

TAR: SOL 38150

Technical Assistance to Solomon Islands for Implementation of Interisland Transport Reforms

May 2005

CURRENCY EQUIVALENTS

(As of 30 April 2005)

Currency Unit	–	Solomon Islands dollar (SI\$)
SI\$1.00	=	\$0.1384
\$1.00	=	SI\$7.22

ABBREVIATIONS

ADB	–	Asian Development Bank
EU	–	European Union
MDG	–	Millennium Development Goal
NERRDP	–	National Economic Recovery, Reform, and Development Plan
PDMC	–	Pacific developing member country
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Transportation and communication
Subsector	–	Ports, waterways, and shipping
Themes	–	Sustainable economic growth, private sector development
Subthemes	–	Promoting economic efficiency and enabling markets, Policy/institutional/legal/regulatory reforms, privatization

NOTE

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

This report was prepared by R. Guild, Pacific Department.

I. INTRODUCTION

1. The Government of Solomon Islands (the Government) has requested support from the Asian Development Bank (ADB) to provide technical assistance (TA) for Implementation of Interisland Transport Reforms. The Project was initially discussed with the Government during the country programming mission¹ undertaken in March 2004, and refined during a fact-finding mission² undertaken in February 2005 to assess the proposed project components. The findings of these missions, in the form of a draft TA paper, have been discussed with the Government, which has agreed with the goals, purpose, scope, implementation arrangements, cost, financing arrangements, and terms of reference.³

2. The goals and objectives of this TA complement the Solomon Islands Country Strategy and Program Update 2005–2006,⁴ which aims to achieve rapid, pro-poor, and private sector-led economic growth by (i) strengthening the enabling environment for the private sector, and (ii) providing transport infrastructure and services. The TA supports the Government's policy framework set out in the *National Economic Recovery, Reform and Development Plan 2003–2006*⁵ (NERRDP) through its focus on transport for development and is closely coordinated with related TA in the country program described below. The TA framework is in Appendix 1.

II. ISSUES

3. Solomon Islands is one of the least developed among ADB's Pacific developing member countries (PDMCs). Measured by the most recent United Nations human development index (HDI) and human poverty index (HPI), Solomon Islands ranks below all but one PDMC, and the country is unlikely to meet the Millennium Development Goals (MDGs) by 2015. Development was set back significantly by several years of severe conflict that ended in 2003.

4. The national economy relies on forestry, fisheries, and cocoa and copra production, all conducted in rural areas. The vast majority of the population lives on rural subsistence, and social and economic disparities between the capital of Honiara and the provinces are wide. Successive governments have not succeeded in providing adequate infrastructure and services, especially in rural areas, nor in facilitating income-generating opportunities outside Honiara.

5. Pro-poor economic growth depends on increased productivity in rural areas. Improved interisland transportation infrastructure and services, and thus reliable access to domestic and international markets for rural produce and commodities, will be a key strategy to restart and build rural economies, reduce the demand for migration to the capital in search of employment, reduce conflict between groups competing for limited opportunities, and address the challenge of restoring basic social services in rural areas.

6. Interisland transport between Solomon Islands' 70-plus inhabited islands is characterized by long distances, infrequent and unreliable schedules, and unsafe vessels.

¹ Comprising W. Wicklein, mission leader, R. Guild, transport specialist, and B. Costello, regional cooperation specialist

² Comprising R. Guild, transport specialist, Pacific Operations Division.

³ The TA first appeared in *ADB Business Opportunities* (Internet edition) on 19 February 2005.

⁴ ADB. 2004. *Country Strategy and Program Update (2005–2006): Solomon Islands*. Manila. Approved by the ADB Board of Directors on 17 August 2004.

⁵ Department of National Reform and Planning. 2003. *National Economic Recovery, Reform and Development Plan 2003–2006*. Honiara: Solomon Islands Government.

Outside the capital of Honiara, the country has always had a very limited infrastructure stock and the poor state of transport services poses considerable barriers to market access and impedes the growth of rural production. These conditions have had pervasive negative social effects by limiting rural-urban linkages, labor mobility, and interprovincial trade.

