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IDA/R2017-0071/1

March 17, 2017

**Closing Date: Wednesday, April 5, 2017
at 6:00 p.m.**

FROM: Vice President and Corporate Secretary

Bangladesh – Bangladesh Regional Connectivity Project 1

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed credit to Bangladesh for a Bangladesh Regional Connectivity Project 1 (IDA/R2017-0071), which is being processed on an absence-of-objection basis.

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Report No: PAD1948

INTERNATIONAL DEVELOPMENT ASSOCIATION
PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT
IN THE AMOUNT OF SDR 110.8 MILLION
(US\$ 150.0 MILLION EQUIVALENT)
TO THE
PEOPLE'S REPUBLIC OF BANGLADESH
FOR A
BANGLADESH REGIONAL CONNECTIVITY PROJECT 1

March 13, 2017

Transport & ICT
SOUTH ASIA

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CURRENCY EQUIVALENTS

Exchange Rate Effective February 28, 2017

Currency Unit = BDT

1 BDT = US\$ 0.01254705

US\$ 1.35389 = SDR 1

FISCAL YEAR

July 1 – June 30

Regional Vice President: Annette Dixon

Country Director: Qimiao Fan

Senior Global Practice Director: Jose Luis Irigoyen

Practice Manager: Karla Gonzalez Carvajal

Task Team Leader: Diep Nguyen-van Houtte

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ADP	Annual Development Program
BBIN	Bangladesh-Bhutan-India-Nepal
BEC	Bid Evaluation Committee
BLPA	Bangladesh Land Port Authority
CHT	Chittagong Hill Tracts
C&AG	Comptroller & Auditor General
CONTASA	Convertible Taka Account
CPF	Country Partnership Framework
CPTU	Central Procurement Technical Unit
CSC	Construction Supervision Consultant
DA	Designated Account
DFID	Department for International Development
DPP	Development Project Proposal
DTIS	Diagnostic Trade Integration Study
e-GP	e-Government Procurement
EHS	Environmental Health and Safety
EIRR	Economic Internal Rate of Return
EMF	Environmental Management Framework
EMP	Environmental Management Plan
EPC	Engineering Procurement and Construction
ERD	Economic Relations Division
FAPAD	Foreign-Aided Project Audit Directorate
FY	Fiscal Year
GHG	Greenhouse Gas
GoB	Government of Bangladesh
GoI	Government of India
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Services
GTIDR	Global Transport & ICT (Global Practice)
HIES	Household Income and Expenditure Survey
IA	Implementation/Implementing Agency
ICB	International Competitive Bidding
ICP	Integrated Check Posts
ICT	Information Communications Technology
IDA	International Development Association
IFC	International Finance Corporation
IFR	Interim Financial Reports
IMED	Implementation Monitoring and Evaluation Division

KM	Kilometer
LMIC	Lower Middle Income Country
LPI	Logistics Performance Index
M&E	Monitoring & Evaluation
MoC	Ministry of Commerce
MoF	Ministry of Finance
MoS	Ministry of Shipping
NBR	National Board of Revenue
NSW	National Single Window
NTTFC	National Trade and Transport Facilitation Committee
PDO	Project Development Objective
PEC	Proposal Evaluation Committee
PFP	Procurement Focal Person
PIU	Project Implementation Unit
PIWTT	Protocol on Inland Water Transit & Trade
PCR	Physical Cultural Resources
PMQA	Project Management and Quality Assurance
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
R&R	Resettlement and Rehabilitation
RFP	Request for Proposals
RMG	Ready-Made Garments
SAR	South Asia Region
SEDCDF	Small Ethnic and Disadvantaged Communities Development Framework
SEDCDP	Small Ethnic and Disadvantaged Communities Development Plan
STEP	Systematic Tracking of Procurement Exchanges System
TOR	Terms of Reference
UK	United Kingdom
UNDB	United Nations Development Business
WB	World Bank



BASIC INFORMATION

Is this a regionally tagged project?	Country(ies)	Lending Instrument
Yes	Bangladesh, Bhutan, India, Nepal	Investment Project Financing

☐ Situations of Urgent Need of Assistance or Capacity Constraints

☐ Financial Intermediaries

☐ Series of Projects

Approval Date	Closing Date	Environmental Assessment Category
11-Apr-2017	31-Dec-2023	B - Partial Assessment

Bank/IFC Collaboration
No

Proposed Development Objective(s)

The Project Development Objective is to improve conditions for trade through improving connectivity, reducing logistics bottlenecks and supporting the adoption of modern approaches to border management and trade facilitation.

Components

Component Name	Cost (US\$, millions)
Component 1: Invest in infrastructure, systems and procedures to modernize key selected land ports essential for trade with India, Bhutan and Nepal	87.72
Component 2: Enhance trade sector coordination and economic empowerment and opportunities in trade for women	8.60
Component 3: Implement National Single Window and Customs Modernization Plan	74.10

Organizations

Borrower :	People's Republic of Bangladesh
Implementing Agency :	Ministry of Shipping - Bangladesh Land Port Authority Ministry of Commerce



Ministry of Finance - National Board of Revenue

<input checked="" type="checkbox"/> Counterpart Funding	<input type="checkbox"/> IBRD	<input checked="" type="checkbox"/> IDA Credit <input type="checkbox"/> Crisis Response Window <input checked="" type="checkbox"/> Regional Projects Window	<input type="checkbox"/> IDA Grant <input type="checkbox"/> Crisis Response Window <input type="checkbox"/> Regional Projects Window	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
Total Project Cost: 170.42	Total Financing: 170.42 Of Which Bank Financing (IBRD/IDA): 150.00		Financing Gap: 0.00		

Financing (in US\$, millions)

Financing Source	Amount
Borrower	20.42
International Development Association (IDA)	150.00
Total	170.42

Expected Disbursements (in US\$, millions)

Fiscal Year	2017	2018	2019	2020	2021	2022	2023
Annual	0.00	5.23	22.73	43.13	44.53	27.23	7.15
Cumulative	0.00	5.23	27.96	71.09	115.62	142.85	150.00



INSTITUTIONAL DATA

Practice Area (Lead)

Transport & ICT

Contributing Practice Areas

Trade & Competitiveness

Social, Urban, Rural and Resilience Global Practice

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● High
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	



10. Overall

● High

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No

Safeguard Policies Triggered by the Project

Yes

No

Environmental Assessment OP/BP 4.01

✓

Natural Habitats OP/BP 4.04

✓

Forests OP/BP 4.36

✓

Pest Management OP 4.09

✓

Physical Cultural Resources OP/BP 4.11

✓

Indigenous Peoples OP/BP 4.10

✓

Involuntary Resettlement OP/BP 4.12

✓

Safety of Dams OP/BP 4.37

✓

Projects on International Waterways OP/BP 7.50

✓

Projects in Disputed Areas OP/BP 7.60

✓

Legal Covenants

Financing Source

Sections and Description

National Trade and Transport Facilitation Committee:
The Recipient shall maintain, throughout the period of Project implementation, the inter-ministerial National Trade and Transport Facilitation Committee (NTTFC) with a mandate, composition and resources satisfactory to the Association.

Financing Source

Sections and Description



	<p>Project Implementation Units: The Recipient shall establish no later than one month after Effectiveness, and thereafter maintain, throughout the period of Project implementation, in each of the Implementing Agencies, a Project Implementation Unit with functions and resources, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.</p>
Financing Source	<p>Sections and Description</p> <p>Environmental and Social Management Cell: The Recipient shall establish, and thereafter maintain throughout the period of Project implementation, an environmental and social management cell within BLPA comprised of environmental and social staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.</p>
Financing Source	<p>Sections and Description</p> <p>Environmental, Health and Safety Specialists: The Recipient shall appoint, and thereafter maintain throughout the period of Project implementation, environmental, health and safety specialists in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.</p>
Financing Source	<p>Sections and Description</p> <p>Expenditures to be Exclusively Financed by Borrower: The Recipient shall: (a) ensure that the following are financed exclusively out of its own resources or other resources of the Recipient and not out of the proceeds of the Financing; and (b) provide, promptly as needed, the resources needed for this purpose: (i) all land required for the purposes of the Project; (ii) all resettlement and rehabilitation compensation and other assistance to Displaced Persons, in each case in accordance with and each applicable RAP; (iii) Customs and import duties; (iv) recurrent expenditure such as workshop allowances, sitting allowances, cash per diems, honoraria and fuel; and (v) vehicle purchases.</p>



Financing Source	<p>Sections and Description</p> <p>Safeguards: The Recipient shall ensure that the Project is carried out in accordance with the provisions of the EMF, the RPF, the SEDCDF and the relevant Safeguard Assessments and Plans.</p>
Financing Source	<p>Sections and Description</p> <p>Safeguards: The Recipient shall (a) prior to the commencement of such activity, proceed to have such Safeguard Assessment and Plan: (i) prepared and publicly consulted on in accordance with the provisions of the EMF, the RPF and the SEDCDF, as the case may be; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association; (b) hereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such Safeguard Assessment and Plan; and (c) in the case of any resettlement activity under the Project involving Displaced Persons, ensure that no displacement shall occur before necessary resettlement measures consistent with the RAP applicable to such activity have been executed, including, in the case of displacement, full payment to Displaced Persons of compensation and of other assistance required for relocation, prior to displacement.</p>
Financing Source	<p>Sections and Description</p> <p>GRM: The Recipient shall establish, prior to the carrying out of any activities under the Project, and thereafter maintain until completion of the Project, an independent Grievance Redress Mechanism, acceptable to the Association, as per the requirements of the RPF.</p>
Financing Source	<p>Sections and Description</p> <p>Citizens Engagement: The Recipient shall carry out citizens engagements and user satisfaction surveys, under terms of reference satisfactory to the</p>



	Association, within 12 months after the Effective Date, at mid-point of the Project and no later than 6 months before the Closing Date.
Financing Source	<p>Sections and Description</p> <p>Procurement: The Recipient shall ensure that bid/proposal evaluation committees are formed in a manner acceptable to the Association. The Recipient shall also ensure that BLPA and NBR shall each form a bid/proposal evaluation committee for internationally advertised contracts for works, IT systems, and consulting services through firms, where each of the committees shall have six (6) members including one (1) international procurement expert, one (1) international technical expert, one (1) local procurement consultant, and three (3) other members of the respective Implementing Agency.</p>
Financing Source	<p>Sections and Description</p> <p>Audit Committee: By no later than two (2) months after the Effective Date, the Recipient shall constitute, and thereafter maintain in an adequate manner throughout the period of Project implementation, an audit committee with functions and resources satisfactory to the Association, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.</p>

Conditions

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Diep Nguyen-Van Houtte	Team Leader(ADM Responsible)		GTI06
Ishtiak Siddique	Procurement Specialist(ADM Responsible)		GGO06



Syed Ahmed Ali	Procurement Specialist		GGO06
Arvind Prasad Mantha	Financial Management Specialist		GGO24
Charles Kunaka	Team Member	Trade and Corridor Economic Analysis	GTC09
Deepak Man Singh Shrestha	Team Member	Engineering	GTI06
Gerard McLinden	Team Member	Customs	GTC09
Jan Erik Nora	Team Member		SARVP
Jorge Luis Alva-Luperdi	Counsel		LEGES
Kennan W. Rapp	Safeguards Specialist	Social Safeguards	GSU04
Kirti Nishan Chakma	Safeguards Specialist	Social Safeguards	GSU06
Leanne Farrell	Safeguards Specialist	Environmental Safeguards and Climate Change	GEN06
Luiza A. Nora	Team Member	Gender and Citizens Engagement	GSU06
Nasreen Begum	Team Member		GSU06
Nusrat Nahid Babi	Team Member		GTCSA
Ramesh Sivapathasundram	Team Member	ICT, Customs and e-Government	GTI09
Rex Joseph Quiah	Team Member		SACBD
Satish Kumar Shivakumar	Team Member		WFALA
Extended Team			
Name	Title	Organization	Location
Michel Zarnowiecki	Consultant - Customs and Border Management		Toulouse, France



BANGLADESH
BANGLADESH REGIONAL CONNECTIVITY PROJECT 1

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I. STRATEGIC CONTEXT

A. Country Context

1. Bangladesh is the third largest economy in South Asia. It is among the most densely-populated countries in the world with a population of about 160 million in a land area of 130,168 square kilometers (km). 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\$1,212, Bangladesh reached an important milestone by achieving lower middle income country (LMIC) status in 2015.

2. Bangladesh has made substantial progress in reducing poverty, and there is much to celebrate and learn from the Bangladesh experience. This is confirmed by multiple direct estimates of poverty, and by corroborating evidence. Based on the 2011 purchasing power parity (PPP) conversion factors and the updated international poverty line of US\$1.90 a person per day, the poverty rate fell from 44.2 percent in 1991, to 33.7 percent in 2000, 18.5 percent in 2010, and a projected 12.9 percent in 2016.¹ By this measure, MDG 1 on halving poverty was reached ahead of time in 2010, with 20.5 million people rising out of poverty during the 1991-2010 period. While not directly comparable, the poverty rate based on the (lower) national poverty line has also fallen sharply, declining from 34.3 percent in 2000, to 17.6 percent in 2010. In a first for a country in South Asia, the Government of Bangladesh is preparing quarterly estimates of poverty (based on the 2016/17 Household Income and Expenditure Surveys (HIES)). In October 2016, the first estimate for the April-June 2016 period was released, and showed a poverty rate of 12.9 percent. While not directly comparable to the 2010 number due to seasonality and events like Ramadan, the rate is close to the projection of the annual rate for 2015 based on data from 2010 (the year the previous HIES was undertaken to collect annual data).² The Government of Bangladesh remains committed to continually improving national poverty monitoring, which underpins domestic policy.

3. Key to achieving Bangladesh's growth and poverty reduction goals is the improvement of the country's multimodal transport and logistics system, and links to its neighbors and the rest of the world. The inability of the transport and logistics network to keep up with the pace of demand is hampering trade performance. Bangladesh manufacturers' 'Order to Delivery Cycle' is 35 to 50 percent longer than many of their competitors due to slow, expensive and unreliable inland transportation; cumbersome banking, clearance and Customs and border management processes; inadequate consolidation terminals, inland clearance depots and land ports; and poor seaport and river port terminal productivity.

¹ The update of poverty estimates, from the 2005 PPPs and poverty line of \$1.25, to the 2011 PPPs and poverty line of \$1.90, led to a substantial downward revision in the level of poverty. For example, the poverty rate for 2010 falls from 43.3 percent based on the 2005 PPPs and \$1.25 poverty line, to 18.5 percent based on the 2011 PPPs and \$1.90 poverty line. Because of this large change in the poverty rate, Bangladesh was one of 5 countries in the world where the formal launch in October 2015 of the updated estimates was postponed pending closer review. After extensive analysis and review, the 2011 PPPs were validated. The difference is explained by a movement in the PPP exchange rate of the Bangladeshi taka relative to the US dollar for 2011, which was Tk 52.4 per US dollar in 2005 PPP terms (adjusted for inflation), and Tk 24.8 per US dollar in 2011 PPP terms. This means that the purchasing power of the taka in PPP terms was substantially stronger in 2011 than previously estimated in 2005. In turn, the shift in purchasing power is explained by improvements in methodology for linking Bangladeshi and US prices.

