



Technical Assistance Consultant's Report

Project Number: 37017
December 2005

Bangladesh: Preparing the Good Governance Project (Financed by the Japan Special Fund)

Prepared by Jeppe Kromann Haarsted
Ramboll Management
Copenhagen K, Denmark

For Cabinet Division, Government of Bangladesh

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. (For project preparatory technical assistance: All the views expressed herein may not be incorporated into the proposed project's design.)

Asian Development Bank



Final Report
for
TA-4744 BAN Preparing the Good Governance Project

Final

Jeppe Kromann Haarsted – Project Director, Ramboll Management 26 June 2008

Ramboll Management
Norregade 7A, DK-1165 Copenhagen K, Denmark
Phone: +45 3397 8200 Website: www.ramboll-management.com

Table of Contents

1. Introduction	3
2. Country event.....	5
3. Project Progress	6
3.1 Developing Strategic and Legislative Policy Framework on Anti-Corruption	6
3.1.1 Drafting of the National Integrity Strategy	6
3.1.2 Anti-Corruption Commission Legislation	7
3.2 Building Capacity in Sector Line Agencies for Corruption Prevention	8
3.3 Designing the Good Governance Project	9
4. Projects Developments.....	10
5. Staffing	12

Appendix 1: Draft NIS document, 16 July 2007

Appendix 1a: Overview of consultations with government offices for the NIS process

Appendix 2: Vulnerability to Corruption Assessment (VCA) and Corruption Risk Mitigation Plan (CRMP) for Bangladesh Railway

Appendix 3: Inception Report, weekly reports, 1st Interim Report, Project Progress Report 10 July 2007

Appendix 4: Selected additional input from Mr. Talukder

Appendix 5: Selected additional input from Mr. Jabbar

Appendix 6: Selected additional input from Mr. Bhuiya

1. Introduction

This Final Report describes the implementation of the ADB-financed “Preparing the Good Governance Project”, covering project activities ranging from 8 January to 26 September 2007. The key outputs of the project include the preparation of a first draft National Integrity Strategy (NIS) for Bangladesh and the finalization of a Vulnerability to Corruption Assessment (VCA) and a Corruption Risks Mitigation Plan (CRMP) for Bangladesh Railway. Much of the implementation period occurred under a period of great political upheaval in Bangladesh and with extensive political focus on the issue of corruption. The project experienced substantial changes and a quite abrupt end to activities in September 2007. Thus, this report concludes the project, although this should be seen in light of the fact that the project was stopped earlier than planned.

The Final Report is structured thus:

Chapter 1	Introduction
Chapter 2	Country Events In this chapter we describe country events in Bangladesh during the project period
Chapter 3	Project progress Here we provide an overview of project activities and an assessment of progress made
Chapter 4	Project developments In this chapter we outline project events and changes in project team
Chapter 5	Staffing Summarizes the consultants' input during the project period and the changes in the consultant team

The main outputs of the project are included in the Appendixes:

Appendix 1	Draft NIS document 16 July 2007 The National Integrity Strategy (NIS) draft is the first key output of the project. While the project was halted before the NIS could be finalised much of the necessary background research was conducted and a first draft of the report prepared.
Appendix 1a	Overview of consultations with government officials for the NIS process In addition to the NIS, we have included an overview of which government institutions were consulted in the process of preparing the NIS and what preliminary conclusions were drawn from this.
Appendix 2	Vulnerability to Corruption Assessment (VCA) and Corruption Risks Mitigation Plan (CRMP) for Bangladesh Railway The finalised VCA and the CRMP comprises the second key output of the project, outlining corruption risks within Bangladesh Railway and suggesting remedies to counter it.

<p>Appendix 3</p>	<p>Inception Report, weekly reports, 1st Interim Report, Project Progress Report 10 July 2007 In this appendix we have included all major project progress reports, including the original Inception Report, the weekly progress reports and the overview of the status of affairs in July 2007, which gives an overview of the planned activities and finalisation of the NIS document just before the project was halted.</p>
<p>Appendixes 4 to 6</p>	<p>Selected additional input from local consultants The last appendix documents the additional input that was made by three of the local consultants. This has been included in unedited form to document their work, of which most serves as background research for and input to the draft NIS document from July 2007.</p>

2. Country event

During the project implementation period, Bangladesh experienced a period of intense political change and, to some extent, turmoil. At the time the project was launched in 2006, elections had just been postponed. Following from this, the country was governed by a caretaker government, which has been in power since, and is likely to remain so until new elections are carried out, probably in late 2008.

The caretaker government has promised to clean up corruption in administration and politics and has established specialized "fast track" courts to this end, trying amongst others the two ex-prime ministers (the so-called "two begums").

The Bangladeshi Anti-Corruption Commission has been quite active in the project implementation period. A new Commissioner was appointed in February 2007 and the Commission has forwarded lists of names of persons suspected of corruption for prosecution.

In July 2007, renewed protests coincided with extensive flooding of the country. Ms. Sheikh Hasina, one of the two ex-prime ministers, was allowed to return to Bangladesh. However, shortly thereafter, both of the former prime ministers were charged with corruption. In late August 2007, more than 300 people were wounded in widespread student protests mainly in Dhaka.

The civil temporary government led by Fakhruddin Ahmed has continued to promote a tough anti-corruption policy, charging several former civil servants and politicians with corruption allegations and has arrested more than 200,000 people, according to the BBC's World News Service.

3. Project Progress

In this chapter, we outline the outputs of the project and progress made. As outlined in the Terms of Reference the project is divided into three components:

Part A: Developing Strategic and Legislative Policy Framework on Anti-Corruption.

Consisting of 2 activities:

1. Development of a National Integrity Strategy
2. Examination of the legislative framework of anti-corruption commission.

Part B: Building Capacity in Sector Line Agencies for Corruption Prevention. Increased capacity of two key government agencies to better prevent and detect incidence of corruption in their respective sub sectors i.e. roads and power.

Part C: Designing the Good Governance Project.

Design of a good governance project that will help the government to institutionally monitor and evaluate progress on integrated anti corruption in the public sector.

The progress on the individual components of the Project is outlined below.

3.1 Developing Strategic and Legislative Policy Framework on Anti-Corruption

3.1.1 Drafting of the National Integrity Strategy

The preparation of a National Integrity Strategy (NIS) for Bangladesh was one of the key outputs of the project. The NIS is basically a document outlining the strategic plans for the government to orchestrate its anti-corruption efforts. As such, the process of drafting the NIS should be participatory and done in unison with the government.

The drafting of the NIS was considered by the government of Bangladesh to be a priority output of the project and much of the project activities conducted thus focused on preparing this document. For this reason, several of the local consultants focused their efforts on background research, interviewing, and drafting of the NIS, including those who were also charged with other activities of the project.

The process of drafting the NIS developed well along the lines established in the Inception Report. Each consultant involved in the work was assigned specific sections of the Strategy to research and draft. When the project was halted in July 2007, some 35 of the total 55 sections had been completed, while a further nine were being drafted and were estimated to be ready for finalization in 1-2 weeks. The work that had been done at that stage is outlined in the last progress report (Appendix 3: Project Progress Report 10 July 2007) as is the then suggested plan for finalization of the NIS document. However, upon request by ADB, the input for the NIS document was consolidated into one document (see Appendix 1) and immediately forwarded to the Center for Governance Studies (CGS) at BRAC University, Dhaka, on 15 July 2007 in order for that organization to assess whether it could finalize the work on a separate contract outside this PPTA.

Prior to drafting the NIS document, the consultant team conducted a number of consultations with government representatives. This was done to guide the content of the NIS document covering government institutions and sensitize the relevant institutions to the idea of NIS and its goals. In addition, civil society and individual experts were consulted and key development partners sensitized to the NIS as well.

Below, we have outlined the input of the various consultants to the NIS. The research and drafting process was a collaborative and joint effort, but individual consultants were given prime responsibility for certain chapters. All local consultants apart from Mr. Abdul Khaleque were involved in drafting the NIS document as their main piece of work.

Consultant	Input to NIS
Donald Bowser	<ul style="list-style-type: none"> • Overall in charge of coordination of the research and drafting effort until July 2007 • Drafting of the Introduction and chapters 4.1.4, 4.5, 4.11, 4.13.2, 4.14, 5 and 6
Fredrik Eriksson	<ul style="list-style-type: none"> • Overall in charge of coordination of the research and drafting effort after July 2007 • Drafting of chapters 1, 2, 3, 4.1.3, 4.5.1, 4.8, 4.10.4, 4.11.1, 4.11.2, 4.11.5 and 4.11.6
Abul Bashar Bhuiya	<ul style="list-style-type: none"> • Substantial background research for the NIS document, particularly analysis of the legal framework governing central executive agencies • This also includes research for other chapters than those he subsequently drafted • Drafting of chapters 4.2, 4.3 and 4.4
A.M. Abdul Jabbar	<ul style="list-style-type: none"> • Focal point for the drafting, distribution and collection of questionnaires for the NIS document background • Provided access to key government agencies for research to the NIS document • Drafting of chapters 4.1, 4.2, 4.9.1, 4.9.3, 4.10.1, 4.10.2, 4.10.5, 4.10.6, 4.11.3, 4.12 and 4.13.1
Mohammed Shahid Hossain Talukder	<ul style="list-style-type: none"> • Assisted the then acting Team Leader Mr. Eriksson in drafting the work schedule for the finalization of the NIS document in August 2007 • Drafting of chapters 4.1.3, 4.3, 4.5.1, 4.6, 4.7, 4.8, 4.9, 4.10.3, 4.11.1, 4.11.2, 4.11.5 and 4.11.6

3.1.2 *Anti-Corruption Commission Legislation*

The Anti-Corruption Commission (ACC) Act, which was to be reviewed under this PPTA, was undergoing amendments during the project period. For example, the ACC Act was amended in March 2007 to expand its jurisdiction to include a greater number of offences and to consider all offenses non-bailable. Since this amendment was effectuated and published rapidly, it meant that it made little sense for the PPTA team to provide input on this. Thus, the local consultant in charge of this activity, Mr. Bhuiya, focused his work on providing legislative background analysis to the NIS document, focusing on analysis of the legal framework governing the central executive agencies.

3.2 Building Capacity in Sector Line Agencies for Corruption Prevention

The second major output of the project was the finalization of a Vulnerability to Corruption Assessment (VCA) and Corruption Risks Mitigation Plan (CRMP) for Bangladesh Railway, including a limited Public Expenditure Tracking Survey (PETS) study.

Originally, the ToR called for two PETS studies to be conducted. However, during the Inception phase it was agreed to change focus from the post-factum and potentially accusatory PETS methodology to the preventive, risk assessment methodology of the VCA. Thus, it was agreed to conduct two VCAs, one for Bangladesh Railway and one for the power sector, each containing a limited PETS analysis as well. In the end, it was only the Bangladesh Railway VCA that was finalized before the project was concluded.

With regard to the VCA of Bangladesh Railroads, a first draft VCA was shared with the Cabinet Division and ADB on 27 July 2007, with an amended and more detailed version being submitted on 13 September 2007. A final version of the study, including a limited PETS, was submitted and approved on 4 October 2007.

Below, we have included a brief summary of the conclusions of the VCA of Bangladesh Railways.

Vulnerability to Corruption Assessment (VCA)

In the VCA analysis, the overall organization and procedural mechanisms within Bangladesh Railway (BR) are described and analysed in detail, and the formal gaps in the regulatory environment are outlined. This is then compared to an assessment of the business processes taking place as well as policies based on review of literature, reports and documentation, consultation with experts, government representatives and other stakeholders, and the physical review of two BR projects. The result of this analysis is a "VCA Matrix", which lists the key risks in the processes of BR. The VCA Matrix (pages 53-58) notes that there are risks of corruption in most areas of BR processes, including project formulation and preparation, prequalification and tendering, tender evaluation, project execution, maintenance and operations, commercial operations and leasing, personnel management, and in the process of performance evaluation of completed projects.

Corruption Risk Mitigation Plans (CRMP)

In the CRMP, the risks identified in the VCA are assessed according to the probability of them occurring and the potential damaging impact they can have (pages 76-79). High probability and impact risks identified focus on procurement procedures, including motivated demand for projects, collusion schemes in procurement, specifications favoring specific bidders, limited tender publicity, unfounded rejections of tenders, submission of false claims and compromised quality of services and goods delivered. Other high risk practices is the "selling" of attracting positions within BR and corrupted leasing of BR property. For each risk, low or high, the CRMP describes mitigation measures (pages 69-74) that will reduce corruption within that particular procedure.

Public Expenditure Tracking Survey (PETS)

The VCA also includes a limited PETS of BR, which analyses the flow of funds and other resources in order to identify major points of leakage and misuse. The PETS describes the financial management system of BR, including specifically internal control and checks within the organization. In conclusion, the checks and balances within BR function reasonably well and the accounting system is quite reliable, producing fairly accurate earning and expenditure data. In contrast to other PETS studies of less tangible sectors, the BR PETS does not find that leakage of funds is a particularly articulate problem. At the same time, it is assessed that the ongoing reform programme of BR is well designed to address public expenditure weaknesses in a systematic manner.

Review of two specific projects

Two projects which appeared to be problematic and have lots of irregularities were physically reviewed as part of the VCA. The review concludes that politically supported contractors did indeed get contracts by coercion and collusion with corrupt officials, and bidders even colluded in cartels to raise contract prices. In both projects project implementation and supervision was institutionally weak.

With regard to the VCA in the power sector, the contractor Ramboll Management submitted a request for contract variation on 2 August 2007 for the inclusion of two consultants to be tasked with this. However, because the rates quoted by the consultants from earlier ADB agreements were considered excessive, work on the power sector VCA never started before the project was halted.

3.3 Designing the Good Governance Project

The drafting of a Good Governance project document was initiated earlier in the project and has now been finalized. The work for this was done by ADB representatives.

4. Projects Developments

As mentioned above, the project was implemented under quite a turbulent period in Bangladeshi politics, at a point where the caretaker government was focusing extensively on fighting corruption. To the extent that this caused an unsettled and somewhat unstable situation, it was a problem for the project. On the other hand, the caretaker government's focus on fighting corruption presented some unforeseen opportunities.

Meanwhile, in the summer of 2007, the project progressed through a number of very substantial changes. Among other things, the team leader was replaced, attempts were made to subcontract a substantial part of the work, and changes made to the team of local experts. All project activities were virtually suspended on request of ADB awaiting key decisions to be taken by institutions currently not involved in the project. Following this, it was decided to discontinue further project activities.

Inputs and contributions to the project by the Government

Overall, the project team experienced that the Cabinet Division, the main beneficiary of the project, showed commitment to the project and provided the necessary assistance when needed. Requests were generally responded to, even if sometimes with substantial delays. At the same time, it was a significant problem that the time for responding and acting was often very long. For example, the fact that it took the Cabinet Division over a month to suggest a date for the public event for the launch of the NIS process meant that it had to be postponed. Likewise, the slow process of publicly announcing the NIS consultation process as agreed could have been one of the reasons why it was difficult to establish meetings with government institutions for the NIS consultations.

Because it took several months before the project office was provided, much work had to be done outside the office. Meanwhile, while the Cabinet Division worked diligently to provide the office with communication (internet and telephone lines) it took even longer before that was functional.

With regard to other stakeholders, which were primarily relevant for the NIS consultation process, it proved in many instances very difficult to arrange meetings and interviews. However, in the end the team succeeded in conducting most consultations, though the cumbersome process of arranging this took a lot of energy.

Discontinuation of the contract

In July 2007, ADB suggested that the remaining work on the NIS be performed by a local organization, quoting the need for involvement of a local organization. The acting Team Leader Mr. Eriksson and Ramboll Management then contacted three Bangladeshi institutions, which could be relevant to perform the assignment. However, none of the organizations contacted agreed to finalize the work without conducting their own assessment of the situation and meeting with the involved Bangladeshi authorities. The one organization identified to finalize the NIS took, however, a very long time to finalize its own assessment, and in the end the negotiations regarding a possible subcontracting agreement was taken over by ADB.

Later, Ramboll Management was instructed that it was apparently not possible to include the subcontracting agreement under the present PPTA contract. This was however considered an ultimate requirement, so following from this the contract with Ramboll Management was discontinued. On 25 November 2007, ADB confirmed that there would probably be no further role for Ramboll Management and the PPTA team in the project, and thus all ongoing and planned project activities were discontinued at this stage. On 25 Nov 2007 an email was sent by ADB confirming that there would be no further role for Ramboll Management in the project henceforth.

Changes in expert team

The local consultants Mr. Jabbar and Mr. Bhuiya were removed from the team of experts after a request by the Executing Agency and ADB on 15 July 2007.

Payments

Ramboll Management submitted its final financial statement of eligible costs on 14 December 2007 and all remaining payments have since then been settled.

5. Staffing

Replacement of the team leader

On 15 June 2007, ADB requested that the then Team Leader Mr. Donald Bowser be removed from the project with immediate effect. ADB argued that Mr. Donald Bowser had not lived up to expectations and that he had not acted loyally to ADB in performing his duties on the project. Ramboll Management discontinued the contract with Donald Bowser and suggested four alternative candidates. In the end, however, it was agreed that the deputy team leader, Mr. Fredrik Eriksson, would temporarily take over the position as acting Team Leader.

Thus, the day-to-day management of the project was performed in late July and August 2007 by Mr. Fredrik Eriksson, who focused his attention on reviewing and guiding the work under the ongoing components, meeting key stakeholders involved, and developing a rapid but realistic work schedule for finalizing the project activities before the deadline of 8 November 2007.

Mr. Eriksson's review of progress and suggested work schedule was submitted to ADB on 15 July (Appendix 3: Project Progress Report 10 July 2007). The work schedules were basically roadmaps showing the way forward to finalizing all project activities, focusing in particular on the finalization of the NIS document by using already approved local and international experts at that time. ADB chose not to go forward with this work schedule and instead opted for a subcontracting arrangement for the NIS document.

Replacements of local consultants

Mr. Bhuiya stopped working on the project in July 2007. Since work had ceased on the Anti-Corruption Commission legislation, he assisted in the drafting of the NIS document, focusing on analysis of the legal framework governing the central executive agencies covered by the NIS study. The outcome of his work was an extensive overview of the legal fundamentals for the institutions covered in the analysis. While this is not directly included in the analysis, it served as an essential piece of background information.

Mr. Jabbar stopped work after the EA and ADB requested that he be removed from the PPTA team of experts in July 2007.

Local Consultants' input

ADB has requested a more detailed account of the work performed by the local consultants working on the project. Since Ramboll Management was asked to stop project activities with very short notice, some of the work done remains in draft or unfinished form. This happened right after the drafting of a plan for finalization of the remaining work, which was consequently not effectuated. Furthermore, most consultants working on the project focused extensively on the drafting of the NIS document, which was given priority by ADB and in some ways formed the basis for the other activities foreseen in the project.

This information was deemed confidential according to exception #1 of ADB's Public Communication Policy (2005).

Appendix 1: Draft NIS document, 16 July 2007

Appendix 1a: Overview of consultations with government offices for the NIS process

Appendix 3: Inception Report, weekly reports, 1st Interim Report, Project Progress Report 10 July 2007

Appendix 4: Selected additional input from Mr. Talukder

Appendix 5: Selected additional input from Mr. Jabbar

Appendix 6: Selected additional input from Mr. Bhuiya

APPENDIX 2

- - -

Vulnerability to Corruption Assessment (VCA) and Corruption Risk Mitigation Plan (CRMP) for Bangladesh Railway



Asian Development Bank

Vulnerability to corruption assessment (VCA) and corruption risk mitigation plan (CRMP) for Bangladesh Railway

TA-4744 BAN Preparing the Good Governance Project

September 2007

Asian Development Bank

Vulnerability to corruption assessment (VCA) and corruption risk mitigation plan (CRMP) for Bangladesh Railway

September 2007

Ref
Version
Date 2007-10-03
Prepared by
Checked by
Approved by

Rambøll Management A/S
Olof Palmes Allé 20
DK-8200 Århus N
Danmark

Phone 8944 7800
www.ramboll-management.dk

Table of contents

PREFACE	1
Abbreviations	4
Executive Summary	5
CHAPTER I - VULNERABILITY TO CORRUPTION ASSESSMENT (VCA)	8
1. Section 1	9
1.1 Definitions of VCA	9
2. SECTION 2	11
2.1 Usefulness of VCA	11
3. SECTION 3	12
3.1 Definitions of risk and corruption	12
4. SECTION 4	13
4.1 Methodology for VCA and CRMP	13
5. SECTION 5	16
5.1 Business process analysis	16
5.1.1 Introduction	16
5.1.2 Main Operational Assets	16
5.1.3 Railway Operational Activities	21
5.1.4 Legal and Regulatory Status of Bangladesh Railway	24
5.1.5 Institutional Arrangement	24
5.1.6 Governance and Management Structure	26
5.1.7 Performance Analysis	30
5.1.8 Problem of Inadequate Maintenance Budget	41
5.1.9 Future of Bangladesh Railway	42
5.1.10 Process Map for Vulnerabilities to Corruption Assessments (VCA) in Bangladesh Railway	48
5.1.11 Concluding Observations	49
6. SECTION 6	50
6.1 Systemic, policy and regulatory weaknesses in BR	50
6.1.1 Introduction	50
6.1.2 Systemic Weaknesses of Physical Infrastructure and Rolling Stock	50
6.1.3 Institutional and Governance Weakness	50
6.1.4 4. Performance Weaknesses	51
6.1.5 Weaknesses of Public Expenditure Management in the Rail Sector	51
6.1.6 Weakness in Procurement System	51
6.1.7 Systemic Weaknesses in Employment and Payroll	52
6.1.8 Weaknesses Related to Revenue Collection and Disbursement	52

7.	SECTION 7	53
7.1	The risks of corruption in operations	53
7.1.1	Introduction	53
8.	SECTION 8	57
8.1	Governance weakness	57
8.1.1	The major governance weaknesses in the rail sector are outlined in the following:	57
8.1.2	Conclusion	58
9.	SECTION 9	59
9.1	Self-assessment of questionnaire/check list	59
CHAPTER II - THE CORRUPTION RISK MITIGATION PLAN (CRMP)		63
1.	SECTION 1	64
1.1	Definitions of CRMP	64
2.	SECTION 2	65
2.1	Usefulness of CRMP	65
3.	SECTION 3	66
3.1	Methodology of CRMP	66
4.	SECTION 4	67
4.1	The CRMP Matrix	67
5.	SECTION 5	75
5.1	Probability and impact and impact assessment of risks	75
6.	SECTION 6	80
6.1	Matrix of other mitigation activities	80
7.	SECTION 7	82
7.1	Conclusion	82
CHAPTER III - AN ASSESSMENT OF PUBLIC EXPENDITURE TRACKING SURVEY (PETS) ON BANGLADESH RAILWAY		83
1.	SECTION 1	84
1.1	Pets on Bangladesh railway	84
1.1.1	What is Public Expenditure Tracking Survey (PETS)?	84
1.1.2	What does PETS do?	84
1.1.3	Public Expenditure in the Bangladesh Railway Context	84
1.1.4	Role of Bangladesh Railway in the Transport Sector of Bangladesh	85
1.1.5	BR Productivity: Regional and Gobar Comparison	86
1.1.6	Productivity and Performance Outcome of Public Expenditure on BR	89
1.1.7	Internal Control and Checks and balances in BR	90
1.1.8	Public Expenditure Tracking in BR	91
1.1.9	Relevance of Public Expenditure Tracking Survey (PETS) on BR	95

1.1.10	Actions Needed to Improve Public Expenditure Efficiency on BR	95
1.2	Conclusions	98
CHAPTER IV - REVIEW OF ON-GOING PROJECTS IN THE RAIL SECTOR		99
Summary of projects review		100
1.	SECTION 1	101
1.1	Development of Dhaka Railway Station	101
2.	SECTION 2	107
2.1	Railway link from Tarakandi to Jamuna Bridge	107
References		119
Appendices		121

PREFACE

Report of the Sector Expert on Vulnerability to Corruption Assessment (VCA) in the Railway Sector

A Study Project titled "Preparing the Good Governance Project" is under implementation in Bangladesh with Asian Development Bank assistance (ADB TA-4744 BAN) with the objective to reduce the incidence of corruption in the public sector by establishing appropriate legal and policy frameworks and strengthening relevant institutions.

The project has the following components:

- i). Part A: Developing Strategic and Legislative Policy Framework on Anti-Corruption which will consist of 2 activities:
 - a). Development of a National Integrity Strategy
 - b). Examination of the legislative framework of anti-corruption commission.
- ii). Part B: Building Capacity in Sector Line Agencies for Corruption Prevention. Increased capacity of two key government agencies to better prevent and detect incidence of corruption in their respective sub sectors i.e. Roads and power. Subsequently Railway Sector was included in place of the Road Sector in order to strengthen its capacity to better prevent and detect incidence of corruption.
- iii). Part C: Designing the Good Governance Project.

Ramboll Management of Denmark in association with SODEV consultants is responsible for project implementation. Mr. Fredrik Eriksson is the Team Leader of the study team.

The Rail Sector Expert joined the team in the third week of April 2007.

The Rail Sector Expert carried out following tasks according to the Terms of Reference (TOR) (**Appendix A**) and study guidelines provided in the document "Process Map for Vulnerability to Corruption Assessment (VCA) in Bangladesh Railway" (**Appendix B**):

- i. Conducting Vulnerabilities to Corruption Assessments (VCA) in the rail sector;
- ii. Developing Corruption Risk Mitigation Plans (CRMPs) that identifies and outlines steps to mitigate, opportunities for corruption.
- iii. Conducting small scale PETS for the rail sector.
- iv. Review of two projects of Bangladesh Railway

Prior to starting the works on VCA and CRMP and based on discussions with ADB representative Mr. Ghambir Bhatta and the then Team Leader of the project, the sector expert prepared an initial assessment report on the governance issues of the rail sector of Bangladesh which is included in **Appendix C**.

The report has been structured into four chapters following the sequence of the tasks as outlined above with the four components respectively.

As a first step towards a comprehensive VCA, the sector expert identified the events and processes that exist within the rail sector in Bangladesh including formal gaps in the regulatory environment. Based on analysis of the business process, policies and procedures and review of literature, reports and documentation of different national and international organizations, a preliminary VCA matrix was prepared identifying the areas of vulnerability to corruption. The VCA was further developed and enhanced in consultation with sector experts/practitioners from government, private sector, non-governmental and international organizations to formulate a complete list of opportunities for corruption within the sector. Railway being an integrated infrastructure and service delivery organization; is complex and has a number of individual phases within the chain of events that occur from the start of the process to the provision of service or completion. These processes were comprehensively reviewed before finalizing the VCA. Opportunities for corruption in different areas of Bangladesh Railway have been summarized in a VCA matrix included in the report. Following the TOR and using the results of the VCA; CRMPs have been developed outlining the steps necessary to mitigate the opportunities for corruption in the current administrative environment.

While preparing process map for VCA, in addition to *existing systematic and institutional weakness and vulnerability to corruption issues*, a mapping exercise of the ongoing and pipeline activities in governance and investment projects of BR being funded by bilateral and multilateral donors such as ADB, World Bank and JBIC was undertaken.

Probability and impact assessment of risks was carried out in order to establish the likelihood and potential impact of the risks. Probability-Impact analysis of the identified risks and the priority for actions in the specific context of Bangladesh Railway has been provided in a Matrix table at section 5 of Chapter-II. Assessment was based on the activities in the railway sector during the past two political regimes (1996-2006).

ADB, WB & JBIC have agreed to a multi-donor development partnership with GOB to modernize and reform the railway sector through a medium-term reform and investment program. The objective of the program is to improve the governance structure within which BR operates, addressing both governance relationship between GOB and BR on the one hand, and corporate governance and management structure within the railways organization on the other. While preparing the process map for VCA, in addition to existing systematic and institutional weakness and vulnerability to corruption issues, the above issues have been kept in view and addressed in the report accordingly.

An assessment of the Public Expenditure Tracking Survey (PETS) on the rail sector was conducted keeping in view the on-going reform activities. The assessment report on PETS has been included in Chapter-III of the report.

In view on-going structural and financial reform of BR a comprehensive PETS was not considered necessary at this stage.

The TOR required that the consultant will conduct physical reviews sector specific projects (where feasible). Two projects identified to be problematic by oversight agencies of the government have been reviewed with regard to the VCA perspectives. The findings are included in Chapter-IV of the report.

Team Leader's guidance and help towards this assignment is gratefully acknowledged.

Abdul Khaleque
Consultant

Abbreviations

ACC	- Anti-Corruption Commission	IMED	- Implementation, Monitoring and Evaluation Division
ACD	- Anti-Corruption Department	IMTP	- Integrated Multimodal Transport Policy
ADB	- Asian Development Bank	JBIC	- Japan Bank for International Cooperation
ADP	- Annual Development Program	JMB	- Jamuna Multipurpose Bridge
ADG	- Additional Director General	LOB	- Lines of Business
BG	- Broad Gauge (1676 mm) rail track	MG	- Metre Gauge (1000 mm) rail track
BR	- Bangladesh Railway	MDG	- Millennium Development Goal
BRA	- Bangladesh Railway Authority	MOC	- Ministry of Communication
C&AG	- Comptroller & Auditor General	MOF	- Ministry of Finance
CLW	- Central Locomotive Workshop	NGO	- Non-government organization
CPTU	- Central Procurement Unit	NIS	- National Integrity Strategy
CRMP	- Corruption Risk Mitigation Plan	NLTP	- National Land Transport Policy
DG	- Dual Gauge railway track (MG track in side BG on three rail configuration)	PAO	- Principal Accounting Officer
DG	- Director General	PEC	- Proposal Evaluation Committees ()
DPP	- Development Project Proposal	PAC	- Public Accounts Committee
ECNEC	- Executive Committee of National Economic Council	PPA	- Public Procurement Act
FA&CAO	- Financial Advisor and Chief Accounts Officer	PPR	- Public Procurement Regulations
FDI	- Foreign direct investment	PSC	- Public Service Commission
GDP	- Gross domestic product	PSO	- Public Service Obligation
GIBR	- Government Inspector of Bangladesh Railway	PPP	- Public Private Partnership
GOB	- Government of Bangladesh	PPP	- Purchasing Power Parity
GRP	- Government Railway Police	PRSP	- Poverty Reduction Strategy Paper
ICD	- Inland Container Depot	RCC	- Reinforced Cement Concrete
IWT	- Inland Water Transport	RNB	- Railway Nirapatta Bahini (Railway Security Forces)

Executive Summary

The report has the following component chapters:

- Chapter I: Conducting Vulnerabilities to Corruption Assessments (VCA) in the rail sector;
- Chapter II: Developing Corruption Risk Mitigation Plans (CRMPs) that identifies and outlines steps to mitigate, opportunities for corruption.
- Chapter III: Conducting small scale PETS for the rail sector.
- Chapter IV: Review of two projects of Bangladesh Railway

I. Vulnerabilities to Corruption Assessments (VCA)

VCA was conducted through review process of the potential risks of corruption at each stage in the railway activities. Analysis of business process of Bangladesh Railway (BR) helped in identifying the systemic and governance weakness in the sector. BR operates as a departmental enterprise, financed and managed by the government. There is little autonomy or delegation to empower BR to take greater responsibility and to hold BR accountable for results. Without accountability mechanism, risks of wastage and leakage have become ingrained in the systemic inefficiency. Major weakness of the railway system was, and still is, the limitation of its physical infrastructure. Inadequate resource allocation for maintenance and operation is largely responsible for declining service quality.

BR's lack of accountability towards efficient and productive use of public finances is a key issue, which needs to be addressed through appropriate reforms. A joint ADB, WB and JIBC investment program is, however, underway to address BR reform and restructuring issues and investment in modernization and expansion of the railway sector.

BR weaknesses in performance operation, public expenditure management, procurement system, management of employment and payroll and revenue collection and disbursement have been examined in order to assess the areas/activities which are vulnerable to corruptions. The identified corruption opportunities have been analyzed and incorporated into a single list. The corruption risk list has been validated in consultation with the sector experts and other stakeholders. A self-assessment questionnaire has been established and included in this chapter. This questionnaire is intended for use to follow the actual mitigation of risks.

II. Developing Corruption Risk Mitigation Plans (CRMPs)

This chapter contains the issues related to the mitigation plans of the corruption risks identified through the VCA process in the previous chapter. The CRMPs that outline the steps necessary to mitigate the identified opportunities for corruption have been explained in the chapter followed by a CRMP Matrix.

The chapter also provides the definitions and usefulness of CRMP for BR and the methodology used to establish the mitigation plans.

Probability and impact assessment of risks has also been carried out in order to establish the likelihood and potential impact of the risks. Probability-Impact analysis of the identified risks and the priority for actions in the specific context of BR has been provided in a Matrix table in this chapter. Assessment was based the activities in the railway sector during the past two political regimes (1996-2006).

III. Conducting small scale PETS for the rail sector

An assessment of the Public Expenditure Tracking Survey (PETS) on the rail sector was conducted keeping in view the on-going reform activities. The assessment report on PETS has been included in this report. BR incurs public expenditure to produce railway service. The products are quantifiable and tangible in the form of total number of passengers and freight tons carried and annual turnover of total traffic units (total passenger- km + freight ton-km) produced. The products are sold at government determined prices to the users who are willing to pay for the given quality of service. The checks and balances (both internal and external) in the expenditure process function reasonably well. BR accounting system which had been refined over 150 years of railway's existence is quite reliable and earning and expenditure data are fairly accurate. The balance sheet produced at the end of the financial year is a good reflection of BR's financial performance (good or bad!).

The Public Expenditure Tracking Survey (PETS) is generally used in education and health sectors where output (both in terms of quality and quantity) can not be measured in a tangible manner and correlated with input. Information on financial and resource flows is not easily available to all stakeholders in the system. Leakage of funds, usually non-wage funds and absenteeism are common problems in the health and education sectors which are assessed using PETS survey. But this is not the case with BR. The existing process of public expenditure on BR as analyzed in connection with the VCA provides an overview of systemic and governess weaknesses that create scope for wastage and misuse of public money. The on-going reform programme of BR will address the weaknesses, particularly the public expenditure weaknesses in a systematic manner. The reform program when implemented will change the scenario completely, thus obviating the need for conducting further comprehensive PETS in the railway sector at this point in time.

IV. Review of two projects of Bangladesh Railway

In consultation with BR, two projects which appeared to be problematic and had apparently lots of irregularity were taken for review and examination from the VCA perspective. The projects are-

- i) New Construction and Extension of Platform Shed & Development of Dhaka Railway Station
- ii) Construction of Railway Link from Tarakandi to Jamuna Bridge

The works of the projects were undertaken during the past political regimes. Politically supported contractors/suppliers apparently prevailed over the project implementation authorities by coercion and collusion with corrupt officials. Group of con-

tractors with political influence controlled the selection of contractors and contract prices through syndicate/cartel. The accepted tenders were thus significantly higher in price than the approved cost of the component items. Different work components were sub-divided in order to keep the tender acceptance authority at lower levels for easy coercion and collusion.