7. In the shipping sector, most provinces own and operate small vessels that were granted to them when the national shipping service was disbanded. Since restructuring, many services have been mismanaged, are essentially insolvent, or have ceased operating. Although some destinations receive one service a week, frequencies of once a month, or less, are common and schedules are unreliable. Some viable services are provided by the private sector, but passenger services are less well catered for.

8. Major impediments to sustainable shipping in Solomon Islands are the absence of effective government policy to promote shipping investment and safe operations, and provincial interference in the market. Financial difficulties brought about by poorly run operations, weak governance, and political pressure have meant that revenues are generally insufficient to maintain and operate the domestic fleet, leading to severe underinvestment in maintenance and serious concerns regarding safety.

9. Some of the major routes are commercially viable, but some other routes may require some public sector support to provide social services. The proposed policy objective is to ensure that as many routes as possible become both economically sustainable and affordable without government intervention. For those that require support, a related ADB TA will establish a Transport Development Trust Fund to enable targeted subsidies for a franchise tender scheme and ensure a minimum level of service on prioritized uneconomic routes.⁶

10. The potential for transportation reform is complicated by institutional, regulatory, and financial problems. The central and provincial governments own some of the significant operators, and their dominant positions have crowded out the private sector and raised costs throughout the economy through inefficiency. Operators are self-regulating by default due to institutional weaknesses and the absence of senior management staff in key positions, and there has been little effective safety or economic oversight of operations for many years.

11. The work of restructuring and privatization in the maritime sector must be supported by associated policy, regulatory, and legislative reforms to ensure safety and liberalize market opportunities. The Government has recognized that sector reform is urgently required and has set out a broad policy framework in the NERRDP, but requires sector-specific assistance to design and operationalize these reforms and build a consensus on their implementation across all involved ministries.

12. The proposed TA will improve provision of interisland transportation through reform of the institutional context that governs operations, support for private sector development, and training of stakeholders to facilitate participation. By supporting rural economic growth and access to health and education, ADB's program will make a positive contribution to moving Solomon Islands closer to meeting the MDG on poverty.

⁶ ADB. 2004. *Technical Assistance to Solomon Islands for Institutional Strengthening in the Ministry of Infrastructure and Development*. Manila (TA 4494-SOL, approved on 17 December 2004).

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

13. The goal of the TA is to increase the efficiency and effectiveness of interisland sea transport services in Solomon Islands, while minimizing the fiscal burden and exposure to risk to public institutions and finances. The purpose is to assess the status of interisland transport services, determine constraints to their development, develop strategies for improvement, and implement the necessary reforms.

B. Methodology and Key Activities

14. The TA will contain four main components: (i) institutional reforms, (ii) financial reforms, (iii) private sector development, and (iv) training. Each component will be developed through operational, financial, and institutional analysis; assessment of alternatives; stakeholder consultations; strategic planning; and implementation assistance.

15. The institutional reform component is intended to create an environment conducive to private sector investment and efficient operations. It will include review and revision of relevant policies, regulations, and legislation to remove constraints to sector development. In particular, activities under this component will update the Shipping and Foreign Investment Acts; modernize the national ship register; harmonize provincial licensing regimes; and assist with legal drafting to implement the reforms.

16. The financial reform component is intended to improve the financial viability of both operators and regulatory agencies. It will include design of a franchise-tendering scheme for uneconomic routes, provision of supply and demand data to assist commercial planning, and review and restructuring of national and provincial maritime fees.

17. The private sector development component is intended to provide targeted support for existing and new operators in the shipping sector, and to prepare for privatization transactions in the maritime sector. It will revitalize the Solomon Islands Ship Owners Association as a vehicle for cooperative training and consultation, develop data on demand and supply of services to support marketing and implementation of the franchise-tendering scheme, and prepare documentation and evaluation processes to support privatization of selected public sector operators.

