

Draft TC ABSTRACT

I. BASIC PROJECT DATA

Country/Region:	Regional
TC Name:	Supporting the Caribbean Strategic Agenda on Integration: Maritime Transport and Trade Networks
TC Number:	RG-T2649
Team Leader/Members:	Sergio Deambrosi, Team Leader (INE/TSP); Krista Lucenti, Alternate Team Leader (INT/INT); Pablo Guerrero, Reinaldo Fioravanti and Giovanna Mahfouz (INE/TSP); and Brian McNish (TSP/CPN)
Taxonomy:	Research and Dissemination
If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
Reference to Request (IDB docs#)	IDB docs# 39624121
Date of TC Abstract:	May 8, 2015
Beneficiary (countries or entities which are the recipient of the technical assistance):	BH, BA, GY, JA, SU, and TT
Executing Agency and contact name:	Inter-American Development Bank (IDB) through its Transport Division (INE/TSP)
IDB Funding Requested:	US\$600,000
Local counterpart funding, if any:	N/A
Disbursement period (which includes execution period):	30 months
Required start date:	August, 2015
Types of consultants (firm or individual consultants):	Firms and individuals consultants
Prepared by Unit:	INE/TSP and INT/INT
Unit of Disbursement Responsibility:	INE/TSP
Included in Country Strategy (y/n); TC included in CPD (y/n):	N/A
GCI-9 Sector Priority:	(i) Infrastructure for Competitiveness and Social Welfare; and (ii) Competitive Regional and Global International Integration

II. OBJECTIVE AND JUSTIFICATION

- 2.1 **Background/problem:** Inefficient transport services and logistics are obstacles to regional connectivity and economic integration in the Caribbean. In the maritime transport sector, low port productivity, small and uneconomical vessel fleets, and one-way cargo flows feature predominantly. The region's connections to global markets are challenging; with the exception of The Bahamas, Jamaica and Trinidad and Tobago, most countries in the region are in the bottom 75 percent globally in terms of maritime connectivity. Freight rates are

20 percent higher than those in the rest of the world and rising, preventing countries from benefiting from economies of scale and ultimately, hampering participation in regional and global value chains. Given the concentration of small- and medium-sized enterprises in the Caribbean, the impact on competitiveness is significant as most have insufficient volume to fill a container with their own exports (incurring high cargo tariffs) and incur long delays waiting for shipments to be dispatched, with a serious degradation in the quality of service they can offer.

- 2.2 Infrastructure and services need improvement to deal better with the increased use of less-than-container load cargo, and the development of a local logistics industry that goes beyond the large operators should be promoted. For the economies of the smaller islands which have insufficient scale to sustain regular, conventional freight shipping services, strengthening short sea shipping services could increase access to potential markets in the larger islands (including cruise ships).
- 2.3 **The objective:** The objective of this Technical Cooperation (TC) is to determine whether there is a business case for a regional short sea shipping network in the Caribbean, based on current and forecasted trade volumes, tourism, shipping trends, and level of investment required.
- 2.4 **The specific objectives** are: (i) to increase knowledge and data availability on maritime transport and trade in the Caribbean; and (ii) to undertake feasibility study on short sea shipping and port connectivity in the Caribbean. The outcome expected is an increase in regional integration and connectivity by removing maritime transport barriers to trade and improving efficiency of logistics and goods clearance processes.
- 2.5 **Additionality:** There is a paucity of data and rigorous empirical analysis of the trade and transport sector in the Caribbean. Studies are rare but those based on hard data, utilizing modeling techniques, and employing a cost-benefit analysis to the policy and investment recommendations are non-existent. This TC will not only contribute to the literature in these two sectors and provide evidence-based recommendations but it will also create a repository of information for policymakers and researchers in the region.
- 2.6 **Lessons learned from RG-T1458, RG-T1661 and external studies:** Under the TC RG-1458, a study was undertaken on trade and shipping networks in the Caribbean but focused on the opportunities for transshipment and relay services (movement of large ships). However, insights and trends with respect to the shipping industry are useful inputs, along with recommendations on trade facilitation, and they will need to be updated. A lesson learned from this activity is that the data collection period was much longer than anticipated and additional time should be built in for future analyses. In the case of the RG-T1661, a shipping network feasibility analysis was undertaken externally in 2009-2010 for the OECS region that contains valuable insights and recommendations for the smaller island economies. However, though the report undertakes a demand analysis, it stops short of identifying the business model and financing mechanisms which is a key reason why its recommendations

have not been implemented. A cost-benefit analysis was also not undertaken. These will both be addressed in this TC.

