



Periodic Financing Request Report

Project Number: 46452-004
MFF Number: 0094
March 2019

People's Republic of Bangladesh: South Asia Subregional Economic Cooperation Chittagong–Cox's Bazar Railway Project, Phase 1 (Tranche 2)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 25 January 2019)

Currency Unit		–	taka (Tk)	
Tk1.00	=	\$0.011933	or	€0.010557
\$1.00	=	Tk83.8000	or	€0.884721
€1.00	=	Tk94.7191	or	\$1.130299

ABBREVIATIONS

ADB	–	Asian Development Bank
COL	–	concessional ordinal capital resources lending
EIA	–	environmental impact assessment
FAM	–	facility administration manual
km	–	kilometer
MFF	–	multitranche financing facility
NGO	–	nongovernment organization
OCR	–	ordinary capital resources
SPS	–	Safeguard Policy Statement

NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2018 ends on 30 June 2018.
- (ii) In this report, “\$” refers to United States dollars.

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¹ Formerly from the East Asia Department, transferred to SARD in August 2018.

CONTENTS

Page

TRANCHE AT A GLANCE

MAP

I.	BACKGROUND	1
II.	ASSESSMENT OF MULTITRANCHE FINANCING FACILITY IMPLEMENTATION	2
III.	PERIODIC FINANCING REQUEST	4
	A. Impact and Outcome	4
	B. Outputs	4
	C. Summary Cost Estimates and Financing Plan	4
	D. Implementation Arrangements	5
	E. Project Readiness	5
IV.	DUE DILIGENCE	6
	A. Technical	6
	B. Economic and Financial	6
	C. Governance	6
	D. Poverty, Social, and Gender	7
	E. Safeguards	8
	F. Summary of Risk Assessment and Risk Management Plan	10
V.	ASSURANCES	10
VI.	THE PRESIDENT'S DECISION	10

APPENDIXES

1.	Design and Monitoring Framework for Tranche 2
2.	Loan Agreement
3.	Framework Financing Agreement
4.	Periodic Financing Request
5.	Facility Administration Manual
6.	Contribution to the ADB Results Framework
7.	Updated Economic and Financial Analyses of the Project
8.	Summary Poverty Reduction and Social Strategy
9.	Social Safeguards Due Diligence Report
10.	Environmental Due Diligence Report
11.	Gender Action Plan
12.	Updated Risk Assessment and Risk Management Plan
13.	Updated Bangladesh Railway Reform Progress Report
14.	Status of Compliance with Loan Covenants of Loan 3438/3439-BAN and Undertakings of Framework Financing Agreement

TRANCHE AT A GLANCE

1. Basic Data		Project Number: 46452-004	
Project Name	South Asia Subregional Economic Cooperation Chittagong-Cox's Bazar Railway Project, Phase 1 - Tranche 2	Department/Division	SARD/SATC
Country	Bangladesh	Executing Agency	Bangladesh Railway
Borrower	People's Republic of Bangladesh		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Transport	Rail transport (non-urban)		400.00
		Total	400.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	CO ₂ reduction (tons per annum)	46,647
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns	Climate Change impact on the Project	High
Regional integration (RCI)	Pillar 1: Cross-border infrastructure	ADB Financing	
		Adaptation (\$ million)	34.00
		Mitigation (\$ million)	366.00
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Effective gender mainstreaming (EGM)	✓
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG8, SDG9, SDG13		
6. Risk Categorization:	Complex		
7. Safeguard Categorization	Environment: A Involuntary Resettlement: A Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB			400.00
Sovereign MFF-Tranche (Regular Loan): Ordinary capital resources			400.00
Cofinancing			0.00
None			0.00
Counterpart			50.00
Government			50.00
Total			450.00
Currency of ADB Financing: USD			



I. BACKGROUND

1. **Multitranche financing facility.** On 28 September 2016, the Asian Development Bank (ADB) Board of Directors approved a multitranche financing facility (MFF) of \$1,500 million with four tranches to the People's Republic of Bangladesh for the South Asia Subregional Economic Cooperation Chittagong–Cox's Bazar Railway Project, Phase 1.¹ The project is being funded from ADB's regular ordinary capital resources (OCR) and concessional OCR. The ADB President approved tranche 1 of \$300 million, comprising a \$210 million regular loan OCR and a \$90 million concessional loan OCR on 30 September 2016. The project supports the government in constructing the new 102-kilometer (km) Dohazari–Cox's Bazar section of the Chattogram–Cox's Bazar railway corridor in southeastern Bangladesh while the government is rehabilitating the 47-km Chattogram–Dohazari section with its own funds.² The project will also strengthen the capacity of Bangladesh Railway, the executing agency, for project implementation management. The project is in line with the government's Railway Master Plan 2010–2030.³

