ASIAN DEVELOPMENT BANK

Bangladesh: Sustainable Rural Infrastructure Improvement Project

Project Name	Sustainable Rural Infrastructure Improvement Project
Project Number	40515-013
Country	Bangladesh
Project Status	Approved
Project Type / Modality of Assistance	Loan
Source of Funding / Amount	**Loan 2696-BAN: Sustainable Rural Infrastructure Improvement Project** Asian Development Fund — US$ 60.00 million **Loan: Sustainable Rural Infrastructure Improvement Project** KfW Bankengruppe — US$ 15.90 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth
Drivers of Change	Governance and capacity development Partnerships
Sector / Subsector	Agriculture, natural resources and rural development - Agricultural policy, institutional and capacity development
Gender Equity and Mainstreaming	Gender equity
Description	The Sustainable Rural Infrastructure Improvement Project (the Project) will reduce poverty and raise incomes in 21 districts of northwest and southwest Bangladesh through fostering economic growth, governance and gender equity. The Project will enhance the accessibility of the rural people to social services, such as health and education and economic opportunities. Widening the access to markets and livelihood activity will result will result in improved earnings for the rural poor including the poor women. Based on the lessons learned from previous projects, project areas have been selected on the basis of high connectivity and poverty concentration, and there will be greater emphasis on fostering gender equity in economic opportunities, ensuring sustainable operation and maintenance, developing climate resilient infrastructure, and considering green elements in the design and implementation of the project.

Project Rationale and Linkage to Country/Regional Strategy	In Bangladesh, rural infrastructure has considerably improve, enhancing the quality of life of rural people. Better rural infrastructure has fostered balanced development of rural economies through mutually reinformcing growth in the farm and non-farm sectors. The mobility of the rural poor has increase, and many are now availing themeselves of health, education, and nongovernment services, as well as a wide range of economic opportunities. Empirical studies confirm that rural infrastructure development in Bangladesh has helped spur economic growth and reduce poverty. Recent experience has shown that better rural infrastructure leads to higher mobility of the rural poor and their farm products. It allows the poor greater access to providers of services, such as health and education, and to off-farm jobs. Rural infrastructure development also helps reduce rural poverty in the following ways: (i) effective road connectivity allows easier movement of labor; (ii) cost-effective transport of produce helps farmers realize higher farm gate prices; (iii) additional traffic volume gives rise to transport-related small businesses, such as service stations, repair shops, food stalls, and guesthouses; (iv) construction of project facilities and after-construction maintenance directly generate jobs for the poor; and (v) poor women have greater access to economic opportunities and new jobs. A study found that rural road investments in Bangladesh cut poverty significantly through increased agricultural production, higher wages, lower input and transportation costs, better educational attainment, and higher output prices.3 Savings in household transport expenses averaged 36% 38%. It also increased output indexes by 30% 38%, road improvements increased men's agricultural wages by 27%, reduced fertilizer prices by about 5%, and raised aggregate crop price indexes by about 4%. Overall poverty incidence fell by about 1 percentage point, solely because of rural road improvements. A 1994 study showed that, in the catchment area of improved facilities, transport charges dropped by 19% for cargo and 23% for passengers, while the volume traded in those markets doubled.4 Motorized traffic grew by 135% and other traffic increased by 85% after the roads were widened and paved. Another study on the impact of rural infrastructure development in Bangladesh found that accessible transportation facilities had raised incomes of the poor profoundly. Rural infrastructure development continues to be a high priority for the Government of Bangladesh as it aims to improve the quality of life of rural people. The framework for investment in rural infrastructure includes (i) developing all-weather upazila (administrative unitsubdivision of a district) roads to provide access to and from growth center markets (GCMs), (ii) improving union and village roads to provide rural people better access to markets and social services, and (iii) improving the infrastructure of GCMs to make trading more efficient. In the National Strategy for Accelerated Poverty Reduction II, the government emphasizes rural infrastructure development with a focus on road connectivity.6 The goal is to link growth centers, union parishad (local government institution) headquarters, upazila headquarters, and social service institutions such as schools and hospitals with the road networks. The Asian Development Bank (ADB) supports inclusive economic growth and poverty reduction in Bangladesh through the strategic priorities identified in the country strategy and program, 2006 2010.7 ADB's Strategy 20208 also advocates rural infrastructure development. Recognizing the importance of rural infrastructure for economic growth and poverty reduction in Bangladesh, ADB and other development partners including KfW have supported the government's efforts to develop rural infrastructure through several projects. Initially focusing on building rural roads, bridges, culverts, and the capacity of local government institutions, ADB broadened its support to include the construction of GCMs, flood shelters, and union parishad offices. Subsequently gender considerations and community participation in rural infrastructure planning, implementation, and operations and maintenance were included. Despite improvements, rural infrastructure in the country remains underdeveloped. Only 37% of the rural population has access to all-weather roads, compared with 60% in India and 61% in Pakistan. In South Asia, 57% of road networks are paved, while only 25% are paved in Bangladesh. This indicates poor road connectivity, higher vehicle operating costs, and the need for significant upgrading of rural infrastructure. The main problems in fostering road connectivity are (i) rapidly growing demand for road transport (6% a year), (ii) lack of funds to develop infrastructure, (iii) lack of enforcement of government's policies and regulations in road safety, (iv) inadequate maintenance funding (covering only 40% of the requirement), and (v) lack of technical skills and capacity building of local government institutions. Women's access to economic opportunities and participation in decision-making processes of local governments remains limited. Bangladesh is considered one of the countries to be most affected by climate change. Increased risk of severe flooding, more frequent extreme weather events, and a potential rise in the sea level pose new challenges to rural infrastructure development. Realizing the full growth potential of rural areas, where 75% of the total population and about 85% of the poor live, will require substantial improvement in rural infrastructure. Bangladesh has a large unmet demand for rural infrastructure improvement, and needs continuing or even increasing investment. The rural road network is 284,781 kilometers (km), of which 75% remains unpaved. The Local Government Engineering Department (LGED) is planning todevelop about 36,000 km of rural roads by 2025. Rural roads require 1.77 million meters of bridges and culverts, of which 1.10 million meters have been developed. By 2025, 240,000 meters of bridges and culverts are planned to be developed. Of the 17,363 GCMs, only 2,895 have been developed with infrastructure facilities. By 2025, 4,500 GCMs are to be developed. LGED's 20-year road master plan for 2005 2025 envisages an investment of $26 billion to improve rural infrastructure. The Sustainable Rural Infrastructure Improvement Project will reduce poverty and raise incomes in 21 districts of northwest and southwest Bangladesh by fostering economic growth, capacity development, and gender equity.9 The project will enhance rural people's access to social services, such as health and education, and to economic opportunities. Widening the access to markets and livelihood activities will increase earnings for the rural poor, including women. Based on the lessons learned from previous projects, project areas have been selected on the basis of high connectivity and poverty concentration. Fostering gender equity in economic opportunities, ensuring sustainable operation and maintenance, developing climate-resilient infrastructure, and considering green elements in the design and implementation of the project will be emphasized more.
Impact	Reduced rural poverty in intervention areas