18. The training component is intended to support the other three components by increasing the ability of public and private sector regulators and operators to work effectively within a reformed and liberalized environment. It will include small-business training for staff and directors of transport operators, sector-specific commercial training for Commerce Department extension officers, and safety regulatory training for Marine Division staff. It will also include structured short-term visits between Solomon Islands and neighboring countries for on-the-job training in similar shipping operations.

19. A number of recent studies⁷ have established baseline data and descriptions for the maritime sector. Where necessary and available, new data may be collected or updated. The

⁷ European Union. 1999. *Solomon Islands Shipping and Marine Sector Study*. Honiara: Ministry of Works, Transport, and Communication; European Union. 2002. *Solomon Islands Transport Sector Strategy*. Honiara: Ministry of Works, Transport, and Communication; AusAID. 2004. *Pacific Regional Transport Study*. Canberra: Australian Agency for International Development; European Union. 2003. *Interisland Shipping Project* Honiara: Ministry of

TA will review and analyze the operational, financial, and institutional situations of entities involved in ownership, planning, and regulation of interisland transport services, then identify constraints to the improvement and expansion of services.

20. The TA will then develop alternatives for reform of policy, regulation, and legislation intended to create an environment conducive to private sector participation through contestable market solutions that are appropriate to the Solomon Islands economy. Particular attention will be paid to factors such as provincial economic regulation, national government policies on investment and maintenance, safety oversight, and ownership restrictions that may affect costs and hinder efficiency.

21. Extensive stakeholder consultations are expected to verify the analyses and build consensus toward preferred reforms. Two national workshops will be conducted, one primarily for government and public service officials to develop policy, and one primarily for operators and users to propose and evaluate implementation options. Consultations will be facilitated through a communications plan that includes preparation and dissemination of information on the TA findings targeted at the intended audience through appropriate media.

22. The TA will culminate in development and implementation of strategies and action plans for reform, through an overall private sector participation strategy for interisland transport, including policy and regulatory reforms that may be desirable to facilitate the recommendations.

23. Implementation assistance will be provided to document and promote potential transactions, including service concessions and privatization of public sector operators. This will include preparation of information memoranda, design of tender procedures, and assistance in bid evaluation.

C. Cost and Financing

24. The total cost of the TA is estimated at \$600,000 equivalent, of which the foreign exchange component is \$455,000 and the local currency component is \$145,000 equivalent. ADB will finance all of the foreign exchange costs and \$40,000 of the local costs on a grant basis, financed by ADB's TA funding program. The Government of Solomon Islands will finance \$105,000 equivalent of the local currency costs through domestic resources. Detailed cost estimates are in Appendix 2.

D. Implementation Arrangements

25. The Executing Agency for the TA will be the Ministry of Finance, National Reform, and Planning. The implementing agency will be the Ministry of Infrastructure and Development, with the undersecretary of the Department of Infrastructure as the TA coordinator. A Transport Task Force, to be formed in mid-2005 under the chairmanship of the permanent secretary of the Department of National Reform and Planning and comprising members from relevant ministries and the private sector, will serve as the project steering committee to oversee the implementation of the TA.

26. The TA will be coordinated in cooperation with the Economic Reform Unit in the Department of Finance, which has been formed to oversee, coordinate, and implement private sector regulatory reforms; infrastructure service provision policy and regulation; state-owned enterprise reform; financial sector reforms; provincial economic development; statistical collection service reforms; and specific sector policy reforms to promote new investments in potential growth areas.

27. The TA will also be closely coordinated with other ADB-financed TA projects. These include the institutional strengthening project mentioned above, and a state-owned enterprise reform project, which will help improve ownership arrangements, accountability, and performance through upstream policy advice, corporate governance reforms, and privatization.⁸

28. A total of 15 person-months of international consulting services are required. Three specialists will be hired as individual consultants: a Maritime Transport Planner and Team Leader, a Maritime Operations and Finance Specialist, and a Maritime Training Specialist. Their services will be utilized intermittently over 12 months, starting at the commencement of the TA Project in May 2005 and ending at its completion in April 2006. Consulting services will be engaged in accordance with ADB's *Guidelines on the Use of Consultants*. Terms of reference are in Appendix 3.

