



Technical Assistance Report

Project Number: 53175-001
Knowledge and Support Technical Assistance (KSTA)
July 2019

Advancing Cooperation in the Maritime Sector in South Asia Subregional Economic Cooperation Program

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ARTCF	–	United Kingdom Fund for Asia Regional Trade and Connectivity
PCS	–	port community system
SASEC	–	South Asia Subregional Economic Cooperation
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 53175-001	
Project Name	Advancing Cooperation in the Maritime Sector in South Asia Subregional Economic Cooperation Program	Department/Division	SARD/SARC
Nature of Activity	Capacity Development	Executing Agency	Asian Development Bank
Modality	Regular		
Country	REG (BAN, IND, MLD, MYA, SRI)		
2. Sector		Subsector(s)	
		ADB Financing (\$ million)	
		Total 0.00	
3. Strategic Agenda		Subcomponents	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change Information	
Environmentally sustainable growth (ESG)	Environmental policy and legislation		
Regional integration (RCI)	Pillar 2: Trade and investment		
4. Drivers of Change		Components	
Governance and capacity development (GCD)	Institutional systems and political economy	Gender Equity and Mainstreaming	
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	Bilateral institutions (not client government)		
Private sector development (PSD)	Official cofinancing Public sector goods and services essential for private sector development		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Not Applicable	
Household Targeting	No		
General Intervention on Poverty	No		
SDG Targeting	Yes		
SDG Goals	SDG5, SDG9, SDG12		
6. Risk Categorization		Low	
7. Safeguard Categorization		Safeguard Policy Statement does not apply	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.00	
None		0.00	
Cofinancing		1.50	
United Kingdom Fund for Asia Regional Trade and Connectivity under the Regional Cooperation and Integration Financing Partnership Facility (Full ADB Administration)		1.50	
Counterpart		0.00	
None		0.00	
Total		1.50	
Currency of ADB Financing: USD			

I. INTRODUCTION

1. This knowledge and support technical assistance (TA) will advance cooperation in the maritime sector of five countries—Bangladesh, India, Maldives, Myanmar, and Sri Lanka—under the South Asia Subregional Economic Cooperation (SASEC) Program. The TA will focus on addressing common issues adversely impacting on the performance of the subregion’s ports. It will conduct analytical studies to identify infrastructure projects designed to enhance maritime connectivity in South and Southeast Asia, and ensure effective knowledge sharing and capacity development of relevant agencies on how best to address these issues. The TA is designed to include activities that encourage dialogue among stakeholders in the maritime sector in the SASEC countries.¹

2. The TA is fully aligned with the strategic priorities laid out in the Regional Cooperation and Integration Operational Plan, 2016–2020 and the SASEC Operational Plan, 2016–2025. Under the regional cooperation and integration operational plan, strengthening connectivity involves enhancing international transport linkages as well as addressing related policy constraints.² Likewise, the SASEC operational plan underscores multimodal connectivity and expanding transport and trade facilitation efforts through maritime cooperation.³ This will assist in standardizing operations and enhancing overall trade activity.

II. ISSUES

3. SASEC member countries recognize that transport is a prime catalyst for international trade competitiveness and economic growth. The inclusion in SASEC of Maldives and Sri Lanka in 2014, and Myanmar in 2017, has raised the importance of maritime connectivity. However, SASEC does not have a modal cooperation mechanism for maritime transport despite its importance in intra-SASEC trade and trade with the rest of the world. At SASEC ports, productivity gains and enhanced operational performance are becoming more critical, with shipping clients demanding improvements. Considering current delays in container transit, the ability to expedite transit times between discharging from the vessel and delivering cargo to the end user will reduce trade and transport costs and ensure the reliability of international logistics chains.

4. Trade in South Asia is expected to continue to increase significantly both in terms of intraregional movements and trade outside the region. Most of this import and export traffic will be carried via the maritime mode. Thus, advancing cooperation in the maritime sector in the SASEC countries is crucial in realizing the subregion’s potential economic growth, particularly as income generated by trade can be used to address poverty reduction.