2. The project will connect Cox's Bazar district for the first time to the national and subregional railway network, and support economic development in the Dhaka–Chattogram–Cox's Bazar corridor through railway connectivity, contributing to the overall development of the national economy by offering reliable, safe, and low-cost transportation for passengers and cargo. The railway corridor is part of the Trans-Asia Railway network and will facilitate access to subregional markets and trade. The project will also improve subregional connectivity with Myanmar, combined with intermodal connection to road transport toward the border. The project is also anticipated to facilitate access to projects by other development partners, such as Matarbari Port, which is supported by the Japan International Cooperation Agency.

3. The MFF uses the time-slice financing approach for this large-scale project comprising civil works, goods, and consulting services. The project was fully appraised as part of the due diligence for the MFF, and each tranche will finance parts of this project. Once a tranche is disbursed, the government will submit a periodic financing request for a subsequent tranche, which will continue to finance the contracts awarded under tranche 1. Consulting services that were recruited under tranche 1 are to be financed only with the concessional OCR loan under tranche 1.

4. The framework financing agreement signed on 29 June 2016 has availability until 1 September 2026, with the last financing tranche expected to be executed no later than 31 December 2022. ADB received the second periodic financing request under the MFF on 22 October 2018 for a loan of \$400 million from regular OCR to finance part of two civil works contracts which were awarded on 16 September 2017 under tranche 1.

5. **Road map.** The government aims to accelerate economic growth, employment generation, and poverty reduction, and intends to raise the annual average growth rate to 7.4%.⁴ The government's strategy for the railway subsector is to expand and improve the railway system to provide a safer, better, and more environmentally-friendly and cost-effective transport facility for national and international traffic, extending to the area where railway connection with the capital does not exist. The project is part of the government's strategy to connect more districts of the country to the railway network. It will further support the objectives to (i) generate employment by

¹ ADB. 2016. [*Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility and Technical Assistance Grant People's Republic of Bangladesh: South Asia Subregional Economic Cooperation Chittagong–Cox's Bazar Railway Project, Phase 1*](#). Manila.

² The Government of Bangladesh decided to rename Chittagong as Chattogram in April 2018.

³ Government of Bangladesh, Ministry of Railways. 2013. *Railway Master Plan (July 2010 to June 2030)*. Dhaka.

⁴ Government of Bangladesh, Planning Commission, General Economics Division. 2015. *7th Five-Year Plan, FY2016–FY2020: Accelerating Growth, Empowering Citizens*. Dhaka.

developing the Cox's Bazar's tourism industry; (ii) improve subregional connectivity and trade; (iii) increase the market share of the railway system, especially for long-distance passenger and freight traffic; and (iv) improve the integration of different modes of transport.

6. **Strategic context.** The government places special emphasis on the railway system as an affordable, safer, and fuel-efficient transport subsector (footnote 3), and is expanding and modernizing the system. The seventh 5-year plan also refers to the establishment of proper international rail connectivity as a major priority. It targets to increase the Bangladesh Railway's domestic market share of freight transport from 4% to 15% and passenger transport from 4% to 10%. The Bangladesh Railway has a public service obligation to provide affordable transport service to nationals, but will also focus on lucrative market segments and provide long-distance passenger transport by intercity trains as well as long-haul freight transport and container trains to improve its operational and financial performance. The subsector policies for rail transport are set out in the National Integrated Multimodal Transport Policy, which states that the railway can help avoid the construction of roads by attracting current and future road users through improvements in long-distance intercity train service quality, timetabling, and capacity.⁵ The Railway Master Plan pointed out that the rail transport subsector must significantly improve its efficiency, service quality, intermodal connectivity, and network coverage to serve as a viable mode of transport.

