

Terms of the Reference

Detailed Business Case Model for Terminal 2 and Terminal 3 of Bay Terminal Project under CPA

Background

The Chittagong Port the main port of Bangladesh, handles more than 92% of the total sea born trade of the country, covering container cargo, dry bulk and break bulk. The port is operated by the Chittagong Port Authority (CPA) which is under the administrative control of the Ministry of Shipping (MOS).

As the main seaport for Bangladesh, Chittagong Port has experienced a continuous growth of cargo volume reflecting the wider economic growth of Bangladesh. It handles 92% of all imports and exports, and 98 % of all containerized trade of Bangladesh, The total port throughput grew at a rate above 8% in the last decade while containerized traffic grew at a rate of 11%. Container handling in Chittagong is expected to grow from 2.7 million TEU in 2017-2018 to 10.7 million TEUS by 2043 (base case economic growth). Given the role of Chittagong Port in the external trade of the country and its growth projections, significant investment is required in increasing its capacity and improving performance. In such a context, Government of Bangladesh decided to develop Bay Terminal Project of Chittagong Port Authority.

The Bay Terminal project will be implemented in different ways. The Breakwater and Access Channel of Bay Terminal will be done by CPA under ODA loan from World Bank. There will be 3 equal sizes of terminals namely Terminal 1, Terminal 2 and Terminal 3. Terminal 2 and Terminal 3 will be constructed and operated by renowned Global Operators. While Terminal 1 will be constructed and operated by CPA. The consultancy service is to prepare a business case model to finalize the concession agreement to engage global operators for terminal 2 and Terminal 3.

Project Description

Bay Terminal Project as whole (Jetties, Backup yards, facilities within ISPS area etc.) including breakwater, dredging, hinterland connectivity as a whole.

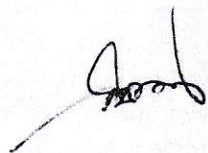
Project Description:

The entire consultancy will be divided as follows:

Package 1: Business case development for Terminal 2 and 3 of Bay Terminal

Technical Standards are;

- International Technical Standards for Port and Harbour Facilities ;
- Port Development (UNCTAD), Approach Channels;
- A Guideline for Design (PIANC);
- American Society of Testing Materials (ASTM);
- International Guideline for Concrete Pavement;
- British Standards (BS);
- International Plumbing Code (IPC);
- National Fire Protection Association;
- International Electro-technical Commission (IEC)
- Institute of Electrical and Electronics Engineers (IEEE);
- International Crane Safety Regulations;
- International Technical Standards of Electrical Installation; and
- Bangladesh National Building Code (BNBC)
- Environmental, Health, and Safety Guidelines for Ports, Harbors, and Terminals IFC, World Bank.



Objective of the consulting Assignment is to procure transaction related services:

The consulting services shall be provided by an international consulting firm in compliance with Guidelines for the Employment of Consultants under PPPA. The objective of the consulting services is to achieve the efficient and proper preparation and implementation of the Project through the following works:

- 1) Business Case develop for Concession Agreement for Terminal 2 and 3 with private global operators (Package 1)

Scope of Consulting Services

- a. To assist the government in delivering, designing, and implementing the project on the basis of PPP structure.
- b. Complete the Project Risk Assessment
- c. To structure the project, develop a commercial model , assist in the bidding process, transaction and award of the project in a manner which ensures
 - Participation of the best available private sector participation in the bidding process.
 - Wide participation by credible and experienced international investors and port operators for the relevant components
 - Selecting/preparing best mode to assess the shortlisted investors
 - Financing of the capital cost by the concessionaire : and
 - Optimizing the revenue potential of the project (One option can be with a regionally competitive port tariff structure).
- d. Prepare the Terms of Concession Agreement and head the negotiation with investors.

Business Case Develop for Concession Agreement for Terminal 2 and 3 with Private Global Operators (Package 1)

Business case will be complete once:

- a. the project has reached financial close and the Early Operation support as detailed below has been delivered or
- b. if the Line Ministry decides to cancel the procurement process and provides Notification in writing to this effect.

