

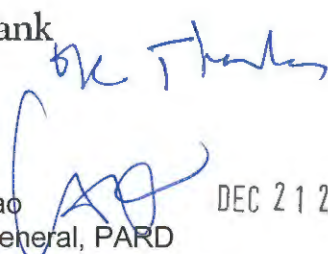



Asian Development Bank

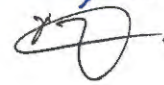
MEMORANDUM
Pacific Department
Transport, Energy & Natural
Resources Division (PATE)

16 December 2015

For Approval of Para. 1

To: Xianbin Yao  DEC 21 2015
Director General, PARD

Through: Olly Norojono  DEC 17 2015
Director, PATE

From: David Ling 
Transport Specialist, PATE

Subject: **Small-scale Policy and Advisory Technical Assistance (S-PATA): Ports Development Master Plan in Fiji—Request for Approval**

I. RECOMMENDATION

1. Pursuant to the authority delegated to the heads of departments to approve small-scale technical assistance, your approval is requested for the provision of small-scale policy and advisory technical assistance (S-PATA) for Ports Development Master Plan in Fiji in an amount not exceeding the equivalent of \$200,000 to be financed by a grant from the TASF-other sources.
2. Such approval will be reported to the Board in the Quarterly Summary Report on Small-Scale Technical Assistance Projects not exceeding \$225,000.

II. BACKGROUND

3. Fiji is strategically located at the center of the South Pacific region and is recognized as a regional transport hub. The country has six ports of entry declared under the Sea Ports Management Act including: (i) Suva Port which is the main international gateway for Fiji and a hub port for the region (ii) Lautoka Port which is Fiji's second largest port; (iii) Malau Port on the northwest coast of Vanua Levu, which is a facility owned by the Fiji Sugar Corporation for bulk sugar and molasses exports; (iv) Levuka on the island of Ovalau, which was historically significant as a commercial port but is now largely limited to fish processing and ferry services; (v) Wairiki located in southeast Vanua Levu which is a newly constructed port dedicated to wood chip exports and managed by the private sector; and (vi) O'inafa Port located in Rotuma.
4. Suva and Lautoka account for almost all overseas general cargo handling, which was just over 2 million tonnes in 2012, with annual growth at 3.0% between 2002 and 2012. The share of cargo handled through Lautoka has doubled over the same period. There is an imbalance between imports and exports, shown in an excess of empty container exports over imports of about three to one. Ship calls by foreign cargo vessels have remained static at an average of 800 annually between 2002 and 2012, indicating that cargo growth has occurred alongside an increase in vessel size and carrying capacity. Both ports are congested, and require further study to optimize port zoning functions according to cargo types, and land use within port limits.

5. There are also issues between the port and land modal interfaces at Suva, where the main wharves are in close proximity to the downtown area, central market, and bus station, causing a highly congested situation. These facilities cause heavy traffic along the harbor frontage.

6. The Government of Fiji requested technical assistance (TA) from the Asian Development Bank (ADB) to prepare a ports development master plan. The proposed TA is included in the ADB country operations business plan, 2015–2017 for Fiji, and is consistent with ADB's Pacific Approach, 2010–2014 and Interim Pacific Approach 2015.¹ The master plan will consider existing transport policy, as set out in the MOIT's national maritime transport plan, and 20-year infrastructure investment plan. It will also consider higher level policy including the upcoming National Development Plan, and Green Growth Framework. The government agrees with the TA project's objectives, scope, implementation arrangements, cost, financing arrangements, and terms of reference. The design and monitoring framework is in Appendix 1.

III. ISSUES

7. The Fiji Ports Corporation Limited (FPCL) is the port manager for all declared ports except Wairiki, where it provides pilotage services and some port services in conjunction with the private sector. It is responsible for ensuring the maintenance of safety and environmental standards within each port.

8. On 5 November, the government of Fiji signed an agreement to divest a 59% stake in FPCL valued at about F\$100,000,000 or about \$47,000,000 equivalent to a consortium comprising representatives of the Fiji National Provident Fund (FNPF) and a Sri Lankan corporation, Aitken Spence PLC. The divestment was finalized on 13 November 2015. The government now owns 41% of shares in FPCL, while FNPF owns 39%, and Aitken Spence owns 20%. Under the terms of the sale, FPCL has a first right of refusal to operate and manage future expansions in Fiji prior to such concessions being offered to a third party. Prior to divestment, FPCL transferred all land assets to a government holding company under the Ministry of Public Enterprises, which leases the land to FPCL under a port landlord model.

