## PROJECT INFORMATION DOCUMENT (PID)  
### APPRAISAL STAGE

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Second Rural Transport Improvement Project (P123828)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>SOUTH ASIA</td>
</tr>
<tr>
<td>Country</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>Sector(s)</td>
<td>Rural and Inter-Urban Roads and Highways (97%), Agro-industry, marketing, and trade (2%), Ports, waterways and shipping (1%)</td>
</tr>
<tr>
<td>Lending Instrument</td>
<td>Specific Investment Loan</td>
</tr>
<tr>
<td>Project ID</td>
<td>P123828</td>
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<tr>
<td>Borrower(s)</td>
<td>Economic Relations Division, Ministry of Finance</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>Local Government Engineering Department</td>
</tr>
<tr>
<td>Environmental Category</td>
<td>A-Full Assessment</td>
</tr>
<tr>
<td>Date PID Prepared</td>
<td>15-Mar-2012</td>
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<tr>
<td>Estimated Date of Appraisal Completion</td>
<td>12-Mar-2012</td>
</tr>
<tr>
<td>Estimated Date of Board Approval</td>
<td>03-May-2012</td>
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### I. Project Context
#### Country Context
1. Bangladesh, with a population of about 150 million and a land area of 147,570 square kilometers is amongst the most densely-populated countries in the world. The country is vulnerable to natural disasters and extremely sensitive to climate change impacts. However, the economy of Bangladesh has grown steadily during recent years due to macroeconomic stability, trade liberalization, improved private sector investment climate and financial sector reform. Further, poverty has also decreased in the recent years, keeping Bangladesh on track to meet the Millennium Development Goal of halving extreme poverty by 2015. Improved infrastructure, particularly roads, during the last decade, has deeply supported economic growth and poverty reduction. This strong performance is expected to continue if exports continue to grow, remittances continue to recover and infrastructure services and connectivity is improved.

2. Bangladesh, however, still needs to overcome large issues of weak governance, urban congestion and under-investment in basic rural infrastructure. Poverty reduction remains a major challenge as 35 percent of Bangladesh’s population still lives in poverty. Despite growing urbanization, the agricultural based rural economy remains critical for growth and employment. Improved rural transport infrastructure therefore, is key to meeting challenges for rural connectivity and poverty reduction, where most of the poorest populations (73 percent) live.

### II. Sectoral and Institutional Context
#### Rural Transport Sector
3. Rural transport infrastructure in Bangladesh consists of rural roads, rural waterways and rural markets. The rural road network consists of 37,819 km of Upazila Roads (UZR), 44,752 km of Union Roads (UR) and 215,774 km of Village Roads. There are over 8,000 markets of different sizes throughout Bangladesh, 2,100 of which have been selected by the Planning Commission as priority Growth Center Markets (GCM). About 24,000 km of rural waterways offer a very high degree of penetration in rural areas where 25.1 percent of the total country’s population has access to water transport.

4. About 63 percent of Bangladesh’s rural population remains without access to all-season roads compared to 39 percent in Pakistan. Populations without all season access suffer from poor accessibility and road connectivity, higher vehicle operating costs and transport costs and face isolation during rainy seasons. Lack of maintenance rural transport network also further deteriorates connectivity and accessibility.

#### Rural Roads
5. About 43 percent of paved rural roads and all unpaved roads are in poor condition. Almost 70,000 gaps (drainage), about one gap per kilometer, remain on the upazila and union road network, 670,000 meters of bridges and culverts remain to be built, thus limiting rural access to all-season roads. Since 1995, the Government of Bangladesh (GoB) with support of the World Bank, has implemented the Rural Roads and Market Improvement and Maintenance Projects (RRMIMP-I & II) and the ongoing Rural Transport Improvement Project-I (RTIP-I). The recently implemented RTIP (to be closed by 30 June 2012), with credit amount of $210 million covered improvement of rural infrastructure in 21 districts comprising: (a) improvement of 1100 km of Upazila roads; (b) improvement of 500 km of Union roads; (c) periodic maintenance of 1500 km Upazila roads, (d) construction of 15,000 linear meter of drainage bridge/ culvert on Union roads; (e) improvement/ construction of 150 rural markets and 45 rural jetties; (d) technical assistance for project implementation. Yet the maintenance requirements continue to grow, therefore, more emphasis is being placed on the maintenance of rural roads in the future.

6. The Second National Strategy for Accelerated Poverty Reduction and GoB’s 6th Five-Year Plan emphasizes the development of rural roads linking growth centers, union parishad headquarters, upazila parishad headquarters and social service institutions. The National Strategy also emphasizes: (a) prioritizing pro-growth infrastructure, including growth centers and other rural markets with provision for women market sections, submersible roads and flood shelters; and (b) ensuring women’s participation and prioritizing their needs, including increased
involvement in road construction and maintenance in the proposed new projects.

