

Project Administration Manual

Project Number: 49094-001

Loan Number: {LXXXX}

September 2015

People's Republic of Bangladesh: Railway Rolling
Stock Project

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with government of Bangladesh and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Government and Bangladesh Railway are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by the Government and Bangladesh Railway of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Loan agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB approved the project, changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

Abbreviations

| | | |
|-------|---|---|
| ADB | = | Asian Development Bank |
| ADF | = | Asian Development Fund |
| AFS | = | audited financial statements |
| BR | = | Bangladesh Railway |
| CQS | = | consultant qualification selection |
| DMF | = | design and monitoring framework |
| EARF | = | environmental assessment and review framework |
| EIA | = | environmental impact assessment |
| EMP | = | environmental management plan |
| ESMS | = | environmental and social management system |
| GACAP | = | governance and anticorruption action plan |
| GDP | = | gross domestic product |
| ICB | = | international competitive bidding |
| IEE | = | initial environmental examination |
| IPP | = | indigenous people plan |
| IPPF | = | indigenous people planning framework |
| LAR | = | land acquisition and resettlement |
| LIBOR | = | London interbank offered rate |
| NCB | = | national competitive bidding |
| NGOs | = | nongovernment organizations |
| PAI | = | project administration instructions |
| PAM | = | project administration manual |
| PIU | = | project implementation unit |
| QBS | = | quality based selection |
| QCBS | = | quality- and cost based selection |
| RRP | = | report and recommendation of the President to the Board |
| SBD | = | standard bidding documents |
| SGIA | = | second generation imprest accounts |
| SOE | = | statement of expenditure |
| SPS | = | Safeguard Policy Statement |
| SPRSS | = | summary poverty reduction and social strategy |
| TOR | = | terms of reference |

I. PROJECT DESCRIPTION

1. Bangladesh Railway (BR) is a department under the Ministry of Railways that manages a rail network of 2,855 route-kilometers (km) and has 26,458 regular employees in June 2012. The network is divided into two zones: east and west, separated by the Jamuna River. In the West Zone, the rail network includes 660 km of broad gauge track, i.e., 1.676 meter wide track and 553 km of meter gauge, i.e., 1.0 meter wide track. The East Zone has 1,277 km of meter gauge track, and 365 km of dual gauge track (catering for both broad gauge and meter gauge trains). Jamuna Multipurpose Bridge, which is part of a dual gauge rail link, provides the only east-west rail link.
2. The proposed Railway Rolling Stock Project (the Project) will improve the railway transport capacity in Bangladesh on key corridors such as the Dhaka–Chittagong, Dhaka–Darsana–Khulna and Dhaka–Rajahi main lines by financing additional rolling stock, i.e. diesel locomotives, passenger carriages and related equipment. The additional rolling stock will be used to schedule additional trains on these key corridors, which will be possible once the new double-track infrastructure financed by ADB and JICA becomes progressively available for operation starting in 2015. The new additional rolling stock will enable Bangladesh Railway to satisfy steadily growing demand and increase its market share.
3. **Impact and Outcome.** The impact will be efficient and safe railway transport in Bangladesh, aligned with the Sixth Five-Year Plan (2011–2015).¹ The outcome will be increased railway transport capacity in the main line network of Bangladesh Railway.
4. **Outputs.** 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.
5. This project administration manual (this PAM) is prepared to provide reference for the Government and ADB to facilitate administration of this loan. It also lays down monitoring and control procedures which are to be used to ensure that the intended objectives are realized.

¹ Government of Bangladesh, Ministry of Planning, Planning Commission. 2011. *Sixth Five-Year Plan: 2011–2015*. Dhaka.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

6. **Project Processing and DPP-approval Schedule.** BR targets the following schedules for DPP (Development Project Proforma) preparation and approval:

Table 1: Proposed Processing Schedule for DPP

| Milestones | Expected Completion Date |
|---------------------------------------|--------------------------|
| Finalizing DPP in BR, approval by MOR | 30 April 2015 |
| Submission to Planning Commission | 1 May 2015 |
| PEC Meeting | June 2015 |
| Approval by ECNEC | July 2015 |

BR = Bangladesh Railway, DPP = Development Project Proforma, ECNEC = Executive Committee of the National Economic Council, MOR = Ministry of Railways, PEC = Project Evaluation Committee.
Source: Bangladesh Railway estimates.

7. Based on the processing schedule for the DPP, the following processing schedule for the ADB-loan is proposed to ensure approval of the loan in September 2015:

Table 2: Proposed Processing Schedule

| Milestones | Expected Completion Date |
|--|--------------------------|
| Fact-Finding Mission | May 2015 |
| Interdepartmental review and sector-focused review | June 2015 |
| Staff review meeting (SRM) | June 2015 |
| Loan negotiations | July 2015 |
| Board consideration | September 2015 |
| Loan Signing | January 2016 |
| Loan effectiveness | April 2016 |
| Loan closing | June 2021 |

Source: Asian Development Bank estimates.

8. **Bid documents.** The bid documents will be prepared by BR based on the existing technical specifications and bid documents for the procurement of Passenger Carriages used under tranche 3 of the Railway Sector Investment Program MFF.

