



# Periodic Financing Request Report

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Project Number: 40540-018  
MFF Number: 0103  
November 2019

## People's Republic of Bangladesh: South Asia Subregional Economic Cooperation Dhaka– Northwest Corridor Road Project, Phase 2 (Tranche 2)

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 7 November 2019)

	Currency Unit	–	taka (Tk)		
Tk1.00	=	\$0.011782	or	€ 0.010647	
\$1.00	=	Tk84.87500	or	€ 84.87500	
€1.00	=	Tk93.92266	or	\$1.106600	

## ABBREVIATIONS

ADB	–	Asian Development Bank
EMP	–	environmental management plan
FAM	–	facility administration manual
IEE	–	initial environmental examination
INGO	–	implementing nongovernmental organization
km	–	kilometer
MFF	–	multitranche financing facility
OCR	–	ordinary capital resources
PIC	–	project implementation consultant
RHD	–	Roads and Highways Department
ROU	–	road operation unit
RRTC	–	road research and training center
SASEC	–	South Asia Subregional Economic Cooperation
SMVT	–	slow-moving vehicular traffic
TA	–	technical assistance

## NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2019 ends on 30 June 2019.
- (ii) In this report, “\$” refers to United States dollars.

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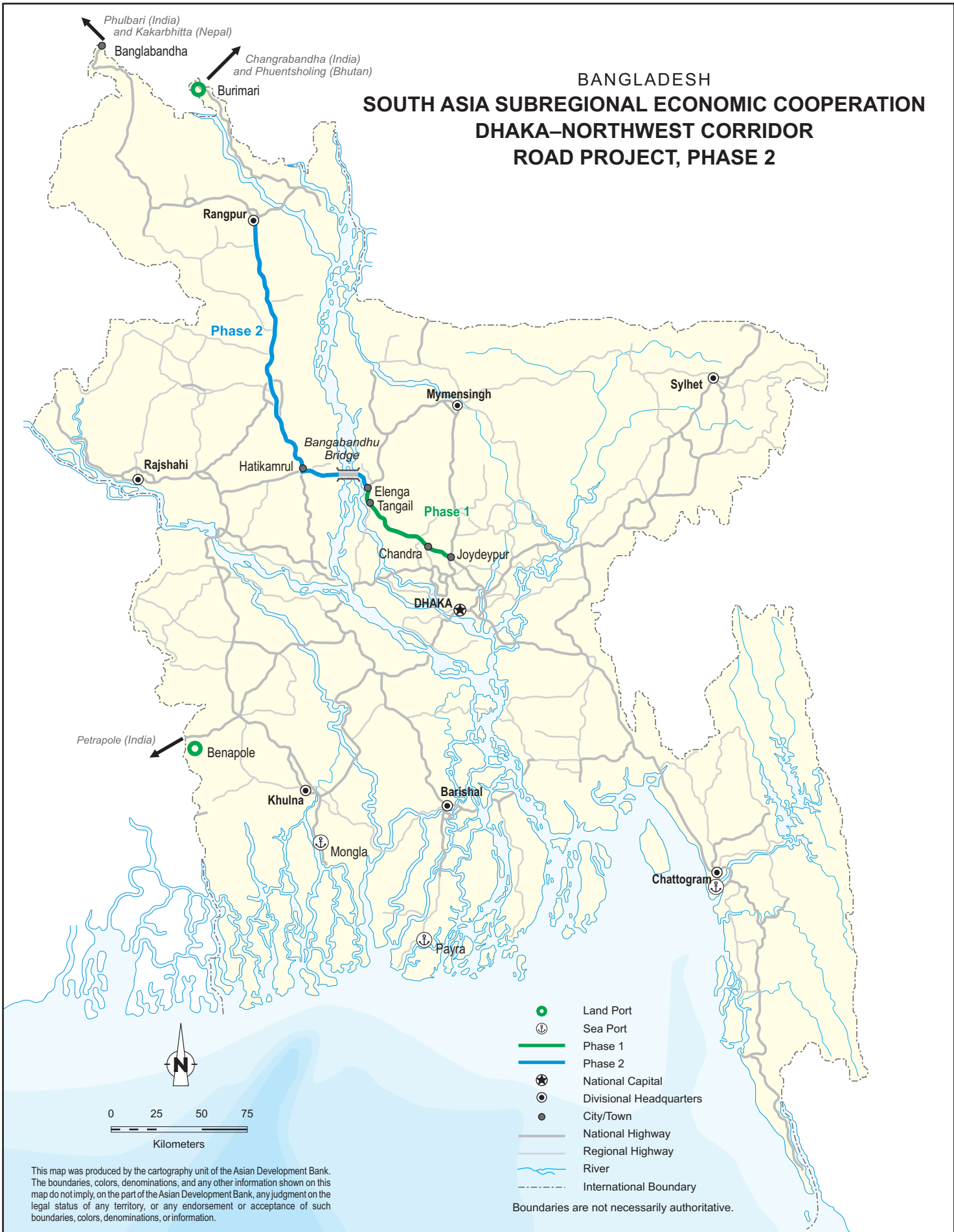
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## TRANCHE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 40540-018</b>	
<b>Project Name</b>	South Asia Subregional Economic Cooperation Dhaka-Northwest Corridor Road Project, Phase 2 (Tranche 2)	<b>Department/Division</b>	SARD/SATC
<b>Country</b>	Bangladesh	<b>Executing Agency</b>	Roads and Highways Department
<b>Borrower</b>	People's Republic of Bangladesh		
<b>Country Economic Indicators</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=40540-018-CEI">https://www.adb.org/Documents/LinkedDocs/?id=40540-018-CEI</a>		
<b>Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=40540-018-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=40540-018-PortAtaGlance</a>		
<b>2. Sector</b>		<b>ADB Financing (\$ million)</b>	
✓ Transport	Road transport (non-urban)	398.38	
		<b>Total</b>	<b>398.38</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ Addressing remaining poverty and reducing inequalities		Climate Change impact on the Project	Medium
✓ Accelerating progress in gender equality			
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ Strengthening governance and institutional capacity		<b>ADB Financing</b>	
✓ Fostering regional cooperation and integration		Adaptation (\$ million)	26.10
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 9.1		Effective gender mainstreaming (EGM)	✓
SDG 13.a			
		<b>Poverty Targeting</b>	
		General Intervention on Poverty	✓
<b>4. Risk Categorization:</b> Complex			
<b>5. Safeguard Categorization</b> Environment: B Involuntary Resettlement: A Indigenous Peoples: C			
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>398.38</b>	
Sovereign MFF-Tranche (Regular Loan): Ordinary capital resources		398.38	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>99.59</b>	
Government		99.59	
<b>Total</b>		<b>497.97</b>	
<b>Currency of ADB Financing:</b> Euro			

