

Third Party Evaluator's Opinion on Haldia Port Modernization Project

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Relevance

Improvement in infrastructure (both in terms of increased availability and better services) has been deemed as a priority in the planning and policy making in India in the recent years. The then Finance Minister of India listed development of infrastructure as one of the 5 priorities (Budget 2003-04). The Prime Minister of India has set up a Committee (with the Planning Commission as its executive arm) headed by him to monitor the progress in infrastructure projects. The panel includes, *inter alia*, the Shipping Minister as one of its members.

The project was required primarily to tackle the inadequate facilities for handling POL (petroleum, oil and lubricants) and products thereof. Between 1994-95 and 1999-2000, the project has handled about almost one-tenth of the total traffic of POL and products at the major ports of India. The refinery at Haldia has also led to development of petrochemical and fertilizer industry in its vicinity and the port has been catering to the needs of these industries as well besides the coal traffic. During 1994 -95 to 1999-2000, the port accounted for about 7 to 8 percent of the total traffic handled at the major ports of India. Thus, in terms of relevance of the project in terms of relieving the infrastructural constraints in general and traffic handling by the ports in India, the project is certainly relevant in the national context.

Efficiency

2.1 Output:

Out of the three components initially envisaged, only one component of the plan, viz., the construction of No. 2 oil jetty and development of incidental facilities materialized. Only this component was included for financing by ODA. The other two components of the initial project proposal, viz., the reinforcement of No. 1 oil jetty and improvement of cargo handling facilities became the responsibility of the Calcutta Port Trust. Though the reasons, both technical and administrative, have been cited regarding exclusion of the same, it is not possible to comment on the growth of these components of the project and the impact it would have had if these were also within the purview of ODA.

2.2 Implementation Schedule:

The implementation schedule was delayed by more than two years. The capacity of Haldia refinery was expanded merely by 0.25 MMTPA in 1989-90 by another 1.00 MMTPA in 1997. As the Haldia refinery was the major user of the port and the major expansion of the refinery took place only in 1997, the delays in implementation of the port project did not adversely affect the project revenues. In all likelihood, the timely completion of the project would have resulted in underutilization of the port capacity.

2.3 Project Cost:

Project cost escalation did take place as a result of delay in the implementation schedule. It would be appropriate to compare only the planned and actual for construction of No. 2 oil jetty and the incidental facilities. The cost escalations amount to about 22 percent and 94 percent for the foreign currency component and the domestic currency component. The reasons for cost overruns were increase in domestic prices, depreciation of the rupee vis-à-vis the Japanese yen and increase in import duties on some of the equipment. Though the port unlike many other infrastructure services

in India is profitable, a better temporal coordination with the development of the Haldia refinery with completion of port project would have generated higher profits. Though tidal current can be considered as an external factor in delay of the project, procedural lacunae, such as, those in bidding process were avoidable.

2.4 Consultant and Construction Contractor Performance:

The executing agency, viz., Calcutta Port Trust was appreciative of the consultant and construction contractor as regards the quality of services provided by them in terms of the delivery schedules and services provided.