Table 3: Proposed Procurement Schedule

| Milestones | Expected Completion Date |
|---|---------------------------------|
| Completion Draft Bid Document | 30 June 2015 |
| ADB review and comments | 31 July 2015 |
| Revision of Bid Documents (BR) | 15 August 2015 |
| Approval of Bid Documents (ADB) | 15 September 2015 |
| Bidding | 15 September to 31 October 2015 |
| Technical Evaluation (BR, TEC, TSC) | November 2015- January 2016 |
| ADB Review of Technical Bid Evaluation Report | February 2016 |
| Financial Bid Evaluation (BR) | March 2016 |
| ADB Review of Financial Bid Evaluation Report | April 2015 |
| Approval of Contract (CCGP) | May 2016 |
| Award of Contract | June 2016 |
| Signing of Contract | July 2016 |

Source: Asian Development Bank estimates.

B. Overall Project Implementation Plan

| Item | 2015 | | | | 2016 | | | | 2017 | | | | 2018 | | | | 2019 | | | | 2020 | | | | | | | | | | | | | | |
|---|------|---|---|---|------|---|---|---|------|---|---|---|------|---|---|---|------|---|---|---|------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | J | F | M | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N |
| A. Loan Processing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loan Processing and Approval by ADB | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loan Effectiveness | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B. Procurement of 214 Meter Gauge Passenger Carriages | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Preparation of Bid Documents | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Procurement Process | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Manufacturing, delivery, commission | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| C. Procurement of 50 Broad Gauge Passenger Carriages | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Preparation of Bid Documents | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Procurement Process | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Manufacturing, delivery, commission | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| D. Procurement of 10 Diesel Locomotives | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Preparation of Bid Documents | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Procurement Process | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Manufacturing, delivery, commission | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| E. Procurement of 4 relief cranes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Preparation of Bid Documents | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Procurement Process | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Manufacturing, delivery, commission | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| F. Procurement of 2 train washing plants | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Preparation of Bid Documents | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Procurement Process | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Manufacturing, delivery, commission | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| G. Procurement of 1 simulator for loco-master training | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Preparation of Bid Documents | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Procurement Process | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Manufacturing, delivery, commission | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Source: Asian Development Bank

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

| Project implementation organizations | Management Roles and Responsibilities |
|---|---|
| <ul style="list-style-type: none">• Executing Agency (Bangladesh Railway) | <ul style="list-style-type: none">➤ Overall coordination of project implementation➤ Inter-agency coordination➤ Establish PIUs and appoint project directors and sufficient staff for support of project director➤ Day-to-day project management➤ Procurement of goods and services contracts➤ Withdrawal applications➤ Project progress reports➤ Maintain project accounts and complete loan financial records |
| <ul style="list-style-type: none">• ADB | <ul style="list-style-type: none">➤ Monitor and review overall project implementation in consultation with the EA including: project implementation schedule; actions required in relation with safeguards compliance; timeliness of budgetary allocations and counterpart funding; project expenditures; progress with procurement and disbursement; compliance with loan covenants. |

B. Key Persons Involved in Implementation

Executing Agency

Bangladesh Railway
(Project Implementation Unit)

Mr. Md. Iftikhar Hossain,
Chief Mechanical Engineer/Development
Project Director (Passenger Carriages)

Address: Bangladesh Railway, Rail Bhaban, 16, Abdul Gani
Road, Dhaka -1000, Bangladesh
Telephone: +880-17 11 50 69 44
E-Mail: cmdev@railway.gov.bd

Mr. Dulal Kumar Roy
Chief Mechanical Engineer/
Project Director (Locomotives)

Address: Bangladesh Railway, Rail Bhaban, 16, Abdul Gani
Road, Dhaka -1000, Bangladesh
Telephone: +880-17 11 69 29 81
E-Mail: dulal088@yahoo.com

ADB

Bangladesh Resident Mission

Kazuhiko Higuchi
Country Director
Telephone No. +880-2 5566 7000
Email address: khiguchi@adb.org