² Poverty numbers for 2016/17 fully comparable with the annual poverty numbers available for 2010 are expected to be released by the government by the end of April, 2017.



4. The Government's Plan to address the above bottlenecks includes: (a) enhancing the capacity of multiple key modes of transport, including expanding the road network, increasing the capacity of Bangladesh Railways to carry freight, and enhancing the capacity of the country's inland waterways to carry freight and passengers; (b) improving regional connectivity; and, (c) improving banking, Customs and clearance systems and procedures to decrease clearance times and border crossing times for cross-border trade. Under the BBIN (Bangladesh-Bhutan-India-Nepal) regional framework, complementary activities to facilitate regional trade and connectivity are being pursued by the four countries.

B. Sectoral and Institutional Context

5. Bangladesh's exports doubled their world market share between 1995 and 2012 and more than doubled in value in the last five years, owing to the success of the ready-made garments (RMG) industry. At the same time, Bangladesh ranks amongst the lower performers in the World Bank's Logistics Performance Index (LPI), placing 87 out of 160 countries in the 2016 index – as compared to India's rank of 35 – although this is a significant improvement over previous years' performance.³ Bangladesh's overall LPI score is 2.66 out of 5.0 points, with a score of 2.57 for Customs performance, 2.48 for infrastructure, 2.67 for logistics competence, and 2.73 for international shipments. 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.

6. Geographically, Bangladesh is 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 Diagnostic Trade Integration Study (DTIS, World Bank, 2013), Bangladesh's relative cost advantage from being a low labor cost producer is diminished or sometimes wiped out by poor performance in trade facilitation. 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.

7. 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). Several connect West Bengal and Southwest Bangladesh to Northeast Bangladesh and Northeast India, while others connect Dhaka Northward the Siliguri Corridor then Bhutan and Nepal. Some of the key bottlenecks along these corridors include congested land ports and border crossings, arising from inadequate infrastructure, 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.

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

³ Bangladesh ranked 104 out of 160 in the 2014 index.



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.

9. Growing recognition of the benefits of economic integration has helped build up political momentum for the regional cooperation agenda, particularly among the Eastern sub-region/BBIN (Bangladesh, Bhutan, India, and Nepal) countries of South Asia. Removing obstacles to trade through improved transport connectivity, logistics facilitation measures, improving border posts, lowering tariffs and other trade barriers has become a high priority for these countries, as evidenced by recent sub-regional agreements. In June 2015, the four countries signed the Motor Vehicle Framework Agreement (MVA) which is intended to ease restrictions on cross-border road transit for vehicles, passengers and cargo. Under the MVA, approved vehicles would be allowed to enter territories within the BBIN under certain terms and conditions which should reduce transport costs and foster the development of multimodal transport and transit facilities that in turn is expected to increase connectivity and promote greater intra-regional trade. A trial run under the BBIN MVA was recently completed when a Bangladeshi cargo vehicle travelled seamlessly from Dhaka to Delhi. The BBIN countries are also in discussions regarding a Multimodal Transport Agreement which will encompass cross-border transit by road, rail and inland waterways. Further, agreements between India and Bangladesh, notably the renewed Protocol on Inland Water Transit and Trade (PIWTT) and Coastal Agreement, stand to benefit all BBIN countries.

10. 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. 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 infrastructure at the existing land ports is in most cases in very poor condition and inadequate to accommodate existing and potential trade volumes. 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 points between Bangladesh and India, Benapole-Petrapole and Bhomra-Ghojadanga, are common.

11. Women constitute 57 percent of labor force participation in Bangladesh and contribute significantly to export industries in Bangladesh, especially the RMG sector.⁴ They are also the predominant laborers near Bangladesh's border points and elsewhere producing construction materials, agricultural and light manufacturing goods. However, they tend to be concentrated in lower value-addition sectors and segments of the supply chain. In trade, women 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, stigmatization, violence, harassment, undue taxation and poor working conditions. Inadequate facilities at land ports as well as insufficient logistics, 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.

⁴<http://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS>



12. Another contributor to delays along Bangladesh's border crossings and trade corridors is the inadequate coordination between trade-related agencies. This is manifested at land ports where the Department of Customs, BLPA and Ministry of Agriculture have established separate infrastructure without adequate consultation and coordination, and there is no sharing of facilities between these agencies. In the worst instances, for example at Benapole-Petrapole and Burimari-Changrabandha, the multiplicity of separate agency infrastructure has resulted in a sub-optimal and more cumbersome clearance process for traders while increasing the risk of leakages.

13. A significant proportion of Bangladesh's international trade procedures, particularly those concerned with documentation preparation in advance of cargo clearance, continue to be managed manually requiring submission of multiple copies of documents at the various regulatory government agencies involved in international trade. In spite of some automation associated with the submission and processing of Customs declarations, much of the overall process remains paper-based and inefficient, resulting in a layer of complexity and delay for border clearance and acts as a costly impediment to private sector competitiveness, negatively influencing the trade and investment environment.

C. Higher Level Objectives to which the Project Contributes

14. The World Bank's SAR 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 DTIS that was prepared by the Bank 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.

15. Supporting regional multimodal connectivity to facilitate trade and integration is also a key focus of the Bank's Regional Integration Strategy for the South Asia Region. The World Bank Group's FY16-20 Country Partnership Framework (CPF) program⁵ prioritizes investments in inland connectivity and transport corridors, multimodal connectivity, and regional integration. While the proposed Project is mainly mapped to Focus Area 1 which seeks to promote growth and competitiveness, it also supports objectives in Focus Area 2 which promotes Social Inclusion, and Focus Area 3 which supports Climate and Environmental Management. The Project is also aligned with the Systematic Country Diagnostic which specifies upgrading and integrating key transport corridors, reviving inland water transportation, and better maintenance of existing assets, as 'Priority Areas with Potentially Transformative Impact on the Twin Goals.'

⁵ Report No. 103723-BD, discussed at the Board on April 5, 2016.



II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

16. The Project Development Objective is to improve conditions for trade through improving connectivity, reducing logistics bottlenecks and supporting the adoption of modern approaches to border management and trade facilitation.

B. Project Beneficiaries

17. Project beneficiaries include passengers, producers, traders and transport services providers in Bangladesh, India, Bhutan and Nepal, as well as communities living around the Project Corridors in Bangladesh. The Project will also focus on supporting policies and investments to remove bottlenecks experienced by women in trade and business, facilitate skills development and bringing in more women traders into formal trade networks and global value chains.

C. PDO-Level Results Indicators

18. The Project key indicators include:
- i. Number of Beneficiaries, of which women (number and percentage)
 - ii. Freight volume at land ports supported by the Project (tons)
 - iii. Speed of truck clearance at land ports supported by the Project (truck in-truck out hours)
 - iv. Average time taken to meet regulatory requirements associated with import and export activities (hours)
19. Key intermediate indicators include:
- i. Number of land ports developed or improved (including with female-friendly facilities)
 - ii. Number of programs instituted to facilitate female traders and entrepreneurs
 - iii. Number of agencies connected to the NSW system
 - iv. Percentage of grievances related to Project implementation addressed

III. PROJECT DESCRIPTION

A. Project Components

20. A summary of Project components is discussed below while a more detailed discussion is included in Annex 1.

21. ***Component 1: Invest in infrastructure, systems and procedures to modernize key selected land ports essential for trade with India, Bhutan and Nepal (US\$87.7 million of which IDA US\$75.0 million).*** The Project will finance key development and improvement works at four land ports along the Southwest to Northeast Corridor that are key to facilitating regional and transit trade. These include: (i) Bhomra on the southwest border of Bangladesh which last year surpassed Benapole in terms of trade value, and is experiencing severe congestion as trading volume has exceeded the land port's capacity. The Project will finance a significant part of the Government's three-phase expansion plan; (ii) Sheola which would be a



greenfield land port – It is currently a Land Customs Station with almost no infrastructure. However, it is at a strategic location along the Southwest to Northeast Corridor on the border with Assam State in Northeast India, has the potential to eventually become a multimodal logistics hub, offers the BBIN countries an alternative more direct route to the Siliguri Corridor which adds another 1000+ kilometers each way to trade connectivity between Southwest India and Bangladesh and Northeast India, Bhutan and to a lesser extent Nepal, and trade is expected to increase significantly in the future; (iii) a third land port at Ramgarh on the border with Tripura State, Northeast India, where potentially a co-location modern border management concept could be piloted. If Bangladesh and India succeed in implementing a co-location border post management model, this would be a ground-breaking step forward for regional collaboration efforts and would be the first of its kind in the South Asia Region. If not doable, then a traditional border post and management design can still be pursued to develop a new land port at this strategic location along the Southwest-Northeast Corridor; and, (iv) the Project will also finance measures to improve physical security and manage access risks at the Benapole land port, Bangladesh's largest and busiest land port, which experiences significant security and leakage problems. Activities to be financed include a high-capacity perimeter fence, a CCTV system, and a gate pass system. Support will also be provided to BPLA to manage and supervise the works in this component.

22. *Component 2: Enhance trade sector coordination and economic empowerment and opportunities in trade for women (US\$8.6 million of which IDA US\$8.0 million).*

- a. ***Component 2a: Develop (pilot) programs to support female traders and entrepreneurs (IDA US\$5.0 million).*** This component will pilot activities to help address barriers to women becoming more integrated into regional and global supply chains and trading opportunities. Pilots are expected to be launched in the first two years of project implementation. Once successful pilots have been determined by the end of the second year, a potential follow-on project is expected to finance the streamlining and scale up of these pilots to a wider population and geographic coverage, and/or industries/supply chains. Activities to be financed include inter alia: skills development to connect women traders to regional and global value chains, analyzing and eventually developing specific infrastructure, logistics and transport services for women traders at key trade/border points and along key supply chains (e.g. cold chain transport services and storage facilities to reduce crop loss and to facilitate getting products to market), simplifying the trade regime and clearance procedures for women and small scale traders, creation of a Women Traders Network to exchange knowledge, support capacity development, and improving data collection on women traders.
- b. ***Component 2b: Capacity Development Support for the National Trade and Transport Facilitation Committee (IDA US\$2.0 million).*** The inter-ministerial National Trade and Transport Facilitation Committee (NTTFC) has been set up during the preparation of the proposed Project to coordinate all trade and transport-related policies and activities in Bangladesh, and will also serve as the Advisory Committee for the Project. The Minister or (Senior) Secretary of Commerce will Chair the Committee supported by a full-time Secretariat. The Working Groups for National Single Window and Border Management Infrastructure have been established and report to this Committee, and the Working Group for Women Traders and Entrepreneurs will be established in the first six months of Project implementation. Funds under this sub-component have been allocated to support the NTTFC Secretariat to effectively guide and coordinate the contribution of various trade-related agencies covered by project activities and ensure the proper functioning of the Project's Governance mechanisms including the Working Groups.



- c. **Component 2c: Improvements to Bangladesh Trade Portal and setting up a National Enquiry Point for Trade (IDA US\$1.0 million).** The Bangladesh Trade Portal (BTP) was launched in March 2016. This component will support further enhancements to the BTP to expand its functionality to include information of relevance to potential Bangladesh exporters and to ensure that content is kept up to date. The component will finance operational costs for the BTP for the first three years of the Project and MoC will thereafter finance operational and maintenance costs from Government of Bangladesh (GoB) resources. This component will also set up the National Enquiry Point for Trade, which will help Bangladesh to meet a key requirement of WTO Trade Facilitation Agreement.

23. **Component 3: Implement National Single Window and Customs Modernization Plan (US\$74.1 million of which IDA US\$67.0 million).** In spite of some automation of Customs procedures, a significant proportion of Bangladesh's international trade procedures, particularly those concerned with documentation preparation in advance of cargo arrival and clearance, remain as manual tasks requiring submission of paper documents in multiple copies to the various government agencies regulating trade. Such tasks introduce a layer of complexity, frequently delay border clearance, provide opportunities for rent seeking, and act as a costly impediment to the private sector, negatively influencing the trade and investment environment. Therefore, in line with international standards, including the WTO Trade Facilitation Agreement, the Government of Bangladesh has committed to the implementation of a National Single Window (NSW) system and the associated reform and modernization of Customs and other border management agency requirements. Once fully operational, the system will allow traders to submit all import, export and transit information required by Customs and other key regulatory agencies via a single electronic gateway instead of submitting essentially the same information numerous times to different government agencies, many of which still rely heavily on paper-based processing systems. The Bangladesh National Single Window (BD-NSW), through the introduction of an electronic, online solution, will facilitate faster and more transparent international trade procedures, reduce transaction time and costs for the private sector, and provide consistency and certainty in the total process, from the start of the regulatory requirements to the final clearance of goods. It will deliver a user-friendly, electronic system that streamlines and automates all key procedures associated with the application, submission, processing, payment, and clearance of trade related permits, licenses, certificates and declarations.

B. Project Cost and Financing

24. The Project will finance multisector interventions aimed at addressing both the hard infrastructure bottlenecks to efficient trade, as well as improving institutional capacity to better coordinate trade-related transactions and development efforts across agencies, ministries and countries. In addition, the Project aims to enhance skills and support systems for female traders. IDA will provide US\$150 million in regional and national IDA, or approximately 88 percent of total Project cost. The proposed Project, which is part of the Eastern Corridor Connectivity Program, meets all regional funding eligibility criteria as it: (i) includes more than three countries; (ii) is expected to generate significant benefits that spill over country boundaries; (iii) includes clear evidence of regional commitment, most recently demonstrated at the 3rd JWG meeting, held in January 2016. The communique of this meeting highlighted the need for trade facilitation at land border stations for effective sub-regional connectivity, the importance of sharing trade infrastructure at land border stations, and harmonization of Customs procedures; and, (iv) the Project provides a platform for policy harmonization through the National Trade and Transport Facilitation Committee and the regional fora mentioned above to facilitate collaboration



with neighboring countries, especially India, to reform and harmonize policies on border management and cross-border trade. Further details on the leveraging of Regional IDA is discussed in Annex 1.

25. **Counterpart Financing.** The GoB will finance about 12 percent of total Project costs. GoB will pay for the cost of land acquisition, all Resettlement and Rehabilitation (R&R) and other assistance to Displaced Persons, Customs and value-added taxes on imports, vehicle purchases, and recurrent expenditure such as workshop allowances, sitting allowances, cash per diems, honoraria and fuel. IDA's financing for taxes will not exceed 15 percent of the total IDA financing.

