligation</b>	<b>Specific Date</b>	<b>Status Last Semester</b>	<b>Current Status</b>
12	Enter and maintain Project Implementation Agreements with each of the State Governments 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.	D 1 and Section III B (1) b	No withdrawal can be made for Part 1 (Connectivity) until this is on place			<b>Under action</b> <b>DTCI-4</b>
13	Each State Government will designate and maintain during the entire period a focal point for co-ordination with the project	D 2				<b>Under action</b>
14	Adopt a Project Operations Manual	E 1	Within 1 month of effective date	20 June 2020		<b>Overdue</b> <b>DTCI-10</b>
15	Annual Work Plan and Budget	F 1	Within 2 months of effective date, then July 1 <sup>st</sup> each following year	20 July 2020		<b>Under action</b> <b>DTCI-12</b>
16	Ensure project is carried out to the agreed Environmental and Social Commitment Plan	G 1,2,3				<b>Being monitored</b>



	<b>Obligation</b>	<b>Ref</b>	<b>Specific time stated or general obligation</b>	<b>Specific Date</b>	<b>Status Last Semester</b>	<b>Current Status</b>
17	Project Monitoring, Reporting and Evaluation. Provide a project report and a mid-term review	Section II, 1,2	Project Report no later than 45 days after the end of the calendar semester.  Mid-term review no later than 4 years from effective date			<b>Under action</b>  <b>DTCI-1,2</b>

## 9. Progress with Meeting the Agreed Action Plan

	Action	Target Date	Status
<b>OAE</b>			
1	Complete Procurement for FTTH Design	30 August 2020	Procurement took longer due to complications in managing for Covid-19 and the decision to include the purchase of a PNI system as part of the process.  Negotiated contract with UCG received No-Objection. Signing will be delayed until funding is secured.  No further build can commence until Implementation Agreements are signed and there is service provider commitment in the respective state.
2	Complete high-level road map for Chuuk Lagoon	31 July 2020	Complete. Stakeholders have all been engaged and good conversations with CPUC.
3	Complete high-level plan for Outer islands	30 September 2020	Complete
4	Complete Land Access Protocol for FTTH and Outer Islands	31 November 2020	Preliminary documents shared but further development required before signed off. Is required before build can start.
<b>TRA</b>			
<i>TRA components managed through Connectivity Project while Connectivity Project is operational, then will shift to Digital FSM</i>			
<b>DTC&amp;I</b>			
1	Recruit PC and establish PIU (and complete associated activities such as workplan, budget)	30 September 2020	Second round was not successful. Plan is to use existing contracted resource.
2	Complete report on FSMTC for Congress	20 November 2020	Report is complete, but project team has adopted a more holistic approach.
3	Secure Implementation Agreement with each State	30 September 2020	Delayed, and is having an impact on the project. Has been focus of November and



	Action	Target Date	Status
			December with meetings with States. Yap has signed.
4	Recruit CIO Advisor	30 September 2020	Delayed. Recruitment process has found an excellent candidate. Goal is to contract this critical resource
5	Publish and agree plan for Component 2	31 December 2020	This is delayed until the CIO advisor above is contracted and in place.
<b>DHSA</b>			
1	Set up Gender Development Project	30 September 2020	No progress. Change in staff at DHSA has caused a reset. Project sponsor is to escalate.
2	Engage with States	30 November 2020	As above
3	Recruit resources in each State	31 December 2020	As above.
<b>Department of Justice</b>			
1	Complete 1 <sup>st</sup> Draft Cybersecurity Law	30 November 2020	1 <sup>st</sup> Draft complete.

## 10. Work Program for Next 6 Months

	Actions	Due Date
<b>OAE</b>		
1	Sign FTTH Design Contract	15 Feb 2021
2	Complete FTTH Design ready for procurement with a start in Yap State	30 June 2021
3	Change UCG contract to include Chuuk Lagoon	31 May 2021
4	Complete procurement planning and be ready to formally start Outer Island procurement	30 June 2021
5	Complete Land Access Protocol for FTTH and Outer Islands	30 April 2021
<b>TRA</b>		
<i>TRA components managed through Connectivity Project while Connectivity Project is operational, then will shift to Digital FSM</i>		
<b>DTC&amp;I</b>		
1	TORs submitted for Project Coordinator for FSM Connectivity and Digital FSM Projects	<b>28 Feb 2021</b>
2	Recruit PC and establish PIU (and complete associated activities such as workplan, budget)	<b>28 Feb 2021</b>
3	Status update report on FSMTC to Congress	<b>28 Feb 2021</b>
4	Secure Implementation Agreement with Kosrae, Chuuk and Pohnpei	<b>28 Feb 2021</b>
5	COI Advisor recruitment evaluation report sent to Bank for review and NO	28 Feb 2021
6	Recruit CIO Advisor	31 March 2021
7	TORs for project officers finalized and advertised	31 March 2021
8	Selection of specialist communications firm for outreach material	28 Feb 2021
9	Full Project Committee established	<b>28 Feb 2021</b>
10	Final version of POM complete	<b>28 Feb 2021</b>
11	Solve interim financing for OAE	28 Feb 2021
12	Consolidate budgets and updated workplans from each IA and submit to Bank	<b>31 March 2021</b>
13	Publish and agree plan for Component 2	31 December 2020
<b>DHSA</b>		
1	Set up Gender Development Project	31 May 2021
2	Engage with States	30 June 2021
3	Recruit resources in each State	31 July 2021
<b>Department of Justice</b>		
1	Plan for implementation of law	31 May 2021
<b>DoFA</b>		