# BANGLADESH SOUTH ASIA SUBREGIONAL ECONOMIC COOPERATION DHAKA–NORTHWEST CORRIDOR ROAD PROJECT, PHASE 2



- Land Port
- ⚓ Sea Port
- Phase 1
- Phase 2
- ★ National Capital
- Divisional Headquarters
- City/Town
- National Highway
- Regional Highway
- ~ River
- International Boundary

Boundaries are not necessarily authoritative.

This map was produced by the cartography unit of the Asian Development Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the Asian Development Bank, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries, colors, denominations, or information.

## I. BACKGROUND

1. **Multitranches financing facility.** On 24 October 2017, the Asian Development Bank (ADB) Board of Directors approved a multitranches financing facility (MFF) of \$1,200 million to the People's Republic of Bangladesh for the South Asia Subregional Economic Cooperation (SASEC) Dhaka–Northwest Corridor Road Project, Phase 2.<sup>1</sup> The executing agency is the Roads and Highways Department (RHD) of the Ministry of Road Transport and Bridges. The project improves the road connectivity of the Dhaka–Northwest international trade corridor. Three outputs will be delivered: (i) Elenga–Hatikamrul–Rangpur Road of the Dhaka–Northwest international trade corridor upgraded; (ii) RHD's institutional capacity in road operation and management enhanced; and (iii) road safety and gender-responsive features strengthened, and the cost overrun financed for the Joydeypur–Chandra–Tangail–Elenga Road of the Dhaka–Northwest international trade corridor under the SASEC Road Connectivity Project.<sup>2</sup> The availability period of the MFF is up to 31 August 2027.<sup>3</sup>

2. The government has three main policy documents for the road subsector: (i) the Seventh Five Year Plan, fiscal year (FY) 2016–FY2020, (ii) the Road Master Plan, and (iii) the National Integrated Multimodal Transport Policy.<sup>4</sup> Guided by these policies, the government is gradually upgrading the main corridors to facilitate international trade with and between Bhutan, India, Myanmar, and Nepal. However, the human, technical, and financial resource limitations of road agencies have hindered progress in eliminating the issues caused by limited road capacity, deteriorated road conditions, and the mixture of slow- and fast-moving traffic. The Seventh Five Year Plan aims for a well-maintained, cost-effective, durable, and safe road network. Among the SASEC corridors, the government considers the Dhaka–Northwest international trade corridor as a priority. At the northwestern end of the corridor is the Burimari Land Port that provides a gateway to Bhutan through India. The trade volume at the land port was between 0.25 million and 1.0 million tons per year from FY2013 to FY2016, 4.5 million tons in FY2017, and 7.4 million tons in FY2018.<sup>5</sup> Improving the transport infrastructure of the corridor is required to support the significantly increasing trade at the land port.