South Asia Transport and
Communications Division

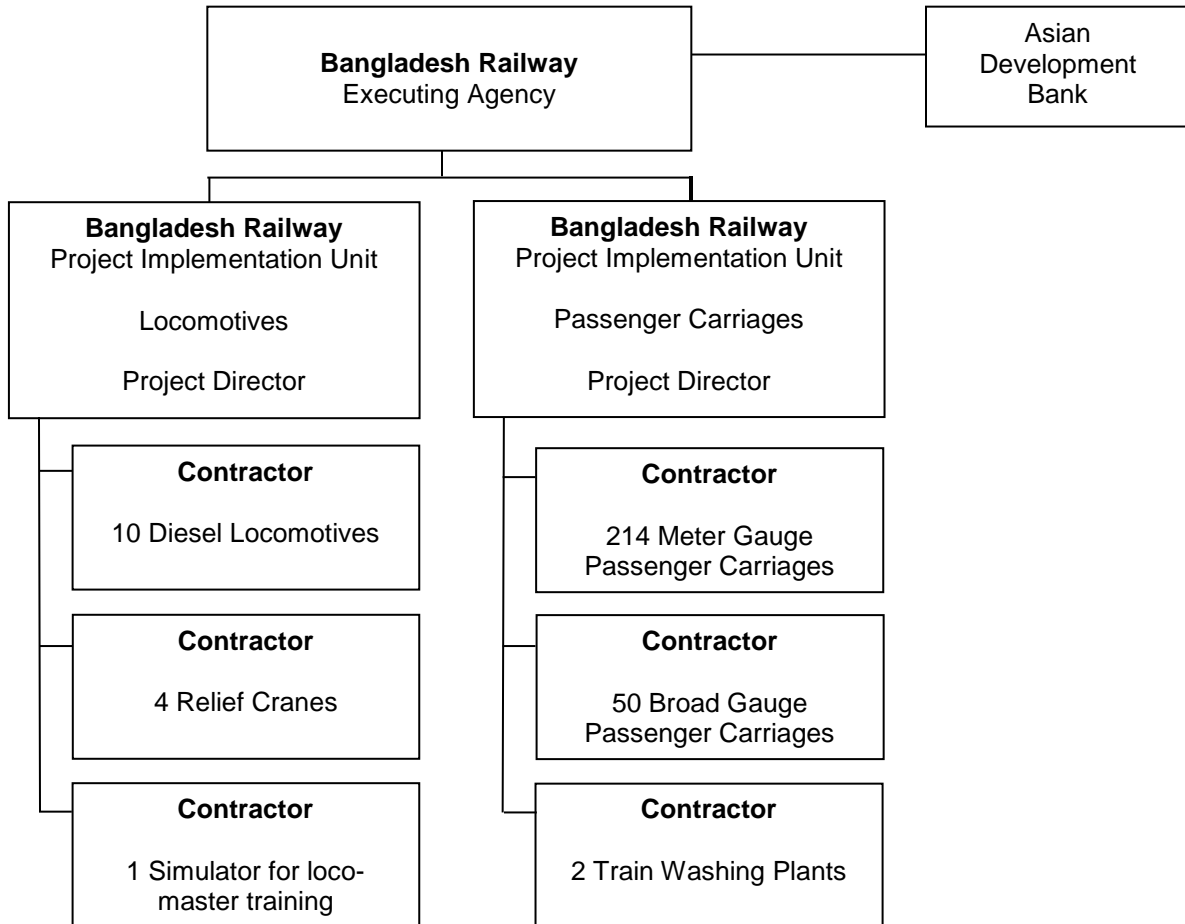
Hiroaki Yamaguchi
Director
Telephone No. +632-632 6630
Email address: hyamaguchi@adb.org

Mission Leader

Markus Roesner
Principal Transport Specialist
Telephone No. +632-6324980
Email address: mroesner@adb.org

C. Project Organization Structure

9. The flow chart below shows the reporting lines in the internal structures of key organizations involved in project implementation.



IV. COSTS AND FINANCING

10. The project is estimated to cost \$294 million (Table 4).

Table 4: Project Investment Plan
(\$ million)

| Item | Amount ^a |
|---|---------------------|
| A. Base Cost^b | |
| 1. Output 1 | |
| a. 214 Meter Gauge Passenger Carriages | 121.0 |
| b. 50 Broad Gauge Passenger Carriages | 40.0 |
| c. 10 diesel locomotives | 58.0 |
| 2. Output 2 | |
| a. 4 Relief cranes | 32.0 |
| b. 2 Train washing plants | 5.0 |
| c. 1 Simulator for loco-master training | 3.0 |
| 3. Project management and inspections | 3.0 |
| Subtotal (A) | 262.0 |
| B. Contingencies^c | 20.0 |
| C. Financing Charges During Implementation^d | 12.0 |
| Total (A+B+C) | 294.0 |

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

^b In mid-2015 prices.

^c Price contingencies computed at 8% on foreign exchange costs and 6% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

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

Sources: Asian Development Bank and Bangladesh Railway estimates.

11. 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.

12. The financing plan is in Table 5.

Table 5: Financing Plan

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

Source: Asian Development Bank estimates.

A. Cost estimate by Expenditure Category and by Financier

| Component | Total \$ million | Government [%] | Government \$ million | ADB [%] | ADB \$ million |
|--|------------------------|-------------------|-----------------------------|---------------|-------------------|
| A. Goods and services | | | | | |
| 1. Procurement of 214 MG Passenger Coaches | 90.00 | 0.0% | 0.00 | 100.0% | 90.00 |
| 2. Procurement of 50 BG Passenger Coaches | 30.00 | 0.0% | 0.00 | 100.0% | 30.00 |
| 3. Procurement of 10 Diesel-Electric Locomotives | 44.00 | 0.0% | 0.00 | 100.0% | 44.00 |
| 4. Procurement of 4 relief cranes | 24.00 | 0.0% | 0.00 | 100.0% | 24.00 |
| 5. Procurement of 2 train washing plants | 4.00 | 0.0% | 0.00 | 100.0% | 4.00 |
| 6. Procurement of 1 simulator for loco-master training | 2.00 | 0.0% | 0.00 | 100.0% | 2.00 |
| Total Goods and services | 194.00 | 0.0% | 0.00 | 100.0% | 194.00 |
| B. Project Management Cost | 3.00 | 100.0% | 3.00 | 0.0% | 0.00 |
| C. Taxes and Duties | 65.00 | 100.0% | 65.00 | 0.0% | 0.00 |
| D. Interest and Commitment Charges | 12.00 | 75.0% | 9.00 | 25.0% | 3.00 |
| E. Contingencies | 20.00 | 85.0% | 17.00 | 15.0% | 3.00 |
| Total (A+B+C+D+E) | 294.00 | 32.0% | 94.00 | 68.0% | 200.00 |