Costs of both the projects had increased significantly from the original approved estimates. There were time delays in project implementation. Subsequent revisions of costs and time are under consideration of the competent authority. Authorities are also investigating the irregularities in the tendering, awarding and implementations of various components of the projects. An analytical review of the projects from VCA perspective is provided in this chapter.

This review has been prepared at a time when the new caretaker government of Bangladesh has assigned top priority to restoration of good governance in the country to ensure proper utilization of public funds. A number of initiatives have been taken to address corruption and to establish rule of law.

In both the projects, institutional weaknesses of project implementation, lack of adequate supervision and oversight were also evident.

CHAPTER I
- VULNERABILITY TO CORRUPTION
ASSESSMENT (VCA)

1. Section 1

1.1 Definitions of VCA

Vulnerabilities to Corruption Assessments (VCAs) are conducted to identify where weaknesses exist in the system which leave open opportunities for corruption to occur. This is a new approach developed by the Asian Development Bank (ADB) and the other Multi-lateral Development Banks (MDBs) to reduce the risk of corruption in the sectors of government. In order to understand the process and usefulness of VCA, the definitions of "corruption" and "vulnerability" need be established.

Definition of Corruption

In this report definition of corruption as adopted in the ADB anticorruption policy has been followed. As outlined in the ADB anticorruption policy corruption is broadly defined as **"the abuse of public or private office for personal gain"**. The more comprehensive definition of corruption as laid out in the ADB anticorruption policy and harmonized with other Multi-lateral Development Banks in 2006 defines corruption as comprising the following acts:

- (a) A corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence **improperly** the actions of another party.
- (b) A fraudulent practice is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
- (c) A coercive practice is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- (d) A collusive practice is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

Limitation of the above definition

With this definition corruption is defined against what norms there are in place that can define the term **"proper"** influencing. Where there are no such norms available, it will not be possible to talk about what is improper and not, and subsequently not claim that there have been any corrupt practices going on.

Vulnerability refers to a person's state of being liable to succumb, as to persuasion or temptation easily persuadable or liable to give in to temptation.

Vulnerabilities to Corruption Assessment – (VCA) is carried out to examine the processes and procedures within the sector in order to identify where weaknesses exist that creates vulnerability for corruption. Corrupt practices can occur at any stage of the procedure of delivery of railway service: during planning, financing, design, pre-qualification and tender, project execution, service delivery, operation and maintenance. These practices can involve bribery or fraud, and often involve both as well as

collusion and extortion within the procurement and delivery of goods and services. VCA identifies the corruption opportunities, summarizes those in a "Corruption Risk List". VCA develops a self-assessment questionnaire. The questionnaire combined with analysis and the business process review of policies and practices constitute the Vulnerabilities to Corruption Assessment (VCA) of the sector.

2. SECTION 2

2.1 Usefulness of VCA

Both the process and the outcome of VCAs can serve as useful tools for the government and the sector to improve governance. In the process of preparation of VCA the systemic and governance weaknesses (including legal and regulatory processes) that exist in the sector are identified. Government and sector can take necessary corrective measures to remove the weaknesses for efficient and effective delivery of services.

Operational and corruption risks of the sector are identified through the VCA process. Corruption opportunities are summarized in a "Corruption Risk List". Government and the sector can take preventive/corrective measures to minimize the risks.

Based on the findings of the VCA and the completed single list of corruption a detailed Corruption Risk Mitigation Plan (CRMP) is prepared. CRMP outlines the steps necessary to mitigate the identified opportunities for corruption. This is the most useful tool for relevant regulators and administrators for the sector to implement the mitigation plan.

3. SECTION 3

3.1 Definitions of risk and corruption

For the purpose of this study the following definitions of risk and corruption have been used.

Risk: Risk is the chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and likelihood.

Corruption: Corruption is defined as "the abuse of public or private office for personal gain". More comprehensively corruption comprises the following acts:

- (e) A corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
- (f) A fraudulent practice is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
- (g) A coercive practice is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- (h) A collusive practice is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

Corruption Risk: Corruption risk is therefore the risk of corruption happening that will have adverse impact in terms of costs, or impact on service delivery, distribution of burdens and benefits and/or the realization, protection and promotion of rights of an individual, an organization or/and the society in general.

Risk Mapping

Since corruption stems from the ability to misuse power and authority, the greatest risks of corruption follow the path of the most amounts of money, goods or services. Risks of corruption also arise where systems of accountability and transparency are weakest and where the potential for individuals to exercise discretionary power are greatest.

4. SECTION 4

4.1 Methodology for VCA and CRMP

The VCA process was started with an extensive review of documents, reports, literature, academic studies on corruption, corruption risk management, corruption risk mitigation measures, anti-corruption strategies prepared by World Bank (WB), Asian Development Bank (ADB), Transparency International (TI), U4, national governments etc. The definitions of corruptions and corrupt activities and guidelines as used by these international institutions for corruption risk assessment have been used in preparing this report.

Subsequently, a comprehensive literature review related to governance and institutional issues, business process, policies and procedures and best practices followed in the railway sector of other countries was carried out in order to comparatively assess the situation in Bangladesh Railway.

This report is based around an analytical review process of the potential risks of corruption at each stage in the rail sector. It has drawn substantially on the author's (railway sector expert) experiences with the railway sector activities in Bangladesh for the last 35 years. During the period, the author worked in various capacities (either in individual capacity or as a member of a team) such as in project appraisal, project formulation, project implementation, procurement, preparation of tender documents, preparation of project/equipment specifications, tender evaluation and awarding, evaluation and monitoring of project activities, enquiring into complaints related to malfeasance, expenditure and budget controls, personnel management, recruitment, promotion, as well as institutional and governance issues in the railway sector.

Moreover, the author has also been involved as a consultant external to the Bangladesh Railway over the last 7 years in railway projects funded by the UN and ADB dealing with project implementation, construction supervision, railway reforms and governance issues (such as identifying systemic and regulatory weaknesses which create scope for malfeasance). The author's extensive involvement with activities in Bangladesh Railway has not only been a fundamental condition in order to understand the local organizational context relating to the development of the VCA, but also to consider this context while assessing corruption risks.

The manner and phases involved in this VCA process are outlined below:

a) Business Process Phase

As a first step towards a comprehensive VCA, the sector expert carried out analysis of the business processes, policies and procedures prevailing in the railway sector in Bangladesh. This analysis helped in identifying how the sector functions and what individual processes that occur from planning to finish within the sector.

Additionally, a review of policies and procedures within the individual functional units of the railway was undertaken to examine and identify the formal lapses in the regulatory environment and systemic weaknesses that allow corruption to occur.

b) Vulnerability Identification Phase

This phase started with the identification of a group of experts working in the railway, the Ministry of Communication, and individual transport sector experts. Consultations with these experts were held individually and also in groups to prepare an initial ‘snapshot’ of the opportunities for corruption in the sector. The list of risks so prepared was used as indicative checklists for further review and validation through subsequent discussions. The analysis was expanded through a number of interviews with experienced officials, and then further developed and tested through semi-structured interviews with key individuals. The identified corruption opportunities have been analyzed and incorporated into a single list for risks of corruption in this report.

The single list of opportunities for corruption within Bangladesh Railway covers the entire cycle of operations from planning, delivery, and follow on maintenance. This list was validated through group meetings. The experts consulted represented the following specialist areas (a complete list of experts/officials consulted is given in **Appendix D**).

- Railway infrastructure
- Railway locomotives, rolling stocks,
- Railway Signaling & Telecommunication
- Railway Electrical Engineering
- Railway inventory management and procurement
- Procurement, Tendering, Tender evaluation specialist
- Project planning, appraisal and project preparation
- Personnel and Governance
- Accounting & Internal Control
- Railway operation and commercial
- Railway Financial Management
- Transport Sector Policy Specialist
- Transport Sector Planning & Institutional Reform

c) External Validation

A reasonably complete single list of the opportunities for corruption based on consultations and validation internally in Bangladesh Railway was presented and discussed with external actors such as the MoC, and other national (civil society) and international organizations (ADB/WB) for validation.

d) Self-assessment Questionnaire

In close cooperation with Bangladesh Railway, a self-assessment questionnaire to establish corruption risks in Bangladesh Railway was developed. This questionnaire

can be used on a continuous basis to follow the actual mitigation of risks after implementation of activities outlined in the CRMP.

e) VCA development

The validated corruption risk list, as well as the review of the regulatory and policy environment formed the basis for the analysis in the VCA report, which defines the situation of corruption risks in Bangladesh Railway.

f) Corruption Risk Mitigation Plan

The VCA was then used as a basis to draft a preliminary "Corruption Risk Mitigation Plan" that outlines the steps necessary to mitigate the identified opportunities for corruption. The preliminary draft was developed in cooperation with MoC/BR that will be responsible for its implementation, as well as monitoring of this implementation.

g) Probability and Impact Assessment of the Corruption Risks

Probability and impact assessment of risks was carried out in order to establish the likelihood and potential impact of the risks. Probability-Impact analysis of the identified risks and the priority for actions in the specific context of Bangladesh Railway has been provided in a Matrix table at section 5 of Chapter-II. Assessment was based the activities in the railway sector during the past two political regimes (1996-2006).

5. SECTION 5

5.1 Business process analysis

Review of the process within Bangladesh Railway

5.1.1 Introduction

Bangladesh Railway (BR) is a department under the Ministry of Communications of the Government of Bangladesh (GOB), which is responsible for providing railway service in the country. As a provider of transport service, BR has dual role; to work as a commercial enterprise with an obligation to generate sufficient revenue to meet its expenses and at the same time provide service as a public utility. Passenger fare and freight tariff of essential commodities are heavily under-priced in the socio-economic interest of the country. BR provides transport facilities in emergent situations like flood, cyclone, draught etc., without commercial considerations.

Government provides policy, regulatory and investment decisions for the rail sector. Moreover tariff and services to be operated by BR are also decided by the government. The railway budget for operation and maintenance is funded through annual appropriations from the government's budget. Development projects (including replacement and rehabilitation of existing assets and construction of new lines and acquisition of additional rolling and other equipment) are funded through annual development programs. Railway employees are part of government servants who are subject to civil service rules and regulations. BR operates a network 2,855 route-km with 34,224 regular employees. BR has a total of 454 stations, 286 locomotives, 1406 passenger coaches and 13122 freight wagons.

5.1.2 Main Operational Assets

5.1.2.1 Track, Bridges, and other Structures

- a) BR network of 2,855 route-km is divided into two zones, the East Zone and the West Zone, i.e. one zone on either side of the Jamuna River. The network consists of two gauges. A total of 660 km of the route, all falling in the West Zone, consists of broad gauge (BG), i.e., 1.676 m width track. The West Zone has 553 km of metre gauge (MG), i.e., 1.0 m width track and the East Zone has 1,277 km of track (all MG). In addition there is 365 km of dual gauge track (catering for both BG and MG trains). The Jamuna Multipurpose Bridge (JMB), which has a dual gauge rail track on it, provides the only east-west rail link.
- b) Out of 454 stations of BR, 243 and 211 in the East and West Zones, respectively.
- c) Railway network within the geographical boundary of Bangladesh evolved as a part of the British Indian railways of the Sub-Continent. The network, which was

developed during the colonial days to be a part of the much larger network of the Indian Sub-Continent, rather than to serve the needs of the territory constituting Bangladesh used to cater for both passenger and freight services of this region of undivided India. Railway infrastructure comprising tracks, bridges, stations, sidings, terminal and other facilities were developed according to traffic flow pattern of the entire region and rolling stocks were acquired to meet the prevailing traffic demands of that time.

- d) Consequently, with the partition of the Indian sub-continent in 1947, the land-mass comprising Bangladesh inherited a truncated portion of the Indian Railway system with nearly 2800 km in route length, of which a part was Broad Gauge (BG) and the other one Meter Gauge (MG). The BG portion was a part of the main Indian Railway network oriented towards Calcutta and the MG portion was mainly a part of the network connecting north-eastern Indian states with Chittagong port. The disoriented and disjointed railway system did not fit into the traffic flow patterns of new country. The railway system continued to operate with three pocket networks connected by two ferry links over the river Jamuna. The system suffered from operational draw-backs and physical impediments in the movement of traffic such as missing railway links, discontinuous tracks and transshipment points, shifting ghat stations on both banks of the Jamuna, and wagon ferry services between the banks of Jamuna river with the perpetual problem of shifting rail heads from season to season and also within the same season. The railway map of the country as given below depicts the current and historical situation.
- e) From 1947 to 1971, investment in railway was limited mainly to replacement of obsolete equipment like steam locomotives, wooden bodied coaches and some outmoded signalling equipment. During the war of liberation in 1971, the railway system suffered devastating damage. As a result almost all investments made on BR since 1972 was on account of replacement and rehabilitation of assets damaged during the liberation war. There was virtually no investment for modernization and capacity creation.
- f) BR in association with Chittagong Port established the first inland container depot (ICD) of the country at Dhaka station in 1987 and had been operating container services since then.
- g) The first major development achievement for BR was the railway link over the newly constructed Jamuna Multipurpose Bridge. About 100 km of new Dual Gauge railway line (Metre Gauge inside Broad Gauge in three rail combination) was constructed to connect west zone BG/MG network with east zone MG network over the Jamuna Bridge. After bridging the Jamuna, Bangladesh Railway has taken a pragmatic policy of adopting broad gauge as the official standard over its entire railway. The section became fully operational by 2003.

- h) Only improvement in track technology so far has been the adoption of concrete sleepers and welded rails on main line sections over the last two decades. Track maintenance is still primarily manual. Mechanized track maintenance is yet to be fully adopted on the new sections with concrete sleepers and welded rails.

5.1.2.2 Signaling & Telecommunication

- a) Railway continued to operate with inherited signalling system of British Indian Railways using mechanical and partly electro-mechanical equipment. In 1960s modern relay interlocking with colour light signalling and tokenless block working system was introduced in the Dhaka-Chittagong section. Subsequently other important stations in both the zones were provided with similar system. In 2003 BR introduced computerized signalling system at 11 stations. By now computerized signalling system has been introduced at another 30 stations. Work is ongoing to install computerized system at another 6 stations.
- b) BR used old and obsolete telecommunication system based on bare copper-wires placed on poles along railway lines. These were used for station to train operation and for controlling and regulating trains by train-controllers. These overhead wires were rented from the national telecomm authority (Bangladesh Telegraph & Telephone Board). Additionally BR used HF radios for long distance communication and very high frequency (VHF) sets for local operation. During the period 1987-91, BR installed its own telecommunication network over 1,800 km based on optical fibre connecting about 300 railway stations. Commencing from 1997, BR leased out surplus capacity of the optical fibre system to GrameenPhone, the leading mobile phone operator of the country for commercial use for a period of 20-30 year. GrameenPhone is paying substantial lease revenue to BR on this account.

5.1.2.3 Rolling-stock

a) Locomotives

Bangladesh Railway now owns basically two types of locomotives viz Diesel Electric (DE) & Diesel Hydraulic (DH). The total fleet as on 30th June 2006 comprised 253 Diesel Electric (68 BG, 185 MG) and 32 Diesel Hydraulic (9 BG & 23 MG) locomotives.

Pahartali and Dhaka Diesel Workshops undertake repairs of MG Diesel Locomotives while Parbatipur Diesel Workshop undertakes repairs of both BG & MG Diesel Locomotives. Heavy repairs and overhauls of diesel locomotives are done at Central Diesel Workshop, Parbatipur. The existing main line locos are all DE type manufactured by ALCO (USA), MLW/ Bombardier Inc. (Canada) & Hitachi (Japan) for BG and General Motors (USA/Canada), MLW (Canada), Hitachi (Japan), ABB Henschel (Germany), DLW (India) and Hyundai (S. Korea) for MG. There is no electric traction in the system.

b) Coaching Vehicles

At the end of the year 2005-2006, BR had a total of 1,403 coaching vehicles out of which 1,341 are for conveyance of passengers and 62 are for conveyance of luggage, parcels, mails etc. as well as for departmental use.

c) Freight Wagons

At the end of the year 2005-2006, BR had a total of 10,246 wagons comprising 7,525 covered, 1,114 open and 1,607 special type wagons.

d) Containers

Bangladesh Railway has entered into a new era in transportation of freight traffic in containers from Chittagong to Dhaka. Special type Flat Wagons required for container movement were initially arranged by converting some existing wagons. Subsequently 80 bogie container flats were procured from China and another 100 bogie container flats were procured from India. An Inland Container Depot has been opened at Dhaka with custom and port facilities for clearance of container traffic. Exclusive container train was introduced on 5th August, 1991. Since then, volume of container traffic gained momentum.

e) Mechanical Workshops

Bangladesh Railway has sheds, depots and workshops for maintenance of Rolling Stock, Locomotives are maintained in 3(Three) places viz shed shop & CLW, Carriage & Wagons are maintained in two places i.e. in C&W Depot & workshop.

NETWORK AS INHERITED IN 1947 AT TIME OF PARTION OF THE INDIAN SUBCONTINENT

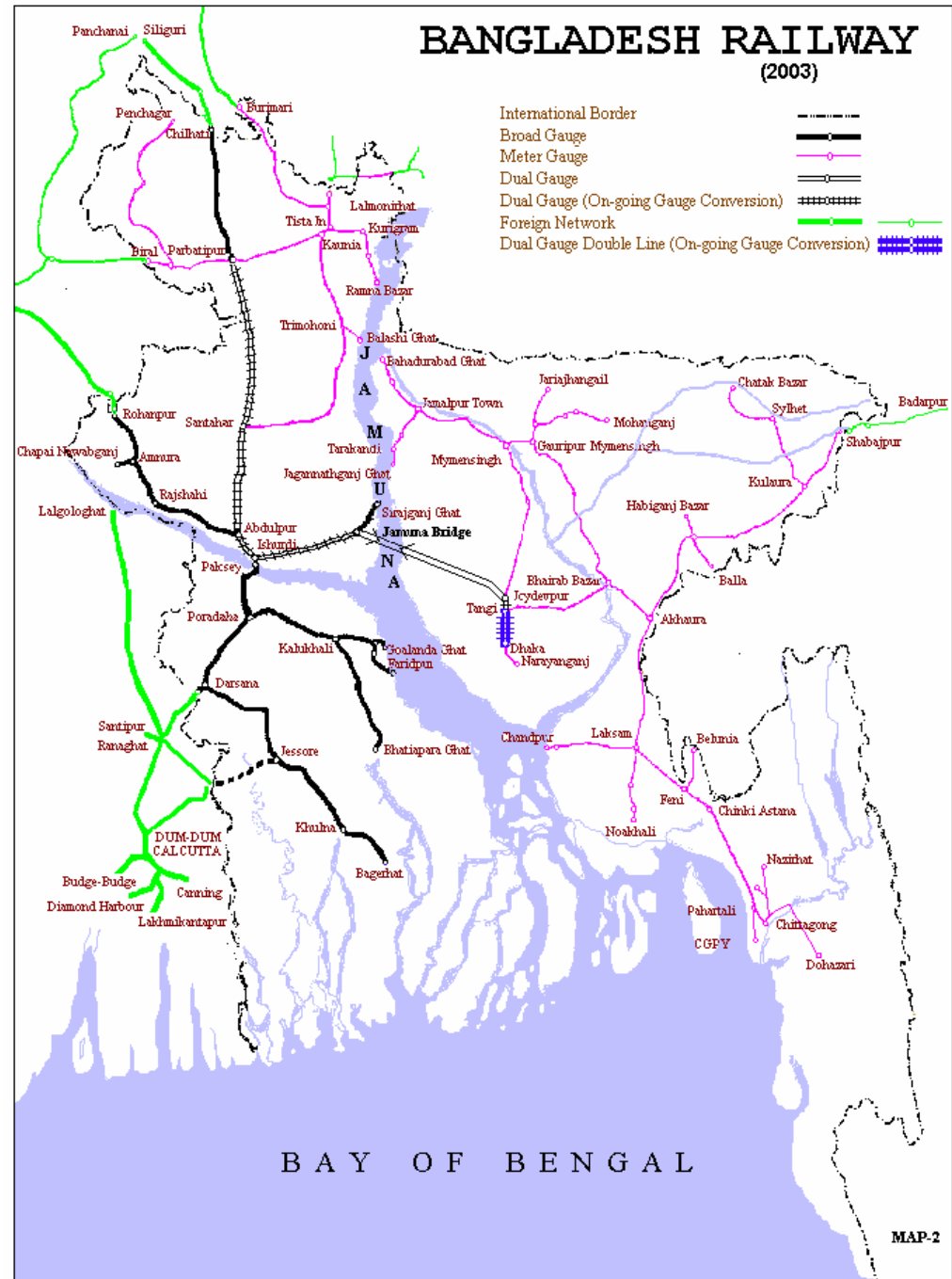
- Route length: 2800 km
- BG: 953 km, originally oriented towards Calcutta
- MG: 1847 km originally connecting north-eastern Indian states with Chittagong Port.
- Two ferry links over river Jamuna
- Three pocket networks

Jamuna Bridge Railway Project constructed 99 km new dual gauge (DG) track over the bridge and converted existing BG track to DG up to Parbatipur.

Present network status:

Total Route: 2855 Km
 Dual Gauge: 365 Km
 Broad Gauge: 660 Km
 Meter Gauge: 1830 Km

- East-West MG network has been inter-connected,
- BG train from the West zone is coming to Joy-debpur,
- MG train from North-West is coming to Dhaka,
- BG train will come to Dhaka on completion of the on-going DG project up to Dhaka by 2007



f) Railway Ferry Services

There were 30 marine vessels under Mechanical Department at the end of 2005-2006. The fleet of the marine vessels consists of 2 Passenger vessels, 4 Tugs, 4 Wagon Ferry Barges, 5 Pontoon ramps, 5 Flats and 2 Berthing Pontoon and 8 other Crafts.

Mechanical Engg. department of BR is responsible for maintenance of the above facilities.

5.1.2.4 Electrical Installations

BR Electrical department maintains facilities related to air-conditioning, train light and other electrical appliances on board trains. There are power generating cars in most of the trains. Moreover the electrical and air-condition facilities at stations, service building residential quarters are maintained by the electrical department.

Electrical Engg. department of BR is responsible for maintenance of the above facilities.

5.1.3 Railway Operational Activities

5.1.3.1 Transportation and Commercial

a) Passenger Traffic

During 2005-2006, BR operated 235 number of passenger trains daily and carried a total about 45 million passengers during the year. BR operates three types of trains namely Intercity (IC), Mail & Express and Local trains. Intercity trains are quite popular. 58 Intercity trains carried about 38.4% of the total passengers of Bangladesh Railway which contributed to approximately 71% of the total earning of passenger traffic.

b) Freight Traffic

The railway has been facing tough competition with other modes of transport for the high rated traffic, which pay more revenue. On the other hand, the railway is called upon to carry traditional low rated essentials. As a national carrier, BR has obligation to carry essential commodities like food grains, fertilizer, jute, cement, coal, iron and steel, stone & boulders, petroleum products, salt, sugar etc. to the remote corners of the country at a cheaper rate. The freight traffic during 2005-2006 was 3,057 thousand Metric Tons. BR operated 54 freight trains daily during the period.

Transportation & Commercial department is responsible for the above activities.

5.1.3.2 **Inventory and Material Management**

Assessment, purchasing, inspecting, stocking, preservation and supply of the materials as required and demanded by different using departments are carried out by the Stores Department of BR. Apart from the non-recurring items, about 35,000 items are stocked in the main depots at Pahartali and Saidpur and also at Diesel Sub Depots at Parbatipur, Dhaka and Pahartali for diesel spares.

There is a modern offset printing press managed and operated by the Stores department where Intercity tickets, Printed Card tickets and all sorts of money value forms are printed and supplied against the demand received from the user departments.

5.1.3.3 **Security**

Prevention and detection of crimes against passengers and their properties and also the maintenance of law and order in the railway premises are the responsibilities of the Government Railway Police (GRP) working under the control of the Ministry of Home Affairs. The responsibilities of providing security to the railway personnel, railway properties and the properties entrusted to railway for transportation are with the Railway Nirapatta Bahini (RNB) which is railway's own security forces.

The GRP is responsible for:

- Maintenance of law and orders in the railway premises.
- Providing security to passenger trains, the traveling passengers and passenger luggage and
- Preventing and detecting crimes in the railway premises

The RNB is responsible for:

- protection and safe-guarding of railway property,
- escorting of cash movement and protection of pay offices of the Railway,
- providing security to the goods trains and luggage & parcel vans of passenger trains,
- assisting during ticket checking and mobile court operation,
- eviction of unauthorized occupants from railway premises, under the command of Railway Estate Officers/Magistrates

5.1.3.4 **Welfare Activities**

a) Number of Employees

As on date 30th June, 2006, there are 484 officers & 33,729 staff of different categories. Staff is graded/classified as Class-III and Class-IV staff. The ratio of officers and staff is about 1: 71.

b) Training

BR has a system of imparting training on a regular basis to its officers and staff to enable them to improve their skills & capabilities. BR has a central training academy located at Halishahar, Chittagong. Four workshop training units at Pahartali, Dhaka, Parbatipur and Ishurdi also work under the control of training academy. In the year 2005-2006 a total of 943 persons of different categories were trained which included 25 officers.

c) Festival Allowance

The system of giving festival allowance to the employees was introduced in the year 1984. This is not linked with productivity/profit. The festival allowance is given twice in a year. Each allowance is equal to the one month's basic salary of the employee concerned.

d) Medicare & family welfare

There are number hospitals and dispensaries maintained at different locations of BR to provide medical care to the employees & their dependents. There are around 10 hospitals with a total of 440 beds, one chest diseases hospital at Chittagong with 50 beds, and 31 dispensaries with qualified doctors. BR also maintains family welfare programmes. At present there are 21 maternity & child welfare centres in BR to look after mothers and children.

e) Housing Facilities

BR has its own residential facilities at different locations for its employees. Nearly 70% of the staff are provided with residential accommodation.

f) Kallyan Trust (Welfare Trust)

The Trust performs various welfare activities for railway employees. An amount of Tk. 9.71million from the Railway revenue was contributed to the Trust during the financial year 2005-06. The main activities of the trust are to provide grant to employees undergoing medical treatment, donation to the staff on distress and monthly educational allowance & monetary assistance to the children of low paid employees for education.

g) Benevolent Fund

This fund is for providing financial assistance to the families of deceased employees. About 5,820 such families were given grant to the extent of Tk. 31.47 million out of this fund during the financial year 2005-06.

h) Group Insurance

Group Insurance Scheme was introduced in order to insure the lives of the railway employees. Premium for non-gazetted staff are borne by the BR. 220 nos. of claim against death amounting to Tk.18.33 million has been finalized during the year.

i) Sports & Recreation

42 Institutes & Recreation Clubs provided with requisite facilities for outdoor and indoor games exist at locations of BR. Under the supervision of Central Sports Association, there are eight zonal sports clubs at different centres. Railway plays an important role in the National Scouting

j) Education

BR maintains a number of educational institutions to facilitate education of the children of railway employees. Ten high schools are run by BR at important railway locations and a sum of Tk.12.70 million was spent on management of these schools during the year 2005-2006. Besides, 138 privately managed schools, colleges & madrasas are functioning in railway premises.

k) Trade Union

There are eight registered trade unions in BR with a view to maintain a cooperative working relation between the employees and administration to increase railway productivity to benefit of all employees including the officers and the users of rail services in the country.

5.1.4 Legal and Regulatory Status of Bangladesh Railway

Indian Railways Act IX of 1890 as adopted in Pakistan after partition of India in 1947 and in Bangladesh after independence in 1971 serves as the basic statute for regulation of railway services in the country. The Act contains provisions related to safety of rail services, construction and maintenance of works, responsibility of railway administration as carrier, fixation of rates etc.

BR operates as a departmental enterprise, financed and managed by the government. Railway management is guided by fiscal and service rules and regulations of the government in providing services. Railway finances are merged with the general finances of the country and the Audit wing is under the Comptroller and Auditor General (C&AG) of Bangladesh.

The Safety Control Wing of the railway works directly under the Secretary, Ministry of Communications. The Government Inspector of Bangladesh Railways (GIBR), the head of the safety wing, is charged with the duties of inspecting all sections of railways to determine their fitness for the public carriage of passengers, to examine track, bridges, signalling systems and rolling stock and to inquire into causes of any accident and perform other related duties as imposed on him by the Railway Act, 1890 and subsequent orders.

5.1.5 Institutional Arrangement

Being a directly administered government department, BR is different from a 'State-owned Enterprise' (SOE). SOEs have greater commercial freedoms and are expected

to operate according to commercial criteria, and production decisions are not generally taken by government (although goals may be set for them by government).

BR is headed by a Director General who reports to the Secretary, Ministry of Communications (MOC) and the Minister of Communication. Three Civil Service Cadres are involved in administration and management of services of the rail sector.

These are:

a) *Bangladesh Civil Service; Railway Engineering, with sub-cadres:*

- Civil Engineering
- Signal & Telecom Engineering
- Mechanical Engineering
- Electrical Engineering
- Stores

- b) *Bangladesh Civil Service; Railway Transportation and Commercial*
- c) *Bangladesh Civil Service; Audit & Accounts belonging to C&AG and deputed to BR for financial management, accounting and internal auditing functions.*

The Ministry of Communication controls the first two cadres. The third cadre is audit & accounts cadre of the country controlled by the Comptroller and Auditor General.

5.1.6 Governance and Management Structure

5.1.6.1 BR a Multi-discipline Organization

BR is a multi-discipline organization with following specialized departments as shown in the table below.

5.1.6.2 BR Organizational Setup

Functionally BR is a vertically integrated organization and is organized along functional lines for example operations, commercial, various disciplines of engineering finance & accounts. Focus of the organization is production oriented. Its organizational structure is oriented around operations, with functional departments overlaid on a geographically defined regional operating structure (East and West regions separated by the Jamuna River). BR's functional organizational setup and departments within BR responsible for different functions is shown in figure 1 below.

Table 5.1: BR's functional organizational setup and departments

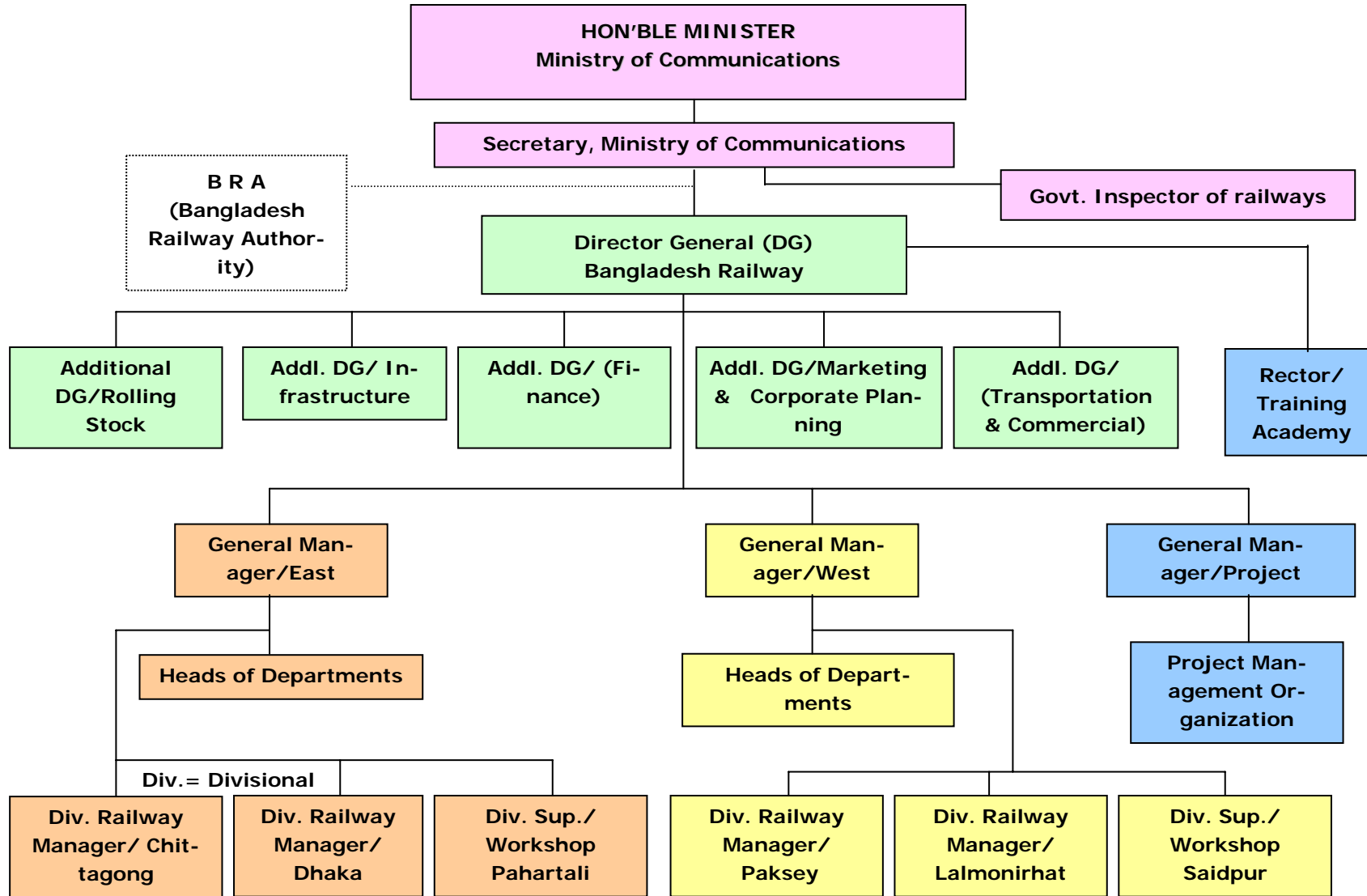
SI No.	Department	Recruitment by	Responsibility	Service Rules	Promotion	Punishment
1	Civil Engineering	Civil Engineers PSC	Track, bridges, structures etc	GOB	GOB	Efficiency & Discipline Rules of BR (E&D Rules)
2	Mechanical Engineering	Mechanical Engineers PSC	Mechanical equipment Locomotives and rolling stock	GOB	GOB	E&D Rules
3*	Signal and Telecom Engineering	Electrical Engineers PSC	Signaling & Telecom Equipment	GOB	GOB	E&D Rules
4	Electrical Engineering	Electrical Engineers PSC	Train lighting, air-conditioning and other electrical equipment	GOB	GOB	E&D Rules
5	Stores Department	Civil/Electrical/Mechanical Engineers PSC	Procurement and inventory control	GOB	GOB	E&D Rules
6	Transport & Commercial	Generalists PSC	Train operation and commercial activities	GOB	GOB	E&D Rules
7	Personnel Department	Selected from available railway officers by BR	Human resource management	BR	BR/GOB	E&D Rules
8	Estate Department	Selected by railway from railway service and partly by GOB from administrative service	Land management and commercial use of BR surplus land	BR/GOB	BR/GOB	E&D Rules of BR and DA Rules of GOB
9	Medical Department	Doctors, selected by PSC	Medicare and fitness certification of employees	BR	BR	E&D Rules of BR
10	Security (Nirapatta) Department:	Generalists selected by PSC	Guarding and watching of assets, security of passenger & goods	BR	BR	E&D Rules of BR
11	Finance and Account Department	Part of National Audit & Accounts Service	Financial management and accounting	GOB	GOB	DA Rules of GOB
12**	Government Railway Police	Part of Police Service	For prevention crime and prosecution in railway premises	GOB	GOB	Rules of Police service

SI No.	Department	Recruitment by	Responsibility	Service Rules	Promotion	Punishment
13**	Director General Railway Audit	Part of national Audit & Accounts department	Auditing railway expenses and oversight of procedures, rules, regulations etc. related to public finance	GOB	GOB	DA Rules of GOB
14**	Railway Anti-corruption Unit	Part of national Anticorruption Department	Investigate corruption issues of railway	ACC	ACC	ACC Rules

* Item 3 is under administrative control of C& AG. BR has functional control only.

