



Technical Assistance Report

Project Number: 42135
September 2008

Papua New Guinea: Preparing the Pilot Border Trade and Investment Development Project (Financed by the Japan Special Fund)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 31 August 2008)

Currency Unit	–	kina (K)
K1.00	=	\$0.3931
\$1.00	=	K2.5436

ABBREVIATIONS

ADB	–	Asian Development Bank
AusAID	–	Australian Agency for International Development
GDP	–	gross domestic product
PNG	–	Papua New Guinea
TA	–	technical assistance
WSPA	–	West Sepik Provincial Administration

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Industry and trade
Subsector	–	Trade
Themes	–	Sustainable economic growth, regional cooperation, capacity development
Subthemes	–	Trade and investment

NOTE

In this report, "\$" refers to US dollars.

Vice-President	C. Lawrence Greenwood, Jr., Operations 2
Director General	I. Bhushan, Officer-in-Charge, Pacific Department (PARD)
Director	I. Bhushan, Pacific Operations Division (Area B), PARD
Team leader	L. Cai, Infrastructure Specialist, PARD

I. INTRODUCTION

1. Regional cooperation and integration is one of the five core operational areas in the long-term strategic framework 2008–2020 (Strategy 2020)¹ of the Asian Development Bank (ADB). Papua New Guinea (PNG) shares the world's second largest island with Indonesia and has potential to benefit from Asia's rapidly growing economies. The Pacific regional operations business plan for 2007–2010 identified improving trade links between PNG and Indonesia as another avenue for contributing to economic growth and poverty reduction in PNG.² Two ADB missions discussed ADB's scope of assistance with the national and provincial governments, and it was agreed that ADB's initial assistance will focus on developing the border facilities and an institutional framework conducive to cross-border trade and investment for the town of Vanimo, West Sepik Province.

2. A project preparatory technical assistance (TA) fact-finding mission visited PNG from 19 to 29 May 2008. Based on discussions with central and local government agencies, private sector and landowner representatives, and donor agencies, the mission defined the TA project's rationale, scope of study, implementation arrangements, cost estimates, financing plan, and terms of reference for the consulting services.³ The TA will prepare the proposed Pilot Border Trade and Investment Development Project. The design and monitoring framework is in Appendix 1.

II. ISSUES

3. With political and macroeconomic stability, and aided by high global commodity prices, PNG has maintained positive real gross domestic product (GDP) growth since 2003 and was expected to achieve a rate exceeding 6% in 2007. Both fiscal and external positions have strengthened. The budget surplus was equivalent to 1.7% of GDP in 2007, and official reserves increased to \$2 billion (equivalent to 5 months of imports). Inflation was low and the public debt–GDP ratio was further reduced to 35%. The improved political and economic environment has spurred renewed interest in business opportunities in PNG. Private investment is on the rise, and large projects are under way or being contemplated.

4. In spite of commendable progress, there is no optimism that the good economic performance will be long-lived. Moreover, benefits of the growth are insufficiently trickling down to the majority of the population. This is because, firstly, the growth is achieved through high commodity prices rather than increased production and export volumes. Secondly, the economic structure remains narrowly based and highly dualistic, with the modern sector dominated by mining and impacting upon just some 15% of the population. The majority remains in isolated rural areas, survives on subsistence agriculture, and has poor access to economic opportunities and social services. Thirdly, according to an assessment of the International Finance Corporation, the business environment in PNG is regressive in terms of starting a business, dealing with licenses, employing workers, obtaining credit, and protecting investors.

5. International experience shows that trade and investment promote economic growth, create job opportunities, and develop human capital. Foreign trade and investment will

¹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

² ADB. 2007. *Regional Operations Business Plan (2007–2010): Pacific*. Manila.

³ The TA first appeared in the business opportunities section of ADB's website on 4 June 2008.

contribute more than just the needed finance. More importantly, these will bring with them employment, technical and engineering skills, management know-how, technology, a business culture, and markets. PNG enjoys proximity to Australia and Asia's dynamically developing economies. It has fertile land and rich resources with great potential. Lacking are management and organization, entrepreneurship, and a conducive business environment that includes efficient and effective policy and administrative practices, infrastructure, law and order, and a skilled but low-cost labor force.