Table 1. Project Financing

Project Components	Project cost (millions)	IDA Financing (millions)	Counterpart Funding (millions)
1. Invest in infrastructure, systems and procedures to modernize key selected land ports essential for trade with India, Bhutan and Nepal	US\$87.7	US\$75.0	US\$12.7
2. Enhance trade sector coordination and economic empowerment and opportunities in trade for women	US\$8.6	US\$8.0	US\$0.6
3. Implement National Single Window and Customs Modernization Plan	US\$74.1	US\$67.0	US\$7.1
Total Costs	US\$170.4	US\$150.0	US\$20.4

C. Lessons Learned and Reflected in the Project Design

26. A key lesson in the development and implementation of multisector regional projects is that coordinating multiple agencies with capacity constraints is a difficult and time-consuming endeavor, including for defining procedures and protocol. Learning from this experience, the task team has leveraged trust funds to help the GoB advance preparation to the extent possible, including to establish institutional mechanisms such as the NTTFC and its working groups, and the bilateral coordinating mechanisms with India (Sub-Committee on Infrastructure of Land Ports and Sub-Committee on Customs). The Trust Funds also financed technical assistance to develop and get signed the Memorandum of Understanding between NBR and the trade-related agencies who have agreed to jointly develop the National Single Window.



IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

27. An inter-ministerial National Trade and Transport Facilitation Committee chaired by the Minister of Commerce has been formed as a governance structure for the Project as well as for all trade and transport-related issues for Bangladesh. It also includes technical working groups with a dedicated lead agency as per emerging needs including working groups on Border Management and Infrastructure led by Ministry of Shipping and BLPA, Working Group for Women Traders and Entrepreneurs led by Ministry of Commerce, National Single Window led by NBR and other technical groups for implementation of WTO Trade facilitation agreement, Diagnostic Trade Integration Study, and BBIN MVA Implementation, etc.

28. The Bangladesh Land Port Authority within Ministry of Shipping will implement Component 1. Ministry of Commerce will lead the implementation of Component 2. The Department of Customs (DoC) in NBR will implement Component 3. Bangladesh Land Port Authority has never implemented a World Bank-financed project but has implemented other donor-funded projects, including with the ADB. The Ministry of Commerce has been working with the Bank to implement the Bangladesh Trade Portal.

29. The Department of Customs in NBR implemented a World Bank project about 10 years ago and over the last two years has been working with the Bank to implement the National Trade Facilitation Committee. A World Bank Program for Results (P4R) is also supporting DoC/NBR in improving revenue mobilization and transparency in VAT administration.

30. However, capacity in all three agencies is still weak and the Project will provide capacity support to all three agencies.

31. As for cross-border coordination with India especially but also with Bhutan and Nepal, annual bilateral Joint-Review Mechanisms are already in place and have been functioning for the last few years. More frequent bilateral meetings are also organized on an ad hoc basis for specific topics. In addition, the four BBIN countries meet regularly to discuss connectivity, trade and transport facilitation issues including implementation of the BBIN Motor Vehicle Agreement through the SASEC (South Asia Subregional Economic Cooperation) mechanism.

B. Results Monitoring and Evaluation

32. The three Project Directors for BLPA, MoC and NBR will be responsible for overall Project data collection, monitoring and evaluation (M&E) including for the Project's results framework. The Working Groups (e.g. Border Management Infrastructure, Women Traders and Entrepreneurs, NSW) under the NTTFC will review Project implementation progress and make key decisions on implementation matters on a regular (monthly or bi-monthly) basis. The NTTFC, as Project Advisory Committee, will review Project implementation progress at least every six months and provide advice on Project and trade-related policy matters. In addition to systematic trade clearance data from existing Customs and BLPA systems, as well as Customs and NSW systems to be improved under the Project, border crossing surveys or Time Release Studies (TRS) will be undertaken yearly to understand the full impact of Project interventions and highlight



where improvements are needed. Each Implementation Agency will also have a Project Implementation Committee (PIC) to monitor day-to-day implementation progress and resolve operational issues. The PICs normally include the agency's Head (Chairman, Director General, or Secretary), relevant members, the Project Director and sub-project/field managers, representatives of the Economic Relations Division (ERD) under the Ministry of Finance, Planning Commission, Implementation Monitoring and Evaluation Division (IMED) of the Planning Ministry, and the parent technical ministry (Ministry of Finance for NBR, Ministry of Shipping for BLPA).

C. Sustainability

33. The Project has been tested for economic and financial sustainability based on user charges for services offered through the National Single Window and at land ports. A PPP model is also being explored for the operational phase of the NSW which will enhance economic and operational sustainability considerations. From the social perspective, the Project will open new opportunities economically, raising living standards in the Project locations and also in Bangladesh overall. The potential negative impacts from land acquisitions is minimized and mitigated by a series of measures comprising awareness raising among the concerned stakeholders, communities and affected households along with support to business and livelihood restoration and skills training. The Government of Bangladesh has demonstrated commitment by having established the NTTFC and its sub-working groups, and bilateral working groups for land port infrastructure development and Customs. In addition, the Working Group for National Single Window Implementation has been meeting monthly to advance preparation of the NSW including inter-agency MOU and bidding documents.

D. Role of Partners

34. The ADB is financing complementary investments to facilitate regional trade, including improvement of Burimari Land Port, warehousing facilities at Benapole Land Port, and regional roads along key transport and trade corridors. The UK's Department for International Development (DFID) has financed preparatory and capacity development activities linked to the proposed Project.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

35. The overall risk for the proposed Project is rated High mainly due to the high risks associated with Political and Governance, Sector Strategy and Policy, Technical Design, Institutional Capacity for Implementation and Sustainability, Fiduciary and Stakeholder Risks. The risks associated with Political and Governance and Stakeholders pertain to the multi-country nature of regional integration projects, which is often associated with high political sensitivities. While much of this is beyond the control of the Project, the two implementation partners Bangladesh and India have demonstrated strong commitment for collaboration to implement the BBIN regional integration agenda.

36. The risks relating to both Sector Strategy and Policy and Technical Design relate to the complex coordination and collaboration challenges. These risks also contribute to the substantial Stakeholder risks.



The Project requires the cross-border coordination of governments, especially concerning the potential pilot for colocation at a border crossing at Ramgarh between Northeast Bangladesh and Tripura State, Northeast India. Existing bilateral and BBIN coordination mechanisms will be leveraged to facilitate coordination and collaboration with the Governments of Bhutan, India, and Nepal. A formal bilateral mechanism has already been established with Government of India for border management infrastructure and Customs. Within Bangladesh, the Project requires the coordination and collaboration of three implementation agencies and ministries: Bangladesh Land Port Authority under Ministry of Shipping, National Board of Revenue under Ministry of Finance, and the Ministry of Commerce, as well as extensive coordination across multiple trade-related agencies for the implementation of the National Single Window. Coordination capacity is weak and the administrative structures and procedures within Government tend to be ministry-focused. As a mitigation measure, the Project provides support to the existing inter-ministerial National Trade and Transport Facilitation Committee to serve as a high-level Advisory Committee to improve coordination. The Working Group for National Single Window Implementation has already been set up during project preparation and has been meeting monthly to advance preparation of the NSW including inter-agency MOU and bidding documents.

37. The institutional capacity of the three implementation agencies is weak and is another source of high risk for Project implementation. Additional capacity will be put in place in the form of EPC (Engineering, Procurement and Construction) contracts, supervision consultants, and Project Management and Quality Assurance (PMQA) consultants during implementation to mitigate this risk, as well as technical assistance for Project implementation staff. As mentioned earlier, support is also given to the NTTFC and its working groups to enhance coordination and implementation capacity. Finally, the Bank has been providing extra capacity support to the implementation agencies.

38. Fiduciary risks are determined to be substantial due to involvement of multiple line ministries and agencies in carrying out financial management and procurement functions of the Project. Out of the three implementation agencies, only NBR has prior experience in implementing a Bank-financed project. BLPA has limited experience in implementing Development Financing Institution (DFI) financed projects – it is currently implementing one ADB-financed project. The WTO Cell of MoC also has limited experience in implementing DFI-financed projects – it is currently implementing one institutional strengthening project financed by the WTO and has worked with the Bank on Bank-Executed activities. The financial management assessments indicate that departments have capacity constraints and require extensive support on the Bank's financial management and disbursement processes/procedures. The procurement assessment carried out for the agencies indicates substantial risk in procurement operations and contract management. The main drivers to the risks are associated with acute capacity constraints in the agencies, mainly BLPA, in performing procurement and contract management-related activities, delays in procurement processing, and inadequate record management. A range of procurement risk mitigation measures will be put in place as described in Annex 2.



VI. APPRAISAL SUMMARY

A. Economic Analysis

39. Based on the direct and indirect costs and benefits, an economic analysis was carried out for each major component of the Project especially for the large land ports investments, Bhomra and Sheola, and the National Single Window. Both were found to be feasible with high Economic Internal Rates of Return (EIRR). Using a discount rate of 12 percent over a 30-year operational period, the NPV is estimated to be US\$279.0 million and EIRR at 38.6 percent for Phase 1 development of Bhomra land port. Sensitivity analysis with 20 percent higher costs and 20 percent lower benefits still yields an EIRR of 29.9 percent and NPV US\$198.4 million. At Sheola, the NPV is estimated to be US\$16.0 million and EIRR at 16.9 percent for Phase 1 development. Sensitivity analysis with 20 percent higher costs and 20 percent lower benefits still yields an EIRR of 13.5 percent and NPV US\$4.9 million. The NPV of the NSW component is estimated at US\$81m over 20 years at a discount rate of 12 percent and an EIRR of 33 percent. The results were tested for sensitivity to a delay in operationalizing the NSW, a lower number of transactions processed through the system and increase in costs. All the tests suggested the NSW is feasible within probable ranges of the different parameters.

40. The combined economic analysis for the Project resulted in an EIRR estimate of 31.5 percent at a discount rate of 12 percent. The estimate was obtained for a 20-year life of the Project.⁶ The result was tested for sensitivity to a battery of tests similar to those for the NSW and found to be robust, with a lowest EIRR value of 28 percent. Based on the economic analyses, both the individual components as well as the total package of Project interventions were found to be viable. The detailed economic analysis is included in Annex 3.

B. Technical

41. Hard and soft barriers to trade exist along the entire transit corridor for international trade and they are inter-linked. As such, only a coordinated, integrated multisector program can address these linked constraints. Any solution that only addresses one barrier but not the others will only have limited effectiveness. The land ports supported in the Project are part of the region's most important connectivity corridors running from West Bengal, India and Southwest Bangladesh through Dhaka to Northeast Bangladesh and Northeast India (see map in Annex 4).

42. Bhomra land port is located in the southwestern border of Bangladesh, opposite the Indian town of Ghojadanga in West Bengal, about 77km from Kolkata in West Bengal, India and 75km to major Southwestern Bangladeshi cities of Jessore and Khulna. Bhomra began operations in May, 1996 as a Land Customs Station (LCS) and was upgraded to land port status in 2013. The existing land port has since become the second largest land port in Bangladesh after Benapole, and last year surpassed Benapole in terms of trade value. On an average day, it services about 500 to 600 Indian trucks crossing into

⁶ A 20-year time horizon is used for the single window as that is when a major upgrade of the system can be expected. The shorter horizon is also more stringent to test the robustness of the findings on the complete package of investments.



Bangladesh, as well as about 300 foot passengers; and these figures are projected to increase over time. Current trade volumes have surpassed existing capacity while trade volume through Bhomra has been increasing at an average rate of 19.0 percent for the last three years. This trend is expected to increase after the construction of the Padma Multipurpose Bridge which would reduce the travel distance between the key trading and economic centers of India and Bangladesh, from Kolkata in West Bengal, India to Dhaka and onwards to Sylhet, and Northeast India by about half. The major import items include stone chips and food items while export items include garments and knitted fabric, yarn, and various food products. Shrimp culture and crop production (especially jute and paddy) are the major sectors of the local economy.

43. Sheola is an existing border crossing / Land Customs Station with barely any infrastructure, situated at Bianibazar Upazilla of Sylhet District opposite the town of Sutarkandi in Assam, Northeast India, 47km from the major Northeastern Bangladeshi city of Sylhet. Seeing the potential of Sheola's strategic location on the border with Northeast India and the potential to increase trade significantly, the Government declared Sheola LCS a land port in June 2015. Presently, there is no infrastructure under Bangladesh Land Port Authority. The Kushiya River, a waterway Bilateral Protocol Route is located about 3 km north of the site while a currently non-operational rail line is about 10 km away. With this strategic location at the doorsteps of Northeast India, Sheola has significant potential as a multimodal transport and logistics hub in the future, after the river port and train service are made operational as per the Government's development plans. Current traffic levels are about 20 trucks per day; however these figures are forecasted to increase over time especially after the site is developed into a full land port. The major import items include coal, stone, cement clinker and agricultural products. The major export items include manufactured food products, plastic and ceramic products, etc. The feasibility study investigated at least three alternative locations for development of the land port, and concluded that the proposed site is the most viable as the existing land port facility already constructed by India directly across the border on the same road.

44. The third land port under consideration by Government of Bangladesh as a pilot for a co-located shared facility with Government of India is located at Ramgarh in Chittagong Hill Tracts (CHT) opposite the town of Sabroom, Tripura State, India. Correspondingly, the Government of India has also designated this border crossing as a strategic priority and has committed to build an Integrated Check Post (ICP) at this location. Tripura is a landlocked state of Northeast India. Currently, trade between Tripura and mainland India must pass through a long hilly and unsafe route through the Meghalaya, Assam and West Bengal provinces (aka the Chicken's Neck or Siliguri Corridor) which adds another one thousand kilometers to the journey each way. Allowing trade at Ramgarh will shorten the trip significantly, reduce transport cost and is expected to facilitate increased trade. Bangladesh can expect to import timber, minerals and agricultural products while exporting RMG, industrial products and constructional materials.

45. Benapole is the largest land port in Bangladesh. It is located opposite the land port of Petrapole in West Bengal, India, on the Dhaka-Kolkata corridor. It accounts for the highest volume of trade on land between Bangladesh and India. About 800 trucks and 5,000 passengers pass the land port daily. Freight handled at Benapole is projected to continue to grow by 5-6 percent per year to 156-208 million tons annually by 2040. Primary imports include cereals, spices, fruits and vegetables, raw cotton, chemical products, metals, vehicles and machinery. Major export items include jute and jute goods, ready-made garments, and hilsha fish. Currently, there is no security infrastructure at the land port facility, including



perimeter fence/border wall, gate pass system and CCTVs. Combined with multiple entry and exit points, controlling access to the yard and maintaining security has become a challenge. Anecdotal evidence suggests that leakages are a significant issue.

46. The Bangladesh Trade Portal and National Single Window will save time and cost for traders as they will facilitate obtaining up-to-date information on all the relevant regulations, forms, fees and processes in one place for imports, exports, and transit trade in the case of the BTP; and facilitate the input and simultaneous processing of required data (simplified and harmonized between agencies) only once instead of the multitude of times in the current situation. Both systems will facilitate better coordination of agencies that process trade.