Project Outcome	
Description of Outcome	Widened access to economic opportunities and social services for poor and women
Progress Toward Outcome	Package 1 (Design and Supervision Consulting Service): Contract is signed with Euroconsult Mott MacDonald (Netherlands) in association with SODEV Consult (Bangladesh), Associates for Development Services Limited (ADSL) (Bangladesh) and Desh Upodesh Limited (Bangladesh) on 26 May 2012. Package 2 (Institutional Support and Monitoring Consulting Service) : Contract is signed with Hifab International AB(Sweden) in Joint Venture with Resource Planning and Management Consultants Ltd (Bangladesh) and Environment, Agriculture and Development Services Ltd. (Bangladesh) on 26 May 2012. 110 Civil packages had been awarded as of 30 March 2015.
Implementation Progress	
Description of Project Outputs	1. Road connectivity improved 2. Marketing facilities upgraded with specific provision for women 3. Rural infrastructure management improved
Status of Implementation Progress (Outputs, Activities, and Issues)	165 subproject is awarded 165 subproject is awarded no bridges is completed yet study will be conducted at the end of project 2 packages approved by KfW, ADB had approved 3 packages no market is completed yet, contrct awarded activity started, at design stage now activity started, at design stage now t02 workshops were held, more than 10 co-ordination meetings were held with district level officers. Identification of 2 roads out of 3 is completed. activity initiated Being complied 180 number of LGED officials with 6600 trainee-days were trained 1847 number of UP Chairpersons/members with 3694 trainee-days were trained.
Geographical Location	

Safeguard Categories	
Environment	B
Involuntary Resettlement	B
Indigenous Peoples	B