9. The government remains responsible for strategic decisions involving future new ports development beyond the six international ports of entry owned and operated by FPCL, and expansion of existing ports. This is supported by a new national maritime transport policy, expected to be passed by parliament in early 2016, formulated by the Ministry of Infrastructure and Transport (MOIT) and supported by ongoing ADB technical assistance.²

10. The S-PATA is the first phase of ports master planning, which will consider development planning to reduce congestion and improve efficiency at the six declared ports of entry managed under FPCL. A larger second phase of master planning, where major strategic changes involving port relocation and development requiring higher level consideration involving MOIT and Ministry of Finance may be considered following completion of the S-PATA.

¹ ADB. 2014. *Country Operations Business Plan: Fiji, 2015–2017*. Manila; ADB. 2009. *ADB's Pacific Approach (2010–2014)*. Manila, ADB. 2015. *Interim Pacific Approach 2015*. Manila, which extends the validity of the Pacific Approach, 2010–2014 until the Board of Directors endorses the new Pacific Approach in January 2016.

² ADB. 2013. *Technical Assistance Grant to the Republic of Fiji for Transport Planning and Management*. Manila.

IV. THE TECHNICAL ASSISTANCE

A. Impact and Outcomes

11. The TA impact will be improved efficiency and productivity of ports in Fiji. The outcome will be a government endorsed 15-year ports development master plan for Fiji's six declared ports of entry.

B. Methodology and Key Activities

12. The S-PATA is intended to establish baseline data on current port efficiency and forecast port efficiency after FPCL carries out port optimization and investment. This will determine forecast 15-year demand and supply constraints under an optimized scenario, and support the government in making strategic decisions for new port investments. The outputs of this S-PATA are described below.

13. **Output 1: Demand Assessment.** The demand assessment will carry out a review and 15-year forecast for major freight categories through Fiji ports. The demand forecast will analyze each freight sector, focusing on containers, liquid, dry and break bulk, and vehicles. It will also consider cruise ships, tourism vessels, local and international fishing vessels, and domestic ferry vessels. It will do so through workshops and discussions with industry leaders and private sector port users such as stevedores and shipping lines to obtain data including ship waiting times, port turn-around times, berth occupancy, and cargo and passenger throughput. Data will also be gathered from FPCL reports. The 15-year demand for all freight categories will then be forecasted.

14. **Output 2: Port Utilization Study.** Current port layouts, as well as short, medium, and long-term plans will be provided for each port, to provide a framework for development to ensure capacity is maximized to meet demand, while retaining flexibility to accommodate future changes. Port zones will be reconfigured according to cargo type to maximize available berthing space, and ensure efficient freight handling operations. It will consider freight land uses, such as containers, break bulk, dry bulk, liquid bulk and vehicles; and non-freight land uses such as fishing, ship repair, and commercial maritime space.

15. **Output 3: 7-year action plan.** A 7-year action plan identifying investments required to improve each port's efficiency will be developed, detailing specific projects, and operation and maintenance. Specific criteria will be defined to prioritize investments, and the 7-year action plan will consider previous port development plans and studies previously undertaken by FPCL.

C. Cost and Financing

16. The S-PATA is estimated to cost \$230,000, of which \$200,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-Others). FPCL will provide counterpart support in the form of counterpart staff, office accommodation, and other in-kind contributions. The S-PATA will finance consulting services, workshops and seminars, equipment, and surveys, studies, and reports. The cost estimate and financing plan are presented in Appendix 2.

D. Implementation Arrangements

17. The Ministry of Public Enterprise will be the executing agency, responsible for the overall administration of the TA. These implementation arrangements may be amended, provided that such amendments are acceptable to both ADB and the government.

18. The TA will require consulting services of 5 person-months of international specialist inputs. ADB will select and engage individual consultants in accordance with the Guidelines on Use of Consultants (2013, as amended from time to time). ADB will seek endorsement of the shortlist of consultants from MPE prior to engaging them. The individual consultants will include an international port specialist (3.5 person-months), and an international port engineer (1.5 person-months). Inputs are indicative and may be realigned to TA requirements. The outline terms of reference for consultants is in Appendix 3. The TA will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The use of an advance payment facility will be considered.

