FRAMEWORK FINANCING AGREEMENT
SASEC Chittagong Cox's Bazar Railway Project Phase 1

Parties

This Framework Financing Agreement ("FFA") dated 29 June 2016 is between "People's Republic of Bangladesh" ("Bangladesh") and Asian Development Bank ("ADB").

MFF Investment

Bangladesh is committed to and will implement the SASEC Chittagong–Cox's Bazar Railway Project, Phase 1, a stand-alone project, which is described in Schedule 1 hereto ("Project"). The Project will finance construction of a new, 102 km long railway line to connect the Cox's Bazar District in Southern Bangladesh with Chittagong and the railway network in Bangladesh. The Project will support economic growth especially through the development of tourism in the Cox's Bazar district.

The total cost of the Project over the period 2016 to 2023 is expected to be $2,012,000,000 equivalent.

Multitranche Financing Facility

The Multitranche Financing Facility (the Facility) is intended to finance the Project under the Investment Plan as a large-scale stand-alone project applying the time-slice methodology, and any additional component directly linked to the project, provided that such components comply with the criteria set out in Schedule 4 hereto and that understandings set out in this FFA are complied with.

These may include:

(i) Railway construction component.

(ii) Institutional development component.

This FFA does not constitute a legal obligation on the part of ADB to commit any financing. At its sole discretion, exercised reasonably, ADB has the right to refuse any financing request made by Bangladesh, cancel the uncommitted portion of the Facility, and withdraw Bangladesh's right to request any financing tranche under the Facility. Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based and which are laid out in this FFA.

This FFA does not constitute a legal obligation on the part of the Borrower to request any financing. Bangladesh has the right not to request any financing under the Facility. Bangladesh also has the right at any time to cancel any uncommitted portion of the Facility.

Bangladesh and ADB may exercise their respective rights to cancel the Facility or any uncommitted portion thereof, and ADB may exercise its right to refuse a financing request, by giving

written notice to such effect to the other parties. The written notice will provide an explanation for the cancellation or refusal and, in the case of a cancellation, specify the date on which the cancellation takes effect.

Financing Plan

The financing plan for the SASEC Chittagong–Cox's Bazar Railway Project, Phase 1 is summarized below.

Financing Source	Total ($ million)	Share (%) of Total
Asian Development Bank	1,500.0	74.6
Government of Bangladesh	512.0	25.4
Total (Investment Plan)	2,012.0	100.0

Financing Terms

ADB will provide loans and may administer cofinancing to finance the project under the Investment Plan, as and when the latter are ready for financing, provided, Bangladesh is in compliance with the understandings hereunder, and the project is in line with those same understandings. Each loan and administered cofinancing will constitute a tranche.

Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. The choice of financing terms will depend on the project, capital market conditions, and ADB's financing policies, all prevailing on the date of signing the legal agreement for such tranche.

Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other.

There is no maximum size for a tranche; the minimum size of a tranche is $50 million.

Commitment charges are not payable on the Facility. They are payable only on financing actually committed by ADB as a loan. ADB rules on commitment charges, which are in effect when the legal agreements are signed for a tranche, will apply with respect to such tranche.

Amount

The maximum financing amount available under the Facility is one billion five hundred million US Dollar ($1,500,000,000). It will be provided in individual tranches from ADB's Ordinary Capital Resources[1] or Special Funds Resources[2] in loans.

[1] Provisions of the Ordinary Operations Loan Regulations applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, would apply to each Loan, subject, to modifications, if any, that

Availability Period

The Availability Period will be until 1 September 2026. The last financing tranche is expected to be executed no later than 31 December 2022.

Terms and Conditions

Bangladesh will cause the proceeds of each tranche to be applied to the financing of expenditures of the Investment Plan, in accordance with conditions set forth in this FFA and the legal agreements for each tranche.

Execution

The Executing Agency will be Bangladesh Railway. The Executing Agency will implement the Investment Plan in accordance with the principles set forth in Schedule 1 to this Agreement, and as supplemented in the legal agreements for each tranche.

Periodic Financing Requests

Bangladesh may request, and ADB may agree, to provide loans or administer cofinancing under the Facility to finance the Investment Plan and its related components upon the submission of a Periodic Financing Request (PFR). Each PFR should be submitted by Bangladesh. Bangladesh will make available to the Project Executing Agency, the proceeds of the tranche in accordance with the related PFR, and the legal agreements for the tranche.
Each individual tranche will be for an amount of no less than fifty million US Dollar ($50,000,000), or its equivalent. ADB will review the PFRs and, if found satisfactory, prepare the related legal agreements.

The components for which financing is requested under the PFR will be subject to the selection criteria set out in Schedule 4 hereto, satisfactory due diligence, and preparation of relevant safeguard and fiduciary frameworks and other documents. ADB and Bangladesh will agree on a Facility Administration Manual and a schedule to initiate these activities, as soon as possible after the date of this Agreement, but prior to the effective date of the legal agreements for the first tranche.

Until notice is otherwise given by Bangladesh, the Senior Secretary or Secretary or Additional Secretary, Joint Secretary or Joint Chief, Deputy Secretary or Deputy Chief, Senior Assistant Secretary or Senior Assistant Chief, Assistant Secretary or Assistant Chief of

---

may be included under any Loan Agreement (said Ordinary Operations Loan Regulations as so modified, if any, being hereinafter called the Loan Regulations).

[2] Provisions of the Special Operations Loan Regulations applicable to Loans Made by ADB from its Special Funds Resources, dated 1 January 2006, would apply to each Loan, subject, to modifications, if any, that may be included under any Loan Agreement (said Special Funds Loan Regulations as so modified, if any, being hereinafter called the Loan Regulations).

Economic Relations Division, Ministry of Finance will be the Bangladesh's authorized representative for purposes of executing PFRs.

General Implementation Framework

The Facility will be implemented in accordance with the general framework set out in Schedule 3 hereto.

Procedures

Tranches to be provided under the Facility will be subject to following procedures and undertakings:

(a) Bangladesh will have notified ADB of a forthcoming PFR in advance of the submission of the PFR.

(b) Bangladesh will have submitted a PFR in the format agreed with ADB.

(c) ADB may, in its sole discretion, decline to authorize the negotiation and execution of any legal agreement for a tranche.

(d) If ADB confirms acceptance of the PFR, the legal agreements will be negotiated and executed by the parties.

PFR information

The PFR will substantially be in the form attached hereto, and will contain the following details:

(i) Loan or cofinancing amount;
(ii) Description of components to be financed;
(iii) Cost estimates and financing plan;
(iv) Implementation arrangements specific to the components;
(v) Confirmation of the continuing validity of and adherence to the understanding in this Agreement;
(vi) Confirmation of compliance with the provisions under previous Loan Agreement(s), as appropriate; and
(vii) Other information as may be required under the Facility Administration Manual, or reasonably requested by ADB.