6. Acknowledging the benefits of foreign trade and investment, the Government introduced free trade zone legislation as early as 2000. Little progress has been made to date along this line, however, and the concept remains new to PNG. Although international experience is abundant, a trial and error process is warranted to determine what can make the idea work in the PNG context.

7. Vanimo, the capital of West Sepik Province, provides an ideal setting for piloting the concept of a free trade zone. The Province borders Papua Province of Indonesia, and Vanimo is well-connected by road with Jayapura, the capital of Papua Province. Papua is Indonesia's second richest province. It offers lower prices on such daily necessities as rice, sugar, cooking oil, and electric appliances. An increasing number of PNG citizens are crossing the border and shopping for both consumption and resale.

8. Official opening of the border at Vanimo was planned for 2007. This did not proceed, however, because PNG was not ready with its border facilities and operational systems. On the Indonesian side, good roads, modern customs facilities, business show rooms, and roofed markets have been constructed and staffed. On PNG's side, however, only an office building and some residential houses are constructed, and there are no signs that they are operational.

9. Assisting in border facility development and official opening of the border post in Vanimo will help promote cross-border trade between PNG and Papua and improve people's welfare in West Sepik Province. Investment opportunities also exist. There is a clear demand on Indonesia's side for PNG's products such as beef, chicken, cocoa, and snack foods, but their supply is constrained by the production capacity and by policy restrictions.

10. West Sepik Province provides an opportunity for ADB to enhance the poverty interventions in PNG. The province has a population of about 185,000, most of which is isolated in rugged mountains with no road access. Government revenues are small and can scarcely meet 50% of the costs of the service delivery. Consequently, the province is one of the least developed in PNG. Life expectancy at birth (45.5 years) is significantly shorter than the national average (57.4 years). The infant mortality rate is 110 per 1,000 live births, well above the national figure of 70 per 1,000 live births. The malnutrition rate is around 40%. Primary education is mainly provided by churches. An initial poverty and social assessment is in Appendix 2.

11. Constructing roads and extending services to pockets of population across the third largest province would be costly and unaffordable. An alternative is to build growth centers, attracting people down from the mountains. Vanimo has natural advantages to become one of the growth centers. Another advantage is that the national and provincial governments and Sandaun Free Trade Development Limited signed an agreement on 17 April 2008 to develop the infrastructure in Vanimo—including a power plant, port, and water and sewage facilities—to launch the free trade zone project. In addition, law and order are better in West Sepik Province.

12. Obviously, promoting trade and investment requires more than infrastructure. The policy environment to support a win-win situation is equally important and difficult to develop. External assistance will definitely be needed.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

13. The project preparatory TA aims to increase trade and investment between PNG and Indonesia by improving the physical and institutional environment in West Sepik Province. The outcome will be a project design, which will be agreed between the Government and ADB.

B. Methodology and Key Activities

14. The TA focuses on two distinctive outputs: (i) a design for a pilot border facility development project, and (ii) an advisory TA program aiming at creating an enabling institutional environment for trade and investment between PNG and Indonesia (without excluding others). Activities include (i) identifying the border facilities to be financed; (ii) designing specifications; (iii) preparing a procurement plan, bidding documents, and implementation schedule; (iv) cost estimation; (v) designing construction supervision arrangements; (vi) assessing PNG's laws and regulations governing border management and control, trade, and investment; (vii) assessing Indonesia's laws and regulations governing border management in Papua Province, trade, and investment; (viii) reviewing and assessing the existing border agreements between the two countries; (ix) designing institutional development road maps for efficient and effective PNG border management and a conducive trade and investment environment in Vanimo; (x) socioeconomic studies for the town of Vanimo, Wutung Village, and other major stakeholders; (xi) collecting baseline data; (xii) assessing socioeconomic and environmental implications of the proposed project; and (xiii) preparing mitigation programs.

15. The first output will be achieved through an association between an international and a national building design and construction firm from PNG. The national firm will do the actual design for the border facilities, as it knows PNG culture, standards, and approval process. The international firm will supervise and manage the national firm and be responsible for the design's quality.

