



**SUMMARY PROCEDURE**

**FOR OFFICIAL USE ONLY**

R90-15  
9 September 2015

## Proposed Loan Railway Rolling Stock Project (Bangladesh)

1. The Report and Recommendation of the President (RRP: BAN 49094-001) on the proposed loan to Bangladesh for the Railway Rolling Stock Project is circulated herewith.
2. This Report and Recommendation should be read with *Country Partnership Strategy: Bangladesh, 2011–2015*, which was circulated to the Board on 6 October 2011 (DOC.Sec.M58-11).
3. In the absence of any request for discussion and in the absence of a sufficient number of abstentions or oppositions (which should be communicated to The Secretary by the close of business on 30 September 2015), the recommendation in paragraph 31 of the paper will be deemed to have been approved, to be so recorded in the minutes of a subsequent meeting of the Board. Any notified abstentions or oppositions will also be recorded in the minutes.
4. The attached document was prepared under the streamlined business processes. A shortcut to the linked documents listed in Appendix 2 can be found under the relevant entry in the 3-month Board calendar on e-Board.

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# Report and Recommendation of the President to the Board of Directors

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Project Number: 49094-001  
September 2015

## Proposed Loan People's Republic of Bangladesh: Railway Rolling Stock Project

Distribution of this document is restricted until it has been approved by the Board of Directors. Following such approval, ADB will disclose the document to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 12 August 2015)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.0129
\$1.00	=	Tk77.7750

## ABBREVIATIONS

ADB	–	Asian Development Bank
EIRR	–	economic internal rate of return
NIS	–	National Integrity Strategy
PIU	–	project implementation unit

## NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. FY2015 ends on 30 June 2015.
- (ii) In this report, "\$" refers to US dollars.

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## CONTENTS

	Page
PROJECT AT A GLANCE	
I. THE PROPOSAL	1
II. THE PROJECT	1
A. Rationale	1
B. Impact and Outcome	3
C. Outputs	3
D. Investment and Financing Plans	3
E. Implementation Arrangements	4
III. DUE DILIGENCE	5
A. Technical	5
B. Economic and Financial	5
C. Governance	6
D. Poverty and Social	6
E. Safeguards	7
F. Risks and Mitigating Measures	7
IV. ASSURANCES	8
V. RECOMMENDATION	8
APPENDIXES	
1. Design and Monitoring Framework	9
2. List of Linked Documents	10

## PROJECT AT A GLANCE

1. Basic Data		Project Number: 49094-001	
Project Name	Railway Rolling Stock Project	Department /Division	SARD/SATC
Country Borrower	Bangladesh People's Republic of Bangladesh	Executing Agency	Bangladesh Railway (BR)
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Transport	Rail transport (non-urban)		200.00
		Total	200.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	No gender elements (NGE)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: C Involuntary Resettlement: C Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		200.00	
Sovereign Project loan: Ordinary capital resources		200.00	
Cofinancing		0.00	
None		0.00	
Counterpart		94.00	
Government		94.00	
Total		294.00	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		Yes	

## **I. THE PROPOSAL**

1. I submit for your approval the following report and recommendation on a proposed loan to the People's Republic of Bangladesh for the Railway Rolling Stock Project.<sup>1</sup>

2. The proposed project will improve railway transport capacity in Bangladesh on key corridors—such as the Dhaka–Chittagong and Dhaka–Khulna main line corridors—by financing additional rolling stock (locomotives, passenger carriages, and related equipment). The new rolling stock will enable Bangladesh Railway to satisfy steadily growing demand and increase its market share.

## **II. THE PROJECT**

### **A. Rationale**

3. Historically, the railway enjoyed a monopoly as a carrier and carried most of the country's commodities and passengers. With the gradual emergence of road transport, the railway began losing market share, which declined from 30% in 1975 to a mere 4% in 2005 for both passenger and freight transport. Despite a growing demand for transport, Bangladesh Railway's market share in passenger and freight transport has declined due to a lack of investment in infrastructure and rolling stock (its transport capacity is the same as it was in 1975). Railway travel in Bangladesh is safer, more energy-efficient and reliable, and has a lower environmental impact than other modes of transport. Railway transport is also considered more comfortable than long-distance buses. Intercity trains operated by Bangladesh Railway are very popular. Occupancy is very high, especially in the east zone (98%); intercity trains in the Dhaka–Chittagong corridor are usually sold out. About 40% of Bangladesh Railway's passengers travel by intercity trains, which account for more than 75% of passenger revenue. The high demand for intercity service in the Dhaka–Chittagong corridors cannot be fully met and no additional trains can be scheduled to tap into the lucrative market for Bangladesh Railway due to insufficient line capacity and rolling stock availability.