Once Business case has been launched the consultant is required to work together with the Contracting Authority to develop, manage and support the procurement process for securing contracts with a competent organization under a PPP arrangement in accordance with the standards set out for PPPs in relevant laws, regulations, rules and policy.

The consultant must support the Contracting Authority in marketing the project to potential bidders. They must prepare a complete set of procurement documents complying with relevant procurement law, policies and or guidelines. The documentation must be consistent with the results of the feasibility study. The Transaction Advisor must provide full support to the Contracting Authority in carrying out drafting bidder communications, project management and administrative support necessary for the procurement process to be conducted in accordance with law and policy and to the highest standards of efficiency, quality and integrity.

The Deliverables include (but is not limited to the following):

1. Inception Report

The Transaction Advisor shall prepare and submit an Inception Report for agreement by the CPA. The Inception Report shall be a further elaboration of the consultant's submission towards carrying out all the activities and deliverables as per master plan. It will set out the methodology to be followed, the proposed work plan, the key interim and final delivery milestones, the schedule of timing for the deliverable and the frequency of the reports that are to be produced.



Deliverables:

- ✓ Inception Report to be delivered within 2 weeks from the starting of the service;

2. PPP Transaction Structuring

- Assessing the commercial viability of the project if structured with or without any direct additional government support.
- Options assessment of alternative ways of structuring the project to be delivered as a PPP or a non-PPP model.
- Analyze the current tariff structure of CPA's and recommend;
- Recommendation on the proposed structuring option for delivering the project as a PPP
- Advising on any fiscal or special Incentives (permissible within Bangladesh PPP policy) that can be considered for the project and accessing the financial implications of those incentives on the project.
- Assessing what additional options exist to make the commercial viability of the Project more attractive while taking into account the additional financial impact and burden that may fall to the public sector.
- Recommendation on the optimum structuring approach for delivering this project as PPP.
- Generate options for bidding parameter
- Advising on tax- related issues arising out of structuring the project
- Selecting/preparing best mode to assess the G2G partners. The model has to be such that it should be viable to assess all the received G2G partners' interests and align them in the same format that is easy to determine.

3. Project Risk Assessment

- Development of risk matrix to identify and assess scale of potential projects development and implementation risk against stakeholders.
- Propose mitigation measures to address risk.
- Preparation of the consolidated list of approvals/consents/clearances required from government instrumentalities.

4. Heads of Terms for Concession Agreement

- Set out the Key commercial terms and conditions that need to be reflected in the concession Agreement
- Roles and responsibilities of the G2G partners
- Roles and responsibilities of the Contracting Authority and other Government bodies (where applicable)

5. Procurement Plan

- Developing a detailed plan for developing and executing the procurement process of the project.
- Setting out a detailed timeline for delivery of the project
- Propose the structure in contracting Authority for a project implementation monitoring unit to deliver the project and propose a governance agreement for ensuring project oversight and delivery.
- Development of an outline for the project Information Memorandum, [RFQ (if required)] and PPP document.
- Develop Proposals on how transfer of knowledge can be embedded through tour

6. Preparation of Procurements Documents

- Prepare a Project information Memorandum for G2G partners to give them more detailed information about the project.
- Suggest to also include possibility of G2G bilateral process and for consultants to assist to prepare in such case of bilateral discussions, the draft contract for negotiations with G2G arrangements with selected parties



- Prepare the advertisement and notices required for the launch of a procurement process.
- Prepare request for qualification (RFQ) document (if required) to communicate the scope of the project to G2G partners.
- Based on preliminary design and proposed PPP operational plan, develop minimum design specification and service standards that are suitable for use to tender the projects as a PPP, focusing on the facilities defined for the PPP project, the specifications should be output and performance based with the aim of allowing the bidders scope to develop an operational solution that delivers the required standards of performance
- Prepare the draft concession contract in accordance with applicable Bangladeshi laws, taking in to account the PPP policies, guidelines and the draft PPP model concession agreements.
- Prepare strategy paper on the proposed payment mechanism and the calibration of the performance deduction regime that embeds the risk allocation proposals set out in the detailed feasibility studies and demonstrations that impact of different risk scenarios including the impact of performance deduction.
- Prepare a tender evaluation strategy paper that sets out the bid evaluation system and criteria, designs a suitable bid process that maximizes competition; address how variant bids (if any) will be addresses.
- Prepare a service Requirements document that sets out the output specifications incorporating the key performance indicators and thresholds