16. The second output will be achieved through an association between the same international firm and another team of national consultants from PNG and Indonesia who are either individuals or from a firm. Effective interaction between the consultants and Government will contribute greatly to the output's quality. It will be commendable if the Government provides the leadership and policy directions and drives the process.

C. Cost and Financing

17. The TA is estimated at \$990,000 equivalent. The Government has requested ADB to provide \$900,000 equivalent. The TA will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The Government will finance \$90,000 (in kind) by providing counterpart staff, office accommodation and support services, local communication and transport, and other services and facilities required for implementing the TA. The detailed cost estimates and financing plan are attached as Appendix 3. The Government has been advised that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

18. West Sepik Provincial Administration (WSPA) will be the Executing Agency for the TA. WSPA will establish a steering committee and a core project team. It will provide an adequately furnished office in Vanimo as part of the counterpart fund contribution. The steering committee will comprise the provincial administrator; representatives from provincial offices of foreign affairs, provincial and local affairs; immigration; customs; quarantine; trade and investment; and Wutung Village; and representatives from the central government, including the Department of National Planning and Monitoring; Department of Treasury; Department of Commerce and Industry; Department of Foreign Affairs, Trade, and Immigration; and Department of Provincial and Local Level Government Affairs. The project team will include a project director, a trade and investment officer, a provincial planner, a district project officer, a district land officer, and a technical advisor. The project director will report to the chair of the steering committee. The steering committee will be responsible to provide leadership and policy directions, while the project team will work as secretariat for the steering committee and counterpart staff for the ADB project responsible for coordinating and liaising with the steering committee, central and provincial government agencies, Papua Province of Indonesia, the joint border committee, and ADB.

19. The TA will require 37 person-months of international and national consulting services to carry out the scope of the study as defined in the outline terms of reference in Appendix 4. The areas of expertise required include trade and investment policy formulation, building design and construction, border management, and socioeconomics.

20. The TA will be carried out by an international consulting firm in association with a national building design and construction firm from PNG for output 1. For output 2, the same international consulting firm shall propose a team of national consultants from PNG and Indonesia where required to carry out the national inputs under output 2. The international consulting firm will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time), using simplified technical proposal procedures based on quality- and cost-based selection with a quality and cost weighting of 90:10.

21. The TA will require purchase of a vehicle and office equipment to support the operation of the project management office. The purchase of a vehicle is justified for security reasons. Another justification is that ADB is a long-term development partner of PNG and will be present in West Sepik Province for a long time. Building and maintaining a functional project management office will be in the interest of the project and of other regional initiatives.

22. Purchase of the vehicle will follow ADB's *Procurement Guidelines* (2007, as amended from time to time). The vehicle will be transferred to WSPA upon completion of the TA. WSPA will maintain the vehicle properly and use it for follow-up ADB projects.

23. The international consulting firm will provide ADB and WSPA with 10 copies of the inception, interim, draft final, and final reports (three copies for ADB and seven for WSPA). Electronic versions are required. WSPA will distribute the reports to the relevant government agencies, the steering committee, the joint border committee, and Papua Province of Indonesia.