Rural Roads Development-

7. Government budgetary policy for rural road maintenance is inadequate, and unsustainable. Although the rural road maintenance budget has steadily increased in the last ten years, backlogs continue to grow. This year, only about 23 percent of the maintenance requirements are being met. The Government drafted a maintenance policy expected to be presented to the Cabinet for approval this fiscal year. The Bank comments have been incorporated in the draft including the promotion of the performance-based maintenance contracts. Furthermore, the Bank has recommended that the policy be supplemented by a maintenance strategy for the next ten years (with different scenarios of backlog clearance and levels of service, including a business plan). The maintenance strategy will provide a foundation for the Planning Commission, Ministry of Local Government, Rural Development and Cooperatives (MLGRD&C) and Ministry of Finance to agree on how to provide sustainable and adequate maintenance funding.

8. The road safety situation in Bangladesh is serious and deteriorating. The most vulnerable road users – pedestrians, poor people and children – suffer the most serious consequences of road crashes. Road crashes overall in the country claim about 4,000 lives a year according to police data. Bangladesh's accident data collection is weak with significant under-reporting, and focuses mainly on national highways (actual fatalities are estimated to be more than double this number). The annual socio-economic costs of this public health problem represent around two percent of GDP. No reliable data on accidents on rural roads is however available, though an estimated 7 to 15 percent of accidents occur on the rural roads. While rural roads managed by LGED are not the most risky in Bangladesh in terms of road safety, large and preventable safety concerns exist, such as instances of overtaking, overloading, simultaneous presence of slow moving and fast moving traffic, and abundance of non-motorized vehicles with very poor night visibility (rickshaws). The Rural Transport Safety pilot implemented under the RTIP-I introduced safety improvements on selected roads through a combination of technical measures, awareness and capacity building activities and local participation in the design and implementation of road safety programs.

Inland Waterways

9. A substantial portion (12.3 percent) of the rural population in Bangladesh has inland water transport as its only mode of transport. Inland Water Transport (IWT) is important for the poor as it is cheaper than road or rail transport. Furthermore, it provides access to very remote areas and offshore islands where there is neither road nor railway communication. An estimated 745,000 country boats ply the rivers in Bangladesh of which 464,000 are used for passengers and 261,000 for cargo. The country boat sector is also a major source of employment in rural areas, estimated to employ about 3.8 million workers. However, Inland waterways authority of Bangladesh can barely manage 6000 km out of about 24,000 km of waterways. Unmaintained rural waterways have reduced navigability during the dry season, limiting access to markets and services. Rural water transport services are also poor and often unsafe due to large volumes of accidents. Vessels are often overloaded, and waterways do not offer navigational aids. They lack adequate on-board facilities, such as toilets, making long trips difficult for women.

Growth Center Markets (GCM)

10. Integrated development of markets and roads has been a cornerstone of the rural infrastructure development strategy. High population density, high productivity of land, and small-scale farming activities provide a favorable basis for intensive trading of goods and services from rural areas. GCMs are planned and designed in consultation with users and other local stakeholders, and are managed and operated by a market management committee. GCMs can be improved by providing dry paved areas above flood level, adequate drainage, sheds, selling areas, clean water supply and latrines. Women Market Sections in GCMs provide disadvantaged women with culturally appropriate income-generating opportunities.

11. Improvement in the livelihood of rural populations. Impact assessment studies, of recently completed rural improvement interventions in Bangladesh confirmed the benefits of rural road improvements, including reduction in transport costs, passenger and freight fares; increase in women participation in labor markets; increased access to markets and healthcare, particularly for women; and increase in rural economy diversification. In previous project areas, household expenses for transport alone decreased an average of 37 percent. Agricultural wages in villages along improved rural roads increased by 27 percent compared to non-project villages, fertilizer price decreased by five percent, aggregate crop index increased by four percent and agricultural output increased from 30 to 38 percent. The overall poverty effect of road improvement was significant with poverty falling by about one percent. Further, rehabilitation of Growth Center Markets (GCM) stimulated trade and economic activities by women. Hence, rural road development is critical for improving living conditions and poverty reduction in rural areas.

12. The Executing Agency responsible for rural transport infrastructure in Bangladesh is a better performing government agency poised for further capacity building. While the Roads and Highways Department (RHD) under the Ministry of Communication is responsible for developing and maintaining national, regional and Zila roads, the Local Government Engineering Department (LGED) under the Ministry of Local Government, Rural Development an Cooperatives (MLGRD&C) is entirely responsible for upazila and union roads (rural roads). LGED is recognized by the GoB and development partners as capable agency that can efficiently deliver projects. However, areas of LGED’s operations and capacity must be further strengthened to meet the growing needs and to ensure road development and maintenance gaps are met.