Summary of Environmental and Social Aspects	
Environmental Aspects	The project's environment category is B. An environmental assessment and review framework (EARF) and an initial environmental examination (IEE) for core subprojects have been prepared. The project is an improvement of the existing rural road network and no new road is planned, so adverse environmental impact is not expected. The potential problematic environmental issues in the construction phase include: (i) soil erosion, silt runoff and gully erosion; (ii) drainage blockage/congestion, water logging and localized flooding; (iii) surface and ground water contamination; (iv) air (dust) and noise pollution; (v) contamination from storage and transportation of construction materials; and (vi) hygiene, sanitation and safety of construction workers. These effects were considered during the design stage and measures included to minimize possible adverse effects.
Involuntary Resettlement	The Project is Category B for involuntary resettlement. However the project will involve no relocation and very little, if any, land acquisition. The rural situation of the roads typically has no encroachment onto the right-of-way. Small strips of land may be required to facilitate shape corrections, the process of negotiated settlement will be used. A resettlement framework has been prepared for the implementation project which outlines the due diligence methodology for transparent implementation of negotiated settlement, and the triggers for preparation of a resettlement plan, as well as implementation responsibility.
Indigenous Peoples	Indigenous people make up less than 2% of the population of the project districts, and have livelihoods mostly similar to the majority population. However IPs are generally poorer, with less access to land, lower educational attainment and relatively less access to resources. Other social differences, such as religion and gender relations, also prompt separate consideration of participation methods. Overall, impacts from improved road and market access will be positive only. An IP Framework has been developed which summarizes the results of IP consultations and lays out initial strategies for enhancing IP participation and realization of project benefits. Provision for development of IP plans for upazilas where IP communities are prevalent has been built into the implementation project.
Stakeholder Communication, Participation, and Consultation	

During Project Design	Empirical studies confirm that rural infrastructure development in Bangladesh has helped spur economic growth and reduce poverty. Recent experience has shown that better rural infrastructure leads to higher mobility of the rural poor and their farm products. It allows the poor greater access to providers of services, such as health and education, and to off-farm jobs. Rural infrastructure development also helps reduce rural poverty in the following ways: (i) effective road connectivity allows easier movement of labor; (ii) cost-effective transport of produce helps farmers realize higher farm gate prices; (iii) additional traffic volume gives rise to transport-related small businesses, such as service stations, repair shops, food stalls, and guesthouses; (iv) construction of project facilities and after-construction maintenance directly generate jobs for the poor; and (v) poor women have greater access to economic opportunities and new jobs.
During Project Implementation	annual review mission jointly completed by ADB and KfW twice a year to ensure proper implementation of project objective. Piggy back TA ensured local government involvement via one NGO.

Business Opportunities

Consulting Services	Consultants, in two packages by an international firm in association with national firm(s), will be recruited following ADB's Guidelines on the Use of Consultants (as amended from time to time). The first package will consist of design, supervision, and monitoring consultants of 1,426 person-months. The second package will provide institutional support, socio-economic monitoring and capacity building consisting of 276 person-monhs of consulting. ADB will finance the entire package of design, supervision and monitoring consultants and the team leader of institutional support and capacity building, and KfW will finance the national consultants of institutional support and capacity building. The Government may undertake advance action for recruiting consultants to facilitate commencement of the Project quickly after its approval. This advance action, however, does not commit ADB and KfW to finance the Project.
Procurement	Goods, services, and civil works financed by ADB and KfW will be procured following ADB's Procurement Guidelines (as amended from time to time). All civil works contracts will be through national competitive bidding, if acceptable to ADB and KfW, as those are series of small-value works and widely dispersed and foreign contractors are unlikely be interested in bidding. To ensure efficiency and economy in contract administration, small contracts for roads and related improvement works at various construction sites can be grouped together to obtained higher value. Contractors who failed to perform satisfactorily int he ADB and KfW-assisted earlier projects will not be allowed to participate in the bidding.

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Executing Agencies	*Local Government Engineering Department Md Wahidur Rahmance-lged@bangla.net5th Floor, LGED Bhaban, Agargaon,*

Timetable

Concept Clearance	23 Jul 2010
Fact Finding	26 Jul 2010 to 10 Aug 2010
MRM	19 Aug 2007
Approval	11 Nov 2010
Last Review Mission	-
PDS Creation Date	02 Dec 2010
Last PDS Update	31 Mar 2015

Loan

Financing Plan		Loan Utilization			
	Total (Amount in US$ million)	Date	ADB	Others	Net Percentage
Project Cost	48.40	Cumulative Contract Awards			
ADB	0.00	-	0.00	0.00	%
Counterpart	32.50	Cumulative Disbursements			
Cofinancing	15.90	-	0.00	0.00	%

Loan 2696-BAN

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
11 Nov 2010	11 Apr 2011	10 May 2011	31 Dec 2016	31 Dec 2017	-

Financing Plan		Loan Utilization			
	Total (Amount in US$ million)	Date	ADB	Others	Net Percentage
Project Cost	108.40	Cumulative Contract Awards			
ADB	60.00	11 Nov 2010	46.31	0.00	83%
Counterpart	32.50	Cumulative Disbursements			
Cofinancing	15.90	11 Nov 2010	31.72	0.00	57%

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	-	-	-	-	Satisfactory

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