Safeguards

Attached as Schedule 5 are references to the Safeguard Frameworks that will be complied with during the implementation of the Facility.

ADB's Safeguard Policies in effect as of the date of signing of legal agreements for a tranche will be applied with respect to the components financed under such financing tranche.

Procurement

All works, goods and services to be financed under the Facility will be procured in accordance with ADB's *Procurement Guidelines* (2015, as amended from time to time).

Consulting

All consulting services to be financed under the Facility will be

Services	procured in accordance with ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time).
Advance contracting; Retroactive financing	Under each tranche, ADB may, subject to its policies and procedures, allow on request (a) advance contracting of works, goods and services and consulting services and (b) retroactive financing of eligible expenditures for works, goods and services and consulting services up to 20% of proposed individual loan, incurred prior to loan effectiveness but not earlier than 12 months before the date of signing of the related legal agreement. The client acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.
Disbursements	Disbursements will be made in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).
Monitoring, Evaluation, and Reporting Arrangements	Schedule 2 hereto sets as the Design and Monitoring Framework for the Facility, against which the implementation effectiveness will be evaluated. Bangladesh Railway will, within 3 months of the date of the FFA, develop a systematic project performance monitoring system, in a form and substance acceptable to ADB, for use throughout the life of the Facility. Bangladesh Railway will establish, within 3 months of effectiveness of the first tranche, a baseline for performance indicators to be used for monitoring implementation of the Facility. It will conduct annual evaluation surveys for the Project, in accordance with the project performance monitoring system, to evaluate the scope, implementation arrangements, progress, and achievement of the project objectives. Further details to be complied regarding the monitoring, evaluation and reporting arrangements are provided in the Implementation Framework in Schedule 3.
Undertakings	Attached as Schedule 6 are the undertakings provided by Bangladesh.

People's Republic of Bangladesh

By _____
Ms. Fatima Yasmin
Joint Secretary
Economic Relations Division

ASIAN DEVELOPMENT BANK

By _____
Mr. Kazuhiko Higuchi
Country Director
Bangladesh Resident Mission

SCHEDULE 1

MFF CONSTITUENTS

A. Road Map

1. The transport system of Bangladesh consists of roads, railways, inland waterways, two seaports for maritime shipping, and civil aviation—catering to both domestic and international traffic. It has about 271,000 kilometers (km) of roads, including about 21,000 km of major roads; 2,835 route-km of railways; 3,800 km of perennial waterways (which increases to 6,000 km during the monsoon) and the ports of Mongla and Chittagong; three international airports (Dhaka, Chittagong, and Sylhet), and eight domestic airports. From 1975 to 2005, road transport's modal share rose from 54% to 88% for passenger traffic and from 35% to 80% for freight. In the past 10 years, traffic has grown at an average annual rate of 8.2% while passenger transport traffic has grown at 8.4%.

2. Bangladesh Railway is a department under the Ministry of Railways that manages a rail network of 2,792 route-kilometers (km) and has 25,646 regular employees in June 2013. 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 535 km of meter gauge, i.e., 1.0 meter wide track. The East Zone has 1,187 km of meter gauge track, and 410 km of dual gauge track (catering for both broad gauge and meter gauge trains). This split of Bangladesh Railway's network into two separate networks with different track gauges and different technical parameters reduces the operation efficiency. This is further worsened by the fact that major routes with the highest demand, such as the Dhaka–Chittagong and Dhaka–Syllhet corridors are for historic reasons constructed in meter gauge, which limits the transport capacity per train and the speed of trains. The Government has therefore taken the long-term visionary decision to convert over the time all existing meter gauge lines to dual gauge. The Jamuna Multipurpose Bridge provides the only east-west rail link in Bangladesh Railway's network and is also an integral part of the Trans-Asia Railway network; due to load restrictions however, it can only be used by trains with limited speed and loading; broad gauge freight trains have to pass the bridge empty, hence it is a major bottleneck reducing efficiency and capacity of the railway network. Design of a new dedicated rail bridge is ongoing.

3. Historically the railway enjoyed a monopoly as a carrier and used to carry most of the principal commodities in the country including cement, coal, fertilizer, raw jute, stone, food grain, sugar cane. With gradual emergence of road transport, railway started losing its market share and over time it declined from 30% in 1975 to a mere 4% in 2015 for both passenger and freight transport. Travelling by railway in Bangladesh is more safe, energy efficient, environment-friendly, and reliable than other modes of transport; railway transport is also considered more comfortable than long-distance buses. Intercity trains operated by Bangladesh Railway are very popular. Thus, the occupancy of intercity trains is very high, especially in the east zone (98%); intercity trains in the Dhaka–Chittagong corridor are usually sold out. About 40% of Bangladesh Railway's passengers travel by intercity trains, which accounts for more than 75% of passenger revenue. The high demand for intercity service in the Dhaka–Chittagong corridor cannot be met fully because of insufficient line capacity, thus, no additional trains can be scheduled to tap into these lucrative markets for Bangladesh Railway with high revenue potential. Because Bangladesh's economy is growing by more than 7%, a rising demand for domestic and regional railway transport is expected, but it cannot be satisfied with the existing limited infrastructure.

4. Bangladesh has the potential to become a transport and transshipment center for the subregion. It borders India and Myanmar and is close to the landlocked countries of Bhutan and Nepal. The South Asian Association for Regional Cooperation (SAARC) Regional Multimodal Transport Study[3] determined priority corridors in Bangladesh that include six out of 10 road corridors, two out of five rail corridors, and two principal ports (Chittagong and Mongla). The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Transport Infrastructure and Logistics Study (BTILS)[4] identified the issues, and provided the policy framework and strategies for governments to jointly pursue the development of subregional transport projects. A major constraint in subregional rail connectivity is the lack of connectivity between the rail networks, and key issues are the differences between the track gauges in the member states, the potential incompatibilities in rolling stock, and the overall condition of the rail network, especially in northeastern India and Bangladesh.

5. The market share of the railway in the subregional transport is low; only 11.9% or 876,855 tons of Bangladesh's imports from India and only 1.1% or 17,832 tons of exports from Bangladesh to India were transported by rail in 2011. Only one passenger train operating two times a week links Dhaka—the capital of Bangladesh—with Kolkata in India, and on average only one freight train per day crosses the border. In comparison, Bangladesh Railway was operating 333 passenger and 35 freight trains per day in 2014 for the domestic market. The main reasons for the limited cross-border rail traffic are missing links and congestion in main domestic railway corridors, which do not allow operating additional trains for domestic and international traffic.

