

ASIAN DEVELOPMENT BANK

TAR: SOL 38241

TECHNICAL ASSISTANCE
(Cofinanced by the Government of Australia)

TO

SOLOMON ISLANDS

FOR

DIAGNOSTIC ASSESSMENT OF INTERISLAND TRANSPORT

December 2004

CURRENCY EQUIVALENTS

(As of 31 October 2004)

Currency Unit	–	SI\$ (Solomon Islands dollar)
SI\$1.00	=	\$0.1354
\$1.00	=	SI\$7.380

ABBREVIATIONS

ADB	–	Asian Development Bank
EU	–	European Union
NERRDP	–	National Economic Recovery, Reform, and Development Plan
PDMC	–	Pacific developing member country
SOE	–	state-owned enterprise
TA	–	technical assistance
TOR	–	terms of reference

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Transportation and communication
Subsector	–	Civil aviation; 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 has requested support from the Asian Development Bank (ADB) to provide technical assistance (TA) for a diagnostic assessment of interisland transport. The TA was discussed with the Government during a Fact-Finding Mission undertaken in February 2004 to assess the capacity of the Ministry for Infrastructure and Development, which includes the Department of Aviation, Meteorology, and Communication and the Marine Division; and during the Country Programming Mission undertaken in March 2004. 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.¹

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

II. ISSUES

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

4. The economy relies on forestry, fisheries, and cocoa and copra production, all conducted in rural areas. Gold mining and oil palm operations, which were suspended because of the conflict, may resume in the near term. The vast majority of the population lives on rural subsistence, and social and economic disparities between the capital, 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, with little formal employment available 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 for restarting and building rural economies, reducing the demand for migration to the capital in search of employment, reducing conflict between groups competing for limited opportunities, and addressing the challenge of restoring basic social services in rural areas.

6. Interisland transport between Solomon Islands' more than 70 inhabited islands is characterized by long distances, infrequent and unreliable schedules, and unsafe vessels and aircraft. Outside Honiara, the country has always had a limited infrastructure stock, and the dismal state of air and sea services poses considerable barriers to market access and impedes

¹ The TA first appeared in *ADB Business Opportunities* (Internet edition) on 26 June 2004.

² Approved by ADB's Board of Directors on 7 September 2004.

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 aviation sector, Solomon Airlines, a state-owned enterprise, (SOE) is the only carrier providing scheduled domestic services. Most destinations receive only one flight a week using light aircraft. The airline operates no international services directly, providing them instead through short-term arrangements with two regional carriers on routes to Australia and neighboring PDMCs. International services currently generate a profit despite high contract costs, domestic routes are mostly unprofitable, and there is consequent cross-subsidization from international to domestic operations.

8. 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. The private sector services a few routes between minor destinations, but provincial government lines operate most of the major routes, but do not do so in an economic manner. Although some destinations receive one service a week, frequencies of once a month or less are common, and schedules are unreliable. Major differences are apparent between cargo and passenger services, with more private sector involvement in cargo.

9. While some air and sea routes are potentially commercially viable, others may require some public sector support to provide social services. A National Transport Fund has been proposed to enable targeted subsidies for a franchise tender scheme and to provide a minimum level of service on prioritized, uneconomic routes, while at the same time ensuring that as many routes as possible are set up in ways that are economically sustainable without Government intervention. The design of such a fund will be an output of a related ADB TA (see paragraph 28).

10. The potential for transportation reform is complicated by institutional, regulatory, and financial problems. The central and provincial governments own about half of all air and sea operators, and their dominant positions have crowded out the private sector and raised costs throughout the economy because of inefficiency. Operators in both aviation and shipping are self-regulating by default because of institutional weaknesses and the absence of senior management staff in key positions, and there has been little official oversight in either sector for many years. Financial difficulties brought about by poor governance and political pressure, compounded by regulated fares in the aviation sector, have meant that revenues are generally insufficient to maintain and operate the domestic fleet, leading to severe underinvestment in maintenance and serious safety concerns.

