

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC22521

Project Name	Bangladesh Regional Connectivity Project 1 (P154580)
Region	SOUTH ASIA
Country	South Asia
Sector(s)	General transportation sector (30%), Rural and Inter-Urban Roads and Highways (10%), Other domestic and international trade (30%), Information technology (30%)
Theme(s)	Regional integration (25%), Trade facilitation and market access (25%), Infrastructure services for private sector development (25%), Rural services and infrastructure (25%)
Lending Instrument	Investment Project Financing
Project ID	P154580
Borrower(s)	People's Republic of Bangladesh
Implementing Agency	Ministry of Shipping - Bangladesh Land Port Authority
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	18-May-2015
Date PID Approved/ Disclosed	05-Jun-2016
Estimated Date of Appraisal Completion	21-Oct-2016
Estimated Date of Board Approval	30-Nov-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

1. 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. With a per capita GDP of US\$840 per year, Bangladesh is a poor country that has made remarkable progress in reducing extreme poverty with poverty rates falling from 48.9 percent in 2000 to 31.5 percent in 2010. Further reductions in poverty are a serious development challenge. More than 70 percent of Bangladesh's population lives in rural areas where connectivity infrastructure is poor.

2. Bangladesh's economy has been growing fast, reaching 6.5 percent in 2011 and 2012, and 6

percent in 2013. Expanding national and international trade will help achieve Bangladesh's aim of achieving middle-income status by 2021. High costs, low efficiency and logistical delays will reduce the competitiveness of a country's products and particularly exports. Key to the success of Bangladesh's growth strategy is an efficient transport and logistics system especially at key components and nodes including good quality roads, adequate land ports at border crossings, and trade clearance systems. Inadequate existing infrastructure and missing links in the country's trade and transport infrastructure network, in both rural and urban areas, are hampering further progress in trade performance.

3. Bangladesh's exports have grown strongly and doubled their world market share between 1995 and 2012 and more than doubled in value in the last five years, owing to the success in the ready-made garments (RMG) industry, catering largely to the EU and USA. At the same time, Bangladesh ranks 108 out of 160 countries in the World Bank's Logistics Performance 2014 Index. Sustaining and accelerating export growth will require better transport networks and trade logistics to reduce delivery lags, and exploitation of regional trading opportunities to enable market diversification.

4. Bangladesh is geographically strategically located to play an important role in regional trade and logistics networks, and as a transit country in South Asia. It can facilitate movements between several surrounding countries especially between mainland India and the Northeast Region states, and landlocked Nepal and Bhutan as well as overland trade flows between South Asia and Myanmar and the rest of East Asia. However, as argued in the 2013 Bangladesh Diagnostic Trade Integration Study (DTIS) (World Bank), Bangladesh's relative cost advantage from being a low labor cost producer is diminished or sometimes wiped out by poor performance in trade facilitation. Considerable delays are faced in seaports, on congested transport networks and in delays at the border. High logistics costs become an implicit tax that biases the economy away from exports. Research shows that high trade transaction costs can be a major obstacle to exploiting trade opportunities presented by the world trading system (Wilson, Mann and Otsuki, 2003; Hoekman and Nicita, 2011). These costs disproportionately affect small firms, farmers and the poor, prohibiting their participation in trade and limiting inclusiveness (World Bank, 2013). Trade facilitation not only increases the competitiveness of a country's exports, it also lowers import costs, which have a direct impact on the prices paid by the poor for the goods they consume.

5. There are several routes and associated border crossing points that connect Bangladesh to neighboring countries involving all modes of surface transport (road, rail, inland waterway). However, several of the routes and border crossing points face challenges. The condition of the road routes is variable, ranging from poor to good. Most are two-lane and get heavily congested such that travel speeds are normally between 20 and 30 km/h. In addition, some of the roads are windy and prone to landslides, especially in the NE states of India. On the other hand, the land ports are also congested, arising from lengthy clearance times and the need to trans-load cargo from vehicles of one nationality to the other. Increases in bilateral and transit trade volumes are only likely to make the situation worse. For instance, Castalia (2010) estimated that with transit policy reforms, diverted traffic from the Siliguri Corridor could be as much as 1,100 trucks per day on the N2 highway in Bangladesh, which would result in total traffic equivalent to 1.6 times the volume of trucks in 2010.

6. The potential for the South Asia Region to raise growth through increased intra-regional trade is enormous, but presently this is hindered by policy, administrative and physical barriers.

