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Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 27-Jul-2025 | Report No: PIDIA01448



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BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies) Fiji, Kiribati, Solomon Islands, Tonga, Tuvalu, Vanuatu	Region EAST ASIA AND PACIFIC	Operation ID P508537	Operation Name Accelerating Trade Facilitation In The Pacific
Financing Instrument Investment Project Financing (IPF)	Estimated Appraisal Date 25-Jul-2025	Estimated Approval Date 05-Sep-2025	Practice Area (Lead) Finance, Competitiveness and Innovation
Borrower(s) Kiribati, Kingdom of Tonga, Republic of Vanuatu, Tuvalu, Republic of Fiji, Solomon Islands	Implementing Agency Ministry of Finance and Economic Development, Customs Administration, Ministry of Finance and Economic Management, Ministry of Transport, Energy, Communication and Innovation, Ministry of Revenue & Customs, Customs Department, Ministry of Finance and Treasury, Customs and Excise Division, Ministry of Infrastructure, Marine and Ports Department, Fiji Revenue and Customs Service, Pacific Islands Forum Secretariat, Port Authority Tonga, Tuvalu Ministry of Finance and Economic Development, Customs and Inland Revenue, Kiribati Port Authority, Ministry of Infrastructure and Public Utilities, Department of Ports and Marine		

Proposed Development Objective(s)
To reduce the time and cost required for cross-border trade in Participating Pacific Island Countries (PPICs)



Components

Customs and Border Management Operations
Port Operations
Project Management and Regional Capacity Building

PROJECT FINANCING DATA (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? Yes
Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation Cost	60.00
Total Financing	60.00
of which IBRD/IDA	60.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	60.00
IDA Credit	20.00
IDA Grant	40.00

Environmental And Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context



Country Context

1. **The Pacific Island Countries (PICs) are characterized by small populations spread across vast areas.** The 12 PICs that are members of the World Bank are Papua New Guinea (PNG), Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. These island nations are largely characterized by smallness and remoteness, with low populations spread across 15 percent of the Earth's surface.¹ The Pacific region has 13.3 million people—ranging from PNG (10.58 million) and Fiji (900,000) at the higher end, down to Nauru and Tuvalu (each approximately 11,000). Physical connectivity is challenging, with irregular and often unreliable flights and limited marine transport options.
2. **Several structural challenges, including remoteness, geographic dispersion, labor migration, and small market size, undermine economic development and job creation in the Pacific.** These factors naturally lead to higher costs and limit the economies of scale that PICs can achieve. Unlike East Asian countries, the development path of the PICs has not relied on manufacturing-led development, given the high trade costs. As a result, countries in the Pacific tend to have narrow production and export bases, dominated by tourism and the trade of primary commodities such as fish and wood, where they have a comparative advantage. Labor migration provides critical opportunities for employment and income through remittances, but it also exacerbates structural barriers to growth by contributing to a shortage of skilled labor in home markets.
3. **The growing susceptibility of PICs to natural and climate-related hazards has led to considerable destruction and loss.** PICs are highly exposed to the adverse effects of climate change and natural hazards. From 2000 to 2019, three PICs were ranked among the global top 10 most affected countries by extreme weather events and seven PICs among the global top 20 over same period. Disasters in PICs can have significant impacts on the economy: (a) the 2022 Hunga Tonga-Hunga Ha'apai volcanic eruption and tsunami in Tonga resulted in losses of US\$188 million (37.5 percent of gross domestic product [GDP]); (b) the 2020 Tropical Cyclone (TC) Yasa in Fiji caused losses of US\$250.5 million (4.5 percent of GDP); (c) the 2020 TC Harold in Vanuatu resulted in damages of US\$80–US\$100 million (10 percent of GDP); (d) TC Harold in Tonga caused losses of US\$111 million (22 percent of GDP).
4. **Climate resilience, regional connectivity and integration are central pillars of the region's development aspirations.** The Pacific Islands Forum, a regional, intragovernmental organization, has outlined a long-term vision in its "2050 Strategy: The Opportunity to Shape our Future". This strategy sets out a long-term approach for countries working together as a region. The strategy recognizes the regional nature of common economic challenges related to inequality, high youth unemployment, the high cost of trade, and underinvestment in infrastructure. To address these challenges, the strategy prioritizes strengthening regional mechanisms to coordinate harmonized solutions with the goal of ensuring access to employment, entrepreneurship, trade, and investment in the region.