5. A core problem faced by SASEC ports is the limited maritime connectivity among member countries. Contributory causes include (i) the high cost of trade and transport, (ii) delays in the transit of containers and/or excessive dwell times at SASEC ports,⁴ (iii) redundant and manual data exchanges between various parties in the port community, (iv) prolonged cargo clearance procedures, (v) limited inland transport and port infrastructure adversely impacting on hinterland

¹ The TA first appeared in the business opportunities section of the Asian Development Bank (ADB) website on 10 May 2019.

² ADB. 2016. *Operational Plan for Regional Cooperation and Integration, 2016–2020: Promoting Connectivity, Competitiveness, Regional Public Goods, and Collective Action for Asia and the Pacific*. Manila.

³ ADB. 2016. *South Asia Subregional Economic Cooperation Operational Plan, 2016–2025*. Manila.

⁴ Dwell time refers to the amount of time a container waits to be picked up at a marine terminal after being unloaded from a vessel or post-delivery before loading (Pacific Merchant Shipping Association. 2016. [Container Dwell Time – Metrics for Port Efficiency and Velocity](#)).

logistics, (vi) legal and regulatory barriers, and (vii) limited knowledge of maritime cooperation and coordination and international best practices in port operations.

6. **Redundant and manual data exchange between port players.** The use of information and communication technology within the SASEC ports is increasingly comprehensive, particularly at an individual container terminal level and within national customs organizations. However, the use of information and communication technology is much lower in other organizations in the port environment, resulting in the duplication of data exchanges between various parties in the port community. Leading global ports have addressed this issue by developing port community systems (PCSs) that link all the players in the port community—eliminating the need to key in data separately to each party. This enables faster clearance procedures, resulting in lower cargo dwell times in the port area.

7. **Legal and regulatory issues.** The legal and regulatory framework needs to be reformed to ensure that any residual national legal and regulatory barriers to maritime connectivity between SASEC member countries are eliminated or modified to reflect changes in the maritime trading environment. Identified issues include the need for coastal shipping arrangements, cabotage, reservations of cargo for own flagged vessels, access to national waterways, and competition controls. These areas can directly affect the nature of shipping connectivity between SASEC countries.

8. **Underdeveloped hinterland logistics.** Underdeveloped infrastructure to support port operations includes a lack of “last mile” dedicated port access roads and a shortage of supporting inland container depots and container freight stations.⁵ The absence of such infrastructure remains a major bottleneck to reducing terminal dwell times. Underdeveloped infrastructure is manifested in gate congestion, often caused by bunching of truck arrivals and complex operations at the port gate, and external curfews on connecting roads. The shortage of inland container depots and container freight stations results in the need for more container clearances within the port area, increasing dwell times and incurring additional cargo handling costs.

9. **Limited port facilitation.** Key agencies affecting terminal dwell times are cross-border regulatory agencies such as national customs organizations and other border protection agencies (e.g., sanitary and phytosanitary). However, moving containers through a port requires additional clearances by several nonregulatory bodies such as port authorities, stevedores, shipping lines and their agents, and transport companies. These procedures are also a factor in extended dwell times. The Asian Development Bank (ADB) is already actively engaged in covering the cross-border regulatory agencies through the SASEC trade facilitation program.⁶

10. **Growth in passenger traffic.** The number of cruise passengers in Asia has been increasing by an estimated annual average of 33%, from 775,000 in 2012 to nearly 4.26 million in 2018.⁷ The desire to visit new destinations, combined with a growing middle-income population in South Asia, suggests that more passenger vessels will regularly visit SASEC ports in the future. This trend can adversely impact on freight-handling operations and extend cargo dwell times because of the priority given to such vessels at ports lacking dedicated passenger berths. Handling passenger vessels on freight berths often has a knock-on effect on cargo dwell times. Certain SASEC ports will need to plan adjustments to their procedures and infrastructure in support of tourism promotion by their national governments.

⁵ Last mile refers to the final leg of freight movements, which are often made on local roads. (Department of State Growth. Government of Tasmania. [Tasmanian Freight Survey 2016-17 – Data Summary](#)).

⁶ ADB. [Regional: South Asia Subregional Economic Cooperation Trade Facilitation Program](#).

⁷ Cruise Industry News. 2019. [Asia Cruise Cooperation Welcomes Growth and Expansion in 2019](#). 8 April.