- 2.7 **Corporate alignment:** This TC is consistent two sector priorities: (i) Infrastructure for Competitiveness and Social Welfare (Transportation); and (ii) Competitive Regional and Global Integration. In the first case, the components of this TC are designed to advance progress in transportation networks, enhancing connectivity and ultimately the competitiveness of the region's goods and passenger traffic. With the respect to the integration sector priority, the development of a short sea shipping network in the Caribbean will increase commercial and social links between the islands and between the islands and larger ports in North, Central and South America. The investments and policy reforms would be primarily at the national level but they would incorporate regional objectives (regional additionally).
- 2.8 This TC is also aligned with the Caribbean Strategic Agenda on Integration, an informal document that identifies projects for collaboration between the Bank and CCB member countries on integration. The components in this TC respond to the identified action line of "Air and Maritime Transport Connectivity" which was validated at the national and regional level, and endorsed as an area of cooperation at a workshop in Miami in December 2014. Externally, this TC also responds directly to priorities identified for Maritime Transport in the CARICOM Regional Aid for Trade Strategy (2013).

III. DESCRIPTION OF ACTIVITIES AND OUTPUTS

- 3.1 This TC will consist of two primary components: (i) a stakeholder mapping and database; and (ii) a study which includes data collection, network modeling, feasibility analysis, and policy and investment recommendations. The study will be built on four critical blocks, each with their own outputs and each providing a transport and trade agenda that can be independently advanced.
- 3.2 **Component I: Stakeholder databases and increased engagement at national level.** This component will create: (i) a Caribbean transport and trade stakeholders' database (private and public sector; academia); (ii) a database of small vessel owners; and (iii) collaboration groups within countries to prioritize transport and trade agendas. This component will also (iv) establish a link to Connect Americas to link stakeholders (ship owners, consignees, shippers, shipping agents etc.) and to create opportunities for the pooling of transport services.
- 3.3 **Component II: Feasibility Assessment on Maritime Transport and Trade Networks.** This component will: (i) collect data on trade, transport services and infrastructure, and tourism in order to identify key supply chains in the region; (ii) undertake some modeling, both of commodity flows and of port network connectivity, with a view to proposing possible short-sea shipping routing, hubs and networks; (iii) prepare the business model and a preliminary feasibility analysis of the proposed short sea shipping network (including a cost-benefit analysis and proposals for financing and subsidies schemes); and (iv) provide some policy and investment recommendations.

IV. BUDGET

4.1 The total amount of financing required is US\$600,000.

Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I. Stakeholder databases	This component will finance the creation of a database for transport and trade stakeholders, facilitate collaboration groups, and establish a link to Connect Americas.	30,000	0	30,000
Component II. Feasibility Assessment on Maritime Transport and Trade Networks	This component will finance a study which includes data collection, network modeling, feasibility analysis, and policy and investment recommendations.	570,000	0	570,000
Total		600,000		600,000

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The executing agency of this TC is the Bank, given the absence of a regional organization with the necessary institutional capacity and technical expertise. The studies undertaken will be supervised by specialists in INE/TSP and INT/INT.
- 5.2 The period of execution and disbursement will be 30 months due to the level of coordination needed and the experience of prior TCs executed in the Caribbean.

VI. PROJECT RISKS AND ISSUES

- 6.1 A reticence to share data may limit the ability of consultants to collect primary trade and transport data. This TC will mitigate these risks by engaging with government officials and private sector representatives early in the process and ensuring regular dissemination of the components. Further, a lesson learned from the study undertaken in the RG-T1458 is that the data collection period was much longer than anticipated and additional time should be built in for future analyses. Accordingly the period of disbursement is 30 months.

VII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

- 7.1 According to the Bank's Safeguards Screening Toolkit, this operation is classified with Category "C" because there are no environmental or social risks.

Approved by:

Original signed

Néstor Roa, Chief
Transport Division (INE/TSP)
Date: May 20, 2015