

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC24070

Project Name	Bangladesh Regional Waterway Transport Project 1 (P154511)
Region	SOUTH ASIA
Country	South Asia
Sector(s)	Ports, waterways and shipping (100%)
Theme(s)	Other trade and integration (50%), Trade facilitation and market access (50%)
Lending Instrument	Investment Project Financing
Project ID	P154511
Borrower(s)	People's Republic of Bangladesh
Implementing Agency	Bangladesh Inland Water Transport Authority
Environmental Category	A-Full Assessment
Date PID Prepared/ Updated	13-Jan-2016
Date PID Approved/ Disclosed	14-Jan-2016
Estimated Date of Appraisal Completion	10-Feb-2016
Estimated Date of Board Approval	31-Mar-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

1. In the last year, dramatic progress has been made on key regional cooperation issues along the “Eastern Corridor” of South Asia involving the BBIN (Bangladesh-Bhutan-India-Nepal) countries. In June 2015, the four countries signed the BBIN Motor Vehicle Framework Agreement which lifts considerably past restrictions on cross-border road transit for vehicles, passengers and cargo across the territories of the countries. The four countries are also in discussions regarding the Multi-modal Transport Agreement which will encompass cross-border transit by road, rail and inland waterways. In addition, also in June 2015, India and Bangladesh signed the Coastal Agreement which allows goods to move by sea from Kolkata in West Bengal to Chittagong Port in Bangladesh, and renewed the Protocol on Inland Water Transit and Trade (PIWTT) indefinitely with additional ports of call and routes. They also agreed to seek international financing for development of the entire Bilateral Protocol Routes between the two countries with assured Least Available Depth (LAD) to ensure navigability of the routes year-round and including night-time navigation, as envisaged in the

Bilateral Framework Agreement on Trade and Transit. Meanwhile, landlocked Bhutan and Nepal have agreements in place with both India and Bangladesh to use the roads, railways, inland waterways and ports in these two coastal countries to transport Bhutanese and Nepalese bilateral, international and transit trade.

2. The June 2015 signing of the above historic agreements has paved the way for the development of a regional multimodal transport network that will increase trade, people-to-people contact, and development of economic corridors. Goods can now move by sea or coastal route from Kolkata Port in West Bengal, India to Chittagong Port in Bangladesh, where bilateral and transit goods to Northeast India would travel by inland waterways from Chittagong Port to Dhaka and onwards to Ashuganj Port. At Ashuganj, the goods would be trans-shipped by road or rail to the border crossing at Akhaura-Agartala to Tripura State in Northeast India. Alternatively, the goods that arrive at Chittagong Port can take the road route to the Ramgarh-Sabroom border crossing, also on the border with Tripura State, Northeast India. The third route would be from Chittagong Port to Thegamukh-Kawrpucchuh on the border with Mizoram State, Northeast India. The map in Annex 2 demonstrates the alternative multimodal routes that link West Bengal, India with landlocked Northeast India through the territory of Bangladesh. Goods headed from or for Bhutan can also use these same routes from Chittagong Port through Northeast India.

3. To support these remarkable trends in regional cooperation, the World Bank has developed and implemented since 2011 a continually evolving Regional program to support the BBIN countries to improve connectivity and trade potential along the “Eastern Corridor” of South Asia. The investments include projects supporting regional connectivity for the BBIN countries through road, rail, ICT, and inland waterway connectivity and trade facilitation measures that aim to facilitate intra-regional trade as well as access to the sea and international markets for the landlocked countries and sub-regions namely Bhutan, Nepal, and Northeast India.

4. Bangladesh is the third largest economy in South Asia. It is amongst the most densely-populated countries in the world with a population of about 160 million in a land area of 147,570 square kilometers. Bangladesh’s economy grew well above the average for developing countries in recent years, averaging 6.2 percent since 2010. With a per capita GDP of US\$1,093 in FY14, Bangladesh has become a low middle-income country. Bangladesh has made remarkable progress in reducing extreme poverty; however significant challenges remain in its quest to eliminate extreme poverty. The creation of more and better jobs is a key challenge for eliminating poverty and boosting shared prosperity. Growth and employment associated with increased productivity, diversification, and value addition in agriculture and manufacturing supply chains needs to be strengthened.

5. Key to the success of Bangladesh’s growth and poverty reduction strategy is the improvement of the multimodal transport and logistics system in the country, with its neighbors and the rest of the world. High transport costs, low efficiency and excessive delays in the logistics chain increase trade costs and reduce the competitiveness of the country’s products. The Government’s Plan to address transport bottlenecks includes key activities to: (i) enhance the capacity of multiple key modes of transport including expanding the road network, increasing the capacity of Bangladesh Railways to carry freight, and increasing the capacity of the country’s inland waterways to carry freight and passengers; (ii) improving the capacity and performance of the country’s main sea port, Chittagong Port, while developing additional deep sea and higher capacity ports for the longer-term; (iii) improving regional connectivity; and, (iv) improving banking, customs and

clearance systems and procedures to decrease clearance times.