** Items 12, 13 & 14 are not railway employees and are not under control of BR

Figure 5.1: BR Organizational Setup



5.1.7 Performance Analysis

Railway is a unique industry when considered from industry perspective. This is because of multi-product nature of the railway activities, complex cost structure of railway, role of infrastructure and networks, existence of indivisibilities in inputs and outputs. Government ownership and organization of rail transport as a public service makes it more difficult for commercially and economically efficient operation of services.

BR faces challenges in overcoming its lack of commercial focus, low efficiency, poor service quality, political interference, aging fleet, and congested network on major railway corridors. The weaknesses in the railway sector are manifested in declining market share, adverse operating indicators and reduced revenue generation. Some of BR's performance indicators and comparative performance position of the other railways of the region are given in the tables below.

Table 5.2: BR Performance Indicators, 2005

Route Kilometer:	2855
Track Kilometer:	4443
Number of Stations:	454
Locomotives, Diesel:	286
Coaches:	1406
Freight wagons:	3122
No. of Employees:	34224
Passengers Carried (million):	44.5
Passenger-Kilometer (Billion):	4.46
Tons carried (million):	3.21
Ton-kilometer (million):	817
Number of Passenger Trains Daily:	256
Number of Freight Trains Daily:	47
Total Operating Revenue (million Tk):	4456.24
Total Operating Expenses (million Tk):	6950.86
Operating Deficit (without Depreciation cost):	2494.62
PSO and Welfare Grant given by Government:	99.32
Additional Subsidy given by Government :	2494.62
<i>Apart from open-ended operating subsidy, government bears replacement/ investment costs of assets through development projects.</i>	

5.1.7.1 Financial Performance

The table below shows a breakdown of revenues and expenses for the fiscal year 2004-2005. BR's operating revenue for 2004-2005 was Taka 4.5 billion and operating expense was Taka 7 billion, resulting in an operating deficit of Taka 2.5 billion and a working ratio¹ of 156 percent. 36% of BR's total operating expenditure is supported by GOB subsidy in the form of Public Service Obligation (12 percent), welfare grant for education and health services (2 percent), and an operating expense subsidy (22 percent). All capital expenditures are financed by the government. The government provides all investment and operating costs of BR.

Earning of BR goes directly to the government treasury. The cost of the railway services comprises the costs of providing both infrastructure and service operations (passenger and freight) over the infrastructure.

¹ Working Ratio %= working expenses/revenue earned. Working expenses do not include depreciation costs, welfare and PSO grants given by the government.

Table 5.3 Bangladesh Railway Financial Performance (2004-2005)

	Million Taka	% of Total
Operating Revenue		
Passenger Revenue	1,661.04	37%
Freight Revenue	1,262.22	28%
Other Coach Earnings	101.3	2%
Revenue fibre optic + land lease	1,431.68	32%
Total Operating Revenue	4,456.24	100%
Operating expenses		
General Administration	1,129.51	16%
Repair and Maintenance	2,461.13	35%
Operational Staff	1,034.00	15%
Operation Fuel	920.74	13%
Operation other than staff and fuel	465.64	7%
Miscellaneous Expense	942.82	14%
Depreciation	-	0%
Total Operating Expenses	6,950.86	100%
Deficit and Government Subsidies		
Operating Deficit	2,494.62	
Working Ratio	156%	
Public Service Obligation	860.00	12%
Welfare Grant	133.21	2%
Operating Deficit Subsidy from GOB	1,501.41	22%
Total GOB Subsidy	2,494.62	36%
Total Operating Revenue ²	4,456.24	64%
Total Revenue (operating and subsidy)	6,950.86	100%

Source: Bangladesh Railway Information Book (2005)

² Note: 32% of total operating revenue comes from non-transportation activities outside direct subsidies provided by the government.

Table 5.4 Comparative Performance Railways of the Region³

Indicator	Unit	Bangla- desh	India	Pakistan	Thailand	Malaysia
Track utili- zation	TU ⁴ million per route-km	1.80	12.00	3.20	3.50	3.50
Locomotive productivity	TU million per locomo- tive	17.00	22.00	40.00	40.00	25.00
Wagon pro- ductivity	Tkm million per wagon	0.09	1.40	0.19	0.40	0.30
Coach pro- ductivity	Pkm million per coach	2.80	11.00	13.50	8.00	5.00
Staff pro- ductivity	TU thousand per staff	138.00	500.00	300.00	540.00	450.00

It can be seen from the table above that BR's labour productivity is the lowest among similar railways in Asia.

5.1.7.2 Operating Performance

BR's inherited network is fragmented and made up of two different gauges. System is characterized by low productivity, declining traffic volume, and budget shortfalls. BR is mostly a passenger transport system, with 83 percent of the train-km devoted to providing passenger services. Both passenger and freight tariffs are fixed by the government at a much lower level than the average cost of providing the services. The main commodities transported by BR are food grains, petroleum products, fertilizer and stones, and more recently containers. These freight service areas make up 70 percent of the rail freight traffic in 2005. BR's container business is growing rapidly – at 10-15 percent per year in the last five years – and, now comprises 20 percent of BR's freight revenue and operations.

Shortage of capacity exists on critical sections of the network especially the Dhaka-Chittagong corridor. Poor maintenance of its locomotives is a major cause of BR's operational problems, which is reflected in the low utilization of locomotives. Frequent locomotive failures also consume needed track capacity.

Because of reduced revenue generation BR has been getting insufficient maintenance fund. Annual maintenance requirement for BR is about Tk 2,433 million (US\$35 million), whereas the allocated fund is only about Tk260 million (US\$4.3 million), which is about 12 percent of the requirement. Because of insufficient funds, only 40 per-

³ Data for Bangladesh, Malaysia and Pakistan based on 2002, India on 2001 and for Thailand on 1999.

⁴ Traffic Unit (TU)= one ton-km of freight or one passenger-km. Tkm = Ton-Km, Pkm = Passenger-Km.

cent of locomotives are being maintained for the operation, and 76 percent of locomotives are being outdated. Similarly, only 51 percent of passenger coaches are being maintained.

In addition to the lack of maintenance and investments, which are causing poor services and further contributing to reduced revenue, BR faces additional challenges in overcoming its lack of commercial focus, low efficiency, lack of service quality, aging fleet, and congested network on major railway corridors.

5.1.7.3 Financial Management Practices

An Additional Director General (ADG) appointed by the Comptroller and Auditor General (C&AG) looks after BR's financial management functions through a well-structured decentralized FM organization. Financial Advisor and Chief Accounts Officers (FA&CAO) of different units of BR maintains accounts of all transactions of receipts and expenditure made according to budget grants and reporting in the form of monthly, annual and appropriation accounts and monitoring the implementation and progress of collection of revenue and expenditure.

The process of control and evaluation is built in the system in the forms of rules and procedures for performing a job. BR submits its annual financial accounts to the Controller General of Accounts for incorporation in the Finance Accounts of the Republic. At the end of the fiscal year the appropriation account relating to expenditure brought to the account during the financial year, which provides comparison between final grant and expenditure is prepared by the FA & CAOs. Consolidated financial report (appropriation account + financial accounts) of the republic as prepared by C&AG is placed before the Parliament.

BR's accounting is geared primarily to the requirements of government control of cash revenue and cash expenditure and at the same time attempting to meet the conditions of commercial accounting. Its existing chart of accounts is not supportive of producing accounting data for financial analysis and decision-making.

As an attached department of the MOC; Secretary, MOC is the Principal Accounting Officer (PAO) of BR. The PAO is responsible for ensuring that the funds are spent strictly in accordance with rules and regulation and actual expenditure does not exceed the sanctioned allocation made for respective items/operating units etc. PAO is required to explain to the Public Accounts Committee (PAC), a Parliament oversight body, any instance of excess or financial irregularity that may be brought to the notice as a result of audit scrutiny or otherwise.

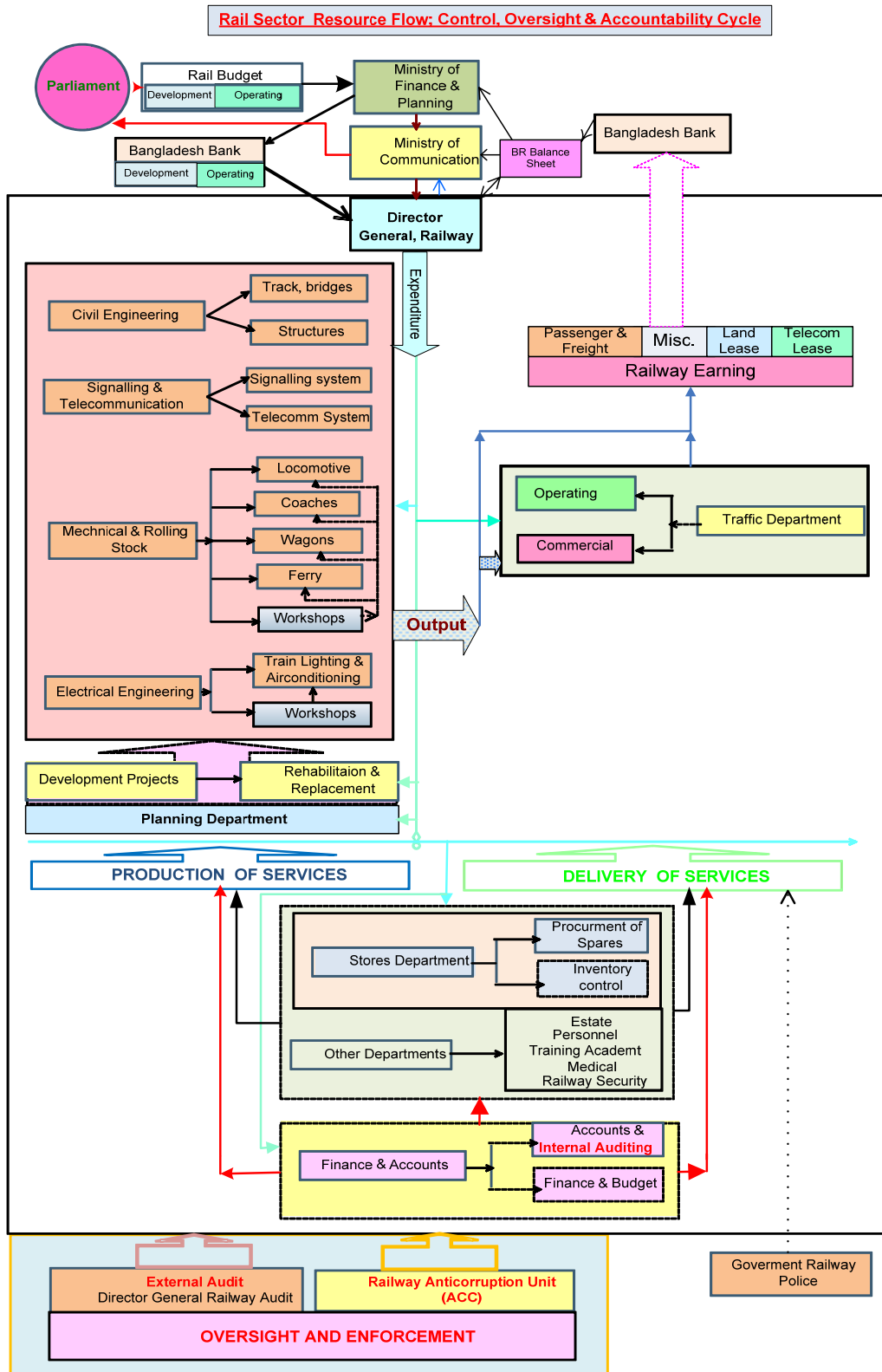
There is apparently a lack of adequate internal control, reconciliation and safeguards mechanism in respect of revenue collection, movement of cash from the stations, deposits to bank and accounting for revenues as also the internal control arrangements in respect of financial transaction processing and disbursements. This has

resulted in a large number of outstanding audit objections and there are huge backlogs on following up Public Accounts Committee (PAC) recommendations.

C&AG is mandated by the Constitution to carry out independent audit of the accounts of BR as government department and to report on them to the Parliament.

This process of public accountability uses conventional mechanism of audit and legislative reviews. There is always a time lag between the period under review and publication of the audit report. This is a long drawn postmortem process, which uses indirect method for curing public service deficiency/inefficiency through voting rights and public opinion. There is no performance audit or a client-charter in place, which could be used by the users for establishing direct accountability of BR performance. Resource flow, oversight and accountability cycle for the rail sector is shown in schematic (figure 2) below.

Figure 2: Resource flow, Oversight and Accountability Cycle



5.1.7.4 Procurement Practices

Major part of the development and non-development budget BR is spent for procurement of goods and services. BR had its own codes and procedures for procurement until formulation of the 'Public Procurement Regulations' by the government in 2003. As a Government entity, BR is now required to follow PPR 2003, the Procedures for Implementation of the PPR 2003 and the Public Procurement Processing and Approval Procedures (PPPAP) (issued in October 2004). A number of steps have been taken toward implementation:

- The BR uses the Standard Tender Documents issued by the Central Procurement Technical Unit (CPTU) of the Implementation, Monitoring & Evaluation Division (IMED) of Ministry of Planning
- The BR Procurement Directorate has issued standard tender documents together with guidelines for implementation and compliance by all branches of BR involved in procurement.
- Tender Evaluation Committee (TEC) and Proposal Evaluation Committees (PEC) have been formed according to PPR-2003.

The government organized systematic training to familiarize all officials/staff involved in public procurement and by now railway officials appear to be quite conversant with the PPR and related procedures.

Though BR started applying PPR 2003, there are variations in compliance with the regulations. Delays in procurement processing in BR continue, although GOB mandated procurement approval procedures introduced in October 2004 reduces the number of approval layers with a time-bound action plan. BR being part of the overall government institutional framework has the same systemic deficiencies in procurement practices. BR needs to enhance its capability and efficiency for timely award of contract, and information disclosure as required by the PPR. This would ensure a faster procurement process and better governance.

PPR-2003 has standardized and rationalized the procurement process to provide for transparency; but the impact of the regulation in curbing corruption is yet to be assessed. As a further step towards procurement reform, Public Procurement Act 2006 (PPA) has been enacted. The PPA 2006 is yet to be made effective as rules and regulations for implementing the provisions of the Act are still under preparation. While the PPA has strengthened the framework for procurement, its effectiveness in mitigating the corruption risks remains to be seen.

Effective public procurement regulation is a vital ingredient of good governance in the public sector as it enhances efficient use of public resources, promotes transparency and accountability in resource use and helps in tackling corruption. Proper implementation of the procurement regulations are therefore of prime importance. In the rail sector there are institutional issues relating to improving governance and in particular public procurement practices. Inefficiencies in the procurement system

create enormous wastage of money and is the single most significant issue affecting sector performance. The on-going procurement reform program of GOB, is intended to address the implementation challenges on national basis. Still special efforts will be needed in the railway sector in the areas of monitoring and evaluation, procurement management capacity, e-government procurement, behavioral change and public accountability.

5.1.7.5 **Employments and Payroll Management**

Officers

Selection for employment in cadre service posts of BR is done by the national Public Service Commission (PSC). Selection for appointment in the two non-cadre departments of BR (Railway Medical and Railway Security) is also done by the PSC. Recently the supervisory category has been classified by the government as Class II Gazetted Service and recruitment in these categories is also done through PSC. The selection through PSC is done following Commission's own rules and regulation and BR has little influence over the process. Generally the criterion of meritocracy is followed in the PSC selection process. Subsequent promotions of officers and supervisors are based on seniority only which been decided by the merit position acquired by an incumbent at the time of initial recruitment without regard to subsequent performance of an individual. A person may be debarred from promotions only if there is any punishment and performance irregularity reported against him. The system has no incentive for better performance. Influence and nepotism are not uncommon in selecting persons for posts with monetary dealings. Fictitious payroll and absenteeism is not possible in the category of officers.

Staff & Workers

BR recruits its own staff using its own selection criteria and following statutory quota set by the government. Before filling up any vacancy through new recruitment government permission is needed. Meritocracy is not strictly followed in staff recruitment. Coercion, nepotism, and bribes are common. In permanent category of staff (generally refers to office staff) and workers (generally refers to field staff and workers in workshops) fictitious payroll and absenteeism have been checked and controlled through vigorous efforts of the government and BR over the last 10 years. This was the result of previous reform program for rationalization BR workforce. New recruitment was completely banned by the government and pay roll was regularly monitored to check for persons being retired, dead, leaving job, and long time absenteeism.

Where workers or temporary labourers are recruited, the scope of payroll fraud like ghost workers, absenteeism and other irregularities are not uncommon. This is because temporary workers are recruited for project execution or any other emergency work when a sizable number of people are required for a short period of time. Work certification is done on daily basis.

5.1.7.6 Trade Union activities

At present, there are eight registered trade unions in the Bangladesh Railway. The trade union leaders do not normally perform their intended duties. On the contrary they are known to exert undue influence on transfers and promotion of staff.

5.1.7.7 Revenue Collections and Disbursement Practices

BR revenue comes from the following sources:

- a) Passenger Revenue
- b) Freight Revenue
- c) Other Coach Earnings
- d) Revenue from fibre optic lease
- e) Revenue from land lease
- f) Revenue from sale of scrap and surplus materials

a) Passenger Revenue

Passenger revenue comes from sales of tickets at the station counters and fares and fines collected onboard from unauthorized passengers. Currently (May, 2007) BR operates 262 passenger trains daily of which 62 are intercity trains, 66 are mail & express trains and 134 are local trains.

BR has outsourced commercial services of 75 trains (38 Mail & Express, and 37 Local trains) to private contractors. These contractors are responsible for ticket selling, ticket checking and fare collection from the passengers. Contractors print their own tickets according to BR approved tariff. The selection of contractors is done through an open tendering process. Rates quoted on coach-trip basis for a particular train is criteria for selecting a contractor. This train from Dhaka to Chittagong normally uses 12 coaches. Each coach has a nominal passenger capacity of 70 persons. The contractor quotes rate (say 10,000 Tk.) on coach-trip basis (one coach going from Dhaka to Chittagong) for this train. The total amount payable for the particular train on a particular day will be decided by actual total number coaches used on that day multiplied by the rate for coach-trip as contracted.

Daily payment becomes due on total number of coaches used on the particular day. The contractor makes payment to BR after each 10 day period. If payment is not cleared within the due date, there is provision for payment with penalty up to the end of the next two periods. Thereafter BR can forfeit the security money deposited at the time of signing of the contract. BR is protected from risks of revenue leakage due to ticketless traveling or loss of revenue due to less demand for travel by a particular train. The only weak side of this arrangement is that contractor is tempted to carry passengers in excess of the coach capacity and this can not currently be effectively prevented.

BR is responsible for revenue collection and cash disbursement for the rest of the trains operated. These include all freight, intercity and local passenger trains. Inter

city trains run on full reservation system, which has minimized the scope of ticket-less travelling. In the eastern zone, the intercity ticketing system has been computerized, which provide more efficient and transparent ticketing service to the passengers. For big stations with substantial cash dealings, there is an arrangement with a commercial bank (Agrani Bank) to collect cash from the stations through its own arrangement and to deposit the same to Bangladesh Bank. The transaction summary signed by the station master is included with cash transmission. Bank statements for cash transfers are verified by accounts inspectors and audit teams with the station cash transaction register for any discrepancy or malfeasance. Tickets pre-printed with fare amount and destination as received by the station master from railway management and maintained in register is accounted for with amount disbursed and balance tickets available for sale. Checks and balances in revenue collection and disbursement process developed over long years of experience will enable detection of embezzlement and pilferage of money provided that inspections and verifications are done timely and properly.

At other stations where there is no arrangement with banks for cash collections station masters dispatch cash to the nearest railway cash office by cash-safe. Transaction summaries accompany the cash-safe. The cross-checking and verification process is the same as outlined in the foregoing paragraph.

Pilferage is possible only if a passenger is allowed to board a train without ticket in connivance with train guard and staff at the destination station. In such cases money is collected from the passenger without issuing a ticket and the amount collected is obviously less than actual fare which is to the advantage of both parties.

b) Freight Revenue

On average BR operates 47 passenger trains a day of which 3 pairs (6 numbers) are container trains between Chittagong Port and Dhaka ICD. Freight revenue is collected and disbursed following the same method as for passenger earnings. There is only one exception for freight revenue collection. Where generally most of the freight are pre-paid, there some freight which are booked on 'to pay basis'. This payment to railway will be made at the destination before delivery of the consignment. This leaves a scope for temporary misappropriation till it is detected by cross-verification of records between originating and destination by a special inspection squad meant for the purpose.

c) Other Coaching Earnings

This category mainly concerns parcel earnings (baggage & cargo carried by passenger trains) is involved. The transaction and disbursement process is the same as for passenger revenue.

d) Revenue from Fibre Optic Lease

BR earns substantial revenue from the lease of its optical fibre telecommunication system which has been leased out to a private operator for commercial operation. The operator was selected through international tendering process. This is a long-

term lease contract and lease revenue is paid by the contractor quarterly. Unless there is any deficiency/ambiguity in terms and conditions of the lease contract, there is no scope of revenue leakage in the process.

e) Revenue from Land Lease

BR owns a large amount of real estate but due to poor asset recording and management system, its control on identification, possession and use of such assets is very limited. Corrupt practices are known to be rampant in leasing/selling out of land. Process of licensing/ leasing is not transparent. Same piece of land is sometimes allotted to multiple lessees creating litigations. The lessees do not pay rents to railway until litigations are resolved. Litigations remain unresolved indefinitely. Corrupt employees help unscrupulous people to establish fraudulent ownership of railway land in their names. Land being a scarce commodity lessee/ buyer pays bribe beyond normal lease price for lease/purchase of land. Apart from leakage of revenue, extortion from lessee/ buyer is quite common. There is policy framework related to sale, lease (both short & long term for commercial, agricultural philanthropic purposes. The policy document is known to be inconsistent and provides lot of discretionary powers to the minister in charge.

f) Revenue from Sale of Scrap and Surplus Materials

The sale of scrap and surplus materials is carried out through tenders and auctions. As such the process carries the same type of corruption risks as in the procurement process. Collusion, cartel activity, information asymmetry, kickbacks and corrupt quid pro quo practices are alleged to occur in sale process.

5.1.7.8 Disposal of Overstocked/Obsolete Materials

Overestimates at the time of procurement (intentional or unintentional) result in overstocking and obsolescence in stock, which in turn create surplus stocks in the depots. There items lying in the depots were not consumed during the target period and stocked in the depots for a long period of time thereafter. This indicates that the procurement estimate was incorrect or motivated at the first place. Keeping these materials in stock without disposing creates the risks for further corruption through misuse, theft and pilferage of materials which have resale value in the market.

5.1.8 Problem of Inadequate Maintenance Budget

Because of reduced revenue generation BR has been getting insufficient maintenance fund for several years. Annual maintenance requirement for BR is about Tk2,433 million (US\$35 million), whereas the allocated fund is only about Tk260 million (US\$4.3 million), which is about 12 percent of the requirement. Because of insufficient maintenance funds, only 40 percent of locomotives are being maintained for the operation, and 76 percent of locomotives are being outdated. Similarly, only 51 percent of passenger coaches are being maintained. According to BR, the railway needs Tk4,124 million (US\$58.9 million) for maintenance of tracks, Tk3,174 million (US\$45.3 million) for maintenance of rolling stock, signal, telecom and electric

equipment for the next three years. In order to improve BR's operational efficiency GOB needs to increase the allocation of the maintenance funding for BR's urgent maintenance requirements.

5.1.9 Future of Bangladesh Railway

Bangladesh faces the challenge that it needs to invest in transport infrastructure, and manage it better, to encourage investment. Railway needs to exist in order to provide safe, reliable and value for money services for both passengers and freight users. The under-investment of the last three decades needs to be addressed. Development Plan needs to present an effective strategy for deploying resources, both financial and human, to regain competitiveness. It needs to make a clear case for resources for maintenance and development based on economic criteria where appropriate and social and poverty reduction considerations, where these apply. GOB's specific railway policy and strategies towards the rail sector are detailed in the National Land Transport Policy (NLTP) include the following:

Extract from NLTP

- *Encourage greater private sector participation in the provision of services*
- *Enhance operational capacity of railways*
- *Obtain greater market share for freight*
- *Manage the railway's asset more efficiently*
- *Improve financial efficiency*
- *Provide service for social needs more effectively*
- *Foster inter-regional links*
- *Reduce involvement in non-rail/core activities*
- *Improve safety*
- *Transform BR into a corporate entity*

5.1.9.1 On-going and Pipeline Activities in Governance and Investment Projects⁵

Government is putting due emphasis in improving governance of BR for economic development of Bangladesh by improving transport services. GOB has prepared a National Land Transport Policy (NLTP) and a draft Integrated Multimodal Transport Policy (IMTP) designed to promote key reforms in the transport sector, including the railways. Recently a reform and investment program based on the NLTP and IMTP has been jointly agreed among GOB and the main development partners in the sector, including the Asian Development Bank (ADB) and the Japan Bank for International Cooperation (JBIC). The proposed donor support is part of a multi-donor development partnership with GOB to modernize and reform the railway sector through a medium-term reform and investment programs (partnership arrangement shown in figure 3).

⁵ Texts in this section have been taken from Bangladesh Railway Reform Programmatic Development Policy Credit of World Bank, September 20, 2006.

a) Development Objective

The Objective of the program is to improve the governance structure within which Bangladesh Railway operates, addressing both governance relationship between GOB and BR on the one hand, and corporate governance and management structure within the railways organization on the other. The implementation of the reform program will help to (a) clarify relationship between GOB and BR and increase BR's autonomy and accountability, (b) improve corporate governance and management structure within BR so that BR is more commercially and market oriented, and (c) create a conducive environment for investment in railway operations. These would in turn yield more efficient rail operations and services to users, improve financial performance, and provide the basis for a growing use of railway system by business passengers.

b) Policy Areas

The reform program has five interrelated components: (a) restructuring BR by line of business organization, (b) transforming BR into a corporate entity, (c) improving cost accounting and financial reporting, (d) improving human resource planning and incentives, and (e) improving operating and maintenance performance. These are discussed below:

i) Transform BR into Government-Owned Corporate Entity

The aim of this reform component is to give BR the management autonomy that it needs to manage the railway efficiently. The relationship between the corporatized BR and GOB will be governed by a Performance Contract between the two parties. The contract will specify delegation of powers, subjects requiring government approval, PSO and contracting, financing mechanism, performance targets, auditing procedures and other areas of interest to both parties.

ii) Improve Cost Accounting and Financial Reporting

This component will give BR management and the GOB the information needed to manage the railway. Currently BR accounts are maintained under government accounting rules, which specify modified cash basis accounting (no depreciation). Costs and profitability by service are not available. The revised accounting system will provide financial reports and budget reports by LOB and will be published externally and made available to the public, which would contribute to make BR a more transparent organization.

iii) Improve Human Resources Management

This component will to give BR management the human resources management tools it needs to implement corporate management reforms. In addition, the reform program will significantly improve the working environment of BR and afford BR staff better incentives and career prospects through better training and upward mobility.

iv) Operational Improvement

This component is aimed to support improvement in the efficiency of BR operations. This will include setting up monitoring systems to collect and analyze data related to

operational efficiency, investing in computer systems that support operational efficiency, updating BR's operating practices and standards.

v) The financial management reforms:

This will improve the financial governance system within BR. The reforms will include preparing an asset register so that there is a true picture of BR's assets rather than just historical cost valuation and inclusion of non-economic assets. A new financial management and accounting system will be implemented so that it can support decision-making and give information on costs and revenues for each railway service in a manner consistent with international accounting standards and best practices in the railway industry, while satisfying the government's statutory reporting requirements. The information generated by the new system will also be used to calculate a new PSO payment mechanism. This will ensure that the PSO mechanism is actually used to cover only PSO services instead of being misused to cover general deficits. This will improve transparency and thus improved financial governance.

vi) Implementing Regulatory Provisions of PPR

The program will support BR to implement the regulatory provisions of the PPR 2003 to ensure that the deficiencies in procurement practices are rectified before BR undertakes significant procurement activities for the planned multi-donor funded investment programs. In particular, in consultation with BR officials, the proposed DPC will support the development of specific actions to address the systemic issues in procurement.

One of the key actions that would be sought is public information of procurement through the publication of procurement notices and award of contract in BR's website. This website is not maintained properly. This will include publication of contract award information, including the identity of contract package, date of advertisement, number of bids sold, number of submitted bids, number of responsive bids, name of the winning bidder and the price it offered, date of notification of award, date of contract signing, proposed completion date of contract as well as brief description of the contract awarded up to a contract amount of BDT 10 million or above.

5.1.9.2 Donor Support in the Reform and Investment Program

ADB will support BR under their Multi-tranche Financing Facility (MFF) with US\$430 million loan: US\$30 million under ADB's Asian Development Fund (ADF) loan to finance the costs of the reform program and US\$400 million under ADB's Ordinary Capital Resources (OCR) loan to finance BR's priority investment program, which would be released in four tranches linked to progress in the implementation of the Policy Matrix. Partnerships in the program are shown in figure 3 below.

In addition, through a separate TA program titled 'Institutional Support for Railway Reform'; ADB will provide another US\$ 2 million for 'Operational Effectiveness Improvement' component comprising sub-components (i) Improving train operations

(ii) Maintenance Improvement and (iii) Advisory Services for Management of Reform Program.

5.1.9.3 Increase in Maintenance Funding

In order to improve BR's operational efficiency and begin its recovery program, GOB World Bank Development Policy Lending (DPL) of US\$ 40 GOB will provide increased funding for the next three years, as part of the Medium-term Budgetary Framework as given in the table below.

Table 5.5. Three-year Maintenance Plan for Bangladesh Railway (FY2006-07 to 2008-09) (Taka million)

Sl. No	Name of Department	Year 1	Year 2	Year 3	Total
1	CIVIL ENGINEERING				
(i)	Track maintenance including materials & equipments	1,137.28	976.94	1,560.36	3,674.58
(ii)	Bridge/culverts	150.00	150.00	150.00	450.00
	Sub-Total (<i>Civil Engineering</i>):	1,287.28	1,126.94	1,710.36	4,124.58
2	MECHANICAL ENGINEERING				
(i)	Locomotives	284.36	310.56	324.46	919.38
(ii)	Carriage & Wagon	373.42	441.32	496.48	1,311.23
(iv)	Loco Shed/Running Shed	5.92	7.53	9.60	23.05
(v)	Workshop	34.99	19.08	19.37	73.44
	Sub-Total (<i>Mechanical Engineering</i>):	698.69	778.49	849.91	2,327.10
3	SIGNALING & TELECOM				
(i)	Equipments	43.50	56.70	42.02	142.22
(ii)	Signal & Telecom Cable	53.10	71.75	44.42	169.27
(iii)	Signal block instrument	25.00	36.50	20.00	81.50
	Sub-Total (<i>Signal & Telecom</i>):	121.60	164.95	106.43	392.98
4	ELECTRICAL				
(i)	Equipments	33.80	33.80	33.80	101.40
(ii)	Electrical wire	82.32	82.32	82.32	246.96
(vi)	Electrification of rolling stock	35.20	35.20	35.20	105.60
	Sub-Total (<i>Electrical</i>):	151.32	151.32	151.32	453.96
GRAND TOTAL :		2,258.89	2,221.70	2,818.02	7,298.62

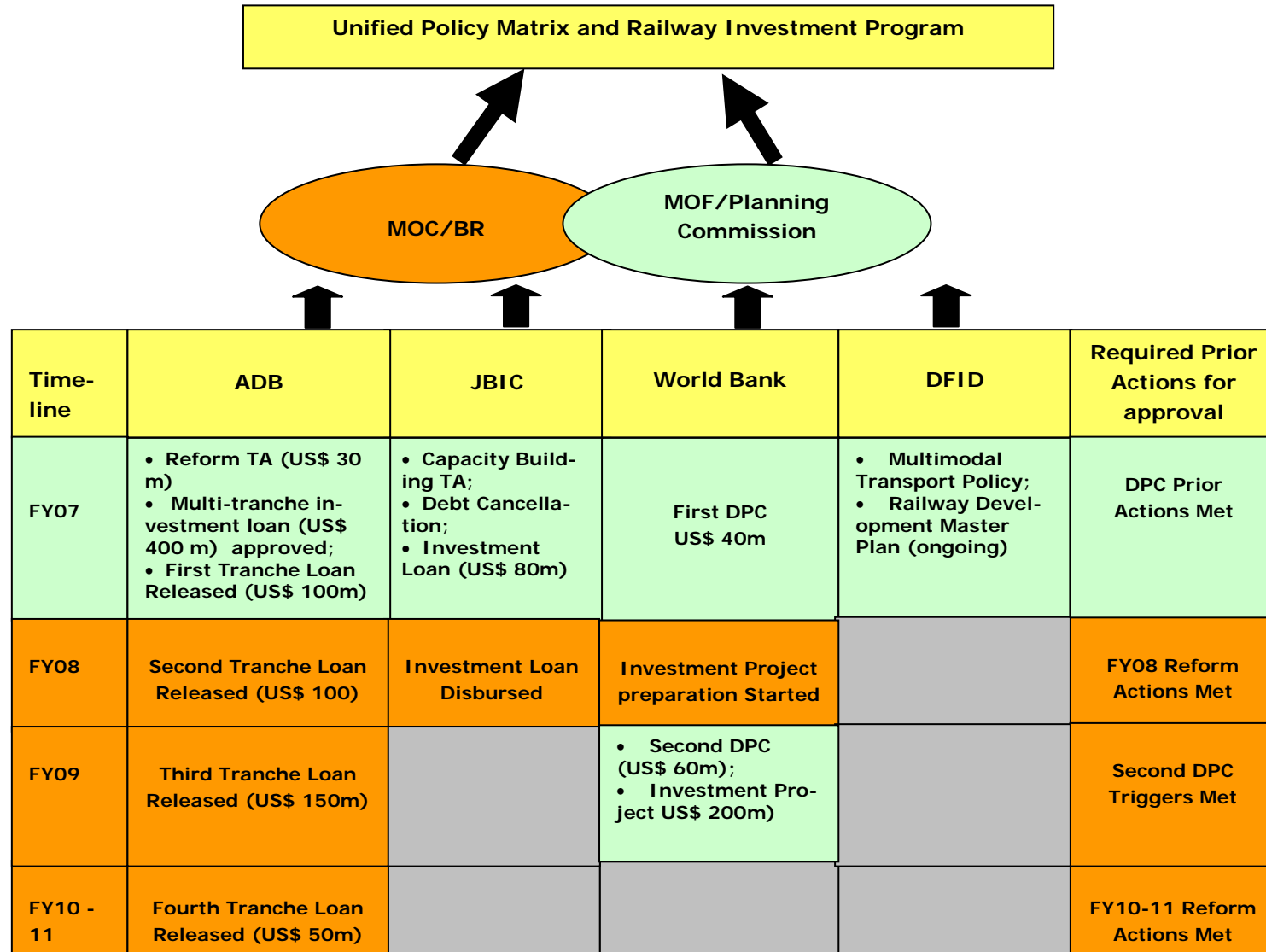
5.1.9.4 Impact of Upcoming Reform Program on VCA

The details of the study to be undertaken by the reform consultants and the road map for implementation on the reform are given in Appendix E1/2. BR will be completely restructured through the reform program. There will be institutional, legal and regulatory changes and changes in service rules and regulations of employees.