	<b>Actions</b>	<b>Due Date</b>
1	Rollout of e-document system, contract monitoring solution and upload of documents to the IAs	30 June 2021

Dates marked red are linked to overdue legal covenants in the financing agreement. These have the highest priority.

## 11. Appendix I: Detailed Financials

### DIGITAL FSM

Semester Report for the six months ended December 31, 2020

	Budget	Open Encumbrances	All Prior Period Expenditure	6 month to 12/31/20 Expenses	Total Expenditure	Remaining Balance	PPA DIGITAL	Remaining balance Post PPA costs
<b>FSMTCC 36940 C1</b>								
8001 Personnel	660,000	-	-	-	-	660,000	-	660,000
8101 Travel	165,000	-	-	-	-	165,000	-	165,000
8201 Consumables	1,175,000	-	-	-	-	1,175,000	-	1,175,000
8301 Contractual Services	2,400,000	62,512	-	101,400	101,400	2,236,088	96,838	2,139,250
8601 Fixed Asset	10,600,000	-	-	-	-	10,600,000	-	10,600,000
<b>Subtotal</b>	<b>15,000,000</b>	<b>62,512</b>	<b>-</b>	<b>101,400</b>	<b>101,400</b>	<b>14,836,088</b>	<b>96,838</b>	<b>14,739,250</b>
<b>DTCI 36941 C2</b>								
8001 Personnel	-	-	-	-	-	-	-	-
8101 Travel	500,000	-	-	-	-	500,000	-	500,000
8201 Consumables	500,000	-	-	-	-	500,000	-	500,000
8301 Contractual Services	4,500,000	-	-	-	-	4,500,000	-	4,500,000
8601 Fixed Asset	1,000,000	-	-	-	-	1,000,000	-	1,000,000
<b>Subtotal</b>	<b>6,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,500,000</b>	<b>-</b>	<b>6,500,000</b>
<b>DTCI 36942 C3A</b>								
8001 Personnel	-	-	-	-	-	-	-	-
8101 Travel	150,000	-	-	-	-	150,000	-	150,000
8201 Consumables	75,000	-	-	-	-	75,000	-	75,000
8301 Contractual Services	450,000	-	-	-	-	450,000	-	450,000
8601 Fixed Asset	75,000	-	-	-	-	75,000	-	75,000
<b>Subtotal</b>	<b>750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>750,000</b>	<b>-</b>	<b>750,000</b>
<b>DTCI 36943 C3B</b>								
8001 Personnel	-	-	-	-	-	-	-	-
8101 Travel	75,000	-	-	-	-	75,000	-	75,000
8201 Consumables	60,000	-	-	-	-	60,000	-	60,000
8301 Contractual Services	300,000	-	-	-	-	300,000	-	300,000
8601 Fixed Asset	65,000	-	-	-	-	65,000	-	65,000
<b>Subtotal</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>
<b>TRA 36944 C3C</b>								
8001 Personnel	-	-	-	-	-	-	-	-
8101 Travel	60,000	-	-	-	-	60,000	-	60,000
8201 Consumables	-	-	-	-	-	-	-	-
8301 Contractual Services	690,000	-	-	-	-	690,000	-	690,000
8601 Fixed Asset	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>750,000</b>	<b>-</b>	<b>750,000</b>
<b>HESA 36945 C3D</b>								
8001 Personnel	-	-	-	-	-	-	-	-
8101 Travel	280,840	-	-	-	-	280,840	-	280,840
8201 Consumables	55,000	-	-	-	-	55,000	-	55,000
8301 Contractual Services	650,000	-	-	-	-	650,000	-	650,000
8601 Fixed Asset	14,160	-	-	-	-	14,160	-	14,160
<b>Subtotal</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>1,000,000</b>
<b>DTCI 36946 C4A</b>								
8001 Personnel	-	-	-	-	-	-	-	-
8101 Travel	123,999	-	-	2,125	2,125	121,874	115,592	6,282
8201 Consumables	55,021	-	-	252	252	54,769	9,766	45,003
8301 Contractual Services	1,075,980	-	-	525	525	1,075,455	67,792	1,007,663
8601 Fixed Asset	45,000	-	-	-	-	45,000	-	45,000
<b>Subtotal</b>	<b>1,300,000</b>	<b>-</b>	<b>-</b>	<b>2,902</b>	<b>2,902</b>	<b>1,297,098</b>	<b>193,150</b>	<b>1,103,948</b>
<b>DOFA 36947 C4B</b>								
8001 Personnel	618,242	-	-	28,131	28,131	590,111	-	590,111
8101 Travel	1,565,101	-	-	-	-	1,565,101	-	1,565,101
8201 Consumables	64,000	2,716	-	3,729	3,729	57,556	-	57,556
8301 Contractual Services	2,703,657	279,144	-	84,956	84,956	2,339,557	-	2,339,557
8601 Fixed Asset	49,000	-	-	-	-	49,000	-	49,000
<b>Subtotal</b>	<b>5,000,000</b>	<b>281,859</b>	<b>-</b>	<b>116,816</b>	<b>116,816</b>	<b>4,601,325</b>	<b>-</b>	<b>4,601,325</b>
<b>OVERALL AMOUNT:</b>	<b>30,800,000</b>	<b>344,371</b>	<b>-</b>	<b>221,118</b>	<b>221,118</b>	<b>30,234,511</b>	<b>289,988</b>	<b>29,944,523</b>











