

 Early Warning System

ADB-47284-002

South Asia Subregional Economic Cooperation Transport, Trade  
Facilitation and Logistics Project



## Quick Facts

Countries	Bhutan
Financial Institutions	Asian Development Bank (ADB)
Status	Active
Bank Risk Rating	B
Voting Date	2016-08-31
Sectors	Industry and Trade
Investment Type(s)	Loan
Investment Amount (USD)	\$ 14.61 million



### Project Description

#### DESCRIPTION

The project will promote regional connectivity in the Phuentsholing area with a direct road connection between Samtse and Chhukha districts. The new road section between Phuentsholing and Chamkuna will (i) complete the last missing 3.3-kilometer (km) link along the Phuentsholing- Samtse national highway, (ii) activate the full value of the entire 58 km Southern East -West Highway (SEWH) section for road users, and (iii) link Samtse district to the rest of the country. The trade facilitation and logistics component is aimed at improving the infrastructure and services at the border crossing points by adding additional equipment to facilitate cross-border traffic and transit of goods and services, trade, and commerce nationwide. These interventions are targeted at improving the working conditions and service delivery at the checkpoints so that goods and services can be exported and imported safely and efficiently.

#### PROJECT RATIONALE AND LINKAGE TO COUNTRY/REGIONAL STRATEGY

Landlocked Bhutan faces unique development challenges and opportunities. The country's small population of about 745,000 is dispersed throughout its mostly mountainous terrain. Formidable weather conditions make it difficult and expensive to deliver services and build and maintain vital infrastructure, particularly roads. Almost two-thirds of Bhutan's population still lives in rural areas and depends on an improved and available road network to ensure its daily basic needs. Bordered by India in the east, west, and south, Bhutan is heavily reliant on its much larger neighbor for international trade. India accounts for 84% of its exports, including electricity, and 73% of its imports. However, Bhutan's inadequate cross-border road network and customs infrastructure are hampering its international trade and logistics capacity. It is important to lower high transport costs and improve accessibility and customs clearance services to spur the country's economic and social development.

Road transport is the dominant mode of transport for passengers and freight within the country and with neighboring states in India, and national highways are the main arteries in the road network. However, road construction in Bhutan remains a challenge due to the difficult environment and extreme weather conditions, especially during the monsoon season, when landslides make roads along the hillsides unpassable.

The main border crossing point between Bhutan and India is in the city of Phuentsholing and connects Bhutan's north south highway to India's national highway network. Phuentsholing is the most important gateway for cross-border traffic and accounts for 74% of the total value of import and export trade in the country. The inadequacy of the border facilities in dealing with this traffic causes long idle times, particularly when clearing goods for transport, which leads to heavy congestion and constrains trade in the city.

Bhutan is a member of the SASEC Trade Facilitation Program and receives support through the Asian Development Bank (ADB) and other multilateral donors in complying with international standards and facilitate the safe and efficient trade of goods. However, cross-border trade, logistics procedures, and infrastructure require more extensive assistance. Currently there are no cross-border facilities for trade on either side of the border. Through ADB assistance, construction of a new mini dry port (MDP) in Phuentsholing and a land custom station (LCS) in Allay will be completed by early 2019. The trade facilitation and logistics component under this project will finance identified additional equipment for trade facilitation, which will supplement the ADB-financed infrastructure and improve the customs processes for handling goods in the two cross-border facilities to support efficient and secure cross-border trade in the subregion. The main beneficiaries of improved handling of goods are the industry and trade, and agriculture sectors. Key imports are construction materials, food, and household goods; key exports are timber, cardamom, apples, potatoes, oranges, steel, and ferro-alloys. The project will expedite customs modernization and reform processes and help Bhutan comply with the revised Kyoto Convention standards to simplify and harmonize customs procedures.

The government's strategic thrusts under the country's Eleventh Five Year Plan, 2013-2018, are inclusive social development



## Investment Description

- Asian Development Bank (ADB)

Grant 0492-BHU: South Asia Subregional Economic Cooperation Transport, Trade Facilitation and Logistics Project

Concessional ordinary capital resources / Asian Development Fund US\$ 5.00 million

Loan 3421-BHU: South Asia Subregional Economic Cooperation Transport, Trade Facilitation and Logistics Project

Concessional ordinary capital resources / Asian Development Fund US\$ 14.61 million



## Contact Information

### ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: <http://www.adb.org/site/accountability-mechanism/main>

### CONTACTS

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### Bank Documents

- [Financing Agreement \(Special Operations\) for Loan 3421 and Grant 0492-BHU South Asia Subregional Eco](#) [Original Source]
- [Project Agreement \(Special Operations\) for Loan 3421 and Grant 0492-BHU South Asia Subregional Econo](#) [Original Source]
- [Project Disclosure PDF](#)
- [SASEC Transport, Trade Facilitation and Logistics Project: Initial Environmental Examination](#) [Original Source]
- [SASEC Transport, Trade Facilitation and Logistics Project: Procurement Plan](#) [Original Source]
- [SASEC Transport, Trade Facilitation and Logistics Project: Project Administration Manual](#) [Original Source]
- [SASEC Transport, Trade Facilitation and Logistics Project: Report and Recommendation of the Presiden](#) [Original Source]
- [South Asia Subregional Economic Cooperation Transport, Trade Facilitation and Logistics Project](#) [Original Source]



## Other Related Projects

- ADB-47284-001 South Asia Subregional Economic Cooperation Transport, Trade Facilitation and Logistics Project