B. Cost estimate for goods and services including tax

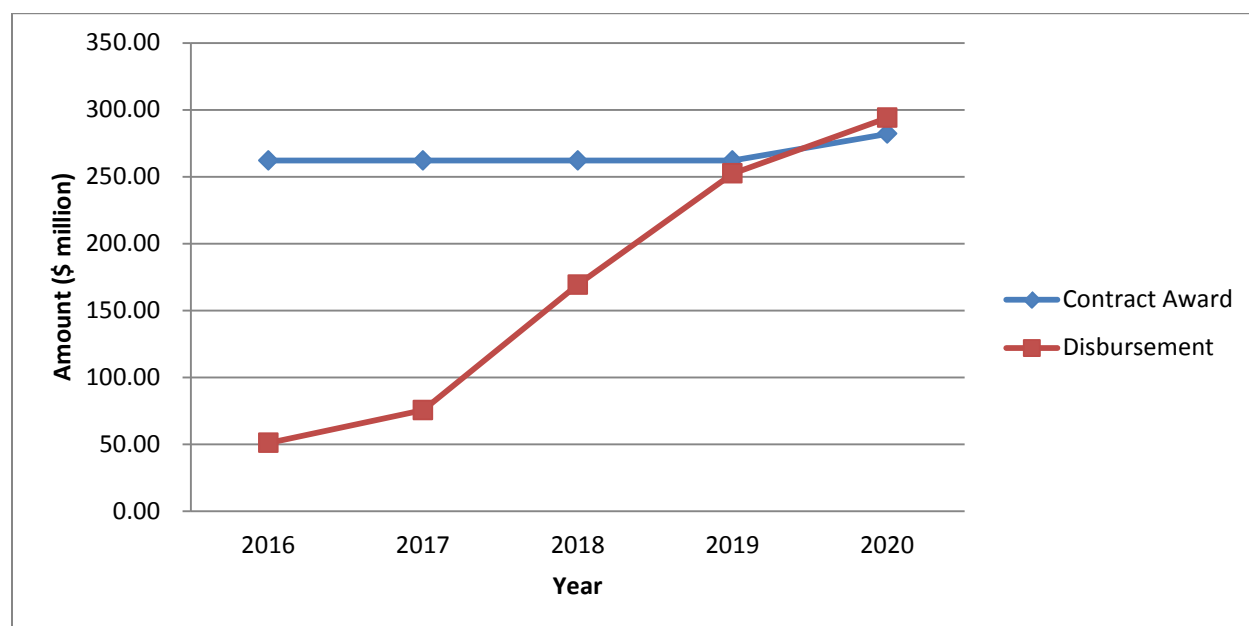
(in \$ million)

| Component | Total Cost | Taxes and duties | ADB financing |
|--|---------------|------------------------|------------------|
| A. Goods and services | | | |
| 1. Procurement of 214 MG Passenger Coaches | 121.00 | 31.00 | 90.00 |
| 2. Procurement of 50 BG Passenger Coaches | 40.00 | 10.00 | 30.00 |
| 3. Procurement of 10 Diesel-Electric Locomotives | 58.00 | 14.00 | 44.00 |
| 4. Procurement of 4 relief cranes | 32.00 | 8.00 | 24.00 |
| 5. Procurement of 2 train washing plants | 5.00 | 1.00 | 4.00 |
| 6. Procurement of 1 simulator for loco-master training | 3.00 | 1.00 | 2.00 |
| Total | 259.00 | 65.00 | 194.00 |

C. Cost estimate by Expenditure Category and Year

| Component | (in \$ million) | | | | | |
|--|-----------------|--------------|--------------|--------------|--------------|--------------|
| | Total | 2016 | 2017 | 2018 | 2019 | 2020 |
| A. Goods and services | | | | | | |
| 1. Procurement of 214 MG Passenger Coaches | 90.00 | 22.50 | 0.00 | 22.50 | 36.00 | 9.00 |
| 2. Procurement of 50 BG Passenger Coaches | 30.00 | 7.50 | 7.50 | 12.00 | 3.00 | 0.00 |
| 3. Procurement of 10 Diesel-Electric Locomotives | 44.00 | 11.00 | 11.00 | 17.60 | 4.40 | 0.00 |
| 4. Procurement of 4 relief cranes | 24.00 | 8.00 | 0.00 | 0.00 | 13.60 | 2.40 |
| 5. Procurement of 2 train washing plants | 4.00 | 1.00 | 0.00 | 2.60 | 0.40 | 0.00 |
| 6. Procurement of 1 simulator for loco-master training | 2.00 | 0.50 | 0.00 | 1.30 | 0.20 | 0.00 |
| Total Goods and services | 194.00 | 50.50 | 18.50 | 56.00 | 57.60 | 11.40 |
| B. Project Management Cost | 3.00 | 0.20 | 0.80 | 1.00 | 0.80 | 0.20 |
| C. Taxes and Duties | 65.00 | 0.00 | 5.00 | 36.00 | 24.00 | 0.00 |
| D. Interest and Commitment Charges | 12.00 | 0.30 | 1.00 | 2.50 | 3.20 | 5.00 |
| E. Contingencies | 20.00 | 0.00 | 0.00 | 0.00 | 0.00 | 20.00 |
| Total (A+B+C+D+E) | 294.00 | 51.00 | 25.30 | 95.50 | 85.60 | 36.60 |