3. **Tranches.** The MFF, which comprises four tranches, finances slices of long-term contract packages. Each tranche finances slices of a group of contracts per the indicative tranche schedule, and the amount for each tranche is requested based on disbursement progress and projection. Preconstruction activities such as land acquisition, resettlement, and procurement are implemented in the first 3 years of the project. Based on the request from the government, tranche

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<sup>1</sup> ADB. 2017. [Report and Recommendation of the President to the Board of Directors: Proposed Multitranches 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.

<sup>2</sup> 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 SASEC Road Connectivity Project is considered phase 1 of this project, since there is a strong correlation between these two segments of the Dhaka–Northwest international trade corridor. Output (iii) was financed only in tranche 1 of the MFF.

<sup>3</sup> The design and monitoring framework is in Appendix 1.

<sup>4</sup> Government of Bangladesh, Planning Commission, General Economics Division. 2015. *Seventh Five Year Plan, FY2016–FY2020: Accelerating Growth, Empowering Citizens*. Dhaka; Government of Bangladesh, Roads and Highways Department. 2009. *Road Master Plan, Volume I: Main Text*. Dhaka; and Government of Bangladesh, Ministry of Road Transport and Bridges, Road Transport and Highways Division. 2013. *The National Integrated Multimodal Transport Policy*. Dhaka.

<sup>5</sup> The trade volume was obtained from the Bangladesh Land Port Authority. Development of the Burimari Land Port was financed under the SASEC Road Connectivity Project.

1, comprising a regular ordinary capital resources (OCR) loan of \$250 million and a concessional OCR loan of \$50 million, is financing the first slice of the project.<sup>6</sup>

4. On 26 August 2019, ADB received from the government a periodic financing request for tranche 2 in the amount of \$400 million to meet the project financing demands. Such request was included in the country operations business plan.<sup>7</sup> During the loan negotiations on 7 November 2019, the government requested ADB to convert a regular OCR loan of €360 million (\$398.4 million equivalent) from the MFF as tranche 2.

## II. ASSESSMENT OF MULTITRANCHE FINANCING FACILITY IMPLEMENTATION

5. The MFF performance in 2018 was rated *on track* and is summarized in Appendix 4.

- (i) **Progress on the road map.** The road map for the strategic development of the SASEC Dhaka–Northwest international corridor is set out in the framework financing agreement, and has not substantially changed. Detailed designs and safeguard documents for the Rangpur–Burimari and Rangpur–Banglabandha sections of the corridor are being prepared under an ADB-funded technical assistance (TA) loan project.<sup>8</sup> In addition, the government has implemented the Road Master Plan prepared in 2009. Under the TA attached to this project, ADB has engaged an international consultant to help the government update the Road Master Plan.<sup>9</sup>
- (ii) **Improvements in the policy framework.** RHD is implementing the institutional development action plan regarding (a) the road sector institutional framework and strategy, (b) organization reform and strengthening, (c) private sector participation, (d) road development and maintenance financing, (e) road safety, and (f) overloading control, in line with the Seventh Five Year Plan and the Road Master Plan. RHD has implemented the actions as planned (Appendix 6).
- (iii) **Progress of the project.** There was no substantial and material change in the investments contemplated under the project. For output 1, procurement of works has been substantially completed and the contractors have started to mobilize staff and equipment. For output 2, a project implementation consultant (PIC) is carrying out project management and institutional strengthening services. For output 3, variations to the works contracts awarded under phase 1 have been approved to pay the cost overrun for the original contract scope and carry out additional works to strengthen road safety and gender-responsive features. As of 7 November 2019, the cumulative contract award eligible for financing under tranche 1 was \$272.7 million (96.98% of the projection); the cumulative disbursement was \$100.9 million (157.03% of the projection). Tranche 1 performance is rated *on track*.
- (iv) **Compliance with undertakings and loan covenants.** Most of the undertakings of the framework financing agreement and the loan covenants for tranche 1 have been complied with (Supplementary Appendix 1). Some noncompliance issues on the social and environmental covenants were found, and remedial actions have

<sup>6</sup> The government has chosen the single-currency option of United States dollars for the concessional loan.

<sup>7</sup> ADB. 2018. [Country Operations Business Plan, Bangladesh 2020–2022](#). Manila.

<sup>8</sup> ADB. 2015. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for Additional Financing of the Subregional Transport Project Preparatory Facility](#). Manila.

<sup>9</sup> ADB. 2017. [TA 9408-BAN: Updating the Road Master Plan](#). Manila. The TA amounting to \$2 million was approved together with the MFF to support the government in (i) updating the Road Master Plan, (ii) enhancing the planning capacity of RHD and the Local Government Engineering Department, and (iii) facilitating and monitoring key project implementation activities.



been taken. First, resettlement plans were not updated before the civil works contracts were awarded. As a remedial action, the resettlement plans have been grouped into nontitleholders and titleholders, and the nontitleholders' resettlement plans were being updated immediately so that the contractors may start works within the right-of-way. Second, some contractors had started to develop the sites for their workers' camps before their site-specific environmental management plan (EMP) had been prepared. To strengthen compliance with the environmental safeguards, the frequency of environmental monitoring reports was increased from annual to semiannual.