6. To augment the capacity of Chittagong Port, which is expected to be saturated by 2030 even if the investment planned for 2015 to 2020 are implemented, the development of a deep sea port at Maheshkhali Island is considered by the Government. The expected volume of container traffic in the new port is over 13.5 million twenty-foot equivalent container units (TEU) by 2043, of which 5.5 million TEU can be expected to be transported by rail. The port would be of regional relevance as a transport hub, as most of the ports in the Bay of Bengal are estuarine with limited scope for expansion due to limited space and draft available. To connect to the Maheshkhali deep sea port, a branch line will link the port to the project railway line, which will be funded under Phase 2 of the Project. Together with the ongoing rehabilitation of the regional railway line from Kulaura (Bangladesh) to Shahbazpur (India) and the construction of a new rail link between Akhaura (Bangladesh) and Agartala (India), the deep-sea port at Maheshkhali would provide the principal point of entry to the sub-region and would make Bangladesh the regional hub for international trade for Bhutan, Nepal and Northeastern India. It would also enhance the demand for BR's services, as well as creating opportunities for development and employment in the Cox's Bazar District.

7. The Government's Vision 2021 intends to reach middle-income status by the 50th anniversary of the nation in 2021. To achieve this, the Seventh Five Year Plan (SFYP, 2015-2020) [5] aims to accelerate economic growth, employment generation and rapid poverty reduction and therefore aims to raise the annual average growth rate to 7.4%. The growth is intended to be inclusive, pro-poor, adapt well to the urban transition and be environmentally sustainable so that by the end of the SFYP, poverty and extreme poverty will be substantially lowered. The SFYP will ensure that complimentary strategies and policies are in place to make

[3] SAARC Secretariat. 2007. Regional Multimodal Transport Study. Kathmandu. Prepared under ADB. 2004 Technical Assistance for Promoting South Asian Regional Economic Cooperation. Manila (TA 6187-REG).
[4] ADB. 2008. BIMSTEC Transport Infrastructure and Logistics Study. Consultant's report. Manila (TA 6335-REG).
[5] Government of Bangladesh, Planning Commission, Ministry of Planning. 2015. Seventh *Five-Year Plan: 2016–2020, Final Draft*. Dhaka.

the growth path inclusive, responsive and adaptable to the ongoing transformations, is resilient to climate change and is sustainable over the long term without damaging the natural environment.

8. The SFYP recognizes importance of modern transportation and communication for achieving the target growth rate and therefore aims to improve the multimodal transport network with a significant increase in the share of rail and waterways traffic The key elements of the transport sector strategy are as follows: (i) integrate all modes of transport; (ii) focus on fast tracking a number transformational infrastructure investment; (iii) promote regional connectivity and support for the Trans Asia Railway network; (iv) address the major institutional constraints that have hampered implementation of infrastructure projects; and (v) provide safe and energy efficient rail transport to more districts of the country by connection to the railway network.

9. The proposed Chittagong–Cox's Bazar Railway Project, Phase 1 is part of the Government's strategy to connect all districts to the railway network as the backbone for public transport. The project is also part of the Trans Asian Railway network and will connect the Cox's Bazar district to national and international markets as well as provide connectivity to Myanmar, which is bordering to the Cox's Bazar district in the southeast. The proposed project will further support the development of the growing tourism sector in Cox's Bazar, which is attracting national and increasingly regional tourists. The proposed project will therefore improve national and subregional connectivity by railway and support the economic development for areas south of Chittagong by providing high-capacity railway access. It is designed in a way that future extensions to the planned deep sea port as well as towards the Myanmar border can be added, once the volume of traffic justifies these investments.

10. Since 1973, ADB has been active in four transport subsectors: road, rail, port, and urban transport. Bangladesh Railway has implemented 22 ADB loans since 1974. In 2006 ADB approved the Railway Sector Investment Program Multitranche Financing Facility (MFF),[6] which will improve the performance of the railway sector by implementing (i) sector policy, organizational, and capacity building reforms to make Bangladesh Railway more commercially focused, and improve governance and accountability; and (ii) an investment project for infrastructure and rolling stock capacity improvements to overcome capacity bottlenecks in areas where the investments is economically and financially viable, e.g., the construction of 64 km of double-track in the Tongi–Bhairab Bazaar section of the Dhaka–Chittagong corridor.

11. In 2014 ADB approved the South Asia Subregional Economic Cooperation (SASEC) Railway Connectivity: Akhaura–Laksam Double Track Project[7]. The project will upgrade the 72-km Akhaura–Laksam section of the Dhaka–Chittagong railway corridor to a double track railway line with modern signaling equipment. The section is part of a major subregional corridor and the Trans-Asia Railway network, and will create the necessary line capacity to allow access from landlocked Bhutan, Nepal and Northeastern India to Chittagong Port by railway. In 2015, ADB approved the Railway Rolling Stock Project,[8] which will support Bangladesh Railway in procuring additional rolling stock to modernize the fleet and schedule additional trains to use the growing infrastructure capacity.

---

[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. 2014. South Asia Subregional Economic Cooperation (SASEC) Railway Connectivity: Akhaura–Laksam Double Track Project. Manila (Loans 3169/3170-BAN).

[8] ADB. 2015. Railway Rolling Stock Project. Manila (Loan 3301-BAN).

12. Future ADB interventions in the rail transport sector will focus on improving the main railway corridors, particularly those that facilitate subregional trade; the project pipeline for the next 10 years therefore especially focusses on the Dhaka–Chittagong–Cox's Bazar corridor as well as procurement of additional rolling stock and improvement of maintenance facilities. ADB will also continue to support government initiatives to reform Bangladesh Railway into a more modern, efficient organization. The ongoing TA loan is preparing future road and railway projects in Bangladesh with a subregional impact, in order to improve project readiness and expedite project implementation.[9]

B. Strategic Context

13. The SFYP includes the improvement of railways as energy efficient multimodal transport systems to reduce carbon emissions. It also refers to the establishment of proper regional rail connectivity to provide Bhutan, India, and Nepal access to the Chittagong and Mongla ports as a major investment priority. The government's strategy in the SFYP intends to increase Bangladesh Railway's market share from 4% to 15% in freight transport, 10% to 15% in container transport between Dhaka and Chittagong Port and 4% to 10% in passenger transport. The railway shall focus on lucrative market segments and provide long-distance passenger traffic in intercity trains as well as long-haul freight traffic along selected corridors and container traffic mainly between Dhaka and Chittagong Port. To achieve this, the government intends to (i) augment line capacity along main subregional corridors, (ii) procure modern locomotives, passenger carriages and freight wagons, and (iii) implement the reform of Bangladesh Railway along with the introduction of a modern financial management system, improve operation and maintenance and establish a human resource management system.