D. S-Curve



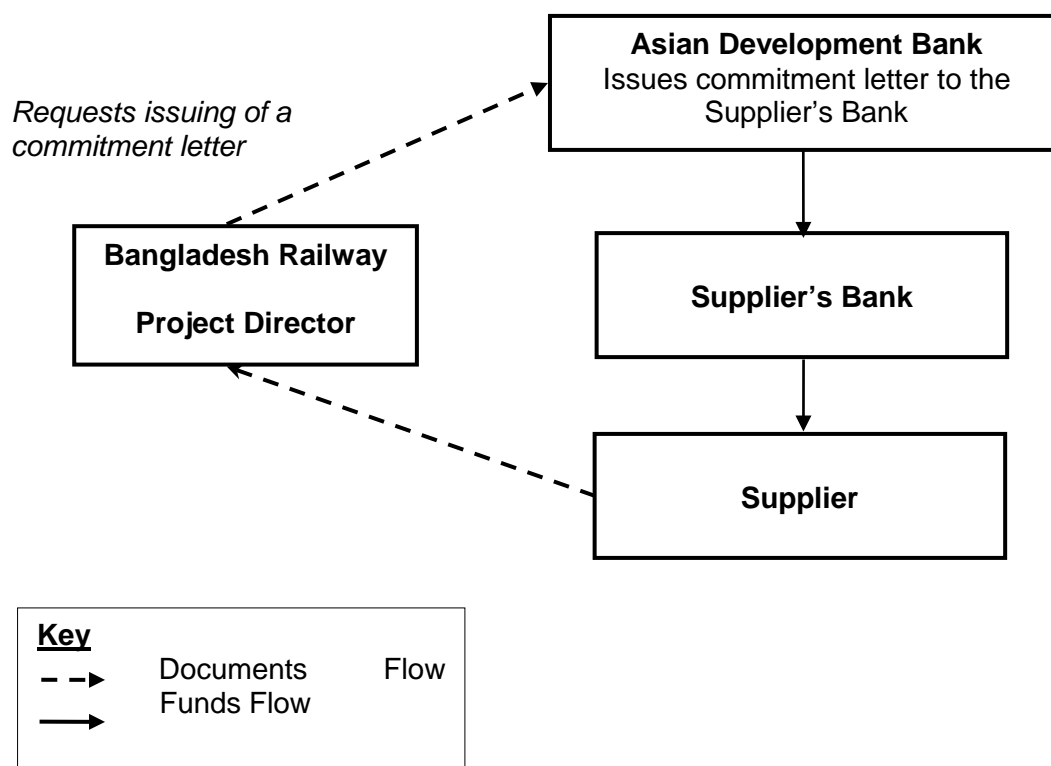
E. Allocation and Withdrawal of Loan Proceeds

| CATEGORY | | | ADB FINANCING |
|----------|---------------------------------|--------------------------------|---|
| Number | Item | Amount Allocated USD (million) | Percentage and Basis for Withdrawal From the Loan Account |
| 1 | Goods | 194.00 | 100 percent of total expenditure claimed * |
| 2 | Interest and Commitment Charges | 3.00 | 100 percent of amount due |
| 3 | Unallocated | 3.00 | |
| | Total | 200.00 | |

*Exclusive of taxes and duties imposed within the territory of the Borrower.

F. Fund Flow Diagram

13. The following diagram shows how the funds will flow from ADB to the contractor to implement project activities.



V. FINANCIAL MANAGEMENT

14. Financial management risks should be considered and updated throughout the life of the Project. Risk mitigation measures should also be updated accordingly.

A. Financial Management Assessment

15. An updated financial management assessment (FMA) was conducted in accordance with ADB's *Guidelines for the Financial Management and Analysis of Projects*² (the Guidelines) and ADB's *Financial Due Diligence A Methodology Note*³ for BR. The FMA focuses on fund flows, staffing, accounting policies and procedures, internal controls, financial reporting and monitoring, and internal and external audits. The FMA is based on lessons learnt during the implementation of ongoing and previous projects implemented by BR. BR has significant experience in managing funds for projects including those of the Asian Development Bank (ADB), and have the organization structure in place to implement these projects. No significant procurement issues were faced during the implementation of the ongoing project. Audited project financial statements (APFS) for ongoing BR implemented projects were received on time, and indicated an unqualified audit opinion (L2845-BAN Tranche 2 of the RSIP, L2688-BAN Project Preparatory Facility, L2317-BAN Railway Reform Project). Audit opinion was qualified for misclassification of expenditure and bank balances, under Tranche 1 of the RSIP (L-2316), which BR will adjust and correct in the next period. There have not been any significant issues with the withdrawal applications submitted by either implementing agency. Although internal audit function is weak, appropriate accounting, reporting and internal control mechanisms are in place. Under Tranche 1 of RSIP, the auditor has indicated weak internal controls, relating to non-competitive procurement of vehicles and unauthorized advance. BR is obtaining post facto approvals and providing additional documents as recommended by the auditor. Prior year audit observations are also partially unsettled, and BR has been requested to address these on a priority basis. Considerable work is also being done under the ongoing MFF and Railway Reform Project to improve the Financial Management arrangements in BR, including (i) introduction of an enterprise resource planning (ERP), (ii) reorganization of BR into 6 Lines of Business (LOB), (iii) initiation of an accounting structure based on LOB, (iv) establishment of BR Asset Registry and (v) establishment of an internal pricing structure. The overall financial management capacity is adequate but, given the country risk rating, the project risk is considered **Moderate**.

