

Pacific Islands Report

Pacific Islands Development Program, East-West Center
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Palau Secures ADB Loan To Build Submarine Fiber Optic Cable

\$25 million supports connection to SEA- US trans-Pacific cable

KOROR, Palau (Island Times, March 14, 2016) – On March 7, 2016, Minister of Finance Elbucel Sadang, and Xianbin Yao, Director General, Pacific Department, of the Asian Development Bank (ADB), signed the North Pacific Regional Connectivity Investment Project loan agreements for the loan that the Republic of Palau will use to secure a submarine fiber optic cable.

The signing ceremony was held at the ADB headquarters in Manila, Philippines. The ADB board formally approved the loan for up to \$25 million December last year. The loan is specifically for the SEA-US project.

The proceeds of the loan will be lent to Belau Submarine Cable Corporation (BSCC) under the same terms and conditions pursuant to the Subsidiary Loan Agreement between the ROP and the BSCC that was also executed on March 7, 2016 by Minister Sadang and George Rechucher, Chairman of the Board of the BSCC. The BSCC will be the implementing agency for the ROP and will be the party contracting for and owning the cable.

The SEA-US project is the trans-Pacific cable that is being constructed from Indonesia to California via Guam and Hawaii. The SEA-US consortium who are the promoters and original investors in the cable is made up of Globe (Philippines), Telin (Indonesia), GTA (Guam), Hawaiian Telecom (USA) and RTI International (USA). The main cable of the SEA-US project will pass just north of Palau and Yap, the governments of Palau and FSM are looking to get those locations connected through the SEA-US project.

The \$25 million loan is split up into tranches – (i) a floating rate loan ("Ordinary Operations") of approximately \$16.5 million with an interest rate of LIBOR +.60% / annum with a commitment charge of .15% / annum on any undrawn amounts. And (ii), a fixed rate loan ("Special Operations") of approximately \$8.5 million with an interest rate of 2% / annum without any commitment charge. Both tranches are 25 year terms, inclusive of 5 year grace periods. The first payment will be due June 1, 2021.

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