Sectoral and Institutional Context

5. **Trade is central to economic development and the cost of living in the PICs.** Like many other small island states, they are heavily dependent on imports for many essential goods and almost all manufactured goods due to their limited domestic production capacity. A large share of this trade—between 80 and 100 percent of imports by value—is maritime. It is also unbalanced, with imports averaging 60 percent of GDP among PICs and exports averaging 10 percent (excluding Fiji and the Solomon Islands, which are large exporters of sugar and timber, respectively). This heavy import dependence makes the cost of trade a direct driver of local price levels; any disruption or inefficiency in trade logistics further raises the cost of living and undermines welfare.²

¹ For example, Kiribati is one of the world's most remote and geographically dispersed countries, consisting of 33 coral atolls spread over 3.5 million km² of ocean, an area larger than India. It also has the lowest GDP per capita in the region.

² <https://www.imf.org/en/Publications/WP/Issues/2021/08/20/Tracking-Trade-from-Space-An-Application-to-Pacific-Island-Countries-464345>.



6. **Low connectivity and infrequent service have several compounding effects on trade costs.** Foremost among these are higher freight rates: with few competitors and irregular demand, carriers must factor in sailings with extra fuel and, at times, partially empty holds. There are also trans-shipment costs: because direct services are scarce, many Pacific-bound shipments must be changed from one ship to another in regional hubs (for example, via Auckland, Sydney/Brisbane, or Honolulu/Guam). Almost all cargo from Asia, Europe, or the Americas going to a PIC will first stop at a larger hub before being loaded onto a feeder vessel. While efficient up to a point, trans-shipment adds handling costs and time. Finally, there are costs associated with the employment of multi-port loops: to economize, shipping lines serving the Pacific typically operate ‘string’ services, where a ship will steam in a circuit, calling at multiple island nations sequentially. These loops are linked: one service might loop Auckland-Tonga-Samoa-Fiji and back, while another would operate on a Fiji-Vanuatu-Solomon Islands loop. While necessary for cost-efficiency, this structure means that PICs’ supply chains are interdependent: delays or port inefficiencies in one port can cascade to others.³

7. **Domestic factors within PICs also contribute to costly and inefficient trade.** Most ports in these countries were not originally designed for high-volume container traffic. They have shallow channel or berth depths, inadequate short wharves, and limited yard space and cargo-handling equipment. Only a few primary ports (such as Suva or Honiara) can receive larger ships, and even those often rely on ships’ own gear (cranes) for loading/unloading of containers. As a result, long ship turnaround times are common: the average container ship in the Solomon Islands or Kiribati might spend 48 to 78 hours in port during a call—two to three times longer than larger ports in Asia. Some of the ports do not have the necessary vessel traffic management systems nor terminal operating systems. These delays at port translate into higher vessel operating costs (which shipping lines pass on through higher fees) and longer waiting times for cargo clearance. Similarly, storage and warehousing at ports may be suboptimal with unsafe or unsecure storage due to space limitations, a lack of specialized storage such as cold chains, and unhygienic facilities that can potentially introduce contaminants into trade goods.

8. **Another major extrinsic factor inflating trade costs is the complexity of border regulations and the inefficiency of trade procedures.** Detailed analytical and advisory work carried out since 2015 in the Pacific revealed that border processes remain complex and pointed to some common issues, including the following: (a) lack of coordination and information sharing between border agencies, which greatly increases the time to clear cargo at wharf and compliance costs; (b) absence of an electronic system outside of customs, meaning that traders must deal with manual processes at all other agencies, typically requiring multiple visits to different offices; (c) absence of risk management systems to provide a fast track for traders with a good compliance record; and (d) the information on regulations, fees, and administrative procedures that traders must comply with is difficult and time-consuming to find, which increases costs and reduces compliance levels.

9. **Reducing trade costs is crucial for enabling economies to effectively participate in regional and global value chains and promote growth and job creation.** This is evidenced by data from the Pacific Islands Export Survey 2024, which found a steady annual increase in the share of firms exporting to both PICs and other markets between 2014 and 2024.⁴ While these exports are skewed toward services (with 83 percent of firms in the sector surveyed reporting exports to other PICs), they are also high for manufacturing (80 percent) and tourism (77 percent). The survey also found that firms established within the past three years export at a higher rate to other PICs than older firms (76 percent, compared to 68 percent), further indicating the importance of regional trade facilitation in supporting economic dynamism in these countries.

C. Proposed Development Objective

Development Objective

³ World Bank Group. 2022. “Assessment for Maritime Connectivity.”

