SUMMARY OF PROJECT PERFORMANCE: SOUTH ASIA SUBREGIONAL ECONOMIC COOPERATION ROAD CONNECTIVITY PROJECT

A. Background

1. The South Asia Subregional Economic Cooperation (SASEC) Road Connectivity Project will improve the connectivity and efficiency of the Dhaka–Northwest international trade corridor. This also involves developing land ports and enabling efficient and safe transport within the country and with India as well as Bhutan and Nepal. The estimated project cost is $344.7 million, which is financed by (i) a loan of SDR128.114 million ($198.00 million equivalent in 2012) from the Special Funds resources of the Asian Development Bank (ADB), (ii) a loan of $30 million from the OPEC Fund for International Development, (iii) a loan of $30 million in parallel financing from the Abu Dhabi Fund for International Development, and (iv) counterpart funds of $86.7 million equivalent from the Government of Bangladesh. The ADB loan was approved on 22 November 2012, became effective on 28 February 2014, and will close on 30 June 2018.

2. The project impact will be increased domestic and regional trade through Bangladesh. The outcome will be the improvement to road connectivity and efficiency of the Dhaka–Northwest international trade corridor, in conjunction with land port development. It will enable efficient and safe transport within the country and with India and, through India, with Bhutan and Nepal. The project outputs are (i) increased capacity of a key section of an international trade corridor (the 70-kilometer (km) Joydeypur–Chandra–Tangail–Elenga section); (ii) improved operational efficiency of land ports (Benapole and Burimari); and (iii) enhanced institutional capacity of the Roads and Highways Department (RHD) for developing and maintaining roads and bridges.

3. The executing agencies are the RHD for outputs (i) and (iii) and the Bangladesh Land Port Authority for output (ii).

B. Performance of the Project

4. The project was assessed along the following criteria:
   (i) **Delivery of expected outputs**. The delivery of the three expected outputs is satisfactory. The construction works for upgrading 70 km of national road to four lanes are expected to be completed by December 2018, followed by a 1-year defect liability period and a 4-year performance-based maintenance period. The RHD is implementing the institutional development action plan to modernize its business models. The improvement of land ports at Benapole and Burimari is proceeding as planned: the civil works in Burimari were substantially completed by February 2017, and the civil works at Benapole port will be completed in March 2019. To improve the operational efficiency, a manual on the handling of materials and the automation of the port management system was introduced.
   (ii) **Satisfactory implementation progress.** The implementation progress is satisfactory. All contracts for consulting services and civil works envisaged during project processing have been awarded. As of 30 June 2017, or 82% into the loan period, the cumulative contract award eligible for financing by the ADB loan was $243.09 million[1] (140.00% of the projection); the cumulative disbursement was $75.83 million (31.20% of the cumulative contract award and 114.20% of projection).

[1] Based on latest review, further contract variations are expected, which will add about $36.31 million.

(iii) **Satisfactory compliance with safeguard policy requirements.** Compliance with the safeguard policy requirements of the project is proceeding satisfactorily. A nongovernemnt organization was engaged to assist resettlement compensation for people affected by the project. The acquisition of 88.746 acres (35.914 hectares) of land is progressing well. About 64% of the approved resettlement amount has been paid to the affected persons by deputy commissioners. Grievance redress committees were established to manage environmental and social issues. Monitoring and reporting on the implementation of the environmental management plan for the project is carried out by the environment specialists among the project implementation consultants. The executing agencies have achieved timely submission of social and environmental monitoring reports and progress reports.

(iv) **Successful management of risks.** The major risks identified during the processing are poor governance, implementation delays, inadequate safeguard compliance, and delays in institutional development. Mitigation measures were implemented as planned. As such, no risks are threatening the successful implementation of the project.

(v) **On-track rating.** The project was rated *on track* in the 12-month project performance assessment.

5. At the time of project preparation, the engineering estimates were based on the prevailing RHD schedule of rates for 2011, whereas the bids were not submitted until October 2014. In the interim, construction costs and inflation had risen, resulting in a cost overrun. Key lessons from the project implementation are that (i) the quality of engineering designs should be assured through systematic reviews by a technical review panel; (ii) the procurement of civil works should be advanced to minimize the start-up delays; (iii) the government should ensure the timely release of counterpart funds for land acquisition and resettlement, utility shifting, and civil works; (iv) safeguard actions should be advanced to the extent possible; and (v) institutional enhancement requires long-term, consistent, and flexible support.

C. Conclusion

6. The project is performing well based on the criteria of (i) delivery of expected outputs, (ii) satisfactory implementation progress, (iii) satisfactory compliance with safeguard policy requirements, (iv) successful management of risks, and (v) on-track rating.

7. **Financing gap**. However, it is estimated that the project cost is $498.6 million, an increase of $153.9 million over the cost estimates at loan appraisal in 2012. In addition, the ADB loan was denominated in special drawing rights, for an equivalent of $174.6 million, which translates into a decrease of $23.4 million. Overall, the project faces a shortage of financing of $177.3 million. The government requested ADB to finance $150 million, and will provide $27.3 million as counterpart funds.

8. Tables 1 and 2 show the 2012 cost estimates, and the gap in financing required to fund the current project cost.

Table 1: Project Investment Plan
($ million)

Item		2012 Cost Estimate	2017 Cost Estimate	Cost Overrun
		D1	D2	E=D2–D1
A.	**Base Cost**			
	1. Road improvement	227.7	389.8	162.1
	2. RHD institutional development	18.0	21.7	3.7
	3. Land port improvement	14.4	14.8	0.4
	4. Project management	2.7	2.7	
	5. Tax and duties	23.3	58.7	35.4
	Subtotal (A)	**286.1**	**487.6**	**201.5**
B.	**Contingencies**	57.5	0.0	(57.5)
C.	**Financing Charges During Implementation**	1.1	11.0	9.9
	Total (A+B+C)	**344.7**	**498.6**	**153.9**

RHD = Roads and Highways Department.
Sources: Estimates by the Asian Development Bank and the Roads and Highways Department.

Table 2: Project Financing Plan
($ million)

Source	Amount (equivalent in 2012)[a]	Amount (equivalent in 2017)[b]	Currency Depreciation	Additional Financing	Total Project Cost
	A	B	C=A–B	D	E=B+D
1. Asian Development Bank	**198.0**	**174.6**	**23.4**	**150.0**	**324.6**
Asian Development Fund	198.0	174.6	23.4		174.6
Ordinary capital resources				150.0	150.0
2. Cofinancing	**60.0**	**60.0**			**60.0**
OFID	30.0	30.0			30.0
ADFD (parallel)	30.0	30.0			30.0
3. Government	**86.7**	**86.7**		**27.3**	**114.0**
Total	**344.7**	**321.3**	**23.4**	**177.3**	**498.6**

ADFD = Abu Dhabi Fund for Development, OFID = OPEC Fund for International Development.
[a] United States dollar equivalent of special drawing rights, as of date of approval of the report and recommendation of the President.
[b] United States dollar equivalent of special drawing rights, as of April 2017.
Sources: Estimates by the Asian Development Bank and the Roads and Highways Department.