

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. The Asian Development Bank (ADB) Board of Directors approved the multitranche financing facility (MFF) to the People's Republic of Bangladesh for the South Asia Subregional Economic Cooperation (SASEC) Dhaka–Northwest Corridor Road Project, Phase 2 in an aggregate principal amount not exceeding the equivalent of \$1.2 billion on 24 October 2017. The executing agency is the Roads and Highways Department (RHD) of the Ministry of Road Transport and Bridges. The MFF availability period ends on 31 August 2027.¹

2. The project improves the road connectivity and efficiency of the Dhaka–Northwest international trade corridor. Three outputs will be delivered: (i) Dhaka–Northwest international trade corridor (Elenga–Hatikamrul–Rangpur) upgraded; (ii) institutional capacity of RHD for road operation and management enhanced; and (iii) stronger road safety and gender-responsive features strengthened, and the cost overrun for Phase 1 of the Dhaka–Northwest international trade corridor (Joydeypur–Chandra–Tangail–Elenga) financed.²

B. Performance of the Project

3. In response to the government's periodic financing request for tranche 1, the following were approved on 16 November 2017: (i) Loan 3592-BAN from regular ordinary capital resources (OCR) for \$250 million financing of civil works and goods, and (ii) Loan 3593-BAN from concessional OCR for \$50 million financing of project implementation consulting services. Tranche 1 covers (i) the first time-slice financing for the major works and goods contract packages, (ii) the project implementation consulting services, and (iii) additional financing for cost overrun under the SASEC Road Connectivity Project, Phase 1 and stronger road safety and gender-responsive features of Phase 1 of the road project. The loan agreements were signed on 22 November 2017 and became effective on 3 January 2018.

4. **Phase 2 status.** Procurement for the major civil works to upgrade the Elenga–Hatikamrul–Rangpur road has been substantially completed under tranche 1, and the civil works have started in April 2019.³ Procurement of works to construct the Hatikamurul Interchange is planned under tranche 2. The project implementation consultant (PIC) is making a comparative assessment on the different types of the interchange design based on traffic demands. The final design was determined by taking into account the technical feasibility, cost effectiveness, environmental and social soundness, and user inclusiveness aspects. The detailed design will be completed in October 2019, while procurement of civil works is scheduled to start in December 2019.

5. **Project management and institutional strengthening.** The PIC services started in January 2019. RHD is implementing the Institutional Development Action Plan relating to (i) road sector institutional framework and strategy, (ii) organizational reform and strengthening, (iii)

¹ ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility and Technical Assistance Grant to People's Republic of Bangladesh for South Asia Subregional Economic Cooperation Dhaka–Northwest Corridor Road Project, Phase 2*. Manila.

² ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Loan and Technical Assistance Grant to the People's Republic of Bangladesh for South Asia Subregional Economic Cooperation Road Connectivity Project*. Manila. The Road Connectivity Project is considered Phase 1 of this proposed project, since there is strong correlation between these two segments of the Dhaka–Northwest international trade corridor.

³ Signing of the civil works contract (package WP-05) is expected in December 2019.

private sector participation, (iv) road development and maintenance financing, (v) road safety, and (vi) overloading control. Procurement of works to enhance the institutional capacity of RHD for road operation and management is planned under tranche 2. Also, additional consulting services on traffic data collection and transport model development are being prepared to update the Road Master Plan in connection with the associated technical assistance.

6. **Phase 1 status.** Variations of the civil works contracts have been signed to cover the cost overruns of the original works and strengthen road safety and gender-responsive features of the Joydeypur–Chandra–Tangail–Elenga road under Phase 1 of the project.

7. The project was assessed along the following criteria:

- (i) **Delivery of expected outputs.** Project implementation has experienced 1-year delay at the preconstruction stage. Construction works for the Elenga–Hatikamrul–Rangpur road upgrading, the RHD Road Research and Training Center, and road operations units are expected to be completed by September 2023. RHD is implementing the institutional development action plan as scheduled. The construction works for strengthening road safety and gender-responsive features of the Joydeypur–Chandra–Tangail–Elenga road section are expected to be completed by December 2020.
- (ii) **Satisfactory implementation progress.** The implementation progress is satisfactory. As of 12 July 2019, which marks 15.9% into the MFF availability period, the cumulative contract award eligible for financing by the tranche 1 loans was \$225.6 million (83.21% of the projection), and the cumulative disbursement was \$95.0 million (201.04% of the projection).
- (iii) **Satisfactory compliance with safeguard policy requirements.** Compliance with the social and environmental safeguard covenants in the loan agreements of the Phase 1 project and tranche 1 of Phase 2 project is satisfactory. A nongovernment organization was engaged to assist in resettlement compensation for people affected by the project. Land acquisition of 35.914 hectares (88.746 acres) is progressing well. About 64% of the approved resettlement amount has been paid to the affected persons by the deputy commissioner. RHD has submitted social monitoring reports to ADB. Construction works are still in the preliminary stage. Environmental monitoring reports have yet to be submitted to ADB. Monitoring and reporting on the implementation of the land acquisition and resettlement and the environmental management plan (EMP) are carried out by the safeguard specialists of the PIC. Grievance redress committees have been established to manage social and environmental issues.
- (iv) **Successful management of risks.** The substantial and moderate risks identified during the MFF appraisal were implementation delays, noncompliance with safeguards, and inadequate post-project road operation and maintenance. Mitigation measures are being implemented as planned. In addition, a public financial management risk regarding the absence of internal audit was identified. A financial management action plan, including capacity building of RHD's Office of the Director of Audit and Accounts, was prepared to mitigate this risk.
- (v) **On track rating.** The MFF overall performance rating was *on track* in the 12-month project performance assessment of 2018. The tranche 1 performance was rated *potential problem* in the fourth quarter of 2018 due to low contract award and disbursement, but the rating has improved to *on track* in the first quarter of 2019 after the award of the major civil works contracts and advance payment to the contractors.

8. RHD generally complies with the undertakings of the framework financing agreement for the project and the covenants of the loan agreement for tranche 1. For those that were partially complied with, RHD has taken the following remedial actions.

- (i) **Delayed updating of the resettlement plans.** RHD failed to update the resettlement plans before the civil works contracts were awarded. As the first remedial action, the resettlement plans are updated based on the final list of nontitled project-affected households (NTH). RHD submits the updated resettlement plans with NTH to ADB for review and acceptance. Second, RHD prepares and submits to ADB the final updated resettlement plans including all project-affected households based on the detailed design, and obtains ADB's acceptance. No civil works start in a section where there are project-affected households until compensation and other entitlements have been provided to them in accordance with the updated resettlement plans.
- (ii) **Campsite development prior to preparing site-specific environmental management plan.** . RHD has advised all contractors to (a) prepare the site-specific EMP based on the project's initial environmental examination and EMP; (b) implement the EMP and site-specific EMPs; and (c) obtain all environment-related permits and clearances required for construction soon after a notice-to-commencement is issued. To strengthen compliance with the environmental safeguards, the frequency of environmental monitoring reports was increased from annual to semiannual.

C. Conclusion

9. The project is generally performing satisfactorily based on the criteria of (i) delivery of expected outputs, (ii) satisfactory implementation progress, (iii) satisfactory compliance with safeguard policy requirements, (iv) successful management of risks, and (v) on track rating. As a result of due diligence on technical, economic and financial, governance, social and environmental factors; the review of compliance with loan covenants of tranche 1; and risk assessment, it was confirmed that the provision and implementation of tranche 2 are feasible.