6. It is expected that all inputs under the MFF-financed physical and nonphysical investments will be delivered by the end of the MFF availability period, and tranches 3 and 4 are likely to be requested in 2021 and 2023, respectively, to achieve timely completion.

### III. PERIODIC FINANCING REQUEST

#### A. Impact and Outcome

7. The project is aligned with the following impacts: (i) an efficient and modern road transport system in Bangladesh achieved, and (ii) subregional connectivity and trade improved.<sup>10</sup> The project will have the following outcome: road connectivity of the Dhaka–Northwest international trade corridor improved.

#### B. Outputs

8. The project will deliver three outputs (para. 1). Because of the time-slice financing approach of the MFF, the project outputs will be achieved only when all the phased tranches have been completed. Tranche 2 will finance the following works and services in relation to outputs 1 and 2; it will not finance output 3.

- (i) **Output 1: Elenga–Hatikamrul–Rangpur Road of the Dhaka-Northwest international trade corridor upgraded.** Tranche 2 will finance (a) the second slice of the expenditures related to works for upgrading the Elenga–Hatikamrul–Rangpur Road (190 km) from two-lane carriageways to four-lane carriageways and two slow-moving vehicular traffic (SMVT) lanes with gender-responsive designs, and (b) the first slice of the expenditures for the construction of the Hatikamrul Interchange.
- (ii) **Output 2: RHD's institutional capacity in road operation and management enhanced.** Tranche 2 will finance the first slice of the expenditures for the (a) construction of the road research and training center (RRTC) to enhance the institutional capacity of RHD, and (b) establishment of road operation units (ROU) for road operation and management. It will also finance consulting services for traffic data collection and transport model development to update the Road Master Plan in connection with the attached TA (footnote 9).

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<sup>10</sup> Government of Bangladesh, Planning Commission, General Economics Division. 2015. *Seventh Five Year Plan, FY2016–FY2020: Accelerating Growth, Empowering Citizens*. Dhaka.

### C. Summary Cost Estimates and Financing Plan

9. Tranche 2 is estimated to cost \$498.0 million (Table 1). Detailed cost estimates by expenditure category and by financier are included in the updated facility administration manual (FAM) in Appendix 3.

**Table 1: Summary Cost Estimates**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. Elenga–Hatikamrul–Rangpur Road upgraded	457.5
2. RHD's institutional capacity in road operation and management enhanced	37.2
3. Road safety and gender-responsive features strengthened, and cost overrun financed for Joydeypur–Chandra–Tangail–Elenga Road	0.0
<b>Subtotal (A)</b>	<b>494.7</b>
<b>B. Contingencies</b>	<b>0.0</b>
<b>C. Financial Charges During Implementation<sup>c</sup></b>	<b>3.3</b>
<b>Total (A+B+C)</b>	<b>498.0</b>

RHD = Roads and Highways Department.

<sup>a</sup> Includes taxes and duties of \$51.53 million. ADB will finance \$51.44 million and such amount does not represent an excessive share of the project cost. The government will finance taxes and duties of \$0.09 million through cash contribution.

<sup>b</sup> In mid-2017 prices.

<sup>c</sup> Includes interest and commitment charges. Interest during construction for the OCR loan has been computed at the 5-year Euro fixed swap rate plus an effective contractual spread of 0.50% and maturity premium of 0.10%. Commitment charges for the OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank.

10. The government has requested a regular loan of €360 million from ADB's ordinary capital resources to help finance the second slice of this project. The loan will have a 25-year term, including a grace period of 5 years; an annual interest rate determined in accordance with ADB's EURIBOR-based lending facility; a commitment charge of 0.15% per year (the interest and other charges during construction to be capitalized in the loan); and such other terms and conditions set forth in the draft loan agreement. Based on the straight-line method, the average maturity is 15.25 years, and the maturity premium payable to ADB is 0.10% per year.

11. The summary financing plan of tranche 2 is in Table 2. ADB will finance the expenditures in relation to civil works and consulting services.

**Table 2: Summary Financing Plan**

Source	Amount (\$ million equivalent)	Share of Total (%)
Asian Development Bank	398.4	80.0
Ordinary capital resources (regular loan)	398.4	80.0
Government	99.6	20.0
<b>Total</b>	<b>498.0</b>	<b>100.0</b>

Source: Asian Development Bank.

12. Climate adaptation is estimated to cost \$55.6 million, of which tranche 2 will cover \$26.1 million. ADB will finance 100% of the adaptation cost. Details are in the updated FAM.

## D. Implementation Arrangements

13. The implementation arrangements are summarized in Table 3 and described in detail in the updated FAM. In addition to the procurement for works and consulting services in Table 3, tranche 2 will continue to finance the existing works contracts procured under tranche 1.