C. Financial Management

47. The financial management arrangements agreed with the implementing agencies are proposed below. These arrangements will be adequate to account and report for Project expenditures and it will satisfy the fiduciary requirements of the World Bank operational guidelines. Further details are discussed in Annex 2.

- a. **Budget and Funds Flow:** The implementing agencies namely (i) BLPA under Ministry of Shipping; (ii) NBR under Ministry of Finance; and (iii) WTO Cell under Ministry of Commerce, have prepared Development Project Proposals (DPPs) or equivalent and these have been approved by GoB. The DPPs provide detailed description of the nature of project activities and costs that will be financed annually from IDA and GoB sources. The development budget of the Ministry through the ADP will provide annual budget to the implementing agency for spending under the Project. Each implementing agency will open two separate bank accounts to receive funds under the Project. One Convertible Taka (CONTASA) Designated Account (DA) in the Nationalized Commercial Bank of Bangladesh will be opened exclusively for receipt of funds from IDA and for payment of IDA-funded activities. Another bank account will be opened by the implementing agencies for receipt of counterpart funds from GoB. This funding arrangement will avoid comingling of Project funds and will ensure that Project funds are not used to finance counterpart activities. The Project will also be given flexibility to use the Direct Payment, Reimbursement, and Special Commitment methods to withdraw funds from IDA.
- b. **Staffing:** Each implementing agency will depute one accounts person for the Project who will have in-depth experience in handling government budget processes and transactions. Additionally, each implementing agency will hire a qualified and competent FM consultant from the market who has good knowledge in the area of accounting and experience in managing donor-funded programs. The requisite budget allocations are made in the DPP to finance these costs.
- c. **Accounting and Interim Financial Reporting (IFR):** Each implementing agency will procure an off-the-shelf accounting software to record the expenses incurred under the Project. These expenses will be submitted every six months within 45 days from the end of each six month period in the financial reporting format (Interim Financial Report) suggested by the Bank. The IFR will provide financial information on the sources and uses of funds as per disbursement categories and project components.



- d. **Internal Audit:** To satisfy the Bank's fiduciary requirements, an independent audit firm will be hired to conduct internal audits of the Project. This audit will be conducted twice over the tenure of the Project.
- e. **External Audit:** The annual external audit of each implementing agency will be carried by C&AG of Bangladesh through its Foreign-Aided Project Audit Directorate (FAPAD). The audit will be carried as per Statement of Audit Needs agreed with the Bank and the audit report will be submitted within six months from the end of each fiscal year (FY). The overdue audit reports for FY15-16 for Ministry of Shipping and NBR, for two other Bank projects, will be submitted by April 30, 2017.

D. Procurement

48. Of the three implementing agencies, only NBR has prior experience in implementing a Bank-financed project. BLPA has limited experience in implementing Development Financing Institution (DFI)-financed project – it is currently implementing one ADB-financed project. The WTO Cell of MoC also has limited experience in implementing DFI-financed projects – it is currently implementing one institutional strengthening project financed by the WTO, and has worked with the Bank to implement Bank-Executed technical assistance services. The fiduciary assessment carried out for the agencies indicates “substantial” risk in procurement operations and contract management. The main drivers to the risks are associated with acute capacity constraints in the agencies, especially in BLPA, in performing procurement and contract management-related activities, delay in procurement processing, and inadequate record management. A range of procurement risk mitigation measures will be put in place as described in Annex 2.

E. Social (including Safeguards)

49. The construction of the land ports at Sheola and Bhomra under Component 1 will have low to moderate impacts, largely arising out of land acquisition which will be required for both land ports. However, the overall social impacts could potentially encompass larger areas beyond the immediate vicinity of the land ports. The construction of the proposed land ports while facilitating increased cross-border trade between Bangladesh and India and economic prosperity in both countries will also inevitably lead to greater mobility of peoples which could also contribute to raising a number of social problems; namely, greater exposure to sexually transmitted diseases including HIV/AIDS, influx of outsiders such as traders, business persons, skilled and unskilled migrant laborers, transport workers, etc., leading to social tensions. The Project's Social Impact Assessment duly anticipates these likely negative impacts which could arise in the future and puts measures to minimize and mitigate. These measures include awareness raising among the communities and relevant stakeholders, and providing skill development programs along with livelihood and business support grants for the Project-Affected Peoples and neighboring communities. The Project will also target the needs of women, so that they benefit from the economic activities of the land ports through development of infrastructure, services and support facilities for female traders and entrepreneurs.

50. Tribal people are not present at Sheola or Bhomra. However, Ramgarh is located in Chittagong Hill Tracts. The region continues to face political instability as a result of past conflicts with frequent communal violence between its tribal and non-tribal populations. The socio-cultural landscape is particularly complex due to the issue of land disputes with the region's tribal population who continue to



practice customary land tenure which is challenged by the non-tribal population. However, in recent months, the Government of Bangladesh has initiated measures to activate the CHT Land Dispute Resolution Commission which is currently accepting applications from the victims. This is a good initial step for a durable resolution of the region's land disputes. The future screening, feasibility study and final design of the proposed Ramgarh land port will take into account these factors about land disputes in the region as well as the impacts on culture and traditional livelihoods of the tribal peoples.

51. A Resettlement Policy Framework including a Small Ethnic and Disadvantaged Communities Development Framework (SEDCDF) has been prepared by the Ministry of Shipping for the Project. The RPF includes the overall guidelines as regards the Bank's social safeguards policies, most notably compliance with the policies relating to tribal peoples and involuntary resettlement. It also includes specific measures for mitigation and minimizing of potential negative impacts from land acquisition, Project-specific grievance redress system as well as engagement with stakeholders and citizens in general. Finally, the RPF also sets out the overall guidelines for the detailed assessments required for the preparation of land port specific Resettlement Action Plans (RAPs). The SEDCDF sets the policies and procedures to ensure that ethnic and disadvantaged communities affected by the Project receive culturally appropriate social and economic benefits, and if any potential adverse effects on such communities are identified, measures to ensure their effects are avoided, minimized, mitigated, or compensated, as well as the preparation of Small Ethnic and Disadvantaged Communities Development Plans (SEDCDPs) during the implementation of the Project.

52. The citizens engagement strategy for the Project includes: (i) **Consultations** as the primary tool to promote stakeholder participation in the process of project design and implementation; (ii) Development of Project-specific **Grievance Redressal Mechanism** to respond to the needs of beneficiaries and to address and resolve their grievances and serve as a conduit for soliciting inquiries, inviting suggestions, and increasing community participation. The collected information will be used to improve operational performance, enhance the Project's legitimacy among stakeholders; promote transparency and accountability, deter fraud and corruption and mitigate Project risks. The Project also includes two Citizens Engagement indicators: 1) *Percentage of Grievances related to Project implementation that are addressed; and*, 2) Satisfaction of female beneficiaries: "Percentage of targeted female traders and entrepreneurs satisfied with programs provided by the Project."

F. Environment (including Safeguards)

53. **Environmental Safeguard Policies Triggered:** Component 1 will have low to moderate, mainly site-specific environmental impacts at the land ports supported under the Project. In the construction phase, impacts will mainly relate to land-filling (for ports in low-lying areas prone to flooding), construction-related noise and dust, generation of solid waste and wastewater, traffic safety issues, health and safety issues related to labor camps, occupational health and safety concerns, etc. During the operations phase, measures to control and manage noise and dust, wastewater and storm water runoff, and solid waste will be required, as well as ensuring the safety of communities, workers and traders using the ports. None of the impacts is expected to be large-scale or irreversible; as such, the Project has been classified as Category "B" in accordance with World Bank operation policies. In addition, the Physical Cultural Resources (PCR) policy has been triggered from a precautionary perspective, although no known PCRs have been identified in the known subproject sites which would likely be affected or displaced by



proposed works, but nonetheless ‘chance find’ procedures will be included in works contracts in case of accidental discovery. In addition, the Environmental, Health, and Safety (EHS) Guidelines of the World Bank Group will be applicable. Components 2 and 3 meanwhile are not expected to have any adverse environmental impacts.

54. **Environmental Safeguard Instruments:** For the Sheola land port, where the scope of investments to be financed under the Project are fully defined, a subproject specific Environmental Impact Assessment (EIA) including Environmental Management Plan (EMP) has been prepared in accordance with World Bank and national policies and standards. Given that the scope of investments at Bhomra to be undertaken by the Project are not yet fully defined, and the type of land port to be developed at Ramgarh has not been decided (traditional vs. co-located land port model), a framework approach has been adopted to provide guidelines and procedures of environmental management of these future subprojects. An Environmental Management Framework (EMF) has been prepared by BLPA, with support of Ministry of Shipping, based on (i) environmental screening of the existing conditions at Bhomra, Sheola and Ramgarh, and initial assessment of potential environmental impacts and required mitigation measures; (ii) a review of applicable national policies and regulations as well as World Bank Safeguard Policies and their requirements for the Project; (iii) feedback from stakeholders, including but not limited to affected communities, user groups and beneficiaries, and government officials from upazila, district and national levels, through a series of consultations both at the field level in Bhomra, Sheola, Ramgarh and Khagrachari (district capital for the possible Ramgarh facility), as well as through a national stakeholder workshop in Dhaka; and (iv) assessment of institutional capabilities of BLPA related to the safeguards aspects. The EMF outlines the requirements, processes, responsibilities, institutional arrangements and budget to comply with applicable national legislation and World Bank safeguards policies for all Component 1 subprojects. Specifically, the EMF will guide subproject-specific: (i) environmental screening; (ii) assessment, prediction and evaluation of impacts of major Project activities; (iii) consultation and disclosure; and (iv) identification of mitigation measures and preparation of site-specific EMPs, and/or appropriate generic environmental codes of practice (ECoP) for minor construction works which do not require a more detailed EMP, including budget, institutional responsibilities and necessary capacity building measures.

55. **Potential Environmental Impacts and Mitigation Measures:** At Sheola, there is a potential for uncontrolled discharge of runoff or fugitive emissions of coal dust from the coal open stack yards, which could threaten local waterways and floodplains as well as groundwater bodies. The EIA and EMP for Sheola analyzes these impacts and risks and specifies required mitigation measures, including an equalization tank and soak pits for all drainage water prior to discharge from the site, paving of coal open stack yards to prevent groundwater leaching, and planting of trees and shrubs as well as requirements to cover coal stockpiles to control dust. At Bhomra, dust control is already a major issue which will be further intensified following the expansion of the port if adequate mitigation measures are not taken such as paving of transshipment yards, access roads and walkways and adequate spraying of unpaved areas. Final designs for the site will also need to carefully consider traffic and pedestrian safety measures. At Ramgarh, waterlogging and flood risks will need to be considered in selecting a site, and if the facility is built along the Feni River, proper management of stormwater runoff and other effluents will be particularly important. These and other measures will be fully specified when the full EIAs are completed, pending finalization of decisions about the scope of investment at the sites. For security improvements at Benapole, the scope of civil works is minor, and impacts can be effectively mitigated and managed



through application of generic Environmental Codes of Practice. As such, ECoPs will be included in the works contract for construction of the perimeter fence.

56. **Institutional arrangements and capacity for environmental management:** BLPA's existing capacity on environmental management is extremely weak. The Project will therefore need to develop and implement systems and measures to build this capacity. BLPA's Project Implementing Unit (PIU) will include an Environmental and Social (E&S) Cell, which will be staffed by qualified specialists (consultants) contracted under the Project. The PIU will also engage construction supervision consultants (CSC) to supervise the contractors including their execution of construction-related EMPs and ECoPs. The Senior Environmental Specialist within the E&S Cell will assist the PIU on issues related to environmental management, including overseeing the CSC and contractors with respect to environmental issues, orientating contractors and field staff to EMP requirements, reviewing CSC monthly monitoring reports, and compiling quarterly monitoring reports on EMP compliance for the Project Director and the World Bank throughout the construction period. Prior to completion of construction, BLPA will appoint permanent Environmental, Health and Safety Specialists at all the proposed land ports, who will be responsible for overseeing the environmental mitigation measures during operation and maintenance period. These EHS specialists will be trained through the Project to ensure they have the adequate skills and knowledge to effectively carry out their roles even after the Project closes.

57. **Consultations and disclosure:** Field surveys and consultations with various stakeholders, at both local and national level, were carried out as part of development of the EMF, as well as the EIA for Sheola. Local consultation meetings were held at Sheola in April and May 2016, at Bhomra in August 2016, at Ramgarh in October 2015 and at Khagarachi (district capital for Ramgarh land port) in January 2017. A national public consultation workshop was held in Dhaka on August 10, 2016 to share information about the proposed Project and to solicit stakeholder feedback on key issues and impacts requiring management attention. As part of the full EIA to be carried out during implementation for Bhomra and Ramgarh, as well as for any studies for last-mile connectivity improvements to land ports, further consultations will be held with relevant stakeholders.

58. The draft EMF has been disclosed on the BLPA website, and was also disclosed at the national public consultation meeting held in Dhaka. The final EMF as well as the Sheola EIA, including Bengali-language executive summaries of each, have been re-disclosed on BLPA's website and by the World Bank. Hard copies of the Sheola EIA will also be disclosed at the existing Sheola Land Customs Station. The EIAs to be prepared during implementation for Bhomra and the third land port, once completed, will also be disclosed on the BLPA website and also will be made available to the local communities by placing them at existing nearby Customs offices or land port administration offices as applicable.

59. **Climate Change Vulnerability:** Proposed Project investments at Sheola and Bhomra were screened for potential climate change vulnerabilities. All proposed investment locations are located in low-lying areas that are already subject to water-logging and seasonal flooding. Based on available downscaling of global climate models for Bangladesh, all investment sites may become even more exposed to flood risks in the future. As an adaptation measure, the height of land-filling at the Sheola land port site has been increased to account for potentially higher flood levels during extreme events. At Bhomra and Ramgarh, the detailed designs and EIA studies will similarly analyze site-specific risks and



ensure resilience measures are incorporated into facility designs, such as additional land-filling height and additional drainage infrastructure capacity as required.

60. **Greenhouse Gas (GHG) analysis:** The GHG implications were modeled for Project investments at Bhomra and Sheola land ports together with overall improvements to conditions of trade promoted through other project components. The Project is expected to positively stimulate additional cross-border trade, and therefore traffic, with related emissions implications. However, the Project is also expected to influence regional traffic patterns by enabling shorter viable routes for major trade flows of cargo from West Bengal into Northeast India, as well as to and from major Bangladeshi trade hubs. Without the Project, cross-border traffic would use less direct trade routes, resulting in gross emissions over 20 years of an estimated 4,330,004 tons of CO₂. Gross emissions with the Project are meanwhile estimated at 5,243,891 tons of CO₂ over the same period, which factors in improved efficiencies in emissions per ton of cargo transported, in light of more direct trade routes becoming viable. The Project's estimated net emissions over 20 years are therefore 913,887 tons of CO₂. More details including assumptions are outlined in Annex 4.