4. The government's Sixth Five-Year Plan (2011–2015) includes the improvement of railways as energy efficient multimodal transport systems to reduce carbon emissions.<sup>2</sup> The Railway Sector Master Plan towards 2030, approved in 2013, noted the railway sector must significantly improve its efficiency and service quality, and establish better connectivity in order to survive as a viable mode of transport.<sup>3</sup> The government's strategy is to increase Bangladesh Railway's market share from 4% to 15% in freight transport, from 10% to 15% in container transport between Dhaka and Chittagong Port, and from 4% to 10% in passenger transport. The railway will focus on lucrative market segments and provide (i) long-distance passenger traffic via intercity trains, (ii) long-haul freight traffic along selected corridors, and (iii) container traffic (mainly between Dhaka and Chittagong Port). To achieve this, the government is (i) augmenting line capacity along main corridors; (ii) procuring modern locomotives, passenger carriages, and freight wagons; and (iii) reforming Bangladesh Railway, introducing a modern financial management system, improving operation and maintenance, and establishing a human resource management system.

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

<sup>2</sup> Government of Bangladesh, Planning Commission, Ministry of Planning. 2011. *Sixth Five-Year Plan: 2011–2015*. Dhaka.

<sup>3</sup> Government of Bangladesh, Ministry of Railway. 2013. *Railway Sector Master Plan (to June 2030)*. Dhaka.

5. The Asian Development Bank (ADB) is supporting the government's sector strategy through (i) investments in infrastructure development for the Dhaka–Chittagong and Dhaka–Khulna main railway corridors in Bangladesh through the Railway Sector Investment Program,<sup>4</sup> (ii) the South Asia Subregional Economic Cooperation Railway Connectivity: Akhaura–Laksam Double Track Project,<sup>5</sup> and (iii) sector reforms. The Japan International Cooperation Agency financed upgrading of the Laksam–Chinki Astana section of the Dhaka–Chittagong corridor, procurement of 11 locomotives, modernization of a rolling stock workshop in Chittagong, and upgrading of the Chittagong Station Yard. The upgraded infrastructure financed by the Japan International Cooperation Agency was completed in 2015, and the projects financed by ADB will be completed in 2016.

6. Bangladesh Railway has a shortage of modern and reliable rolling stock: of the fleet of 282 locomotives and 1,476 passenger carriages, 76 locomotives and 651 passenger carriages have passed their economic life of 35 years and need to be replaced. Procurement of 70 locomotives and 270 passenger carriages is ongoing; together with 20 multiple units recently commissioned, this will enable Bangladesh Railway to replace the majority of the oldest and least-efficient rolling stock.

7. The project will finance approximately 264 passenger carriages, 10 locomotives, and additional state-of-the-art maintenance equipment, which will support the maintenance of new and existing rolling stock and provide training facilities for train drivers, who will operate the additional trains.<sup>6</sup> The capacity of Bangladesh Railway to maintain rolling stock was strengthened by the updating of several of its operation manuals as part of the Bangladesh Railway Reform Project (footnote 4); the rolling stock will be maintained in accordance with these manuals.

8. The project is part of ADB's railway sector development strategy to support a series of investment projects in infrastructure, railway reform, and institutional capacity development to improve overall transport capacity. Adding rolling stock to Bangladesh Railway's fleet will enable it to use its enhanced infrastructure capacity by running additional passenger trains, and thereby satisfy the increasing demand for trips by train. The project is in line with ADB's country partnership strategy for Bangladesh, 2011–2015,<sup>7</sup> which aims to reduce high transport and logistical costs in support of sustainable and inclusive economic growth by connecting all parts of the country with national and regional markets.

9. The project is processed as a stand-alone project loan embedded into ADB's railway sector development strategy and ongoing projects, as the implementation period is comparably

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<sup>4</sup> ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility and Technical Assistance Grant to the People's Republic of Bangladesh for the Railway Sector Investment Program*. Manila. This project improves the performance of the railway sector by implementing (i) a reform project of sector policy, organizational, and capacity-building reforms to make Bangladesh Railway more commercially focused, and improve governance and accountability; and (ii) an investment project that finances (a) the construction of 64 kilometers of double tracks in the Tongi–Bhairab Bazaar section of the Dhaka–Chittagong main line, including signaling and implementation consulting services; (b) extension of loop lines; (c) modernization of signaling in the Dhaka–Darsana–Indian border section; and (d) 150 passenger carriages.