14. The subsector policies for railway are set out in the Integrated Multimodal Transport Policy,[10] which was approved in 2013. The policy pointed out that railway infrastructure in Bangladesh is characterized by a lack of maintenance with many speed restrictions and safety concerns, and the railway operates on two gauges, which obviously hampers seamless travel. It also states that the railway can help to avoid the construction of roads by attracting current and future road users with various measures including the following: (i) improving intercity service quality, timetabling, and capacity; (ii) increasing container movement efficiency and capacity; (iii) reorganizing Bangladesh Railway into lines-of-business with a focus on operations in consideration of multimodal transport needs; and (iv) corporatizing Bangladesh Railway in order to bring in efficient and modern business practices.

15. The Railway Sector Master Plan toward 2030[11], approved in 2013, pointed out that the railway sector must significantly improve its efficiency, service quality, intermodal connectivity and network coverage to establish better connectivity in order to survive as a viable mode of transport. To be more specific, the plan referred to the needs in the following areas: (i) further investment in track, signalling, rolling stock, and maintenance; (ii) development of prospective lines with standards compatible with neighbouring countries and the Trans Asia Railway network's design standards; (iii) connect all districts in Bangladesh to the railway network; (iv) focus on multimodal integration with road and inland water transport system on major corridors as well as improvement of railway infrastructure facilities for traffic efficiency; (v) better management of continuing traffic growth that will exceed the capacity of some corridors in the next 20 years; (vi) focus on containers, and commuter and inter-city services, in view of

[9] ADB. 2010. *Subregional Transport Project Preparatory Facility*. Manila (Loan 2688-BAN); and ADB. 2015. Additional Financing to the *Subregional Transport Project Preparatory Facility*. Manila (Loan 3295-BAN).
[10] Ministry of Communications, Bangladesh. 2013, *National Integrated Multimodal Transport Policy*. Dhaka.

potentials of local passenger services; (vii) rehabilitation of the large number of old bridges which requires double tracking; and (viii) regaining full capacity of workshops by modernisation and rehabilitation. Construction of the Chittagong–Cox's Bazar railway line was identified as one of the priority projects in the SFYP and the Railway Master Plan.

C. Policy Framework

16. The ongoing Bangladesh Railway Reform Project supports implementation of sector reform and institutional strengthening actions agreed with the Government and Bangladesh Railway. It encompasses (i) restructuring Bangladesh Railway into an lines of business (LOB) structure; (ii) preparing an asset register for Bangladesh Railway; (iii) improving financial governance, management, and accounting systems; (iv) improving human resource governance and utilization; and (v) transforming Bangladesh Railway into a more commercially focused transport service provider. Bangladesh Railway has established a container company, which is handling the container business as a government-owned corporate entity and is introducing a tariff reform in February 2016, which will provide for annual adjustments of the tariff based on indicators for cost in operating the railway. In parallel, the roll-out of the Enterprise Resource Planning (ERP) IT-System to improve corporate governance and accountability is ongoing.

17. Bangladesh Railway will continue these reforms during implementation of the MFF by focusing on the implementation and completion of the following reform activities:

(i) Continue to implement the ERP IT-System, ensure full roll-out to all districts of Bangladesh Railway, ensure to capture all cost and revenues by the system and prepare financial statements for Bangladesh Railway using the system. Establish a unit with sufficient staff to operate and maintain the system.

(ii) Implement annual adjustments of the tariff based on the established indicator-based formula to achieve that the operation ratio of Bangladesh Railway remains at least at the current level.

(iii) Fully operationalize the container company and make progress in increasing the market share in container transport between Dhaka and Chittagong Port from 10% to 15% of the Dhaka bound containers received in Chittagong Port.

(iv) Establish a separate unit under the Passenger Line of Business to operate and manage the more luxurious tourist trains operating on the new line between Dhaka, Chittagong and Cox's Bazar with the target to increase the revenues while maintaining a higher standard of comfort and reliability for passengers by charging special tariffs at least at the level of luxury buses.

(v) Establish a operation and maintenance unit for the new infrastructure between Chittagong and Cox's Bazar as part of an improved asset management and preventive maintenance framework, which can be in the coming years replicated in other sections of the Bangladesh Railway network, especially where expansion of the network and enhancement of the line capacity have taken place.

18. ADB will continue to support the Bangladesh Railway Reform activities.

[11] Ministry of Railway, Bangladesh. 2013, *Railway Sector Master Plan (to June 2030)*. Dhaka.

D. Investment Plan

19. The proposed SASEC Chittagong–Cox's Bazar Railway Project, Phase 1 will support efficient development in the Dhaka–Chittagong–Cox's Bazar–Myanmar border corridor through improved, reliable, safe and environmentally friendly railway connectivity and hereby contribute to the overall development of the national economy and poverty reduction. The railway corridor is part of the Trans-Asia Railway network. By connecting the Cox's Bazar district to the railway network, the project will not only boost the national economy through further development of Cox's Bazar into a major tourist destination, but also facilitate access for the population and products to subregional markets and trade.

20. ADB is requested to assist the government in improving the connectivity southeastern Bangladesh by financing the construction of new 102 km long section of the new duel gauge railway line from Dohazari to Cox's Bazar as a part of the Chittagong–Cox's Bazar railway corridor with future expansion towards the Myanmar border and the new Maheshkhali Island deep-sea port. The Project is the southern extension of the Dhaka-Chittagong and Chittagong-Sylhet rail corridors, and in conjunction with other ongoing projects can be expected to contribute to the economic development of Bangladesh as key part of the rail links between the south east of Bangladesh and India, Bhutan and Nepal; greatly enhancing the attractiveness of Cox's Bazar as a tourist destination.

21. The town of Cox's Bazar is 470 km from Dhaka. The economy of Cox's Bazar is mainly based on tourism, supplemented by agriculture, salt manufacture and seafood processing. The terrain through which the proposed rail link will pass is generally flat in the northern section, but is composed of hilly sections in the central and southern sections of the route. To the east of the proposed railway line there are hilly, forested areas. For most of the route, the rail link will pass to the west of the National Highway N1, which links Dhaka to Teknaf. The proposed rail line crosses several major rivers and streams which originate in the hills bordering Myanmar and generally flow in a westerly direction to discharge into the Bay of Bengal.

22. The project will be constructed in dual gauge to enable future direct connectivity towards northeastern India and to Bhutan and Nepal through the Indian railway network, which is constructed mostly in broad gauge. The project will also provide improved connectivity towards Myanmar by providing intermodal facilities for passengers and freight transferring to road transport towards Myanmar. Facilities for cargo handling for freight trains will be integrated in the Ramu Station, around 12 km outside of the Cox's Bazar terminal and at the national highway N1 Chittagong–Cox's Bazar–Teknaf, which is located at the border to Myanmar.

23. The current land transport infrastructure between Dhaka and Cox's Bazar does not provide for a safe, secure, rapid means of passenger travel and this limits the growth of tourism in Cox's Bazar District. While the Dhaka–Chittagong rail corridor is being upgraded to increase the capacity, there is no rail link south of Chittagong with Cox's Bazar. Passengers wishing to travel to Cox's Bazar travel by car or by bus; both of which currently involve long, unsafe and uncomfortable travel. Travel by air is limited and too expensive for most to consider. The proposed line to Cox's Bazar in intended to address these problems.