24. The TA will be implemented over a 12-month period. It will commence in January 2009 and end in December 2009.

IV. THE PRESIDENT'S DECISION

25. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$900,000 on a grant basis to the Government of Papua New Guinea for preparing the Pilot Border Trade and Investment Development Project, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Increased cross-border flow of trade and investment between Papua New Guinea (PNG) and Indonesia</p>	<ul style="list-style-type: none"> • Operational border facilities • Increased exchange of visits • New business registrations • Increased employment 	<ul style="list-style-type: none"> • Reports and records of the West Sepik Provincial Administration • Project performance monitoring reports 	<p>Assumptions</p> <ul style="list-style-type: none"> • Political stability • Law and order <p>Risks</p> <ul style="list-style-type: none"> • Land disputes
<p>Outcome</p> <p>Project design agreed by Government and Asian Development Bank (ADB)</p>	<ul style="list-style-type: none"> • Memorandum of understanding signed by the Government and ADB during ADB's fact-finding mission 	<ul style="list-style-type: none"> • Memorandum of understanding 	<p>Assumptions</p> <ul style="list-style-type: none"> • Government does not seek other sources of funding
<p>Outputs</p> <p>1. Design of a border facility development project</p> <p>2. Design of a technical assistance program</p>	<ul style="list-style-type: none"> • Draft final report submitted to Government and ADB 6 months after commencement of the consulting services 	<ul style="list-style-type: none"> • ADB document registration • Government document registration 	<p>Assumptions</p> <ul style="list-style-type: none"> • No change in government ownership and priorities <p>Risks</p> <ul style="list-style-type: none"> • Restricted availability and access to information and government personnel in PNG and Indonesia
<p>Activities with Milestones</p> <p>1.1 Submit the inception report 1 month after commencing the consulting services.</p> <p>2.1 Two months after commencing the consulting services, submit the interim report covering (i) detailed assessment of PNG and Indonesian laws and regulations governing trade and investment, (ii) progress on the design for the border facilities, (iii) the border management assessment and road maps, and (iv) socioeconomic studies for the town of Vanimo and Wutung Village.</p> <p>3.1 Three months after commencing the consulting services, complete the border facility development design, including (i) border facilities to be financed, (ii) specifications and drawings, (iii) cost estimates, (iv) procurement plan, (v) implementation schedule, (vi) construction supervision arrangements, and (vii) organizational structure for implementing the investment project.</p> <p>4.1 Three months after commencing the consulting services, complete</p>			<p>Inputs</p> <ul style="list-style-type: none"> • ADB financing: \$900,000 • Government financing: \$90,000

<p>an advisory technical assistance program design, socioeconomic studies, a brief summary of environmental implications (including cumulative, induced, and associated impacts), the design and monitoring framework, baseline data collection, a summary of the poverty reduction and social strategy, and mitigation programs.</p> <p>5.1 Submit the draft final report 6 months after commencing the services. The report should include all studies, road maps, and reports on workshops and overseas visits as required by the terms of reference.</p> <p>6.1 Submit the final report 8 months after commencing the services.</p>	
---	--

ADB = Asian Development Bank, PNG = Papua New Guinea.

INITIAL POVERTY AND SOCIAL ANALYSIS (IPSA)

Country/Project Title: Papua New Guinea: Preparing the Pilot Border Trade and Investment Development Project

Lending/Financing Modality: Project Department/ Division: Pacific Department

I. POVERTY ISSUES

A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy

1. Based on the country poverty assessment, the country partnership strategy, and the sector analysis, describe how the project would directly or indirectly contribute to poverty reduction and how it is linked to the poverty reduction strategy of the partner country.

West Sepik Province is a remote province in Papua New Guinea (PNG) bordering Papua Province of Indonesia. It has a land area of about 3.6 million hectares, a population of about 185,000, and a coastline of 260 kilometers. In terms of land size, it is PNG's third largest province, while in terms of population it is the sixth smallest. Most of the population lives in isolated mountainous areas without road connections and is supported by subsistence agriculture. The modern sector is dominated by the timber industry, which provides a major source of revenue for the province.

In terms of human development indicators, West Sepik Province is one of the least developed provinces in PNG. Life expectancy at birth (45.5 years) is significantly shorter than the national average (57.4 years). The infant mortality rate is 110 per 1,000 live births, well above the national figure of 70 per 1,000 live births. The malnutrition rate is around 40%. Primary education is mainly provided by churches, which operate 66% of the schools.

Constructing roads and extending services across the province would be costly and unaffordable. An alternative is to develop growth centers, creating opportunities to attract people down from the mountains. Vanimo, the capital of West Sepik Province, has advantages to become a growth center. It borders the second richest province in Indonesia and has been declared a free trade zone. Both Indonesian and national firms are exploring business opportunities. Law and order is stronger here than in other parts of PNG.

The Pacific regional operations business plan for 2007–2010 identified improving trade links between PNG and Indonesia as another avenue for contributing to economic growth and poverty reduction in PNG. The project is prioritized and agreed upon with the central and provincial governments. It will support the Government's strategy to promote growth centers and improve development prospects in West Sepik Province.

B. Targeting Classification

1. Select the targeting classification of the project:

General Intervention (GI) Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

2. Explain the basis for the targeting classification:

The project does not target the poor directly.