<sup>5</sup> ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the People's Republic of Bangladesh for the South Asia Subregional Economic Cooperation Railway Connectivity: Akhaura–Laksam Double Track Project*. Manila. This project will upgrade the 72-kilometer Akhaura–Laksam section of the Dhaka–Chittagong railway corridor to a double-track railway line with modern signaling equipment.

<sup>6</sup> The 10 locomotives and 264 passenger carriages to be financed under this project are in addition to those mentioned in para. 6, which are already on order by Bangladesh Railway.

<sup>7</sup> ADB. 2010. *Country Partnership Strategy: Bangladesh, 2011–2015*. Manila.

short and project readiness is high, with government approvals and bid documents well advanced. ADB financing will ensure timely delivery of a larger number of locomotives and passenger carriages at competitive prices.

10. The project design incorporates lessons from ADB's previous interventions in the Bangladesh railway sector. To avoid startup delays, project preparation began early, in conjunction with the existing project implementation unit (PIU), which is well experienced in ADB project implementation and procurement processes; support from staff consultants is being provided to facilitate procurement and government internal approvals, which will be completed before loan approval. Project readiness is high—bid document preparation is well advanced and the overall project design focuses on the procurement of rolling stock and equipment as part of ADB's railway sector strategy, and supplements infrastructure investments, capacity development, and reform activities supported by other projects.

## B. Impact and Outcome

11. The impact will be efficient and safe railway transport in Bangladesh, aligned with the Sixth Five-Year Plan (2011–2015).<sup>8</sup> The outcome will be increased railway transport capacity in the main line network of Bangladesh Railway.

## C. Outputs

12. The project has two outputs. Output 1 comprises the procurement and commissioning of new rolling stock consisting of approximately 264 passenger carriages and 10 diesel electric locomotives for Bangladesh Railway's meter gauge main line network. Output 2 comprises the procurement and commissioning of new equipment consisting of approximately four relief cranes, two train washing plants, and one simulator for loco-master training.

## D. Investment and Financing Plans

13. The project is estimated to cost \$294 million (Table 1).

**Table 1: Project Investment Plan**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. 214 meter-gauge passenger carriages	121.0
2. 50 broad-gauge passenger carriages	40.0
3. 10 diesel locomotives	58.0
4. 4 relief cranes	32.0
5. 2 train washing plants	5.0
6. 1 simulator for loco-master training	3.0
7. Project management and inspections	3.0
<b>Subtotal (A)</b>	<b>262.0</b>
<b>B. Contingencies<sup>c</sup></b>	<b>20.0</b>
<b>C. Financing Charges During Implementation<sup>d</sup></b>	<b>12.0</b>
<b>Total (A+B+C)</b>	<b>294.0</b>

<sup>a</sup> Includes taxes and duties of \$65 million to be financed from government resources as counterpart funds.

<sup>b</sup> In mid-2015 prices.

<sup>c</sup> Price contingencies computed at 8% on foreign exchange costs and 6% on local currency costs; includes provision

<sup>8</sup> Government of Bangladesh, Ministry of Planning, Planning Commission. 2011. *Sixth Five-Year Plan: 2011–2015*. Dhaka.



for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

- <sup>d</sup> Includes interest and commitment charges. Interest during construction for the Asian Development Bank loan(s) has been computed at the 5-year forward London interbank offered rate (LIBOR) plus a spread of 0.50%. Commitment charges for an Asian Development Bank loan are 0.15% per year to be charged on the undisbursed loan amount.

Sources: Asian Development Bank and Bangladesh Railway estimates.

14. The government of Bangladesh has requested a loan of \$200 million from ADB's ordinary capital resources to help finance the project. The loan will have a 25-year term, including a grace period of 5 years, straight-line repayment method, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-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 this, the average loan maturity is 15.25 years and the maturity premium payable to ADB is 0.10% per annum.

15. The financing plan is in Table 2.

**Table 2: Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (loan)	200.0	68.0
Government	94.0	32.0
<b>Total</b>	<b>294.0</b>	<b>100.0</b>

Source: Asian Development Bank estimates.