Intra-regional trade accounts for just 5 percent of total trade in South Asia, compared with about 25 percent in ASEAN. Estimates suggest that annual intra-regional trade in the region could more than double to at least US\$40 billion annually, if restrictions on trading with neighbors were removed (RIS, 2014). Other studies (Zhai, 2010) estimate that investments in transport infrastructure to increase Pan-Asian connectivity could reduce trade costs by more than 20 percent in India and 12.5 percent in Bangladesh. The lower trade costs would yield annual gains of around 6 percent of 2020 GDP for India and Bangladesh.

7. To capitalize on the enormous potential for increased trade through regional cooperation, and achieve more equitable growth and sustainable development in the Eastern Corridor of South Asia, the Governments of Bangladesh, Bhutan, Nepal, and India have actively held discussions to promote regional connectivity and trade. Bilateral and regional protocols and memoranda of understanding have been signed to develop regional transport corridors comprising road, rail, ports and inland waterways, and to facilitate border crossings.

Sectoral and Institutional Context

8. Strong economic growth over the past decades has been accompanied by even faster growth in transport demand, estimated at 9 percent per year. Much of this growth has been met by road transport, the dominant mode of transport making up 88 percent of total transport needs. However, the road network is poorly managed and maintained with only 40 percent of main roads in good condition. About 63 percent of Bangladesh's rural population remains without access to all-season roads. Populations without all season access suffer from poor road connectivity, higher transport costs and face isolation during rainy seasons. Lack of maintenance of the rural transport network further deteriorates connectivity and accessibility.

9. Bangladesh shares a 4,096-km long international border with India, the fifth longest land border in the world, which accounts for 96 percent of the country's land border. It also shares a 193-km long border with Myanmar in the south. Along this extensive border, the Bangladesh Land Port Authority (BLPA), an agency within the Ministry of Shipping (MoS), manages eight existing land border posts with India, one with Myanmar, with plans to develop an additional eleven border posts that border India. The management of some of the land ports are concessioned to private companies while BLPA manages the rest. The infrastructure at all of the existing land ports is inadequate to address existing and potential trade volumes, and in most cases in very poor condition. Moreover, the access roads linking to these land ports are mostly in poor condition or are less direct or missing links in the road network. The inadequate infrastructure contributes to transport and clearance delays for traded goods at Bangladesh's border points. Delays of 4-5 days at the busiest border point between Bangladesh and India, Benapole-Petrapole, are common. At another border point on the Bangladesh-India border, Burimari, which also serves trade between Bangladesh and Bhutan and to a lesser extent Nepal, delays are also a common occurrence.

10. Women constitute of 57 percent of labor force participation in Bangladesh and contribute significantly to export industries in Bangladesh, especially the RMG sector. They are also the predominant laborers near Bangladesh's border points producing construction materials (pounding boulders into pebbles), and producing agricultural and light manufacturing goods for sale. However, they tend to be concentrated in lower value-addition sectors and segments of the supply chain. In trade, they are among the more invisible small and informal traders at border points, and face serious risks and losses with each border crossing, as well as bribes, fines, confiscation of goods, verbal abuse, stigmatization, violence, harassment - including sexual harassment - undue taxation

and poor working conditions. Inadequate facilities at land ports as well as insufficient transport and communications infrastructure make their lives as traders even more difficult. Delays and complex procedures also contribute to difficulties for small traders, increasing incentives to trade informally.

11. Bangladesh scores only 2.09 out of 4 points for Customs performance in the 2014 Logistics Performance Index, tied with Bhutan for the worst performance in the South Asia Region where the average score is 2.47. Customs clearance is a major delay factor at sea and land ports. While Customs is working to improve policies, streamline processes and automate systems, further reforms and improvements are needed in all these areas to improve Customs performance.

Relationship to CAS

12. The World Bank's South Asia Regional Strategy recognizes regional cooperation and integration as a key strategic objective. It pinpoints limited intraregional trade and connectivity, cumbersome procedures, non-tariff barriers, and costly road transport and logistics services as key impediments to increasing trade in the region. The SAR Regional Strategy Updates for 2014 and 2015 as well as the SAR Regional Integration Strategy (endorsed in 2014) specifically recognize the importance of regional trade and transport systems for the South Asia Region. In addition, the Diagnostic Trade Integration Study (DTIS) (World Bank, 2013), prepared in close collaboration with the government identifies four main priorities to reduce trade costs in Bangladesh, namely: increasing containerization on the core Dhaka – Chittagong Corridor; Customs and border management modernization; increasing air transport capacity and connectivity; and, enhancing regional transit and connectivity.