Deliverables:

- ✓ Project information Memorandum
- ✓ Procurement launch notices and advertisements
- ✓ Request for Qualification (if required)
- ✓ Request for Proposals
- ✓ Commercial Heads of Terms
- ✓ Provision of input into the Draft Concession Agreement
- ✓ Payment Mechanism Strategy
- ✓ Tender Evaluation Strategy
- ✓ Service Requirements and performance Standards Specification
- ✓ Procurement Plan
- ✓ Mode to assess the shortlisted investors in generalized format

Timeline:

1. Final Report- **Within 4 Months after signing Contract**

7. Engagement with Market

- Market the project among G2G partners including assistance in shaping advertisements for local, regional and international media, organizing meetings, visits and presentations to reputed international operators to enable a sufficient level of interest in bidding for the project.
- Respond to requests for clarification from G2G partners on the RFP and other documents including addendum if any required.
- Carry out detailed consultations and meetings with potential bidders on the RFP. RFP stages to discuss the project, bidding documents and other relevant issues in addition to regular conferences.

Deliverables:

- ✓ Conferences
- ✓ Presentation Material for bidder Meetings



Project Management and Governance Agreements

- ✓ Support the contracting Authority in putting together proposals for a governance structure to monitor and implement the project.
- ✓ Provide Project Management and administrative support to the contracting Authority for delivering
- ✓ Provision of support to the Contracting Authority in the presentations and documents to report on the project progress and issues.
- ✓ Working together with other advisors and managing other advisory inputs to support the Authority in developing a conciliated view in delivering the project.
- ✓ Monitoring and providing advice on performance of G2G partners against any conditions precedent to financial close.

Deliverables:

- ✓ Project Governance Strategy
- ✓ Project Management Reports

9. Procurement Support

To assist the Contracting Authority in Carrying out the following activities:

- Possibility of a G2G bilateral process and for consultants to assist to prepare , in such case of bilateral discussions the draft contract with via G2G arrangements with selected parties and the clarification and negotiation process
- Prepare a virtual data room containing key documents and information, including the draft concession contract and RFP.
- Prepare a virtual data room to enable members of the Contracting Authority's project team and key stakeholders to securely access, share and store project documents.
- Developing mechanisms to evaluate responses to the RFP, drafting an evaluation report and recommending the list of G2G partners for the concession contract.
- Respond to requests for clarification from G2G partners on the draft concession Contract, RFP and other documents and information included in the virtual data room.
- Arrange and conducting one or more G2G partners Conferences to discuss the draft concession contract and RFP with the pre-qualified bidders.
- Provision of commercial, financial and technical input in drafting the concession agreement and schedules, drawing of the Project and including all specific requirements of the project to be provided by the prospective concessionaire.
- Finalize the concession contract and RFP to take into account comments and requests for clarification received from the G2G partners.
- Issuance of the concession contract and RFP to the G2G partners.
- Receipt and developing mechanisms to evaluate responses to the RFP from the G2G partners in accordance with the process set out in the final RFP.
- Drafting of evaluation report setting out the conclusions of the evaluation process.
- Recommendation of the selected G2G partners for the concession contract.
- Award the concession contract bid to the selected G2G partners.
- Finalize the concession contract with the selected G2G partners to enable signing of the concession contract.