G. World Bank Grievance Redress

61. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Bangladesh

Bangladesh Regional Connectivity Project 1

Project Development Objectives

The Project Development Objective is to improve conditions for trade through improving connectivity, reducing logistics bottlenecks and supporting the adoption of modern approaches to border management and trade facilitation.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Direct project beneficiaries	✓	Number	0.00	159500.00	Three surveys to be conducted at the beginning of the Project to establish a baseline, at mid-term to measure progress, and at the end of the Project to estimate Project impact.	In addition to data available in RAPs, surveys to be conducted at the beginning of the Project, at mid-term, and at the end of the Project.	BLPA will conduct for Component 1. MoC will conduct for Component 2, and NBR will conduct for Component 3, if required.



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Female beneficiaries	✓	Percentage	0.00	15.00			
<p>Description: Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.</p>							
Name: Freight volume at Land Ports supported by the Project - Bhomra		Tones/year	1995000.00	3000000.00	BLPA tracks continuously. However, reports will be submitted to the Project annually.	BLPA continuously tracks freight volume at land ports.	BLPA
<p>Description: Freight volume is tracked by BLPA, and gives an indication of the level trade. This needs to be tracked for the two land ports that are receiving significant expansion/development (Bhomra and Sheola), and will eventually be tracked for the third greenfield land port as well.</p>							
Name: Freight volume at Land Ports supported by the Project - Sheola		Tones/year	174000.00	500000.00	Reports to be submitted annually to the Project.	BLPA continuously tracks freight volume at land ports.	BLPA
<p>Description: Freight volume is tracked by BLPA, and gives an indication of the level trade. This needs to be tracked for the two land ports that are receiving significant expansion/development (Bhomra and Sheola), and will eventually be tracked for the third greenfield land port as well.</p>							
Name: Speed of truck clearance at land ports		Hours	72.00	12.00	Three times during Project	Log book data kept by BLPA	BLPA



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
supported by the Project (truck in truck out) - Bhomra					implementation, at the beginning to establish a baseline, at mid-term to measure progress, and at Project close to measure Project impact.	at land ports	
Description: Measuring entry and exit times of trucks from the land port clearance area (truck in truck out) will provide indications of the capacity and efficiency of the infrastructure as well as clearance processes. This indicator combined with freight volume will inform the Government and stakeholders on whether the infrastructure is adequate or whether processes require reform.							
Name: Average time taken to meet regulatory requirements associated with import activities		Hours	187.00	112.00	Three times during Project implementation, at the beginning to establish a baseline, at Mid-Term to measure implementation progress, and at Project close to measure Project impact.	Time Release Surveys and Customs data	NBR
Description: This indicator measures the burden on private sector users of the regulatory and process requirements of the Government, which should be reduced with the implementation of the National Single Window and Customs Modernization activities.							



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Average time taken to meet regulatory requirements associated with export activities		Hours	147.00	88.00	Three times during Project implementation: at the beginning to measure the baseline,	Time Release Studies and Customs Data	NBR

Description: This indicator measures the burden on private sector users of the regulatory and process requirements of the Government, which should be reduced with the implementation of the National Single Window and Customs Modernization activities.

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Number of Land Ports Built or Improved/Rehabilitated		Number	0.00	4.00	Project Beginning, Mid-Term Review, Project Close	BLPA reports, as well as reports submitted to BLPA by consultants and contractors.	BLPA

Description: This indicator tracks the progress of implementation of the Project land ports.

Name: Number of programs instituted to facilitate female traders and entrepreneurs		Number	0.00	5.00	Project Beginning, Mid-Term Review and Project Close	Ministry of Commerce PIU reports	MoC
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Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: The number of programs implemented will be tracked to measure implementation progress of the component.							
Name: Number of agencies connected to the National Single Window		Number	0.00	19.00	Annually	NBR PIU reports	NBR PIU
Description: 19 total agencies will be connected to the NSW in succession. Tracking this indicator will inform on the progress of implementation.							
Name: Percentage of grievances related to Project implementation addressed		Percentage	0.00	100.00			
Description:							



Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Direct project beneficiaries	0.00						159500.00
Freight volume at Land Ports supported by the Project - Bhomra	1995000.00	1995000.00	1995000.00	1995000.00	1995000.00	2500000.00	3000000.00
Freight volume at Land Ports supported by the Project - Sheola	174000.00	174000.00	174000.00	174000.00	174000.00	400000.00	500000.00
Speed of truck clearance at land ports supported by the Project (truck in truck out) - Bhomra	72.00	72.00	72.00	72.00	72.00	48.00	12.00
Average time taken to meet regulatory requirements associated with import activities	187.00	187.00	187.00	187.00	187.00	130.00	112.00
Average time taken to meet regulatory requirements associated with export activities	147.00	147.00	147.00	147.00	147.00	102.00	88.00
Female beneficiaries	0.00						15.00

**Intermediate Results Indicators**

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	End Target
Number of Land Ports Built or Improved/Rehabilitated	0.00	0.00	0.00	1.00	2.00	3.00	4.00	4.00
Number of programs instituted to facilitate female traders and entrepreneurs	0.00	0.00	0.00	1.00	2.00	4.00		5.00
Number of agencies connected to the National Single Window	0.00	0.00	0.00	0.00	5.00	10.00		19.00
Percentage of grievances related to Project implementation addressed	0.00							100.00



ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY : Bangladesh Bangladesh Regional Connectivity Project 1

1. Rationale for regional IDA: The proposed Project, which is part of the Eastern Corridor Connectivity Program, meets all regional funding eligibility criteria: (i) it includes more than three countries (Bangladesh, India, Bhutan, and Nepal); (ii) the Project, along with ongoing and proposed follow on projects under the Eastern Corridor Connectivity Program umbrella, are expected to generate significant benefits that spill over country boundaries. Specifically, upgrading and modernization of Bangladesh's border posts, accompanied by ongoing investments on the Indian side (e.g. ICP program) as well as complementary ADB-financed activities at two other border posts in Bangladesh, are expected to benefit traders and consumers in Bangladesh, Bhutan, and India, and to a lesser extent Nepal; (iii) there is clear evidence of regional commitment, most recently demonstrated at the 3rd JWG meeting, held in January 2016. The communique of this meeting highlighted (a) the need for trade facilitation at land border stations for effective sub-regional connectivity, (b) the importance of sharing trade infrastructure at land border stations, and (c) harmonization of Customs procedures; and (iv) the Project provides a platform for policy harmonization through the National Trade and Transport Facilitation Committee and the regional fora mentioned above to facilitate collaboration with neighboring countries, especially India, to reform and harmonize policies on border management and cross-border trade. Initial discussions on collaborative border management, including potential co-location of land port infrastructure, have already taken place, between Bangladesh and India through the bilateral coordination mechanism called the Sub-Committee on Infrastructure of Land Ports.

Table A1-1. How Proposed Project Meets Regional IDA Criteria

Component	How Project Meets Criteria
<i>Component 1: Invest in infrastructure, systems and procedures to modernize key selected land ports essential for trade with India, Bhutan and Nepal (IDA US\$75.0 million).</i>	Two-thirds Regional and One-third National IDA – decreasing trade clearance times and transaction costs and improving conditions for trade at regional border crossings will benefit regional trade including trade from Bangladesh, Bhutan, India and Nepal.
<i>Component 2: Enhance trade sector coordination and economic empowerment and opportunities in trade for women (IDA US\$8.0 million).</i>	Two-thirds Regional and One-third National IDA – Enhancing trade sector coordination to improve conditions for international trade, and enhancing the productive capacity of female traders will benefit regional trade from Bangladesh, Bhutan, India and Nepal, as well as trade with countries beyond South Asia.
<i>Component 3: Implement National Single Window and Customs Modernization Plan (IDA US\$67.0 million).</i>	One-half Regional and one-half National IDA – Development of the National Single Window will enable international and cross-border traders to submit regulatory documents at a single location or entity and facilitate faster clearance times for international trade. Moreover, Nepal, Bhutan and India are also developing National Single Window Platforms, which can be interfaced into a South Asia regional single window, (akin to the ASEAN Single Window initiative). Nonetheless, since there are also significant national benefits, it is proposed that 50 percent of the funds should be funded by regional IDA and 50 percent by national IDA.



2. ***Component 1: Invest in infrastructure, systems and procedures to modernize key selected land ports essential for trade with India, Bhutan, and Nepal (IDA US\$75.0 million).*** Originally, the land ports proposed for development include: Bhomra, Sheola, Ramgarh and Thegamukh, the latter two are located in Chittagong Hill Tracts. However, given results of the feasibility studies, it has been determined that the Project will finance Bhomra, Sheola, Ramgarh and security improvements at Benapole. While feasibility, designs and draft bidding documents have been completed for Sheola, and a feasibility study completed for Bhomra, the feasibility and designs for Ramgarh will be completed during Project implementation. BLPA is ready to procure works at Benapole land port (as soon as financing for the proposed Project is approved) including the construction of a secure perimeter fence as well as the procurement of an automated gate pass system, CCTVs, and related secure entry and exit.
3. IDA financing required for Bhomra is US\$26.0 million for Bhomra, US\$22.0 million for Sheola, and US\$6.5 million for Benapole, and an estimated US\$15.5 million for Ramgarh. US\$5 million has been set aside for project management services and capacity support, totaling US\$75.0 million for this component. It was agreed that the Engineering Procurement and Construction contracting method would be used for the construction of Sheola Land Port.
4. At Bhomra, existing yard is largely unpaved and there is a lack of signs and equipment. Thus, the goods handling process in and out of the existing land port is entirely manual. There is currently no space to process Indian trucks carrying non-perishable goods and these line up and transload on the road. Storage facilities, parking yards, transshipment facilities for trucks and a passenger terminal are among the infrastructure that must be developed at Bhomra. Other facilities to be developed include toilet facilities for women, women-only waiting rooms and service counters, and facilities for less-abled users.
5. Presently, there is no infrastructure under Bangladesh Land Port Authority at Sheola. There is a small immigration office in a semi-pucca building while the Customs officials work out of a rented semi-pucca building. The feasibility study investigated at least three alternative locations for development of the land port, and concluded that the proposed site is the most viable as the existing land port facility already constructed by India is directly across the border on the same road. Infrastructure to be developed for Phase 1 financed by the Project includes an administration building, warehouse facilities, transshipment yard, and truck terminal and parking facilities. As for Bhomra, facilities will be developed specifically to address the needs of women and less-abled users. The feasibility and initial designs for Bhomra are completed. The detailed designs and bidding documents for Bhomra will be developed during the first 18 months of Project implementation.
6. The third land port under consideration by Government of Bangladesh as a pilot for a co-located shared facility with Government of India is located at Ramgarh in Chittagong Hill Tracts, opposite the town of Sabroom, Tripura State, India. Correspondingly, the Government of India has also designated this border crossing as a strategic priority and has committed to building an Integrated Check Post at this location. Both governments are discussing the possibility of a co-located facility on the Bangladesh side of the border. If the two Governments manage to pilot this modern border management concept which will improve efficiency and reduce time and costs for traders and transporters, it would be a breakthrough for South Asia. However, if this pilot does not happen, the two governments would build traditional land ports at the same location where trade is expected to increase significantly along the Southwest-Northeast corridor. Initial consultations have started on the development of this land port, and all key stakeholders agree to move forward on its development, while emphasizing that development of facilities that will



support the economic development of local communities, including women and tribal populations, will be essential to the land port's success. Financing under this component for land port development, as well as that in component 2 will support this local economic development goal. Feasibility, design and safeguards studies including detailed communication and stakeholder outreach plans for this land port will be developed during the first two years of Project implementation in parallel with discussions by the two governments on whether to implement a co-located design. Thereafter, construction will commence.

7. Currently, there is no security infrastructure at the Benapole land port facility, including perimeter fence/border wall, gate pass system and CCTVs. Combined with multiple entry and exit points, controlling access to the yard and maintaining security has become a challenge. Anecdotal evidence suggests that leakages are a significant issue. In response, BLPA has decided to build a secure perimeter fence on existing land owned by BLPA, so no land acquisition is necessary. BLPA is ready to prepare the necessary design cost estimate, and bidding documents for the proposed perimeter fence/ wall and gates as soon as the Project is approved.

8. *Component 2: Enhance trade sector coordination and economic empowerment and opportunities in trade for women (IDA US\$8.0 million)*

- a. Develop (pilot) programs to support female traders and entrepreneurs (IDA US\$5.0 million). This component will address regulatory, capacity building, skills development, networking and other issues faced by the women traders and entrepreneurs in Bangladesh. The activities will be piloted by the Ministry of Commerce through the WTO Cell and include skills development to connect women traders to global value chains, analyzing and eventually developing required infrastructure, logistics and transport services for women traders at key trade/border points and along key supply chains (e.g. cold chain transport services and storage facilities to reduce crop loss due to spoilage and to facilitate getting products to market), simplifying the trade regime and clearance procedures for women traders, and creation of a Women Traders Network to exchange knowledge, support capacity development, and improve data collection on women traders. More specifically, the program will identify key farm and non-farm products traded through the four targeted border posts and design value chain development plans that would support both women producers and traders. Pilots are expected to be launched in the first two years of project implementation. Once successful pilots have been determined by the end of the second year, a follow-on project is expected to finance the streamlining and scale up these pilots to a wider population and geographic coverage, and/or industries/supply chains. Two pilots being planned include:
 - i. Since Bangladesh is a predominantly agricultural country with over 43 percent of the country's total labor force engaged in agriculture, and increases in farm incomes accounted for more than 90 percent of the poverty reduction between 2005 and 2010. However, there has been very little work done on the supply chain from harvest to market. Yet, even as farmers are forced to adapt to the changing climate and change their crops and cropping cycles, the agricultural supply chain itself is also vulnerable to climate change. Currently, there is a huge loss of agricultural production during and after harvest, and the supply chain is vulnerable to weather events. Since the key risks to the supply chain are water-related risks, which disrupt transport and energy supply, transport and the agricultural supply chain in Bangladesh are inextricably linked. There are significant opportunities to improve the agricultural supply chain by introducing ICT to improve transportation and storage efficiency, energy efficient transportation and storage such as using



solar energy, routing/scheduling, and so forth. There are also opportunities to create employment for women through value addition to agricultural supply chain in green packaging and contract packaging for export.

