I. Introduction and Context

Country Context

1. The potential for the South Asia Region to raise growth through increased intra-regional trade is enormous, but presently this is hindered by policy, administrative and physical barriers. The barriers impact the landlocked states and sub-regions the most, increasing their transport costs considerably since landlocked regions depend on their neighbors for access to the sea for third-country trade and cannot control shipping conditions outside of their borders. Estimates suggest that annual intra-regional trade in the region could increase from the current US$5 billion to US$20 billion, if restrictions on trading with neighbors were removed.1

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2. Bangladesh has made great strides in developing an extensive transport system to support the needs of its growing export-oriented economy. It boasts a growing network of highways and rural roads, inland waterways, two seaports, maritime shipping, and a railway system. Major road corridors connecting Dhaka with key economic centers and towns and a network of village roads connecting communities to market centers and the main roads have been developed.

3. Strong economic growth over the past decades has been accompanied by even faster growth in transport demand, estimated at 9 percent per year. Much of this growth has been met by road transport, the dominant mode of transport making up 88 percent of total transport needs. However, the road network is poorly managed and maintained with only 40 percent of main roads in good condition. The poor performance of the Chittagong-Dhaka Corridor (DCC), the country’s most important trade link serving more than two-thirds of import and export flows, has been identified as one of the key constraints to industry growth. Within the corridor, road transport handles just over half the traffic, and Dhaka-Chittagong highway is congested from the high volume of traffic, as well as from bottlenecks at specific locations such as bridges and intermediate centers.

4. Bangladesh’s over-dependence on the road network suggests the country needs a more integrated, multi-modal transport network to further bolster export-led growth. Being a country with many rivers, Inland Water Transport (IWT) has great potential for the transport of goods and people. IWT is important for the poor as well as for the competitiveness and growth of the economy as it is the cheapest mode of transport compared to road or rail. However, the sector has received little attention with only limited resources allocated to its development. The waterways receive only about 1 percent of funding under the government’s allocation to transport in the Annual Development Program, with roads receiving 80 percent. Unmaintained 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.

**Chittagong and Mongla Ports**

5. Chittagong is the main seaport of Bangladesh, handling 1.4 million teus p.a. or more than 95% of all import/export containers. The present total dwell time at the port is 17 days (it was 25 a number of years ago), is well above the 3-4 days typical of efficient ports. The way in which Chittagong Port is organized does not expedite traffic, and Customs control is insufficient. The infrastructure is in poor condition, with disused transit sheds, and most de-stuffing of containers takes place in unsheltered areas, with risk of damage to the goods in case of rain. Mongla Port meanwhile handles about 40 thousand teus and 3 million tonnes of cargo p.a. Traffic has fluctuated widely in past years, mainly due to siltation not attended to, but has demonstrated strong growth in the past 4 years. Most of the cargo the Mongla Port Authority handles is in containers. Only smaller vessels can service the port due to its limited depth. In the global context, Chittagong and Mongla suffer from lower productivity than should be expected given their respective infrastructure and equipment base. In both ports there are plans for further development of the basic infrastructure, but the principal focus for both ports would need to be on significantly improving operational productivity, which in turn will optimize use of already existing infrastructure assets.
Bangladesh’s Border Posts/Land Ports

6. Geographically, Bangladesh is well located to play an important role in the South Asia Region as a logistics and transit country. It can facilitate movements between several surrounding countries especially between mainland India and the North East Region (NER) states, and landlocked Nepal and Bhutan as well as overland trade flows between South Asia and Myanmar and the rest of East Asia. Of the various flows, the greatest potential lies in the traffic moving between mainland India and the NER States. In 2009 estimates were that more 40 million tonnes of traffic move annually through the Siliguri Corridor, the Chicken’s Neck between mainland India and the NER. In addition, another close to 1 million tonnes also move between Kolkata and Nepal and Bhutan. There is therefore potential that in addition to current bilateral flows, the Bangladesh borders could handle a significant proportion of the more than 41 million tonnes of traffic. These numbers reflect the current difficult long transit route and do not reflect the enormous trade volumes that could increase should a more direct transit route through Bangladesh be facilitated.

Relationship to CPS

7. The project contributes to key strategic priorities outlined in the South Asia Regional Strategy and Bangladesh Country Assistance Strategy (Report No. 54615-BD). The 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 2012 and 2013 specifically recognize the importance of regional trade and transport systems for the South Asia Region.