11. The Government has recognized that reform is urgently required in the sector and has set out its policy framework in the NERRDP. Under Key Strategic Area 4 of the NERRDP, Revitalizing the Productive Sector and Rebuilding the Supporting Infrastructure, the approach toward transport includes the following:

- (i) adopting and implementing a national transport sector strategy;
- (ii) implementing an interisland shipping project supported by tenders for subsidies;
- (iii) continuing implementation of marine and aviation infrastructure projects, including a national maintenance regime;
- (iv) improving aviation safety and security;
- (v) addressing financial responsibilities in air transport;
- (vi) finalizing the Shipping Act, the Revised Road Act, and National Transport Fund.

12. Implementation of this framework requires support. Under the TA, the diagnostic assessment will provide background information and analytical support to reinforce the NERRDP and ADB's long-term transport sector strategy through strategic planning for (i) optimal use of resources for rehabilitating and maintaining physical infrastructure, (ii) coordinated and sustainable interisland transportation services, and (iii) enhanced private sector participation in transport operations. 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 Millennium Development Goal on poverty.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

13. The goal of the TA is to increase the efficiency and effectiveness of interisland air and sea transport services in Solomon Islands, while minimizing the fiscal burden on and exposure to risk of public institutions and finances. The purpose is to review the status of interisland transport services, determine constraints to their development, and develop strategies for improving them. The output will be a diagnostic assessment report that informs a strategy for future policy dialogue and programming.

B. Methodology and Key Activities

14. The diagnostic assessment report will contain four main components: (i) a review of existing documentation and an analysis of the operational and financial situations of air and sea transport operators; (ii) an analysis of the entities involved in the ownership, planning, and regulation of interisland transport services; and (iii) the identification of opportunities for improving private sector participation; and (iv) the identification of implementation strategies and action plans for reform.

15. The baseline analysis will review and analyze existing data and, where necessary, will collect new data on the transport operators' ownership and governance; their technical performance, including routes and schedules; their financial performance, including costs and revenues; and the infrastructure and support services available at the provincial and national levels.

16. The institutional analysis will review and analyze existing documentation and, where necessary, collect new data on the institutional, policy, legal, and regulatory contexts as they affect the planning and operation of transport services in both the aviation and maritime sectors and identify constraints to their improvement and expansion. The analysis will pay particular attention to factors such as fare and schedule regulation, government policies on investment and maintenance, safety oversight, and ownership restrictions that may affect costs and hinder efficiency.

17. The assessment of private sector participation will determine existing and potential opportunities for expanding the role of the private sector in providing transport services. The TA will investigate the feasibility of promoting contestable market solutions that are appropriate to the Solomon Islands' economy. To complement the institutional analysis, this assessment will include aspects of the enabling environment that encourage or hinder the private provision of transport services.

18. The TA will culminate in the development of strategies and action plans for reform at two levels: (i) an overall private sector participation strategy for interisland transport, including policy and regulatory reforms that may be desirable to facilitate the recommendations; and (ii) individual private sector participation plans for each existing public sector operator in the maritime and aviation sectors.

19. Recommendations and action plans for sector reform will emphasize innovative approaches toward service provision and improvements to the effective functioning of markets by removing regulatory and infrastructure constraints. Alternative forms of private sector provision of services will be developed. The analyses will focus on minimizing the fiscal burden on and operational and commercial risk to the central and provincial governments, while wherever possible relieving private sector providers of sovereign risk.

20. Key activities during the TA will include data review and collection; consultations with public entities, operators, and users; analysis, reporting, and a series of policy dialogue exercises with the Government and public services (including through a concluding workshop). Aviation and maritime issues will be covered separately by dedicated specialists in each sector and then synthesized to produce an integrated action plan with detailed recommendations for each sector and for national strategic planning of all interisland transport.

21. In the aviation sector, the TA will analyze both the international and domestic operations of Solomon Airlines, because they are provided from within the same organizational structure. The analysis will produce disaggregated results to identify those areas of the airline's operations that are sustainable and those that require ongoing support, reform, or divestment. Recommendations will focus on the necessary reforms to improve and sustain domestic and international air transport.