C. Poverty Analysis

1. If the project is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed?

2. What resources are allocated in the PPTA/due diligence?

3. If GI, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)?

Opportunities will be limited, as the project aims to improve the business environment for investors.

II. SOCIAL DEVELOPMENT ISSUES

A. Initial Social Analysis

Based on existing information:

1. Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project?

The primary beneficiaries of the project will be PNG national and provincial governments, the business sector, people in West Sepik Province, and the PNG economy. PNG is a society with numerous clans. Villagers are poor, but they are not vulnerable and socially excluded. They will benefit from employment arising from increased investment in terms of cash income and skills development.

2. What are the potential needs of beneficiaries in relation to the proposed project?

They need economic growth, investment, job opportunities, institutional development, skills development, and entrepreneurship.

3. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them?

Lack of skills and discipline will reduce chances of employment. The project leaves it to the market to drive skills development.

B. Consultation and Participation

1. Indicate the potential initial stakeholders.

National and provincial governments and Wutung villagers.

2. What type of consultation and participation (C&P) is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of nongovernment organizations [NGOs] and community-based organizations, etc.)?

Individual interviews, group discussions, workshops, discussions with NGOs, and village-based discussions.

3. What level of participation is envisaged for project design?

Information sharing Consultation Collaborative decision making Empowerment

4. Will a C&P plan be prepared? Yes No Please explain.

Consultation and participation is a good practice and source of information, but it does not necessarily require a written plan to be accomplished. The fluid and unpredictable environment in PNG renders any prefabricated plan useless.

C. Gender and Development

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project/program?

There are no unique gender issues relevant to the project.

2. Does the proposed project/program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No Please explain.

Physical and institutional development conducive to trade and investment are prioritized by the national and provincial government and are already huge tasks to accomplish, given the capacity on the ground.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No Please explain.

Gender equity will be covenanted and implemented through civil works contracts.

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS			
Issue	Nature of Social Issue	Significant/Limited/ No Impact/Not Known	Plan or Other Action Required
Involuntary Resettlement		No impact. No land will be acquired under the project, no people will be displaced, and no assets will be lost.	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input type="checkbox"/> Resettlement Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Indigenous Peoples	The land for border facilities was acquired from Wutung villagers, who are also traditional owners of part of Indonesian territory. The Government of Indonesia recognizes the traditional landownership, pays royalties, and allows free border crossing. Establishment of the formal border control needs to retain the free crossing rights of Wutung villagers.	Limited impact. Establishment of the formal border control may impact the current free border crossing by Wutung villagers.	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Labor <input checked="" type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards		No impact.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Affordability		No impact.	<input type="checkbox"/> Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Other Risks and/or Vulnerabilities <input checked="" type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input checked="" type="checkbox"/> Others (conflict, political instability, etc.), please specify.	It is typical in PNG that, once there is a development, everyone will start demanding to benefit in one way or another, regardless of whether he or she is so entitled or not.	Not known.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> No Action <input checked="" type="checkbox"/> Uncertain
IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT			
<p>1. Do the TOR for the PPTA (or other due diligence) include poverty, social, and gender analysis and the relevant specialist/s? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please explain why.</p> <p>The terms of reference for the project preparatory technical assistance include socioeconomic analysis. The purpose of doing this is to provide a broad understanding of the socioeconomic context in Vanimo and identify major risks.</p> <p>2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&P during the PPTA/due diligence? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please explain why.</p>			

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	332.0
ii. National Consultants	262.5
b. International and Local Travel	65.6
c. Reports and Communications	25.0
2. Equipment ^b	20.0
3. Vehicle ^c	40.0
4. Training, Seminars, and Conferences	50.0
5. Miscellaneous Administration and Support Costs	8.0
6. Representative for Contract Negotiation	6.0
7. Contingencies	90.9
Subtotal (A)	900.0
B. Government Financing	
1. Office Accommodation and Transport	40.0
2. Remuneration of Counterpart Staff	40.0
3. Others	10.0
Subtotal (B)	90.0
Total	990.0

^a Financed by the Japan Special Fund, funded by the Government of Japan.