**Table 3: Implementation Arrangements for Tranche 2**

Aspects	Arrangements		
Implementation period	December 2019–June 2023		
Estimated completion date	30 June 2023		
Estimated loan closing date	31 December 2023		
Management			
(i) Oversight body	Ministry of Road Transport and Bridges		
(ii) Executing agency	Roads and Highways Department		
(iii) Implementation units	Head office of the project implementation unit in Dhaka and eight project site offices with 126 staff proposed		
Procurement	ICB	3 works contracts	\$61.69 million
Consulting services	QCBS	54 international and 75 national person-months	\$5.53 million
Retroactive financing and advance contracting	Retroactive financing and advance contracting will be used for civil works, goods and services, and consulting services. Retroactive financing will be provided for expenditures incurred not exceeding 20% of the loan amount, prior to the loan effectiveness date but not earlier than 12 months before signing of the loan agreements.		
Disbursement	The loan proceeds will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.		

ADB = Asian Development Bank, ICB = international competitive bidding, QCBS = quality- and cost-based selection. Sources: Asian Development Bank and the Government of Bangladesh.

## E. Project Readiness

14. Readiness for tranche 2 is rated *high*. The major works contracts and the project implementation consulting services contract have already been signed under tranche 1. Out of \$93.6 million under the works and equipment category of tranche 1, about \$74 million has been disbursed as advance payments to the civil works contractors. Tranche 2 will need to start financing the major works contracts soon after the loan proceeds under this category have been used. Detailed designs and bidding documents for the construction of the Hatikamrul Interchange and the RRTC and the establishment of ROUs are being prepared by the PIC engaged under tranche 1. Procurement for these works is scheduled to start in December 2019.

## IV. DUE DILIGENCE

### A. Technical

15. The engineering designs have been optimized for economy, construction efficiency, road safety, and gender responsiveness following international and national design standards. The construction method uses proven technology and materials that are compatible with local conditions, including concrete pavement at bus stations. The contracts incorporate performance-based maintenance for 6 years after the defect notification period. Bangladesh is one of the most climate-vulnerable countries globally, and the government anticipates future increases in the intensity and frequency of rainfall and floods that require road design modifications. Accordingly,

RHD has strengthened the engineering design regarding the embankment level, bridge height, and pavement and drainage structures. PIC conducts road safety audits during the design, construction, and maintenance stages.

16. The Hatikamrul Interchange was originally designed as a clover-leaf interchange. However, PIC is proposing a modified clover-leaf interchange with due consideration to technical feasibility, cost-effectiveness, environmental and social soundness, and user inclusiveness. The detailed design of the interchange will be completed in December 2019.

## **B. Economic and Financial**

17. **Economic viability.** The project benefits include vehicle operating cost savings, travel time savings, fewer accidents, reduced vehicle emissions, fuel efficiency, and less congestion along the corridor. The project also aids the economic development of the region served by the corridor. The updated economic internal rate of return for the project, reflecting the values of awarded contracts and the updated implementation schedule, is estimated at 19.5% for the upgrading of the Elenga–Hatikamrul–Rangpur Road, 17.4% for the upgrading of the Joydeypur–Chandra–Tangail–Elenga Road, and 18.6% for the project road sections as a whole. This indicates that the phase 1 project and this one are economically viable. Sensitivity analysis was conducted to test the effects of unfavorable changes in the key parameters that affect the project's costs and benefits. The economic viability remained satisfactory in the sensitivity analyses (Appendix 8).

18. **Financial sustainability.** The government has substantially increased the allocation to RHD for maintenance over the last 5 years (from Tk12,396.4 million in FY2013 to Tk23,500.0 million in FY2018). As a result, the proportion of roads in good-to-fair condition has increased from 58% to 74%. Performance-based maintenance is included in the works contracts for an extended period of 6 years after the defect notification period. Upon completion of performance-based maintenance, incremental recurrent costs (annualized) associated with the project road sections are estimated to be 3.1% of the project cost. The maintenance budget requirement estimated for the project road is within the limits of the proportionate maintenance budget allocation for these road sections. Therefore, it is expected that RHD funds will be available to meet the maintenance requirements (Appendix 9).

## **C. Governance**

19. **Institutional and financial management.** RHD has experience in implementing ADB-funded projects, and has established accounting, reporting, and budgeting procedures in line with government regulations. ADB's financial management assessment concluded that the overall financial management risk of RHD is *moderate* mainly because of some gap between ADB's financial reporting and auditing requirements and the country's audit manual. RHD has agreed to implement an action plan to address the risks identified in the updated FAM. RHD submitted audited project financial statements, but did not provide timely reconciliation with ADB-disbursed amounts. To improve the quality of audited project financial statements, ADB engaged a national financial management specialist under the attached TA to help RHD project directors prepare the project financial statements of ADB-funded projects.