13. 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. These strategic objectives define the four pillars of the CAS, namely: Social services; Growth; Vulnerability, Adaptation and Inclusion; and 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.

14. The proposed Project is the third regional IDA investment project (and eighth key activity) in the Bank's program to facilitate transit and trade along the Eastern Corridor of the South Asia Region. The program's objective is to support the agreement to facilitate trade and transit between Bangladesh, Bhutan, India and Nepal, and support the development of the SAARC priority corridors that aim to facilitate intra-regional trade, particularly through unblocking barriers to transit for landlocked Nepal, Bhutan and NE India through Bangladeshi and Indian territory. The Project will enhance connectivity for Bangladesh, landlocked Bhutan, and India especially the landlocked Northeastern states of India.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

21. The development objective is to decrease border crossing time at selected border crossing points and to enhance connectivity for trade along strategic regional transport corridors.

Key Results (From PCN)

22. The project seeks to achieve the following key results:
- i. Reduce border crossing time at existing land ports targeted by the Project (% , disaggregated by gender)
 - ii. Increase cross-border trade flows at greenfield land ports targeted by the Project
 - iii. Enhance connectivity between economic centers in Bangladesh and NE India states (degree)

Key intermediate indicators include:

- i. Number of land ports developed or improved (with female-friendly facilities)
- ii. Number of programs instituted at border points to facilitate female traders
- iii. Number of trade restrictions eased or lifted at targeted land ports
- iv. Feasibility and design studies completed for linked access roads/infrastructure
- v. Legal framework defined and adopted for operation of National Single Window
- vi. National Trade and Transport Facilitation Committee and sub-committees set up, operational and meeting at least bi-monthly.

III. Preliminary Description

Concept Description

15. The proposed investment project aims to facilitate connectivity, trade and transport for national and regional trade. The multi-sector project is expected to provide an estimated US\$120 million to finance the following components. Components 1, 2 and 4 (US\$90 million) are proposed to be financed by regional and national IDA (2/3 and 1/3, respectively), whereas Component 3 will be financed by national IDA.

Component 1a: Investments in infrastructure, systems and procedures to modernize key selected land ports essential for trade with India and Bhutan (US\$57 million). Four to five land ports will be improve/modernized, including at least two greenfield land ports and at least one existing land port. Designs will consider and incorporate the needs of women traders such as female-only waiting rooms and lines for clearances, female toilets, and other infrastructure areas specifically allocated for female traders. A simplified clearance regime will be implemented for small traders, many of which are female. The selection of border posts was guided by several factors including: a) client request; b) volume of current or potential traffic; c) location on SAARC or other sub-regional strategic corridors; d) potential to enhance regional connectivity; e) gaps in financing after considering Government and other development partner support; and, f) availability of technical assessments. The implementation agency for this component would be Bangladesh Land Port Authority. Cost estimates are as follows:

- a. Thegamukh Land Port Development (US\$10 million): Thegamukh is currently a dormant border crossing on Bangladesh's eastern border with the state of Mizoram, NE India, although it was once an important passageway with large numbers of goods traded and a thriving commercial center. It is on the road (and river) from Chittagong to southern Mizoram in India, about 150-160km from Chittagong Port. The opening of new trade routes between Bangladesh and the north-eastern

states of India, including Mizoram and Tripura, through the Thegamukh-Kawrpucchuah border point is considered a high priority for both the Government of India and Government of Bangladesh. Thegamukh could also serve as a transit point between West Bengal and Mizoram, and, potentially, Myanmar.

b. Ramgarh Land Port Development (US\$10 million): Ramgarh is located on the border with Sabroom in Tripura state, Northeast India, less than 100km from Chittagong Port. The Land port is expected to create important trade linkages from Bangladesh and mainland India to Tripura and the rest of Northeast India as well as to East Asia.

c. Bhomra Land Port Expansion (US\$22 million): Bhomra land port is located approximately 75km from both Kolkata in India and Khulna in Bangladesh, two major economic centers, and 250km from Dhaka. Once the Padma Bridge is completed, it will be on the shortest route from Kolkata to Dhaka. The land port was built in anticipation of the expected significant increase in trade traffic.

d. Improvements/Modernization of 1-2 Other Land Ports: US\$15 million

Component 1b: Develop (pilot) programs to support female traders at selected land ports (US\$8 million). Building on the recommendation included in the Ministry of Finance's gender budget 2013/2014, the Ministry of Commerce (MoC) committed to "Encourage trade bodies to provide awareness raising trainings on workplace related violence and harassment against women".