7. **Policy framework.** ADB has supported sector reform. The Railway Sector Investment Program provided support for the implementation of key sector policy, organizational, and capacity-building reforms to make the state-owned Bangladesh Railway more commercially focused, and to improve governance and accountability.⁶ The program restructured Bangladesh Railway according to lines-of-business; established an accounting system based on this structure; and introduced an information technology system to support enterprise resource planning and improve asset management, financial management, accounting systems, human resource utilization, and governance.

8. Bangladesh Railway will continue to pursue ongoing reforms by (i) improving its operational and administrative capacity with newer information technology systems; (ii) implementing annual adjustments to the passenger and freight tariffs; (iii) making the container company fully operational to increase the market share between Dhaka and Chattogram Port from 10% to 15%; (iv) setting up a separate unit to operate and manage the more luxurious tourist trains on the new Dhaka–Chattogram–Cox's Bazar line, targeting the increase of revenues while maintaining a higher standard of comfort and reliability for passengers by charging special tariffs; and (v) establishing an operation and maintenance unit for the new infrastructure between Chattogram and Cox's Bazar.

II. ASSESSMENT OF MULTITRANCHE FINANCING FACILITY IMPLEMENTATION

9. **Progress on road map.** The road map is still valid, and Bangladesh Railway developed a revised Railway Master Plan in 2017 under ADB support.⁷ The Dhaka–Chattogram–Cox's Bazar corridor is prioritized for capacity strengthening. Double tracking with dual gauge in the Akhaura–Laksam section is being implemented with ADB support.⁸ The Chattogram–Dohazari

⁵ Government of Bangladesh, Ministry of Communications, Roads Division. 2013. *National Integrated Multimodal Transport Policy*. Dhaka.

⁶ ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility and Technical Assistance Grant to the People's Republic of Bangladesh for the Railway Sector Investment Program*. Manila.

⁷ ADB. Bangladesh: TA 8597-BAN SASEC Railway Connectivity Investment Project. <https://www.adb.org/projects/46452-001/main#project-overview>.

⁸ ADB. 2014. *Report and Recommendation of the President to the Board of Directors: South Asia Subregional Economic Cooperation Railway Connectivity: Akhaura–Laksam Double Track Project*. Manila.

section is being upgraded with government funds. Dual-gauge sections in the country are also extended to address the gauge gap of the railways, which divides the national railway network into east and west sections. With rolling stock recently procured to meet the growing demand, the number of passengers carried in fiscal year (FY) 2017 increased by 10% over FY2016.

10. **Improvements in policy framework.** Bangladesh Railway continues the implementation of its reform agenda after closure of loans under the Railway Sector Investment Program. Policy dialogues are regularly being held between Bangladesh Railway and ADB. Tariff reform was introduced in February 2012, which rationalized passenger and freight tariffs and provided for annual tariff adjustments based on cost indicators. It contributed to the realization of passenger and freight tariff adjustments in 2013, which were the first since 1992. Bangladesh Railway has submitted the next proposal for tariff adjustment in January 2019. In addition, the tariff for international passenger trains plying between Bangladesh and India was raised by 50% in 2017.

11. The government incorporated a container business company (the Container Company of Bangladesh Limited) in May 2016 as a government-owned corporate entity to pursue close coordination with private sector clients, especially from the garments and logistics industries. Bangladesh Railway transported 73,310 container boxes in FY2017.⁹ The Chattogram Port container yard will be commissioned and operated by the company. In addition, a pilot container train between India and Bangladesh was operated up to Bangabandhu West Station in Bangladesh in April 2018. The New Jamuna Bridge is under construction as a train-dedicated bridge 300 meters north of the existing Bangabandhu Bridge (i.e., Jamuna Bridge) with support from the Japan International Cooperation Agency. Once completed, it will enable fully-loaded container trains to cross the Jamuna River, and facilitate international container transport to Dhaka. The company is preparing a corporate strategy for the container business.

12. The establishment of an information technology division with in-house specialists and network connection with branch offices and stations is under preparation toward full rollout of the enterprise resource planning system. A detailed description of the railway reform activities is in the railway reform progress report (Appendix 13).