11. **Environmental issues.** Environmental issues regarding port operations are becoming more prevalent. Two SASEC countries—Bangladesh and Maldives—are prone to rising sea levels as a result of climate change. The rise in sea levels can exacerbate current environmental problems such as ship- and cargo-handling pollution as well as vehicle emissions. To combat such climate change risks, ports are increasingly adopting “greening” programs to balance environmental challenges with economic demands. Greening will incorporate handling climate change in terms of adaptation and mitigation. This will have an impact on port management as well as the development and operation of port infrastructure. Training and guidance on the latest environmental management system standards, with best practices and the most suitable technologies, will be necessary to enable SASEC ports to become “green ports.”

III. THE TECHNICAL ASSISTANCE

A. Impacts and Outcome

12. The TA is aligned with the following impacts: (i) port infrastructure to enable the efficient handling of the subregion’s maritime trade developed and capacity to cope with the anticipated growth in container traffic expanded; and (ii) port logistics and facilities for the efficient handling of cargo in major SASEC ports improved (footnote 3). The TA also aligns with the interim outcome of the United Kingdom Fund for Asia Regional Trade and Connectivity (ARTCF)—improved infrastructure design and policy processes toward greater regional connectivity and trade. The TA will have the following outcome: pipeline of SASEC maritime projects and initiatives finalized.⁸

B. Outputs, Methods, and Activities

13. **Output 1: Analytical studies promoting maritime cooperation in South Asia Subregional Economic Cooperation conducted.** ADB will conduct analytical work to assess the core nature of the issues, identifying their present and future impact. The studies will include (i) identification of the current status and plans for introducing PCSs in the subregion, preparation of business process analysis of all clearance procedures, and the formulation of PCS development plans, together with funding needs for the selected ports; (ii) identification of the nature and impact of legal and regulatory constraints to shipping services and proposals for remedial strategies to mitigate the adverse impact of these barriers; (iii) examination of the demand for and location of additional logistics infrastructure and dedicated access roads to enhance the movement of traffic between the port and its hinterland for selected sites; (iv) assessment of the potential growth of cruise tourism and actions required by ports to accommodate such traffic, including the cost of facilities that will be needed to support the sector at the selected ports; and (v) assessment of the current environmental status of the key SASEC ports and identification of greening strategies to promote healthy oceans through efficient pollution control and sustainable port infrastructure. The studies will attempt to identify future investment projects as well as the critical path leading to their successful implementation. The research methodology for all studies will employ quantitative methods grounded in relevant economic theory, supplemented by qualitative analysis. Where relevant, ADB will conduct enterprise surveys and primary interactions with stakeholders. The knowledge products will consider gender elements, as appropriate.

14. **Output 2: Capacity and knowledge of South Asia Subregional Economic Cooperation officials on improving port performance and greening of ports enhanced.** The development of solutions to address SASEC maritime issues—including data-sharing limitations, legal and regulatory barriers, gaps in logistics infrastructure, untapped potential in cruise tourism,

⁸ The design and monitoring framework is in Appendix 1.

and insufficient greening programs in port operations—will be conducted through a mix of capacity-building, knowledge-sharing, and awareness-raising events. The methodology to address these solutions will vary, given the differing port and trade logistics environments. This will require a combination of coordinated consultations with relevant stakeholders, training workshops and seminars, and site study visits.

C. Cost and Financing

15. The TA is estimated to cost \$1,500,000, which will be financed on a grant basis by the United Kingdom Fund for Asia Regional Trade and Connectivity under the Regional Cooperation and Integration Financing Partnership Facility and administered by ADB.⁹ The key expenditure items are listed in Appendix 2.

16. The ARTCF will finance the TA activities, including operational expenses in the form of consulting services; training events, conferences, and workshops; and other TA related activities. It will not be used for civil works, procurement of large-scale equipment, and permanent staffing costs.

D. Implementation Arrangements

17. ADB, through its Regional Cooperation and Operations Coordination Division (SARC), South Asia Department, will be the executing and implementing agency. SARC will select, supervise, and evaluate consultants; organize in-country consultations and seminars; and monitor the TA implementation in coordination with ADB's Southeast Asia Department and other relevant departments and resident missions.