6. In addition, there are plans to expand intra-regional trade by improving connectivity with India, Bhutan and Nepal through road, rail and inland waterways. For inland waterways, the Government has prioritized the development and improved maintenance of 65 priority river routes, including the Bilateral Protocol Routes agreed between Bangladesh and India but also used for trade between Bangladesh, Bhutan and, in future Nepal.

Sectoral and Institutional Context

7. Bangladesh has made great strides in developing an extensive transport system to support the needs of its growing export-oriented economy. It boasts an expanding network of highways and rural roads, inland waterways, two seaports, maritime shipping, and a railway system. Major road corridors connect the two largest cities Dhaka and Chittagong with key economic centers and towns. Bangladesh has also developed a network of village roads connecting communities to market centers and the main roads. However, economic growth over the past decades has been accompanied by even faster growth in transport demand, estimated at 6-9 percent per year. Growth is putting strain on the transport network, particularly the road network, which is poorly managed and maintained and with only 40 percent of main roads in good condition.

8. As a riverine country, Bangladesh has a large and vibrant inland water transport sector. It has some 700 rivers, streams and canals with a total length of about 24,000 km. Approximately 6,000 km are navigable during the monsoon (wet) period, shrinking to about 3,900 km in the dry periods. Though not as large as in the more developed countries, it carries approximately 194 million tons of cargo and about one-quarter of all passenger traffic. There are some 22,300 registered vessels, including dry cargo vessels (22 percent), barges (7 percent), tankers and double bottom vessels used predominantly for carriage of petroleum products, sand carriers (16 percent), and passenger vessels (10 percent). In addition to the list of registered vessels, there are some 750,000 country boats of a great variety of shape and size. These play a vital role in the transport of goods and people, especially on the smaller rivers where transport demand is generated by rural communities, a substantial proportion of which only has access to river transport.

9. Despite its importance, IWT has received little attention in the last few decades with only limited resources allocated to its development. The waterways receive only 4-7 percent of total transport sector funding. Realizing the important role that inland waterways play in addressing transport needs in Bangladesh, especially for the poor and to support trade, the Government of Bangladesh developed the 2009 Inland Water Transport Master Plan which laid out a detailed action plan for investment in the sector, including for development and maintenance of river routes, navigational aids, river ports, rural development, and institutional development. Most of that Master Plan is still valid; few of the projects laid out in the Master Plan have been implemented due to capacity and funding constraints. Current issues faced by the inland water transport sector include: (i) little funding allocated to maintenance of waterways other than ferry crossing routes; (ii) outdated hydrographic capability and limited data acquisition for river maintenance and other planning purpose; (iii) a poor navigation aid system and very limited night time aids; (iv) a poor safety culture, including outdated rules and regulations concerning the design, licensing, construction, operation and maintenance of IWT vessels, insufficient vessel shelters, and the lack of facilities for searching and rescuing people in distress; and, (v) insufficient and dilapidated river port facilities for general cargo trade and passenger transport. In places, terminal facilities consist of no more than wooden planks used to embark and disembark passengers which are a challenge for

mothers with small children, pregnant women, elderly people and the disabled. In the delta and other areas, passengers often have to wade into the river at low water periods to access a vessel. The lack of toilets in most landing places and vessels adds to the inconvenience. This has discouraged many female passengers from using inland water transport.

Relationship to CAS

10. The World Bank Group's Bangladesh Country Assistance Strategy (CAS) for the period FY2011–15 has been extended and revised in a Progress Report presented to the Board in January 2014. In defining its CAS for FY11-14, the WBG aimed to support implementation of the Government's national development strategy, the Sixth Five-Year Plan FY11-15, with four strategic objectives: (i) consolidating human development gains; (ii) accelerating growth (mainly through improving the business environment and expanding energy and transportation services); (iii) reducing environmental degradation and vulnerability to natural disasters and climate change; and (iv) strengthening governance. The proposed Project will contribute to the growth pillar and the CAS outcomes on "increased infrastructure provision and access". A new Country Partnership Framework (CPF) for Bangladesh is currently being developed to be discussed at the Board in FY16. The project will continue to be aligned with the new CPF.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

12. The development objective of the project is to improve transport services for passengers and cargo on inland waterways along the Dhaka-Chittagong-Ashuganj Regional IWT Corridor.