24. The design speed for the line is 100 km/h. The maximum permissible speed is 90 km/h for Intercity passenger trains, 80 km/h for Express Mail and 60 km/h for freight trains. The journey by rail between Chittagong and Cox's Bazar will be reduced to two hours by train, which represents a saving in journey time of one hour compared to the road journey, or a 30 % reduction in the journey time between these two centers. After implementation of the Project,

the rail market share of passengers on this corridor is expected to be 50%. The proposed level of service between Dohazari and Cox's Bazar is Level of Service 'B', which gives priority to Mail Express and national rail freight. The proposed station spacing is one per 10 to 15 km.

25. The existing meter gauge railway line between Chittagong and Dohazari, will be upgraded and converted to dual gauge under Phase 2 of the project; a continuous dual gauge railway line is required, once the planned dual gauge conversion of the Dhaka–Chittagong corridor is completed and demand exceeds the capacity of the initial meter gauge railway services. The planned reconstruction of the bridge over river Kharnaphuli near Chittagong, which will be financed by Korea EXIM Bank, will be designed such that it can accommodate future dual gauge freight and passenger trains. Phase 2 of the project may also include financing of the railway connection to the planned deep-sea port on Maheshkhali Island in Cox's Bazar District and an extension of the line towards Gundum near the border with Myanmar.

E. Financing Plan

26. The Project is estimated to cost $2,012 million (Table 1) including taxes and duties, physical and price contingencies, interest and other charges during implementation.

Table 1: Project Investment Plan
($ million)

Item			Amount[a]
A.	**Base Cost**[b]		
	1.	Railway construction component	1,714.0
	2.	Institutional development component	100.0
		Subtotal (A)	**1,814.0**
B.	**Contingencies**[c]		**140.0**
C.	**Financing Charges During Implementation**[d]		**58.0**
		Total (A+B+C)	**2,012.0**

[a] Includes taxes and duties of $115 million equivalent for civil works to be financed from ADB loan resources. ADB may finance local transportation, insurance costs, and bank charges.
[b] In 2016 prices.
[c] Physical contingencies computed at 8% for civil works. Price contingencies computed at an average of 1.5% annually on foreign exchange costs and 6% annually 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; financing charges under the ADB loans are to be capitalized. Interest during construction for ADB loans from ordinary capital resources has been computed at the 5-year fixed swap London interbank offered rate plus a spread of 0.5% and a maturity premium of 0.1%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount. Interest during construction for ADB loans from ADBs special fund resources is computed at 2% p.a. There are no commitment charges for loans from the special fund resources.
Sources: Asian Development Bank and Bangladesh Railway estimates.

27. The government has requested ADB financing through an MFF in an amount up to $1,500,000,000 or 74.6% of the project cost from ADB's ordinary capital resources and special fund resources to help finance the SASEC Chittagong–Cox's Bazar Railway Project, Phase 1.[12] The MFF will consist of several tranches, subject to the government's submission of related periodic financing requests, execution of the related loan agreements for each tranche, and fulfillment of terms and conditions and undertakings set forth in the framework financing

[12] Financing includes taxes of about $115 million for civil works, to help offset the financial burden of counterpart funds by the government especially for land acquisition and resettlement. The amount is within the reasonable threshold identified during the CPS preparation process, is not excessive (7.67% of ADB loan resources), applies only to ADB-financed expenditures, and is material and relevant to the success of the project.

agreement. The proposed tranching schedule and financing plan for the MFF is in Table 2. Each tranche will finance parts of the works, goods and services, and consulting services contracts using the time-slicing approach for large-scale stand-alone projects. Once a tranche is disbursed, the government will submit a periodic financing request to ADB and request for a subsequent tranche, which will continue to finance the contracts awarded under Tranche 1.

28. For the first tranche of the MFF, the government has requested a loan of $210 million from ADB's ordinary capital resources and a loan in various currencies equivalent to $90 million equivalent from ADB's special funds resources to help finance the project.[13] The loan from ADB's ordinary capital resources will have a 25-year term, including a grace period of 5 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility,[14] a commitment charge of 0.15% per year and such other terms and conditions set forth in the draft ordinary capital resources loan agreement. The loan from ADB's special fund resources will have a 25-year term, including a grace period of 5 years, an interest rate of 2.0% per annum during the grace period and thereafter, and such other terms and conditions set forth in the draft special fund resources loan agreement.

29. The financing plan is in Table 2.[15] The government will finance the remaining local cost of $512 million equivalent, or 25.4% of the total cost, including land acquisition and resettlement, project management, and other miscellaneous costs. The government will provide the ADB loans to Bangladesh Railway through the budgetary allocation in the form of a grant.

Table 2: Financing Plan

	Tranche 1 (2016)	Tranche 2 (2018)	Tranche 3 (2020)	Tranche 4 (2022)	Total	
Source	**Amount** ($ million)	**Amount** ($ million)	**Amount** ($ million)	**Amount** ($ million)	**Amount** ($ million)	**Share of Total** (%)
Asian Development Bank	300.0	400.0	500.0	300.0	1,500.0	74.6
OCR (loan)	210.0	TBC	TBC	TBC	TBC	TBC
ADF (loan)	90.0	TBC	TBC	TBC	TBC	TBC
Government	400.0	50.0	50.0	12.0	512.0	25.4
Total	**700.0**	**450.0**	**550.0**	**312.0**	**2,012.0**	**100.0**

ADF = Special Fund Resources; OCR = Ordinary Capital Resources; TBC = To be confirmed.
Sources: Asian Development Bank and Bangladesh Railway estimates.

30. The MFF will finance slices of long-term contract packages under the investment plan. Each contract package is time-sliced in line with the indicative tranching plan. Each tranche will finance slices of a group of contracts for civil works or consulting services. The amount of each tranche will be requested according to the disbursement progress and projection. The tranching schedule will be modified based on the disbursement projection to improve the disbursement ratio and minimize financing charges.

[13] The loan from ADB's special fund resources includes $40 million from the subregional pool; the loan from ADB's ordinary capital resources includes $100 million from the regional cooperation and integration set-aside.
[14] The interest includes a maturity premium of 10 basis points. This is based on the above loan terms and the government's choice of repayment option and dates.
[15] The Export-Import Bank of Korea has indicated its interest to contribute $50 million equivalent of loan cofinancing for the construction of a new railway bridge over river Karnaphuli in Chittagong. If such cofinancing becomes available, it will be on a parallel basis not administered by ADB.