## E. Implementation Arrangements

16. The implementation arrangements are summarized in Table 3 and described in detail in the project administration manual.<sup>9</sup>

**Table 3: Implementation Arrangements**

Aspects	Arrangements
Implementation period	April 2016–December 2020
Estimated completion date	31 December 2020 (Loan closing date: 30 June 2021)
Management	
(i) Executing agency	Bangladesh Railway
(ii) Implementation unit	Dhaka, 2 project directors with 14 officers and 19 support staff
Procurement	International competitive bidding   6 contracts   \$259,000,000
Advance contracting	Advance contracting for goods and services has been approved by the Asian Development Bank.
Disbursement	The loan proceeds will be disbursed in accordance with the Asian Development Bank's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time).

Source: Asian Development Bank.

17. Bangladesh Railway will be the executing agency for the project. Under ADB's ongoing Railway Sector Investment Program (footnote 4), an investment PIU was established with experienced staff; two specialized PIUs will be established to implement this project, each headed by a project director. Procurement for contracts to be financed under the project will be carried out in accordance with ADB's Procurement Guidelines (2015, as amended from time to

<sup>9</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2).

time). All contracts for goods and services will be procured using international competitive bidding procedures. ADB standard bidding documents with post qualification under the single-stage, two-envelope system will be adopted. Advance procurement action for goods and services is proposed to enhance project readiness and ensure faster disbursement of the loan.

### **III. DUE DILIGENCE**

#### **A. Technical**

18. The project will finance additional railway rolling stock in line with international design standards and Bangladesh Railway's updated technical specifications; all rolling stock and equipment procured under this project is based on the existing design standards of Bangladesh Railway. As a result, Bangladesh Railway staff are well familiar with the materials and construction methods used. Where modern materials are used, the technical requirements include ample time and resources to properly train and familiarize staff with the new technologies. As-built documentation will be provided by the contractor for all components and equipment procured under the project to ensure that operation and maintenance will be carried out as specified by the manufacturers.

19. Bangladesh Railway has recruited a team of national and international experts to inspect the passenger carriages, locomotives, relief cranes, washing plants, and simulator to be procured under this loan at the manufacturer's premises before shipment to Bangladesh.

#### **B. Economic and Financial**

20. Economic and financial analyses have been undertaken and concluded the project's lending decision is based more on the economic than the financial viability, as detailed in the economic and financial analysis.<sup>10</sup>

21. The project economic internal rate of return (EIRR) is estimated at 26.4%. The economic analysis compares the benefits and costs of with- and without-project scenarios. The main benefits are a reduction in the generalized cost and savings in bus operating costs due to decongestion on the roads caused by passengers shifting from bus to rail transport, and time savings. The sensitivity analysis showed the project would remain economically viable in the events of (i) a 10.0% increase in capital cost, (ii) a 10.0% reduction in benefits, and (iii) a 1-year delay in project commencement. The results show the quantified economic benefits are robust; the project has an EIRR well above 12.0% in all sensitivity tests. In the unlikely event that a 10.0% increase in capital cost and a 10.0% reduction in benefits occurred together, the EIRR remains above the 12.0% benchmark.

22. A financial analysis has been undertaken to assess the financial viability of the project, using a similar approach to that employed for the economic analysis. As a public utility service provider, the government subsidizes Bangladesh Railway to cover its operating expenses. The financial analysis considered with-subsidy and without-subsidy scenarios. The with-subsidy financial internal rate of return is about 5.2%, while the without-subsidy financial internal rate of return is about -3.7%. The annual incremental recurrent cost associated with the project is estimated to be 1.7% of the overall budget of the Ministry of Railways in FY2014. The government is seeking to establish and implement a new tariff scheme, which would contribute

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<sup>10</sup> Economic and Financial Analysis (accessible from the list of linked documents in Appendix 2).

to reducing Bangladesh Railway's subsidy level. It is reasonable to expect that a sufficient financial sustainability of both the project and Bangladesh Railway will be maintained.<sup>11</sup>

### C. Governance

23. **Financial management.** A financial management assessment concluded that Bangladesh Railway has adequate capacity to undertake financial management of ADB-financed projects. Bangladesh Railway has prior and ongoing experience in implementing ADB projects funded under the ADB Railway Sector Investment Program. Bangladesh Railway has knowledge of project financial accounting methods and ADB disbursement procedures, and their staff have participated in workshops on financial management good practice conducted by ADB. Bangladesh Railway's capacity is being further strengthened through implementation of a new accounting and financial management system by the Bangladesh Railway Reform Project (footnote 4). The overall financial management capacity is adequate but, given the country risk rating, the project risk is considered moderate.