22. In the maritime sector, the TA will focus on domestic shipping only, because no Solomon Islands' entities provide international transport services. The analysis will cover both private sector operations and public sector operations, where they are likely to be sustained. Recommendations will focus on ways to support increased private sector participation in this sector.

23. The TA shall be conducted in full consultation with all relevant stakeholders, including Ministry of Infrastructure and Development; Department of Communications, Civil Aviation, and Meteorology; Investment Corporation of Solomon Islands; Solomon Airlines; Air Transport Licensing Authority; Ministry of Finance, National Reform, and Planning; and existing and potential private sector operators. The results of the TA will be presented at a national workshop with all stakeholders, including users of transport services.

24. The TA shall incorporate, where appropriate, the findings of relevant existing studies and plans, including the EU-funded *Solomon Islands Shipping and Marine Sector Study* 1999, the *Solomon Islands Transport Sector Strategy* 2002, the AusAID *Pacific Regional Transport Study* 2004, the European Union *Interisland Shipping Project* 2003, the ADB *Swimming Against the Tide Report on the Private Sector in the Pacific* 2004, and the ADB private sector assessment for Solomon Islands (expected in early 2005).

C. Cost and Financing

25. The total cost of the TA is estimated at \$420,000 equivalent, of which the foreign exchange component is \$320,000 and the local currency component is \$100,000 equivalent.

ADB will finance all the foreign exchange costs and \$30,000 equivalent of the local costs on a grant basis, of which \$200,000 will be financed by ADB's TA funding program and \$150,000 by the Government of Australia through the Channel Financing Agreement with ADB and administered by ADB. The Government of Solomon Islands will finance \$70,000 equivalent of the local currency costs through domestic resources. Appendix 2 presents the cost estimates and financing plan.

D. Implementation Arrangements

26. The executing agency for the TA will be the Ministry of Infrastructure and Development, which will be responsible for implementation and coordination across national and provincial government agencies. The undersecretary of the Department of Infrastructure will serve as the TA coordinator. A transport task force, to be formed in early 2005 and comprising members from relevant ministries and the private sector, will serve as the project steering committee.

27. The TA is expected to work closely with the Economic Reform Unit of the Department of Finance, which has been formed to oversee, coordinate, and implement private sector regulatory reforms, policy and regulations on infrastructure service provision, SOE reform, financial sector reforms, provincial economic development, statistical collection service reforms, and specific sector policy reforms to promote new investments in potential growth areas.

28. The TA is also expected to work closely with two other teams that will be conducting ADB-financed projects. The first is the TA for Institutional Strengthening of the Ministry of Infrastructure and Development, which will create the Transport Policy and Planning Unit and prepare a National Transport Plan (based in part on the outputs of this diagnostic assessment). The second is the TA for State-Owned Enterprise Reforms and Private Sector Participation, which will help improve SOE ownership arrangements, accountability, and performance through upstream policy advice, corporate governance reforms, and privatization.

29. A total of 12 person-months of international consulting services is required from a consulting firm that will provide four specialists for 3 person-months each: a transport planner and economist, an aviation operations specialist, a maritime operations specialist, and a private sector specialist. These services will be used concurrently over 3 months starting in February 2005 and ending in April 2006. Consulting services will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* using the quality- and cost-based selection process based on the submission of simplified technical proposals. The consultants will produce inception, midterm, and final reports addressing all items in the report outline shown in the terms of reference. Terms of reference for the consulting services are in Appendix 3.