Activities could include: (i) sensitization programs for Customs officers and other staff working at land ports; (ii) public information campaigns on safety issues for women traders; (iii) educational, communication, and sensitization programs to educate female traders on the law, their rights and obligations; (iv) in partnership with Bangladesh Women Chamber of Commerce and Industry (BWCCI), providing support for training and knowledge programs for women traders to learn skills related to better production, preservation, transport and marketing of their products; (v) establishing an institutional mechanism for women traders to communicate their needs and issues linked to national and cross-border trade to relevant Government officials; and, (vi) developing improved facilities along the supply chain between production centers and border points to address the needs of women traders, such as border haats and cold storage structures (separate from land port infrastructure).

Component 2: Studies for Connecting Roads/Last Mile Links to Key Land Ports (US\$10 million). Many of the existing and greenfield land ports have poor quality access or connecting roads. This component will prepare a comprehensive survey of access and linked roads to all of BLPA's 21 land ports, and conduct detailed feasibility and design studies, environmental and social safeguards studies, as well as bidding documents to address selected priority access/linked roads. Phase II of detailed feasibility and design studies for linked roads to Thegamukh land port will be included in this component. It is expected that a follow-on World Bank regional IDA investment project (Regional Connectivity Project 2) would finance the prioritized road links to land ports once the studies are completed. The implementation agency for this component would be LGED.

Component 3: Customs Modernization and National Single Window Development (US\$30 million). The implementation agency for this component would be the Customs Department in National Bureau of Revenue.

- a. Bangladesh National Single Window (NSW) Implementation including back-office automation in 6 Licensing and Permit issuing agencies. This activity will include Business Process simplification, software development and ICT infrastructure to support NSW implementation (US \$20 million).
- b. Strengthening Customs Modernization through (i) Implementation of a sophisticated Risk Management Module as well as providing resident technical assistance and Capacity Building for Risk Management generally across an 18-24 month period followed by peripatetic visits during the life of the project; and, (ii) Implementation of a Valuation database as well as providing resident TA and Capacity Building for the valuation processes across a 12-18 month period followed by peripatetic visits during the life of the project. The TA and Capacity Building activities proposed here will build upon and further strengthen initiatives currently underway supported by WBG's Trade and Competitiveness Practice (formerly IFC Advisory Services).
- c. ICT Infrastructure for selected Land Ports/Border Crossings including Hardware, Communications Infrastructure including last-mile connectivity between crossing points and Government Network backbone (US\$5 million).

Component 4: Institutional Development to enhance cross-sector collaboration for border management, trade and transport facilitation (US\$7 million). Fund technical assistance, secretariat and project management support to establish and operate a National Trade and Transport Facilitation Committee, a Border Management (Sub)-Committee, and a National Single Window (Sub)-Committee, and to fund required project support services in the implementation agencies.

Contingency (US\$8 million)

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:	135.00	Total Bank Financing:	120.00
Financing Gap:	0.00		
Financing Source			Amount

BORROWER/RECIPIENT	15.00
International Development Association (IDA)	120.00
Total	135.00

VI. Contact point

World Bank

Contact: Diep Nguyen-Van Houtte
 Title: Sr Transport. Spec.
 Tel: 473-7213
 Email: dnguyenvanhoutte@worldbank.org

Borrower/Client/Recipient

Name: People's Republic of Bangladesh
 Contact: Kazi Shofiqul Azam
 Title: Additional Secretary
 Tel: 880-2-9180675
 Email: ksazam@gmail.com

Implementing Agencies

Name: Ministry of Shipping - Bangladesh Land Port Authority
 Contact: Enayet Hossain
 Title: Deputy Chief
 Tel: 880-2-9549077
 Email: Enayethossain60@yahoo.com

VII. For more information contact:

The InfoShop
 The World Bank
 1818 H Street, NW
 Washington, D.C. 20433
 Telephone: (202) 458-4500
 Fax: (202) 522-1500
 Web: <http://www.worldbank.org/infoshop>