- ii. There is a lack of substantive data analysis in Bangladesh on transport corridors and supply chains. The Geospatial and Temporal Value-chain Analysis can provide a computational simulation and analysis of the movement of goods, people, and services in Bangladesh throughout the value chain sequence. The methodology integrates quantitative analysis with robust geospatial temporal analysis, socio-economic analysis, risk management and spatial econometrics to empower the “success” of value chains. The five-step process overlays economic and initial enterprise analysis along transport corridors, human capital and labor force analysis along transport corridors, management of risk in value chain analysis, evaluation of the economic structure of a value chain, and restructuring of the opportunities and gaps through a cost-benefit analysis which will facilitate understanding of where the skill gaps are, who the entrepreneurs are and what sectors they can focus on, what sectors can be developed along transport corridors, what commodity needs to be the focus for development along transport corridors, what bottlenecks the policy dialogue needs to address to ensure effective and efficient agricultural supply chains, and identification of the specific regions of focus along transport corridors. If this pilot is successful it would help improve transport services to ensure the safe and efficient transportation of goods, cultivate and support women entrepreneurs along the supply chain, and improve the overall resilience of the agricultural supply chain in Bangladesh.
- b. Component 2b: Capacity Development Support for the inter-ministerial National Trade and Transport Facilitation Committee (IDA US\$2.0 million). MoC has issued the Office Order to set up the National Trade and Transport Facilitation Committee which will coordinate all trade and transport-related policies and activities in Bangladesh, but will also serve as the Advisory Committee for the Project. The Commerce Minister will Chair the Committee supported by a Secretariat. The Working Groups for National Single Window and Border Infrastructure have been set up under this Committee, and the Working Group for Women Traders and Entrepreneurs will be set up in the first six months of Project implementation, and these will serve as Steering Committees for the respective components of the Project. Funds under this sub-component have been allocated to support the NTTFC Secretariat to effectively coordinate the different trade-related agencies and ensure the proper functioning of the Project’s Governance Structure including the Working Groups.
- c. Component 2c: Improvements to Bangladesh National Trade Portal (IDA US\$1.0 million). The Bangladesh Trade Information Portal (BTIP) was launched in March 2016. This component will support enhancements to the BITP further expanding the coverage of export related goods and ensuring that content is kept up to date. The component will finance operational costs for the BTIP for the first 3 years of the Project up to and including FY2019-2020 and MoC will thereafter finance operational and maintenance costs from GoB own resources.

9. **Component 3: Implement National Single Window and Customs Modernization Plan (IDA US\$67.0 million).** While improving the performance of Customs remains a high priority for the Government of Bangladesh, it is only one of many agencies involved in the processing and clearance of goods. Global experience suggests that cargo clearance times are largely determined by the performance of the weakest link in the border processing chain. It matters little if customs declarations can be submitted and processed electronically, as they are in Bangladesh, if a raft of other documents need to



be taken by hand to other agencies, then examined and approved before the goods are finally released. Though significant trade liberalization has taken place in Bangladesh since the early 1990s, the procedures for clearance of import-export cargo at the border remain cumbersome and are saddled with numerous documentation requirements and poor levels of inter-agency collaboration. These inhibit trade and raise transaction costs for the trading community, as the system is fraught with duplication and inefficiencies. A significant proportion of Bangladesh's international trade procedures, particularly those concerned with documentation preparation in advance of cargo clearance, remain as manual tasks requiring submission of paper documents in multiple copies to various regulatory agencies. Such tasks introduce a layer of unnecessary complexity, frequently delay border clearance, create opportunities for rent seeking, and act as a costly impediment to the private sector negatively influencing the trade and investment environment. Therefore, in line with international standards and national commitments, including the WTO Trade Facilitation Agreement, the Government of Bangladesh has committed to the implementation of a National Single Window (NSW) system and the associated reform and modernization of Customs and other border management agency requirements. Once fully operational, the system will allow traders to submit all import, export and transit information required by Customs and other key regulatory agencies via a single electronic gateway instead of submitting essentially the same information numerous times to different government agencies, many of which still rely heavily on paper based processing systems.

- a. **National Single Window Implementation.** This sub-component will finance the development of the Bangladesh National Single Window (BD-NSW). The BD-NSW, through the introduction of an electronic online solution, will facilitate faster and more transparent international trade procedures, reduce transaction time and costs for the trading community and provide consistency and certainty in the total process, from the start of the regulatory requirements to the final clearance of goods. The BD-NSW will deliver a user-friendly, electronic system that streamlines, automates and integrates all key processes and procedures associated with the application, submission, processing, payment and clearance of trade related permits, licenses, certificates and declarations. Once fully implemented, the BD-NSW will: meet all applicable international standards and accepted good practice approaches; facilitate the electronic submission, processing and issuance of key certificates, licenses and permissions (CLPs) for import to and export from and transit through Bangladesh; support the electronic lodgment of customs declarations, shipping manifests, and related documents for the processing, risk assessment, and release of goods; and provide for the automated sharing of information between the private sector and government agencies.

The BD-NSW will encompass the processing of trade transactions from the start of regulatory requirements up to the clearance of goods and payment of relevant fees, duties and taxes into and out of Bangladesh and will: (i) streamline and automate relevant front-office processes at key government agencies; (ii) include a facility for electronic payment; (iii) allow full integration with existing ICT initiatives within government agencies; (iv) facilitate the harmonization of data and information requirements across government agencies to support streamlining and reduce information and procedural redundancies; (v) provide access to information sources relating to trade regulations and procedures, as contained in the Bangladesh Trade Portal; and, (vi) enhance the production of accurate and timely trade statistics as well as the capacity to collect and analyze data on the performance of all aspects of the cargo processing and clearance process which will enhance the Government's capacity to manage and improve its administration of international trade. Bidding documents have been drafted for the BD-NSW, and procurement documents for the PMQA have also been prepared. An MOU committing to NSW implementation has been drafted and is expected to be



signed between NBR and the 19 trade-related agencies before Project Effectiveness.

- b. **Strengthening Customs Modernization.** The sub-component will focus on the adoption of modern approaches to customs administration in line with international standards and national commitments and will be achieved through: (i) procurement and implementation of a sophisticated automated risk management system/module that will interface with the BD-NSW system to support the more effective targeting of high risk cargo by Customs and other border management agencies. The system will support processing of relevant permits and licenses, manifest (pre-arrival) processing and declaration assessment and processing. In addition to procurement of the module, the sub-component will support its full operationalization to ensure it contributes to improving compliance management capabilities in Customs and across all trade-related agencies; and (ii) Implementation of a valuation (price reference) database module to assist in better assessing the value of imported goods in line with international commitments associated with the WTO Valuation Agreement. The Valuation database will be managed by Customs and will be fully integrated into the BD-NSW. Over time it will contribute to the more effective assessment of declared values and the detection of revenue evasion and fraud. The sub-component will also support the full operationalization of the database and will build on and complement a series of short term capacity building activities currently underway and being supported by WBG's Trade and Competitiveness Global Practice under a parallel technical assistance project.



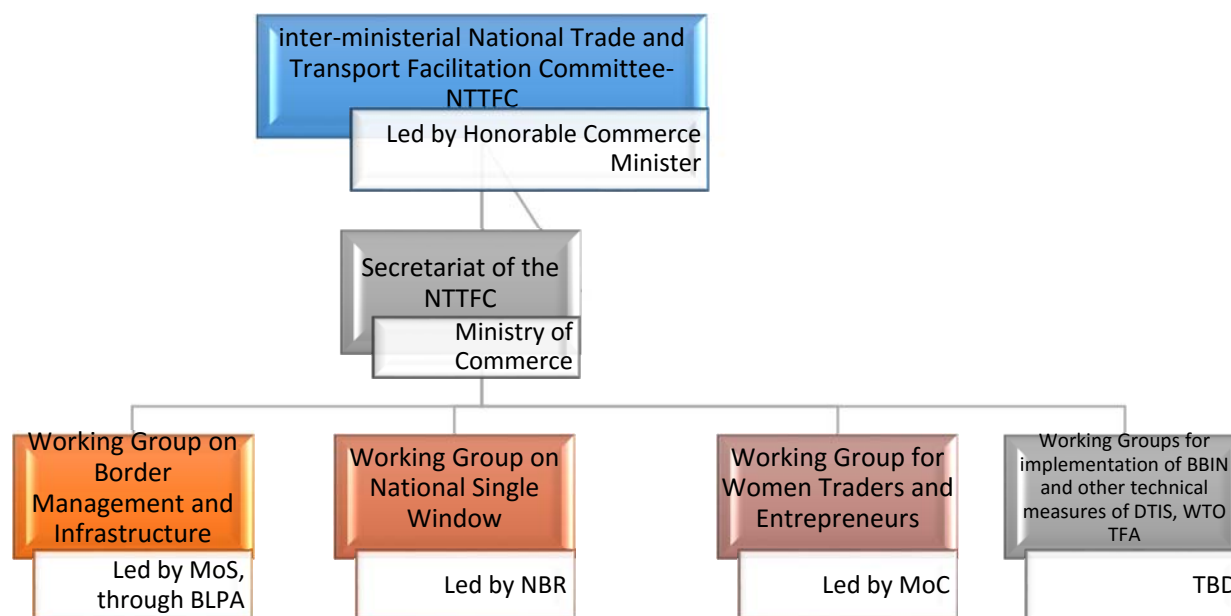
ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY : Bangladesh Bangladesh Regional Connectivity Project 1

Project Institutional and Implementation Arrangements

1. The Project will be implemented by three implementing agencies, (i) Bangladesh Land Port Authority under Ministry of Shipping, (ii) WTO cell under Ministry of Commerce; and, (iii) Department of Customs in National Board of Revenue under Ministry of Finance.
2. An inter-ministerial National Trade and Transport Facilitation Committee (NTTFC) under the leadership of Honorable Commerce Minister has been formed as a governance structure for the Project as well as for all trade and transport-related issues for Bangladesh. It also includes technical working groups with a dedicated lead agency as per emerging needs including working groups on Border Management Infrastructure led by Ministry of Shipping and BLPA, Working Group for Women Traders and Entrepreneurs led by Ministry of Commerce, National Single Window led by NBR and other technical groups for implementation of WTO Trade Facilitation agreement, Diagnostic Trade Integration Study, and BBIN MVA Implementation, etc.
3. As for cross-border coordination with India especially but also with Bhutan and Nepal, annual bilateral Joint-Review Mechanisms are already in place and have been functioning for the last few years. More frequent bilateral meetings are also organized ad hoc for specific topics. Formal bilateral mechanisms between Bangladesh and India have been established for Customs and Border Management Infrastructure and will address among other relevant topics the specific development activities supported in this Project. In addition, the four BBIN countries meet regularly to discuss connectivity, trade and transport facilitation issues including implementation of the BBIN Motor Vehicle Agreement through the SASEC (South Asia Subregional Economic Cooperation) mechanism.
4. Each Implementation Agency will also have a Project Implementation Committee (PIC) to monitor day-to-day implementation progress and resolve operational issues. The PICs normally include the agency's Head (Chairman, Director General, or Secretary), relevant members, the Project Director and sub-project/field managers, and representatives of the Economic Relations Division (ERD) under the Ministry of Finance, Planning Commission and Implementation Monitoring and Evaluation Division (IMED) of the Planning Ministry, and the parent technical ministry (Ministry of Finance for NBR, Ministry of Shipping for BLPA).

Figure A2-1. Project Institutional and Implementation Arrangements



Financial Management

5. **Financial Management Assessment Summary.** BLPA has never implemented a World Bank-financed program but is presently implementing an ADB-funded project. The WTO Cell under Ministry of Commerce has limited experience in implementing Donor-funded programs and is presently implementing an institutional strengthening project financed by WTO. The Department of Customs in NBR will implement Component 3 and it has experience in implementing a World Bank project. A World Bank Program for Results (P4R) is supporting DoC/NBR in improving revenue mobilization and transparency in VAT administration. The financial management capacity in all three agencies is weak and the project will provide capacity support to all three agencies to implement their respective components. The risk assessment and mitigation measures are tabulated in Table A2-2.

6. **Project financial management arrangements.** The PIUs formed under each of the three implementing agencies will have the overall accountability of planning, implementation, and monitoring of the project components. The PIUs will maintain the financial management system as stated below and ensure that these are carried out in accordance with the Project's legal agreements. These activities would include: (a) adequate annual budget provision, effective utilization and periodic monitoring; (b) cash management and timely payment for eligible Project activities; (c) maintenance of adequate and competent financial management staff; (d) appropriate accounting of Project expenditures, (e) preparation and timely submission of Interim Financial Reports (IFRs); and (f) timely submission of audit



reports and project financial statements to the Bank. The following arrangements will govern the Project's financial management:

Table A2-2. Financial Management Risk Matrix

Potential Area of Concern	Risk Description	Risk Rating	Risk Mitigation Measures
Budget and Fund Flow	The project funds including for counterpart activities need to be appropriately budgeted by GoB for all three implementing agencies to avoid fund flow constraints and implementation delays.	Substantial	The implementing agencies have submitted DPPs through respective Ministries to GoB for approval. Upon approval of DPP, the development budget of the Ministry through ADP will ensure that funds are allocated to implementing agencies for spending under the project. The implementing agencies have been advised to open two separate bank accounts - one for receipt of IDA funds and another for counterpart funds from GoB.
Accounting and Financial Reporting	The present system of manual accounting at implementing agencies pose significant challenge and risks in carrying out appropriate accounting and financial reporting functions. The inefficiency may result in delay for submission of IFRs and incorrect disbursement claims to the Bank. The financial and transaction controls in the Ministries are guided by various rules and regulations issued by Ministry of Finance, GoB.	Substantial	The accounting function will be centralized at the PIUs and there will be no funds that will be advanced by PIUs to the field offices. A computerized accounting system will be procured by implementing agencies to account for project transactions separately. The agencies will hire competent and qualified accountants from the market to support the PIUs for accounting and financial reporting functions. Appropriate training will be provided to the accountants on Bank's FM and disbursement procedures.
Internal Control, including Internal Audit		Substantial	The Bank has finalized a Guidebook which comprises of GFRs, latest circulars issued by MoF, gazette notifications of GoB and so on. The guidebook was prepared so that it can be used as an effective tool to implement development programs in Bangladesh. Additionally, to satisfy Bank's fiduciary requirements, a firm of internal auditor will be hired to conduct internal audit of the project.
External Audit	There may be risk of delay in completing annual audit of project financial statements.	Substantial	C&AG has mandate to conduct external audit for donor funded projects in Bangladesh. The external audit shall be conducted by C&AG according to terms of reference agreed with the Bank and audit report shall be issued within 6 months from the end of each fiscal year.

- Budget.** The implementing agencies have prepared Development Project Proposals (DPPs) providing detailed description on the nature of project activities and costs that will be financed from IDA



and GoB sources. The DPP's have been approved by GoB. The development budget of the Ministry through Annual Development Program (ADP) will allocate funds to the implementing agencies for spending under the project. The utilization of the budget will be closely monitored by GoB and any deviation from original budget will be met through supplementary approval by revision in the Annual Development Program.