16. BR's Accounts and Finance Department is headed by Additional Director General (Finance) or ADG (Finance). The Joint Director General/Finance (JDG/F) reports to the ADG (Finance) and is responsible for BR level budgeting, financial management, accounts and inspection, costing and regulation. Also reporting directly to ADG (Finance) are three Financial Advisor & Chief Accounts Officers (FA&CAO) who head the East Zone, West Zone and Projects. Projects are implemented by a project management unit headed by the Project Director, who is responsible for keeping all relevant records. The accounting responsibility of the projects lies with the office of the Financial Advisor and Chief Accounts Officer (Project), whose office is located in Dhaka. BR has sound accounting policies and procedures that allow for proper recording of project financial transactions including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds. Controls are in place for the proper preparation and approval of transactions. It has put in place various delegated authorities for review and approval of transactions. Cost allocations to the

² ADB. 2015. *Financial Management Assessment, Technical Guidance Note*. Manila.

³ ADB. 2009. *Financial Due Diligence, A Methodology Note*. Manila.

various funding sources are made accurately and in accordance with established agreements using separate project codes for each funding source. BR has document retention rules in place that ensure documents are retained for various number of years depending on the importance of the transaction, with retention periods varying from 3 years to permanent retention periods.

17. BR primarily follows cash basis of accounting, though some financial statements are also prepared based on commercial principles. Since July 2013, accounting statements are also in parallel partially being prepared in accordance with International Accounting Standards through the ERP IT-System introduced under the Railway Reform Project (Loan 2317). For the purposes of reporting to donors and GoB and to meet audit requirements, Project Directors are required to prepare the annual Financial Statements and Notes in accordance with GoB's financial regulations and principles of International Accounting Standards. They are also required to make monthly progress reports of their respective projects. BR's financial statements include Current Accounts, Monthly Accounts, Annual Financial Appropriation Accounts and Finance Accounts prepared on cash basis. Apart from these, BR also prepares a part of profit and loss accounts based on commercial principles.

18. There is currently no internal audit unit or audit committee in BR. However, the BR Code for the Accounts Department stipulates sufficient internal control measures that are designed to supplement the external audits conducted by C&AG for the revenue accounts and GoB funded projects, and the Foreign Aided Project Audit Directorate (FAPAD) for the donor funded projects. BR has an internal audit function, regular and targeted internal checks and inspections could be carried out and this would significantly improve the control environment in BR.

19. FAPAD performs the audit of all donor funded development projects, including investments and technical assistance that are undertaken by BR. The audit responsibility of FAPAD is firstly to meet the audit requirement of the National Parliament, and secondly, as provided by their respective loan agreements, to meet the audit requirements of the development partners and to issue audit certificates within the schedule stipulated in the loan agreements.

20. The FA&CAO, the deputy FA&CAO and Accounts Officers are all skilled and professionally qualified and holding degrees or Master degrees. Areas for possible enhancement include computerization of the systems and strengthening internal audit capacity. Enhancement is ongoing under the Railway Sector Investment Program.

21. Financial management risks should be considered and updated throughout the life of the Project. Risk mitigation measures should also be updated accordingly.

B. Disbursement

22. The Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time),⁴ and detailed arrangements agreed upon between the government and ADB.

23. The EA will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, and (iv) preparing and sending withdrawal applications to ADB.

⁴ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

24. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000. Individual payments below this amount should be paid by the borrower and subsequently claimed to ADB through reimbursement.

C. Accounting

25. Bangladesh Railway will maintain separate project accounts and records by funding source for all expenditures incurred on the Project. Project accounts will follow international accounting principles and practices.

D. Auditing

26. BR will cause the project financial statements to be audited in accordance with International Standards on Auditing and with the Government's audit regulations, by an independent auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within 6 months of the end of the fiscal year.

27. The annual audit report for the project financial statements will include audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan proceeds were used only for the purposes of the project or not; and (iii) the level of compliance for each financial covenant contained in the legal agreements for the project. A management letter shall also be provided

28. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

29. The Government and BR have been made aware of ADB's approach on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.⁵ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

⁵ ADB approach on delayed submission of audited project financial statements:

- When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan

30. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011). After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days after receipt. The Management Letter will not be disclosed.

VI. PROCUREMENT

A. Advance Contracting

31. Management approved advance contracting on 3 June 2015 for the procurement of goods and related services. The government and BR have been informed that approval of any documents under advance contracting action does not in any way commit ADB to finance the ensuing Subprojects. All advance contracting will be undertaken in conformity with ADB's *Procurement Guidelines* (2015, as amended from time to time). The issuance of invitations to bid under advance contracting will be subject to ADB approval. The borrower and Bangladesh Railways have been advised that approval of advance contracting does not commit ADB to finance the Project.