IV. THE PRESIDENT'S DECISION

29. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$495,000 on a grant basis to the Government of Solomon Islands for Implementation of Interisland Transport Reforms, and hereby reports this action to the Board.

⁸ ADB. 2004. *Technical Assistance to Solomon for the State-Owned Enterprise Reform and Private Sector Participation*. Manila (TA 4482-SOL, approved on 15 December 2004).

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/ Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Increased efficiency and effectiveness of interisland transport, contributing to economic growth with improved distribution of benefits</p>	<p>By 2010:</p> <ul style="list-style-type: none"> • Improved provincial accessibility via appropriate modes of transport • Maritime transport services operating on integrated routes and schedules • Sustained economic growth rate from 2004 baseline • Improved balance between provincial growth rates 	<ul style="list-style-type: none"> • National Transport Plan • Government statistics as compiled in ADB country reports (2005 PIER to provide baseline statistics) • Household income / expenditure surveys • Country programming consultations with communities, private sector, and agencies 	<p>Assumptions</p> <ul style="list-style-type: none"> • Greater accessibility helps rebuild rural economies • Policy reforms and incentives can induce private sector provision of services
<p>Outcome</p> <p>Policy reforms implemented</p>	<p>By 2006:</p> <ul style="list-style-type: none"> • Findings incorporated into the NTP • Government implements recommendations for policy reforms • Incentives created for private sector participation 	<ul style="list-style-type: none"> • Review of NTP • CSPU and sector review missions • Tripartite project reviews/reports • ADB project completion report 	<p>Assumptions</p> <ul style="list-style-type: none"> • National Government is willing to push for policy reform • Provincial governments recognize potential for private sector • National Transport Fund becomes operational in support of uneconomic routes <p>Risks</p> <ul style="list-style-type: none"> • Government policy environment is not amenable to reform • Operators do not cooperate

Design Summary	Performance Targets/ Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Outputs</p> <p>Final report on the status of interisland transport services, constraints to their development, and strategies for their improvement, under four components (i) institutional reforms, (ii) financial reforms, (iii) private sector development, and (iv) training</p>	<p>By 2005:</p> <ul style="list-style-type: none"> • Final report documenting data, analyses, and recommendations • Stakeholder workshop held with participation from government and public service • Stakeholder workshop held with participation from each province and the private sector 	<ul style="list-style-type: none"> • TA review missions • Tripartite meetings and project reports • ADB project completion report • Project monitoring missions • TA review reports 	<p>Assumptions</p> <ul style="list-style-type: none"> • Sufficient data of appropriate quality are available or can be collected • Sufficient cooperation can be obtained from provincial and private sector operators • Consensus among stakeholders can be developed <p>Risks</p> <ul style="list-style-type: none"> • Government staff are not made available to participate in the study • Private sector operators do not see sufficient value to participate
<p>Activities with Milestones</p> <ol style="list-style-type: none"> 1. Data review and updating Start: Second quarter 2005 Complete: Second quarter 2005 Responsibility: TA consultant team 2. Operational, financial, institutional, and private sector analyses Start: Second quarter 2005 Complete: Fourth quarter 2005 Responsibility: TA consultant team 3. Preparation and assessment of alternatives Start: Second quarter 2005 Complete: Fourth quarter 2005 Responsibility: TA consultant team 4. Stakeholder consultations <ul style="list-style-type: none"> • 30 government and public service staff attend • 30 provincial and private sector representatives attend Start: Third quarter 2005 Complete: Fourth quarter 2005 Responsibility: TA consultant team 			<p>Inputs</p> <p>ADB-financed consulting services Total \$495,000</p> <ul style="list-style-type: none"> • Fifteen person-months international consultants • Workshop support • Administration and contingencies <p>Solomon Islands Government contribution Total \$105,000</p> <ul style="list-style-type: none"> • Office operations and accommodation • Counterpart positions • Local transport • Workshop support <p>Total project \$600,000</p>