19. The TA will be implemented from 19 December 2015 to 31 December 2016. ADB will field regular missions, including an inception and finalization mission, liaise with government agencies, and attend stakeholder workshops. A committee chaired by MPE and including representatives from FPCL and ADB will monitor progress against schedules agreed during inception, and evaluate consultant performance against draft and final deliverables.

Attachments: 1. Design and Monitoring Framework
2. Cost Estimate and Financing Plan
3. Outline Terms of Reference
4. Interdepartmental Comments Matrix

cc: Vice President, Operations 2; The Secretary, General Counsel; Controller; Directors General, IED/SDCC/OSFMD; Deputy Director General, PARD; Asst. Controller (B. Reid); L. Wang, Advisor, OAI; Director, OAI; O. Nazmieva/L. de Sagun, CTLA-TA; K. Emzita, OGC; Q. Zheng/J. Rhor, OSP2; N. Soetantri, SDAS; Regional Director, SPSO; C. Currie, SPSO; T. Olofernes, SDES; P. Chiang/S. Khan/S. Muramoto/R. Phelps/A. Salvador, PATE; project/chrono file; estar

DESIGN AND MONITORING FRAMEWORK

Impacts the Project is aligned with:
Improved efficiency and productivity of ports in Fiji

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Government endorsed 15-year ports development master plan for Fiji's six declared ports of entry	Ports Development Master Plan is approved by government by 2017 (baseline: none)	MPE report Cabinet approval of the ports development master plan	The recommendations of the Ports Development Master Plan are not implemented.
Outputs 1. Demand Assessment 2. Port Utilization Study 3. 7-year Action Plan	Final report submitted and approved by MPE by September 2016	Consultants' final report	Counterpart support is not provided as planned
Activities with Milestones 1. Consultant recruitment activities 1.1 Select consultants (Q1 2016) 1.2 Award consultant contracts (Q1 2016) 1.3 Mobilize consultants (Q1 2016) 2. Demand assessment 2.1 Conduct stakeholder workshop with FPCL, shipping line operators, and port users (Q2 2016). 2.2 Review and forecast modeling for vessel throughput (Q2 2016). 3. Port utilization study 3.1 Undertake port utilization study (Q3 2016) 3.2 Develop port layout optimization (Q3 2016) 4. 7-year Action Plan 4.1 Review existing FPCL port plans (Q3 2016) 4.2 Develop priority list for port infrastructure and equipment within existing port boundaries (Q3 2016) 5. Final report 5.1 Submit draft final report (Q3 2016) 5.2 Receive and consolidate comments from ADB and the government (Q3 2016) 5.3 Draft and submit final report (Q3 2016)			

ADB = Asian Development Bank, FPCL = Fiji Ports Corporation Limited, MPE = Ministry of Public Enterprise, Q = quarter

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(US\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	138.0
b. International and local travel	25.0
2. Workshops, seminars, and conferences	2.0
3. Equipment ^b	5.0
4. Surveys, studies, and reports	10.0
5. Contingencies	20.0
Total	200.0

Note: The technical assistance (TA) is estimated to cost \$230,000, of which contributions from the Asian Development Bank are presented in the table above. FPCL will provide counterpart support in the form of counterpart staff, office accommodation, and other in-kind contributions. The value of FPCL's contribution is estimated to account for 13% of the TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

^b Survey equipment may be turned over to the government upon TA completion.

Source: Asian Development Bank estimates.

OUTLINE OF TERMS OF REFERENCE

A. Scope of Consulting Services

1. The impact of the Ports Development Master Plan technical assistance (TA) project is improved efficiency and productivity of ports in Fiji. The outcome will be a government endorsed 15-year ports development master plan for Fiji's six declared ports of entry. The outputs of the TA will be (i) a demand assessment, (ii) a port utilization study, and (iii) a 7-year action plan.
2. Two individual international consultants will be engaged in accordance with the Asian Development Bank (ADB) Guidelines on the Use of Consultants (2013, as amended from time to time). A total of five person-months of international consulting services will be required.
3. The consultants will work closely with the Ministry of Public Enterprise and FPCL, and support them in formulating a ports development master plan. During the study, the team will take into consideration the FPCL Strategic Plan 2015-2017, FPCL annual reports, Sea Ports Management Act 2005, and other ports development plans carried out by the government.