20. **Procurement and anticorruption.** A project procurement risk assessment was conducted (Supplementary Appendix 2). Although procurement for the major civil works has been completed, the overall procurement risk rating is still *moderate*. ADB should closely monitor the implementation of the civil works contracts. RHD has published on its website (i) procurement

information relating to the project, including business opportunities; and (ii) the project implementation track record. Procurement of works for the construction of the Hatikamrul Interchange and the RRTC and the establishment of ROUs will follow ADB's Procurement Guidelines (2015, as amended from time to time), use bidding documents that are in line with ADB policies, and include a policy statement on avoiding corrupt practices. ADB will recruit a consultant for traffic data collection and transport model development following ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

21. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and RHD. The specific policy requirements and supplementary measures are described in the updated FAM.

#### **D. Poverty, Social, and Gender**

22. **Poverty.** Overall, poverty rates in the project districts crossed by the road range from 19% to 47%, compared to the national average of 24%, with the main sources of income being business, day labor, and agriculture. The project is expected to improve accessibility between Dhaka and the northwestern region of Bangladesh. This will facilitate intraregional and international trade and contribute to poverty reduction (Appendix 10).

23. **Social.** Road safety remains a major challenge, with pedestrians, bicyclists, and motorcyclists accounting for 80% of fatalities. The project is expected to reduce road accidents and fatalities through the inclusion of key safety design features, notably lanes dedicated to slow-moving vehicles (i.e., rickshaws, bicycles, motorcycles, and tractors) and footbridges for pedestrians. The project's key beneficiaries are the estimated 15 million residents in the districts, as well as businesses, particularly those in the trade sector.

24. While Bangladesh has a low HIV/AIDS prevalence rate of 0.7% reported among high-risk groups, it remains a major source of internal and cross-border human trafficking. The project may cause an increase in sexually transmitted infections, including HIV/AIDS, or human trafficking as a result of improved road connectivity. The project provides benefits to local people including women by engaging them in consultation meetings and employing them for the civil works. In addition, the contractors, including the labor force (male and female), have received training on HIV/AIDS and human trafficking awareness and prevention since August 2016. As of 5 August 2019, 861 participants have participated in the HIV/AIDS awareness training, of which 425 (49.36%) are females.

25. **Gender.** This project is classified *effective gender mainstreaming*. The timeline for the implementation of the project's gender action plan has been updated. However, the plan continues to have the following gender-mainstreaming features: (i) integrated gender-responsive and safety design features (i.e., SMVT lanes, footpaths, and pedestrian footbridges); (ii) road safety awareness campaigns for communities along the corridor with specific gender targets for pedestrians (target 50% women), drivers, parents, schoolchildren (target 50% schoolgirls), and professional drivers; (iii) a public awareness campaign on preventing sexually transmitted diseases and human trafficking, targeting an audience with 50% women; (iv) proactive measures to support the rehabilitation of women who need to be resettled; (v) a target of at least 15% of the road maintenance teams to be women; (vi) a target of at least 40% of tree plantation program teams to be women; and (vii) an impact evaluation study on the gender responsiveness of phase 1 (Appendix 11).

## E. Safeguards

26. In compliance with ADB's Safeguard Policy Statement (2009), tranche 2 has been classified as follows.<sup>11</sup>

27. **Environment (category B).** For phase 2, two initial environmental examinations (IEEs) for (i) Elenga–Hatikamrul Road, and (ii) Hatikamrul–Rangpur Road were prepared in May 2017. In addition, for tranche 2, IEEs for the Hatikamrul Interchange and RRTC were prepared and disclosed in September 2019 (Appendixes 12 and 13). Work for the establishment of ROUs involves only the installation of roadside equipment and facilities along the Elenga–Hatikamrul–Rangpur Road. The environmental safeguards and management required for the work is covered by the IEEs for the Elenga–Hatikamrul Road and the Hatikamrul–Rangpur Road. For phase 1, four IEEs for (i) Joydeypur–Chandra–Tangail–Elenga Road, (ii) the RHD office building, (iii) Benapole Land Port, and (iv) Burimari Land Port were disclosed in July 2012, and a supplementary IEE for construction of the road safety and gender-responsive structures on the Joydeypur–Chandra–Tangail–Elenga Road is being prepared.<sup>12</sup> These project roads do not pass through any environmentally sensitive areas. The environmental impacts are mostly confined to the construction period, and mitigation measures have been proposed in the EMP.

28. Environmental due diligence shows that most of the environmental safeguard provisions in the loan agreements for tranche 1 and phase 1 are being complied with. For tranche 1, construction works are still in the preliminary stage. Site-specific EMPs for contractors' camps, stackyards, and road construction, based on the EMP included in the bidding documents, have been submitted by the contractors. The contractors have deployed environment, health, and safety experts on-site. Environment specialists of PIC were mobilized in March and April 2019. For phase 1, the noise level at the construction site exceeded the national standard. The contractors have been requested to take remedial measures to reduce the noise level, including the installation of noise barriers at populated areas and scheduling of works only in the daytime. Most of the mitigating measures in the EMP are being complied with by the contractors. However, occupational health and safety needs to be improved, including the cleanliness of toilets in the workers' camps, the provision of safe water and personal protective equipment, and the installation of firefighting equipment for vulnerable workers in the camps. The environmental due diligence report is in Appendix 14.