8. The Country Assistance Strategy for Bangladesh prioritizes national and regional multi-modal transport systems and regional trade and integration as objectives that would help the country address its poverty alleviation and sustainable development goals. It notes that the Bank will support analytical work aimed at deepening the understanding of future sources of growth, especially regional integration which is a cross-cutting dimensions in the CAS.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

9. The development objective is to support analysis of institutional and management constraints related to trade and transport facilitation, and preparation of potential investments to facilitate national and regional trade and transport for Government and Development Partner support.
Key Results (From PCN)

<table>
<thead>
<tr>
<th>Intermediate Outcome(s)</th>
<th>Indicator(s)</th>
<th>How Indicators Will Be Measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development financing informed</td>
<td>Preparation of new operation informed, Mobilization of non-Bank resources informed, Government expenditure informed</td>
<td>The satisfactory completion of proposed studies will inform the preparation of new operations, mobilization of resources, and Government expenditure</td>
</tr>
<tr>
<td>Policy/strategy informed</td>
<td>Government policy/strategy informed, Bank country strategy informed, Bank sector strategy informed</td>
<td>The satisfactory completion of proposed studies will inform these strategies</td>
</tr>
<tr>
<td>Innovative approaches &amp; solutions generated</td>
<td>New innovative approach fostered</td>
<td>The studies should propose at least one approach not currently frequently used by Government in the IWT and ports sector but is considered a global good practice, such as performance-based dredging, land lord port approach, different models for private sector participation</td>
</tr>
</tbody>
</table>

III. Preliminary Description

Concept Description

10. This Recipient-Executed Trust Funded (RETF) Project will fund the following studies. Technical assistance will be incorporated in the terms of references for the consultants conducting the studies as needed.

   i. IWT Dredging: Strategic prioritization of IWT routes, and dredging feasibility and design study for prioritized IWT routes (US$2.7 million, Projected Completion Phase 1 December 2014, Phase 2 June 2015).
   
   ii. Improvement of Sea Ports: Feasibility and design study for Karnafuli Container Terminal (KCT) at Chittagong (US$0.6 million, Projected Completion December 2014).
   
   iii. Thegamukh LCS Development: Feasibility, design and safeguards studies for Thegamukh (and possibly other LCS/land ports) Land Customs Station (US$0.3 million, Projected Completion December 2014).
   
   iv. Chittagong Hill Tracts Connectivity: Feasibility study of route options to connect Thegamukh and Chittagong Port, including environmental and social screening and alternatives analysis, followed by detailed designs of selected option (US$0.4 million, Projected Completion June 2015).
   
   v. Environmental and Social Safeguards Studies: for proposed investments or related to studies in Components 1, 2, and 4 (US$0.7 million)
      - Environmental and Social Safeguards Studies for studies/investments managed by Ministry of Shipping, i.e. Components 1 and 2 (safeguards studies for Component 3 will be done as part of the technical study).
- Environmental and Social Safeguards Studies for studies/investments managed by LGED, i.e. Component 4
  vi. PMU Capacity Support (US$.299 million)

IV. Safeguard Policies that Might Apply

11. The feasibility and preliminary design studies under the project will lead to major investments in the Chittagong Hill Tracts (CHT) districts, Chittagong sea port, and along Inland Water Transport (IWT) routes and river ports across the country. The areas both north and south of Kaptai Lake of Rangamati (in CHT), at least one of which will likely be affected by the selected Chittagong-Rangamati-Thegamukh LCS transport connectivity route, are particularly sensitive from an environmental perspective, especially the areas of the Rampahar and Pablakhali Wildlife Sanctuaries. The CHT areas also have presence of tribal peoples in their ancestral territories with distinct culture, language and livelihood practices. These peoples will be socially impacted by the growth in transportation and commerce in that region.

12. Although the studies to be conducted under this RETF project will not themselves generate any adverse environmental or social impacts, the future infrastructure investments which are the focus of these studies may have significant potential environmental and social impacts. Based on these considerations, the RETF is classified as Environmental Category "A". Classification of the TA as a Category A project will ensure that the environmental and social studies to be carried out through the project will meet Bank safeguards standards, such that any potential future World Bank investment project to finance any of the activities being studied under this project would require minimal if any additional preparation-stage environmental and social impact assessment work to ensure safeguards compliance. Full environmental and social studies, and development of related environmental, social, resettlement and tribal peoples action plans, will thus be conducted in accordance with World Bank Safeguards and Government of Bangladesh policies as part of the proposed RETF. Impact assessment and management planning through the studies will ensure that future investments adequately avoid, minimize mitigate and/or compensate for all identified impacts.