Deliverables:

- ✓ Establishment of Virtual Data Rooms.
- ✓ Response to queries from Tenderers.
- ✓ Updating of Procurement Plan for RFP stage
- ✓ RFP Evaluation Report
- ✓ Negotiation with the bidders
- ✓ Completion of the commercial, financial and technical parts and providing input into other aspects of the concessions Contract and Schedules as may be required



10. Commercial and Financial Support

To assist the Line Ministry/ Contracting Authority in the development and implementation of the project and the Concession Agreement by providing the following support:

- Assess and advise on optimizing financing and funding strategies and identifying flexibility, opportunities and risks.
- Updates the Project Financial Model developed as part of the detailed Study and review and scrutinize financial models submitted by G2G partners (as applicable). This will include:
 - Review and refinement of the key financial inputs, project capital cost, operation and
 - Maintenance costs, and other costs that were identified in the Detailed Feasibility Study;
 - Identification of the potential sources and cost of capital and terms and conditions of loans to determine the debt payment schedule;
 - Determination of the revenue projection, income statement project, balance sheets, and cash flow statements over the life of the project;
 - Prepare projections of working capital requirement
 - Calculation of various metrics used for assessment of feasibility, including NPV, IRR, debt service coverage ratio, cash and discounted break-even, financial ratios etc;
 - Conduct sensitivity analysis on the major parameters including capital cost, O&M cost, inflation rate revenue to explore its sustainability under different scenario.
 - Financial assessment of the
 - Need for any additional support (e.g. Viability Gap Financing) that may be required to make the project commercially viable;
 - The commercial implications of the linked projects;
 - The fiscal incentive and waivers as many be required for the project.
 - Development of a Project Risk Report to identify the risks in relation to the project, advise on the balance of risk transfer and evaluate the commercial and financial implications of the risks allocation.
 - Provide expert commercial and financial advice and input in the development of the Procurement documents and during the procurement process.

Deliverables:

- ✓ Development of a Financial Model
- ✓ Appraisal Report of tender's Financial Model
- ✓ Development of a Project Risk Report
- ✓ Financial Assessment Report

11. Early Operations Support

- Develop an operations governance plan detailing the governance, monitoring and reporting arrangements that will apply from the financial close and launch of operations.
- Prepare a presentation to identify the roles and responsibilities of the G2G partners/project Representatives in managing the operation concessionaire.
- Prepare a presentation to highlight the key commercial issues and risk that need to be managed during the period of operations of the contract.

Deliverables:

- Development of an Operations Governance Plan
- Presentation Report on Operations Roles and Responsibility
- Presentation Report on key Operational Commercial Issues and Risks

Timeline:

- Final Report- **Within 6 Months of start of Package-1**



12. Training and Transfer of Knowledge

- The Transaction Advisor shall arrange a short offshore Study Tour for up to 10 days for 12 (twelve) CPA, MOS, PPPA officials to showcase similar projects that have been delivered in other countries or regions.
- Throughout the period of the assignment the Transaction Advisor shall on request deliver periodic seminars/ training sessions (2 or 3 sessions in any one calendar year) on the delivery of PPP projects to relevant stakeholders from the Contracting Authority, Line Ministry and linked public sector authorities

Deliverables:

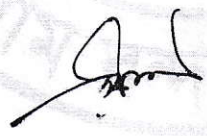
- Project Related Off-shore Study Tour for up to 10 days week for 12 (twelve) CPA, MOS, PPPA officials
- Periodic seminars/ training session on the delivery of PPP projects

Expected Time Schedule

The total duration of consulting services will be 6 months followed by 12 months of warranty period. The implementation schedule expected is as shown following Table.