III. Project Development Objectives
The proposed Project Development Objective is:
To improve rural accessibility in project areas (covering 26 districts) and strengthen institutional capacity for sustainable rural road maintenance.

IV. Project Description
Component Name
Accessibility Improvement Component
Institutional Strengthening, Capacity Building and Governance Enhancement Component
Rural Transport Safety Component
V. Financing (in USD Million)

<table>
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<tr>
<td>BORROWER/RECIPIENT</td>
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<tr>
<td>International Development Association (IDA)</td>
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<td>Total</td>
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VI. Implementation

13. The Local Government Engineering Department (LGED) under the Ministry of Local Government, Rural Development and Cooperatives (MOLGRD&C) will be responsible for the overall execution and implementation of the project. LGED has extensive experience implementing donor-funded projects including by the World Bank. LGED established a Project Monitoring Unit (PMU), which will be headed by a Project Director and two headquarters-based Deputy Project Directors (DPD) associated staff (re: LGED Organogram annexed), that will be primarily responsible for carrying out day-to-day project implementation. Additionally, two Deputy Project Directors will be based in the field for additional management and oversight support. A Management Support Consultant (MSC) and two Design and Supervision Consultants (DSCs) will provide direct support the PMU to monitor and evaluate the project implementation. Each DSC will cover 13 of the 26 project districts. The two DSCs will be responsible to prepare programs (RPM, PBMC) beyond first year program.

14. LGED’s decentralized units in the districts headed by the Executive Engineers and staff will be responsible for implementation activities on the ground. Respective DSCs will work in coordination with the Executive Engineer to supervise the Project implementation with support from experts in technical, social, environmental, procurement and financial management matters.

15. Project Steering Committee (PSC) will be established to provide oversight and undertake periodic review of project implementation progress and results. The PSC will be chaired by the Secretary of the Local Government Division (MoLGRD&C) and will be comprised of Chief Engineer, LGED, and other senior representatives of the LGED, MOLGRDC, the Ministry of Planning and the Ministry of Land.

16. Financial Monitoring. The PMU will have a financial management section headed by a Financial Management (FM) Specialist. The FM specialist will report to the Project Director and be assisted by adequate number of Accounts Officer(s), Accountant(s) and other support staff.

17. Procurement Arrangements. Information on the procurement guidelines, planning, particular methods of goods, works, consultancy, non-consultancy services, prior/ post review requirements are included in the Procurement Plan, which will be updated at least semi-annually, as mentioned in the Procurement section below.

18. Environmental and Social Safeguards (including Gender and Grievance Mechanism) Management. An environmental management and social impact management framework have been adopted since the design and selection of the project components beyond first year program will be undertaken during the implementation. Specific environmental assessment and mitigation, resettlement action plans will be prepared and implemented. The detailed arrangements including gender mainstreaming, grievance redressal mechanisms are described in the subsequent respective sections below.

19. The Project Environmental Unit headed by an Executive Engineer, established under the RTIP, will continue to coordinate the environmental management of the project. Two additional Junior Environmental Specialists will be hired through the DSC, and one additional Senior Environmental Specialist through the MSC for environment screening/assessment, supervision and monitoring. In addition, the integrated performance audit as well as the Bank’s regular implementation support missions will cover environmental aspects of the project and compliance with EMF/EMPs as well as World Bank safeguard policies.

20. The Borrower’s Project Implementation Plan (BPIP) will guide LGED, Consultants and Contractors in carrying out their responsibilities during implementation. The BPIP will serve as a living document routinely updated to accommodate ongoing implementation arrangement changes.

21. LGED will submit quarterly reports in an appropriate format to the GOB and the Bank no later than 15 days after the end of each quarter. The PD/PMU, together with the MSC, will be responsible for preparation of the quarterly report on overall progress, major issues, expected completion dates for civil works, progress on institutional components, implementation of SIMF and EMF, training, road safety, M&E, procurement, and financial management issues. The report will include: (1) comparison of actual physical outputs and disbursement with updated forecasts; (2) financial statements; (3) procurement report showing status and contract commitments. Additionally, brief monthly reports will be submitted by the MSC briefing on the ongoing activities and urgent issues requiring immediate attention (format to be provided in the BPIP).

22. To monitor Project progress, two full implementation support missions will be fielded annually by the Bank. Additionally, an Integrated Performance Audit will be undertaken, and a mid-term review of the project will be carried out by about November 2015. An Implementation Completion and Results Report (ICR) will be submitted to the Bank no later than six months after the closing date.

VII. Safeguard Policies (including public consultation)

<table>
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<th>Safeguard Policies Triggered by the Project</th>
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<tr>
<td>Environmental Assessment OP/BP 4.01</td>
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<td>Natural Habitats OP/BP 4.04</td>
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<td>Physical Cultural Resources OP/BP 4.11</td>
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</table>
VIII. Contact point

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