B. Procurement of Goods

32. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines* (2015, as amended from time to time).

C. Procurement Plan

33. The procurement plan is in Attachment 2.

VII. SAFEGUARDS

34. The project involves the procurement of locomotives and passenger carriages that will operate on existing railway lines. According to the ADB's Safeguard Policy Statement (2009), the project is categorized as "C" for impacts on the environment, involuntary resettlement, and indigenous peoples.

35. During project implementation it must be ensured that there will be no or minimal adverse environmental impacts and all commissioning works must be done in accordance with environment, health and safety regulations of the Government of Bangladesh. If there are any deviations in project scope that require any of the safeguard categories to be raised, the EA must immediately inform ADB for further advice on preparation of assessment and planning documents.

36. During implementation, the EA will further ensure that the project does not result in any involuntary resettlement or indigenous peoples impacts and no activity that could have potential social safeguards implications will be undertaken till the impacts are assessed and plans with mitigation measures are prepared and approved by the ADB.

37. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List. All financial

institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5 of SPS) to subprojects financed by ADB.

VIII. GENDER AND SOCIAL DIMENSIONS

38. **Gender, HIV/AIDS, and public health.** It is expected that the project will have a positive impact on women, as railway is considered one of the most reliable, comfortable and safest mode of land transportation. Women are important users of the rail services and this has been recognized by the Ministry of Railways, which has been taking steps to improve amenities for women. Increasingly in major stations, one can find female-segregated toilets, ticket counters, waiting rooms, and prayer rooms. The new passenger carriages will add to these amenities by providing more frequent, reliable and comfortable train services. Moreover, wheelchair access will be included to at least one carriage per rake. As for other transport-related social issues, the proposed project is not expected to contribute to any increase in the incidence of HIV/AIDS or human- trafficking.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

39. The design and monitoring framework is in Attachment 1.

B. Monitoring

40. **Project performance monitoring.** Achievement of the project performance targets will be assessed following the design and monitoring framework. The EA will establish a project performance management system for the project. Indicators to be monitored include (i) the number of traffic before and after the implementation of the loan; and (ii) project implementation period. Progress will be monitored and reported by the EA as required. These reports will provide information necessary to update ADB's project performance reporting system.⁶

41. **Compliance monitoring.** Regular monitoring of project implementation to ensure policy compliance will be conducted through the Bangladesh Resident Mission and SATC. As necessary, special loan administration missions and a midterm review mission will be fielded to ensure policy compliance. The EA will monitor project implementation in accordance with the schedule and time-bound milestones, and keep ADB informed of any significant deviations that may result in not achieving the milestones.

42. **Safeguards monitoring.** Since the project is categorized as "C" for impacts on the environment, involuntary resettlement, and indigenous peoples, no safeguards monitoring reports are required. However, if there are any deviations in project scope which require any of the safeguard categories to be raised, the EA will be advised on the type and frequency of monitoring reports required.

⁶ ADB's project performance reporting system is available at: <http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

C. Evaluation

43. A project inception mission will be fielded soon after the legal agreements for the loan are declared effective; thereafter, regular reviews will follow at least annually. As necessary, special loan administration missions and a midterm review mission will be fielded, under which any changes in scope or implementation arrangement may be required to ensure achievement of project objectives. The EA will monitor project implementation in accordance with the schedule and time-bound milestones, and keep ADB informed of any significant deviations that may result in the milestones not being met. Within 6 months of physical completion of the loan, the EA will submit a project completion report to ADB.⁷

D. Reporting

44. The EA will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of completion of the loan. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency AFSs, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

45. Consultations undertaken during the preparation of the Railway Sector Improvement Program (MFF-0004-BAN) and the SASEC Railway Connectivity: Akhaura–Laksam Double Track Project (Loans 3169/70-BAN) show that people have a positive attitude towards the improvement of the railway services, and viewed rail transport as a key factor in improving opportunities for business development, as well as connections with other parts of the country and neighboring countries and basic services, such as education and health care, trade and commerce, and tourism.

X. ANTICORRUPTION POLICY

46. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.⁸ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.⁹ To support these efforts, relevant provisions are included in the loan agreement, regulations and the bidding documents for the Project. In particular, all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of BR, and consultants and other service providers, as they relate to the Project. The government will also assist ADB representatives' carrying out random spot checks on the work in progress and the utilization of funds for the Project. A further transparency measure is

⁷ Project completion report format available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

⁸ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

⁹ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

establishment of a publicly accessible project website within the existing BR website where the Borrower will disclose key project related information including costs, safeguards, and procurement.

XI. ACCOUNTABILITY MECHANISM

47. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.¹⁰

XII. RECORD OF PAM CHANGES

48. All revisions/updates during course of implementation should be recorded and retained under this Section to provide a chronological history of changes to implemented arrangements recorded in this PAM.

¹⁰ For further information see: <http://compliance.adb.org/>.

