

TECHNICAL ASSISTANCE COMPLETION REPORT¹

Division: BRM

TA No., Country and Name TA 4506-BAN: Chittagong Port Efficiency Improvement			Amount Approved: \$700,000	
			Revised Amount: \$700,000	
Executing Agency: Chittagong Port Authority	Source of Funding: Japan special Fund		Amount Undisbursed: \$124,919.07	Amount Utilized: \$575,080.93
Date			TA Completion Date	
Approval 20 December 2004	Signing 18 December 2005	Fielding of First Consultant(s): 21 June 2006	Original: 30 June 2006	Actual: 28 February 2009
			Account Closing Date	
			Original: 30 June 2006	Actual: 30 June 2009
<p>Description</p> <p>The Chittagong Port, which handles around 90% of the country's international trade, has experienced substantial growth in the past 15 years and its container traffic is expected to reach one million TEUs by 2013. Unfortunately, the rapid increase in container traffic volume has created considerable congestion and the Port's operational space has become insufficient. There are many factors that contribute to the congestion in the Port, including the long dwell times of loaded containers, storage of empty containers, and excess number of vehicles in the working area, among others. As a result, some port shipping agents started to impose a congestion surcharge on cargo arriving in Chittagong. Apart from problems related to congestion, internal problems due to discrepancies in the regulations of the Chittagong Port Authority (CPA) and Customs House of Chittagong (CHC) and lack of resources and capacity of the CHC to handle shipments transferred from the CPA also pose serious operational constraints. The operational efficiency of the CPA and CHC thus needed to be improved to cope with Bangladesh's rapidly growing external trade. In addition, it was necessary for the efficiency of the Dhaka-Chittagong Corridor be enhanced so that it could match improvements in the Port's capacity. Being aware of the problem, the Government therefore requested for advisory TA, which was approved in December 2004.</p> <p>Based on its complex nature, the TA was divided into two components, the Chittagong Port Authority (CPA) component and Ministry of Communications (MOC) component. The scope of work for the CPA component was to (i) assist the CPA in the implementation of a Human Resources Development Plan, (ii) assist the Ministry of Shipping and CPA to introduce appropriate tariff and regulatory reforms related to the proposed project, (iii) assist the CPA in preparing a strategic plan for the Chittagong Container Terminal (CCT), and (iv) assist the CPA to comply with the milestones of the planned actions. For the MOC component, the scope of work was to (i) conduct an assessment of the performance of the three modes of transport (roads, railways and inland waterways) in the Corridor, (ii) conduct a comparative modal analysis of roads, railways and inland waterways, and (iii) recommend institutional, operational and infrastructural improvements and other changes to increase efficiency and competitiveness of the modes.</p> <p>Expected Impact, Outcome and Outputs</p> <p>The TA aimed to create positive impacts on the level of efficiency in future operations of the Port and of the logistics and transport of the Corridor through (i) reorganization of the CPA, (ii) development of the Port's Master Plan, (iii) introduction of institutional policy reforms to customs procedures, and (iv) development of a multimodal transport network for the Corridor. The anticipated outputs of the TA were complete plans for strategic reform of the CPA and CHC and improved efficiency of the Corridor.</p> <p>Delivery of Inputs and Conduct of Activities</p> <p>After a start-up delay of 21 months due to delays in Government's approval of the Technical Project Proposal, two international consulting firms, Kellogg Brown & Root Pty Ltd. (the CPA consultant) and Nathan Associates Inc. (the MOC consultant), were engaged to carry out the CPA and MOC components of the TA, respectively. The CPA consultant signed its contract on 8 June 2006 and mobilized on 21 June 2006, and the MOC consultant did the same on 20 June and 3 July 2006, respectively. The executing agencies provided the necessary documents and information, counterpart staff, and required logistical support to undertake the TA. ADB provided close supervision through regular review missions and correspondence. The consultants had the appropriate technical skills to carry out their assignments.</p>				

¹ In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

The Inception Report for the CPA component was submitted in July 2006. Two six-monthly reports were submitted in December 2006 and June 2007 before the final report was submitted in April 2008. The MOC consultant submitted its Inception Report in July 2006. Due to the short duration of the assignment, no mid-term report was prepared by the MOC consultant. The final report for the MOC component was submitted in April 2007.