SCHEDULE 2

DESIGN AND MONITORING FRAMEWORK FOR THE FACILITY

Impact the Project is Aligned with
Efficient and safe railway transport in Bangladesh (Seventh Five-Year Plan: 2016–2020)[a]
Improved subregional connectivity and trade (Seventh Five-Year Plan: 2016–2020)[a]

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Transport system in the Chittagong–Cox's Bazar corridor improved by connecting Cox's Bazar district to the national and subregional railway network	**By 2025** a. 10 daily passenger trains operate between Chittagong and Cox's Bazar (2016 baseline: no train services) b. 2.9 million annual passengers transported between Chittagong and Cox's Bazar (2016 baseline: zero) c. Cox's Bazar district connected to the national and subregional railway network (2016 baseline: not connected)	a. Bangladesh Railway passenger timetable b. Bangladesh Railway Annual Information Book c. Bangladesh Railway's project completion report	Delay in releasing counterpart funds.
Outputs 1. New railway line commissioned 2. Project implementation capacity of Bangladesh Railway strengthened	**By 2022** 1.a. 102 km of new railway line constructed. 1.b. 9 stations constructed with integrated elderly, women, children, and disabled-friendly design features 2. Safeguard monitoring system, public communication plan and safety awareness implemented	1. Bangladesh Railway's progress and project completion reports 2. Bangladesh Railway's progress and project completion reports	Sufficiently qualified contractors and consultants may not participate in the project.

Key Activities with Milestones
1. New Railway line commissioned (2022) 1.1 Bid documents floated (Q3/2016) 1.2 Contract awarded (Q3/2017) 1.3 Contractor mobilized (Q4/2017)
2. Project implementation capacity of Bangladesh Railway strengthened (2022) 2.1 Consultant recruitment started (Q3/2016) 2.2 Consultants mobilized (Q1/2017)

Key Activities with Milestones
Project Management Activities 1. Project Implementation Unit established and Project Director appointed (Q2/2016) 2. Construction Supervision and Project Management Consultants mobilized (Q3/2017) 3. Advertisement for Expression of Interest issued (Q2/2016) 4. Submission of Proposals (Q4/2016) 5. Consulting contracts awarded (Q2/2017)
Inputs ADB: $1,500,000,000 (loan); $1,000,000 (TA grant) Government: $512,000,000
Assumptions for Partner Financing Not Applicable

[a] Government of Bangladesh, Planning Commission, Ministry of Planning. 2015. *Seventh Five-Year Plan: 2016–2020*. Dhaka.

ADB = Asian Development Bank; TA = Technical Assistance; Q = Quarter.

Source: Asian Development Bank and Bangladesh Railway estimates.

SCHEDULE 3

IMPLEMENTATION FRAMEWORK

A. Project Management

1. Bangladesh Railway (BR) will be the Executing Agency (EA) for the project. BR is a department under the Ministry of Railways (MOR) of the Government of Bangladesh, headed by a Director General, who is a Secretary-level Government official.

2. The proposed project will be implemented by a Project Implementation Unit (PIU) headed by a General Manager from BR who is project director for the investment project. The Project Director will be responsible for all aspects of project design and project implementation, including project preparation, procurement and consultant recruitment, land acquisition, resettlement and safeguards implementation, disbursements, reporting and performance monitoring. The Project Director will be supported by a team of suitably qualified staff from BR.

3. A project management consultant will be engaged to support BR in undertaking overall project management and providing independent monitoring of land acquisition and resettlement activities. The project management consultant will ensure timely arrangement and delivery of overall investment program by providing advance advice to BR and the construction supervision consultant; and facilitating inter-agency/stakeholder coordination as well as reporting to ADB.

4. A construction supervision consultant engaged by BR will act as the engineer for the construction contracts.

B. Fund Flow

5. The total cost of the project is partly funded by funds from BR and the ADB Loans. The arrangement for the release of fund is as follows. The loan proceeds will be released by ADB to the Government of Bangladesh (GOB) and from GOB to MOR and BR. The release of funds from MOR to BR is thorough budgetary allocation. The reimbursement procedure or direct payment procedure will be adopted for disbursements of the ADB loans.

C. Accounting, Auditing and Reporting

6. BR will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project. BR will prepare project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

7. The Foreign Aided Project Audit Directorate (FAPAD), which 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.

8. BR will prepare and provide ADB with quarterly project progress reports, including any changes to the implementation schedule, problems or difficulties encountered and remedial actions taken, anticipated problems and the proposed remedial measures, and work to be

undertaken in the following period. BR will submit the quarterly progress reports to ADB within 45 days from the close of each quarter. These reports will include a summary financial account for each project, expenditures to date, report on performance monitoring, and results of monitoring of social and environmental impacts.

9. BR will prepare and provide ADB with a project completion report within 3 months of physical completion of the project and a facility completion report within 3 months of completion of transactions under the Facility. These reports will provide a detailed evaluation of the design, costs, contractors" and consultants" performance, social and economic impact, economic rate of return, and other details relating to the investment program as may be requested by ADB.

D. Project Performance Monitoring and Evaluation

10. **Project performance monitoring.** Achievement of the project performance targets will be assessed following the design and monitoring framework. BR 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 project; and (ii) project implementation period. Progress will be monitored and reported by BR. These reports will provide information necessary to update ADB's project performance reporting system.

11. **Compliance monitoring.** Regular monitoring of project implementation to ensure policy compliance will be conducted by ADB. As necessary, special loan administration missions and a midterm review mission will be fielded to ensure policy compliance. BR 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.

12. **Involuntary Resettlement monitoring.** ADB will assess the progress of resettlement activities during review missions. The monitoring and evaluation reports to be submitted to ADB are detailed in the table below:

Type of Report	Content	Frequency	Responsibility
RP update	Provide the updated list of affected persons after the joint verification survey	Once	NGO/BR/CSC
Addendum(s)	Detail the land acquisition and resettlement impacts, socioeconomic survey of affected persons, mitigation and rehabilitation measures, budgetary requirements and timeline for implementation	To be prepared : (i) for sections of project where design is not final (ii) when unforeseen activities with resettlement impacts	NGO/BR/CSC
Semi-annual resettlement monitoring report	Progress on land acquisition and resettlement activities, indicators, variations if any with explanation and outcome, recommended corrective actions.	Semi-annually	BR/CSC
Independent monitoring report	Progress on land acquisition and resettlement activities, indicators, variations if any with explanation and outcome, affected person's satisfaction with process, compliance with ADB's SPS, corrective actions recommended	Semi-annually	Independent Monitor ADB

Type of Report	Content	Frequency	Responsibility
Resettlement completion report	Overall narrative of the land acquisition and resettlement process, outputs and outcomes of indicators from baseline, key variations/changes, lessons learned	Once	BR/CSC
Resettlement evaluation report	Overall assessment of the land acquisition and resettlement process, compliance with ADB's SPS, indicators achievement when compared to baseline, lessons learned	Once	Independent Monitor ADB

13. **Environmental safeguards monitoring.** For environment safeguards records on implementation of the mitigation measures on site will be maintained by the contractor on a daily basis and compiled into monthly reports. Based on these records and spot checks of at least once a week by BR and CSC, the CSC will prepare monitoring reports on a quarterly basis. These quarterly monitoring reports will further be compiled into a semi-annual reports and submitted to ADB for disclosure on the ADB website. If there are any changes in the design or alignment, the EMP of the respective project component or tranche will be updated to account for any additional or new environmental impacts. Further the need for revising the EIA report will also be reviewed and confirmed in discussion with ADB. The independent monitor for environment safeguards will prepare semi-annual monitoring reports during project implementation and annual monitoring reports during project operation for disclosure on the ADB website.