13. **Progress of tranche 1.** Implementation of the MFF and tranche 1 is *on track*. Bangladesh Railway awarded two civil works contracts totaling \$780 million in September 2017. As of 19 January 2019, \$111 million out of \$210 million of the OCR loan has been disbursed (i.e., 49% of loan proceeds). Concessional OCR lending under tranche 1 is financing two consulting services during the entire MFF implementation period: the cumulative disbursement reached \$5.2 million by the end of 2018. Regarding land acquisition, as of December 2018, 1,367 acres of land had been handed over to Bangladesh Railway, against a total of 1,390 acres required. Through the implementation of tranche 1, the executing agency has experienced implementing the environment and socially sensitive project, and strengthened its capacity for safeguard measures with support by a consultant hired under the technical assistance attached to tranche 1.

14. **Timeliness of tranche 2.** Tranche 2 was originally scheduled in 2018 in the framework financing agreement. Hence, the timeliness of tranche 2 is rated *on track* with expected approval in 2019.¹⁰ It is listed in the country operations business plan for Bangladesh, 2019–2021.¹¹

15. **Compliance with undertakings and loan covenants.** Implementation arrangements have been satisfactorily set up. Counterpart funding is being provided as scheduled, and a project website was developed with minimal delay. A grievance redress mechanism has been established

⁹ Bangladesh Railway. 2017. *Information Book 2016*. Dhaka.

¹⁰ ADB. 2018. Staff Instruction on Business Processes for Multitranchise Financing Facility. Compendium of Staff Instructions. Manila. Refer to Table 2: Rating Criteria for Multitranchise Financing Facility.

¹¹ ADB. 2018. *Country Operations Business Plan, Bangladesh 2019–2021*. Manila.

and is functioning in the field. Environment and social safeguard activities have been implemented in line with the safeguard plans. Safeguard monitoring reports have been disclosed without delay. The first annual audited financial statement of the project for FY2018 was submitted in line with the loan covenants. It is concluded that compliance with undertakings is on track with all undertakings and loan covenants satisfied.

16. As civil works contracts have been awarded, there is no risk of delay in procurement; 98% of land has been handed over to Bangladesh Railway as of December 2018. Additional staff have been assigned in the government to expedite land acquisition processes. It is estimated that a request for the third tranche will be submitted in 2019 for approval in 2020.

III. PERIODIC FINANCING REQUEST

A. Impact and Outcome

17. Tranche 2 is aligned with the following impacts: efficient and safe railway transport in Bangladesh developed, and subregional connectivity and trade improved (footnote 3). The project will have the following outcome: railway transport system in the Chattogram–Cox's Bazar corridor improved.¹²

B. Outputs

18. The project will have the following output: a new railway line constructed.¹³ Tranche 2 will finance a portion of the civil works, under the time-slice financing approach.

C. Summary Cost Estimates and Financing Plan

19. Tranche 2 is estimated to cost \$450 million (Table 1). Detailed cost estimates by expenditure category and by financier are included in the updated facility administration manual (FAM).

Table 1: Summary Cost Estimates
(\$ million)

Item	Amount ^a
A. Base Cost^b	
Railway Construction Component	422.00
Subtotal (A)	422.00
B. Recurrent Cost	1.50
C. Contingency^c	11.50
D. Financing Charges During Implementation	15.00
Total (A+B+C)	450.00

^a Includes taxes and duties of \$35 million to be financed from Asian Development Bank (ADB) loan resources.

^b In 2018 prices.

^c Contingency costs are assumed by the government, including land acquisition related cost.

^d Includes interest and commitment charges. Interest during construction for the ADB loan has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank.

20. The government has requested a loan of €351,124,000 (\$400 million) from ADB's OCR to help finance the project.¹⁴ The loan will have a 25-year term, including a grace period of 5 years,

¹² The design and monitoring framework is in Appendix 1.

¹³ Tranche 2 will not finance output 2 under the MFF, i.e., project implementation capacity of Bangladesh Railway strengthened.

¹⁴ €0.877809 = \$1.00 as of 21 January 2019.

an annual interest rate determined in accordance with ADB's London interbank offered rate-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. The average loan maturity is 15.25 years and the maturity premium payable to ADB is 0.10% per annum.

21. The summary financing plan is in Table 2. ADB will finance the expenditures in relation to civil works and financing charges during implementation. The government will finance the remaining costs equivalent to \$50 million, including land acquisition, resettlement, and contingencies.