13. World Bank safeguard policy OP/BP 4.01 (Environmental Assessment) has been triggered to ensure that the studies focus on avoiding, reducing, mitigating and managing adverse impacts and enhancing positive environmental and social impacts of the potential future investments. Significant environmental issues associated with the future potential investments relate to dredging of prioritized IWT routes from among the 53 pre-identified routes; river and land ports development; reconstruction of Karnaphuli Container Terminal; and establishment of Chittagong-Rangamati-Thegamukh road connection. Natural Habitats (OP/BP 4.04), Pest Management (OP 4.09), Physical Cultural Resources (OP/BP 4.11) and Forests (OP/BP 4.36) have been triggered as precautionary measures; their applicability and necessary compliance actions under each will be verified in the course of execution of the various studies corresponding with each potential investment noted above. The environmental studies will also conform to requirements for EIAs and Environmental Clearance Certificates as per Bangladesh’s Environmental Policy (1992), Environment Conservation Act (1995), Environment Conservation Rules (1997), as well as other applicable requirements specified under the Wildlife Conservation (protection and safety) Act (2012) and Fisheries Policy (1998).
14. The social safeguard policies -- Indigenous Peoples (OP/BP 4.10) and Involuntary Resettlement (OP/BP 4.12) -- have been triggered, given that some of the investments which are the focus of study are planned in areas where a significant number of tribal peoples\(^2\) live (e.g., CHT area), and at least some of the physical works associated with various proposed investments under study will require displacement of people and/or economic activities due to land acquisition. The future investment activities under study would involve acquisition of land which, in many cases, will result in displacement of people and economic activities. For the proposed Chittagong-Rangamati-Thegumukh connectivity route, displacement is likely to involve tribal peoples in the CHT areas. Governance and land management in the CHT area is different from the rest of the country, so lands to be acquired for the selected route in the CHT area will need to follow “The Chittagong Hill Tracts (Land Acquisition) Regulations, 1958”, whereas other proposed investments elsewhere in the country requiring land acquisition would follow the “The Acquisition and Requisition of Immovable Property Ordinance, 1982 (Ordinance II of 1982)”. In all cases, compliance with World Bank OP 4.12 on Involuntary Resettlement, as well as additional requirements related to land acquisition for tribal peoples as per OP 4.10 where required, will also be ensured for land acquisition and resettlement planning.

15. With respect to the International Waterways policy (OP 7.50), the policy is triggered; however, since the proposed project is only financing preparatory studies, all sites for proposed investment are not yet known, and no investments will be financed under the project, the project falls under the exception to the notification requirement as per paragraph 7 (a) of OP 7.50.

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>Environmental Assessment (OP/BP 4.01)</td>
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<tr>
<td>Natural Habitats (OP/BP 4.04)</td>
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<tr>
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<tr>
<td>Physical Cultural Resources (OP/BP 4.11)</td>
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<td>Indigenous Peoples (OP/BP 4.10)</td>
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<td>Involuntary Resettlement (OP/BP 4.12)</td>
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<td>Projects on International Waterways (OP/BP 7.50)</td>
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<tr>
<td>Projects in Disputed Areas (OP/BP 7.60)</td>
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<td>X</td>
</tr>
</tbody>
</table>

\(^2\) Tribal peoples are tribes, minor races, ethnic sects and communities living in the Chittagong Hill Tracts and dispersed in other plain districts in Bangladesh. They are distinct indigenous cultural groups having customary cultural, economic, social, or political institutions separate from those of the mainstream society and culture. They have their own indigenous language different than the mainstream Bangla language. These small groups of peoples have similar characteristics of indigenous peoples covered under the World Bank OP 4.10.
V. Financing (in USD Million)

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
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<tbody>
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<td>BORROWER/RECIPIENT</td>
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<tr>
<td>Partnership for South Asia Regional Integration Programmatic TF</td>
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<tr>
<td>Total</td>
<td>4,999,000.00</td>
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</tbody>
</table>

VI. Contact point

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