B. Consultant Qualifications and Requirements

4. Individual consultants will be engaged to deliver the TA outputs. The team will consist of the following experts:
 - (i) **Port specialist** (international, 3.5 person-months). The port specialist will act as the team leader, manage the detailed work program for all aspects of the TA, supervise and conduct the required analyses and consultations, and develop the full ports development master plan. The specialist will possess an advanced degree in engineering, transport planning, or other relevant discipline, and have a minimum of 10 years of demonstrated experience working in port and harbor design and operations in developing countries, preferably in the Pacific.
 - (ii) **Port engineer** (international, 1.5 person-months). The port engineer will provide engineering inputs for the optimized port layout, and support the port specialist in formulating the priority list of infrastructure and equipment investments, to ensure improved port efficiency and productivity. The specialist will possess an advanced degree in engineering, and have a minimum of 10 years of demonstrated experience working in port and harbor engineering design in developing countries, preferably in the Pacific.

C. Reports

5. The consultants will submit reports in English, in both hard copy and electronic form, to ADB and the government for distribution (three copies each). The following reports will be submitted:
 - (i) **Inception report.** This will outline, in accordance with the terms of reference, the consultants' approach, methodology and work plan; and cost implications for consulting services. The report will provide activity and personnel schedules and recommend changes to the implementation arrangements if required. The inception report will be submitted by the Port Specialist within 4 weeks of the commencement of the TA.

(ii) **Demand Assessment.** The demand assessment will carry out a review and 15-year forecast for major freight categories through Fiji ports. The demand forecast will analyze each freight sector, focusing on containers, liquid, dry and break bulk, and vehicles. It will also consider cruise ships, tourism vessels, local and international fishing vessels, and domestic ferry vessels. It will do so through workshops and discussions with industry leaders and private sector port users such as stevedores and shipping lines to obtain data including ship waiting times, port turn-around times, berth occupancy, and cargo and passenger throughput. Data will also be gathered from FPCL reports. The 15-year demand for all freight categories will then be forecasted. The demand assessment will be submitted by the Port Specialist by the second quarter of 2016.

(iii) **Port Utilization Study.** Current port layouts, as well as short, medium, and long-term plans will be provided for each port, to provide a framework for development to ensure capacity is maximized to meet demand, while retaining flexibility to accommodate future changes. Port zones will be reconfigured according to cargo type to maximize available berthing space, and ensure efficient freight handling operations. It will consider freight land uses, such as containers, break bulk, dry bulk, liquid bulk and vehicles; and non-freight land uses such as fishing, ship repair, and commercial maritime space. The port utilization study will be submitted jointly by the Port Specialist and Port Engineer by the third quarter of 2016.

(iv) **7-year action plan.** A 7-year action plan identifying investments required to improve each port's efficiency will be developed, detailing specific projects, and operation and maintenance to be undertaken by FPCL. In prioritizing investments, the 7-year action plan will consider previous port development plans and studies undertaken by FPCL. The 7-year action plan will be a joint submission by the Port Specialist and Port Engineer by the third quarter of 2016.

(v) **Draft Final report.** The draft final report will summarize and consolidate the findings of items (ii) to (iv), and integrate all findings to provide a 15-year ports master plan in Fiji. It will be submitted jointly by the Port Specialist and Port Engineer by the third quarter of 2016.

(vi) **Final Report.** The final report will be submitted within four weeks of receiving from ADB and the government comments on the draft final report.

6. In addition to formal reporting, the consultants will organize consultation meetings with the government and ADB during inception and review missions regarding TA administration, outputs, deliverables, and achievements; and with stakeholders on all activities under the TA as documented in the reports. The consultants will also arrange meetings with other development partners operating in the sector. The consultants will prepare and circulate minutes of these meetings and incorporate comments in the reports and activities as appropriate.

D. Others

7. Office accommodation will be provided by FPCL.

8. TA consultants will manage the budget for equipment (if any), surveys and studies, workshops and seminars, and will be included as line items in consultants' contract. Procurement of goods and services under the consultants' contract will follow ADB's

Procurement Guidelines (2015, as amended from time to time). Upon completion of the TA, all equipment, materials, and data will be handed over to the government, with a notice of disposal.