DESIGN AND MONITORING FRAMEWORK

| Impact the Project is Aligned with | | | |
|--|--|--|--|
| Efficient and safe railway transport in Bangladesh (Sixth Five-Year Plan: 2011–2015) ^a | | | |
| Results Chain | Performance Indicators with Targets and Baselines | Data Sources and Reporting Mechanisms | Risks |
| Outcome Railway transport capacity in the main line network of Bangladesh Railway increased | By 2021 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. |
| Outputs 1. New rolling stock procured and commissioned | By 2020 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 | By 2020 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 | |
| Key Activities with Milestones Outputs 1 and 2: New rolling stock procured and commissioned and new equipment procured and commissioned 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. | | | |
| Inputs Asian Development Bank: \$200 million (loan) Government: \$94 million | | | |
| Assumptions for Partner Financing Not applicable | | | |

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

Source: Asian Development Bank.

PROCUREMENT PLAN

Basic Data

| | |
|--|--|
| Project Name: Railway Rolling Stock Project | |
| Project Number: 49094-001 | Approval Number: |
| Country: Bangladesh | Executing Agency: Bangladesh Railway (BR) |
| Project Procurement Classification: Category B | Implementing Agency: N/A |
| Project Procurement Risk: Moderate | |
| Project Financing Amount: US\$ 294,000,000 ADB Financing: US\$ 200,000,000 Cofinancing (ADB Administered): Non-ADB Financing: US\$ 94,000,000 | Project Closing Date: 31 December 2020 |
| Date of First Procurement Plan: 25 June 2015 | Date of this Procurement Plan: 25 June 2015 |

A. Methods, Thresholds, Review and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

| Procurement of Goods and Works | | |
|---|--------------------------|----------|
| Method | Threshold | Comments |
| International Competitive Bidding for Goods | US\$ 2,000,000 and Above | |

2. Goods and Works Contracts Estimated to Cost \$1 Million or More

The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

| Package Number | General Description | Estimated Value | Procurement Method | Review (Prior/Post) | Bidding Procedure | Advertisement Date (quarter/year) | Comments |
|----------------|--|-----------------|--------------------|---------------------|-------------------|-----------------------------------|--|
| 1 | Procurement of 214 meter gauge passenger coaches | 121,000,000.00 | ICB | Prior | 1S2E | Q3 / 2015 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods |
| 2 | Procurement of 50 broad gauge passenger coaches | 40,000,000.00 | ICB | Prior | 1S2E | Q3 / 2015 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods |

| Package Number | General Description | Estimated Value | Procurement Method | Review (Prior/Post) | Bidding Procedure | Advertisement Date (quarter/year) | Comments |
|----------------|--|-----------------|--------------------|---------------------|-------------------|-----------------------------------|--|
| 3 | Procurement of 10 meter gauge diesel-electric locomotives | 58,000,000.00 | ICB | Prior | 1S2E | Q3 / 2015 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods |
| 4 | Procurement of 4 relief cranes (2 for meter gauge and 2 for broad gauge) | 32,000,000.00 | ICB | Prior | 1S2E | Q4 / 2015 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods |
| 5 | Procurement of 2 train washing plants | 5,000,000.00 | ICB | Prior | 1S2E | Q4 / 2015 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods |
| 6 | Procurement of 1 train simulator for locomaster training | 3,000,000.00 | ICB | Prior | 1S2E | Q4 / 2015 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods |

3. Consulting Services Contracts Estimated to Cost \$100,000 or More

The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

| Package Number | General Description | Estimated Value | Recruitment Method | Review (Prior/Post) | Advertisement Date (quarter/year) | Type of Proposal | Comments |
|----------------|---------------------|-----------------|--------------------|---------------------|-----------------------------------|------------------|----------|
| None | | | | | | | |

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

The following table lists smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

| Goods and Works | | | | | | | | |
|-----------------|---------------------|-----------------|---------------------|--------------------|---------------------|-------------------|-----------------------------------|----------|
| Package Number | General Description | Estimated Value | Number of Contracts | Procurement Method | Review (Prior/Post) | Bidding Procedure | Advertisement Date (quarter/year) | Comments |
| None | | | | | | | | |

| Consulting Services | | | | | | | | |
|----------------------------|----------------------------|------------------------|----------------------------|---------------------------|----------------------------|--|-------------------------|-----------------|
| Package Number | General Description | Estimated Value | Number of Contracts | Recruitment Method | Review (Prior/Post) | Advertisement Date (quarter/year) | Type of Proposal | Comments |
| None | | | | | | | | |

B. Indicative List of Packages Required Under the Project

The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

| Goods and Works | | | | | | | |
|------------------------|----------------------------|-------------------------------------|--------------------------------------|---------------------------|----------------------------|--------------------------|-----------------|
| Package Number | General Description | Estimated Value (cumulative) | Estimated Number of Contracts | Procurement Method | Review (Prior/Post) | Bidding Procedure | Comments |
| None | | | | | | | |

| Consulting Services | | | | | | | |
|----------------------------|----------------------------|-------------------------------------|--------------------------------------|---------------------------|----------------------------|-------------------------|-----------------|
| Package Number | General Description | Estimated Value (cumulative) | Estimated Number of Contracts | Recruitment Method | Review (Prior/Post) | Type of Proposal | Comments |
| None | | | | | | | |