^b Including computers, photocopier, and fax machine, to be procured under ADB's *Procurement Guidelines* (2007, as amended from time to time). Their ownership will be transferred to the West Sepik Provincial Administration, which shall properly maintain them for the purpose of implementing follow-up ADB projects.

^c Double-cab vehicle.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTING SERVICES

1. An international consulting firm in association with a national building design and construction firm from Papua New Guinea (PNG) and another team of national consultants from PNG and Indonesia, who are either individuals or from a firm, will be engaged to provide a total 37 person-months of consulting services, including 12 person-months international and 25 person-months national.
2. The international consultants should have extensive international experience in the relevant areas and a minimum working experience of 10 years.
3. The national building design and construction firm from PNG should be reputable, reliable, and have a good track record. The national consultants from PNG and Indonesia who are either individuals or from a firm should be resourceful with respect to PNG and Indonesian laws and regulations, decision-making processes, and contacts.

A. Consultants and Scope of Services

4. The consultants and the scope of their services will include, but not necessarily be limited to, the following:

1. **Trade and Investment Institutional Development** (8 person-months: 4 international, 4 national)
 - (i) Establish a functional and practical project office staffed with a good team of counterpart staff, furnished with necessary office equipment, and supported with transport.
 - (ii) Review PNG's Organic Law 1995 and ascertain the autonomy of a province and possibility of introducing special rules and regulations for a province.
 - (iii) While identifying their strengths and weaknesses, review PNG's Investment Promotion Act, the Investment Promotion Authority's business investment guidelines and business registration requirements, and other related rules and regulations.
 - (iv) Review PNG's Free Trade Zone Act 2000, identify strengths and weaknesses, and propose a way forward.
 - (v) Review the existing border agreements between PNG and Indonesia and the cross-border trade and investment policies of the two countries, assess the current trade patterns between Papua Province of Indonesia and PNG, and identify barriers to cross-border trade and investment flow.
 - (vi) Review the provincial administration's responsibilities and functions in relation to business development advisory services and technical assistance to help local businesses participate in trade and investment.
 - (vii) Review the experiences of similar projects supported by Asian Development Bank (ADB) in the Pacific region and successful experiences of similar initiatives in such other regions as Asia.
 - (viii) Assess the business sector in Vanimo and areas of development potential.

- (ix) Design a road map for introducing a new and appropriate trade and investment policy framework applicable to Vanimo.
- (x) Design a road map for establishing or transforming an existing organization into a one-stop agency in Vanimo that will implement the formulated policies; design trade and investment promotion strategies; proactively attract investors; deal with all government ministries and departments; sort out a comprehensive list of what is required of an investor in relation to registration, licenses, land, power, water, environment, labor, and other areas; and assist investors to start businesses and make businesses successful.
- (xi) Estimate the international and national consulting services inputs and costs for the institutional development, including for special trade and investment policy formulation and establishing the one-stop organization.
- (xii) Coordinate with the Australian Agency for International Development (AusAID) to avoid duplication of activities and conflicts of policy directions and identify areas of complementarity.
- (xiii) Design a capacity building road map.
- (xiv) Propose implementation arrangements, including the executing agency.
- (xv) Be consultative and participatory during the program design in order to involve the central government, local government, business community, donor agencies, and relevant civil society organizations to the extent possible. Document the public consultation and participation.
- (xvi) Organize workshops and overseas visits to provide international exposure to government officials on successful trade and investment promotions and border management, solicit feedback on the designed programs, and disseminate project information.

2. Building Design and Construction (18 person-months: 3 international, 15 national)

- (i) Review the Government's Wutung border development plan 2000.
- (ii) Review the border facilities on the Indonesian side at Wutung.
- (iii) Review the layout of the planned border facilities on the PNG side, identify border facilities to be financed under the project, ascertain the appropriateness of the layout, and, if necessary, propose improvements.
- (iv) Prepare the design, specifications, and drawings for all the border facilities in line with PNG policies and standards, and then have the design certified by a certified architect.
- (v) Obtain all necessary government approvals for the design.
- (vi) Estimate the costs of the border facilities and group the costs under civil works and equipment.
- (vii) Prepare the contract packages and bidding documents in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time).