18. The implementation arrangements are summarized in the table.

Implementation Arrangements			
Aspects	Arrangements		
Indicative implementation period	July 2019–June 2021		
Executing agency	Asian Development Bank (ADB)		
Consultants	To be selected and engaged by ADB		
	Firm: quality- and cost-based selection with 90:10 quality–cost ratio	Firm to manage a multidisciplinary consultant team comprising up to 4 international experts to be engaged for up to 16 person-months	\$310,000
	Individual selection	International expertise (12 person-months)	\$179,000
	Individual selection	National expertise (9 person-months)	\$69,000
Disbursement	The technical assistance resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

Source: Asian Development Bank.

⁹ Following the Implementing Guidelines of the ARTCF, eight developing member countries (DMCs) in Central and South Asia—Afghanistan, Bangladesh, India, the Kyrgyz Republic, Myanmar, Nepal, Pakistan, and Tajikistan—are eligible to receive support. Other DMCs can be supported if they cooperate or collaborate with one or more of the eight selected DMCs through a subregional program (e.g., the Central Asia Regional Economic Cooperation Program, the Greater Mekong Subregion Economic Cooperation Program, and the SASEC Program) or other subregional and regional groups and forums. As SASEC members, Maldives and Sri Lanka are thus also eligible to receive ARTCF support under this TA.

19. **Consulting services.** A consulting firm, as well as individual international and national consultants, will be hired on an intermittent basis on output-based contracts where appropriate. Resource persons with specialized knowledge in key areas of the TA's scope will also be hired on the basis of need. ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.¹⁰

20. **Cofinancier arrangements.** The ARTCF under the Regional Cooperation and Integration Financing Partnership Facility requires semiannual progress reports on project implementation, including major changes in the project scope, duration, or funding arrangement.

IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved the Asian Development Bank administering technical assistance not exceeding the equivalent of \$1,500,000 to be financed on a grant basis by the United Kingdom Fund for Asia Regional Trade and Connectivity under the Regional Cooperation and Integration Financing Partnership Facility for Advancing Cooperation in the Maritime Sector in South Asia Subregional Economic Cooperation Program, and hereby reports this action to the Board.

¹⁰ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

DESIGN AND MONITORING FRAMEWORK

Impacts the Technical Assistance is Aligned with

- (i) Port infrastructure to enable the efficient handling of the subregion's maritime trade developed and capacity to cope with anticipated growth in container traffic expanded.^a
- (ii) Port logistics and facilities for efficient handling of cargo in major SASEC ports improved^a

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Pipeline of SASEC maritime projects and initiatives finalized	By 2021 a. At least five additional SASEC maritime projects included in the SASEC Operational Plan (2018 baseline: 0) b. At least two SASEC maritime projects included in ADB COBP for any of the SASEC member countries (2018 baseline: 0)	a. SASEC Operational Plan Update b. ADB COBP	Weak interagency cooperation between and among the various relevant government agencies in the participating countries
Outputs 1. Analytical studies promoting maritime cooperation in SASEC conducted	By 2021 1a. At least two road maps for the development of PCSs at SASEC ports prepared (2018 baseline: 0) 1b. A report, including recommendations on possible legal and regulatory changes to promote maritime cooperation, submitted (2018 baseline: not applicable) 1c. Report on the development of dry ports and hinterland connectivity to boost logistics efficiency prepared for at least three ports (2018 baseline: 0) 1d. A report on improving port facilities for handling tourists shared (2018 baseline: not applicable) 1e. A report on recommendations on green port strategies for SASEC ports submitted (2018 baseline: not applicable)	1a–1e Consultant's report	Delays in the submission of government inputs or unavailability of required data