14. **Gender and social dimensions monitoring.** The Gender Action Plan activities will be monitored by the CSC's gender specialist. ADB will assess the progress of these activities during review missions. Semi-annual monitoring reports will be submitted to ADB.

15. **Evaluation.** A project inception mission will be fielded soon after the legal agreements for tranche 1 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. BR 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 project, BR will submit a project completion report to ADB.

16. **Reporting.** BR 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 the next 12 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure that projects will continue to be both viable and sustainable, project accounts and the executing agency audited financial statement together with the associated auditor's report, should be adequately reviewed.

E. Project Review

17. ADB and BR will meet regularly as required to discuss the progress of the project and any changes to implementation arrangements or remedial measures required to achieve the project objectives. They will undertake a midterm review focusing on issues related to implementation arrangements, and agree on changes, if needed, to achieve the investment program objectives.

SCHEDULE 4

SELECTION CRITERIA AND APPROVAL PROCESS FOR COMPONENTS

A. Selection Criteria

1. Each component under the Facility will meet the following selection criteria and approval process.

(vi) The component will be technically feasible, least-cost and a detailed report prepared supporting such feasibility;

(vii) The component will be economically feasible and financially sustainable, and its estimated economic internal rate of return equal to or higher than 12%, based on the economic analysis to be conducted in accordance with ADB"s *Guidelines for the Economic Analysis of Project*;

(viii) The component will also be environmentally and socially sound and include measures to mitigate any possible environment and social impacts in accordance with the safeguard frameworks[16] prepared (Schedule 5) and Safeguard Policy Statement (SPS) 2009. For each component, a poverty and social analysis will be conducted in accordance with ADB's guidelines on poverty and social assessment. Similarly, an environmental assessment will be carried out for each project in accordance with the SPS 2009.

(ix) Sufficient counterpart funding has been allocated to implement the component timely and efficiently in accordance with the overall implementation schedule; and;

(x) For each component, all necessary Government approvals will be obtained, including MOR, Ministry of Environment and Forest, and other relevant agencies, as applicable.

B. Approval Procedure

2. All components will be prepared and processed in accordance with the procedures set out below.

(i) MOR and BR will select a possible project component from railway priority, and will then conduct a feasibility study for the project including its cost estimate, technical and economic analysis. BR will also prepare (a) an initial poverty and social assessment (IPSA) and fill out a checklist for (b) involuntary resettlement; (c) indigenous people; and (d) complete the Rapid Environmental Assessment (REA) checklist for screening of environmental issues.

[16] Environment Assessment and Review Framework (EARF), Resettlement Framework (RF) and IPPF (Indigenous Peoples Planning.

(ii) BR will submit (a) appraisal reports/project component selection and prioritization reports, (b) IPSA, and (c) completed REA checklist to ADB for further review, to obtain necessary guidance with regard to the extent of relevant analysis, assessment or plans.

(iii) ADB will review the reports submitted by BR, if ADB finds that a proposed component is not likely to satisfy the eligibility criteria and/or that the agreed procedures, ADB will advise the BR either (a) to modify the project proposal in a manner that will make it eligible for approval; or (b) that the component must be rejected. If the ADB finds that the proposed component is likely to satisfy the eligibility criteria and procedures, ADB will advise whether, based on the resettlement checklist a Resettlement Plan is required, and based on the indigenous people checklist, whether an indigenous peoples plan (IPP) is required. Similarly, based on the completed REA checklist it will be determined whether an Environmental Impact Assessment (EIA) report will be required (for environment category A components) or an Initial Environmental Examination (IEE) will be required (for environment category B components).

(iv) Following the review described in (iii) by BR and/or ADB, BR will conduct preliminary design and/or detailed design or other similar design works and, based on those works, develop a Resettlement Plan (if required) and IPP (if required), and prepare an EIA or IEE including an environmental management plan (EMP).

(v) BR will disclose the Resettlement Plan, IPP and draft EIA/IEE to the affected persons and incorporate the results of the consultation.

(vi) The reports of preliminary design/other design work, including the Resettlement Plan (if required), IPP (if required) and EIA/IEE, will be submitted by BR in light of the relevant safeguard frameworks and following examples provided by the ADB based on the appraisal of the project.

(vii) BR will send the relevant safeguard documents (the Resettlement Plan [if required], IPP [if required] and EIA/IEE) to ADB for final review and approval. After completion of detailed engineering designs if there is a need to prepare a revised (i) resettlement plan, (ii) IPP, and (iii) EIA/IEE, then it will be submitted to ADB for review before any contracts are awarded.

(viii) After reviewing the appraisal reports and relevant safeguard documents, if ADB finds that the proposed component does satisfy the eligibility criteria and procedures, ADB will approve the component. If ADB finds that the proposed component does not satisfy the eligibility criteria and procedures, or does not comply with ADB"s safeguard policies, ADB may (a) advise BR on remedial actions to be taken for the proposed component in order for it to comply or (b) reject the component.

SCHEDULE 5

SOCIAL DIMENSIONS AND SAFEGUARD REQUIREMENTS

1. The Borrower will ensure that all the requirements prescribed in this Schedule, and the following social and safeguard frameworks and plans that have been prepared with respect to the Facility and the first tranche and of which ADB has been provided full copies, and which are deemed incorporated herein by reference, are complied with during the processing and implementation of the project under the Facility.

(i) environmental assessment and review framework, dated 26 May 2016,
(ii) resettlement framework dated 24 May 2016,
(iii) indigenous peoples development framework dated 24 May 2016,
(iv) environmental management plan dated 26 May 2016,
(v) resettlement plan dated 24 May 2016,
(vi) gender action plan dated 25 May 2016.

2. The frameworks cover the Facility-specific information and requirements in accordance with ADB's safeguard policies: (i) the general anticipated impacts of the components or projects likely to be financed under the MFF on the environment, involuntary resettlement, and indigenous peoples; (ii) the safeguard criteria that are to be used in selecting components, projects; (iii) the requirements and procedure that will be followed for screening and categorization, impact assessments, development of management plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; and (iv) the institutional arrangements (including budget and capacity requirements) and the client's and ADB's responsibilities and authorities for the preparation, review and clearance of safeguard documents.