Table 2: Summary Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (regular loan)	400.0	88.9
Government	50.0	11.1
Total	450.0	100.0

Source: Asian Development Bank.

22. Climate mitigation is estimated to cost \$1.37 billion and climate adaptation is estimated to cost \$128.00 million for the MFF. For tranche 2, climate mitigation cost is \$366 million and climate adaptation cost is \$34 million. Adaptation measures include a heightened embankment. ADB will finance 100% of the mitigation and adaptation costs.

D. Implementation Arrangements

23. Implementation arrangements will follow those established under tranche 1. The implementation arrangements are summarized in Table 3 and detailed in the updated FAM (Appendix 5).

Table 3: Implementation Arrangements for the Project (Tranche 2)

Aspects	Arrangements		
Implementation period	March 2019–July 2025		
Estimated completion date	1 July 2025		
Estimated loan closing date	1 January 2026		
Management			
(i) Executing agency	Bangladesh Railway		
(ii) Implementation unit	Project implementation unit in Chattogram, 1 director and 34 staff with support by the project management consultant		
Procurement	International competitive bidding	2 contracts for works (already awarded)	\$780 million
Disbursement	The loan proceeds will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB. Retroactive financing will be applied to finance the works that were procured under tranche 1.		

Note: Consulting services recruited under tranche 1 will not be financed under tranche 2.

Source: Asian Development Bank.

E. Project Readiness

24. Project readiness is high. Tranche 2 will finance part of ongoing civil works for the construction of the new railway line, using the time-slice financing approach of the MFF. The civil

works being implemented are on track. Safeguard implementation is closely monitored by independent consultants. It is envisaged that tranche 2 will be smoothly disbursed, considering project readiness.

IV. DUE DILIGENCE

A. Technical

25. Detailed design of the new railway line was prepared under the Subregional Transport Project Preparatory Facility, considering design requirements to minimize the need for land acquisition and resettlement.¹⁵ The design also considered climate change-related risks (i.e., increased flooding and river flow volumes because of more rainfall). Considering potential climate risks, the rail embankment height was increased and the freeboard of major and minor bridges and box culverts has been increased. The civil work contractors have reviewed the detailed design, and the works started in June 2018. Bangladesh Railway's capacity to operate and maintain assets was strengthened by updating several operations manuals prepared as part of the railway reform project. Bangladesh Railway will maintain all assets financed under this loan in such a way that they are available for safe railway operation, and will establish a dedicated maintenance unit for the new line. Bangladesh Railway is upgrading the Akhaura–Laksam section to dual-gauge double track (footnote 6), and other sections along the Dhaka–Chattogram railway corridor are also planned for upgrade, as well as conversion of the Chattogram–Dohazari section.

B. Economic and Financial

26. It was concluded that the project was economically viable and financially sustainable at the approval of the MFF. At the appraisal of tranche 2, the economic and financial analyses were updated using the actual contract amounts of civil works and the latest exchange rate. The project economic internal rate of return was 14.8% at the MFF approval, and the updated project economic internal rate of return is 19.5%. The economic analysis compared the benefits and costs of with-project and without-project situations. The main benefits are savings in vehicle operating costs and travel time, and reduction in accidents. Sensitivity analysis tested the effects of possible negative changes in the key parameters that determine the project's costs and benefits. The analysis indicates that the project's economic viability will remain *satisfactory* even under adverse scenarios. The financial assessment was also updated to examine the sustainability of the project investment. The incremental revenues being generated under the project are expected to be adequate to fully finance the project's incremental recurrent costs and to partially contribute to capital repayment and debt servicing. The project's lending decision is based more on economic viability than financial viability. Bangladesh Railway depends substantially on budgetary support from the government and is facing an operating deficit, with an operating ratio of nearly 200%. Continuous annual tariff adjustment is expected to help Bangladesh Railway improve the ratio. To ensure the long-term sustainability of Bangladesh Railway, the borrower has committed to continue providing sufficient budgetary support for the operation and maintenance of the project.

C. Governance

27. **Financial management.** The financial management assessment was conducted at the MFF approval, following ADB's Guidelines for the Financial Management and Analysis of Projects; Financial Due Diligence: A Methodology Note; and related technical guidance notes.¹⁶

¹⁵ ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Subregional Transport Project Preparatory Facility*. Manila.