BR will be transformed into a corporate entity with a separate legal status. There will be separate lines of businesses with corporatized BR which are likely to operate under the Company's Act. There will be complete changes in financial management and accounting systems. During the process of implementation of the reform program and after it is implemented the scenario related to corruption risks and the mitigation plans are likely to change. This will require further study to ascertain the implications and to prepare appropriate mitigation measures as required in the changed environment.

Figure 5.2: Development Partnership for Bangladesh Railway Reform and Investment Program

From World Bank document on Bangladesh Railway Reform Programmatic Development Policy Credit of September 20, 2006



5.1.10 **Process Map for Vulnerabilities to Corruption Assessments (VCA) in Bangladesh Railway**

While preparing process map for VCA, in addition to existing systematic and institutional weakness and vulnerability to corruption issues, the following issues have to be kept in view for future VCAs:

- The achievements and consequences of institutional and financial reforms being undertaken with donor assistance,
- The transitional governance issues during restructuring and reorganization,
- The consequences of new of service and regulatory rules and regulations'
- The consequences of implementing of massive investment projects within limited timeframe involving huge and complicated procurement with limited manpower and skill,
- The consequences of new ACC laws and rules,
- The consequences of the new public procurement act,
- The on-going national good governance initiative and the subsequent National Integrity Strategy.

Under the changed circumstances, new approaches to reduce the risk of corruption in the railway sector have to be developed. There is no doubt that BR staff and officers have limited exposure and training in identifying and preventing corruption. Moreover the existing service rules and regulations do not include specific provisions for preventing, detecting and reporting corruptions as an active task under their responsibility. The rules that regulate reporting requirements for civil servants must include reporting on corruption. Otherwise the concept of preventing corruption as a part of the task as civil servant shall only remain as an alien thought.. This lack of awareness

This effort has to continue during and after the institutional and financial reform, taking into account the consequences of the above mentioned issues to develop new 'Corruption Risk Management Plans (CRMPs)' for the sector.

Additional input will be needed to carry out the above exercise throughout the transition process of institutional and management reforms of BR to identify and assess to what extent the existing risks have been mitigated as well as to establish where there are new situations that present a risk for corruption. These subsequent 'Corruption Risk Management Plans' can then serve as a basis for the sector policy aimed at reducing corruption risks in BR. These will function as comprehensive instructions for BR management to take action as well as point out institutional weakness that may remain after the reform program.

As an immediate warning red flag, the implementation of the up-coming massive investment projects involving very large and complicated public procurements will be major risk area. With limited manpower and skill to this matter with BR, it is highly unlikely that BR can handle it efficiently and transparently.

5.1.11 **Concluding Observations**

During the program implementation, support of the donor agencies by engaging independent assessors will be a good step in preventing/minimizing corruptions. Duty of the independent assessor would be to monitor the project for evidence of corrupt practices. The assessor would have full access to the relevant books, records and staff of the parties for the duration of the various parts of the program, and would report periodically to all parties on any evidence of corrupt practice.

The scenario related to corruption risks and the mitigation plans are also likely to change after implementation of the reform program. This will require further study to ascertain the implications and to prepare appropriate mitigation measures as required in the changed environment.

The reform program has a major component namely "improving financial governance by implementing modern financial management and accounting systems". TOR of the reform program in Appedix-E/1 shows in detail the reform activities that will be carried out and implemented related to financial governance of BR. As a result conducting PETS in a limited scale for the railway sector expert will not be relevant anymore and will be of no use to BR. The Roadmap for BR reform activities is also attached.

6. SECTION 6

6.1 Systemic, policy and regulatory weaknesses in BR

6.1.1 Introduction

In the previous section business processes procedures with various functional departments and units have been analyzed. A brief review of legal, regulatory and policy issues were carried out. In this section the systemic, policy and regulatory weaknesses in the rail sector that create risks of corruption have been described.

6.1.2 Systemic Weaknesses of Physical Infrastructure and Rolling Stock

- The rail network as inherited from the British Indian Railways in 1947 with two different gauges (BG & MG), three pocket networks and two ferry links over the river Jamuna could not provide seamless services. Major weakness of the railway system is the limitation of its physical infrastructure, which is not suitable for the changed traffic flow requirement of an independent country. Only recently through a railway link over the Jamuna Bridge, the east- west railway system has been interconnected using a dual gauge configuration. Reorientation of the railway network and rationalization of gauges are yet to be accomplished.
- Track & rolling stock technologies are mostly antiquated and little has been done to modernize the system for an efficient and competitive service. Lack of investment in the rail system coupled with lopsided investment in the road sector has put BR at a tremendous disadvantage and the very rationale for its existence at stake.

6.1.3 Institutional and Governance Weakness

- Economic and social objectives of BR are not clearly defined. There is no mechanism in the budgetary and institutional processes of allocation and spending to compare "expectations" with "achievements" and to ensure accountability. Standards of outputs can therefore not be qualified. Policy and regulatory functions being entirely with the government, BR operates rail service within pre-determined civil service rules and regulations.
- There is little autonomy or delegation to empower BR to take greater responsibility and to hold BR accountable for results. Without accountability mechanism, risks of wastage and leakage become ingrained in the systemic inefficiency. A culture of impunity takes hold with indifference for quality considerations. An incentive structure in favour of high quality in service delivery is missing. With no flexibility to tailor those to the specific needs and circumstances on their own.

6.1.4 Performance Weaknesses

- Inadequate resource allocation for maintenance and operation is largely responsible for declining service quality.
- As a service delivery organization, BR has no specific requirement to meet commercial success criteria and hence no incentive for enhancing performance efficiency within available resources.
- BR being the sole provider of rail infrastructure and rail service, there is no scope to assess comparative performance of different providers/operators in the sector.
- The actual cost of rail services provided and what the cost might have been if operations were more efficient cannot be distinguished. The apparent cost of inefficiency creates scope for waste and misuse of public money disappearing into a "black hole" without any possibility for real accountability of public expenditure.
- The underlying causes of inefficiency are the policy, institutional, and organizational arrangements for the railway, which are based on the idea of running railway as a social and economic arm of the Government rather than as a commercial organization with corporate accountability for defined service delivery targets.
- BR's lack of accountability towards efficient and productive use of public finances is the key issue, which needs to be addressed through appropriate reforms.
- Inadequate resource allocation for maintenance and operation is largely responsible for declining service quality.
- As a service delivery organization, BR has no specific requirement to meet commercial success criteria and hence no incentive for enhancing performance efficiency within available resources.
- BR being the sole provider of rail infrastructure and rail service, there is no scope to assess comparative performance of different providers/operators in the sector.
- The actual cost of rail services provided and what the cost might have been if operations were more efficient cannot be distinguished. The fixed cost of inefficiency creates scope for waste and misuse of public money into a "black hole" without real accountability of public expenditure.

6.1.5 Weaknesses of Public Expenditure Management in the Rail Sector

- Internal control mechanism is apparently inadequate.
- Collusion and organizational deficiencies, abuse and lack of responsiveness to users' needs cannot easily be detected and rectified through the prevailing arrangements of audit and legislative reviews.

6.1.6 Weakness in Procurement System

- Training and awareness of officials related to the implementation and procurement of PPR-2003 are apparently inadequate.
- Existing checks and balances, internal control and detection and reporting of corruption in procurement are not seemingly proving to be effective.

6.1.7 Systemic Weaknesses in Employment and Payroll

Existing rules and procedures do not provide adequate safeguard for ensuring meritocracy in all cases of recruitment, promotion and postings.

6.1.8 Weaknesses Related to Revenue Collection and Disbursement

Internal control, reconciliation and safe guard mechanisms in place in respect of revenue collection, movement of cash from the stations, deposits to bank and accounting for revenues from commercial earnings of train services have been developed, refined and fine-tuned over the 150 years of railway's existence. These appear to be adequate to prevent and detect leakage of revenue provided inspections and checks are carried out on timely and proper fashion. Introduction of modern computerized system will enable instant detection and minimize the time delay in detection that exists in the present manual method.

Systemic Weaknesses

One of the main weakness of the railway system is the limitation of its physical infrastructure, which is not suitable for the changed traffic flow requirement of an independent country. The network as inherited in 1947 with two different gauges (BG & MG), three pocket networks and two ferry links over the river Jamuna could not provide seamless services. Only recently, through a railway link over the Jamuna Bridge, the East-West railway system has been interconnected using a dual gauge configuration. Reorientation of the railway network and rationalization of gauges are yet to be accomplished.

Track & rolling stock technologies are mostly antiquated and little has been done to modernize the system for an efficient and competitive service.

Institutional and Governance Weakness

Economic and social objectives of the BR are not clearly defined. There is no mechanism in the budgetary and institutional processes of allocation and spending to compare "expectations" with "achievements" and to ensure accountability. Standards of outputs can therefore not be qualified. Policy and regulatory functions being entirely with the government, BR operates rail service within pre-determined civil service rules and regulations.

There is little autonomy or delegation to empower BR to take greater responsibility and to hold BR accountable for results. Without accountability mechanism, risks of wastage and leakage become ingrained in the systemic inefficiency. A culture of impunity takes hold with indifference for quality considerations. An incentive structure in favour of high quality in service delivery is missing, with no flexibility to tailor those to the specific needs and circumstances on their own.

7. SECTION 7

7.1 The risks of corruption in operations

7.1.1 Introduction

The process and procedures of different department/levels of BR and how they relate to corruption risks are described in this section. BR is a transport service provider. It owns and operates its infrastructure and rolling stock to produce transport service. The output is measured as the sum total of Passenger-Km + Freight ton-km produced/provided to the users over a year. The transportation and commercial department makes available the output to the users. BR earning mainly comes from the output sold to the users (passenger and freight). BR also earns from non-transportation activities like lease revenue from Optical Fibre system, sale/lease of railway land, sale of surplus/scrap materials etc. In section 5 of the report the departments responsible for maintenance operation of railway assets have been described. From corruption risks perspective, the functions and activities which are generally the same for all departments are described below. Anything specific to any particular department has also been indicated.

a) The Corruption Risks

1. Project Formulation and Preparation

- a) Design or selection of uneconomical projects because of opportunities for financial kickbacks and political patronage,
- b) Project formulation not need based particularly when procurement of goods (rolling stock rails, bridge girder, ballast, sleepers, components of locomotive, coaches, wagons, signalling etc. are involved,
- c) Motivated demand, inflated scope for procurement of spares, replacement components.

2. Prequalification & Tendering

- a) Short-listing by Selection Committee is influenced to include exclude specific firms,
- b) Procurement fraud, including collusion, overcharging, or the selection of contractors, suppliers, and consultants on criteria other than the lowest evaluated substantially responsive bidder,
- c) Project equipment, specification, special conditions set to favour specific supplier,
- d) Financial and technical capabilities of bidders are set to favour targeted supplier/contractor,
- e) Leaking of bid/ tender information to specific contractors,
- f) Limited/controlled tender publicity, tender published in non-important newspapers, publicity not repeated for adequate time. New bidders not aware of the procurement mostly miss the notification. Even if they see the notice, new entrants get limited time to study the requirements and find out suitable suppliers

when the procurement involves international supplies. On the other hand favoured party has the full preparation and knowledge of the tender document, specifications etc.,

- g) Collusion among contractors to fix bids or to share the market.

3. Tender Opening, Evaluation and Award

- a) At the time of tender opening information related to the quoted price, bid bond, bid validity, number of copies submitted etc. only are declared and read out in presence of the representatives of the participating bidders. All concerned witness these information data. But there is no way of knowing for one bidder as to how the competing bidders have complied with the technical and financial criteria of the tender,
- b) Railway technology and equipment being unique and not used anywhere publicly or in any other organization, public perception of price and quality of works is non-existent. Requiring body can set technical specification and evaluation criteria at will to favour some body; which can not be challenged by others. Only railway professionals with comparable competence and integrity can assess and evaluate the situation. Sometimes all involved in the procurement chain close ranks for financial gains,
- c) Technical evaluation is carried out in such way that undesired competitive bidders are rejected even on non-substantial grounds. Similarly non-substantial deviation of the favoured bidder and those higher in prices than the target bidders are ignored. Competitors who have higher prices than the target bidder are liberally evaluated to show that there was proper competition and target bidder has received the award as the technically responsive lowest bidder,
- d) Tender evaluation process being confidential competing bidders have no way of knowing whether uniform criteria are being applied to all bidders. There is no scope to raise informed complaint in time by the aggrieved parties,
- e) Contract awarded by subdividing work components to bypass regulatory financial limits. Financial powers inappropriately exercised to avoid approval and scrutiny by higher authority.

4. Project Execution

- a) Contractor submits false claims which are approved in exchange for bribe,
- b) Incentives are paid at various levels for quick fund release,
- c) Foreign suppliers invite engineers to visit factory/manufacturing process outside the contractual scope,
- d) Delay of payments and final payment for rent seeking purpose,
- e) Handover of project is delayed to collect informal payments,
- f) For GOB funded projects quality and quantity of work compromised for rent seeking purpose and/or due to coercion by higher authority/contractors. Aided projects have better oversight,
- g) Recruitment temporary labor in excess of requirement and used for personal service. Non-existent temporary workers are used in payroll,

- h) Illicit payments of "speed money" to facilitate the timely payment of bills, claims etc. to which the party is rightfully entitled, such as release of performance bond, bid bond etc.

5. Maintenance and Operation

- a) Illicit payments to facilitate access to goods, services, and/or information to which the public is not entitled, or to deny the public access to goods and services to which it is legally entitled,
- b) Illicit payments to prevent the application of rules and regulations in a fair and consistent manner, particularly in revenue collection from ticketless travelers, unbooked parcel of luggage, excess freight etc.,
- c) The theft or embezzlement of railway property and monies,
- d) The sale of official posts, positions, or promotions; nepotism; or other actions that undermine the creation of a professional, meritocratic civil service,
- e) Repair/Rehabilitation works of bridges, station buildings, service buildings, residential buildings overestimated, under worked, under quality, reduced quantity,
- f) Maintenance works of tracks and bridges manpower misuse,
- g) Cost of maintenance becomes high because of excessive inventory holding, obsolescence, theft, resale/recycling for next procurement,
- h) Rolling stock, locomotives, electrical, signal telecomm, consumable materials are not fully utilized. Some times sold in markets,
- i) Locomotive fuel misuse/misappropriation,
- j) Repair/replacement components recycled through stores purchase,
- k) Theft and pilferage of track and signalling materials in connivance with railway staff,
- l) Payment for no work against gratification,
- m) Asking for financial support from suppliers/contractors for social functions, dinners, sports, and illegal contributions to schools, social intuitions.

6. Commercial Operation and Leasing of Railway Facilities and Land

- a) Leasing/sale of railway land, leasing of shops, commercial, agricultural land allotment through corrupt practices,
- b) Illicit payments of "speed money" to facilitate the timely payment of bills, claims etc. to which the party is rightfully entitled, such as payment of claims related to freights damaged in railway custody and/or in transit,
- c) Illegal money from ticketless travelers, ticket sales, freight booking etc.,
- d) Over-weight /under invoicing of freight booked,
- e) Dispatch of booked cargo (particularly perishable and time sensitive cargo) deliberately delayed for extortion,
- f) Carrying ticketless passengers, smuggled goods etc. in connivance with railway security personnel and railway police,
- g) Illegal money for bill passing, purchase payments, pensions.

7. Personnel Management and Transport

- a) Illegal money from staff for processing of salary increment, salary fixation, time scale and selection grade, pension settlement, punishment waiver etc.,

- b) Illegal money from staff for Service book maintenance and updating, leave accounts and issue of travel passes,
- c) Selling medicines from medical stores. Illegal money from staff by issuing of unfit medical certificates for the staff who is fit to work to avail long leave on medical ground,
- d) Misuse of manpower of personal and other works by seniors,
- e) Trade union influence,
- f) Political influence,
- g) Nepotism,
- h) Favouritism,
- i) Fake travel allowance particularly for low paid employees, shared by supervisors,
- j) Friendly leave,
- k) Fake overtime payment against gratification,
- l) Trade union leaders do not work,
- m) Misuse of transport, no body maintains logbook. Private movements are shown as official duties,
- n) Seniors use vehicles of junior officials but do not show the duty as private.

8. Performance of Completed Projects

- a) No accountability if project fails to achieve performance, financial, economic targets. Donor aided projects have post performance audit. But this does not hold EA accountable for anything,
- b) GOB projects have no such accountability. Example track rehabilitation is done to achieve certain target speed. There is no mechanism to challenge why target speeds could not be achieved.

8. SECTION 8

8.1 Governance weakness

The weaknesses in the rail sector have been discussed in section dealing with business process as well as in the section elaborating corruption risks in operations of Bangladesh Railway.

8.1.1 The major governance weaknesses in the rail sector are outlined in the following:

- a) Economic and social objectives of BR are not clearly defined. There is no mechanism in the budgetary and institutional processes of allocation and spending to compare "expectations" with "achievements" and to ensure accountability. Standards of outputs can therefore not be qualified. Policy and regulatory functions being entirely with the government, BR operates rail service within pre-determined civil service rules and regulations.
- b) There is little autonomy or delegation to empower BR to take greater responsibility and to hold BR accountable for results. Without accountability mechanism, risks of wastage and leakage become ingrained in the systemic inefficiency. A culture of impunity takes hold with indifference for quality considerations. An incentive structure in favour of high quality in service delivery is missing. With no flexibility to tailor those to the specific needs and circumstances on their own.
- c) Inadequate resource allocation for maintenance and operation is largely responsible for declining service quality.
- d) As a service delivery organization, BR has no specific requirement to meet commercial success criteria and hence no incentive for enhancing performance efficiency within available resources.
- e) BR being the sole provider of rail infrastructure and rail service, there is no scope to assess comparative performance of different providers/operators in the sector.
- f) The actual cost of rail services provided and what the cost might have been if operations were more efficient cannot be distinguished. The apparent cost of inefficiency creates scope for waste and misuse of public money disappearing into a "black hole" without any possibility for real accountability of public expenditure.
- g) The underlying causes of inefficiency are the policy, institutional, and organizational arrangements for the railway, which are based on the idea of running railway as a social and economic arm of the Government rather than as a commercial organization with corporate accountability for defined service delivery targets.
- h) BR's lack of accountability towards efficient and productive use of public finances is the key issue, which needs to be addressed through appropriate reforms.

8.1.2 **Conclusion**

The main governance weakness in the rail sector is the policy, regulatory and institutional arrangements for the railway, which are based on the idea of running the railway as a social and economic arm of the Government rather than as a commercial organization with corporate accountability.

9. SECTION 9

9.1 Self-assessment of questionnaire/check list

The self-assessment questionnaire and checklist have been prepared based on the VCA analysis and listed below according administrative and functional hierarchy in the sector.

1. For the policymakers

- i) Are there governance and systemic weaknesses in the railway sector which are contributing to increased corruptions?
- ii) Are there measures in place/pipeline to remove the weaknesses through appropriate reforms?
- iii) Will reform remove the vulnerabilities to corruption fully? If not how residual vulnerabilities will be tackled?
- iv) Does the organization have sufficient autonomy and adequate delegation of authority to be held accountable for results?
- v) Is there scope to facilitate more private sector participation for improvement of service quality?
- vi) Are there sectoral and national anti-corruption strategies in place? If to what extent these are being implemented?
- vii) Are there proper anticorruption legislation, rules regulations applicable to the organization?
- viii) Is there a vigilance unit for the sector/organization to detect and enquire into allegations for corruptions? If no, what has been done to create vigilance unit for the purpose?
- ix) Is the legislative oversight proving effective?
- x) Is there a system of civil society participation in the delivery of service by the organization?
- xi) Should there be citizen/client charter established accountability in service delivery?

2. For the government /ministry

- i) Are there adequate rules and regulations for prevention, detection and deterrence of corruption in the organization?
- ii) Are the audit procedures adequate? Does the organization need external commercial audit?
- iii) Are the rules and regulation for appointment and promotions adequate for ensuring meritocracy criterion in employment?
- iv) Are the codes of conduct, rules and regulations of the railway sector adequate to deter corrupt practices?
- v) Has there been an assessment about the effectiveness of the codes of conducts in deterring corruption?
- vi) How an independent vigilance organization for Bangladesh Railway (an anti-corruption department in BR) in line with the practice in Indian railways be established?

- vii) Are officials being invited by foreign suppliers to visit factory/manufacturing process outside the contractual scope?
- viii) What systems are in place to detect and punish corrupt practices involving the above? Are such systems adequate and working properly or these systems need further improvement and strengthening?

3. For the Director General and the Senior Railway Management

- i) Are uneconomical projects being selected because of opportunities for financial kickbacks and political patronage? What methods will be adopted to detect and prevent such things happening?
- ii) Are procurement demands being inflated with motives for personal gains?
- iii) Are approved work components being sub-divided to bypass regulatory financial limits and to keep the tender acceptance authority at a lower level?
- iv) Are financial powers being inappropriately exercised to avoid approval and scrutiny by higher authority?
- v) Are the internal checks and balances working properly? Is their departmental oversight mechanism to watch for the effectiveness of the check and balance system involving the executive and the accounting branches?
- vi) Is excess and obsolete inventory lying in stock for a long time? What arrangements are in place to regularly dispose obsolete and excess inventory? Has anyone been held accountable for procuring excess stock?
- vii) Are trade unions influencing corruption? Are the trade officials getting involved in procurement deals and work contracts?
- viii) Are official transports being misused? Is there any system to detect misuse of transport?
- ix) Are nepotism and favoritism prevailing over meritocracy in deciding promotion and posting of staff and officials?
- x) What systems are in place to detect and punish corrupt practices involving the above? Are such systems adequate and working properly or these systems need further improvement and strengthening?

4. For the Director General as the Head of the Procurement Entity

- i) Are the items of goods/ services recommended for acceptance exactly the same as in the project document in terms of quality and quantity?
- ii) Are items recommended for acceptance is within the approved cost estimates of the project document?
- iii) Has the tender been evaluated transparently and without ambiguity? Has all criteria for tender acceptance been checked by the tender evaluation committee?
- iv) Is there any complaints related to the tender, its evaluation process and whether such complaints have been thoroughly reviewed?
- v) Has the lowest evaluated substantially responsive tenderer been recommended for acceptance?
- vi) What systems are in place to detect and punish corrupt practices involving the above? Are such systems adequate and working properly or these systems need further improvement and strengthening?

5. For the Project Directors (PDs) and the Procuring Entity

- i) In case of short-listing, has the selection committee been influenced to include or exclude specific firms?
- ii) Has the tender document been prepared with correct specifications and special conditions without any favour to any specific supplier?
- iii) Have the financial and technical capabilities of bidders been set to allow maximum participation without any intention to exclude any particular suppliers/contractors?
- iv) Has the tender received maximum publicity? Are all active tenderers in the field received the information?
- v) Is there any information about formation of syndicate? Has any political influence been observed?
- vi) Has the tender opening committee recorded all required information related to the quoted price, bid bond, bid validity, number of copies submitted etc. declared and read out in presence of the representatives of the participating bidders?
- vii) Has the tender been evaluated transparently and without ambiguity? Has all criteria for tender acceptance been checked by the tender evaluation committee?
- viii) Is there any complaints related to the tender, its evaluation process and whether such complaints have been thoroughly reviewed?
- ix) Has the lowest evaluated substantially responsive tenderer been recommended for acceptance?
- x) Has any tender been rejected even on non-substantial grounds?
- xi) Is there any collusion among contractors to fix bids or to share the market?
- xii) Is proper supervision in place to ensure quality of work according to specification?
- xiii) Are field supervisors compromising quality and quantity of works in exchange of gratifications by contractors?
- xiv) Are contractors submitting false claims, which are being approved in exchange for bribe?
- xv) Are temporary labors recruited for project work being used for personal service?
- xvi) Are there non-existent temporary workers are used in payroll?
- xvii) Is contractor required to pay bribes for receiving his due and legitimate bills?
- xviii) What systems are in place to detect and punish corrupt practices involving the above? Are such systems adequate and working properly or these systems need further improvement and strengthening?

6. For General Managers, Divisional Railway Managers and other officials engaged and railway management and operational activities

- i) Are officials and staff required to make illicit payment for their promotions, service benefits such as increments, time scale, selection grade, final settlements, pensions etc.?
- ii) Are of postings/transfers being influenced by bribes, or nepotism; or political and other influences?

- iii) Are unscrupulous officials/staff collecting money from ticketless travelers, un-booked parcel of luggage, excess freight etc. any sharing illicit money with officials to avoid detection and punishment?
- iv) Are there pilferages and misuse of fuels used in locomotives and other railway installations?
- v) Are ticketless passengers and smuggled goods carried on board trains against gratification by railway security personnel and railway police?
- vi) Are all goods and services using revenue budget being procured through transparent tendering and without any collusion, kickback and undue influences?
- vii) Is proper supervision in place to ensure quality of work according to specification?
- viii) Are field supervisors compromising quality and quantity of works in exchange of gratifications by contractors?
- ix) Are staff/officials resorting to friendly leave and fake overtime payment against gratification?
- x) What systems are in place to detect and punish corrupt practices involving the above? Are such systems adequate and working properly or these systems need further improvement and strengthening?

CHAPTER II
- THE CORRUPTION RISK MITIGATION PLAN
(CRMP)

1. SECTION 1

1.1 Definitions of CRMP

Corruption Risk: Risk is the chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and likelihood. Corruption risk is therefore the risk of corruption happening that will have adverse impact in terms of costs, or impact on service delivery, distribution of burdens and benefits and/or the realization, protection and promotion of rights of an individual, an organization or/and the society in general.

Corruption Risk Management is the application of management policies and processes to enable the systematic identification, analysis, mitigation and monitoring of corruption risk. Risk Management refers to a continuous process to:

- Identify risk elements;
- Determine the impact should a specific risk manifest itself;
- Prioritize risk elements;
- Design and implement appropriate (prioritized and cost effective) contingency responses to remedy the risk causes; and
- Monitor and evaluate the effectiveness of remedial activities.
- Integrated Risk Management refers to an acknowledgement that risks are not only financial or fraud related but includes the ability of a series of planned activities to accomplish relevant political and social objectives.

Corruption Risk Mitigation refers to treatment and mitigation of corruption risk involving identification of the range of options for managing the risk, evaluating those options, selecting the preferred management strategy, then preparing and implementing the actions required to reduce the risk.

Corruption Risk Mitigation Plan (CRMP) is a documented list of risks, risk mitigation strategies and actions, timelines and accountabilities.

Corruption Risk Mitigation involves three levels of intervention:

- a) Remedial – This is the level of damage limitation, of taking action to deal with problems after they have occurred, or of implementing short-term measures to address areas of people risk.
- b) Preventive – This is where people are enabled to make themselves and the organization more risk-aware. Provision of training and raising awareness of risks, providing skills of risk assessment and risk management, changes the way people do things to minimize people risks and develops an organizational culture that supports innovation and improvement according to organizational values in the achievement of the organizational purpose/mission.
- c) Systemic – This is the level of organization change. This is achieved by changing mindsets and beliefs, reflecting the new mindset in new policies and procedures, and the collection, monitoring and reporting of management information relating to people (people measures).

2. SECTION 2

2.1 Usefulness of CRMP

Corruption Risk Mitigation Plan (CRMP) is a documented list of risks, risk mitigation strategies and actions, timelines and accountabilities. CRMP provides a national framework guiding the implementation of corruption risk management in an integrated manner. This helps in addressing the risk elements as a part of national antic-corruption strategy.

Ministry/agency can intervene appropriately to:

- Prioritize risk elements;
- Design and implement appropriate (prioritized and cost effective) contingency responses to remedy the risk causes;
- Monitor and evaluate the effectiveness of remedial activities;
- Undertake series of planned activities including training and motivating management in all levels of public service to accomplish relevant political and social objectives;
- Develop effective monitoring and evaluation systems to institutionalize new management practices outlined in mitigation;
- Build staff skills in public financial management, procurement, corruption prevention, and project supervision; and
- To build efficient, effective, accountable, and transparent public service as part of broader work on good governance and capacity building.

3. SECTION 3

3.1 Methodology of CRMP

The VCA was carried out through a comprehensive analysis of the business processes, policies and procedures prevailing in the railway sector in Bangladesh. A review of policies and procedures within the individual functional units of the railway was also undertaken to examine and identify the formal lapses in the regulatory environment and systemic weaknesses that allow corruption to occur. Local organizational context relating to corruption risks was also taken into account.

The identified corruption opportunities were then analyzed and incorporated into a single list for risks of corruption. This single list of opportunities for corruption within in the rail sector covers the entire cycle of operations from planning, delivery, and follow on maintenance. The list was validated through group meetings. The experts consulted represented specialists in different functional areas of BR and discussed with external actors such as the MOC, and other national (civil society) and international organizations (ADB/WB) for further validation.

The validated corruption risk list was then used as a basis to draft a preliminary "Corruption Risk Mitigation Plan" that outlines the steps necessary to mitigate the identified opportunities for corruption. The preliminary draft was developed in cooperation with MCC/BR that will be responsible for its implementation, as well as monitoring of this implementation.

4. SECTION 4

4.1 The CRMP Matrix

Corruption risk mitigation plans (CRMPs) for the rail sector

The causes of corruption in general are rooted in a country's policies, bureaucratic, traditions, political development and social history. Bangladesh is no exception. National Integrity Strategy (NIS) which is under process of development shall outline effective anticorruption strategies tailored to the socio-economic and socio-cultural environment of the country. Sectoral mitigation plans shall be a part of the holistic national approach to be adopted through the NIS.

When viewed from national perspective and considered in the national context, most of the corruption risks factors in the rail sector will be found to be identical to those prevailing in other sectors and institutions of the country. To be effective, NIS must provide necessary autonomy and independence to oversight and enforcement agencies so that necessary institutional checks and balances on power exist to prevent and deter corruptions. NIS must ensure the following:

- Independent and Effective Judiciary
- Proper Anticorruption Legislation, rules regulations
- Independent Prosecution and Enforcement
- Audit Organizations
- Legislative Oversight
- Empowering Civil Society
- Freedom of information laws
- Whistle-blower protection law

Rail sector specific mitigation measures should effectively address the following:

- a) Removing the institutional weakness which results in inefficiency and encourage corruption to occur through appropriate reform of the sector.
- b) Establishing effective accountability of the organization. Presently only nominal and indirect through annual audited accounts and reports to parliament. Citizens/users of rail service have limited information about the rules of the game and the standard of service they can expect from the organization. Citizen/client charter can be first step towards establishing direct accountability.
- c) Developing and implementing rail sector specific codes of conduct, rules and regulations to deter corrupt practices. The upcoming reform programme will convert BR into a corporate entity with specific commercial goals and objectives. As a commercial organization, BR should also introduce Business Integrity Management System (BIMS).
- d) Establishing an independent vigilance organization for Bangladesh Railway (an anti-corruption department in BR) in line with the practice in Indian railways. A

post of Additional Director General, Anti-Corruption (ADG/AC) may be created by adjustment/re-designation of an existing post and providing new job description. ADG/AC will be selected in consultation with ACC from amongst railway officials of high reputation and integrity. Outline of the proposed vigilance organization has been included in **Annex F**. The roles and objectives of the organization and a tentative organogram have also been included.

- e) Adopting special measures in implementing the up-coming donor aided massive investment projects involving huge and complicated procurements process. During the project implementation, support of the donor agencies by engaging independent assessors will be good step in preventing/minimizing corruptions. To improve the efficiency of controls, the donor agencies may conduct on site supervision visits, which may be random in time and scope, more numerous, more thorough and specifically targeted to risk areas or type of contracts.
- f) Donors in association with the IMED of GOB should conduct "End Use Audit" of goods, works and services to ensure that project assets and services are used for the purposes authorized. The results of such end use audit would not only improve utilization of project goods, works and services but also promote investments to areas, which yield more economic benefits with reference to the local environment in which the project operates.
- g) The Corruption Risk Mitigation Plan (CRMP) for the rail sector has been included in the form of a matrix below. The CRMP will be required to be reviewed and fine-tuned during and after the institutional and organizational reform program.