IV. THE PRESIDENT'S DECISION

30. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$150,000 to be financed on a grant basis by the Government of Australia, and (ii) ADB providing the balance not exceeding the equivalent of \$200,000 on a grant basis, to the Government of Solomon Islands for Diagnostic Assessment of Interisland Transport, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions
Goal Increased efficiency and effectiveness of interisland transport, contributing to economic growth with improved distribution of benefits	By 2010: <ul style="list-style-type: none"> ▪ Improved provincial accessibility via appropriate modes of transport ▪ Air and sea 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 <i>Pacific Islands Economic Report</i> for baseline statistics) ▪ Household income / expenditure surveys ▪ Country programming consultations with communities, private sector, and agencies 	
Purpose Assess the status of interisland transport services, determine constraints to their development, and develop strategies for improving them	By 2006: <ul style="list-style-type: none"> ▪ Findings incorporated into the National Transport Plan ▪ Government implements recommendations for policy reforms ▪ Incentives created for private participation 	<ul style="list-style-type: none"> ▪ Review of the National Transport Plan ▪ Country Strategy and Program Update and sector review missions ▪ Tripartite project reviews and reports ▪ ADB project completion report 	<ul style="list-style-type: none"> ▪ Greater accessibility helps rebuild rural economies ▪ Policy reforms and incentives can induce private sector provision of services
Outputs A diagnostic assessment report with four components: (i) analysis of operational and financial situations, (ii) institutional analysis, (iii) identification of private sector opportunities, and (iv) strategies and action plans for sector reforms	By 2005: <ul style="list-style-type: none"> ▪ Final report documenting data, analyses, and recommendations ▪ Stakeholder workshops held on shipping and aviation with participation by each province and the private sector 	<ul style="list-style-type: none"> ▪ TA review missions ▪ Tripartite meetings and project reports ▪ ADB project completion report 	<ul style="list-style-type: none"> ▪ National Government is willing to push for policy reform ▪ Provincial governments recognize the potential of the private sector ▪ National Transport Fund becomes operational in support of uneconomic routes

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COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank (ADB) and Government of Australia Financing^a			
1. International Consultants			
a. Remuneration and Per Diem	252.0	0.0	252.0
b. International and Local Travel	40.0	9.0	49.0
c. Reports and Communications	3.0	3.0	6.0
2. Training, Seminars, and Conferences	0.0	10.0	10.0
3. Miscellaneous Administration and Support Costs	3.0	2.0	5.0
4. Contingencies	22.0	6.0	28.0
Subtotal (A)	320.0	30.0	350.0
B. Government of Solomon Islands Financing			
1. Office Accommodation	0.0	12.0	12.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	36.0	36.0
3. Training, Seminars, and Conferences	0.0	10.0	10.0
4. Local Transport	0.0	6.0	6.0
5. Miscellaneous Administration and Support Costs	0.0	6.0	6.0
Subtotal (B)	0.0	70.0	70.0
Total	320.0	100.0	420.0

^a Cofinanced by ADB's technical assistance funding program and the Government of Australia through the Channel Financing Agreement with ADB and administered by ADB.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Objectives and Scope

1. The goal of the TA is to increase the efficiency and effectiveness of interisland air and sea transport services in Solomon Islands. The outputs of the TA will include (i) a diagnostic assessment report covering the current operational and financial situations of air and sea transport operators; (ii) an institutional analysis of the public sector entities involved in the ownership, planning, and regulation of interisland transport services; (iii) the identification of opportunities and potential models for improving private sector participation in transport services; and (iv) recommendations, feasibility assessments, and action plans for air and sea transport sector reforms.

2. A team of four international consultants will be engaged from a firm for 3 person-months each to provide technical assistance (TA). The team will consist of a Transport Planner and Economist who shall also serve as Team Leader, an Aviation Operations Specialist, a Maritime Operations Specialist, and a Private Sector Specialist.

3. The team is expected to work closely with two parallel Asian Development Bank (ADB) teams providing TA that will begin their field work at approximately the same time, for Institutional Strengthening of the Ministry of Infrastructure and Development, and State-Owned Enterprise Reforms and Private Sector Participation Project. The focus for this TA will be specifically on improving the operations of interisland transport, whereas the other teams will be working on broader strategies at the national level.