¹⁶ ADB. 2009. *The Financial Management and Analysis of Projects, Financial Due Diligence: A Methodology Note, and related technical guidance notes*. Manila.

The financial management assessment was updated for tranche 2. The overall financial management risk was *moderate* at project appraisal, and that is maintained for tranche 2. Bangladesh Railway has prior and ongoing experience in implementing ADB projects, and understands ADB's procurement, disbursement, and financial management procedures. Bangladesh Railway has shown sufficient financial management capacity to date. Details of risks and key mitigating measures are in the updated FAM.

28. **Procurement and anticorruption measures.** The procurement risk is *low*. Tranche 2 requires no new procurement or consultant recruitment. Tranche 2 will finance two civil works contracts, which were awarded on 16 September 2017 through international open bidding. In the procurement process for the two contracts, ADB reviewed procurement-related documents at all major milestones following its Procurement Guidelines (2015, as amended from time to time). Ongoing contracts awarded under tranche 1 will be administered pursuant to ADB's Procurement Guidelines. 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 updated FAM.

D. Poverty, Social, and Gender

29. The project's direct area of influence includes six administrative *upazilas* (subdistricts) in Chattogram and Cox's Bazar districts.¹⁷ Overall, poverty rates in the project area are lower (13.0%–34.0%) than the national average (31.5%).¹⁸ According to the poverty and social analysis, the main sources of income are agriculture, businesses, remittances, day labor, and services. Tourism is important and growing; Cox's Bazar's 120 km of sandy beaches make it one of the most visited destinations in the country. The project will improve accessibility for the estimated 2 million residents living in the project's direct area of influence (who do not have access to the railway system at present) and support the growth of businesses, trade, and services.

30. **Gender.** Surveys conducted under the poverty and social analysis revealed that only 5% of women in the project-affected area have used the train, since no rail connection exists between Dohazari and Cox's Bazar. Overall, women had a positive perception of the project and the majority (61%) said they would feel comfortable traveling alone on a train. Moreover, 50% of the women viewed the new train line as a way for them to access new income-generation opportunities. However, 44% expressed concerns about their personal safety, particularly in relation to theft and harassment, while others were worried about train delays. One national senior gender specialist and four national resettlement and gender specialists have been mobilized under the construction supervision consultants. The project management consultant team will have a gender action plan (GAP) focal point to monitor the GAP. The implementation nongovernment organization (NGO) is in the process of mobilizing a gender specialist under its contract. In community consultations, the implementation NGO is engaging female support staff to encourage the participation of women in the consultations. Special focus group discussions and one-on-one consultations were undertaken as part of the gender assessment, reaching 250 women.

31. **HIV/AIDS and human trafficking.** Although district data on HIV prevalence for Chattogram and Cox's Bazar are lacking, health officials have pointed out that tourism and cross-

¹⁷ Chandanaish, Lohagara, and Satkania in Chattogram district; and Chakaria, Cox's Bazar Sadar, and Ramu in Cox's Bazar district. Estimates are based on the 2011 population census.

¹⁸ Government of Bangladesh, Bangladesh Bureau of Statistics. 2011. *Report of the Household Income & Expenditure Survey 2010*. Dhaka.

border population movements may have increased the incidence of sexually transmitted diseases. As for human trafficking, while neither local data nor nationally collected data exist on the number of trafficked persons to and from Bangladesh, discussions with community-based organizations during project preparation indicate the existence of people smuggling in Cox's Bazar, which is near the Myanmar border. Although the project is not expected to facilitate international human trafficking, given that train services are subject to greater control than the current routes used by the traffickers, it may contribute to more rural–urban migration flows. These migrants may then be vulnerable to being coerced and exploited by organized traffickers. The GAP specifies that NGOs appointed by contractors will conduct information campaigns on HIV/AIDS and human trafficking for communities and employees.

32. **Rail crossing safety.** Given that the project consists of a new line located in a community that is not used to train services, the risk of train collisions with vehicles and pedestrians is high. Residents and drivers along the corridor may not be aware of the train's braking limitations (compared with vehicles) and the need to clear the rail tracks in advance.