CRMP MATRIX

CORRUPTION RISK MITIGATION PLAN (CRMP) FOR BANGLADESH RAILWAY

Risk	Mitigation Method	Responsible Agency
Project Formulation and Preparation		
Design or selection of uneconomical projects because of opportunities for financial kickbacks and political patronage.	Increased vigilance/oversight	MOC, Planning Commission, ACC & Donor Agencies as applicable
Project formulation is not needs based, particularly when procurement of goods (rolling stock rails, bridge girder, ballast, sleepers, components of locomotive, coaches, wagons, signalling etc.) are involved.	Increased vigilance/oversight	MOC, Planning Commission,
Motivated demand, inflated scope for procurement of spares, replacement components.	Increased vigilance/oversight	BR, MOC
Prequalification & Tendering		
Short-listing by Selection Committee is influenced to include/exclude specific firms.	Increased vigilance/oversight	BR, MOC
Procurement fraud, including collusion, overcharging, or the selection of contractors, suppliers, and consultants on criteria other than the lowest evaluated substantially responsive bidder.	Increased vigilance/oversight	BR, MOC, ACC & Donor Agencies as applicable
Project equipment, specification, special conditions set to favour specific supplier.	Increased vigilance/oversight	BR, MOC, ACC
Financial and technical capabilities of bidders are set to favour targeted supplier/contractor.	Increased vigilance/oversight	BR, MOC, ACC
Leaking of bid/tender information to specific contractors.	Open, transparent public debate, donor mediation	BR, MOC, ACC
Limited/controlled tender publicity, tender published in non-important newspapers, publicity not repeated in adequate time. New bidders are not aware of the procurement and mostly miss the notification. Even if they see the notice, new entrants get limited time to study the requirements and find out suitable suppliers when the procurement involves international supplies. On the other hand, the favoured party has the full preparation and knowledge of the tender document, specifications etc.	Ensure adequate publicity through newspapers, websites as per PPR. Ensure adequate and timely dissemination of tender information, scope, specifications etc.	BR, MOC

Risk	Mitigation Method	Responsible Agency
Collusion among contractors to fix bids or to share the market.	Increased vigilance/oversight	BR, MOC, ACC
Tender Opening, Evaluation and Award		
At the time of tender opening, information related to the quoted price, bid bond, bid validity, number of copies submitted etc. are only declared and read out in presence of the representatives of the participating bidders. All concerned witness these information data. But there is no way of knowing for one bidder how the competing bidders have complied with the technical and financial criteria of the tender.	Ensure adequate dissemination information of all tenders at the time of opening. Increased vigilance/oversight	BR, MOC, ACC
Railway technology and equipment being unique and not used anywhere publicly or in any other organization, public perception of price and quality of works is non-existent. Requiring body can set technical specification and evaluation criteria at will to favour somebody; which cannot be challenged by others. Only railway professionals with comparable competence and integrity can assess and evaluate the situation. Sometimes all involved in the procurement chain close ranks for financial gains.	Increased vigilance/oversight	BR, MOC, ACC
Technical evaluation is carried out in such a way that undesired competitive bidders are rejected even on non-substantial grounds. Similarly, non-substantial deviation of the favoured bidder and those higher in prices than the target bidders are ignored. Competitors who have higher prices than the target bidder are liberally evaluated to show that there was proper competition and target bidder has received the award as the technically responsive lowest bidder.	Increased vigilance/ oversight and enforcement of procurement regulations	BR, MOC, ACC
The tender evaluation process being confidential, competing bidders have no way of knowing whether uniform criteria are being applied to all bidders. There is no scope to raise informed complaint in time by the aggrieved parties.	Increased vigilance/ oversight and enforcement of procurement regulations	BR, MOC, ACC

Risk	Mitigation Method	Responsible Agency
Contract awarded by subdividing work components to bypass regulatory financial limits. Financial powers inappropriately exercised to avoid approval and scrutiny by higher authority.	Increased vigilance/ oversight and enforcement of procurement regulations	BR, MOC, ACC
Project Execution		
Contractor submits false claims which are approved in exchange for bribe.	Increased vigilance/ oversight	BR, ACC
Incentives are paid at various levels for quick fund release.	Increased vigilance/ oversight and enforcement of procurement regulations	BR, MOC, ACC
Foreign suppliers invite engineers to visit factory/manufacturing process outside the contractual scope.	Increased vigilance/ oversight	MOC, ACC
Delay of payments and final payment for rent seeking purpose.	Increased vigilance/ oversight	BR, ACC
Handover of project is delayed to collect informal payments.	Increased vigilance/ oversight	BR, MOC, ACC
For GOB funded projects, quality and quantity of work are compromised for rent seeking purpose and/or due to coercion by higher authority/contractors. Aided projects have better oversight.	Increased vigilance/ oversight	BR, MOC, ACC
Recruitment of temporary labor in excess of requirement and used for personal service. Non-existent temporary workers are used in payroll.	Increased vigilance/ oversight	BR, ACC
Illicit payments of "speed money" to facilitate the timely payment of bills, claims etc. to which the party is rightfully entitled, such as release of performance bond, bid bond etc.	Increased vigilance/ oversight	BR, ACC
Maintenance and Operation		
Illicit payments to facilitate access to goods, services, and/or information to which the public is not entitled, or to deny the public access to goods and services to which it is legally entitled.	Increased vigilance/ oversight	BR, ACC
Illicit payments to prevent the application of rules and regulations in a fair and consistent manner, particularly in revenue collection from ticketless travelers, unbooked parcel of luggage, excess freight etc.	Increased vigilance/ oversight	BR, ACC

Risk	Mitigation Method	Responsible Agency
The theft or embezzlement of railway property and monies.	Increased vigilance/ oversight	BR, ACC
The sale of official posts, positions, or promotions; nepotism; or other actions that undermine the creation of a professional, meritocratic civil service.	Increased vigilance/ oversight	BR, MOC, ACC
Repair/Rehabilitation works of bridges, station buildings, service buildings, residential buildings overestimated, under-worked, under-quality, reduced quantity.	Increased vigilance/ oversight	BR, ACC
Maintenance works of tracks and bridges manpower misuse.	Increased vigilance/ oversight	BR, ACC
Cost of maintenance becomes high because of excessive inventory holding, obsolescence, theft, re-sale/recycling for next procurement.	Increased vigilance/ oversight	BR, MOC, ACC
Rolling stock, locomotives, electrical, signal telecom, consumable materials are not fully utilized. Some times sold in markets.	Increased vigilance/ oversight	BR, ACC
Locomotive fuel misuse/misappropriation.	Increased vigilance/ oversight	BR, ACC
Repair/replacement components recycled through stores purchase.	Increased vigilance/ oversight	BR, ACC
Theft and pilferage of track and signaling materials in connivance with railway staff.	Increased vigilance/ oversight	BR, ACC
Payment for no work against gratification.	Increased vigilance/ oversight	BR, ACC
Asking for financial support from suppliers/contractors for social functions, dinners, sports, and illegal contributions to schools, social intuitions.	Enforcement/oversight	BR, ACC
Commercial Operation and Leasing of Railway Facilities and Land		
Leasing/sale of railway land, leasing of shops, commercial, agricultural land allotment through corrupt practices.	Increased vigilance/ oversight	BR, ACC
Illicit payments of "speed money" to facilitate the timely payment of bills, claims etc. to which the party is rightfully entitled, such as payment of claims related to freights damaged in railway custody and/or in transit.	Increased vigilance/ oversight	BR, ACC
Illegal money from ticketless travelers, ticket sales, freight booking etc.	Increased vigilance/ oversight	BR, ACC

Risk	Mitigation Method	Responsible Agency
Over-weight /under-invoicing of freight booked.	Increased vigilance/ oversight	BR, ACC
Dispatch of booked cargo (particularly perishable and time sensitive cargo) deliberately delayed for extortion.	Increased vigilance/ oversight	BR, ACC
Carrying ticketless passengers, smuggled goods etc. in connivance with railway security personnel and railway police.	Increased vigilance/ oversight	BR, ACC
Illegal money for bill passing, purchase payments, pensions.	Increased vigilance/ oversight	BR, ACC
Personnel Management and Transport		
Illegal money from staff for processing of salary increment, salary fixation, time scale and selection grade, pension settlement, punishment waiver etc.	Increased vigilance/ oversight	BR, ACC
Illegal money from staff for Service book maintenance and updating, leave accounts and issue of travel passes.	Increased vigilance/ oversight	BR, ACC
Selling medicines from medical stores. Illegal money from staff by issuing of unfit medical certificates for the staff who is fit to work to avail long leave on medical ground.	Increased vigilance/ oversight	BR, ACC
Misuse of manpower of personal and other works by seniors.	Increased vigilance/ oversight	BR, ACC
Trade union influence.	Enforcement/oversight	BR, MOC, ACC
Political influence.	Enforcement/oversight	BR, MOC, ACC
Nepotism.	Increased vigilance/ oversight	BR, MOC, ACC
Favoritism.	Increased vigilance/ oversight	BR, MOC, ACC
Fake travel allowance particularly for low paid employees, shared by supervisors	Increased vigilance/ oversight	BR, ACC
Friendly leave.	Increased vigilance/ oversight	BR, ACC
Fake overtime payment against gratification.	Increased vigilance/ oversight	BR, ACC
Trade union leaders do not work.	Enforcement/oversight	BR, ACC
Misuse of transport, no body maintains logbook. Private movements are shown as official duties.	Enforcement/oversight	BR, ACC
Seniors use vehicles of junior officials but do not show the duty as private.	Enforcement/oversight	BR, ACC
Performance of completed Projects		
No accountability if project fails to achieve performance, financial, economic targets. Donor aided projects have post performance audit. But this does not hold EA	Enforcement/oversight Post performance audit	BR, MOC, IMED, Planning Commission

Risk	Mitigation Method	Responsible Agency
<p>accountable for anything. GOB projects have no such accountability. Example track rehabilitation is done to achieve certain target speed. There is no mechanism to challenge why target speeds could not be achieved.</p>		

5. SECTION 5

5.1 Probability and impact and impact assessment of risks

Probability and impact assessment of risks is carried out in order to establish the likelihood and potential impact of the risks. The following definitions apply:

Impact:

The possible impact of the corruption risk in terms of costs, or impact on service delivery, distribution of burdens and benefits and/or the realization, protection and promotion of rights.

Probability:

The likelihood of the risk occurring.

Correlation of impact and probability of risks is explained by the two-dimensional table below:

Table 5.1: Classifying risks across two dimensions

	1	2
(high)	high impact, low probability	high impact , high probability
IMPACT	3	4
(low)	low impact , low probability	low impact , high probability
	(low)	(high)
	PROBABILITY	

Relevance of Impact and Probability Rating for the CRMP

Risks falling into Quadrant 2, which are high probability and high impact, are high priority. Action needs to be implemented to reduce either the probability of the risk occurring, or the impact that it causes, or both. This will be addressed in the CRMP as in need of immediate attention.

Probability-Impact Matrix of the identified risks and the priority for actions has been prepared using the above model indicating priorities for actions in the specific context of Bangladesh Railway and given in the table below. Assessment was based the activities in the railway sector during the past two political regimes (1996-2006).

Table 5.2: Probability-Impact Matrix of the Risks Corruption in Bangladesh Railway

Risk	Probability-Impact	Priority for action
Project Formulation and Preparation		
Design or selection of uneconomical projects because of opportunities for financial kickbacks and political patronage	high impact, low probability	Medium
Project formulation not need based particularly when procurement of goods (rolling stock rails, bridge girder, ballast, sleepers, components of locomotive, coaches, wagons, signalling etc. are involved.	high impact, low probability	Medium
Motivated demand, inflated scope for procurement of spares, replacement components	high impact, high probability	High
Prequalification & Tendering		
Short-listing by Selection Committee is influenced to include exclude specific firms.	high impact, low probability	Medium
Procurement fraud, including collusion, overcharging, or the selection of contractors, suppliers, and consultants on criteria other than the lowest evaluated substantially responsive bidder	high impact, high probability	High
Project equipment, specification, special conditions set to favour specific supplier	high impact, high probability	High
Financial and technical capabilities of bidders are set to favour targeted supplier/contractor	high impact, high probability	High
Leaking of bid/ tender information to specific contractors.	Low impact, high probability	Medium
Limited/controlled tender publicity, tender published in non-important newspapers, publicity not repeated for adequate time. New bidders not aware of the procurement mostly miss the notification. Even if they see the notice, new entrants get limited time to study the requirements and find out suitable suppliers when the procurement involves international supplies. On the other hand favoured party has the full preparation and knowledge of the tender document, specifications etc.	high impact, high probability	High
Collusion among contractors to fix bids or to share the market	high impact, high probability	High
Tender Opening, Evaluation and Award		
At the time of tender opening information related to the quoted price, bid bond, bid validity, number of copies submitted etc. only are declared and read out in presence of the representatives of the participating bidders. All concerned witness these information data. But there is no way of knowing for one bidder as to how the competing bidders have complied with the technical and financial criteria of the tender.	high impact, low probability	Medium
Railway technology and equipment being unique and not used anywhere publicly or in any other	high impact, low probability	Medium

Risk	Probability-Impact	Priority for action
organization, public perception of price and quality of works is non-existent. Requiring body can set technical specification and evaluation criteria at will to favour some body; which can not be challenged by others. Only railway professionals with comparable competence and integrity can assess and evaluate the situation. Sometimes all involved in the procurement chain close ranks for financial gains.		
Technical evaluation is carried out in such way that undesired competitive bidders are rejected even on non-substantial grounds. Similarly non-substantial deviation of the favoured bidder and those higher in prices than the target bidders are ignored. Competitors who have higher prices than the target bidder are liberally evaluated to show that there was proper competition and target bidder has received the award as the technically responsive lowest bidder.	high impact, high probability	High
Tender evaluation process being confidential competing bidders has no way of knowing whether uniform criteria are being applied to all bidders. There is no scope to raise informed complaint in time by the aggrieved parties.	Low impact, low probability	Low
Contract awarded by subdividing work components to bypass regulatory financial limits. Financial powers inappropriately exercised to avoid approval and scrutiny by higher authority	Low impact, high probability	Medium
Project Execution		
Contractor submits false claims, which are approved in exchange for bribe.	high impact, high probability	High
Incentives are paid at various levels for quick fund release	Low impact, high probability	Medium
Foreign suppliers invite engineers to visit factory/manufacturing process outside the contractual scope	Low impact, low probability	Low
Delay of payments and final payment for rent seeking purpose	Low impact, high probability	Medium
Handover of project is delayed to collect informal payments	Low impact, high probability	Medium
For GOB funded projects quality and quantity of work compromised for rent seeking purpose and/or due to coercion by higher authority/contractors. Aided projects have better oversight.	high impact, high probability	High
Recruitment temporary labor in excess of requirement and used for personal service. Non-existent temporary workers are used in payroll.	Low impact, high probability	Medium
Illicit payments of "speed money" to facilitate the timely payment of bills, claims etc. to which the party is rightfully entitled, such as release of performance bond, bid bond etc.	Low impact, high probability	Medium

Risk	Probability-Impact	Priority for action
Maintenance and Operation		
Illicit payments to facilitate access to goods, services, and/or information to which the public is not entitled, or to deny the public access to goods and services to which it is legally entitled.	Low impact, high probability	Medium
Illicit payments to prevent the application of rules and regulations in a fair and consistent manner, particularly in revenue collection from ticketless travelers, unbooked parcel of luggage, excess freight etc.	Low impact, high probability	Medium
The theft or embezzlement of railway property and monies.	High impact, low probability	Medium
The sale of official posts, positions, or promotions; nepotism; or other actions that undermine the creation of a professional, meritocratic civil service.	High impact, high probability	High
Repair/Rehabilitation works of bridges, station buildings, service buildings, residential buildings overestimated, under worked, under quality, reduced quantity	High impact, high probability	High
Maintenance works of tracks and bridges manpower misuse	Low impact, low probability	Low
Cost of maintenance becomes high because of excessive inventory holding, obsolescence, theft, resale/recycling for next procurement	High impact, low probability	Medium
Rolling stock, locomotives, electrical, signal telecomm, consumable materials are not fully utilized. Some times sold in markets.	Low impact, low probability	Low
Locomotive fuel misuse/misappropriation.	Low impact, high probability	Medium
Repair/replacement components recycled through stores purchase.	Low impact, low probability	Low
Theft and pilferage of track and signalling materials in connivance with railway staff.	Low impact, high probability	Medium
Payment for no work against gratification	Low impact, low probability	Low
Asking for financial support from suppliers/contractors for social functions, dinners, sports, and illegal contributions to schools, social intuitions.	Low impact, high probability	Medium
Commercial Operation and Leasing of Railway Facilities and Land		
Leasing/sale of railway land, leasing of shops, commercial, agricultural land allotment through corrupt practices.	High impact, high probability	High
Illicit payments of "speed money" to facilitate the timely payment of bills, claims etc. to which the party is rightfully entitled, such as payment of claims related to freights damaged in railway custody and/or in transit	Low impact, high probability	Medium
Illegal money from ticketless travelers, ticket sales, freight booking etc.	Low impact, high probability	Medium
Over-weight /under invoicing of freight booked.	Low impact, low pro-	Low

Risk	Probability-Impact	Priority for action
	bability	
Dispatch of booked cargo (particularly perishable and time sensitive cargo) deliberately delayed for extortion	Low impact, low probability	Low
Carrying ticketless passengers, smuggled goods etc. in connivance with railway security personnel and railway police	Low impact, high probability	Medium
Illegal money for bill passing, purchase payments, pensions	Low impact, high probability	Medium
Personnel Management and Transport		
Illegal money from staff for processing of salary increment, salary fixation, time scale and selection grade, pension settlement, punishment waiver etc.	Low impact, high probability	Medium
Illegal money from staff for Service book maintenance and updating, leave accounts and issue of travel passes.	Low impact, high probability	Medium
Selling medicines from medical stores. Illegal money from staff by issuing of unfit medical certificates for the staff who is fit to work to avail long leave on medical ground.	Low impact, high probability	Medium
Misuse of manpower of personal and other works by seniors	Low impact, high probability	Medium
Trade union influence	Low impact, high probability	Medium
Political influence	High impact, high probability	High
Nepotism	Low impact, high probability	Medium
Favouritism	Low impact, high probability	Medium
Fake travel allowance particularly for low paid employees, shared by supervisors	Low impact, high probability	Medium
Friendly leave	Low impact, low probability	Low
Fake overtime payment against gratification	Low impact, high probability	Medium
Trade union leaders do not work	Low impact, high probability	Medium
Misuse of transport, no body maintains logbook. Private movements are shown as official duties.	Low impact, high probability	Medium
Seniors use vehicles of junior officials but do not show the duty as private.	Enforcement/ oversight	BR, ACC
Performance of completed Projects		
No accountability if project fails to achieve performance, financial, economic targets. Donor aided projects have post performance audit. But this does not hold EA accountable for anything. GOB projects have no such accountability. Example track rehabilitation is done to achieve certain target speed. There is no mechanism to challenge why target speeds could not be achieved.	High impact, low probability	Medium

6. SECTION 6

6.1 Matrix of other mitigation activities

Improving efficiency and effectiveness of governance is the key to curbing/preventing corruption. Corruption results from abuse of official powers against public interest or the abuse of public office for private gains. Corruption is essentially the consequence of governance failure. Corruption in a particular public sector like the Bangladesh Railway is therefore the symptom of failure of overall and ineffectiveness national governance.

Governance encompasses wide range of activities, norms, traditions and institutions by which power and authority in a country is exercised—including the institutions of participation and accountability in governance and mechanisms of citizens' voice and exit and norms and networks of civic engagement; the constitutional-legal framework and the nature of accountability relationships among citizens and governments; the process by which governments are selected, monitored, held accountable and renewed or replaced; and the legitimacy, credibility and efficacy of the institutions that govern political, economic, cultural and social interactions among citizens themselves and their governments.

The operational risks of the rail sector as identified through business process analysis indicate systemic and governance weaknesses which may lead to potential losses due to inefficient delivery of services. Lack of accountability, scope for wastage and leakage have become ingrained in the systemic inefficiency. Such losses may occur through misappropriation, excessive costs, or inefficiencies through misallocation or substandard work and services.

Specific mitigation measures which would effectively address the systemic and governance weaknesses are given in the matrix below.

Table 6.1: Specific Mitigation Measures

Risk areas	Proposed mitigation measures	Comments
Weaknesses of Physical Infrastructure and Rolling Stock	Improvement and modernization of assets through adequate investment	ADB, WB & JBIC is will finance a modernization program of infrastructure and rolling stock of BR.
Institutional and Governance Weakness	Carry out appropriate reform of the sector	ADB assisted upcoming reform program of BR will address these issues.
Institutional weakness	Delegation of authority to empower BR to take greater responsibility and to hold BR accountable for results.	ADB assisted upcoming reform program of BR will

Risk areas	Proposed mitigation measures	Comments
	Facilitate more private sector participation for improvement of service quality.	address these issues.
Inadequate rules and regulations for - <ul style="list-style-type: none"> ▪ Prevention, ▪ Detection and ▪ Deterrence of corruption. 	Develop and implement rail sector specific codes of conduct, rules and regulations to deter corrupt practices. BR should also introduce Business Integrity Management System (BIMS).	GOB with donor assistance may undertake the work.
Lack of established performance targets and objectives	Establish quantifiable performance and monitoring & evaluation methods	ADB assisted upcoming reform program of BR will address these issues.
Lack of meritocracy criterion in employment	Establish meritocracy criterion in recruitment and human resource	GOB may take necessary measures.
Lack of public accountability	Establishing effective accountability of the organization through public participation. Citizen/client charter can be first step towards establishing direct accountability.	GOB with donor assistance may undertake the work
Lack of accountability towards efficient and productive use of public finances.	Introduce performance audit	GOB may take necessary measures
Inadequate audit procedures and systems	Strengthen oversight organization	GOB may take necessary measures
Lack of detection and deterrence mechanism related to corruption	Establish an Anti-Corruption Department in BR and strengthen enforcing mechanism.	GOB with donor assistance may undertake the work.
Lack of explicit anti-corruption plans and awareness	Strengthen rules and processes within ACC	GOB may take necessary measures.
Absence of National Integrity Strategy (NIS)	Establish and enforce NIS involving : <ul style="list-style-type: none"> ▪ Independent and Effective Judiciary ▪ Proper Anticorruption Legislation, rules regulations ▪ Independent Prosecution and Enforcement ▪ Audit Organizations ▪ Legislative Oversight ▪ Empowering of Civil Society ▪ Freedom of information laws ▪ Whistle-blower protection law. 	GOB with donor assistance may undertake the work.

7. SECTION 7

7.1 Conclusion

The study on “Vulnerability to Corruption Assessment’ (VCA) of the rail sector identified the events and processes that exist within Bangladesh Railway including formal gaps in the regulatory environment. Opportunities for corruption in different areas of BR have been summarized in the VCA matrix. Using the results of the VCA, “Corruption Risk Mitigation Plan’ (CRMP) has been developed. The steps necessary to mitigate the opportunities for corruption in the current administrative environment have been outlined in the report.

When viewed from national perspective and considered in the national context, most of the corruption risk factors in the rail sector are found to be identical to those prevailing in other sectors and institutions of the country. As mentioned earlier the causes of corruption in general are rooted in a country’s policies, bureaucratic, traditions, political development and social history. Establishing and enforcing a National Integrity Strategy (NIS) involving:

- Independent and Effective Judiciary ;
- Proper Anticorruption Legislation, rules regulations ;
- Independent Prosecution and Enforcement ;
- Audit Organizations ;
- Legislative Oversight ;
- Empowerment of Civil Society ;
- Freedom of information laws ;
- Whistle-blower protection law;

is a must to mitigate corruption risk, and to curb and prevent corruptions to a reasonable degree.

A major reform and restructuring program along with investment for modernization of the railway sector is underway being jointly financed by GOB, ADB, World Bank and JBIC. There will be institutional, legal and regulatory changes and changes in service rules and regulations of employees. BR will be a corporate entity with a separate legal status. There will be separate lines of businesses within corporatized BR which is likely to operate under the Company’s Act. There will be complete changes in financial management and accounting systems. Further study to ascertain the implications and to prepare appropriate mitigation measures as required in the changed environment will be necessary.

Donor aided massive investment projects involving huge and complicated procurements process will be implemented in the transition phase before the major risks can be effectively mitigated. Special measures may be considered by donor agencies during implementation of the projects. During the project implementation, support of the donor agencies by engaging independent assessors may be a good step in preventing/minimizing corruptions.

CHAPTER III
- AN ASSESSMENT OF PUBLIC EXPENDITURE
TRACKING SURVEY (PETS)
ON BANGLADESH RAILWAY

1. SECTION 1

1.1 Pets on Bangladesh railway

An assessment report on public expenditure tracking survey in Bangladesh railway

1.1.1 What is Public Expenditure Tracking Survey (PETS)?

The Public Expenditure Tracking Survey (PETS) is a method used to study the flow of public fund and other resources through various levels of government and administrative hierarchy with the aim of measuring quality and quantity of intended public service delivery, and to identify the major points of resource leakage and misuse.

1.1.2 What does PETS do?

PETS enables identification of the major points of resource leakage and misuse and is most relevant where public accounting systems function poorly or provide unreliable information. Public expenditure tracking surveys allow policy makers to diagnose how incentives and accountability systems are working in practice and how they can be improved. PETS allows to observe the outputs and actions of service providers, thereby providing new information to policy-makers and beneficiaries on the complex transformation of public budgets into services. Two common problems that PETS studies have diagnosed are leakage of funds, usually non-wage funds and providers' absenteeism. In general non-wage funds appear more prone to leakage than salary funds. Salary funds may suffer from other abuses such as "ghosts on pay roll". The results of PETS are used to devise methods to enhance public expenditure efficiency in service delivery.

1.1.3 Public Expenditure in the Bangladesh Railway Context

Bangladesh Railway (BR) is a government owned and operated transport agency which provides transport services to the users using public funds. BR works under the Ministry of Communication (MOC) of the Government of Bangladesh (GOB). It is the sole agency responsible for management and operation of railway service in the country. Government provides policy, regulatory and investment decisions for the rail sector. Tariff and services to be operated by BR are also decided by the government. The railway budget for operation and maintenance is funded through annual appropriations from the government's budget. Development projects (including replacement and rehabilitation of existing assets and acquisition of additional rolling stock) are funded through annual development programs.

As a provider of transport service, BR has dual role; to work as a commercial enterprise with an obligation to generate sufficient revenue to meet its expenses and at the same time provide service as a public utility. Passenger fare and freight tariff of essential commodities are under-priced in the socio-economic interest of the coun-

try. BR provides transport facilities in emergent situations like flood, cyclone, draught etc., without commercial considerations.

1.1.4 **Role of Bangladesh Railway in the Transport Sector of Bangladesh**

Railway was once a dominant mode of transport in the country. But the railway system did not receive proper policy and investment support of the government. BR presently has a route network of 2855 Km, of which 660 Km is Broad Gauge (BG) and 1830 KM is Meter Gauge (MG) and 365 km is Dual Gauge (DG, which is a combination of BG and MG in a single three-rail configuration). The rail network as inherited from the British Indian Railways in 1947 with two different gauges (BG & MG), three pocket networks and two ferry links over the river Jamuna could not provide seamless services. Only recently through a railway link over the Jamuna Bridge, the east-west railway system has been interconnected using a dual gauge configuration. Consequently the railway system is still operated as three independent pocket networks severely limiting its scale and scope of operation, rolling stock and other asset utilization and lead of passenger and freight movement.

BR has 286 locomotives, 1,406 passenger coaches and 13,122 freight wagons of BG and MG types and 5 workshops for repair and rehabilitation works of these locomotives, carriages and wagons of two different gauges.

The relative roles of transport modes evolved with road transport expanding at the expense of railways and inland water transport. In terms of physical infrastructure, about 2800 kilometre of rail-route inherited in 1947 has increased marginally to 2855 km. Road sector, on the other hand, expanded disproportionately from 600 km of paved road in 1947 to nearly 27000 km by the year 2006. The country started with almost non-existent road network and as a consequence, road construction could be planned to match the traffic demand. Lack of investment in the rail system coupled with lopsided investment in the road sector has marginalized the role of BR. Moreover inadequate resource allocation for maintenance and operation has resulted in declining service quality.

BR provides both passenger and freight transport services. For reasons mentioned above, BR's market share of passenger transport declined significantly over the years. The product delivered by railways is measured in Traffic Units (TU). One TU is one passenger carried over one km or one tonne of freight carried over one km. The total output of BR is the sum total of Passenger-Km + Ton-Km carried over a period of one year. BR's output compared with other two modes of surface transport (roads and inland waterways) is shown in the table below.

Table 1.1: Output and Modal Shares in Passenger and Freight Transport

Year	Passenger				Freight			
	Total Pass-km	Mode Shares			Total Ton-km	Mode Shares		
		Road	Rail	IWT*		Road	Rail	IWT*
1975	17.0 billion	54%	30%	16%	2.6 billion	35%	28%	37%
1985	35.0 billion	64%	20%	16%	4.8 billion	48%	17%	35%
1989	57.0 billion	68%	17%	15%	6.3 billion	53%	17%	30%
1997	90.0 billion	72%	11%	17%	12.0 billion	65%	7%	28%
2005	111.5 billion	88%	4%	8%	19.6 billion	80%	4%	16%

* *Inland Water Transport*

Source: Bangladesh Transport Sector Review (The World Bank publications), People's Republic of Bangladesh: Revival of Inland Water Transport-Options a Strategies, 2007

Further explanation of the comparative outputs of the different modes of transport as in the above table is given below.

Total Pass-km: One passenger-km is one passenger carried over a distance of one km by a transport operator. For example, if railway carries a passenger over a distance of 100 km, the output for railway will be 100 passenger-km. 1000 passengers each travelling a distance of 100 km will produce output of 100,000 passenger-km. Total passenger-km as shown in the table above is the total number of passenger x distance travelled by each passenger.

Total Ton-km: One Ton-km is one Ton of freight carried over a distance of one km. For example, if railway carries one ton of freight over a distance of 100 km, the output will be 100 ton-km. 1000 tons carried over a distance of 100 km will produce output of 100,000 Ton-km. Total Ton-km as shown in the table above is the total tons of freight x total distance carried.

Transport service has two distinct components. One is the infrastructure over which vehicles move and the other one is service operation. BR combines both infrastructure and operation in its management. Railway service is operated by BR staff working under civil service rules. For the other two modes (roads and water ways) infrastructure is provided and maintained by the government, while service is provided by the private sector on a competitive basis. Private sector involved in road and water transport operations caters for nearly 95% of the transport needs of the country.

1.1.5 BR Productivity: Regional and Global Comparison

The salient performance indicators of BR for the year 2005 are given in the table below:

Table 1.2: BR's performance Indicators 2005

BR's performance Indicators	(2005)
Passenger km [million]	4,164
Ton-km [million]	817
Container Traffic (Twenty feet Equivalent Units, TEUs)	71,481
Labor productivity (calculated by total passenger-km + total ton-km divided by total number of employees for the core services)	T131,078
Asset utilization:	
(a) Freight: Net-ton-kilometer per wagon-day (calculated by total ton-km/total wagons in fleet/365)	(BG) 644 (MG) 158
(b) Passenger: Average number of passengers per vehicle-day (calculated by total passenger trips/total coaches—4 wheeled equivalent/365);	(BG) 16 (MG) 19
(c) Locomotive: Train-km per locomotive per day (calculated as total train km/total locomotives in fleet/365)	(BG) 162 (MG) 183

Source: *Bangladesh Railway Information Book (2005)*

BR being the sole provider of rail infrastructure and rail service, there is no scope to assess comparative performance of different providers/operators in the sector. The only way to assess performance of BR is to compare with international and regional yardsticks for railway performance.

The key performance indicators of the railways of the region are given in the table below. World Bank maintains database of world railways and their comparative performance based on the key performance yardsticks. The following elements are considered for comparison. Incidentally BR ranks lowest in all comparable performance parameters.

Table 1.3: Comparative Performance Railways of the Region⁶

Indicator	Unit	Bangladesh	India	Pakistan	Thailand	Malaysia
Track utilization	TU ⁷ million per route-km	1.80	12.00	3.20	3.50	3.50
Locomotive productivity	TU million per locomotive	17.00	22.00	40.00	40.00	25.00
Wagon productivity	Ton-km million per wagon	0.09	1.40	0.19	0.40	0.30
Coach productivity	Pass-km million per coach	2.80	11.00	13.50	8.00	5.00
Staff productivity	TU thousand per staff	138.00	500.00	300.00	540.00	450.00

Source: *WB document on Development Policy Lending to Bangladesh 2006*

⁶ Data for Bangladesh, Malaysia and Pakistan based on 2002, India on 2001 and for Thailand on 1999.

⁷ Traffic Unit (TU) = one ton-km of freight or one passenger-km. Tkm = Ton-Km, Pkm = Passenger-Km.

The World Bank's Railway Database provides information on scale, output and performance for over 90 railways worldwide permitting comparisons of performance and facilitating target setting by individual railways. The latest data available or provided by the railways are used in the tables. Some railways are more up to date with performance data than others. The table provides standard industry performance indicators which attempt to measure the productivity, effectiveness and asset utilization of the railway.

As mentioned earlier output of railways are measured in Traffic Units which are some totals of (a) passenger-km + (b) Freight Ton-km carried annually per line kilometre. One productivity indicator of railways is track utilization which is a measure of total traffic units (TU in millions) moving over a km of track. Similarly locomotive productivity is the total TUs (in million) carried by locomotive. Wagon productivity is total TUs (in million) carried by a wagon. Coach productivity is total passenger-km (in million) carried by a coach. Staff productivity is the total of TUs (in thousand) per employee. Less number of employees producing same level of output will mean higher level of employee productivity.

For effective and meaningful comparisons amongst different railways of the world, comparative factors used by the International Comparison Program (ICP) are taken into account. These are Purchasing Power Parity, railway expenditure and revenue earnings in constant price in official exchange rate of US Dollar.

It can be seen from the table above that all key productivity indicators of BR are the lowest among similar railways in Asia. Efficiency of public expenditure on BR is obviously not up to the mark. The actual cost of rail services provided and what the cost might have been if operations were more efficient cannot be distinguished. The fixed cost of inefficiency creates scope for waste and misuse of public money into a "black hole" without real accountability of public expenditure.

World Bank maintains database of world railways and their comparative performance based on the key performance yardsticks. The following elements (see table) are considered for comparison. Incidentally BR ranks lowest in all comparable performance parameters.

Table 1.4: World Bank Productivity Comparison for Railways

<ul style="list-style-type: none"> ▪ System Length <ul style="list-style-type: none"> - By type (route km) ▪ Rolling stock <ul style="list-style-type: none"> - Locomotives (electric, diesel, steam) - MU passenger fleet - Passenger coaches - Freight coaches ▪ Traffic <ul style="list-style-type: none"> - No. of passengers carried - Passenger-km - Passenger revenue (constant US \$) - Freight Ton carried - Freight Ton-km - Freight revenue (constant US \$) ▪ Employees <ul style="list-style-type: none"> - Number of railway staff 	<ul style="list-style-type: none"> ▪ Productivity <ul style="list-style-type: none"> - Operating Ratio with Normalization (w/ government subsidies) - Operating Ratio without Normalization (w/o government subsidies) - Average Lead, Freight (km) - Average Lead, Passenger (km) - Freight ton-km per Wagon (000) - Employee Productivity (TU per rail staff) - Employee per km of Line - Total Wages per Total Revenues - Ratio of Passenger Fares to Freight Rates - Traffic Density (000 of TU per km) - Coach Productivity (000 of Passenger-km per Coach + MU) - Locomotive Productivity (000 of TU per Loco + MU/MU Factor) - Wagon Productivity (000 of ton-km per Wagon) - PPP Passenger Revenue per pass-km (ICP) - PPP Freight Revenue per ton-km (ICP),
--	--

The above are quantitative performance indicators. In terms of Quality of Service which is generally reckoned by the following factors, BR's ranking is also not satisfactory.

Table 1.5: Quality of Service Factors

<ul style="list-style-type: none"> ▪ Punctuality of service ▪ Travel time reduction ▪ Improved level of safety ▪ passenger amenities at stations, on-board trains ▪ Passenger Information and enquiry services; ▪ Security in station premises and on-board trains; 	<ul style="list-style-type: none"> ▪ lights, fans, toilets, cleanliness in waiting rooms; ▪ seats, lights, fans, toilets, cleanliness on board trains; ▪ Ticket buying facilities; ▪ Buffet/dinning facilities at stations/ on-board trains; ▪ Customer friendly freight service
---	---

1.1.6 Productivity and Performance Outcome of Public Expenditure on BR

As will be evident from the above table, BR's role is quite insignificant in the transport sector. For BR, public expenditure is involved both in infrastructure and service provision, whereas in case of the other competing modes, public expenditure is involved generally in provision of infrastructure only. With the given input, what level of output (transport service delivery in terms of quality and quantity) is expected from BR and the socio-economic outcome of such output are not clearly defined. There is no mechanism in the budgetary and institutional processes of allocation and spending to compare "expectations" with "achievements" and to ensure accountability.