29. **Involuntary resettlement (category A).** For this project, three resettlement plans were prepared in May 2017 for (i) improvement of the Elenga–Hatikamrul Road to a 4-lane highway, (ii) the Hatikamrul Interchange, and (iii) improvement of the Hatikamrul–Rangpur Road to a 4-lane highway. The resettlement plans have been grouped into non-titleholders and titleholders. The non-titleholder resettlement plans for the Elenga–Hatikamrul Road and the Hatikamrul–Rangpur Road have been updated and disclosed in September 2019, while that for the Hatikamrul Interchange and the three titleholder resettlement plans are still being updated. The construction of the RRTC and establishment of the ROUs will be carried out on RHD's land and the right-of-way of the project road; thus no resettlement plan is required. For phase 1, two resettlement plans for the (i) Joydeypur–Chandra–Tangail–Elenga Road, and (ii) RHD office building were prepared in June–July 2012. A supplementary resettlement plan was prepared for the road safety and gender-responsive structures on the Joydeypur–Chandra–Tangail–Elenga Road and finalized in September 2019.

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<sup>11</sup> ADB. [Safeguard Categories](#).

<sup>12</sup> The scope of tranche 1 includes construction of safety and gender-responsive features of the Joydeypur–Chandra–Tangail–Elenga Road. Tranche 2 will not finance the phase 1 project.

30. For the upgrading of the Elenga–Hatikamrul–Rangpur Road, 196.93 hectares of land will be acquired and 17,204 households, comprising 5,027 titled households and 12,177 nontitled households, will be affected. An implementing nongovernment organization (INGO) engaged by RHD has completed the census and inventory of the losses of 5,037 nontitled affected households, and prepared 39 land acquisition proposals, as required under the national law, and submitted these to the deputy commissioners' offices. RHD has allotted funds with the deputy commissioners of Sirajganj, Bogra, and Gaibandha districts, but only the deputy commissioner of Sirajganj district has started payment to the entitled households. The grievance redress committee has been formed and is functioning. With the acceptance of the updated nontitleholder resettlement plan, the contractors can start construction of the additional two-lane carriageways within the existing right-of-way. To build the road safety and gender-responsive structures under phase 1, 35.39 hectares of land were acquired with assistance from another INGO engaged by RHD. Skills training on livelihood restoration was provided to 360 vulnerable affected households, covering 64% of the expected recipients. The RHD is considered to have adequate capacity to implement the relevant resettlement plans given the current institutional set-up, including the involvement of the INGO to facilitate and assist with the implementation. Public consultations and information disclosure have been adequately undertaken and documented in the resettlement plans. The social due diligence report is in Appendix 15.

31. **Indigenous peoples (category C).**<sup>13</sup> The project roads do not affect tribal lands, and the survey confirmed that no indigenous person is affected.

#### F. Summary of Risk Assessment and Risk Management Plan

32. Significant risk and mitigating measures are summarized in Table 4 and described in detail in the updated risk assessment and risk management plan.<sup>14</sup>

**Table 4: Summary of Risks and Mitigating Measures**

Risk	Mitigating Measures
Implementation delay	The implementation delay is caused by slow land acquisition and resettlement. The resettlement plans have been grouped into nontitleholders and titleholders, and the nontitleholders' resettlement plans were being updated immediately so that the contractors were able to start works within the right-of-way. Also, a national resettlement specialist has been engaged under the attached technical assistance for facilitating and monitoring implementation of land acquisition and resettlement (timeline: ongoing)

Source: Asian Development Bank.

#### V. ASSURANCES AND CONDITIONS

33. The government and RHD have assured ADB that implementation of the project shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the updated FAM and loan documents.

34. The government and RHD have agreed with ADB on certain covenants for the project, which are set forth in the loan agreement.

<sup>13</sup> Tribes, minority races, ethnic sects and communities as per the Bangladesh Constitution.

<sup>14</sup> The updated risk assessment and risk management plan is in Appendix 16.

35. The government and RHD have also agreed with ADB on the following condition for loan effectiveness of tranche 2: the project implementation unit's accountants shall have been trained on ADB's policies and procedures for disbursement and financial reporting and auditing.

## **VI. THE PRESIDENT'S DECISION**

36. On the basis of the approval by ADB's Board of Directors for the provision of loans under the multitranche financing facility in an aggregate principal amount not exceeding the equivalent of \$1,200,000,000 to the People's Republic of Bangladesh for the South Asia Subregional Economic Cooperation Dhaka–Northwest Corridor Road Project, Phase 2, the President has approved the tranche as described in para. 10 and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement.