<p>5. Preparation of strategic and action plans Start: Second quarter 2005 Complete: Fourth quarter 2005 Responsibility: TA consultant team</p> <p>6. Training</p> <ul style="list-style-type: none">• 50 operational staff trained in business practices• 20 government staff trained in sector-specific topics <p>Start: Third quarter 2005 Complete: Fourth Quarter 2005 Responsibility: TA consultant team</p> <p>7. Implementation assistance</p> <ul style="list-style-type: none">• At least one public-sector operator prepared for privatization <p>Start: Third quarter 2005 Complete: Fourth Quarter 2005 Responsibility: TA consultant team</p>	
--	--

ADB = Asian Development Bank, CSPU = country strategy and program update, NTP = National Transport Plan, PIER = Pacific Islands Economic Report, TA = technical assistance.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. International Consultants			
a. Remuneration and Per Diem	335.0	0.0	335.0
b. International and Provincial Travel	30.0	5.0	35.0
c. Reports and Communications	5.0	5.0	10.0
2. Training, Seminars, and Conferences ^b	40.0	20.0	60.0
3. Miscellaneous Administration and Support Costs	5.0	5.0	10.0
4. Contingencies	40.0	5.0	45.0
Subtotal (A)	455.0	40.0	495.0
B. Government of Solomon Islands Financing			
1. Office Accommodation	0.0	30.0	30.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	30.0	30.0
3. Training, Seminars, and Conferences	0.0	5.0	5.0
4. Local Transport	0.0	10.0	10.0
5. Miscellaneous Administration and Support Costs	0.0	30.0	30.0
Subtotal (B)	0.0	105.0	105.0
Total	455.0	145.0	600.0

^a Financed by Asian Development Bank's technical assistance funding program.

^b Provisional sum pending needs analysis and identification of providers.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Objectives and Scope

1. The goal of the technical assistance (TA) is to increase the efficiency and effectiveness of interisland transport services in Solomon Islands, while minimizing the fiscal burden and exposure to risk on public institutions and finances. The purpose is to assess the status of interisland transport services, determine constraints to their development, develop strategies for improvement, and implement the necessary reforms.
2. A team of international consultants will be engaged as individuals. The outputs of the TA will include analysis, recommendations, strategic and action plans, and implementation leading to (i) institutional reforms, (ii) financial reforms, (iii) private sector development, and (iv) training.
3. The team is expected to work closely with other Asian Development Bank (ADB) teams providing TA at approximately the same time, including (i) the Institutional Strengthening of the Ministry of Infrastructure and Development project that will create a Transport Policy and Planning Unit and prepare a National Transport Plan, (ii) the Diagnostic Assessment of Interisland Transport project that will develop baseline information and procedures for privatization of transport operators, and (iii) the State-Owned Enterprise Reforms and Private Sector Participation project that will develop privatization strategies at the national level including legal and policy reforms.

B. Maritime Transport Planner and Team Leader (6 person-months)

4. An international consultant will be engaged as a Maritime Transport Planner and team leader for 6 person-months to design and manage the detailed work program, conduct the institutional analysis, supervise the technical analyses, produce an integrated assessment of interisland transport, develop recommendations and an action plan, and provide implementation assistance to government and operators. The terms of reference for the consultant include the following tasks:
 - (i) Obtain and review existing and ongoing studies and TA relating to legislation, policies, and regulations in all areas that affect transport planning and service provision.
 - (ii) Obtain and review all available data on interisland transport and the economic and social conditions determining demand for transport; identify needs for further analysis and data collection; and update data as required. Prepare quantitative and qualitative databases that document the data as completely as possible.
 - (iii) Prepare an integrated description of the current institutional situation, including the role of public sector entities involved in ownership, planning, and regulation of operators and services; and assess government policies and strategic objectives.
 - (iv) Determine how market structures, including those related to public sector operations, finance, management, infrastructure, policies, and regulations affect the costs and prices of interisland service provision.
 - (v) Propose and assess the feasibility of alternative mechanisms to reform ownership and management of public sector transport operations including management contracting of public operations, public-private partnerships, joint

venture ownership or leasing, asset and service sharing, partial or full privatization, and liquidation.