The transport product created by BR is sold at below production cost. The table below shows a breakdown of revenues and expenses for the fiscal year 2004-2005. BR's operating revenue for 2004-2005 was Taka 4.5 billion and operating expense was Taka 7 billion, resulting in an operating deficit of Taka 2.5 billion. 36% of BR's total operating expenditure is supported by GOB subsidy. As mentioned earlier, the cost of the railway services comprises the costs of providing both infrastructure and service operations (passenger and freight) over the infrastructure.

Table 1.6: Bangladesh Railway Financial Performance (2004-2005)

	Million Taka	% of Total
Operating Revenue		
Passenger Revenue	1,661.04	37%
Freight Revenue	1,262.22	28%
Other Coach Earnings	101.3	2%
Revenue fibre optic + land lease	1,431.68	32%
Total Operating Revenue	4,456.24	100%
Operating expenses		
General Administration	1,129.51	16%
Repair and Maintenance	2,461.13	35%
Operational Staff	1,034.00	15%
Operation Fuel	920.74	13%
Operation other than staff and fuel	465.64	7%
Miscellaneous Expense	942.82	14%
Depreciation	-	0%
Total Operating Expenses	6,950.86	100%
Deficit and Government Subsidies		
Operating Deficit	2,494.62	
Working Ratio	156%	
Total GOB Subsidy	2,494.62	36%
Total Operating Revenue	4,456.24	64%
Total Revenue (operating and subsidy)	6,950.86	100%

Source: Bangladesh Railway Information Book (2005)

It can be seen from the above table that 32% of total operating revenue of BR comes from non-transportation activities outside direct subsidies provided by the government.

In Chapter I of the report, financial management practices of BR have been elaborated in the business process analysis of the organization. Resource flow, oversight and accountability cycle for the rail sector has been shown in a schematic in that chapter. Checks and balances in BR are explained in further details in the following:

1.1.7 Internal Control and Checks and balances in BR

Finance and Accounts department of BR is headed by an Additional Director General (ADG). He is appointed by the Comptroller and Auditor General (C&AG). The officers of the Finance and Account department belong to the Audit & Accounts Cadre service

of Bangladesh. This department is responsible for accounting, internal auditing, and internal control of railway finance. Railway accounting, internal controlling and internal auditing system is quite elaborate and have been developed and customized over 150 years of its existence. The main feature of internal control is that the executives in railway are not the check signing authority. The accounts officers sign checks. Prior concurrence of accounts department is needed for the executive to commit any expenditure. After the expenditure has been incurred, check is issued by the accounts office.

Financial Advisor and Chief Accounts Officers (FA&CAO) of different units of BR maintains accounts of all transactions of receipts and expenditure made according to budget grants and reporting in the form of monthly, annual and appropriation accounts and monitoring the implementation and progress of collection of revenue and expenditure.

BR submits its annual financial accounts to the Controller General of Accounts for incorporation in the Finance Accounts of the Republic. At the end of the fiscal year the appropriation account relating to expenditure brought to the account during the financial year, which provides comparison between final grant and expenditure is prepared by the FA & CAOs. Consolidated financial report (appropriation account + financial accounts) of the republic as prepared by C&AG is placed before the Parliament.

BR's accounting is geared to the requirements of government control of cash revenue and cash expenditure and at the same time attempting to meet the conditions of commercial accounting.

C&AG is mandated by the Constitution to carry out independent audit of the accounts of BR as government department and to report on them to the Parliament.

1.1.8 Public Expenditure Tracking in BR

BR incurs public expenditure to produce railway service. The products are quantifiable and tangible in the form of total number of passengers and freight tons carried and annual turnover of total traffic units (total passenger- km + freight ton-km) produced. The products are sold at government determined prices to the users who are willing to pay for the given quality of service. The checks and balances (both internal and external) in the expenditure process function reasonably well. BR accounting system which had been refined over 150 years of railway's existence is quite reliable and earning and expenditure data are fairly accurate. The balance sheet produced at the end of the financial year is a good reflection of BR's financial performance.

The Public Expenditure Tracking Survey (PETS) is generally used in education and health sectors where output (both in terms of quality and quantity) can not be measured in a tangible manner and correlated with input. Information on financial and resource flows is not easily available to all stakeholders in the system. Leakage of funds, usually non-wage funds and absenteeism are common problems in the

health and education sectors which are assessed using PETS survey. But this is not the case with BR. Ghost workers in regular payroll are not known, though ghost workers are not uncommon in temporary pay roll (work-charged labour on daily basis). Absenteeism in regular pay roll may be a possibility, but very insignificant. BR's expenses on regular pay roll over the last five financial years are given in the table below. It can be seen that number of employees has decreased over the years due to retirement and at the same time ban on recruitment.

Table 1.7: BR Expenses on Employee

Year (July-June)	Total number of employees	Total Cost of employees * (Thousand Taka)
2000-01	36,761	234,69,77
2001-02	35,540	241,75,78
2002-03	34,727	227,35,11
2003-04	34,168	235,21,37
2004-05	35,172	288,21,08
* Excludes cost of superannuation allowances and pensions, contribution to provident fund and gratuities.		

Source: Bangladesh Railway Information Book (2005)

An analysis of BR operating expenses over the last five years & their percentage on functional areas basis are given in the table below.

Table 1.8: BR OPERATING EXPENSES & THEIR PERCENTAGE

Taka in thousands

Year July- June	General Administration		Repairs and maintenance		Operation Staff		Operation fuel		Operation other than staff & fuel		Miscellaneous expenses		Total
	Taka	%	Taka	%	Taka	%	Taka	%	Taka	%	Taka	%	Taka
2000-01	92,74,37	17.7	167,82,80	32.2	76,62,24	14.6	72,61,08	13.9	37,89,20	7.1	76,18,01	14.5	523,87,70
2001-02	96,06,88	17.9	175,59,68	32.8	78,86,87	14.7	77,95,58	14.6	39,38,45	7.4	67,60,91	12.6	535,48,37
2002-03	98,57,15	16.8	197,88,45	33.7	79,61,32	13.5	85,48,55	14.6	43,23,92	7.4	81,91,93	14	586,71,32
2003-04	102,54,20	16.04	228,98,80	35.81	87,37,03	13.67	90,36,94	14.13	49,54,55	7.75	80,59,04	12.6	639,40,56
2004-05	112,95,13	16.25	246,11,30	35.41	103,40,03	14.88	92,07,40	13.25	46,26,48	6.65	94,28,23	13.56	695,08,57

Source: Bangladesh Railway Information Book (2005)

In Chapter I, in connection with business process analysis for VCA, the leakages from the system (including through non-wage funds and absenteeism) have been described. The main areas of leakage as identified are:

- **Procurement:** Inefficiencies in the procurement system create enormous wastage of money and is the single most significant issue affecting sector performance.
- **Employments and Payroll:** As mentioned in Chapter I, fictitious payroll and absenteeism in permanent category of staff have been checked and controlled through vigorous efforts of the government and BR over the last 10 years. This was the result of previous reform program for rationalization of BR workforce. New recruitment was completely banned by the government and pay roll was regularly monitored to check for persons being retired, dead, leaving job, and long time absenteeism.

Where workers or temporary laborers are recruited, the scope of payroll fraud like ghost workers, absenteeism and other irregularities are not uncommon. This is because temporary workers are recruited for project execution or any other emergency work on daily basis.

- **Revenue Collections**
 - a) Passenger Revenue
 - b) Freight Revenue
 - c) Other Coach Earnings
 - d) Revenue from land lease

BR's cost recovery situation for different types of services are given in the table 17 below.

Table 1.9: Cost Recovery Situation in BR (2003-04)

Average per passenger Km.	Cost Tk*	Cost Tk**	Earnings Tk
Air-conditioned Class	12.7203	19.8679	1.7729
First Class	4.0314	6.2977	0.7503
Second Class	0.8934	1.3954	0.3860
All Class	1.0992	1.7169	0.4362
Average per Kilogram (Parcel & Luggage)	1.4111	2.2446	0.8492
Average per Net Tonne Km	1.5908	2.3903	1.4962
*Working Cost:: It includes working expenses including overheads but excluding depreciation & interest.			
**Total Cost: It includes working expenses including overheads, depreciation & interest.			

Source: An Economic Study of Bangladesh Railway on Passenger and Freight Traffic for the Financial Year 2003-04

In the railway sector public finance is used to subsidize different services to the extent shown below. There is no clear-cut objective and policy framework for subsidiz-

ing the services. Subsidy is more for higher classes of passengers which is contradictory to equity objectives of public finance. The subsidy given to one air-conditioned class passenger can be used to subsidize 17 passengers traveling in lower (2nd) class.

Subsidy per passenger Km

Air-conditioned Class:	Tk 18.0950
First Class:	Tk 5.5474
Second Class	Tk 1.0094

Subsidy Freight Service

Per Tonne Km	Tk 0.8941
--------------	-----------

1.1.9 Relevance of Public Expenditure Tracking Survey (PETS) on BR

Transport users in Bangladesh have fairly wide range of choice of other transport modes over BR services. Those who are willing to pay for the given level of BR service are using the railway mode.

PETS surveys are used to diagnose leakage of funds, usually non-wage funds and absenteeism. In general non-wage funds appear to be more prone to leakage than salary funds. Salary funds may suffer from other abuses such as “ghosts on pay roll”. As explained earlier, this is not the situation in BR. PETS as conducted in social service sectors (education and health) are not relevant in the BR context.

1.1.10 Actions Needed to Improve Public Expenditure Efficiency on BR

The operational risks of BR have been examined in connection with VCA analysis. The analysis identified systemic and governance weaknesses as the main causes of wastage and leakage of public fund in BR. Such losses may occur through misappropriation, excessive costs, or inefficiencies through misallocation or substandard work and services. The systemic inefficiency is also largely responsible for leakage of public money through corruptions. Specific mitigation measures which would effectively address the systemic and governance weaknesses as well the corruption risks identified through the VCA process have been listed in the chapter on “Corruption Risk Mitigation Plans”. The mitigation plans are to be given appropriate priority in enhancing public expenditure efficiency in the rail sector of Bangladesh.

Meanwhile a reform project assisted by ADB is under implementation on BR. The reform program is designed to improve the governance structure within which BR operates, addressing both governance relationship between GOB and BR on the one hand, and corporate governance and management structure within the railway organization on the other. The implementation of the reform program will help to:

- (a) clarify relationship between GOB and BR and increase BR's autonomy and accountability,
- (b) improve corporate governance and management structure within BR so that BR operates in a more commercial and market oriented manner, and
- (c) create a conducive environment for investment in railway operations.

The reform program has five interrelated components: (a) restructuring BR by line of business organization, (b) transforming BR into a corporate entity, (c) improving cost accounting and financial reporting, (d) improving human resource planning and incentives, and (e) improving operating and maintenance performance.

According to the reform road map, all components of the program are targeted for completion by 2011 when BR will be transformed into a corporate entity through appropriate legislation. As a corporate entity BR will have a different legal status. BR's new roles, reporting arrangements and institutional and safety regulatory framework for the rail sector will be defined in the legislation. The business units which will be established for different lines of business (LOB) are likely to be autonomous business entities with well defined commercial performance targets.

The existing business processes within BR will change and systemic and governance weaknesses are intended to be removed through the reform programme.

The reform program has a major component namely *"improving financial governance by implementing modern financial management and accounting systems"*. The new accounting system to be introduced through reform will provide financial reports and budget reports by lines of business (LOB) and will be published externally and made available to the public, which would contribute to make BR a more transparent organization. Another related component is the financial management reforms. This will improve the financial governance system within BR. The reforms will include preparing an asset register so that there is a true picture of BR's assets rather than just historical cost valuation and inclusion of non-economic assets. A new financial management and accounting system will be implemented so that it can support decision-making and give information on costs and revenues for each railway service in a manner consistent with international accounting standards and best practices in the railway industry, while satisfying the government's statutory reporting requirements. The information generated by the new system will also be used to calculate a new Public Service Obligation (PSO) payment mechanism. This will ensure that the PSO mechanism is actually used to cover only PSO services instead of being used to cover general deficits. This will improve transparency and thus improved financial governance.

The new system will restructure the existing accounting system of BR in such a way as to:

- i) support the existing government reporting requirements and will meet all the accounting standards set in future by the Comptroller and Auditor General (CAG) of the Government of Bangladesh;

- ii) provide activity based revenue and cost data which would be capable of identifying and mitigating systemic, maintenance and operating inefficiencies, facilitate generation of detailed revenue and cost inputs for assessing on a commercial basis according to international accounting standards (IAS) practice for (a) profitability of different operations; (b) profitability of different routes/sections; (c) margins for flexibility in tariff regulation;
- iii) be capable of producing financial statements of the highest quality and meeting all the commercial accounting requirements internationally adopted for rail industry and also the accounting standards laid down by Government of Bangladesh requirements;
- iv) provide BR the capability to evaluate the costs and profitability of individual traffic moves between different pairs of points and in addition to develop financial statements for various lines;
- v) facilitate breakdowns by main lines of business and by main services within these lines of business. It should ultimately help in organizing each business as a separate profit centre and also each segment within a business up to the level of a train as separate profit center;
- vi) facilitate a complete accounting separation of the different lines of business;
- vii) facilitate identification of loss making services and activities and also sound analysis of the underlying reasons to help the management in decision making;
- viii) evolve sound basis and models for identification of joint costs and its allocation, particularly where costs of sharing infrastructure like track, signal/telecom, stations, yards and terminals etc. are involved. A model cost sharing protocol based on internationally accepted principles /allocations followed by major efficient rail systems in the world to be evolved. It may also consider identification of certain common assets as independent profit centers viz: big passenger and freight terminals;
- ix) be able to provide specific cost information to be used for marketing purposes ;
- x) facilitate a more reliable estimation of both fully allocated costs and marginal costs.

In the next step, computerization of the accounting system in a synergetic manner for on-line implementation using latest information technology would be initiated and completed.

The overall BR accounting system review would include the following accounting sub systems:

- (a) BR's financial statements - basic financial verification – accounting practices - review of Audit comments - clearing up BR's corporate complexity in accounting & budgeting performance - fundamentals of complexities;
- (b) BR's accounting transactional processing;
- (c) BR's revenue accounting system – Traffic accounts;
- (d) Review of project/construction accounting transactional process;
- (e) Stores accounting (Material Management Modules);
- (f) Workshops accounting systems;

- (g) BR's accounting/financial codes – system of accounting governance through codes;
- (h) BR's accounting policies and standards

The final product will be acceptable accounting architecture/model together with detailed chart of accounts that will produce BR's financial statements in conformity with the commercial accounting standards internationally adopted in rail industry and also enable restatement of those financial statements into the ones that conform to government reporting requirements.

1.2 **Conclusions**

The existing process of public expenditure on BR as analyzed herein will provide an overview of systemic and governess weaknesses that create scope for wastage and misuse of public money. The causes of leakage, wastage and corruption in the railway sector have been identified through VCA in the previous chapters. CRMPs and other mitigations measures have also been included in the report. The main objectives of PETS are also to identify the leakage and wastage in the public expenditure chain and in this particular case, will give overlapping results.

The on-going reform programme of BR will address the weaknesses, particularly the public expenditure weaknesses in a systematic manner. The reform program when implemented will change the scenario completely, thus obviating the need for conducting further a comprehensive PETS in the railway sector at this point in time.

CHAPTER IV
- REVIEW OF ON-GOING PROJECTS
IN THE RAIL SECTOR

Summary of projects review

The TOR required that the consultant will conduct physical reviews sector specific projects (where feasible). In consultation with BR, two projects which appeared to be problematic and had apparently lots of irregularities were taken up for review and examination from the VCA perspective. The projects are:

- iii) New Construction and Extension of Platform Shed & Development of Dhaka Railway Station
- iv) Construction of Railway Link from Tarakandi to Jamuna Bridge

The works of the projects were undertaken during the past political regimes. Politically supported contractors/suppliers seemed to prevail over the project implementation authorities by coercion and collusion with corrupt officials. Group of contractors with political influence tried to control the selection of contractors and contract prices through syndicate/cartel. The accepted tenders were thus significantly higher in price than the approved cost of the component items. Different work components were sub-divided in order to keep the tender acceptance authority at lower levels for easy coercion and collusion.

Costs of both the projects had increased significantly from the original approved estimates. There were time delays in project implementation. Subsequent revisions of costs and time are under consideration of the competent authority. Authorities are also investigating irregularities in the tendering, awarding and implementations of various components of the projects. An analytical review of the projects from VCA perspective is provided in the following sections.

This review has been prepared at a time when the new caretaker government of Bangladesh has assigned top priority to restoration of good governance in the country to ensure proper utilization of public funds. A number of initiatives have been taken to address corruption and to establish rule of law.

In both the projects, institutional weaknesses of project implementation, lack of adequate supervision and oversight were also evident.

1. SECTION 1

1.1 Development of Dhaka Railway Station

1. Name of the Project: New Construction and Extension of Platform Shed & Development of Dhaka
2. Total project cost according to the originally approved Development Project Proposal (DPP) was Taka 219.80 million. The project was financed by Government of Bangladesh.
3. Administrative authority responsible for sponsoring: Ministry of Communications, Government of Bangladesh, Dhaka
- 3.1 Executing Agency: Bangladesh Railway.
4. Project Document Prepared: December: 2004
5. Objective and scope of work of the Project:
 - (i) The main objective of the project is to construct platform-sheds over open platforms and extension of platform sheds including roof leakage treatment of existing sheds and main concourse hall. Development and improvement of station approach road, circulation area and other passenger amenities are also included in the project scope.
 - (ii) Dhaka station building and related platform facilities were constructed in 1965. At that time no sheds on platform nos. 1, 4 & 5 were constructed. Moreover, the sheds on platform nos. 6 & 7 are not sufficiently long enough to cover the whole length of a train. As a result traveling passengers faced difficulty particularly during the rainy season. So construction of new sheds and extension of existing sheds on aforesaid platforms was included in the project.
 - (iii) Another problem of the main station building was leakage of rainwater through roof of main concourse hall and old platform sheds which caused inconvenience to the traveling passengers using the lobby and covered platforms. The problem was examined by experts and as per expert opinion roof treatment and works strengthening of the shell and columns damaged by the rainwater were included in the project.
 - (iv) There is traffic congestion at the station approach road which causes inconvenience to the passengers. Space available for Car, Taxi, Auto-rickshaw & rickshaw parking are not adequate. Therefore, re-orientation of the movement of traffic system became necessary by works of development of station circulation area were included in the project.
6. The Project Concept Paper (PCP) for the Project with an estimated cost of Tk. 219.80 million was approved in the Executive Committee of National Economic

Council (ECNEC) on 07-07-2004 with costs components as given in table 18 below.

- Proposed commencement year: 2003-2004
- Proposed completion year: 2003-2004

Table 1.1: Work Components

	Work Components	Cost Tk million
i)	Construction of Platform Shed on Platform No. 1 including louvers.	25.11
ii)	Construction of Platform Shed on Platform No. 4 & 5 including louvers.	62.70
iii)	Extension of Platform Shed on Platform No. 6 & 7 including louvers.	25.21
iv)	Construction of RCC Platform with khoa consolidation. nosing etc.	24.15
v)	Rehabilitation and Roof treatment works of Main Concourse Platform Shell, Sub-urban shed. Corridor shed along with repairs, painting etc. of Dhaka Station.	44.99
vi)	Improvement and widening of station circulation area. Traffic Channeling, Shifting of VIP gate. Modification Up gradation of Approach Road etc.	20.00
vii)	Construction of Water Hydrant.	3.45
viii)	Consultancy Services.	0.80
ix)	Electrical Works.	4.00
x)	Man Power	1.44
xi)	Contingencies @ 2%	4.31

7. The schedule of rates as approved by the competent authority and included in the project document is given in the table below.

Table 1.2: Approved Itemized Cost

Sl. No	Description of Work	Quantity	Rate Tk	Total Tk Million
1.	a) Construction of Platform Shed on Platform No. 1	2737.92 Sqm	8608.00 per Sqm	23.57
	b) Construction of RCC Louvers on Platform No. 1	797.58 Sqm	1936.80 per Sqm	1.55
2.	a) Construction of Platform Shed on Platform No. 4 & 5	7041.12 Sqm	8608.00 per Sqm	60.61
	b) Construction of RCC Louvers on Platform No. 4&5	1078.07 Sqm	1936.80 per Sqm	2.10
3	a) Extension of Platform Shed on Platform No. 6 & 7	2831.02 Sqm	8608.00 per Sqm	24.37
	b) Construction of RCC Louvers on Platform No. 6 & 7	433.46 Sqm	1936.80 per Sqm	0.84
4.	Construction of RCC Platform with Khoa consolidation. nosing etc.	11220.00 Sqm	2152.00 per Sqm	24.15
5.	Rehabilitation and Roof treatment works of Main Concourse Platform Shell, Sub-urban shed. Corridor shed along with repairs, painting etc. of	46329.00 Sqm	1076.00 per Sqm	44.99

Sl. No	Description of Work	Quantity	Rate Tk	Total Tk Million
	Dhaka Station.			
6.	Improvement and widening of station circulation area. Traffic Channeling, Shifting of VIP gate. Modification Up gradation of Approach Road etc.	L.S	L.S	200.00
7.	Construction of Water Hydrant.	2103.66 m	1640.00 per M	34.50
8.	Construction of 'U' & super type drains	2852.44 m	1377.60 per M	36.54
9.	Consultancy Services.	L.S	L.S	8.00
10	Electrical Works.	L.S	L.S	40.00
11	Man Power (as per annexure- ' I ')			14.38
	Total =			2154.93
12	Contingency			43.10
	Grand Total=			2198.03

8. The cost components are established from the Engineer's Estimate as provided in project proposal by the executing agency. The costs are then verified by the Ministry of Communication and thereafter rationalized jointly by the Implementation, Monitoring and Evaluation Division (IMED) and Planning Commission of the Ministry of Finance and Planning before being finally approved by the ECNEC. Once approved, the executing agency is not authorized to exceed the cost limits of any component while approving purchase and awarding tenders. If tender price of any component exceeds by 10%, the project document has to be revised and approval of the proper authority has to be obtained again. Before that no excess expenditure can be incurred.
9. The works of the project under review were undertaken for implementation during the last political government when political intervention prevailed in different spheres of government activities. In the rail sector there were allegedly cartels of politically supported contractors/suppliers who could prevail over the project implementation authorities by coercion and sometimes by collusion with corrupt officials.

In the Dhaka Station area was reportedly controlled by a group of contractors having political patronization. They were known to keep other competing contractors away from tender participation through intimidation. The syndicate/cartel decided within themselves who amongst them would take what component of work. The others would just support with tenders in favour of the target contractor. The target tender price was also allegedly decided by the cartel/syndicate. 3-4 tenderers participated in a tender. There was apparently transparency and fair competition in the tender process. The lowest tender price thus becomes significantly higher than the approved cost of the component item. The lowest tenderer then started lobbying for acceptance of his tender. Tenderer used to influence the procuring entity and the tender accepting authority by bribing/intimidation or placating as necessary. Different work components were

sub-divided in order to keep the tender acceptance authority at lower levels for easy coercion and collusion.

10. The consequence was that the work components which were attractive to the contractors were completed at higher costs. But the work components were completed at higher costs without revising the project document or without prior approval of the competent authority.
11. The DPP was required to be revised to complete the project with additional allocations. The cost/quantity increases of various components in the Revised Development Project Proposal (RDPP) have been summarized in the table below.

Table 1.3: Cost increase in the Revised Proposal from the Original one (Figures in Lakh Taka)

Work Components	Original DPP		Revised DPP		Increases in	
	Quantity/Unit	Cost	Quantity/Unit	Cost	Quantity/Unit	Cost
1. Rehabilitation and Roof Treatment works of Main concourse Platform Shell, Sub-Urban shed. Corridor shed along with repairs, painting etc. of Dhaka Station.	46329.00 Sq-m.	449.86	56877 Sq-m	1016.28	10548 Sq-m.	566.42
2. Supply & installation of point machine (GEC TYPE)110 Volt D.C	-	-	2 Nos.	15.00	2 Nos.	15.00
3. Supply and laying of Flexible wire IX(.65-1.5) RM.	-	-	15 Km	5.00	15 Km	5.00
4. Supply and laying of standard insulated wire for track & relay feed (Rail based cable)	-	-	2 KM	6.00	2 KM	6.00
5. Underground XLPE insulated scythed armed cable type NYF GBY -1, 48x1.5 RE.	-	-	2 KM	20.00	2 KM	20.00
6. 10.Underground XLPE insulated scythed armed cable type NYFGBY-1, 24x1.5 RE.	-	-	2 KM	12.00	2 KM	12.00
7. a)Construction of Platform Shed on Platform No.-1	2727.92Sq-m	235.68	2250.00 Sq-m	248.92	477.92 Sq-m.	13.24
b)Construction of RCC Louvers on Platform No.-1	797.58 Sq-m	15.45	970.00 Sq-m	22.55	1172.42 Sq-m	7.10
8. Construction of RCC Louvers on Platform No.- 4 & 5	1078.07 Sq-m	20.88	1970.01 Sq-m	45.81	891.94 Sq-m.	24.93
9. a)Extension of Platform Shed on Platform No.-6 & 7	2831.02 Sq-m	243.69	2884.57 Sq-m.	314.96	53.55 Sq-m.	71.27
b) Construction of RCC Louvers on Platform No.-6 & 7	433.46 Sq-m	8.40	792.94 Sq-m.	18.43	359.48 Sq-m.	10.03
10. Construction of RCC Platform with khoa consolidation nosing etc.	11220.00Sq-m	241.45	11996.00Sq-m	250.81	776.00 Sq-m.	9.36
11. Improvement and widening of station circulation area. Traffic Channeling, Shifting of VIP Gate. Etc.	L.S.	200.00	-	255.47	L.S.	55.47
12. Electrical Works	L.S.	40.00	L.S.	50.00	L.S.	10.00
13. Installation of two nos. lifts for Administration bldg. at Kamalapur (Including Civil Works).	-	-	2 No.	50.00	2 No.	50.00
14. Supply and installation CCTV at the approach gate & ticket counter complete with monitoring & controlling unit.	-	-	10 Nos.	8.00	10 Nos.	8.00
15. Extension of Public Address system of new platform for Dhaka Railway Station.	-	-	L.S.	17.00	L.S.	17.00

12. In the revised proposal the executing agency stated the reasons for cost increase to be higher rates of accepted tender and execution of additional work as per site conditions. Another reason stated was that construction had to be carryout under special arrangement without hampering train operation. When the proposal for revision of the project cost and scope was sent to the present Caretaker Government, the irregularities were taken up seriously. An enquiry committee has been constituted at the government level to find out as to how contracts were awarded at prices higher than the provisions in the approved project document and also as to how expenditure in excess of the allocated budget could be incurred. The enquiry committee is conducting detailed investigation of the irregularities committed and identifying persons responsible for such irregularities.
13. Meanwhile to complete the project work, the Project Evaluation Committee (PEC) of the Planning Commission under the ministry of Planning in a meeting held on 09-05-2007 decided to recast the project at a total revised cost of taka 296.88 million. The revised target of completion of the project is 30-06-2008. The meeting also decided to constitute an inter-ministerial committee under co-ordination of the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning to physically verify different component works and the justifications for price and quantity increases during execution.
14. Conclusions and observations
In the project under review, procurement frauds including collusion, overcharging and inflated scope were apparent. There was collusion among contractors to fix bids and to share the market. Contracts were awarded by subdividing work components to bypass regulatory financial limits. Financial powers were inappropriately exercised to avoid approval and scrutiny by higher authority. VCA of the sector identified these areas to be vulnerable to corruption. But the pre-dominant cause was the pervasive political corruptions at that time.

2. SECTION 2

2.1 Railway link from Tarakandi to Jamuna Bridge

1. Name of the Project: Construction of Railway Link from Tarakandi to Jamuna Bridge
2. Total project cost according to the originally approved Development Project Proposal (DPP) was Taka 1127.80 million. The project was financed by Government of Bangladesh.
3. Sponsoring Ministry/Division: Ministry of communications, Government of the People's Republic of Bangladesh
4. Executing Agency: Bangladesh Railway.
5. Objectives of the Project: This project aims at constructing a new railway track (35 km) from the Jamuna Bridge Railway link to the fertilizer factory at Tarakandi. One of the largest fertilizer factories of the country named Jamuna Fertilizer Factory is situated at Tarakandi on the eastern bank of the river Jamuna. 80% of its production (total production close to 1700 million tons) is transported by rail to the districts of Rangpur, Dinajpur, Rajshahi and Bogra which are on the western side of the river Jamuna. Before construction of the Jamuna Bridge railway wagons and ferries were used for transportation of fertilizer. The railway ferry services over the Jamuna River will be closed after construction of the railway link over the Jamuna Bridge. As a result construction of a rail line to the Jamuna Bridge Railway link which is about 35 km away from Tarakandi Fertilizer Factory became necessary. If link is not established between Tarakandi & Jamuna bridge (the shortest railway link), the cost of transportation will increase due to longer traveling distance. This will increase price of fertilizer. As a result the agricultural sector will be affected badly. The project will also establish a direct shorter railway link to connect greater Mymensingh district with the northern districts of the country.

The major components of the project are:

- Land acquisition;
- Construction of embankment including earth compaction; the entire stretch is a low lying area;
- Construction of bridges and culverts;
- Construction of railway track which includes installing rails, sleepers, ballasts, track fastenings. Released rails from another project will be used for the purpose.
- Construction of station buildings and other facilities including approach roads.
- Construction of signalling and telecommunication facilities.

6. Except the rails which were to be supplied from railway's own stock (to be released from other projects), the projects components comprised supply of equipment/ materials, installation and constructions at site through supplier/contractors.
7. The works of the project were undertaken for implementation during the past political regimes. Here also politically supported contractors/suppliers apparently prevailed over the project implementation authorities by **coercion** and **collusion** with corrupt officials.
As in the case of the other project, a group of local contractors with political influence controlled the selection of contractors and contract prices through syndicate/cartel. The accepted tenders were thus significantly higher in price than the approved cost of the component items. Different work components were sub-divided in order to keep the tender acceptance authority at lower levels for easy coercion and collusion.
8. The cost components as usual were established from the Engineer's Estimate provided in project proposal by the executing agency. These were verified/rationalized at different levels and finally approved by the ECNEC. The executing agency is not authorized to exceed the cost limits of any component while approving purchase and awarding tenders. But the work components which were apparently attractive to the contractors were completed at higher costs without revising the project document or without prior approval of the competent authority.
9. The Development Project Proposal (DPP) in this case had to be revised twice with substantial cost increases and time overruns. The project time and cost overruns will be evident from the following:

i) Time comparison of the three revisions

Project period:	From	To
a) Original:	1999-2000	2001-2002
b) 1st revised:	1999-2000	2005-2006
c) 2nd revised:	1999-2000	2008-2009

ii) Cost comparison of the three revisions in million Taka

Currency	Original	1st Revised	2nd Revised
Local	913.85	1628.41	2116.27
Foreign Exchange	213.95	48.56	69.51
Total	1127.80	1676.97	2185.78

iii) Cost over run over in the first revision : 30.34%

iv) Time over run over in the first revision: 42.86%

- v) Cost over run over in the 2nd revision : 91.45% compared to the original
 - vi) Time over run over in the first revision: 200% compared to the original
10. The justifications for cost increase given the by executing agency in the revised proposals were the following:
- (i) The price of steel structure/reinforcement (Steel girders of major Bridges & ms rod in RCC structure), other Engineering materials (Cement, Sand, Stone chips, Brick bats etc.), permanent way materials and fittings (ballast, wooden sleeper, points and crossings, bearing plate, elastic rail clip, check block etc.), signalling & telecom materials (cable, materials & equipments etc. from foreign sources) increased in the global market as well as in the local market.
 - (ii) Consultant modified the design during construction considering soil test and practical river survey reports, of RCC piles/RCC works, bank protection work of some major bridges, for which additional expenditure have been involved.
 - (iii) Extra earthwork was required to develop the Ibrahimabad (IBBD) station yard for providing new platform, loop lines, siding lines and shifting of existing approach road for better operational facilities.
 - (iv) Height of formation level of embankment had to be raised over 2 km length to keep sufficient navigation clearance under a major bridge.
 - (v) Increased cost of plantation green trees.
 - (vi) Increase of rate of dollar (\$) from Tk. 59.00 to Tk. 70.00 without resulting cost increase of imported items.

The tables below give the detailed breakup of project components showing the cost comparison for each revision and detailed justifications for cost increase.

11. In the revised proposal of the executing agency stated the reasons for cost increases as mentioned in the foregoing was sent to the present Caretaker Government. The irregularities were taken up for investigation to find out as to how contracts were awarded at prices higher than the provisions in the approved project document and also as to how expenditure in excess of the allocated budget could be incurred.

12. Conclusions/Observations

The conclusion/observations are generally the same as in the case of the other project. Procurement frauds including collusion, overcharging and inflated scope were apparent. Financial powers were inappropriately exercised to avoid approval and scrutiny by higher authority.

In this project institutional weaknesses of project implementation, lack of adequate supervision and oversight were also evident.