**DIGITAL FSM PROJECT**  
Semester Report December 2020

Consultant Direct Selection (CDS)																																
Activity Reference No. / Description	Component	Review Type	Category	Market Approach	Estimated Amount (US\$)	Process Status	Activity Status	Terms of Reference		Justification for Direct Selection		Invitation to Identify Selected Consultant		Amendments to Terms of Reference		Draft Request for Contract		Notification of Intention of Award		Signed Contract		Contract Amendments		Contract Completion		Contract Termination						
								Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned
PM-0016-182090-CDS / National Roll Out Manager FTII - Infrastructure	1	Post	Consultant Services	Direct	30,000.00	Signed	Cleared	2020/02/14	2020/02/16	2020/02/17	2020/02/19	2020/02/19	2020/02/19	2020/02/20	2020/02/20	2020/02/25	2020/02/28	2020/02/28	2020/02/28	2020/02/28	2020/02/28	2020/02/28	2020/02/28	2020/02/28	2020/02/28	2020/02/28	2020/02/28	2020/02/28	2020/02/28	2020/02/28		
PM-0016-184090-CDS / Finance Officer (Central Implementation Unit)	4	Post	Consultant Services	Direct	130,101.00	Signed	Cleared	2020/06/17	2020/06/27	2020/06/22	2020/06/27	2020/06/27	2020/06/27	2020/06/27	2020/06/27	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02		
PM-0016-184090-CDS / Finance Officer (Central Implementation Unit)	4	Post	Consultant Services	Direct	130,101.00	Signed	Cleared	2020/06/17	2020/06/27	2020/06/22	2020/06/27	2020/06/27	2020/06/27	2020/06/27	2020/06/27	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	2020/07/02	
PM-0016-185300-CDS / Finance Officer	4	Post	Consultant Services	Direct	153,046.00	Under Implementation	Cleared	2020/08/20	2020/07/24	2020/09/04	2020/11/24	2020/09/04	2020/09/04	2020/09/04	2020/09/04	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	
PM-0016-185300-CDS / Finance Officer	4	Post	Consultant Services	Direct	159,155.00	Under Implementation	Cleared	2020/08/20	2020/08/28	2020/09/06	2020/09/06	2020/09/06	2020/09/06	2020/09/06	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	2020/09/11	
PM-0016-185310-CDS / Finance Officer	4	Post	Consultant Services	Direct	500,184.00	Signed	Cleared	2020/09/01	2020/09/02	2020/09/06	2020/09/14	2020/09/14	2020/09/14	2020/09/14	2020/09/14	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16	2020/09/16

Consultant Qualification																														
Activity Reference No. / Description	Component	Review Type	Category	Market Approach	Estimated Amount (US\$)	Process Status	Activity Status	Terms of Reference		Justification for Direct Selection		Invitation to Identify Selected Consultant		Amendments to Terms of Reference		Draft Request for Contract		Notification of Intention of Award		Signed Contract		Contract Amendments		Contract Completion		Contract Termination				
								Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned
PM-0016-185310-CDS / Detailed Design & Material Specs for FTII	1	Post	Consultant Services	Open - International	440,000.00	Signed	Cleared	2020/04/20	2020/04/20	2020/05/01	2020/09/22	2020/05/15	2020/05/17	2020/05/18	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08

Request for Quotations																														
Activity Reference No. / Description	Component	Review Type	Category	Market Approach	Estimated Amount (US\$)	Procurement Document Type	Process Status	Activity Status	Terms of Reference	Justification for Direct Selection	Invitation to Submit / Issued for	Amendments to Terms of Reference	Draft Request for Quotations	Score Evaluation	Contract Award	Notification of Intention of Award	Signed Contract	Contract Amendments	Contract Completion	Contract Termination										
																					Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
PM-0016-185310-CDS / Detailed Design & Material Specs for FTII	1	Post	Goods	Open - International	200,000.00	Submitted	Cleared	2020/04/20	2020/04/20	2020/05/01	2020/09/22	2020/05/15	2020/05/17	2020/05/18	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08	2020/06/08

Procurement plan details per STEP as of April 9, 2021