- (vi) In conjunction with the ADB TA team for the State-Owned Enterprise Reforms and Private Sector Participation project, provide sector-specific inputs to help develop national privatization strategies.
- (vii) Develop recommendations on the preferred options for restructuring the operational and institutional environment for interisland transport. Develop national and provincial maritime sector road maps for consideration by stakeholders. Prepare an action plan to implement the preferred options.
- (viii) Identify legal or regulatory constraints at the national and provincial level to implementing each option, including the Shipping and Foreign Investment Acts, existing provincial licensing and commercial agreements, and labor laws. Recommend regulatory and legislative improvements to ensure the feasibility of their implementation and assist other ADB TA teams in incorporating the recommendations into their work.
- (ix) Based on the inputs of the other consultants, prepare an integrated report that combines all aspects of the terms of reference. In particular, focus on an overall strategy and action plan for interisland transport, including policy and regulatory to facilitate the recommendations.
- (x) Organize and conduct a range of policy dialogue exercises, including two stakeholder workshops (one for government and public service, one for operators and users) to present the results of the TA. Solicit feedback on the diagnostic assessment, institutional analysis, and private sector assessment. Discuss the recommendations for improvement and action plans, including the feasibility and desirability of suggested approaches. Prepare and circulate a record of the workshops, and incorporate comments in the final report.
- (xi) Prepare a strategy for engagement with all stakeholders on these issues and a communications plan intended to extend the policy dialogue to government, the public service, transport operators, and users. Translate the TA findings into brief and readily-understandable publications and media suitable for wide distribution. Disseminate the findings through print and broadcast outlets.

C. Maritime Operations and Finance Specialist (6 person-months)

5. An international consultant will be engaged as a Maritime Operations and Finance Specialist for 6 person-months to analyze the shipping sector and prepare recommendations to restructure public sector operations, support private sector operations, and reform public policy. The terms of reference for the consultant include the following tasks:

- (i) Collect and review all available data and existing studies on domestic shipping; identify needs for further analysis and data collection; and update data as required. Prepare quantitative and qualitative databases that document the data as completely as possible.
- (ii) Analyze the status and operation of the national ship register, and propose improvements for the purpose of increasing its utility as part of a secured transaction framework to facilitate commercial finance in the shipping sector.
- (iii) Assess the current operational and financial situation of public and private sector operators of domestic shipping services, including their fleets and other assets,

routes and markets, competitors and partners, safety management, organizational structure, human resources, operational costs, revenues and liabilities, current and projected profits and losses, and probable valuation.

- (iv) Propose and assess the feasibility of alternative mechanisms to create contestable markets for provision of transport services including liberalization of regulations, auctions of service concessions, and minimum subsidy tendering for commercially nonviable but essential service routes.
- (v) Design a franchise tendering scheme for social service provision of services on a limited number of uneconomic routes. Based on policy dialogue with government, determine objective criteria for designation of uneconomic routes and user affordability. Project the financing required to implement the scheme.
- (vi) Review domestic commercial financing practices and determine barriers to expanded credit to the shipping sector. Prepare recommendations at the policy level that could enhance credit availability.
- (vii) Review national and provincial maritime fees. Make recommendations to harmonize these across provinces to eliminate potential biases in commercial operations. Determine whether revision at the national level is desirable and could lead to corporatization of the Marine Division.
- (viii) Subject to agreement of national and provincial governments, identify a suitable candidate operator for privatization. Draft the necessary documentation to support potential transactions, including templates for information memoranda, tender documents, and bid evaluation procedures. Assist other ADB TA teams in preparing the operator for privatization.
- (ix) Jointly with the other consultants, assist stakeholders in reviving the Solomon Islands Ship Owners Association as a vehicle for cooperative training and consultation.