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
2. Capacity and knowledge of SASEC officials on improving port performance and greening of ports enhanced	<p>2a. At least 80% of participants at the workshops, trainings, and learning events (of which at least 30% are female) reported enhanced knowledge and higher awareness of port performance improvement and greening of ports (2018 baseline: not applicable)</p> <p>2b. At least 100 staff and officials (of which at least 20% are female) of relevant port and government authorities in SASEC member countries participated in knowledge dissemination activities on selected thematic areas (2018 baseline: not applicable)</p> <p>2c. A handbook on the greening of port development and operations, based on international best practices, is prepared and disseminated (2018 baseline: not applicable)</p>	<p>2a. Report on workshops conducted</p> <p>2b. Report on knowledge dissemination activities</p> <p>2c. Draft handbook on environmental regulation of ports and progress toward becoming green ports</p>	Low interest of authorities in providing attendees
Key Activities with Milestones <ol style="list-style-type: none"> 1. Analytical studies promoting maritime cooperation in SASEC conducted <ol style="list-style-type: none"> 1.1 Conduct scoping study on PCSs (Q3–Q4 2019). 1.2 Prepare road maps for the development of PCSs (Q1–Q2 2020). 1.3 Undertake dissemination workshops on PCS road maps with SASEC countries (Q3–Q4 2020). 1.4 Conduct audit on legal and regulatory framework (Q3–Q4 2019). 1.5 Prepare recommendations for possible legal and regulatory changes (Q1–Q2 2020). 1.6 Undertake dissemination workshops on the recommendations with SASEC countries (Q3–Q4 2020). 1.7 Conduct scoping study on the development of dry ports and hinterland connectivity (Q3–Q4 2019). 1.8 Prepare report on the development of dry ports and enhanced hinterland connectivity to boost the logistics efficiency of ports (Q1–Q2 2020). 1.9 Undertake dissemination workshops on the report with SASEC countries (Q3–Q4 2020). 1.10 Conduct scoping study on improving port facilities for handling tourists (Q3–Q4 2019). 1.11 Prepare report on improving port facilities for handling tourists (Q1–Q2 2020). 1.12 Undertake dissemination workshops on the report with SASEC countries (Q3–Q4 2020). 1.13 Conduct scoping study on greening technologies in SASEC ports (Q3–Q4 2019). 1.14 Prepare report on recommendations for green port strategies for SASEC ports (Q1–Q2 2020). 1.15 Undertake dissemination and consultation workshops on the report with SASEC countries (Q3–Q4 2020). 2. Capacity and knowledge of SASEC officials on improving port performance and greening of ports enhanced <ol style="list-style-type: none"> 2.1 Organize capacity-building forum for applying new technologies to develop PCSs (Q4 2020). 2.2 Conduct knowledge-sharing event on performance indicators to measure and benchmark ports' efficiency and operational performance (Q1 2021). 2.3 Prepare handbooks on greening of port development and operations (Q2–Q3 2020). 2.4 Organize a workshop on greening of port development and operations (Q4 2020). 			

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Technical Assistance Management Activities			
Engage consultants (Q3 2019–Q2 2020)			

Inputs
United Kingdom Fund for Asia Regional Trade and Connectivity under the Regional Cooperation and Integration Financing Partnership Facility: \$1,500,000
Assumptions for Partner Financing
Not applicable

ADB = Asian Development Bank, COBP = country operations business plan, PCS = port community system, Q = quarter, SASEC = South Asia Subregional Economic Cooperation.

^a ADB. 2016. *South Asia Subregional Economic Cooperation Operational Plan, 2016–2025*. Manila.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN (\$'000)

Item	Amount
United Kingdom Fund for Asia Regional Trade and Connectivity under the Regional Cooperation and Integration Financing Partnership Facility^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	489.0
ii. National consultants	69.0
b. Out-of-pocket expenditures	
i. International and local travel	310.0
2. Training, seminars, workshops, forums, and conferences	
a. Facilitators	30.0
b. Venue rental and related facilities	105.0
c. Participants	342.0
d. Representation	10.0
3. Printed external publications ^b	15.0
4. Miscellaneous administration and support costs ^c	50.0
5. Contingencies	80.0
Total	1,500.0

Note: The technical assistance (TA) is estimated to cost \$1,500,000, of which contributions from the United Kingdom Fund for Asia Regional Trade and Connectivity under the Regional Cooperation and Integration Financing Partnership Facility are presented in the table above.

^a Administered by the Asian Development Bank.

^b Printed external publications are necessary to achieve Output 1: Analytical studies promoting maritime cooperation in South Asia Subregional Economic Cooperation conducted. The printed publications will help facilitate the involvement of targeted stakeholders and high-level government officials. The number of copies will not exceed 3,000 and the costs will remain below \$15,000.

^c Includes administrative costs to support TA implementation and administration in accordance with Asian Development Bank. 2018. Administering Grant-Finance Technical Assistance. *Project Administration Instructions*. PAI 5.09. Manila (para. 22, issued in September).

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=53175-001-TARreport>

1. Terms of Reference for Consultants