Key Results (From PCN)

13. The project seeks to achieve the following key results, with proposed indicators:

- i. Increased cargo transported along the Project Corridor (Annual cargo tonnage)
- ii. Increased number of Passengers using inland water transport along the Project Corridor (Annual Number)
- iii. Increased number of transit cargo trips along the Project Corridor (Annual Number)

14. Key intermediate indicators include:

- iv. Number of days per year that advertised Least Available Depth is maintained on Dhaka-Chittagong-Ashuganj Regional IWT Corridor (Days)
- v. Availability of Aids to Navigation along Dhaka-Chittagong-Ashuganj Regional IWT Corridor (Percentage)
- vi. Institutional framework defined for formal IWT Search and Rescue Organization (Yes/No)
- vii. Trainers identified and their capacity developed in international standards in various aspects of inland water transport and management
- viii. Framework for private sector investment – particularly PPPs – in inland water transport developed (Yes/No)

III. Preliminary Description

Concept Description

15. The project will provide US\$360 million in IDA funds to finance interventions aimed at improving IWT for cargo and passengers along the heavily trafficked Chittagong-Dhaka-Ashuganj

Regional Corridor. Main interventions include: navigation channel maintenance and improvement; navigation safety improvements; the construction and modernization of select river terminals; development of River Information Systems (RIS); institutional capacity development; and, funding for research and development and feasibility studies for continuing sector improvement to ensure future IWT sustainability. This includes work on sector policies and strategies needed to: improve revenue collection and management; incentivize public and private sector investments especially related to container transport; and, mitigate and improve IWT's impact on the social and physical environment. The Project consists of three components as follows:

Component 1: Improved Inland Waterway Navigation (Total Cost US\$235 million, IDA financing: US\$215 million). This component shall include work to maintain and increase advertised depths and to delineate channel routes through provision of long-term navigation Performance-Based Contracts (PBCs). The 6 or 7-year Performance-Based Contracts will depart from the current practice of payments based on dredging volume which is unreliable and does not assure depth, and instead commits the contractors to guarantee Year-Round Least Available Depth. A Supervision/Performance Monitoring Consultant will be contracted to monitor the performance of the contractors for the PBCs. Only selective and limited dredging of problem areas such as on chars and sand bars is expected to maintain navigability as most of the river route has the required depth. In addition, six vessel shelters will be developed within remote cyclone areas on the Project Corridor route allowing vessels to seek shelter from inclement weather.

Component 2: Improved Services at Priority Inland Waterway Terminals and Landing Ghats/Stations (Total Cost: US\$90 million, IDA financing: US\$75 million). This component supports the development of two cargo terminals, four passenger terminals and 14 landing ghats. The facilities shall specifically incorporate the needs of women users (such as toilet facilities for women, women-only waiting rooms) and less abled users, and address safety-related issues for all users. BIWTA will also make suggested changes to operational guidelines to improve safety and experiences using inland water transport services. All investments under this component will also aim to enhance the climate change resiliency of terminals and landing stations, such as through design adaptations to account for the expected increased variation in river flows, more intense or frequent extreme storm events, etc.

- The cargo terminals include: (i) development of a new common user general cargo terminal with access infrastructure at on the Buriganga River adjacent to the existing Pangaon container terminal; and, (ii) Rehabilitation and modernization of the existing general cargo terminal at Ashuganj.

- The passenger terminals include: (i) the development of a new passenger terminal at Shashanghat in Dhaka District; (ii) rehabilitation of the passenger terminal at Narayanganj; (iii) rehabilitation of the passenger terminal at Chandpur; and, (iv) extension of the existing passenger terminal at Barisal

Component 3: Institutional Capacity Development and Sector Sustainability (Total Cost US\$75 million, IDA financing: US\$70 million). A series of activities are proposed that will support BIWTA's overall enhancement of its management systems and human resources capacity for modern, efficient, and high quality management of the IWT sector in line with international standards. This in turn is critical for the long-term sustainability of the investments supported through the project, as well as the sector's ongoing attractiveness to users, its potential for green innovations in support of national climate mitigation targets, and its resilience to changing conditions including those posed by climate change. Activities to be supported include: (i) the development of River Information Systems to help BIWTA improve data collection for the planning, maintenance and development of IWT, as well as enhance climate resiliency of the IWT

sector in Bangladesh by creating a more systematized baseline understanding of river hydrology and navigational implications, and provision of a Traffic Monitoring System for passengers and cargo; (ii) improvement of Human Resources capacity for better management of the IWT sector through upgrading and modernizing the IWT Deck and Engine Personnel Training Centre (DEPTC) into a regional IWT Training Center with open access to all users in the Region and the world; (iii) commissioning of a study to propose an institutional structure and reforms needed to develop an effective Search and Rescue organization; (iv) support for environmental and social sustainability, climate change resiliency, and “greening” of IWT; (v) a project preparation facility to finance feasibility, surveys, design and safeguards studies for continuous sector development; and, (vi) support for the Project Management Unit including the hiring of key staff and procurement of selected systems needed for implementation of the Project.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04	x		
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11			x
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50	x		
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	400.00	Total Bank Financing:	360.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			40.00
International Development Association (IDA)			360.00
Total			400.00

VI. Contact point

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