- (viii) Prepare the terms of reference for construction supervision, identify areas of expertise required, determine organization structure, and estimate the costs.
- (ix) Prepare the implementation schedule.
- (x) Assess the construction sector and potential level of competition.
- (xi) Propose an appropriate agency to execute the component.
- (xii) Consult stakeholders to the extent possible and disseminate project information. Document the public consultation and participation.

3. Border Management (5 person-months: 2 international, 3 national)

- (i) Review all of PNG's laws, regulations, and documentary requirements on border management and control, including those on customs, immigration, quarantine, and security.
- (ii) Review Indonesia's relevant laws, regulations, and documentary requirements governing administration of the Papua border with PNG, including those on customs, immigration, quarantine, and security.
- (iii) Review the existing border agreements between PNG and Indonesia on border management, border security, surveillance, and traditional border crossing arrangements.
- (iv) Review the existing border operational systems on both sides at Wutung, including staffing, organization, and management, and then identify areas requiring harmonization between PNG and Indonesia in order to facilitate trade and investment.
- (v) Propose a road map for establishing a streamlined, efficient, and effective border operational system on the PNG side, including an organizational structure, staff requirement, code of conduct, process, procedures, documentation requirements, and internal controls.
- (vi) Assess the current cross-border arrangement for Wutung villagers and build special considerations for Wutung villagers into the road map.
- (vii) Identify training needs and prepare a road map for a capacity building program.
- (viii) Coordinate with AusAID to ensure complementarity and avoid duplicating interventions and providing conflicting advice.
- (ix) Conduct and document public consultation and participation.

4. Socioeconomic Study and Assessment (6 person-months: 3 international, 3 national)

- (i) Carry out a comprehensive socioeconomic study for the town of Vanimo. The study should cover and provide information on population, ethnic composition, gender composition, major project stakeholders, education, businesses, employment, health conditions, and linkages with Papua of Indonesia. Assess poverty incidence based on the Government's and internationally accepted poverty lines.

- (ii) Carry out a detailed socioeconomic study for Wutung Village and other major stakeholders, providing information on population, culture, customs, livelihood, employment, education, health conditions, poverty incidence, and linkages with Papua of Indonesia.
- (iii) Assess the socioeconomic and environmental implications of the border facility development and the technical assistance program aimed at developing institutions favorable to trade and investment for the town of Vanimo, including impacts on poverty, gender, vulnerable groups, and STI/HIV/AIDS.
- (iv) Prepare gender-disaggregated socioeconomic baseline data, propose a project design and monitoring framework, and establish a measuring mechanism.
- (v) In accordance with the *Handbook on Social Analysis* (2007), prepare a summary poverty reduction and social strategy for the project and design programs that mitigate the project's negative socioeconomic impacts.
- (vi) Conduct and document public consultation and participation.

B. Required Outputs and Reports

5. The consultant will:

- (i) Submit the inception report 1 month after commencing the consulting services. The report should inform about mobilization of the consulting team, establishment of the project office, initial findings in the respective areas, and work approaches.
- (ii) Submit the interim report 2 months after commencing the consulting services. The report should cover at least (i) detailed assessment of relevant PNG and Indonesian laws and regulations governing trade and investment; (ii) progress of the design for the border facilities; (iii) border management assessment and road maps; and (iv) socioeconomic studies for the town of Vanimo, Wutung Village, and other stakeholders.
- (iii) Complete the design for the border facilities 3 months after commencing the services, including (i) border facilities to be financed, (ii) specifications and drawings, (iii) cost estimates, (iv) procurement plan, (v) implementation schedule, (vi) construction supervision arrangements, and (vii) organizational structure for implementing the investment project.
- (iv) Three months after commencing the consulting services, complete an advisory TA program design, socioeconomic studies, a brief summary of environmental implications (including cumulative, induced, and associated impacts), design and monitoring framework, baseline data collection, summary poverty reduction and social strategy, and mitigation programs.
- (v) Submit the draft final report 6 months after commencing the services. The report should include all studies, road maps, and reports on workshops and overseas visits as required by the terms of reference.
- (vi) Submit the final report 8 months after commencing the services.