## DESIGN AND MONITORING FRAMEWORK FOR TRANCHE 2

<b>Impacts the Project is Aligned with</b>			
(i) An efficient and modern road transport system in Bangladesh achieved (Seventh Five Year Plan, FY2016–FY2020) <sup>a</sup> (ii) Subregional connectivity and trade improved (Seventh Five Year Plan, FY2016–FY2020) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b> Road connectivity of the Dhaka–Northwest international trade corridor improved	By 2028 Use of project roads (average daily vehicle-km in the first full year of operation) reaches 8.31 million vehicle-km (2016 baseline: 4.20 million vehicle-km) (RFI13)	RHD project performance report	Inadequate post-project road operation and maintenance
<b>Outputs<sup>b</sup></b> 1. Elenga–Hatikamrul–Rangpur Road of the Dhaka–Northwest international trade corridor upgraded  2. RHD’s institutional capacity in road operation and management enhanced	By 2027 1a. 190 km of road upgraded with climate-resilient design (2016 baseline: 0 km) (RFI15)  1b. Gender-responsive infrastructure, including 380 lane-km of SMVT lane, 7.5 lane-km of footpath, 25 footbridges, and 39 underpasses constructed (2016 baseline: 0)  2a. One road research and training center in Dhaka and three road operation units for road safety, maintenance, and overloading control established along the corridor (2016 baseline: 0)  2b. Road Master Plan updated (2016 baseline: not applicable)	1a–b. RHD project performance report  2a. RHD project performance report  2b. Updated Road Master Plan	Unstable security conditions delay project implementation
<b>Key Activities with Milestones</b>			
<b>1. Elenga–Hatikamrul–Rangpur Road of the Dhaka–Northwest international trade corridor upgraded</b> 1.1 Engaged project implementation consultants in October 2018 1.2 Complete bidding process for civil works (road sections) by Q4 2019 1.3 Complete bidding process for civil works (Hatikamrul Interchange) by Q3 2020 1.4 Complete construction of all civil works by Q3 2023 1.5 Implement performance-based maintenance			
<b>2. RHD’s institutional capacity in road operation and management enhanced</b> 2.1 Prepare an action plan to establish a road research and training center by Q3 2019 2.2 Prepare an action plan to establish road operation units along the Dhaka–Northwest corridor by Q3 2019 2.3 Complete bidding process for works and supply contracts by Q3 2020 2.4 Update the Road Master Plan by Q3 2021			

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks																				
2.5 Implement the action plans by Q4 2025 2.6 Implement road maintenance, road safety, and overloading control functions through road operation units																							
<b>Project Management Activities</b> Project implementation unit established in January 2017 Project progress reports submitted quarterly Project completion report submitted within 6 months of loan closure																							
<b>Inputs</b> ADB: \$1,200,000,000 (multitranche financing facility), \$2,000,000 (technical assistance grant) <table border="1" data-bbox="305 579 1130 768"> <thead> <tr> <th></th> <th>Tranche 1</th> <th>Tranche 2</th> <th>Tranches 3-4</th> </tr> </thead> <tbody> <tr> <td>Output 1</td> <td>13%</td> <td>47%</td> <td>40%</td> </tr> <tr> <td>Output 2</td> <td>61%</td> <td>39%</td> <td>0%</td> </tr> <tr> <td>Output 3</td> <td>100%</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Total</td> <td>\$300,000,000</td> <td>€360,000,000 (\$398,376,000)</td> <td>\$501,624,000</td> </tr> </tbody> </table> Government: \$472,600,000					Tranche 1	Tranche 2	Tranches 3-4	Output 1	13%	47%	40%	Output 2	61%	39%	0%	Output 3	100%	0%	0%	Total	\$300,000,000	€360,000,000 (\$398,376,000)	\$501,624,000
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<b>Assumptions for Partner Financing</b> Japan International Cooperation Agency will finance the Western Bangladesh Bridge Improvement Project through a loan of ¥29,340 million as collaborative cofinancing.																							

ADB = Asian Development Bank, FY = fiscal year, km = kilometer, Q = quarter, RFI = results framework indicators, RHD = Roads and Highways Department, SMVT = slow-moving vehicular traffic.

**Contribution to the ADB Results Framework**

RFI 13: Use of roads built or upgraded. Target: 8.31 million average vehicle-kilometers per day in the first year of operation.

RFI 15: Roads built or upgraded. Target: At least 190 km of roads upgraded.

<sup>a</sup> Government of Bangladesh, Planning Commission, General Economics Division. 2015. *Seventh Five Year Plan, FY2016–FY2020: Accelerating Growth, Empowering Citizens*. Dhaka.

<sup>b</sup> Being a time sliced MFF, the project outputs will be achieved only when all of the phased tranche have been completed.

Source: Asian Development Bank.