Table 2.1: Comparative Cost Analysis
(in Lakh taka)

SI.No	Description	1 st Revised				2 nd Revised			
		Local		F.E	Total	Local		F.E	Total
		CD & VAT & Others	Works			CD & VAT & Others	Works		
1.	Procurement of materials and equipments: from foreign source (Annex B)	240.39	0.00	480.78	721.18	344.12	0.00	688.26	1032.38
2.	Procurement of materials and equipments: from local source (Annex C)	0.00	3130.14	0.00	3130.14	0.00	4789.69	0.00	4789.69
3.	Other Engg. works (Annex D):	0.00	11684.69	0.00	11684.69	0.00	14382.23	0.00	14382.23
4.	Transport (Annex E):	0.00	95.00	0.00	95.00	0.00	72.52	0.00	72.52
5.	Labour cost (Track linking & Other related works):	0.00	425.00	0.00	425.00	0.00	609.24	0.00	609.24
6.	Ballast Train charge:	0.00	320.00	0.00	320.00	0.00	400.00	0.00	400.00
7.	Manpower (Annexure G):	0.00	167.50	0.00	167.50	0.00	273.77	0.00	273.77
8.	Engineering Design:	0.00	10.00	0.00	10.00	0.00	10.00	0.00	10.00
9.	Plantation:	0.00	25.00	0.00	25.00	0.00	50.00	0.00	50.00
10.	Cost of office equipment and & others: (Annex F)	0.00	25.00	0.00	25.00	0.00	25.00	0.00	25.00
	Sub-Total	240.39	15882.33	480.78	16603.51	344.12	20612.45	688.26	20612.45
11.	Contingency:	2.40	158.95	4.81	166.16	0.00	206.12	6.88	206.12
12.	Cost escalation:	-	-	-	-	-	-	-	-
	Total cost Including cost escalation	242.79	16041.28	485.59	16769.66	344.12	20818.57	695.14	21857.83
	Total	16284.07		485.59	16769.66	21162.69		695.14	21857.83

Table 2.2: Comparative Cost Analysis

Materials to be procured from foreign source (in Lakh taka)

SL NO	Description	Total cost (1 st Revised)							Total cost (2 nd Revised)						
		Quantity	Unit	Unit Rate (C & F) (in Taka)	Local		F.E	Total	Quantity	Unit	Unit Rate (C & F) (in Taka)	Local		F.E	Total
					CD & VAT taxes & others	works						CD & VAT others	Works		
A	Engineering:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1. Wooden Sleeper (MG)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2. Special Sleeper	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3. Double Shank elastic spike	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4. Dog spike	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5. Bearing Plate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6. P/Way Tools	Ls	-	-	16.75	-	33.50	50.25	-	-	-	-	-	-	-
	7. P/Way small fittings	Ls	-	-	25.00	-	50.00	75.00	-	-	-	-	-	-	-
	8. Fish plate with bolts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9. Ballast	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	10. Welding materials	4000 Nos.	No.	800.00	16.00	-	32.00	48.00	4000 Nos.	No.	2011.00	26.81	-	53.63	80.44
	11. Speed Trolley	2 Nos.	No.	100000.00	1.00	-	2.00	3.00	2 Nos.	No.	150000.00	1.00	-	2.00	3.00
B	Signal & Telecom:	-	-	-	-	-	-	-	Ls	-	-	108.33	-	216.67	325.00
	1. Signaling materials														
	2. Telecom materials	L.S.	L.S.	-	181.64	-	363.28	544.93	L.S	L.S	-	207.98	-	415.96	623.94
	Total				240.39		480.78	721.18				344.12		688.26	1032.38

Table 2.3: Comparative Cost Analysis

Materials to be procured from local source (in Lakh taka)

SL NO	Description	Total cost. (1 st Revised)							Total cost (2 nd Revised)							
		Quantity	Unit	Local			F.	Total	Quantity	Unit	Local			F.	Total	
				Unit Rate (in taka)	CD & VAT	works					Unit Rate (in taka)	CD & VAT	Works			
A	1. (a) Rail - 75 A (S/H)	3150	Ton	1500.00	-	47.25		47.25	3255	Ton	1500.00	-	48.83		48.83	
	(b) Rail - 90 Lbs/75A (New)	-	-	-	-	-		-	50	Ton	63863.80	-	31.93		31.93	
	2. Points & Crossings			5 60												
	a) 1 in 12 (MG)	24	No.	000.		134.40		134.40	17	Nos.	696000.00		118.32		118.32	
	b) 1 in 8½ (MG)			00					3	Nos.	600000.00		18.00		18.00	
	c) 1 in 12 (DG To MG)	-	-	-		-		-	2	Nos.	1850000.00		37.00		37.00	
	3. Trap Point	10	No.	1 9000		19.00		19.00	16	Nos.	190000.00		30.40		30.40	
	4. Sand in/c spreading & compaction	20 00 000	cft.	9.00		180.00		180.00	2700000	Cft.	19.44		524.88		524.88	
	5. PC Sleeper	55 000	No.	1452.00		798.60		798.60	55000	Nos.	1452.00		798.60		798.60	
	6. Wooden sleeper (Gaj)	10 000 =16 900 Cft	cft.	1050.00		177.45		177.45	15000	Cft.	1500.00		225.00		225.00	
	7. Special wooden sleeper (Gaj)	15 000	cft.	1050.00		157.50		157.50	12500	Cft.	1500.00		187.50		187.50	
	8. Dog spike	75 000	No.	12.70		9.52		9.52	81000	Nos.	35.00		28.35		28.35	
	9. Bearing plate	8 300	No.	460.00		38.18		38.18	9000	Nos.	480.00		43.20		43.20	
	10. Ballast :															
a) Stone Ballast	17 00 000	cft.	45.00		765.00		765.00	1820000	Cft.	86.42		1572.84		1572.84		
b) Brick Sub-Ballast in/c M/Compaction	11 00 000	cft.	26.00		286.00		286.00	8250000	Cft.	40.36		332.97		332.97		
11. Fish Plate in/c bolt	3 400	set.	1456.00		49.50		49.50	3400	Set	1888.00		64.19		64.19		
12. Compound fish plate in/c bolt	10	set.	5000.00		0.50		0.50	10	Nos.	26340.00		2.63		2.63		
13. Joggled fish plate	40	set	6000.00		2.40		2.40	5	Set	32240.00		1.61		1.61		
14. Hook bolt	2 500	No.	650.00		16.25		16.25	2500	Nos.	725.00		18.13		18.13		

SL NO	Description	Total cost. (1 st Revised)							Total cost (2 nd Revised)						
		Quantity	Unit	Local			F.	Total	Local					F.	Total
				Unit Rate (in taka)	CD & VAT	works			Quantity	Unit	Unit Rate (in taka)	CD & VAT	Works		
	15. ERC clip (Anti Theft)	2 25 000	No.	34.90		78.53		78.53	225000	Nos.	85.00		191.25		191.25
	16. Glass filled nylon liner	2 25 000	No.	18.80	-	42.30	-	42.30	225000	Nos.	29.98		67.46		67.46
	17. GRP	1 10 000	No.	13.00	-	14.30	-	14.30	110000	Nos.	15.00		16.50		16.50
	18. Check block in/c bolts	-	-	-	-	-	-	-	1250	Nos.	525.00		6.56		6.56
	19. Special Bearing Plate	-	-	-	-	-	-	-	200	Nos.	1994.00		4.00		4.00
	20. Round Spike	-	-	-	-	-	-	-	3000	Nos.	133.00		4.00		4.00
	21. Spring Tumbler Lever	-	-	-	-	-	-	-	33	Nos.	17469.00		5.76		5.76
	22. Clamp point Universal	-	-	-	-	-	-	-	25	Nos.	600.00		0.15		0.15
B.	23. Furniture	L.S.		L.S.		15.00		15.00	L.S.	L.S.	L.S.		15.00		15.00
	24. Station Machinery's	L.S.		L.S.		17.00		17.00	L.S.	L.S.	L.S.		17.00		17.00
C.	25. Communication Cable (Signalin)	-	-	-		-		-	50	Km	150000.00		75.00		75.00
	26. Signaling Cable	45	Km	L.S.		75.00		75.00	15	Km	400000.00		60.00		60.00
	27. Signaling materials	-	-	L.S.		164.65		164.65	-	-	L.S.		165.00		165.00
	28. Telecom equipment (Signaling)	L.S.		L.S.		26.81		26.81	L.S.		L.S.		-		-
	29. Office & Survey equipment	L.S.		L.S.		15.00		15.00	L.S.		L.S.		15.00		15.00
	30. P-Way tools	-	-	-	-	-	-	-	L.S.	-	LS		25.13		25.13
	31. P-Way small fittings	-	-	-	-	-	-	-	L.S.	-	LS		37.50		37.50
	Total					3130.14		3130.14					4789.69		4789.69

Table 2.4 Other Engineering Works
(In Lakh Taka)

SL NO	Items of works	Total cost (1 st Revised)						Total cost (2 nd Revised)							
		Quantity	Unit	Unit Rate (in taka)	Local		F.E	Total	Quantity	Unit	Unit Rate (in taka)	Local		Total	
					CD & VAT & others	works						CD & VAT	Works		
1.	a) Preliminary expenses (Survey in/e establishment)	L.S	-	L.S	-	25.00	0.00	25.00	L.S	-	L.S	-	25.00	0.00	25.00
	b) Others	-	-	-	-	0.00	0.00	0.00	-	-	-	-	0.00	0.00	0.00
2.	Land acquisition & : Compensation	786.79	cre	-	-	3900.00	0.00	3900.00	786.79	cre	-	-	3900.00	0.00	3900.00
	a) Arable land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) Home land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c) Compensation :	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	i) House	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ii) Trees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	d) Land acquisition & : establishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Engineering works:														-
	a) Earth work including cladding layer & others	44 lakh	Cft	2.60	-	2454.40	0.00	2454.40	50 lakh	Cft	2.67	-	2803.50	0.00	2803.50
	b) Bridges :														
	i) Major (in/c girder)	12	No	-	-	3167.00	0.00	3167.00	12	No	-	-	4665.00	0.00	4665.00
	ii) Minor	40	No	-	-	1000.00	0.00	1000.00	40	No	-	-	1325.25	0.00	1325.25
	c) Level X-ings:														-
	i) Fencing & wiring	L.S	-	-	-	25.00	0.00	25.00	L.S	-	-	-	50.00	0.00	50.00
	ii) Gate lodge & X-ing arrangement	L.S	-	L.S	-	80.00	0.00	80.00	L.S	-	L.S	-	160.00	0.00	160.00
	iii) Gate barrier	L.S	-	L.S	-	25.00	0.00	25.00	L.S	-	L.S	-	50.00	0.00	50.00
	d) Ballast spreading	L.S.	-	L.S	-	50.00	0.00	50.00	L.S.	-	L.S	-	100.00	0.00	100.00
	e) Electrification	L.S	-	L.S	-	180.00	0.00	180.00	L.S	-	L.S	-	180.00	0.00	180.00
e-1) Shifting & raising electric pole	-	-	-	-	-	-	-	L.S	-	L.S	-	100.00	0.00	100.00	
	Page Sub-Total					10906.40	0.00	10906.40					3358.75	0.00	3358.75

Table 2.5: Other Engineering Works

(In Lakh Taka)

SL NO	Items of works	Total cost in (1 st Revised)							Total cost (2 nd Revised)						
		Quantity	Unit	Unit Rate (in taka)	Local		F.E	Total	Quantity	Unit	Unit Rate (in taka)	Local		F.E	Total
					CD & VAT	works						CD & VAT	Works		
3.	f) Station & other Service building :														
	i) Station building in/c provision of piling # Pump , Reservoir & Generator	7200	Sft	800.00	-	57.60	0.00	57.60	5400	Sft	2800.00		151.20	151.20	
		1000	Sft	800.00	-	8.00	0.00	8.00	1000	Sft	2200.00		22.00	22.00	
	ii) Office building	1500	Sft	800.00	-	12.00	0.00	12.00	1500	Sft	1500.00		22.50	22.50	
	iii) Godown	3000	Sft	400.00	-	12.00	0.00	12.00	3000	Sft	1500.00		45.00	45.00	
	g) Residential building:	25600	Sft	800.00	-	204.80	0.00	204.80	1800	Sft	2200.00		39.60	39.60	
	i) 1000 sft - 1 unit (SSAE)	1×1000							1×1000						
	ii) 800 sft - 11 unit (SM/SAE)	11×800							1×800						
	iii) 600 sft - 13 unit (MS/TCM/WM/Hd.Mate/ painter/ Carpenter/ Black smith etc.)	13×600													
	iv) 500 sft - 16 unit (Mate/P.Man/Khalashi)	16×500													
	v) Barrack-2 No	2000	Sft	800.00	-	16.00	0.00	16.00	7200 3x2x1 200	Sft	1500.00		108.00	108.00	
	h) Water supply In/c drainage (W/tank, Hydrant, Pump, P/ house, drain etc.)	L.S	-	L.S	-	100.00	0.00	100.00	L.S	-	L.S		100.00	100.00	
	i) Cable laying (Telecom)	L.S	-	L.S	-	23.61	0.00	23.61	L.S	-	L.S		27.15	27.15	
	j) Signal instrument/ Mat.	L.S	-	L.S	-	25.00	0.00	25.00	L.S	-	L.S		28.75	28.75	
	k) Station approach road , Internal road , B/Wall, P/form & P/shed	L.S	-	L.S	-	150.00	0.00	150.00	L.S	-	L.S		150.00	150.00	
	k-1) Foot over bridge at IBBD	-	-	-	-	-	-	-	L.S	-	L.S		60.00	60.00	
	l) Protection work (Ballast Wall, Protection wall & others)	L.S	-	L.S	-	100.00	0.00	100.00	L.S	-	L.S		200.00	200.00	

SL NO	Items of works	Total cost in (1 st Revised)							Total cost (2 nd Revised)						
		Quantity	Unit	Unit Rate (in taka)	Local		F.E	Total	Quantity	Unit	Unit Rate (in taka)	Local		F.E	Total
					CD & VAT	works						CD & VAT	Works		
	m) Welding for SWR Rail	4000	NO.	1732.00	-	69.28	0.00	69.28	4000	No S.	1732.00		69.28		69.28
	Page Sub-Total					778.29	0.00	778.29					1023.48		1023.48
	Total					11684.69	0.00	11684.69					14382.23		14382.23

Table 2.6: Reasons for the 2nd revision of Cost Estimate

SI No.	Item	Variation in cost over 1 st revision Tk Million	Reasons for variation
1	Procurement of materials & equipments from foreign/local sources. Signal & telecom materials: Annexure – B, C & D a) Signal & Telecom b) Welding materials c) Signal & Communication cable d) Cable laying e) Signaling instruments	(+) 47.73	All signal, telecom and rail welding materials are to be procured from foreign countries. Subsequently world market has increased on considering the Dollar (\$) rate. Hence the estimated cost (signal & telecom equipment) of this foreign material (including CD, VAT, taxes and FE) has been increased and excess cost is required.
2	Procurement of materials & equipments from local source: Annexure – A & C a) P-way materials. b) P-way tools c) P-way small fittings. d) Track linking (labor cost)	(+) 61.11	a) New Rail (75 lbs 'A' & 90 lbs) for manufacturing points and X-ing (MG) & providing DG points & X-ing at IBBB station yard (as per requirement of CTM/West) is required. Price of new rail increased highly in the world market. Hence excess cost is required. b) Price of P-way tools & materials, small fittings, track linking labour etc. is increased in the latest rate of TSO/CRB and SR/2005 as well as world and local market. So excess cost is required.
3	Ballast Supply (Stone ballast): Annexure – C	(+) 80.78	Maximum ballast (Pakur) is to be collected from India through railway wagon/high way (due to the nearest distance from IBBB). The rate of this foreign ballast has increased and parallelly the rate of local ballast has also increased on considering the raising of Dollar (\$) rate. Hence the excess cost is required to collect ballast for Tarakandi – Jamuna Bridge Rail Link Project.
4	Ballast Spreading cost (labour): Annexure – D	(+) 5.00	Excess cost required for considering SR/2005 as well as increasing local market rate.
5	Ballast train Charge: Annexure – A	(+) 8.00	Excess cost considered for increasing the fuel cost and for maximum movement of ballast train to carry PC sleeper from CTB and released 75lbs 'A' S/H rail from Dhaka – Joydebpur section and points & X-ing from CTG to SSJ & IBBB and also the frequent movement of BT with ballast loaded hopper wagons to the newly laid track for ballast spreading.
6 i)	Other Engineering Works: Annexure – C & D a) Earthwork including cladding layer & sub-soil treatment b) Sub-base (Khoa + Sand) c) Major Bridge including Girder d) Minor Bridge (RCC Box Culvert) e) Level X-ing f) Protection work (ballast wall, protection wall and others)	(+) 267.51	a) Excess cost required as per agreemental quoted rate of Earthwork including cladding, sub-base, Major & Minor Bridge, level x-ing etc. on considering increasing local market rate of engineering materials and labour. b) Moreover for doing sub-soil treatment (removing clayey and organic soil from ponds/deep ditches/cannels/low land etc.) of embankment and raising/refixing of formation level of embankment from km 21.50 to 23.50 km to keep sufficient water ways of the river Louhajang (western site of Bhuiyanpur Pourashava) under major bridge no. 34 (span 3x18m) in respect to Highest Flood Level (H.F.L) extra earth work/sand refilling and other related treatment have done for which additional cost already been involved in the 2 nd revision. c) Extra cost required for more bank protection work across the ditch/pond/river /cannel etc. along the embankment alignment than that of 1 st revision. For which excess cost has been considered in the 2 nd revision. d) The cost of construction materials of major and

SI No.	Item	Variation in cost over 1 st revision Tk Million	Reasons for variation
			<p>minor bridges increases drastically in the local market as well as in the world market. Also the price of steel girders increases highly in the world market as the Dollar rate increased. So extra cost involved.</p> <p>e) On the other hand, considering sub-soil test and practical river survey reports, consultant has modified the design of RCC piles/RCC works, bridge approach protection work of some major bridges for which additional expenditure have been involved in the 2nd revision.</p>
ii)	Station & others service building a) Station building including provision of rcc piling b) Pump, reservoir & generator room. c) Office building d) Godown e) Residential Building f) Barrack g) Signaling instrument/materials	(+) 7.84	Station and others service building are to be constructed (RCC frame structure with steel platform shed) as per model of IBBD station including RCC piling (pre-cast) and platform. So, on considering this model in the present raising market of Engineering materials as well as SR/2005 extra additional cost is required.
7	Shifting of existing electric line/pole/post (HT & LT) from embankment: Annexure – D	(+) 10.00	At 32 points of TKND – IBBD project existing electric line/pole/post have been crossed in lower height in comparison to the newly developed embankment. This lower height crossing HT/LT line across the alignment is dangerous for train movement. Hence shifting of these HT/LT line and making arrangement for crossing this, over the allowable height of the newly developed embankment with protective guard is most essential. For which cost of shifting as well as crossing of this HT/LT line with related accessories has been included (as per estimate of PDB & REB of concerning districts) in the 2 nd revision and which was not added previously in the 1 st revision.
8	Foot over bridge at IBBD yard: Annexure – D	(+) 6.00	At IBBD station yard, provision for construction of platform no. 2 has been provided in the approved drawing to facilitate the incoming passengers of Jamalpur/Mymensingh belt through Tarakandi – Jamuna Bridge Rail Link Project. In view of connecting rail communication towards West and East zone provision for construction of foot over bridge (RCC steps with steel structure) is kept in the 2 nd Revision to link up platform no. 1 & 2. For which additional cost is required.
10	Manpower: Annexure – G	(+) 10.63	Extra cost of manpower is required for implementation of National Pay Scale/2005.
11	Plantation (including tree guard and maintenance): Annexure – A	(+) 2.50	Excess cost is required due to increase the local market rate of Tree plantation including tree guard and maintenance up to two years after plantation.
12	Contingency	(+) 3.40	Due to variation of works scope.
	Total Variation (+)	(+) 508.82	
	Total Cost: 1st RPP	1676.97	
		(+) 508.82	
	Proposed Total Cost: 2nd RDPP	= 2185.78	

References

1. ADB Anti-Corruption Policy & Strategy
2. ADB Second Governance Anti-Corruption Action Plan July 2006
3. ADB Anti-Corruption Policies in Asia and the Pacific, July 2004
4. ADB Anti-Corruption Framework-Policy & Strategy
5. ADB Public Procurement Corruption
6. Bangladesh Railway Information Book 2005 & 2006
7. Designing and Implementing Mechanisms to Enhance Accountability For
8. State-Owned Enterprises, Prajapati Trivedi, Expert Group Meeting on Re-Inventing Public Sector Enterprise and its Management October 2005, UN Building New York
9. FIDIC BIMS Guidelines
10. Indian Railway Vigilance Organization
11. India Combating Transport Sector Corruption, William D. O. Paterson and Pinki Chaudhuri May 2006
12. Ministry of Finance, Government of Bangladesh, Mid Term Budgetary Framework
13. Ministry of Finance, Government of Bangladesh, Public Finance Management Manual
14. Ministry of Finance, Government of Bangladesh, Internal Control Manual
15. Ministry Planning Government of Bangladesh PPR-2003 and PPA-2006
16. OECD Anti-Corruption in Transition Economies
17. OECD Fighting Corruptions
18. Transparency International (TI), Corruption in construction Projects Examples
19. TI, Initiative in Preventing Corruption in construction Projects
20. TI, Corruption Independent Assessment
21. TI, Risk Mapping of Corruption in Humanitarian Aid
22. TI, Curbing Corruption in Public Procurement
23. TI Bangladesh (TIB), Bangladesh Corruption in Public Sector
24. TIB, Bangladesh Corruption and Structural Adjustment
25. TIB, Bangladesh Political and Administrative Corruption
26. U4 Corruption Glossary
27. U4 Risk Assessment General
28. U4 Combating Corruption
29. U4 PETS
30. World Bank (WB), Combating Public Sector Corruption
31. WB, Tackling Vulnerabilities at Sector Level
32. WB, Corruption and Public Governance
33. WB, Impact of Corruption in Infrastructure
34. WB 2003 Survey Techniques to Measure and Explain Corruption
35. WB, Bangladesh Railway Reform Programmatic Development Policy Credit, September 20, 2006
36. ADB RRP document for the BAN: Railway Sector Investment Program
37. ADB WB 2006 study on Best Practices for Private Sector Investment in Railways
38. Peru Public Expenditure Tracking Survey2004, José R. López-Cálix, LCSPE
39. WB Public Expenditure Tracking & Service Delivery Surveys Workshops 2003
40. PETS in Education , IIEP, UNESCO
41. Public Expenditure and Service Delivery in Africa: Managing Public Expenditure to Improve Service Quality and Access, October 2006
42. Development Project Proposal (2004) for Reconstruction and Rehabilitation Dhaka Station Building
43. Revised Development Project Proposal (2007) for Reconstruction and Rehabilitation Dhaka Station Building
44. Development Project Proposal (1999) for Construction of Railway Link from Tarakandi to Jamuna Bridge

45. Revised Development Project Proposal (2004) for Construction of Railway Link from Tarakandi to Jamuna Bridge
46. Revised Development Project Proposal (2007) for Construction of Railway Link from Tarakandi to Jamuna Bridge

Appendices

TERMS OF REFERNECE

**Railway Sector Expert
(for Vulnerability to Corruption Assessments)
National Consultant**

Objectives: To undertake Vulnerability to Corruption Assessments (VCA) and facilitate drafting Corruption Risk Management Plan (CRMP) that identifies and outlines steps to mitigate, opportunities for corruption.

Outline of tasks:

- Implement Vulnerability to Corruption Assessments (VCA) in Bangladesh in the railway sector.
- Conduct comprehensive literature review within the specific sector.
- Review a number of on-going projects in the country
- Identify lapses in policies and procedures that will allow corruption to occur.
- Gather together advisory/working groups sector experts/practitioners who will be drawn from non-governmental, private sector, international organizations and government to formulate a complete list of opportunities for corruption within the sector and covering the entire cycle of operations from planning, delivery, and follow on.
- Analyze identified corruption opportunities agreed by all parties and incorporate into a single list for risks of corruption. Divergent points should be discussed and validated at a joint meeting of all parties.
- Develop corresponding indicative questionnaire (checklist) to serve as a self assessment tool for the relevant agencies working in the sector.
- Conduct questionnaire with selected relevant Government personnel and other sector specialists. Complete questionnaire and combine with analysis and a review of policies and practices to form the Vulnerability to Corruption Assessments (VCA).
- Develop a detailed Corruption Risk Management Plan (CRMP) that outlines the steps necessary to mitigate the identified opportunities for corruption will be developed in cooperation with relevant regulators and administrators from the sector.
- Conduct physical reviews of sector specific projects (where feasible).
- Conduct a public expenditure tracking survey (PETS) for the Bangladesh Railway.

Qualifications: In-depth sector knowledge and ability to conduct sector specific analysis.

Duration of consultancy: 3 person-months.

Process Map for Vulnerabilities to Corruption Assessments (VCAs) in Bangladesh Railway

Background

The Asian Development Bank (ADB) and the other Multi-lateral Development Banks (MDBs) are developing new approaches to reducing the risk of corruption in the sectors of government. One of these methods involves drafting Corruption Risk Management Plans (CRMPs) which are plans of action specifically tailored to local circumstances and designed to reduce corruption both at a country and sector level. In order to draft these plans, Vulnerabilities to Corruption Assessments (VCAs) should be conducted so that the weaknesses in the system which leave open opportunities for corruption to occur can be identified. These assessments will take the form of consultations and surveys of professionals in these sectors combined with a review of the procedures and policies in the sector and related administration.

For the purpose of these assessments and as outlined in the ADB anti-corruption policy, corruption is defined as: **“the abuse of public or private office for personal gain”**.

This includes the more comprehensive definition of corruption as laid out in the ADB anti-corruption policy and harmonized with other Multi-lateral Development Banks in early 2006⁸ which defines corruption as comprising the following acts:

- A corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
- A fraudulent practice is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
- A coercive practice is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- A collusive practice is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

Methodology

The VCA aims to examine the processes and procedures within Bangladesh Railway in order to identify where weaknesses exist that allow corruption to occur. The main component of the assessment will be the creation of indicative questionnaires or checklists. These questionnaires will be formulated through consultations with practitioners and experts in the sector, professionals such as designers, procurement experts, contractors, regulators etc. who are in the best position to identify where the possibilities for corruption exist within their sector. In addition to the consultations with professionals, a policy and procedure review for the sector will be conducted by an expert in that particular field.

Once a list of the opportunities and subsequent risks for malfeasance in existing processes as well as processes missing have been identified, a number of drafting sessions (facilitated by a corruption prevention expert) will be conducted to formulate an indicative questionnaire that will be used

⁸ This took place in February 2006. For more details see ADB's [Anti-corruption Policy: Harmonized Definitions of Corrupt and Fraudulent Practices](#), Asian Development Bank, Manila 2006

for self assessment. This will be able to measure levels of risk of corruption and will allow the monitoring of changes (reductions or increases) to the levels of risk over time.

After the initial assessment of the risks for corruption by experts, further consultations will be held with other stakeholders such as civil society groups and international organizations. Additionally, sector and thematic experts including personnel of related Ministries will be conferred with throughout the consultations. These experts, in close cooperation with Bangladesh Railway, will then be able to take the results of the resulting VCA and develop a risk management plan to mitigate the opportunities for corruption in the current administrative environment and allow ongoing assessments to be conducted of the progress made in reducing malfeasance. A comprehensive Corruption Risk Management Plan can serve as a basis for public policy aimed at reducing corruption risks.

Implementation

Corrupt practices can occur at any stage of the procedure of delivery of goods and services within the sector: during planning, financing, design, pre-qualification and tender, project execution, service delivery, operation and maintenance. These practices can involve bribery or fraud, and often involve both⁹ as well as collusion and extortion within the procurement and delivery of goods and services. During this exercise, the participants will be asked to identify all the opportunities for corruption in their sector throughout each phase of the project or business process cycle. In addition to thinking about the risks that can be created by a particular activity; the participants will be asked to identify the risks that are initially caused by factors that affect a particular activity (“input risks”) and conversely about opportunities that stem from the “output risks” from another part of the overall system.

This project component aims to identify those corruption opportunities, develop a self-assessment questionnaire and, based upon the subsequent questionnaire survey, develop a Corruption Risk Management Plan for Bangladesh Railway. The Vulnerabilities to Corruption Analysis will be conducted in the following manner over four phases:

A. Business Process Phase

1. In the initial phase, a sector expert will analyze the business process, policies and procedures for Bangladesh Railway. This analysis will identify how Bangladesh Railway functions and is organized according to these various functions as well as typify the individual processes that occur from planning to finish within the sector. This expert will help identify functions and processes where there are prevalent opportunities for corruption. The expert will also assist in identifying experts for the more detailed expert group identification outlined in steps 3 and 4 below and participate in consultations.
2. Additionally, a review of policies and procedures within the individual agencies/departments undertaking these processes will be conducted to examine the formal lapses in the regulatory environment that allow malfeasance to occur.

B. Vulnerability Identification Phase

1. Beginning with an internal (to the relevant agency) group of sector experts (this can initially be on an individual basis), a facilitator (expert in anti-corruption risk assessments) will gather an initial ‘snapshot’ of the opportunities for corruption in the sector.
2. Following on these initial lists of vulnerabilities in the sector, the facilitator/corruption risk expert will gather together groups (between 4 to 10) of sector experts/practitioners who will be drawn from non-governmental, private sector, international organizations and gov-

⁹ Preventing Corruption on Construction Projects Risk Assessment and Proposed Actions for Project, Transparency International, London U.K. March 2005

ernment to formulate a complete list of opportunities for corruption within Bangladesh Railway and covering the entire cycle of operations from planning, delivery, and follow-on.

3. Once individual sessions of the various groups have been conducted a fairly complete list of opportunities for corruption within the sector will exist. This should be scrutinized and the opportunities agreed by all parties should be incorporated into a single list. Divergent points should be discussed and validated at a joint meeting of all parties.

C. Indicative Questionnaire/Checklist

1. Once the opportunities for corruption in the sector are identified, the corresponding indicative questionnaire (checklist) will be developed to have a self assessment tool for the relevant agencies working in the sector. This should be done in close cooperation with the relevant Ministries/agencies.
2. This questionnaire will then be conducted with selected relevant Government personnel and other sector specialists. The resulting completed questionnaire combined with analysis and the business process review of policies and practices will constitute the Vulnerabilities to Corruption Assessment (VCA).

D. Corruption Risk Mitigation Plan

1. Once the VCA is completed a detailed Corruption Risk Management Plan that outlines the steps necessary to mitigate the identified opportunities for corruption will be developed in cooperation with relevant regulators and administrators from the sector.

GOVERNANCE ISSUES OF BANGLADESH RAILWAY

1.0 Railway Sector Overview

Bangladesh Railway (BR) is a department under the Ministry of Communications of the Government of Bangladesh (GOB) with 2,855 route-km and 34,224 regular employees. The network is divided into two zones, the East Zone and the West Zone, i.e. one zone on either side of the Jamuna River. 2,855 route-km consists of two gauges. A total of 660 km of the route, all falling in the West Zone, consists of broad gauge (BG), i.e., 1,676 m width track. The West Zone has 553 km of meter gauge (MG), i.e., 1.0 m width track and the East Zone has 1,277 km of track (all MG). In addition, there is 365 km of dual gauge track (catering for both BG and MG trains). The Jamuna Multipurpose Bridge (JMB), which has a dual gauge rail track on it, provides the only East-West rail link. BR has a total of 454 stations, 243 and 211 in the East and West Zones, respectively. It has 286 locomotives, 1,406 passenger and other coaches, and 13,122 wagons.

2.0 Performance Overview

BR faces challenges in overcoming its lack of commercial focus, low efficiency, poor service quality, political interference, aging fleet, and congested network on major corridors. The weaknesses in the railway sector are manifested in declining market share, adverse operating indicators and reduced revenue generation. Some of BR's performance indicators and comparative performance position of the other railways of the region are given in the tables below.

Table 1: BR Performance Indicators, 2005

Route Kilometer:	2855
Track Kilometer:	4443
Number of Stations:	454
Locomotives, Diesel:	286
Coaches:	1406
Freight wagons:	13122
No. of Employees:	34224
Passengers Carried (million):	44.5
Passenger-Kilometer (Billion):	4.46
Tons carried (million):	3.21
Ton-kilometer (million):	817
Number of Passenger Trains Daily:	256
Number of Freight Trains Daily:	47
Total Operating Revenue (million Tk):	4456.24
Total Operating Expenses (million Tk):	6950.86
Operating Deficit (without Depreciation cost):	494.62
PSO and Welfare Grant given by Government:	99.32
Additional Subsidy given by Government:	2494.62
<i>Apart from open-ended operating subsidy, government bears replacement/ investment costs of assets through development projects.</i>	

2.1 Financial Performance:

The table below shows breakdown of revenues and expenses for fiscal year 2004-2005. BR's operating revenue for 2004-2005 was Tk. 4.5 billion and operating expense was Tk. 7 billion, resulting in an operating deficit of Tk. 2.5 billion and a working ratio of 156%. 36% of BR's total operating expenditure is supported by GOB subsidy in the form of Public Service Obligation (12%), welfare grant for education and health services (2%), and operating expense subsidy (22%). All capital expenditures are financed by the government. Government provides all investment and operating costs of BR. Earnings of BR go directly to the government treasury. Cost of railway services comprises the costs of providing infrastructure and service operations (passenger and freight) over the infrastructure.

Table 2: Bangladesh Railway Financial Performance (2004-2005)

	Million Taka	% of Total
Operating Revenue		
Passenger Revenue	1,661.04	37%
Freight Revenue	1,262.22	28%
Other Coach Earnings	101.3	2%
Revenue fibre optic + land lease	1,431.68	32%
Total Operating Revenue	4,456.24	100%
Operating expenses		
General Administration	1,129.51	16%
Repair and Maintenance	2,461.13	35%
Operational Staff	1,034.00	15%
Operation Fuel	920.74	13%
Operation other than staff and fuel	465.64	7%
Miscellaneous Expense	942.82	14%
Depreciation	-	0%
Total Operating Expenses	6,950.86	100%
Deficit and Government Subsidies		
Operating Deficit	2,494.62	
Working Ratio	156%	
Public Service Obligation	860.00	12%
Welfare Grant	133.21	2%
Operating Deficit Subsidy from GOB	1,501.41	22%
Total GOB Subsidy	2,494.62	36%
Total Operating Revenue	4,456.24	64%
Total Revenue (operating and subsidy)	6,950.86	100%

Source: Bangladesh Railway Information Book (2005)

Table 3: Comparative Performance Railways of the Region

Data for Bangladesh, Malaysia and Pakistan based on 2002, for India on 2001 and for Thailand on 1999.

Indicator	Unit	Bangladesh	India	Pakistan	Thailand	Malaysia
Track utilization	TU million per route-km	1.80	12.00	3.20	3.50	3.50
Locomotive productivity	TU million per locomotive	17.00	22.00	40.00	40.00	25.00
Wagon productivity	Tkm million per wagon	0.09	1.40	0.19	0.40	0.30
Coach productivity	Pkm million per coach	2.80	11.00	13.50	8.00	5.00
Staff productivity	TU thousand per staff	138.00	500.00	300.00	540.00	450.00

Traffic Unit (TU) = one ton-km of freight or one passenger-km. Tkm = Ton-Km, Pkm = Passenger-Km

It can be seen from the table above that BR's labor productivity is the lowest among similar railways in Asia.

2.2 Operating Performance

BR's inherited network is fragmented and made up of two different gauges. The system is characterized by low productivity, declining traffic volume, and budget shortfalls. BR is mostly a passenger transport system, with 83% of the train-km devoted to providing passenger services. Both passenger and freight tariffs are fixed by the government at a much lower level than the average cost of providing the services. The main commodities transported by BR are food grains, petroleum products, fertilizer and stones, and more recently containers. These freight service areas make up 70% of the rail freight traffic in 2005. BR's container business is growing rapidly – at 10-15% per year in the last five years – and, now comprises 20% of BR's freight revenue and operations.

Shortage of capacity exists on critical sections of the network especially the Dhaka-Chittagong corridor. Poor maintenance of its locomotives is a major cause of BR's operational problems, which is reflected in the low utilization of locomotives. Frequent locomotive failures also consume needed track capacity.

Because of reduced revenue generation, BR has been getting insufficient maintenance fund. Annual maintenance requirement for BR is about Tk 2,433 million (US\$ 35 million), whereas the allocated fund is only about Tk 260 million (US\$ 4.3 million), corresponding to approx. 12% of the requirement. Because of insufficient funds, only 40% of locomotives are being maintained for the operation, and 76% of locomotives are outdated. Similarly, only 51% of passenger coaches are being maintained.

In addition to lack of maintenance and investments, which are causing poor services and further reduced revenue, BR faces additional challenges in overcoming its lack of commercial focus, low efficiency, lack of service quality, aging fleet, and congested network on major corridors.

3.0 Governance and Management Issues of BR

Bangladesh Railway's governance structure has been a source of much of its inefficiencies and poor service delivery to users. Systemic weaknesses are to be found in the policy, institutional,

and organizational arrangements under which BR functions. Railway sector governance challenges and inadequate resource allocation are largely responsible for these persistent obstacles to effective service. However, institutional and management problems are also key constraints for the performance of the railway.