D. Maritime Training Specialist (3 person-months)

6. An international consultant will be engaged as a Maritime Training Specialist for 3 person-months to analyze the maritime sector and prepare recommendations for its restructuring, including potential reforms to public policy. The terms of reference for the consultant include the following tasks:

- (i) Assess the suitability of small-business and other commercial training available locally, for the purposes of improving the commercial operation of transport operators.
- (ii) Assess the suitability of safety and operational training available locally, for the purposes of improving safety regulation and provision of survey and certification services
- (iii) Assist small-business and other commercial education providers in developing sector-specific training materials for incorporation into existing courses and for use by Department of Commerce extension officials.
- (iv) Identify a suitable provider and arrange the local provision of training courses in short modules for at least 50 operational staff of shipping companies in commercial topics.

- (v) Identify a suitable provider and arrange the local provision of training courses in short modules for at least 20 government and public service staff, particularly extension officers, in commercial topics. The cost of this training will be borne by the TA budget.
- (vi) Identify a suitable provider and arrange refresher courses in survey and certification topics to be provided in short modules for all Marine Division inspectors. The cost of this training will be borne by the TA budget.
- (vii) Identify opportunities for short-term attachments with similar public sector shipping operations in the region, possibly in Fiji Islands and Papua New Guinea. Prepare terms of reference and make arrangements for four Solomon Islands government staff to undertake on-the-job training for 2 weeks each.
- (viii) Identify two appropriate resource persons from within the region, possibly in Fiji Islands and Papua New Guinea, to participate in the stakeholder workshops and share experiences of similar reforms. Prepare terms of reference and make arrangements for their participation.

E. Reports

7. The consultants will organize separate consultation meetings with ADB on TA administration, outputs, deliverables, and achievements; and with stakeholders on all activities under the TA as documented in the reports. In connection with these meetings, the consultants will arrange meetings with other aid agencies operating in the sector. The consultants will prepare and circulate minutes of these meetings, and incorporate comments in the reports and activities, as appropriate.

8. The consultants will submit the following reports in English, in both hard copy and electronic form, to ADB for distribution (six copies for distribution to Government and three for ADB):

- (i) **Inception report.** This brief report will be submitted within 4 weeks of the start of the TA. It will outline, in accordance with the terms of reference, the consultants' approach, methodology, and work plan, as well as cost implications for consulting services. The report will provide a clear bar chart of all activities under the TA, and recommend changes to the implementation arrangements. It will also provide a detailed background to the sector and identify issues and decision-making requirements, if any, to facilitate TA progress.
- (ii) **Midterm progress report.** This report will be submitted at the midpoint in TA implementation. The report will take the format of the final report and will summarize recommendations and concepts being developed under the terms of reference. It will also provide a detailed background to the TA and identify issues and decision-making requirements, if any, to facilitate progress.
- (iii) **Draft final report.** This report to be submitted on completion of the TA will provide the following: (a) summary of the TA activities; (b) documentation of all data, analyses, and recommendations developed under the terms of reference; (c) stakeholder assessments; (d) assessment of the effectiveness of the TA activities; and (e) conclusions.

- (iv) **Final report.** The consultants will submit this report 1 month after receipt of the comments on the draft final report from the Government and ADB.

9. The final report will follow the outline below, subject to revisions proposed and agreed upon by the consultants and ADB during the course of the TA.

- (i) **Introduction.** Outline the study's objectives and process.
- (ii) **Background.** Describe briefly the broad national and provincial contexts; and outline the team's expectation of how the specific national and provincial factors affect the study's objectives.
- (iii) **Methodology.** Describe the team's approach to data collection, analysis, and compilation, and summarize the consultation process and outcomes.
- (iv) **Findings.** Describe in detail the outputs called for in the terms of reference, organized according to each of the project components.
- (v) **Recommendations.** Present strategic and action plans for implementation and recommendations for reforms to public sector policy and operations and incentives to promote private sector participation. Provide a realistic assessment of the feasibility of the recommendations in the Solomon Islands context.
- (vi) **Appendixes.** Present all data in summary form, disaggregated by province and sector, where possible. Provide full quantitative and qualitative databases in supplementary appendices.

F. Other Matters

10. Office accommodation will be provided for the consultants within the Ministry of Infrastructure and Development.

11. The consultants are expected to provide their own computers and telephone, fax machine, and Internet communications for the duration of their services.