8. **Accounting, Payment and Internal Control.** The implementing agencies presently do not record financial transactions in computerized environment. The books of account are manually maintained following double entry book keeping principles. Since manual accounting has limitations to produce accurate and timely financial reports, it has been agreed with implementing agencies that an off-the-shelf accounting system will be procured under the project to record financial transactions. The chart of accounts will be appropriately configured to the accounting system that will ensure appropriate accounting of expenditures as per project components/sub-components. The accounting and payment function will be centralized at the PIUs of implementing agencies. There will be no funds that will be advanced by PIU's to the field offices/divisions/other entities. The field offices will maintain adequate subsidiary records such as contract registers, measurement books, and so on to account for civil work expenditures. The bills will be submitted periodically by the divisions to the PIUs for payment to the contractors. A technical supervision consultant shall be engaged under the project for regular monitoring, supervision of civil works and certification of payments. The financial transactions at the PIUs will be supported by approved vouchers and all the payments (except for petty cash expenditures) will be made by the PIUs through electronic bank transfers using the country banking systems. The assets procured under the Project will be appropriately recorded in the accounting systems and will be subject to annual physical verification by the auditors and IDA. The World Bank has finalized a Financial Management Guidebook which comprises of GFRs, all the latest circulars issued by MoF, gazette notifications of GoB. The guidebook was prepared so that it can be used as an effective tool to implement development programs in Bangladesh. The transaction and financial controls for the implementing agencies will be followed using this guidebook.

9. **Financial Reporting.** Each PIU will prepare separate Interim Financial Report (as per format agreed with IDA) from its underlying accounting records, ledger accounts and expenditure statements generated from off-the-shelf accounting system procured and maintained under the Project. The IFR will provide financial information on the sources (IDA and GoB) and uses of funds (actual expenditures) according to disbursement categories and project components. The IFR will also provide information on the cash forecast for nine (9) months for seeking disbursement from IDA. In total, three (3) IFRs will be submitted to the Bank, individually by each PIU, within 45 days from the end of each six month period. The IFRs will form the basis of subsequent disbursement into the Designated Account. Frequency of IFR arrangements and period for which Designated Account advance is paid may be reviewed during the last year of Project implementation.

10. **Finance Staffing.** The financial management performance of World Bank funded projects in Bangladesh has been largely affected due to non-availability and frequent changes of key finance staff. The availability of professionally qualified finance and accounting staff is essential for successful implementation of the project. It has therefore been agreed with each of the implementing agency that accounts staff having in-depth experience in government transactions and budget processes will be identified and deputed full time for the Project. Additionally, a Financial Management Consultant with extensive experience on donor funded projects will be recruited by each implementing agency from the



market and will be retained throughout the project duration to support PIU's in financial management matters. The job description and requisite qualification of the Financial Management Consultant will be as per ToRs agreed with IDA. The finance unit of each PIU will be provided adequate training in financial management and disbursement-related aspects to meet the Bank's requirements. The requisite budget allocations are made in the DPPs to finance these costs.

11. **Internal Audit.** The internal audit department of BLPA is headed by a Director (Audit). The financial management assessment indicates that the institution lacks professional skills, capacity and exposure to conduct internal audit. To satisfy Bank's fiduciary requirements and to enhance objectivity and independence in the internal audit function, an audit firm will be engaged to conduct internal audit of the Project which would cover financial transactions of all three implementing agencies. The internal audit will be conducted twice during the lifetime of project. The firm will be selected through a competitive process following Bank procurement procedures. The internal audit will be conducted according to terms of reference agreed with the Bank. The audit will mainly focus on the quality of maintenance of financial records, assess functioning of accounting system and internal control processes adopted by PIU's in processing project payments. The internal audit report along with management comments will be shared with the Bank. The ToR for the internal audit firm may also include providing technical assistance to BLPA to strengthen knowledge and capacity of internal audit department by exposing the audit staff to the new audit tools and techniques. The training and capacity building of the staff shall be organized through a series of workshops.

12. **Integrated Fiduciary Review.** IDA will carry out an Integrated Fiduciary Review to assess the governance and oversight arrangements which the project will undergo at least twice during implementation phase. To avoid doing multiple audits, the internal audit will not be conducted for the period for which Integrated Fiduciary Review will be carried out by the Bank. An external firm will be engaged by the Bank and the scope will include a comprehensive review of procurement and financial transactions. A formal report will be issued to the Project and any ineligible expenditures identified in the course of this review will have to be refunded to the Bank by GoB.

13. **External audit.** The Comptroller and Auditor General of Bangladesh has a mandate to conduct external audit of donor-funded projects in Bangladesh. The audit reports issued by C&AG for other Bank-financed programs are acceptable to IDA. The annual external audit of the project will be carried out by C&AG through its Foreign-Aided Project Audit Directorate (FAPAD). A Statement of Audit Needs (SAN) will be agreed with C&AG during the first year of project implementation. It will require auditors to provide a professional opinion on the true and fair view of project financial statements and additionally provide an opinion on (a) adequacy of project accounting and internal control systems; (b) adequacy of documentation maintained for the project transactions to support disbursement claims to the Bank; (c) eligibility of expenditures incurred for Bank financing; and, (d) whether procurement under the Project has been undertaken according to agreed norms/Bank guidelines. The annual project audit report would consist of: (a) audit opinion; (b) project financial statements; and, (c) management letter highlighting significant weaknesses. The PIUs will be responsible for providing the project audit report to the Bank within six months from the end of each fiscal year (July 01 to June 30). The expenditures that are considered as ineligible by C&AG will be refunded to the Bank. The following audit reports will be monitored in PRIMA (Portfolio and Risk Management) system by IDA.



Table A2-3. Audit Reports and Due Dates

Agency	Audit Report	Auditor	Year	Due Date
BLPA under Ministry of Shipping	Project Audit Report and Financial Statements	FAPAD, C&AG	July 01–June 30	December 31 of each year
WTO Cell under Ministry of Commerce	Project Audit Report and Financial Statements	FAPAD, C&AG	July 01–June 30	December 31 of each year
Department of Customs in National Board of Revenue under Ministry of Finance	Project Audit Report and Financial Statements	FAPAD, C&AG	July 01–June 30	December 31 of each year

14. **Audit Committee.** An Audit Committee will be constituted under the project to ensure that audit issues/recommendations raised are periodically reviewed, addressed and closed satisfactorily. The Audit Committee will meet twice in a year and will have representatives from all three Ministries. The Financial Management consultants appointed by the PIU's will provide administrative support for the committee meetings.

15. **Retroactive financing.** There is no retroactive financing under the Project.

16. **Public disclosure.** The project audit report issued by C&AG will be posted on the website of the Ministries.

17. **FM Risk and Supervision plan.** The financial management risk of the Project is '**Substantial**' due to involvement of multiple line ministries in carrying out financial management functions of the project. It is first ever engagement of BLPA and MoC with the Bank and assessments indicate that departments require extensive support on Bank's financial management and disbursement processes/procedures. To support project implementation, essential institutional capacity strengthening will be provided by contracting accounting professionals and firm. An accounting system will be procured by the PIUs to support the Project in timely submission of financial reports. The accounting and payment function will be centralized at the PIUs and internal control aspects are guided through Financial Management Guidebook which will serve as a reference document to project staff. The oversight arrangements of internal and external audits will provide reasonable assurance on use of project funds. During the first year of project implementation, the Bank will undertake implementation support missions every six months, including field visits to ensure that agreed financial management arrangements are understood and appropriately followed by the PIUs. As implementation progresses, financial and audit reports will be reviewed. The financial management arrangements proposed under this Project are considered to be adequate to account for and report on project expenditures, and satisfy the fiduciary requirements of World Bank operational procedures.

18. **Financial Management Action Plan.** An action plan that summarizes required activities and timelines to help ensure that adequate financial management arrangements are in place during Project implementation is presented below.



Table A2-4. Financial Management Action Plan

S. No	Action Plan	Implementing Agency	Due Date
1	Open two separate bank accounts for receipt of IDA and GoB funds by each implementing agency	BLPA, MoC and NBR	Within 1 month of project effectiveness
2	Identify and depute experienced government accounting staff to support the Project full time	BLPA, MoC and NBR	Within 1 month of project effectiveness
3	Recruit Financial Management Consultant as per agreed ToR with IDA from external market	BLPA, MoC and NBR	Within 1 month of project effectiveness
4	Procure an off-the-shelf accounting system and configure chart of accounts to meet Project accounting and reporting requirements	BLPA, MoC and NBR	Within 2 months of project effectiveness
5	Constitute Audit Committee	BLPA, MoC and NBR	Within 2 months of project effectiveness
6	Statement of Audit Needs on External Audit with C&AG	BLPA, MoC and NBR	Within 2 months of project effectiveness

Disbursements

19. **Disbursement and Fund flow.** Each implementing agency will open two bank accounts under the Project. One Designated Account, Convertible Taka Account (CONTASA) in Nationalized Commercial Bank of Bangladesh will be opened exclusively for receipt of IDA funds and for payment of Bank-funded activities. Another bank account will be opened for receipt of counterpart funds from GoB. This funding arrangement will avoid comingling of Project funds and will ensure that IDA funds are not used to finance counterpart activities. In total, six (6) bank accounts will be opened under the Project. The bank accounts will be operated by the Project Director designated for each implementing agency. The IDA funds will be transferred as an advance into the Designated Account after the Project is declared Effective (subject to refund to the Bank of outstanding unutilized DA balances under two closed operations). The subsequent disbursement into the Designated Account will be made by IDA on submission of withdrawal applications together with Interim Financial Reports. The implementing agencies will be given flexibility to use the Direct Payment, Reimbursement, and Special Commitment methods to withdraw funds from the Credit. Each implementing agency has prepared a DPP (or equivalent) for respective components detailing the nature of activities and associated costs that will be financed from IDA and GoB sources. It has been agreed with GoB that IDA will finance taxes (excluding import and Customs duties). However, the taxes will not exceed 15 percent of total IDA financing. Payments toward taxes, import and Customs duties will be monitored separately in the Project's accounting systems.



Procurement

20. All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in the World Bank's "Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016 (Procurement Regulations).

21. Out of the total project cost of US\$165.2m, IDA contribution is US\$150m, of which about US\$121m will be expended through procurement. This will involve mainly works contracts (4 contracts worth about US\$ 51m), supply and installation of IT systems (4 contracts worth about US\$ 59m, consulting services and a few non-consulting services (24 contracts worth about US\$ 11m).

22. Procurement Responsibility: Each of the three PIUs will centrally process all procurements for their respective implementing agencies – BLPA, NBR, and WTO Cell of MoC.

23. Procurement Risks: Of the three implementing agencies only NBR has prior experience in implementing a Bank-financed project. BLPA has limited experience in implementing DFI-financed projects – it is currently implementing one ADB-financed project. The WTO Cell of MoC also has limited experience in implementing DFI-financed projects; it is currently implementing one institutional strengthening project financed by the WTO. The fiduciary assessment carried out for the agencies indicates "substantial" risk in procurement operations and contract management. The main drivers for the risks are associated with acute capacity constraints, mainly in BLPA, in performing procurement and contract management related activities and inadequate record management. Several measures to mitigate the risks would be put in place as described below.

24. *Managing Procurement Risks:* In order to minimize the procurement associated risks, the following measures have been agreed upon with the implementing agencies:

a. General

- (i) *Project Procurement Strategy for Development (PPSD) and Procurement Plan:* A PPSD is developed by the Implementing Agencies, in agreement with the Bank, taking into account the volume of items to be procured, prevailing market conditions, activity level risks etc. The PPSD spelled out the appropriate procurement strategy for this project. PPSD is a live document and it is to be updated at least annually. As an output of the PPSD exercise, initial Procurement Plans for the implementing agencies have been prepared. For each contract to be financed under the project, the different selection methods for procurement, market approach, the need for pre-qualification, contracting arrangement, estimated costs, prior review requirements and time frame were also agreed between the implementing agencies and the Bank in the Procurement Plan;
- (ii) *Introducing STEP system:* Systematic Tracking of Procurement Exchanges system (STEP) is introduced to prepare and manage procurement plan and procurement transactions under the project. The procurement plan will be updated approximately every six months (or as required) using STEP system;
- (iii) *Bid/Proposal Evaluation Committee:* All implementing agencies shall ensure that the bid/proposal evaluation committees are formed in a manner acceptable to the Bank, and Bank's



no objection shall be required on the formation, as well as alteration in the composition or membership, of the bid/proposal evaluation committees. Procurement consultant(s) of the project will be mandatory member(s) of the bid/proposal evaluation committee;

- (iv) *Electronic Government Procurement (e-GP):* Request for Bids (Open-National) contracts under use the e-GP system of the country;
- (v) *Identify Procurement Focal Persons (PFP) in all three agencies:* Each of the implementing agencies shall nominate a procurement focal person for their part of the project. The appointed focal person will take necessary training in procurement, if required. The focal persons will help the respective agencies in day-to-day procurement follow-up and preparation of periodic procurement reports.
- (vi) *Recruit local procurement consultant in all three agencies:* all three agencies will hire local procurement consultants (one each) for the entire duration of the project.
- (vii) *Due-diligence Measures:* the following measures will be adopted as part of procurement and implementation arrangements: (a) all bid evaluation reports will include verification of recommended bidders' post-qualification information; (b) make bidders generally aware about fraud and corruption issues; (c) preserve records and all documents regarding procurement (including correspondences with the potential bidders as well as complaints/clarification requests etc.), in accordance with the Bank's Procurement Regulations and Public Procurement Rules, to facilitate smooth procurement audit or post-review; and (e) publish contract award information on CPTU and the respective agencies website within two weeks of contract award (and in UNDB online for international contracts).

b. Special Measures for Internationally Advertised Contracts

- (i) *Service of international technical and procurement experts for BLPA and NBR:* BLPA will recruit one international procurement expert and one international technical expert (civil engineer) to act as the member of Bid Evaluation Committee for internationally advertised works and consulting services contracts for firms. Similarly, NBR will recruit one international procurement expert and one international technical expert (IT) to act as the member of Bid Evaluation Committee for internationally advertised IT systems and consulting services contracts for firms;
- (ii) *Bid/Proposal Evaluation Committee.* BLPA and NBR will each form a Bid/Proposal Evaluation Committee for internationally advertised contracts for works, IT System, and consulting services for firms. Each committee will consist of six (6) members including international procurement expert, international technical expert, local procurement consultant and three (3) other members of the respective implementing agency. Formation of such BEC/PEC shall be subject to Bank's acceptance.
- (iii) *Extra due diligence for the local agents and sub-contractors:* BLPA and NBR will undertake extra due diligence on the local agents and major sub-contractors.

25. Selection Methods for Procurement of Goods, Works and Non-consultancy services: Except as otherwise agreed in the Procurement Plan, goods, works and non-consulting services may be procured on the basis of Request for Bids (Open-International) procurement method. As allowed under the World Bank's "Procurement Regulations July 1, 2016", other selection methods, market approach, and contract arrangement as agreed in the Procurement Plan on a case to case basis can also be used.



26. *Selection Methods of Procurement of Consultants' Services:* The Procurement Plan will specify the selection method, market approach (International/National, Open/Limited/Direct) and contract modality for each of the selection of consultant following the World Bank's "Procurement Regulations July 1, 2016".

27. *Use of Standard Procurement Documents:* For all procurements under the project, the Bank's Standard Procurement Documents shall be used. In case of unavailability of a particular procurement document, the implementing agencies shall use model tender documents (MTD) agreed with the Bank.