B. Transport Planner and Economist and Team Leader (international, 3 person-months)

4. The consultant will design and manage the detailed work program, conduct the institutional analysis, supervise the technical analyses, synthesize the aviation and maritime components into an integrated assessment of all interisland transport, and produce the final recommendations and action plans. The terms of reference (TOR) 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) Collect 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 develop new or updated data as required. Prepare quantitative and qualitative databases that document the data as completely as possible.
- (iii) Review the current institutional situation, including the role and capacity of public sector entities involved in the ownership, planning, and regulation of operators and services, and assess existing and projected government policies, strategic objectives, and bilateral and multilateral agreements for air transport based on available documentation and the inputs of the other consultants.
- (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) Review existing recommendations on the preferred options for restructuring the operational and institutional environment for interisland transport and update as

required. Disaggregate the recommendations for the aviation and maritime sectors.

- (vi) Identify legal or regulatory constraints to implementing each restructuring option, including existing commercial agreements and labor laws. Recommend contractual and regulatory improvements and performance contracts to ensure fair pricing and adequate service standards.
- (vii) Develop national and provincial aviation and maritime sector road maps for consideration by stakeholders. Prepare a strategy for engagement with national and provincial governments on these issues and an action plan for implementing the preferred options
- (viii) Prepare an integrated report that combines all aspects of the TOR based on the inputs of the other consultants. In particular, focus on strategies and action plans for reform at two levels: an overall strategy for interisland transport and individual reform plans for the maritime and aviation sectors. At each level, identify policy and regulatory reforms that may be desirable to facilitate the recommendations, with an emphasis on developing private sector participation.
- (ix) Organize and conduct a concluding workshop to present the results of the TA. Solicit feedback on the diagnostic assessment, institutional analysis, and private sector assessment. Discuss the recommendations to improve action plans, and solicit feedback on the feasibility and desirability of suggested approaches. Prepare and circulate a record of the workshop and incorporate comments in the final report.

C. Aviation Operations Specialist (international, 3 person-months)

5. The consultant will analyze the aviation sector and prepare recommendations for restructuring the airline and reforming public policy. The TOR for the consultant include the following tasks:

- (i) Collect and review all available data and existing studies on domestic and international aviation, identify needs for further analysis and data collection, and develop new or updated data as required. Prepare quantitative and qualitative databases that document the data as completely as possible.
- (ii) Update, as required, existing documentation on the current operational situation of the airline with respect to both international and domestic services, including its fleet and other assets, routes and markets, competitors and partners, safety management, organizational structure, and human resources. Assess the reliability of existing demand projections.
- (iii) Update, as required, existing documentation on the current financial situation of the airline, including fixed and operational costs, revenues and liabilities, current and projected profits and losses, and probable valuation. Disaggregate the analysis of international and domestic operations.
- (iv) Update, as required, existing documentation on the current institutional situation relating to aviation, including the role of public sector entities involved in its ownership, planning, and regulation (both economic and safety). Assess existing and projected government policies, strategic objectives, and bilateral and multilateral agreements for air transport rights and safety obligations.
- (v) In conjunction with the private sector specialist, finalize implementation planning for privatizing the national airline based on a privatization strategy that will be developed under a separate TA. Potential approaches include management contracting, auctions of service concessions, joint venture ownership or leasing, and full divestment.

- (vi) Prepare the required documentation for potential transactions including information memorandums, contracts, and agreements required to support a call for expressions of interest.
- (vii) Assist government and airline staff with the inception of the privatization strategy, including evaluation of expressions of interest if required.
- (viii) Determine the required management capability within the airline, Civil Aviation Authority, and Air Transport Licensing Authority to implement each option. Prepare recommendations to obtain the necessary capability, potentially through capacity building or outsourcing.