Implementation Schedule Expected

Key Activities	Date	Duration of each activity
Business case model for Terminal 2 and 3		6 Months
Support in Concession Agreement with Global Operators for T2 and T3		
End of Consulting Services		



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Key Experts, Level of Effort, Task assignment and experience Requirement for Package-1 are listed below:

The consultants are encouraged to use the expertise available in Bangladesh to the extent possible. However, international experiences are necessary to carry out the assignment. The consultants are free to propose a staffing plan and skill mix necessary to meet the objectives and scope of the services. If all the required skills are not available within the consulting firms, they are encouraged to hire expertise. **Following is the minimum requirement list of posts where the firms will propose their required man-months/position numbers but not limited to carrying out the assignment:**

International/National Consultant					
Sl. No	Key Staff	International/National	No	Month	Person-month
1	Team leader	Int.	1	3	3
2	Concession Contract Expert	Int	1	3	3
3	Financial Modeler	Int/Nat	1	3	3
4	Financial Analyst	Nat	1	3	3
5	Legal Expert	Int	1	3	3
6	PPP Expert	Nat	1	3	3
7	Risk Estimator	Nat	1	1	1
8	Commercial Expert	Int/Nat	1	2	2
9	Trainer	Nat	1	1	1
10	Negotiator	Int/Nat	1	2	2
11	Economist	Nat	1	2	2
12	Port Expert	Int/Nat	1	3	3
13	Documentation Expert	Int/Nat	1	3	3
	Sub-Total		13	-	32

Qualification and Tasks

Sl	Key personnel	Education (minimum)	Length of experience	Specific Experience	Role in the Assignment
1	Team leader	Masters in any discipline	20 years	10 Years in leading a team in concession agreement of a port project	Lead the team, review the quality of deliverables, and lead the commercial and transaction structuring.
2	Concession Contract Expert	Masters in any discipline	15 Years	Complete at least 1 port related successful concession contract	Preparation of contract details. Review the existing contracts. Set up the contract goals.
4	Financial Analyst	Masters in finance/Accounting	15 years	7 Years in working in a port project	Financial structuring of the project including development of term sheet, develop financial costs and benefits, lend financial analysis of the project.
3	Financial Modeler	Masters in finance/Accounting	08 years	5 Years in working in a port project	Financial structuring of the project including development of a robust financial model, Risk, discuss with leaders, demand assessment.
5	Legal Expert	Masters in Law	15 Years	7 Years in port sector. Complete 1 project of similar nature	Legal sides of the contract and negotiations including all aspects of legal side of the Bay Terminal Project fall under his tasks.

Sl	Key personnel	Education (minimum)	Length of experience	Specific Experience	Role in the Assignment
6	PPP expert	Masters in any discipline Preference will be given to MBA/CA	15 years	5 Years in port sector. Complete at least 1 port related successful concession contract	Project structuring, tender documentation including IM, RFQ, RFP, PPP arrangements etc, oversee market analysis emend assessment and benchmarking studies.
7	Risk Estimator	Masters in Engineering	8 years	5 Years in port sector. Complete at least 1 port related successful concession contract	Risk assessment for this project including investment opportunities & risks, location opportunities & risks, hinterland connectivity & risks, pay back and business opportunities & risks etc.
8	Commercial expert	Masters in any discipline Preference will be given to MBA/CA.	8 years	5 Years in port sector.	Market analysis, demand assessment conduct benchmarking etc, identify demand and supply gap.
9	Trainer	Graduate in any discipline	10 years	Expert in PPP, concession agreement, legal framework etc.	Arrange training sessions. Arrange social meetings. Co-ordinate all seminars. Co-ordinate tours.
10	Negotiator	Masters in any discipline	15 Years	8 Years in port sector. Complete at least 2 port related successful concession contract	Negotiate with potential bidders. Help CPA achieve their desired goals. Get the best possible deal of concession contract for CPA.
11	Economist	Masters in any Economy	15 Years	5 Years in port sector.	Economical aspects of the project in terms of national and internal economical aspects.
12	Port Expert	Masters in any discipline/Former Port Officer	20 Years	10 years experience in port planning and operation (In case of CPA ex-board members experience may be relaxed)	Port Operations, Planning will be under his tasks. He should give inputs of port operations in Bangladesh and world and help in getting the best BOT deal.
13	Documentation Expert	Masters in any discipline	10 years	5 years in preparing PPP, concession agreement, legal framework documents	Documentation related to Tenders, Reports preparations are his responsibilities.

The consultants have to propose Non-Key Manpower required for the deliverables if required.