28. *Prior review Thresholds:* The Procurement Plan shall set forth those contracts which shall be subject to the Bank's prior review. All other contracts shall be subject to Post Review by the Bank.

Environmental and Social (including safeguards)

29. BLPA's Project Implementing Unit (PIU) will include an Environmental and Social (E&S) Cell, which will be staffed by qualified specialists (consultants) contracted under the project. The E&S Cell will assist the PIU on all issues related to environmental and social management, including overseeing the Construction Supervision Consultants (CSC) and contractors with respect to environmental and social issues, orienting contractors and field staff to EMP requirements, reviewing CSC monthly monitoring reports, and compiling quarterly monitoring reports on E&S compliance for the Project Director and the World Bank. Prior to completion of construction, BLPA will appoint operational staff in charge of Environmental, Health and Safety issues at all the proposed land ports, who will be responsible for overseeing the environmental mitigation measures during the operation and maintenance period. These EHS specialists will be trained through the project to ensure they have the adequate skills and knowledge to effectively carry out their roles even after the project closes.

30. BLPA will also appoint a social safeguards cum communication specialist who will assist in matters related to land acquisition, grievance redress and, communication for engaging with the stakeholders and citizens at large in compliance with the Bank's safeguards policies. S/he will also assist BLPA/MoS in producing periodic progress and monitoring reports on the project which will be shared with the Bank. In addition, the BLPA will also involve an 'independent monitoring panel' by a team of third party experts who will carry out periodic monitoring through field visits and interaction with the relevant stakeholders and share their reports with BLPA/MoS and World Bank. The frequency of the monitoring reports by this independent panel will be twice a year in the first year and subsequently once a year all through the project's duration.

Monitoring & Evaluation

31. The three Project Directors for BLPA, MoC and NBR will be responsible for overall Project data collection, monitoring and evaluation (M&E) including for the Project's results framework. The Working Groups (e.g. Border Management Infrastructure, Women Traders, NSW) under the NTTFC will review Project implementation progress and make key decisions on implementation matters on a regular (monthly or bi-monthly) basis. The NTTFC, as Project Advisory Committee, will review Project implementation progress at least every six months and provide advice on Project and trade-related policy matters. In addition to systematic trade clearance data from existing and Customs and BLPA systems, as well as Customs and NSW systems to be improved under the Project, border crossing surveys or Time Release Studies (TRS) will be undertaken yearly to understand the full impact of Project interventions and where improvements are needed.



ANNEX 3: ECONOMIC ANALYSIS

COUNTRY : Bangladesh Bangladesh Regional Connectivity Project 1

1. All of the interventions in the Project aim to reduce transactions time linked to trade, which will in turn reduce (a) vehicle operating costs; (b) idle time at borders and in administrative offices; (c) inventory costs; (d) losses of perishable goods; (e) accident rates due to improved safety conditions at land ports; and, (f) GHG emissions. The expected impacts are summarized in the table below. The economic analysis is based on a quantification of the costs and benefits of the project as faced by the public and private sector. The costs and benefits will be both direct and indirect. The indirect effects are through how the private sector will benefit from time savings as well as improvements in reliability in supply chains.

2. A two-step process was followed for the economic evaluation of the project. In the first instance the economic viability of each of the major components of the project was assessed to test their justification for inclusion in the Project. A second step was then carried out based on the fact that in trade facilitation projects seemingly discrete interventions are often complementary. In this case the interventions at the borders are supported by automation of the national border management system through the proposed national single window. As such, a consolidated assessment to test the feasibility of the consolidated package of interventions has to be carried out. Using this approach, economic analyses were carried out for each of the identified border posts and for the national single window system. This was then followed by an overall assessment for the complete package.

3. As shown in table 3.1, one of the major benefits of the project to traders will be through time savings during the border clearance process. Such time savings are typically through inventory management practices and costs. For the economic analysis we define costs of carrying inventory C_{inv} as the sum of costs of carrying inventory due to the time it takes to clear goods plus additional inventory to provide for uncertainty in the efficiency of the process as shown in the equation below.

$$C_{inv} = V * s * (\sum_i t_i + k * \sigma)$$

where⁷ V equals the value of the goods, s is the cost of inventory and storage per cargo⁸, k is a safety coefficient and σ the total standard deviation for the border process given by

$$\sigma = \sqrt{\sum_i \sigma_i^2}$$

⁷ This equation implies two main non substantial simplifications: normal distribution of the delays and similar value of time for goods being cleared and storage.

⁸ The main inventory carrying costs are opportunity costs of the money invested in inventory and also inventory shrinkage and obsolescence. Nevertheless, other costs occur such as rent and utilities for warehousing, insurance and taxes on inventory.



Table 3.1. Expected Project Economic Impact

Activity	Expected impact
<i>Component 1: Invest in infrastructure, systems and procedures to modernize key selected land ports essential for trade with India, Bhutan and Nepal (IDA US\$75 million).</i>	
Improvement/expansion at two existing land ports, and development of two new land ports	Reduced border crossing time and costs to traders associated with regulatory requirements. Increased trade volumes.
<i>Component 2: Enhance trade sector coordination and productive capacity (IDA US\$8 million).</i>	
Support to National Trade and Transport Facilitation Committee	Reduced border crossing time and costs to traders associated with regulatory requirements.
Support to Women Traders and Entrepreneurs	Improved economic capacity, and reduced costs to traders associated with regulatory requirements.
Trade Portal Improvement	Reduced costs to traders associated with regulatory requirements.
<i>Component 3: Implement National Single Window and Customs Modernization Plan (IDA US\$67 million).</i>	
National Single Window Implementation	Reduction in clearance time, border crossing time and uncertainty at land ports, sea ports and other trading points. Reduced costs to traders associated with regulatory requirements.

4. The base values for goods cleared at Bangladesh's border posts are listed in table 3.2.

Table 3.2. Expected Project Economic Impact

Year	Total Import (Taka)	Total Export (Taka)
FY 08-09	1,580,832,200,000.00	1,064,327,900,000.00
FY 09-10	1,798,680,482,203.62	1,124,286,025,869.35
FY 10-11	2,658,982,526,356.36	1,624,075,925,300.43
FY 11-12	2,990,717,691,380.44	1,908,518,568,474.02
FY 12-13	3,143,600,779,598.44	2,250,199,054,709.85
FY 13-14	3,381,225,115,369.90	2,328,299,443,777.66

5. Based on the direct and indirect costs and benefits, economic analysis was carried out for each major component of the project especially for the large land ports investments, Bhomra and Sheola. Both were found to be feasible with high Internal Economic Rates of Return. Using a discount rate of 12 percent over a 30-year operational period, the NPV is estimated to be US\$279.0 million and EIRR at 38.6 percent for Phase 1 development of Bhomra land port. Sensitivity analysis with 20 percent higher costs and 20



percent lower benefits still yields an EIRR of 29.9 percent and NPV US\$198.4 million. At Sheola, the NPV is estimated to be US\$16.0 million and EIRR at 16.9 percent for Phase 1 development. Sensitivity analysis with 20 percent higher costs and 20 percent lower benefits still yields an EIRR of 13.5 percent and NPV US\$4.9 million.

6. Similar to the border interventions, an economic analysis was also carried out of the proposed National Single Window system. As such, it was assessed on its own to determine its feasibility. Based on empirical evidence, the simplification of trade documents including streamlining of border procedures; and automation of the border process have been found to have significant impacts on trade costs. OECD survey⁹ work points to savings in low income countries of between 2.8 percent and 4.2 percent depending on the level of development of an economy, with an average of 3.9 percent savings in low income countries. The proposed National Single Window system to be financed by the Project will be accompanied by streamlining of procedures and otherwise automation and simplification of the document submission, processing and clearance process for traders.

7. The economic analysis of the Single Window system was based on several proven techniques. The approach combined an estimate of Bangladesh's trade costs, assumptions on estimated costs savings based on international surveys from similar projects, and projections of the trade transactions expected to be processed through the NSW.

8. The main assumptions used in the analysis were the following:

- An average weighted trade cost of 146 percent which was obtained for all of Bangladesh's trade partners by using the UNESCAP/World Bank Trade Costs database.¹⁰ The estimate was obtained using trade data for 2010, the most complete year on which data were available;
- Trade transactions through the system were assumed to reach a peak of 80% of all transactions. It is assumed that some 20 percent of transactions will not use the NSW, as they may be too small, take place in remote locations or do not require the intervention of multiple agencies;
- Cost savings from simplification and automation would be 3.5 percent of trade costs, within the range obtained from international studies; and,
- The costs of documentation, which will be impacted most by the NSW, were assumed to be US\$370 over transaction, based on Doing Business (2015).

9. Using the above, it was estimated that the NSW would have an NPV of US\$81m over 20 years at a discount rate of 12 percent and an internal rate of return of 33 percent. The results were tested for sensitivity to a delay in operationalizing the NSW, a lower number of transactions processed through the system and increase in costs. All the tests suggested the NSW is feasible within feasible ranges of the different parameters.

10. Following the economic analyses of the individual components the package of interventions was then evaluated. All Project interventions especially at the border posts, the National Single Window system and Bangladesh Trade Portal are expected to lead to an improvement in the predictability of the border clearance processes. The improvements will be reflected in the statistical distribution of clearance

⁹http://www.oecd.org/tad/tradedev/WTO-TF-Implementation-Policy-Brief_EN_2015_06.pdf

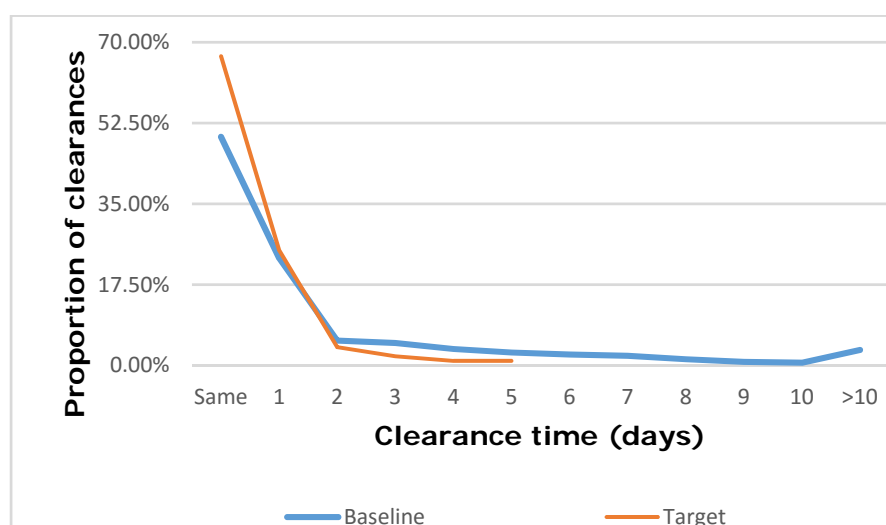
¹⁰<http://databank.worldbank.org/data/reports.aspx?source=ESCAP-World-Bank:-International-Trade-Costs>



times, illustrated below in Figure 3.3 for the case of Benapole. The graph shows reduced uncertainty which will impact inventory holdings of firms. However, due to lack of sound data such savings were estimated for only some but not for all traffic. The assumption is that if the Project is viable even with partial estimates then the benefits would only be larger with all traffic included.

11. The combined economic analysis for the Project resulted in an EIRR estimate of 31.5 percent at a discount rate of 12 percent. The estimate was obtained for a 20-year life of the Project. The result was tested for sensitivity to a battery of tests similar to those for the NSW and found to be robust, with a lowest EIRR value of 28 percent. Based on the economic analyses, both the individual components as well as the total package of Project interventions were found to be viable.

Figure 3.3. Clearance Time at Benapole





ANNEX 4: GREENHOUSE GAS ANALYSIS

1. The Project's GHG analysis focused on the GHG implications of Project investments at Bhomra and Sheola land ports under Component 1, together with overall improvements to conditions of trade promoted through other components, and the effects that these investments and interventions will have on stimulating additional trade (and therefore traffic) as well as changing the regional traffic patterns for cargo flow from West Bengal into Northeast India.
2. Direct emissions related to land port construction were excluded, due to their relative insignificance compared to operations-stage emissions related to truck traffic which makes use of the land ports. Emissions associated with Ramgarh land port were also excluded, given that the location of this land port is not yet finalized.
3. The analysis for Bhomra is based on the following assumptions:
 - a. The land port investments are expected to induce growth in traffic over the base case scenario. The growth estimate is taken from the feasibility study.
 - b. Some of the projected traffic will be diverted from Benapole, taking advantage of slightly shorter routes to both Khulna and Dhaka (assuming completion of Padma Bridge for Dhaka-bound traffic).
 - c. All projected traffic is assumed to either originate from or end in Kolkata on the West Bengal side, while on the Bangladeshi side, 50% of traffic is assumed to originate or end in Khulna and 50% in Dhaka.
4. The analysis for Sheola is based on the following assumptions:
 - a. The land port investments are expected to induce growth in traffic over the base case scenario. The growth estimate is taken from the feasibility study.
 - b. Approximately 25% of the projected growth in traffic at Sheola is assumed to be through-traffic from West Bengal (either imported through Kolkata Port or produced in the state) and into Northeast India. Currently, Indian traders carrying goods to/from Northeast Indian markets and West Bengal mostly traverse a much longer route to Northeast States through the "Chicken's Neck" / Siliguri route (approximately 1400km from Bhomra-Ghojadanga to Sheola-Sutarkandi). With improvements to trade infrastructure at key border posts and national Customs clearance systems under the Project, many Indian traders will opt to cross over Bangladesh, cutting about 850km off the journey distance. The estimation was based on Sheola projected traffic volumes, because the volumes at Bhomra are significantly higher (approximately 4 times as much traffic), indicating that most imports going through Bhomra likely have a final destination in Bangladesh.
5. All projected traffic is assumed to either originate from or end in Silchar in Assam state of India, while on the Bangladeshi side, 50% is assumed to originate or be destined for Sylhet, and 50% to/for Dhaka.



6. For both land ports, all traffic is assumed to be 10-ton medium sized trucks. The total number was calculated based on volumes of cargo estimated in the two feasibility studies. Other modes of traffic (car, motorcycle, CNG, etc.) were not separately modeled. This is because the regional truck traffic is assumed to be far more significant from a GHG perspective due to the much longer distances traveled, and higher fuel coefficients. At Bhomra, cargo carried by other transit modes are nonetheless factored into the total truck estimate (via consideration of total cargo volume), while at Sheola, the feasibility study only projected truck volumes.

7. A standard fuel coefficient is assumed across both India and Bangladesh. A standard “medium truck” is furthermore assumed to transport all cargo (capacity of 10 tons /truck).

8. Based on these assumptions, the gross emissions over 20 years with the project is 5,243,891 tons of CO₂, while the gross emissions without the project would be 4,330,004. Therefore, the net emissions with the project over the same period is 913,887 tons of CO₂.



ANNEX 5: MAP

COUNTRY : Bangladesh
Bangladesh Regional Connectivity Project 1