24. **Procurement and anticorruption.** Procurement will be carried out in accordance with ADB's Procurement Guidelines. ADB will review documents and submissions related to procurement at all major milestones prior to proceeding with the procurement process. The procurement rules for the selection of contractors required by international financial institutions such as ADB are considered sufficiently robust to deter corruption. National procurement regulations have improved through the Public Procurement Act, 2006, and through related Public Procurement Rules (2008), with subsequent amendments and the establishment of a Central Procurement Technical Unit under the Implementation Monitoring and Evaluation Division of the Ministry of Planning. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and Bangladesh Railway. The specific policy requirements and supplementary measures are described in the project administration manual (footnote 9). In October 2012, a National Integrity Strategy (NIS) was approved and a National Integrity Advisory Committee formed, chaired by the Prime Minister, to oversee the anticorruption activities and implement the strategy. The NIS includes a road map for strengthening both the state and non-state accountability institutions to fight corruption and improve governance. Under the NIS, all line ministries and key watchdog institutions have formed ethics committees and appointed focal points to implement corruption-prevention programs and actions.

### D. Poverty and Social

25. **Poverty and social.** Data from 2010 indicates 17.6% of the population lives below the poverty line.<sup>12</sup> The poverty incidence in the country is high, although the national poverty level declined by 8.5% during 2005–2010 (an average of 1.7 percentage points per year). Bangladesh Railway is one of the principal modes of transportation in the country due to its low fares, safety, and punctuality compared with other transport modes. The new passenger carriages procured under the project will provide safer, more comfortable, and faster passenger transport in all ticketed classes. Wheelchair access will be included on at least one carriage per rake, promoting comfort and social inclusion. The potential long-term socioeconomic benefits of new carriages include development of industrial and micro and small and medium-sized

<sup>11</sup> The tariff reform and other efficiency improvement initiatives are supported by the Bangladesh Railway Reform Project (footnote 4).

<sup>12</sup> Ministry of Planning, Bangladesh Bureau of Statistics. 2010. *Report of the Household Income and Expenditure Survey 2010*. Dhaka.

enterprises along the railways; improved access to employment opportunities, and educational and health care facilities; and decreased travel time and cost.

26. **Gender, HIV/AIDS, and trafficking.** Railways are considered one of the most reliable, comfortable, and safest modes of land transportation, and women passengers are important railway users who will benefit from the project. Rail services allow women passengers to access educational and health facilities, and transport their products at a reasonable cost. Although gender is not a specific focus of Ministry of Railway documents (e.g., the National Rail Transport Policy, Citizen Charters, and Railway Master Plan), the ministry has undertaken steps to promote the comfort and safety of female passengers.<sup>13</sup> Modern services for women—such as separate toilets, ticket counters, waiting rooms, and prayer rooms—have been installed in major stations to make rail transportation more attractive to and comfortable for women, and to encourage them to travel alone. The project does not offer opportunities to address gender-inclusive designs of public spaces such as station buildings, as it supports only procurement of rolling stock. However, the passenger carriages will include unisex-type toilets that allow use by both females and males. The project is not anticipated to contribute to an increase in the incidence of HIV/AIDS or trafficking, as it only involves the procurement of passenger carriages.

## E. Safeguards

27. The project is limited to the procurement of rolling stock and equipment that will operate on existing railway lines. According to ADB's Safeguard Policy Statement (2009), the project is classified as category C for environment, involuntary resettlement, and indigenous peoples impacts. The review of environmental impacts indicates that there will be no adverse environmental impacts during project implementation. During project operation, there will be a net environmental benefit through reductions in carbon dioxide emission due to a modal shift of passengers from road to rail, and the use of more efficient locomotives. Recommendations for proper solid and liquid waste management during project operations have been provided.

## F. Risks and Mitigating Measures

28. Major risks and mitigating measures are described in detail in the risk assessment and risk management plan.<sup>14</sup> The integrated benefits are expected to outweigh the costs.

