



**Opportunities to co-finance Cross-Border road Projects
Project in South Asia**

**Under
Infrastructure Window of SAARC Development Fund**

**A
Thematic Project Concept Note**

**Economic and Infrastructure Windows
SAARC Development Fund**

Road Connectivity between SAARC Member States

1. Title of the theme

Road transport connectivity projects: Co-financing of cross border road transport connectivity projects in SAARC Member States thereby providing regional integration, development of cross border trade and co-financing opportunities.

2. SAARC Member States likely to be involved

Potential connectivity between SAARC Member States include

- Afghanistan – Pakistan
- Bangladesh India
- Bhutan India
- India – Nepal
- India - Pakistan

3. Compliance to SAARC Development Fund Charter

- Considering that the theme involves and benefiting at least two SAARC Member States; it fulfills the basic eligibility criteria for financing stated under Article 5 of the SDF Charter.
- As per Clause # 10 of SDF approved Policy Guidelines for E&I Windows, SDF will participate in co-financing to minimize risk and to gain institutional experience of funding in the region

4. Classification of project:

Based on the nature of the project, the project is classified under the Infrastructure Window of SDF.

5. Overview of the theme

The countries of South Asia have made significant development in recent years and the Region is one of the fastest growing regions of Asia with GDP growth rate of over 5% in FY16 and FY17 (Source: Various research reports); however, significant challenge for South Asia is the relative lack of intraregional trade.

In a globalized economy, transport cost is a significant determinant of competitiveness. An integrated and efficient transport network is an essential element of the enabling environment for competitiveness.

Due to lack of integration of the transport system in South Asia, the logistic costs are very high and ranges between 13–14 percent of GDP, compared to 8 percent in USA. Effective

integration of the transport system in South Asia could also contribute greatly in enhancing access to remote areas, thereby bringing benefit of economic development to remote areas. (Source: <http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/223546-1192413140459/4281804-1192413178157/4281806-1265938468438/BeyondSAFTAFeb2010Chapter7.pdf>)

The countries of South Asia have increasingly recognized the importance of regional transport connectivity in boosting their competitiveness and accelerating economic growth and strengthened regional cooperation among them.

Islamabad SAARC Summit in 2004 decided to strengthen transport, transit and communication links between SAARC Member States.

(Source: <https://kumarage.files.wordpress.com/2015/03/2006-r-01-nt-ramathulla-kumarage-et-al-saarc-regional-multimodal-transport-study-189pp.pdf>)

At the 16th Summit of South Asia Association for Regional Cooperation (SAARC) in Thimphu, Bhutan in 2010, member countries¹ declared 2010-2020 as the —Decade of Intra-regional Connectivity in SAARC. (Source: <https://www.adb.org/sites/default/files/linked-documents/47341-001-sd-01.pdf>)

As per SAARC Regional Multimodal Transport Study (SRMTS), conducted during 2005–06 with financial assistance of ADB, with the objective of enhancing multi-modal transport connectivity among SAARC member states, the SAARC countries had 3.82 million km of road network in 2002, which accounted for 10 per cent of the world road network; in SAARC Region road transport is the dominant mode and its importance is growing in all countries and most of the trading between India and its neighbors takes place along the land routes. The report included various road corridors for effective regional integration.

Some of the key corridors that may be included as a part of the current theme are:

S No	Corridor	SAARC Member States involved
1.	Kathmandu – Birgunj/ Raxaul–Kolkata/ Haldia	Nepal and India
2.	Kathmandu– Kakarvitta–Phulbari – Banglabandha– Mongla/Chittagong	Nepal, India, and Bangladesh
3.	Pakistan – Afghanistan road link	Pakistan, Afghanistan

SAARC Regional Multimodal Transport Study (SRMTS). 2006. SAARC Regional Multimodal Transport Study Report. Kathmandu: SAARC Secretariat.

6. Benefits

Regional connectivity between SAARC Member States would facilitate achieving SAARC Development Goals in line with Sustainable Development Goals. It would entail anticipated Trade and industrial development In line with Article 4 (3) of SDF Charter, development of remote areas of SAARC Member State, Employment generation and decongestion of road infrastructure. Regional connectivity between SAARC Member States is in line with various SAARC Summits for regional connectivity thereby enhancing regional integration. Some of the other benefits are:

- *Facilitate Regional Integration*
- *Facilitate Intra SAARC Trade*: It would facilitate intraregional trade among SAARC Member States
- Transport networks are basic instruments for economic growth and poverty alleviation.
- Facilitate development of intra SAARC Services:
- Facilitate Transshipment traffic would and thus benefit the trade between the transit countries.
- Promote investment in inter-country infrastructure.
- Availability and access to relevant technologies in the neighboring countries would be cost effective in the long run and would also bring about harmonization of transport technologies.
(<http://www.unescap.org/sites/default/files/Day2-KLThapar-Raghavan-Regional-economic-cooperation-and-connectivity.pdf>)

7. Cost implications

- As per indicate cost estimates from various sources, development of road would entail USD 1 – 1.5 million per kilometer.
- Terrain and construction of bridges would add the cost further
- Road safety component would be an additional cost.

8. Conclusion

Development of road network is likely to enhance regional connectivity and trade among SAARC Member States.

9. Contact

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