⁴ https://pacifictradeinvest.com/media/o32jgnzy/export-survey-2024-highlights_web.pdf.



The project will reduce the time and cost required for cross-border trade in Participating Pacific Island Countries (PPICs).

Key Results

10. **The project will track key results in the following areas:**

- (a) **Reduction in time for imports (hours).** The indicator will utilize Time Release Studies (TRSs) conducted in each participating country to record the number of hours required for goods to complete all customs and trade formalities. The results will be reported for each of the six PPICs.
- (b) **Reduction in cost for imports (percentage).** The indicator will track the total costs associated with complying with all import requirements, including customs fees, other required payments, and payments made to customs brokers or freight forwarders. Data for this indicator will come from the World Bank Group Business Ready (B-READY) report, specifically indicator 3.2.2 of the International Trade Topic, “Total Cost to Comply with Import Requirements.” The results will be reported for each of the six PPICs.

11. **Additional intermediate indicators will capture gender and resilience benefits of the operation.** The reduction in time and cost are the primary goals of the project. However, trade facilitation can also strengthen crisis resilience by maintaining the cross-border trade flow and access to critical and essential goods during emergencies and natural disasters and most importantly, in the preparation for and aftermath of a crisis. The project will track the number of reforms introduced to strengthen crisis resilience. An additional indicator will measure the increase in woman owned and led firms as a share of exporters.

D. Project Description

Component 1: Customs and Border Management Operations

12. **Subcomponent 1.1: Digitizing cross-border trade.** Trade facilitation and digitalization are closely linked. The adoption of emerging technologies and digitalization in customs and border clearance processes provides transparent access to information for traders, ensures harmonization and interoperability across countries, and reduces the amount of time spent on meeting requirements to import and export. This subcomponent finances the digitalization of cross-border trade in two key areas:

- (a) The core customs management system will be upgraded for each country, through the enhancement of ASYCUDA. The common need across the Pacific to update customs management systems allows the project to ensure that a regionally harmonized solution is implemented—one that allows for interoperability, data exchange, and economies of scale in capacity building and technical support.
- (b) To maximize the benefit of ASYCUDA on reducing time and cost of trade, it is essential to also support digitalization in agencies other than customs that are involved in border control (biosecurity, health/food safety, standards and technical regulators, sectoral regulators, and so on). The National Single Window (NSW) links all relevant government agencies, service providers, and traders, enabling them to exchange the required information, clearances, and payments through a single online portal. The project will work with each country to design and implement an NSW, ensuring harmonization across countries.

13. **Subcomponent 1.2: Equipment for customs & border agency clearance.** This subcomponent will finance specific equipment needed for customs processing including, among others, testing equipment, container hygiene equipment, and non-intrusive inspection/X-ray scanners. This equipment will reduce the time needed for customs clearance by reducing the demand for physical inspection of cargo and enabling risk-based approaches. In addition, the equipment facilitates compliance with import requirements in key regional trade partners and with trade facilitation obligations under free trade agreements.



14. **Subcomponent 1.3: Export readiness capacity building for firms and technical and vocational skills training for individuals.** The project will provide training for both existing and potential importing and exporting businesses to boost their knowledge of trade facilitation requirements, export market access regulations, and resources to help them become exporters. The project will also finance the technical and vocational skills training for individuals that is needed to operate and maintain the equipment and systems procured through the project.

Component 2: Port Operations

15. **Subcomponent 2.1: Equipment and systems for port operations.** This subcomponent will finance the equipment and systems needed by ports authorities and government port operators to facilitate the movement of goods to/ from—and through—the ports. While improved trade facilitation systems and NSW will help reduce the time and cost to trade, the time needed to move goods from ports to container terminals at border entry points (largely international ports in the Pacific) also has a significant impact on overall efficiency for trade. The subcomponent will include, among others, the acquisition of aids to navigation, pilot boats, tugboats, and excavators to improve navigation performance and safety; cargo handling equipment such as forklifts and reach stackers for moving and stacking cargo; vessel and container tracking systems to facilitate efficient and resilient processing of goods, including equipment to guide ships to port; and other selected ports safety and operation equipment. The subcomponent will not support any large-scale civil works. Ports in the Pacific are highly exposed to climate risks such as flooding, cyclones, high wind, and earthquakes, making climate-resilient design, operation, and maintenance a priority for project activities. Climate risk assessments may be carried out where relevant for specific investments under the project.