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

Risks	Mitigating Measures
Project implementation delay	The start-up delay has been substantially reduced (by 3 years) compared with previous railway projects in Bangladesh, as the design is complete and bid documents are being finalized. Bidding will start soon and contracts are targeted to be awarded within 1 year after loan approval. Progress of project implementation will be closely monitored by the Asian Development Bank (ADB).
Delay in releasing counterpart funds	ADB will finance all foreign exchange-related project costs, thereby reducing the government's share of the project cost. The government will finance local taxes and duties related to the procurement, and government internal approvals for the counterpart funding will be obtained before loan approval. This will significantly reduce the risk of delays in delivery and commissioning of the rolling stock and goods to be procured under the proposed loan.

<sup>13</sup> Ministry of Finance, Finance Division. 2015. *Gender Budgeting Report 2014–2015*. Dhaka (Chapter 27: Ministry of Railways).

<sup>14</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Risks	Mitigating Measures
Lack of procurement transparency and delays in procurement process	All procurement for ADB financing will follow ADB's Procurement Guidelines (2015, as amended from time to time) and procedures. Bangladesh Railway is familiar with ADB requirements. The following actions will be taken to enhance good governance during procurement: (i) ADB will closely monitor procurement activities on a daily basis to ensure the timely completion of the procurement process; (ii) Bangladesh Railway will disclose information about procurement-related information on project-specific websites; and (iii) ADB will engage a procurement adviser to monitor the procurement process, together with the procurement specialist in ADB's Bangladesh Resident Mission.
Lack of financial sustainability	Ongoing sector reforms are designed to improve Bangladesh Railway's operational efficiency and financial performance, including a rationalized tariff policy; strengthened asset management; and improved financial reporting, accounting, and human resource management.

Source: Asian Development Bank.

#### IV. ASSURANCES

29. The government and Bangladesh Railway 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 project administration manual and loan documents.

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

#### V. RECOMMENDATION

31. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of \$200,000,000 to the People's Republic of Bangladesh for the Railway Rolling Stock Project, from ADB's ordinary capital resources, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 25 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao  
President

8 September 2015

## DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with			
Efficient and safe railway transport in Bangladesh (Sixth Five-Year Plan: 2011–2015) <sup>a</sup>			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<b>Outcome</b> Railway transport capacity in the main line network of Bangladesh Railway increased	<b>By 2021</b> a. Number of daily passenger trains increased by 10 (2011 baseline: 289)  b. Number of annual passengers increased by 10% (2011 baseline: 66 million)	a–b. Bangladesh Railway Annual Information Book	Maintenance of existing rolling stock is insufficient to continue operation due to lack of funding.
<b>Outputs</b> 1. New rolling stock procured and commissioned	<b>By 2020</b> 1a. 264 passenger carriages for Bangladesh Railway's main line network commissioned  1b. 10 diesel locomotives for Bangladesh Railway's main line network commissioned	1a–b. Bangladesh Railway's progress and project completion reports	Political situation becomes unstable so that no sufficiently qualified and experienced rolling stock supplier participates in the bidding, and/or rolling stock cannot be delivered and commissioned as planned.
2. New equipment procured and commissioned	<b>By 2020</b> 2a. Four relief cranes commissioned  2b. Two train washing plants commissioned  2c. One simulator for loco-master training commissioned	2a–c. Bangladesh Railway's progress and project completion reports	
<b>Key Activities with Milestones</b>			
<b>Outputs 1 and 2: New rolling stock procured and commissioned and new equipment procured and commissioned</b>			
1. Approve bid documents by the third quarter of 2015.			
2. Advertise bidding by the third quarter of 2015.			
3. Award contracts by the second quarter of 2016.			
4. Commission new rolling stock and equipment by the third quarter of 2019.			
<b>Inputs</b>			
Asian Development Bank: \$200 million (loan)			
Government: \$94 million			
<b>Assumptions for Partner Financing</b>			
Not applicable			

<sup>a</sup> Government of Bangladesh, Planning Commission, Ministry of Planning. 2011. *Sixth Five-Year Plan: 2011–2015*. Dhaka.

Source: Asian Development Bank.

### **LIST OF LINKED DOCUMENTS**

<http://adb.org/Documents/RRPs/?id=49094-001-3>

1. Loan Agreement
2. Sector Assessment (Summary): Transport (Rail Transport [Nonurban])
3. Project Administration Manual
4. Contribution to the ADB Results Framework
5. Development Coordination
6. Economic and Financial Analysis
7. Country Economic Indicators
8. Summary Poverty Reduction and Social Strategy
9. Risk Assessment and Risk Management Plan

### **Supplementary Document**

10. Railway Reform Progress Report