D. Maritime Operations Specialist (international, 3 person-months)

6. The consultant will analyze the maritime sector and prepare recommendations for restructuring it, including possible reforms to public policy. The TOR 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 develop new or updated data as required.
- (ii) Update, as required, existing documentation on the current operational situation of public and private sector operators of domestic services, including their fleets and other assets, routes and markets, competitors and partners, safety management, organizational structure, and human resources. Assess the reliability of existing demand projections.
- (iii) Update, as required, existing documentation on the current financial situation of maritime operators, including fixed and operational costs, revenues and liabilities, current and projected profits and losses, and probable valuation. Assess the reliability of existing accounts and audits.
- (iv) Update, as required, existing documentation on the current institutional situation relating to interisland shipping, including the role of public sector entities involved in ownership, planning, and regulation (both economic and safety). Assess existing and projected government policies and strategic objectives.
- (v) In conjunction with the private sector specialist, prepare recommendations for restructuring public sector operations to ensure effective and efficient interisland services, potentially through management contracting, auctions of service concessions, joint venture ownership or leasing, divestment, and deregulation.
- (vi) In conjunction with the private sector specialist, prepare recommendations for increasing private sector participation in interisland shipping.
- (vii) Determine the required management capability within public and private shipping companies and government agencies to implement each option. Prepare recommendations to obtain the necessary capability, potentially through capacity building or outsourcing.

E. Private Sector Specialist (international, 3 person-months)

7. The consultant will determine existing and potential opportunities for expanding the role of the private sector in interisland transport and will propose specific reform options for each existing operator where feasible. The TOR for the consultant include the following tasks:

- (i) Assist the other consultants with their operational and financial analyses in relation to developing a thorough assessment of market potential in aviation and maritime transport.

- (ii) Assist the other consultants with their institutional analyses in relation to identifying constraints to private sector participation and preparing recommendations for policy reform.
- (iii) Propose and assess the feasibility of alternative mechanisms for creating contestable markets for the provision of transport services, including, but not limited to, liberalization of regulations, auctions of service concessions, and minimum subsidy tendering for commercially nonviable but essential service routes.
- (iv) Propose and assess the feasibility of alternative mechanisms to reform the ownership and management of public sector transport operations, including, but not limited to, management contracting of public operations, public-private partnerships, joint venture ownership or leasing, asset and service sharing, partial or full privatization, and liquidation.
- (v) Prepare a private sector participation strategy for the aviation and maritime sectors, including policy and regulatory reforms that may be desirable to facilitate the recommendations.
- (vi) Propose separate private sector participation plans for the maritime and aviation sectors, including necessary reforms and restructuring of ownership and management, and specific recommendations for preferred transactions (ranging from contracting to partnerships to partial or full divestment).
- (vii) Identify the likely requirements and data availability for preparing the required documentation for potential transactions for each operator-specific private sector participation plan. Draft the necessary information memorandums, contracts, and agreements required to support a call for expressions of interest.
- (viii) 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.

F. Reports

8. The consultants will organize separate consultation meetings with ADB on TA administration, outputs, deliverables, and TA 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 external funding 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.

9. The consultants will submit the following reports in English 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. In accordance with the TOR, it will outline 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 of interisland transportation and identify issues and decision-making requirements, if any, to facilitate TA progress.
- (ii) **Midterm progress report.** This report will be submitted halfway through TA implementation. The report will use the same format as the final report and will summarize recommendations and concepts being developed under the TOR. 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 TOR; (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 Government and ADB.

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

- (i) Introduction: Outline the study's objectives and process.
- (ii) Background. Describe the broad national and provincial contexts, provide separate subsections describing the aviation and shipping sectors, and outline the team's expectation of how 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 TOR, including the diagnostic assessment, institutional analysis, and private sector assessment.
- (v) Recommendations. Present analyses and recommendations in a disaggregated form for the aviation and shipping sectors, as well as in an integrated form for all interisland transport. Include action plans for implementation, recommendations for reforms to public sector policy and operations, and incentives for promoting 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. Provide full quantitative and qualitative databases in supplementary appendixes. Also provide all reports and data in electronic form.

G. Other Matters

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

12. The consultants are expected to bring their own computers and meet the costs of their own international telephone, facsimile, and Internet communications for the duration of their services.