16. **Subcomponent 2.2: Preparatory work for longer-term maritime investments.** To reduce trade time and costs beyond trade facilitation reforms, large physical improvements will most likely be necessary in the mid to long term to expand the physical capacity of wharfs and ports. While the project will not finance any large-scale civil works, this subcomponent will support preparatory activities such as feasibility studies or investment plans related to maritime transport sector capital investments. All such studies and assessments will be designed incorporating the World Bank's environmental and social sustainability measures and climate-resilient design standards.

17. **Investments in Components 1 and 2 will also help facilitate resilience to natural and climate-related hazards.** Resilient ports equipment and the practices introduced under Subcomponent 1.1, such as emergency preparedness and response policies and expedited clearance regimes will help facilitate continuous access to foreign markets in the preparation and response to a crisis. Investments in this area, such as excavators repair equipment and aids to navigation, can be used to reduce risks during natural disasters and enable ports to return to active operation more quickly in the aftermath of such events.

Component 3: Project Management and Regional Capacity Building

18. **Subcomponent 3.1: Project Management.** This subcomponent will finance country-level Project Management Units (PMUs) and their operations. Implementation arrangements will vary by country but in every case, the project will finance sufficient procurement, financial management, safeguards, and project management expertise to implement the project activities.

19. **Subcomponent 3.2: Capacity building in regional bodies to support comprehensive trade facilitation reform.** While most project resources are delivered through country-level interventions, the project also seeks to strengthen regional capacity to support trade facilitation reforms. This recognizes the regional nature of trade facilitation and ensures that country-level investments remain aligned to broader regional commitments (World Trade Organization Trade Facilitation Agreement obligations, and so on).

20. **The project will work with the Pacific Islands Forum Secretariat (PIFS) to strengthen its capacity to coordinate implementation of the Pacific Regional Trade Facilitation Strategy.** In particular, the project will support strengthening



the trade facilitation unit at PIFS by recruiting a coordinator and a technical specialist. PIFS will also support regional coordination through existing structures such as the Regional Trade Officials meetings and the establishment of a Regional Trade Facilitation Committee, which will play a role in coordination, training, and stakeholder engagement with the private sector traders.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

21. **Environmental and social (E&S) risks and impacts for the project are considered moderate.** Environmental and Social risks and impacts from the activities proposed under components 1 and 2 (i) are expected to be temporary, site specific and reversible in nature; and can be mitigated through application of standard operating procedures and good international industry practices. The downstream impacts from component 2 (ii) could be moderate to substantial based on the type of studies that will be requested by the government. The key E&S risks from Component 1 and 2 (i) include: (i) inadequate end-of-life disposal of replaced equipment leading to land contamination (ii) waste generation (hazardous and general waste) (ii) wastewater generation from wash bay facilities if not adequately treated can contaminate the marine environment (iv) construction stage risks typical for small scale civil works such as impact on ambient air quality from dust generation, noise emissions, waste and wastewater generation, Occupational Health and Safety (OHS) risks (v) OHS risks from operating heavy vehicles to be procured under the projects such as physical hazards from falling objects and equipment malfunctions, vehicle collisions and run-over accidents, and operational risks including driver fatigue and ergonomic risks (vi) Labor-related risks include the failure to provide fair, safe, and healthy working conditions, including sexual exploitation and abuse/sexual harassment (SEA/SH) incidents. An additional risk is the inadequate land use screening or stakeholder engagement and lack of transparency in information disclosure.

22. **A focused E&S assessment has been prepared which outlines the mitigation measures, Environmental and social codes of practice (ESCoPs) to manage the risks consistent with ESS requirements.** ESCoPs for screening of preparatory studies has also been developed. The screening aims to exclude the preparatory studies from project financing which has downstream impacts on (a) critical habitats, legally protected areas and internationally recognized sites (as per ESS6 para 26), AZE sites, UNESCO Natural and Mixed World Heritage Sites (b) physical and/or economic displacement (c) lands and natural resources subject to traditional ownership or under customary use or requires relocation of Indigenous Peoples from lands and natural resources subject to traditional ownership or under customary use. For the preparatory studies that will be financed by the project, Project Operational Manual (POM) will include procedures to (a) develop Terms of Reference integrating the E&S assessment consistent with ESS requirements (b) review and approval process of the reports submitted as outcome of the preparatory studies. ESCP will include the requirement to adopt and incorporate E&S risk management measures outlined in the Focused E&S Assessment including the ESCoPs into the POM. The POM will be a dated covenant for the project.