33. **Gender action plan.** The MFF and tranche 2 are categorized *effective gender mainstreaming*. The GAP was updated for tranche 2 to ensure women-friendly design features and to mitigate the social risks mentioned. The action plan includes the following activities: (i) integrate features that would make the stations friendly to elderly people, women, children, and people with disabilities;¹⁹ (ii) promote rail crossing safety awareness campaigns to communities along the corridor, targeting pedestrians, drivers, parents, schoolchildren, and professional drivers; (iii) include personal safety and/or anti-sexual-harassment protocols in stations and capacity building; (iv) run a public preventive awareness-raising campaign on sexually-transmitted diseases and human trafficking; (v) take proactive measures to support the rehabilitation of affected women; and (vi) launch a website and communication platform about the project, its impact, and its implementation progress.

E. Safeguards

34. In compliance with ADB's Safeguard Policy Statement (2009) (SPS), the project's safeguard categories are as follows.²⁰

35. **Environment (category A).** The MFF follows a time-slice financing approach, where the funds under tranche 2 will be utilized to continue civil works initiated under tranche 1. There is no change in scope under tranche 2. Hence, the environmental issues will remain the same as in tranche 1 (significant ecological impacts are expected due to the construction of a greenfield rail line passing through several elephant crossings and three protected areas). Mitigation measures proposed include underpasses, overpasses, and sensor systems (thermal imaging) to alert train drivers on the presence of elephants. The environment safeguards aspects of the project were fully appraised during the preparation of tranche 1. The draft environmental impact assessment (EIA) was disclosed on 29 April 2016 to meet the 120-day disclosure requirement of the SPS, and the final EIA was disclosed on 26 May 2016. An environmental assessment and review framework required by the SPS for MFFs was also prepared and disclosed on the ADB website. Government

¹⁹ Gender-inclusive designs and gender-responsive features of the stations include separate toilets and ablution facilities for male and female passengers, separate waiting room spaces for women and men, separate ticketing facilities for women, well-lit waiting rooms and spaces on platforms, disability access features including entry and exit gates and footbridges equipped with ramps, dedicated drop-off and pick-up points and parking space, as well as ticket booths at suitable height for wheelchair users.

²⁰ ADB. Safeguard Categories. <https://www.adb.org/site/safeguards/safeguard-categories>.

environmental clearance for the project was secured in November 2017 and significant progress has been made on processing the transfer of forest land to the Bangladesh Railway.

36. As required by the EIA, a baseline biodiversity assessment was completed in March 2018 to verify and finalize the mitigation measures proposed for addressing anticipated ecological impacts. Revisions have been made to the environmental management plan based on findings of the baseline biodiversity assessment, including finalizing the location and number of mitigation measures. Environmental monitoring activities are regularly being conducted and monitoring reports are being disclosed as required by the EIA. Internal monitoring is being conducted by the environment focal person in the project implementation unit. Regular on-site monitoring is being conducted by environmental experts under the construction supervision consultants, and external monitoring is being conducted by independent environmental consultants. Hence, the project has adequate staff to implement and monitor environmental safeguard activities. However, training is largely focused on occupational health and safety for the construction workers. This could be expanded to include other environmental safeguard subject matters such as air and water pollution and waste management. At least 28 environmental impacts and mitigation measures were identified in the environmental management plan. Based on the progress of works as of September 2018, only 15 of them are applicable. Of the 15, nine (60%) are found to be fully compliant, 6 (40%) partially compliant, and no noncompliance. The partially compliant activities—occupational health and safety and waste management—did not include any significant environmental issues were the key partially compliant items. To address these, waste dustbins were immediately provided in campsites and occupation health and safety standards were improved. The environmental due diligence report for tranche 1, which is disclosed on the ADB website, shows that the project's performance on environmental safeguards is satisfactory and compliant with the SPS.

37. **Involuntary resettlement (category A).** The MFF as a whole was assessed category A; accordingly, tranche 2 is classified A. A detailed survey of involuntary resettlement impacts was conducted, which identified the acquisition of 553.59 hectares of land and impacts on 1,984 households (9,946 persons), the majority of whom (80%) will have to physically relocate. Most affected households (65%) are titleholders. About 80% of physically affected titled households will lose less than 30% of their land and will be able to relocate their homestead to their residual plot. The project is also expected to affect 48 community structures.