9. The consultants are expected to provide their own equipment and services for computers, telephone, fax, and internet communications for the duration of their services.

Fiji Ports Development Master Plan
Proposed S-PATA
Interdepartmental Comments Matrix

Comments	Response
<p>Qing Zheng, OSFMD, OSP2</p> <p>1. OSP2 has reviewed the report and supports the S-PATA.</p> <p>Kostradia Emzita, OGC</p> <p>OGC has reviewed the draft memo and finds it in good shape. There are no comments from a legal point of view.</p>	<p>Noted.</p> <p>Noted.</p>
<p>H. Lorraine Wang, OAI</p> <p>OAI supports the S-PATA proposal.</p> <p>Para. 8 – Specify the year in which the government signed the agreement to divest a 59% stake in FPCL.</p> <p>Para. 13 – Briefly specify the activities to be performed, research methods used, and sources of information in the demand assessment phase.</p> <p>Para. 14 – Provide the time period covered by each plan for the port layouts.</p> <p>Para. 15 – The 7-year action plan should include specific criteria on selecting investments to be prioritized.</p>	<p>Amended, the government signed the agreement on 5 November 2015.</p> <p>The demand assessment will require workshops and discussions with industry leaders and private sector port users such as stevedores and shipping lines to obtain data including ship waiting times, port turn-around times, berth occupancy, and cargo and passenger throughput. Data will also be gathered from FPCL reports. The 15-year demand for all freight categories will then be forecast based on historical demand. Amendments reflected in revised S-PATA proposal.</p> <p>Generally, we would be looking at 3-year, 7-year, and 15-year port layouts. However, this can be defined during TA implementation in consultation with FPCL and the government.</p> <p>Agreed. The last sentence of the para. is amended to “Specific criteria will be defined to prioritize investments, and the 7-year action plan will consider previous port development plans and studies previously undertaken by FPCL.”</p>

**Fiji Ports Development Master Plan
Proposed S-PATA
Interdepartmental Comments Matrix**

Comments	Response
<p>Nana Soetantri, SDCC, SDAS</p> <p>SDAS has no comments. The project appears to be technically sound.</p>	<p>Noted.</p>
<p>Lennie De Sagun, CTLA-TA</p> <p>CTLA-TA comments on draft SSTA memo:</p> <ol style="list-style-type: none"> 1. Implementation Arrangements, para. 18 Noted that advance payment facility is being considered. We presume this would be to EA/IA for workshops and surveys administration. To enhance compliance with AML/CFT OMC6 for transparency of transaction, ADB discourage provision of cash advances. Direct payment through bank transfer to end-user/beneficiary is encouraged. But in cases where advance is the only option, kindly assess the EA/IA's capacity to complete the activity and liquidate the advances on time. Please consider this during TA implementation. 2. Appendix 2 - Cost Estimates and Financing Plan Workshops, seminars, and conferences - Based on BPMSD/SPD memo of 26 Jun 2013 (Use of Bank Resources: RETA and TA vs IAE Budget), if TA expects to have representation costs, such as alcohol beverages under workshops and training, such costs should be identified and clearly indicated in the TA paper. Please assess those costs and specifically mention it in a footnote, if envisaged to finance it. 3. Equipment - Noted that equipment will be purchased. Please ensure that TASU complies with the guidelines on accountability of TA purchased assets. The guidelines states that "Technical Assistance Supervising Units need to report equipment purchased under TA budget to OAS Asset Management and Commercial Services in compliance with AO 4.02, Appendix 2, paragraphs 1.5 and 1.6." 	<p>We note CTL's preference on the use of direct payment to end-user/beneficiary and will consider minimizing the use of advance payment facility during TA implementation. There are no concerns on EA/IA's capacity to complete the activity and liquidate the advances on time.</p> <p>The TA does not expect to have representation costs, such as alcoholic beverages under workshops and training. The TA may provide refreshments such as morning tea and lunch which is normal practice for workshops.</p> <p>Noted, TASU will ensure that guidelines on accountability of TA purchased assets in accordance with AO 4.02 are complied with.</p>