3. Prior to the preparation of each PFR, the applicability and relevance of each safeguard framework for environmental assessment, involuntary resettlement, and indigenous people will be reviewed by the Borrower and Bangladesh Railway and updated to ensure relevance and consistency with applicable country legal frameworks and ADB's safeguard policies, as amended from time to time.

4. During the preparation and implementation of each PFR, the Borrower and BR shall ensure that no proceeds of the loans are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

5. In all cases, for each new PFR preparation, the client will review ongoing projects to check on the status of compliance with the social and safeguard plans and frameworks, and submit the review reports to ADB, together with other required safeguard documents relevant to the project included in the tranche being processes. If any noncompliance is discovered in the course of the review of ongoing projects, a corrective action plan will be prepared and submitted to ADB.

SCHEDULE 6

UNDERTAKINGS

Capitalized terms used in this Schedule 6 or in Schedule 3 of the FFA and not otherwise defined herein shall have the meanings set out in Attachment I to this Schedule 6.

Bangladesh shall ensure the following:

1. The Executing Agency shall employ sufficient staff for the duration of the Project with adequate and relevant expertise in the field of project management, financial management, engineering, construction supervision, procurement, equipment inspection and testing, and environmental and social safeguards implementation; they shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM, and if applicable. Any subsequent change to the FAM shall become effective only after approval of such change by Bangladesh and ADB.

2. Provision of all counterpart funds, land and facilities required for timely and effective implementation of the Project under the Investment Plan, including, without limitation, any funds required (i) to meet any shortfall between cost and revenues for the operation and maintenance of the facilities; (ii) to mitigate unforeseen environmental and social impacts; and (iii) to meet additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances.

3. Works contracts (i) follow all applicable labor laws of Bangladesh and that these further include provisions to the effect that contractors (a) carry out HIV/AIDS awareness programs for labor and disseminate information at worksites on risks of sexually transmitted diseases and HIV/AIDS as part of health and safety measures for those employed during construction; (b) follow and implement all statutory provisions on labor (including not employing or using children as labor, equal pay for equal work), health, safety, welfare, sanitation, and working conditions; and (c) maximize employment of females and local poor and disadvantaged persons for construction purposes, provided that the requirements for efficiency are adequately met; and (ii) include clauses for termination in case of any breach of the stated provisions by the contractors.

4. The Executing Agency shall ensure that the anticorruption provisions acceptable to ADB and Bangladesh are included in all bidding documents and contracts financed by ADB in connection with the Project, including provisions specifying the right of ADB to review and examine the records and accounts of Bangladesh and the Executing Agency and all contractors, suppliers, consultants, and other service providers as they relate to the Project. Bangladesh and the Executing Agency, shall allow and assist ADB's representatives to carry out random spot checks on the work in progress and utilization of funds for the Project.

5. The Executing Agency shall announce the Investment Plan and business opportunities associated with the Investment Plan on its website. In addition, the website shall at least disclose the following information in relation to goods and services procured for the Investment Plan: (i) the list of participating bidders; (ii) the name of the winning bidder; (iii) the amount of the contracts awarded; and (iv) the goods and services procured.

6. The Executing Agency, through the PIU and through independent auditors, shall conduct periodic inspections and random spot checks of contractors' activities related to fund withdrawals and settlements.

7. Towards smooth implementation of the Project, Bangladesh will cause the Executing Agency to ensure that grievance(s) if any from stakeholders, relating to Project implementation or use of funds are addressed effectively and efficiently.

8. The Executing Agency will ensure that the concerned staff in Bangladesh Railway responsible to the Project shall be trained by the contractors in operation and maintenance of Project facilities. In this regard the Executing Agency will ensure that an O&M plan will be developed. [The O&M plan will also assess additional human and financial resources required by each appropriate authority for smooth hand-over of Subproject facilities].

9. Bangladesh shall keep ADB informed of discussions with other multilateral, bilateral and national aid agencies that may have implications for the implementation of the Investment Plan. Bangladesh shall provide ADB with an opportunity to comment on any resulting policy reform and/or investment proposals, and shall take into account ADB's views before finalizing and implementing any such proposals.

10. Bangladesh shall ensure that Executing Agency shall implement the Project under the Investment Plan and Facility in compliance with the undertakings and assurances concerning Environmental Safeguards, Indigenous Peoples Safeguards, Involuntary Resettlement Safeguards, gender policy, labor standards, and prohibited investments as set out in Schedule 3, 4 and 5 of this FFA.

11. The Executing Agency shall not award Works contract for the Project which involves environmental impacts until the Project Executing Agency has incorporated the relevant provisions from the relevant EMP into the Works contract.

12. The Executing Agency shall not award Works contract involving involuntary resettlement impacts for the Project until the Executing Agency has prepared and submitted to ADB the final Resettlement Plan based on the Project's detailed design, and obtained ADB's clearance of such Resettlement Plan.

Attachment 1 to Schedule 6 – Defined Terms for Undertakings

(i) "Environmental Assessment and Review Framework" or "EARF" means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between Bangladesh and ADB and incorporated by reference in the FFA;

(ii) "Environmental Management Plan" or "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the EIA;

(iii) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(iv) "Facility" means the multitranche financing facility provided by ADB to Bangladesh for purposes of financing projects under the Investment Plan;

(v) "FAM" means the Facility administration manual dated 29 June 2016 and agreed between Bangladesh and ADB, as updated from time to time in accordance with the respective administrative procedures of Bangladesh and ADB;

(vi) "FFA" means the framework financing agreement dated 29 June 2016 between ADB and Bangladesh with respect to the Facility;

(vii) "Goods" means equipment and materials to be financed out of the proceeds of the Facility, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(viii) "Indigenous Peoples Planning Framework" or "IPPF" means the indigenous peoples planning framework for the Investment Plan, including any update thereto, agreed between Bangladesh and ADB and incorporated by reference in the FFA;

(ix) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(x) "Investment Plan" means the SASEC Chittagong–Cox's Bazar Railway Project Phase 1;

(xi) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(xii) "Project Executing Agency" means Bangladesh Railway, or any legal successor thereto acceptable to ADB;

(xiii) "Resettlement Framework" or "RF" means the resettlement framework for the Project, including any update thereto, agreed between Bangladesh and ADB and incorporated by reference in the FFA;

(xiv) "Resettlement Plan" or "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by Bangladesh pursuant to the requirements set forth in the RF and cleared by ADB;

(xv) "Safeguards Monitoring Report" means each report prepared and submitted by Bangladesh to ADB that describes progress with implementation of, and compliance with, the EMPs, the RPs and any IPPF (as applicable), including any corrective and preventative actions;

(xvi) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(xvii) "Works" means construction or civil works to be financed out of the proceeds of the Facility, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.