Evaluation of Outputs and Achievement of Outcome

The consultants submitted the inception, mid-term and final reports as required. The CPA consultant worked with the CPA and port users in making assessments of the current situation and gave recommendations, which have resulted in major improvements in the CPA and CHC operations such as more efficient container berth management, labor management and payments, CHC procedures, port/berth security, removal of containers from the port area, and elimination of the Dock Workers Management Board. In its final report, the CPA consultant proposed a plan for strategic reform of the CPA and CHC that recommended reorganization of the CPA to become a regulator so all operations are contracted to the private sector, preparation of a Master Plan, improving the tariff system, and reform of the customs procedures. However, it was emphasized that the reform activities would be dependent upon the successful completion of the CPA's ongoing development project, the Chittagong Port Trade Facilitation Project (CPTFP). The MOC consultant prepared the final report based on field assessments, demand and traffic forecasts, analysis of shipper consignee requirements, and an assessment of freight forwarders and other logistics service providers. Various aspects of improvements in logistical systems, multimodal transport, and institutional, legal and policy were recommended in the report. Nevertheless, it should be noted that part of the outputs of the two consultants are overlapping, due to redundancy in some parts of the Terms of Reference (TOR). The planning departments of the CPA and MOC are aware of the overlaps in the recommendations and are sorting out respective institutional responsibilities .

Overall Assessment and Rating

The TA is rated partly successful. Even with the startup delay of 21 months and a revision of TORs for the CPA component requested by Government following the state of emergency in January 2007, the tasks were carried out to their completion with a high level of quality. The reports prepared by the consultants provide valuable information that provides a foundation for future improvement in efficiency of the Port's operation and transport logistics of the Corridor. In view of the above considerations, the overall objectives of the TA have been achieved despite the lengthy start up delays.

Major Lessons

Late signing of the TA, delayed submission of invoices, and revision of TORs requested by Government resulted in four extensions of the closing date. However, the CPA and its consultant took advantage of the strong support of the caretaker Government and managed to successfully complete several internal reform-related tasks such as improved container management, yard management and vessel management, as indicated by dramatic improvement in efficiency of the Port's operation in these areas. The TA thus illustrates a useful lesson that major progress can be achieved despite significant obstacles and start up delays if there is a strong political will to address institutional deficiencies and move forward with reforms. Further, to ensure that the progress achieved is sustained, close follow up of the performance of the CPA and CHC are needed as well as close monitoring of the progress of the CPTFP.

Recommendations and Follow-Up Actions

The "landlord concept" should be adopted for future management systems of the Port for which individual contractors operate the berths on a lease agreement while the CPA still owns the land. Reorganization of the CPA, which includes legal reform, personnel reviews and staff resizing as well as improving accounting and audit systems, is essential for it to become a landlord/regulatory institution. Preparation of the Master Plan for the next 15-20 years should take place immediately. The Port's tariff regime needs to be reviewed and improved within the new Master Plan. The customs procedures also need to be reformed to be consistent with the Port's new and more efficient operational processes. An inter-ministerial working group should be set up to provide coordination between various competing interests arising from the new organization.

A comprehensive transport network of three transport modes (roads, railways, and inland waterways) is necessary for the Corridor. Improvement and expansion of connector roads and railways to the Port, inland container depots in the Dhaka area, and inland waterway berths at the New Mooring Container Terminal are urgently needed. In the long term, Government needs to complete the existing four-lane Dhaka Chittagong Highway, Dhaka Bypass Road, Dhaka-Chittagong Expressway, and double tracking of the remaining single rail sections in the Corridor.

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