38. The resettlement plan was prepared using a participatory approach, and minimizes involuntary resettlement impacts. Its mitigation measures adequately address impacts identified by social assessment, and reflect lessons learned from other projects being implemented in Bangladesh. The resettlement plan includes compensation at replacement cost, shifting and reconstruction assistance, special provisions for vulnerable households, and assistance in identifying alternative plots of land to buy or rent. In addition, it includes a livelihood improvement program with special measures to encourage women's participation. The resettlement plan is financed entirely by the government, and its budget has been approved. It is being implemented by Bangladesh Railway, with support from an implementation NGO. Bangladesh Railway is familiar with and experienced in ADB's involuntary resettlement requirements through previous ADB-financed investments. The resettlement plan has been disclosed on ADB's website and to affected communities directly by Bangladesh Railway.²¹ Since the project is financed through an MFF, a resettlement framework has been prepared and disclosed.²²

²¹ ADB. 2016. [Resettlement Plan: SASEC Chittagong-Cox's Bazar Railway Project Phase 1](#). Manila.

²² ADB. 2016. [Resettlement Framework: SASEC Chittagong-Cox's Bazar Railway Project Phase 1](#). Manila.

39. **Indigenous peoples (category C).** The MFF and tranche 2 are classified category C as per the SPS. The alignment does not affect tribal lands, and the survey confirms that no indigenous people's community will be affected. Given that the project will be financed through an MFF, an indigenous people's planning framework has been prepared and disclosed.²³

F. Summary of Risk Assessment and Risk Management Plan

40. Significant risks and mitigating measures are described in detail in the risk assessment and risk management plan.²⁴

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Budget allocation for operation and maintenance beyond project period.	The government and Bangladesh Railway will keep allocating sufficient budget. Covenant is included in the loan agreement.

Source: Asian Development Bank.

V. ASSURANCES

41. The government has assured ADB that the 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 updated FAM and loan document.

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

VI. THE PRESIDENT'S DECISION

43. On the basis of the approval by ADB's Board of Directors for the provision of loans under the multitranchise financing facility in an aggregate principal amount not exceeding the equivalent of \$1,500,000,000 to the People's Republic of Bangladesh for the South Asia Subregional Economic Cooperation Chittagong–Cox's Bazar Railway Project, Phase 1, the President has approved the tranche as described in paragraph 20 and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement.

²³ ADB. 2016. [Indigenous People's Planning Framework: SASEC Chittagong-Cox's Bazar Railway Project Phase 1. Manila.](#)

²⁴ The updated risk assessment and risk management plan is in Appendix 12.

DESIGN AND MONITORING FRAMEWORK FOR TRANCHE 2

Impacts the Project is Aligned with Efficient and safe railway transport in Bangladesh developed (7th Five-Year Plan, FY2016–FY2020) ^a Subregional connectivity and trade improved (7th Five-Year Plan, FY2016–FY2020) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Railway transport system in the Chattogram–Cox's Bazar corridor improved	By 2024 a. 10 passenger trains operate daily between Chattogram and Cox's Bazar (2016 baseline: no train services) b. 2.9 million passengers transported annually between Chattogram and Cox's Bazar (2016 baseline: 0) c. Cox's Bazar district connected to the national and subregional railway network (2016 baseline: not connected)	a. Bangladesh Railway's passenger timetable b. Bangladesh Railway's passenger records c. Bangladesh Railway's project completion report	Delay in development in other sections between Dhaka, Chattogram, and Cox's Bazar
Outputs New railway line constructed	By 2023 a. 102 kilometers of new railway line constructed (2016 baseline: 0) b. Nine stations constructed, integrating design features that make them friendly to elderly people, women, children, and people with disabilities (2016 baseline: 0)	a.–b. Bangladesh Railway's progress and project completion reports	Delay in government procedure in land acquisition and resettlement
Key Activities with Milestones 1 New railway line constructed 1.1 Construction completed (Q4 2023)			
Project Management Activities Project management consultants mobilized (Q1 2019)			
Inputs Asian Development Bank: \$400,000,000 (tranche 2) Government: \$50,000,000			
Assumptions for Partner Financing Not applicable.			

FY = fiscal year, MFF = multitranchise financing facility, Q = quarter.

^a Government of Bangladesh, Planning Commission, General Economics Division. 2015. *7th Year Plan, FY2016–FY2020: Accelerating Growth, Empowering Citizens*. Dhaka.

Source: Asian Development Bank.