E. Implementation

Institutional and Implementation Arrangements

23. **The project will be implemented independently in each of the six countries and in PIFS by PMUs established in each.** The specific implementation arrangements will vary slightly among the six countries depending on the components being implemented and the structure of the government, but the approach will rely on the national customs administration to implement Component 1 and the government agency responsible for ports (typically a department under a Ministry of Transportation or Infrastructure) to implement Component 2. Each country will further establish a single PMU that will be responsible for overall project management and compliance with fiduciary and safeguard requirements in close coordination with customs and ports authorities. This PMU will be established in one of the same line ministries or agencies implementing the project.

24. **PIFS will focus on improving regional coordination and harmonization.** PIFS will recruit specialists who will work on monitoring and supporting countries with the implementation of the Pacific Regional Trade Facilitation Strategy and on strengthening regional coordination. PIFS will implement these activities through an existing PMU.

25. **Given the large number of stakeholders, each country will utilize its National Trade Facilitation Committee (NTFC) to coordinate project activities as a steering committee.** NTFCs are existing bodies in each country, mandated by the WTO, Pacific Agreement on Closer Economic Relations (PACER) PLUS, and other Free Trade Agreements (FTAs) to facilitate coordination and implementation of trade facilitation activities at the national level. Most NTFCs sit under the Ministry of Foreign Affairs and External Trade and include representatives from both the public and private sectors involved in international trade. NTFCs meet semi-regularly, but under the project, they will meet at least every six months to review project activities, address implementation issues, and allow for feedback from stakeholders.

CONTACT POINT

World Bank

Christopher David Miller
Senior Private Sector Specialist

Satoshi Ogita
Senior Transport Specialist

Borrower/Client/Recipient



Kiribati

Teuea Toatu

Vice President of Kiribati and Minister for Finance and Economic Development

hon.vicepresident@mfep.gov.ki

Kingdom of Tonga

Kilisitina Moala Tuaime'i'api

CEO, Ministry of Finance

ktuaime'iapi@finance.gov.to

Republic of Vanuatu

Johnny Raso Koanapo

Minister of Finance and Economic Management

jkoanapo@vanautu.gov.vu

Tuvalu

Panapasi Nelesone

Deputy Prime Minister and Minister of Finance and Economic Development

pnelesone@gov.tv

Republic of Fiji

Shiri Gounder

Permanent Secretary, Ministry of Finance, Strategic Planning, National Development and Statistics

shiri.gounder@govnet.gov.fj

Solomon Islands

McKinnie Dentana

Permanent Secretary

mdentana@mof.gov.sb

Implementing Agencies



Ministry of Finance and Economic Development, Customs Administration

Tekaie Ititaake
Comptroller of Customs
tekaie@justice.gov.ki

Ministry of Finance and Economic Management

James Willie
Project Manager and Financial Controller
jswillie@vanuatu.gov.vu

Ministry of Transport, Energy, Communication and Innovation

Simalu Enele Taliu
Permanent Secretary
mteci@gov.tv

Ministry of Revenue & Customs, Customs Department

Michael Cokanasiga
Chief Executive Officer
mcokanasiga@gmail.com

Ministry of Finance and Treasury, Customs and Excise Division

Peter Hughes
Comptroller of Customs
PHughes@customs.gov.sb

Ministry of Infrastructure, Marine and Ports Department

Kelela Tonga
Director, Marine Ports Division
ktonga20@gmail.com

Fiji Revenue and Customs Service

Nausad Ali
Chief Customs Officer (Seaports & Maritime)
nali@frcs.org.fj

Pacific Islands Forum Secretariat

Zarak Khan
Director - Programme & Initiatives
zarakk@forumsec.org

Port Authority Tonga

Alo Maileseni
CEO
alo.maileseni@tongaports.to



Tuvalu Ministry of Finance and Economic Development, Customs and Inland Revenue

Sania Teisini
Director of Tuvalu Revenue and Customs Department
steisini@gov.tv

Kiribati Port Authority

Makin Nauto
CEO
enquiry@kpa.com.ki

Ministry of Infrastructure and Public Utilities, Department of Ports and Marine

Robson Tari
Acting Director
trobson@vanuatu.gov.vu

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Christopher David Miller, Satoshi Ogita
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Approved By

Practice Manager/Manager:	Ilias Skamnelos	16-Jul-2025
Country Director:	Stephen N. Ndegwa	27-Jul-2025