BR is the sole provider of rail infrastructure development and rail service in Bangladesh. It is a government department in the Ministry of Communication, subject to government civil service rules and management. Its organizational structure is oriented around operations, with functional departments overlaid on a geographically defined regional operating structure (East and West regions separated by the Jamuna River). BR's civil service department status has limited its managerial and operational autonomy and exacerbated its lack of accountability towards efficient and productive use of public finances.

The actual cost of rail services provided and what the cost might have been if operations were more efficient cannot be distinguished. The fixed cost of inefficiency creates scope for waste and misuse of public money into a "black hole" without real accountability of public expenditure. The underlying causes are the policy, institutional, and organizational arrangements for the railway, which are based on the idea of running the railway as a social and economic arm of the Government rather than as a commercial organization with corporate accountability.

3.1 BR Service Structure

BR is headed by a Director General who reports to the Secretary, Ministry of Communications (MOC) and the Minister of Communications. BR is a multi-discipline organization with specialized departments as shown in the table below:

Table 4: BR Departments

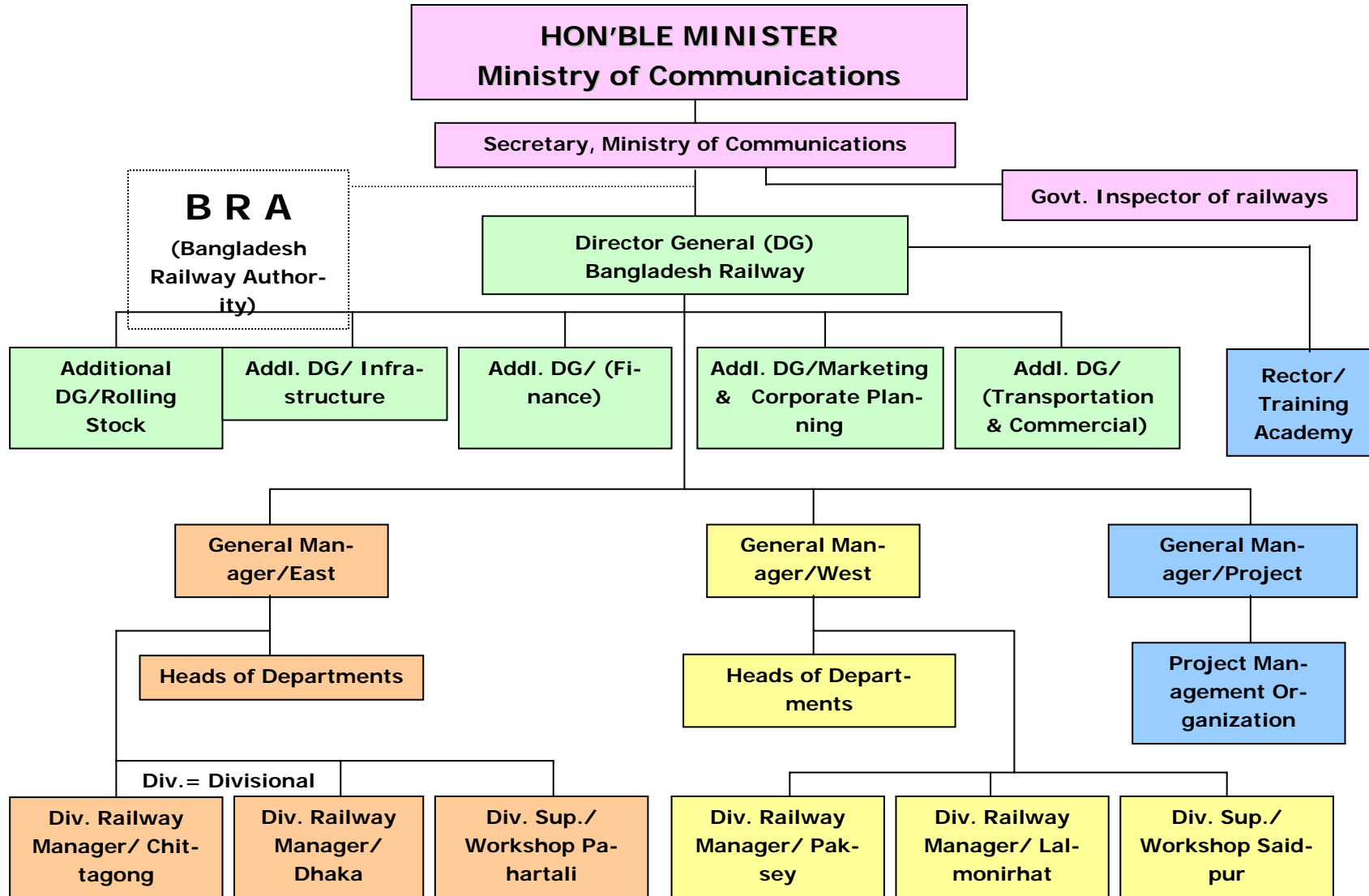
SI No.	Department	Recruitment by	Responsibility	Service Rules	Promotion	Punishment
1	Civil Engineering	Civil Engineers PSC	Track, bridges, structures etc	GOB	GOB	Efficiency & Discipline Rules of BR (E&D Rules)
2	Mechanical Engineering	Mechanical Engineers PSC	Mechanical equipment Locomotives and rolling stock	GOB	GOB	E&D Rules
3*	Signal and Telecom Engineering	Electrical Engineers PSC	Signaling & Telecom Equipment	GOB	GOB	E&D Rules
4	Electrical Engineering	Electrical Engineers PSC	Train lighting, air-conditioning and other electrical equipment	GOB	GOB	E&D Rules
5	Stores Department	Civil/Electrical/Mechanical Engineers PSC	Procurement and inventory control	GOB	GOB	E&D Rules
6	Transport & Commercial	Generalists PSC	Train operation and commercial activities	GOB	GOB	E&D Rules

7	Personnel Department	Selected from available railway officers by BR	Human resources management	BR	BR/GOB	E&D Rules
8	Estate Department	Selected by railway from railway service and partly by GOB from administrative service	Land management and commercial use of BR surplus land	BR/GOB	BR/GOB	E&D Rules of BR and DA Rules of GOB
9	Medical Department	Doctors, selected by PSC	Medicare and fitness certification of employees	BR	BR	E&D Rules of BR
10	Security (Nirapatta) Department	Generalists selected by PSC	Guarding and watching of assets, security of passengers & goods	BR	BR	E&D Rules of BR
11	Finance and Account Department	Part of National Audit & Accounts Service	Financial management and accounting	GOB	GOB	DA Rules of GOB
12**	Government Railway Police	Part of Police Service	For prevention of crime and prosecution in railway premises	GOB	GOB	Rules of Police service
13**	Director General Railway Audit	Part of national Audit & Accounts Department	Auditing railway expenses and oversight of procedures, rules, regulations etc. related to public finance	GOB	GOB	DA Rules of GOB
14**	Railway Anti-Corruption Unit	Part of national Anti-Corruption Department	Investigate corruption issues of railway	ACC	ACC	ACC Rules

* Item 3 is under administrative control of C& AG. BR has functional control only.

** Items 12, 13 & 14 are not railway employees and are not under control of BR

Figure 1: BR ORGANIZATIONAL SETUP



3.2 *Financial Management Practices in BR*

An Additional Director General (ADG) appointed by the Comptroller and Auditor General (CAG) looks after BR's financial management functions through a well-structured decentralized FM organization. BR's accounting is geared primarily to the requirements of government control of cash revenue and cash expenditure and at the same time attempting to meet the conditions of commercial accounting. Its existing chart of accounts is not supportive of producing accounting data for financial analysis and decision-making. BR owns a huge amount of real estate but due to poor asset recording and management system, its control on identification, possession and use of such assets is very limited. BR being a government department, its budget is incorporated in the National Budget. BR submits its annual financial accounts to the Controller General of Accounts for incorporation in the Finance Accounts of the Republic.

BR has a large number of outstanding audit objections and there are huge backlogs on following up Public Accounts Committee (PAC) recommendations. Since the issues raised in the audit reports would indicate existence of control weakness in BR, such weaknesses need to be identified and addressed.

Adequate internal control, reconciliation and safeguards mechanism has to be developed in respect of revenue collection, movement of cash from the stations, deposits to bank and accounting for revenues as also the internal control arrangements in respect of financial transaction processing and disbursements.

3.3 *Procurement Aspects*

Procurement being an integral part of governance, enhancing efficient use of resources, promoting transparency and accountability in resource use, promoting local governance, tackling corruption, and implementing the procurement regulations are of prime importance. There are institutional issues relating to improved governance in particular reference to procurement. Inefficiencies in the procurement system create enormous wastage of money and is the single most significant issue affecting sector performance. The on-going procurement reform program of GOB will address the implementation challenges on national basis. But special efforts will be needed in the railway sector in the following areas of monitoring and evaluation, procurement management capacity, e-government procurement, and behavioral change and social accountability

Though BR started applying the PPR 2003, there are variations in compliance with the regulations. BR being part of the overall government institutional framework has the same systemic deficiencies in procurement practices. BR has to enhance its capability and efficiency for timely award of contract, and information disclosure as required by the PPR. This will ensure faster procurement process and better governance.

4.0 Programme for Institutional and Governance Reform of BR

Government is putting due emphasis in improving governance of BR for economic development of Bangladesh by improving transport services. GOB has prepared a National Land Transport Policy (NLTP) and a draft Integrated Multimodal Transport Policy (IMTP) designed to promote key reforms in the transport sector, including the railways. Recently, a reform and investment program based on the NLTP and IMTP has been jointly agreed among GOB and the main development partners in the sector, including the Asian Development Bank (ADB) and the Japan Bank for International Cooperation (JBIC). The proposed donor support is part of a multi-donor development partnership with GOB to modernize and reform the railway sector through a medium-term reform and investment programs (partnership arrangement shown in table 6).

4.1 *Development Objective*

The objective of the program is to improve the governance structure within which Bangladesh Railway operates, addressing both governance relationship between GOB and BR on the one hand, and corporate governance and management structure within the railway's organization on the other. The implementation of the reform program will help to (a) clarify the relationship between

GOB and BR and increase BR's autonomy and accountability, (b) improve corporate governance and management structure within BR so that BR is more commercially and market oriented, and (c) create a conducive environment for investment in railway operations. These would in turn yield more efficient rail operations and services to users, improve financial performance, and provide the basis for a growing use of railway system by business passengers.

4.2 Policy Areas

The reform program has five interrelated components: (a) restructuring BR by line of business organization, (b) transforming BR into a corporate entity, (c) improving cost accounting and financial reporting, (d) improving human resource planning and incentives, and (e) improving operating and maintenance performance. These are discussed below.

- a. Transform BR into Government-Owned Corporate Entity: The aim of this reform component is to give BR the management autonomy that it needs to manage the railway efficiently. The relationship between the corporatized BR and GOB will be governed by a Performance Contract between the two parties. The contract will specify delegation of powers, subjects requiring government approval, PSO and contracting, financing mechanism, performance targets, auditing procedures and other areas of interest to both parties.
- b. Improve Cost Accounting and Financial Reporting: This component will give BR management and GOB the information needed to manage the railway. Currently, BR accounts are maintained under government accounting rules, which specify modified cash basis accounting (no depreciation). Costs and profitability by service are not available. The revised accounting system will provide financial reports and budget reports by LOB and will be published externally and made available to the public, which would contribute to making BR a more transparent organization.
- c. Improve Human Resources Management: This component will give BR management the human resources management tools it needs to implement corporate management reforms. In addition, the reform program will significantly improve the working environment of BR and afford BR staff better incentives and career prospects through better training and upward mobility.
- d. Operational Improvement: This component is aimed at supporting improvement in the efficiency of BR operations. This will include setting up monitoring systems to collect and analyze data related to operational efficiency, investing in computer systems that support operational efficiency, updating BR's operating practices and standards.
- e. The financial management reforms: This will improve the financial governance system within BR. The reforms will include preparing an asset register so that there is a true picture of BR's assets rather than just historical cost valuation and inclusion of non-economic assets. A new financial management and accounting system will be implemented so that it can support decision-making and give information on costs and revenues for each railway service in a manner consistent with international accounting standards and best practices in the railway industry, while satisfying the government's statutory reporting requirements. The information generated by the new system will also be used to calculate a new PSO payment mechanism. This will ensure that the PSO mechanism is actually used to cover only PSO services instead of being misused to cover general deficits. This will improve transparency and thus also financial governance.
- f. Implementing Regulatory Provisions of PPR: The program will support BR to implement the regulatory provisions of the PPR 2003 to ensure that the deficiencies in procurement practices are rectified before BR undertakes significant procurement activities for the planned multi-donor funded investment programs. In particular, in consultation with BR officials, the proposed DPC will support the development of specific actions to address the systemic issues in procurement.

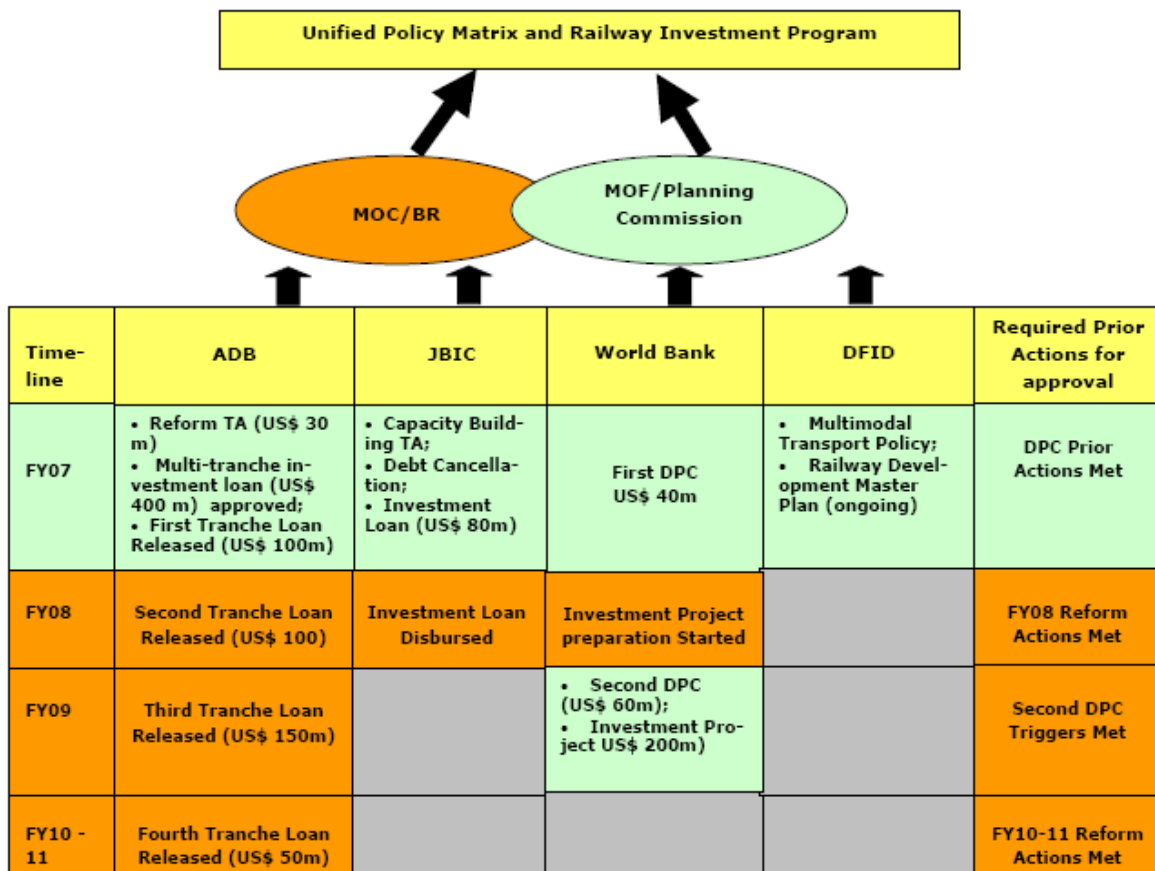
- g. One of the key actions that would be sought is public information of procurement through the publication of procurement notices and award of contract on BR's website. This website is not maintained properly. This will include publication of contract award information, including the identity of contract package, date of advertisement, number of bids sold, number of submitted bids, number of responsive bids, name of the winning bidder and the price it offered, date of notification of award, date of contract signing, proposed completion date of contract as well as brief description of the contract awarded up to a contract amount of BDT 10 million or above.

5.0 Donor Support in the Reform and Investment Program

In addition, through a separate TA program titled **"Institutional Support for Railway Reform"**, ADB will provide another US\$ 2 million for an Operational Effectiveness Improvement component comprising sub-components (i) Improving train operations (ii) Maintenance Improvement and (iii) Advisory Services for Management of Reform Program.

ADB will support BR under their Multi-tranche Financing Facility (MFF) with a US\$ 430 million loan: a US\$ 30 million loan under ADB's Asian Development Fund (ADF) to finance the costs of the reform program and a US\$ 400 million loan under ADB's Ordinary Capital Resources (OCR) to finance BR's priority investment program, which would be released in four tranches linked to progress in the implementation of the Policy Matrix. Partnerships in the program are shown in Table 5 below.

Figure 2: Development of Partnership for Bangladesh Railway Reform and Investment Program



5.1 Increase in Maintenance Funding

In order to improve BR's operational efficiency and begin its recovery program, GOB World Bank Development Policy Lending (DPL) of US\$ 40, GOB will provide increased funding for the next three years, as part of the Medium-term Budgetary Framework as shown in table 5 below.

**Table 5: Three-year Maintenance Plan for Bangladesh Railway (FY2006-07 to 2008-09)
(Taka million)**

Sl. No	Name of Department	Year 1	Year 2	Year 3	Total
1	CIVIL ENGINEERING				
(i)	Track maintenance including materials & equipments	1,137.28	976.94	1,560.36	3,674.58
(ii)	Bridge/culverts	150.00	150.00	150.00	450.00
	Sub-Total (Civil Engineering):	1,287.28	1,126.94	1,710.36	4,124.58
2	MECHANICAL ENGINEERING				
(i)	Locomotives	284.36	310.56	324.46	919.38
(ii)	Carriage & Wagon	373.42	441.32	496.48	1,311.23
(iii)	Loco Shed/Running Shed	5.92	7.53	9.60	23.05
(iv)	Workshop	34.99	19.08	19.37	73.44
	Sub-Total (Mechanical Engineering):	698.69	778.49	849.91	2,327.10
3	SIGNALING & TELECOM				
(i)	Equipments	43.50	56.70	42.02	142.22
(ii)	Signal & Telecom Cable	53.10	71.75	44.42	169.27
(iii)	Signal block instrument	25.00	36.50	20.00	81.50
	Sub-Total (Signal & Telecom):	121.60	164.95	106.43	392.98
4	ELECTRICAL				
(i)	Equipments	33.80	33.80	33.80	101.40
(ii)	Electrical wire	82.32	82.32	82.32	246.96
(iii)	Electrification of rolling stock	35.20	35.20	35.20	105.60
	Sub-Total (Electrical) :	151.32	151.32	151.32	453.96
GRAND TOTAL:		2,258.89	2,221.70	2,818.02	7,298.62

6.0 Process Map for Vulnerabilities to Corruption Assessments (VCA) in Bangladesh Railway

While preparing a process map for VCA, in addition to existing systematic and institutional weakness and vulnerability to corruption issues, the following issues have to be kept in view:

- achievements and consequences of institutional and financial reforms being undertaken with donor assistance and resultant legal and regulatory framework that will affect the business process,
- transitional governance issues during restructuring and reorganization,
- consequences of new of service and regulatory rules and regulations,
- consequences of implementing massive investment projects within limited timeframe involving huge and complicated procurement with limited manpower and skill,
- consequences of new ACC laws and rules,
- consequences of new procurement act,
- on-going national good governance initiative and National Integrity Strategy.

In the changed circumstances, new approaches to reduce the risk of corruption in the railway sector have to be developed. There is no doubt that BR staff and officers have limited exposure and training in identifying and preventing corruption. Vulnerabilities to Corruption Assessments (VCAs) need to be carried out to identify the existing weaknesses in the railway sector. This will be done under the on-going TA for Good Governance.

This effort has to continue during and after the intuitional and financial reform incorporating consequences as stated above to develop sustainable Corruption Risk Management Plans (CRMPs) for the sector.

The following Corrupt Practices are perceived to occur in the railway sector

- Design or selection of uneconomical projects because of opportunities for financial kickbacks and political patronage.
- Procurement fraud, including collusion, overcharging, or the selection of contractors, suppliers, and consultants on criteria other than the lowest evaluated substantially responsive bidder.
- Illicit payments of "speed money" to facilitate the timely payment of bills, claims etc. to which the party is rightfully entitled, such as payment against completed works, re-release of performance bond, bid bond, payment of claims related to freights damaged in railway custody and/or in transit.
- Illicit payments to facilitate access to goods, services, and/or information to which the public is not entitled, or to deny the public access to goods and services to which it is legally entitled.
- Illicit payments to prevent the application of rules and regulations in a fair and consistent manner, particularly in revenue collection from ticketless travelers, unbooked parcel of luggage, excess freight etc.
- The theft or embezzlement of railway property and monies.
- The sale of official posts, positions, or promotions; nepotism; or other actions that undermine the creation of a professional, meritocratic civil service.
- Repair/Rehabilitation works of bridges, station buildings, service buildings, residential buildings overestimated, under-worked, under-quality, reduced quantity.
- Manpower misuse in maintenance works of tracks and bridges.
- Rolling stock, locomotives, electrical, signal telecom, consumable materials are not fully utilized. Some times sold in markets.
- Locomotive fuel misuse/misappropriation.
- Repair/replacement components recycled through stores purchase.
- Theft and pilferage of track and signaling materials in connivance with railway staff.
- Leasing/sale of railway land, leasing of shops, commercial, agricultural land allotment through corrupt practices.
- Illegal money from ticketless travelers, ticket sales, freight booking etc.
- Illegal money from bill passing, purchase payments, pensions.
- Illegal money from staff for processing of salary increment, salary fixation, time scale and selection grade, pension settlement, punishment waiver etc.
- Illegal money from staff for Service book maintenance and updating, leave accounts and issue of travel passes.
- Selling medicines from medical stores. Illegal money from staff by issuing of unfit medical certificates who is fit to work for the staff to avail long leave on medical ground.
- Carrying ticketless passengers, smuggled goods etc. in connivance with railway security personnel and railway police.
- Misuse of manpower of personal and other works by seniors.

- Payment for no work against gratification.
- Trade union influence.
- Political influence.
- Nepotism.
- Favoritism.
- Asking for financial support from suppliers/contractors for different official functions, dinners, sports etc.
- Fake travel allowance particularly for low paid employees, shared by supervisors.
- Friendly leave.
- Fake overtime payment against gratification.
- Trade union leaders do not work.
- Misuse of transport, no body maintains logbook. Private movements are shown as official duties.
- Seniors use vehicles of junior officials but do not show the duty as private.

The VCA exercise under the on-going TA will analyze the business process, policies and procedures for Bangladesh Railway. The process involves consultation with all stake holders including MOC, ACC, C&AG, Planning Commission, IMED, MOF, all procuring entities in BR, the suppliers, contractor, BR employees, trade unions and civil society bodies. Such interactions using indicative questionnaires or checklists will enable assessment of the systemic weakness involved in project formulation, preparation of cost estimates for projects, preparation of specifications, special conditions of tender, tender invitation and publicity, tender opening and evaluation process, tender awarding, contract subversion, quality assurance process, payment to contractors which create opportunity for corruption to occur.

Additional input will be needed to carry out the above exercise throughout the transition process of institutional and organizational reforms of BR to identify and assess to what extent the existing risks have been mitigated and ascertain additional mitigation measures needed thereafter. A comprehensive Corruption Risk Management Plan can then be prepared, which will serve as a basis for public policy aimed at reducing corruption risks.

Implementation of the up-coming massive investment projects involving huge and complicated procurements will be a major risk area, which BR with its limited manpower and skills is unlikely to handle efficiently and transparently. During the project implementation, support of the donor agencies by engaging independent assessors will be a good step towards preventing/minimizing corruption. The duty of the independent assessor would be to monitor the project for evidence of corrupt practices. The assessor would have full access to the relevant books, records and staff of the parties for the duration of the project and would report periodically to all parties on any evidence of corrupt practice.

7.0 Conclusion

It is a declared policy of the ADB to assist in creating an effective, low transaction cost, lightly administered TA modality with effective monitoring and reporting systems that will enable long-term (7-10 years), flexible, process-oriented institutional reforms and capacity development of a sector or sub-sector to address corruption issues and develop appropriate measures for preventing corruption. At this stage, such investment in the railway sector in Bangladesh will be highly desirable.

LIST OF EXPERTS CONSULTED

Bangladesh Railway, Office of the Director General, Dhaka, consultations done

- i). Mr. Md. Belayet Hossain, Director General, Bangladesh Railway
- ii). Mr. Quazi Asadullah, Additional Director General (Operation),
- iii). Mr. A.K.M. Saleh Ahmed Additional Director General (Marketing & Corporate Planning)
- iv). Mr. Moslehuddin Ahmed, Additional Director General (Infrastructure)
- v). Mr. Md. Delwar Husain, Additional Director General (Finance)
- vi). Mr. T A Chowdhury, Additional DG, Rolling Stock
- vii). Mr. Mahtabuddin Ahmed, Joint Director General (Finance)
- viii). Mr. Md. Rafiquzzaman, General Manager Project
- ix). Mr. Habibur Rahman, Engineer-in-Chief
- x). Nasir Uddin Ahmed Chief Signal & Tele-Communication Engineer
- xi). Md. Anowarul Haque, Project Director, Signal
- xii). Officials responsible for budget & expenditure

Bangladesh Railway, East Zone, Chittagong, Consultation done 11-12 June 2007 at Chittagong.

- i). Mr. Sirajuddin, General Manager (Initial discussions held in Dhaka, further discussion will be held in Chittagong)
- ii). Mr. Qamrul Islam, Additional General Manager
- iii). Mr. Mahtabuddin Ahmed, Joint Director General (Finance)
- iv). Mr. Abul Kasem, Additional General Manager, Project
- v). A K M Mushfiqur Rahman, Chief Engineer
- vi). Mr. M Shamsuzzaman, Chief Mechanical Engineer
- vii). Khandaker Shahidul Islam, Chief Signal & Telecomm Engineer
- viii). Mr. Nizaqmuhammad Ahmed Chief Electrical Engineer
- ix). Mr. Tafazzal Hossain Chief Personnel Officer
- x). Md. Mokbul Ahmed Chief Estate Officer
- xi). Chowdhury Md. Isa-E-Khalil Controller Of Stores
- xii). Faruque Ahmed, Chief of Railway Security Forces
- xiii). Mr. Mazharul Islam Khan, Chief Controller of Stores based in Chittagong

Bangladesh Railway, West Zone, Rajshahi, Consultation done on 17-18 June in Rajshahi

- i). Mr. Iqbal Mollah, General Manager (Preliminary discussions held over phone, further discussion will be held in Chittagong)
- ii). Mr. A N M Khasru, Additional General Manager,
- iii). Mr. M Akhteruzzaman, Chief Operating Superintendent
- iv). Mr. A. Haque Howlader, Chief Commercial Manager
- v). Mr. M Nurul Amin, Chief Engineer
- vi). Syed Faruque Ahmed Chief Electrical Engineer
- vii). Mr. Chandan Kanti Das, Chief Signal & Telecomm Engineer
- viii). Mr. Anowarul Kabir Chief Personnel Officer
- ix). Mr. M Golam Ambia, Controller of Stores
- x). Mr. Aminur Rashid, Chief of Railway Security Forces
- xi). Mr. Solaiman Chowdhury, Divisional Railway Manager, Lalmonirhat

Ministry of Communication (to be consulted)

- i). Mr. Shah Alam Mehdi, Joint Secretary (Rail)
- ii). Mr. Manzur Rahman, Deputy Secretary

Others

- Rail Contractors/ suppliers/Users
- Consultation with ACC, Civil Society etc. are to be done jointly with the anticorruption experts and the Team Leader of the of the Project Team

BANGLADESH RAILWAY

TERMS OF REFERENCE FOR REFORM

A. Introduction

BR is undertaking a major reform exercise with the assistance of the Asian Development Bank (ADB) culminating in the transformation of BR into a government-owned corporate entity. The major components of the reform process are the following:

- i) restructuring BR into a Lines of Business (LOB) structure;
- ii) preparing an asset register for BR; and identifying the assets as well as the liabilities to be transferred to the different LOBs,
- iii) improving financial governance by implementing modern financial management and accounting systems;
- iv) improving human resource governance by implementing modern human resource management systems and procedures;
- v) transformation of BR into a state-owned corporate entity;

B. Objectives

(i) Component 1: Restructuring BR by Lines of Business (LOB)

BR will be reorganized by LOB to ensure that its organizational structure meets its business needs so that it can improve its financial and operational performance and meet the changing needs of the transportation sector. The consultants will assist BR to reorganize by LOBs, prepare business plans for each LOB, identify key performance indicators for each LOB and implement a monitoring mechanism to measure performance.

(ii) Component 2: Preparation of Asset Register

As part of the restructuring into LOB structure, the LOBs established will be responsible for the assets they use, and will be required to include a realistic estimate of depreciation as an operating expense. An essential prerequisite to the establishment of the restructuring exercise will therefore be the creation of a comprehensive asset register covering all assets under the control of BR. The objective of the project is to create a computerized asset register covering all assets controlled by BR, to revalue the assets to current values and to develop procedures for maintaining the asset register. All this work is to be done in accordance with the International Accounting Standards (IAS). A related component is reviewing and upgrading the BR financial management and accounting system in general and the asset registry as well as the financial management, and accounting systems should be compatible with each other.

(iii) Component 3: Improving Financial Governance through Implementing a Financial Management and Accounting System

The existing BR accounting system falls short of the requirements in providing necessary inputs for business segments based on costing of rail services with capabilities for identifying systemic, maintenance and operational inefficiencies. The purpose of this accounting separation would be to encourage each segment to generate dynamism independently as well as to synergize the inter-segment competitive process to benefit BR as an organization. Financial governance consultants are required to prepare a set of detailed and authentically well documented recommendations to the Bangladesh Railway (BR) to restructure the existing accounting system in such a way as to:

- i) support the existing government reporting requirements and meet all the accounting standards set in future by the Comptroller and Auditor General (CAG) of the Government of Bangladesh;
- ii) provide activity based revenue and cost data which would be capable of identifying and mitigating systemic, maintenance and operating inefficiencies, facilitate generation of detailed revenue and cost inputs for assessing on a commercial basis according to International Accounting Standards (IAS) practice for (a) profitability of different operations; (b) profitability of different routes/sections; (c) margins for flexibility in tariff regulation.
- iii) be capable of producing financial statements of the highest quality and meet all the commercial accounting requirements internationally adopted for the rail industry and also the accounting standards laid down by Government of Bangladesh requirements;
- iv) provide BR with the capability to evaluate the costs and profitability of individual traffic moves between different pairs of points and in addition to develop financial statements for various lines.
- v) facilitate breakdowns by main lines of business and by main services within these lines of business. It should ultimately help in organizing each business as a separate profit center and also each segment within a business up to the level of a train as separate profit center.
- vi) facilitate a complete accounting separation of the different lines of business.
- vii) facilitate identification of loss making services and activities and also sound analysis of the underlying reasons to help the management in decision making.
- viii) evolve sound basis and models for identification of joint costs and its allocation, particularly where costs of sharing infrastructure like track, signal/telecom, stations, yards and terminals etc. are involved. A model on cost sharing protocol based on internationally accepted principles/allocations followed by major efficient rail systems in the world is to be evolved. It may also consider identification of certain common assets as independent profit centers viz: big passenger and freight terminals.
- ix) be able to provide specific cost information to be used for marketing purposes.
- x) facilitate a more reliable estimation of fully allocated costs and marginal costs.

After the recommendations are accepted with or without changes by BR and ADB, computerization of the Accounting System in a synergetic manner for on-line implementation using the latest information technology as approved by BR and ADB will be initiated and completed within the time-frame prescribed under the supervision of the consultant. The consultant will then produce a set of financial statements based on the new accounting system. The consultants will then use the output of the financial statements to assist BR to formulate internal transfer pricing for the services that the different LOBs provide to each other as well as to formulate recommendations on a new tariff structure so that BR can be in a stronger financial position. The consultants will also use the output to identify profitable and non-profitable BR services and formulate recommendations on Public Service Obligation (PSO) subsidies that need to be paid by the Government to BR to run services which are required by the Government as a PSO.

(iv) Component 4 – Improving Human Resources (HR) Governance and Management

The objective of this component is to help BR modernize its human resources management systems and procedures. This is to enable proper HR planning for BR so that it attracts and retains the personnel with the skills necessary to be an effective railway organization. Remuneration, training, and promotion systems will have to be reviewed and recommendations made to achieve the objectives of the reform program as set out by the Government. As one of the Government's policy objectives for the reform program is to transform BR into a corporate entity, the HR con-

sultants will carry out tasks related to the HR aspects of this transformation. This work will be done in close coordination as required with personnel carrying out Component 5 below. All options for the deployment of current BR staff to the new corporate entity will be based on the principle that staff will be no worse off under the new option than they are currently enjoying. Retrenchment or redundancies are not envisaged as part of this reform exercise. However, the consultants will prepare social safety nets for workers in the event that the Government makes a future policy decision on retrenchment/redundancies. Close stakeholder consultations with BR management, labor representatives and staff at all levels will be required when formulating options for deployment as well as for the social safety nets.

(v) Component 5 – Advisory Services for Transformation of BR into a Government-owned Corporate Entity

The Government has made a policy decision that BR is to be transformed into a government-owned corporate entity. This is to enable BR to have greater autonomy than it has currently so that it can function independently on a commercial basis. All assets and liabilities of BR shall be assumed by the new corporate entity. The exact legal form of the corporate entity has not been decided and the consultants will recommend options on the appropriate legal form for a decision by the Government and ADB. Extensive stakeholder consultations with BR management, labor representatives and staff at all levels will be required when formulating options for the transformation as well as to ensure that correct information is disseminated to all staff once decisions relating to the transformation are made.

(vi) Legal Support for BR Reform

The objective of this component is to provide legal support for the above 5 components as required.

C. Scope of Works

(i) Component 1 – Restructuring BR into a line of business organization structure

The tasks under this component include:

- i) reviewing the preliminary LOB structure proposed by BR, recommending appropriate LOB for BR, preparing detailed organization structures for all levels of BR and preparing the detailed change implementation plan to transition to the new structure.
- ii) assisting BR in implementing the transition to the new organization structure so that the LOB structure is fully operational and all BR staff are assigned to the positions in the LOB structure;
- iii) identifying potential business opportunities and forecasts for each LOB, identifying and costing of infrastructure, rolling stock, and other requirements to fulfill business projections, and preparing revenue and cost projections for the different business opportunities and associated requirements needed;
- iv) developing 5-year business plans for each LOB and for BR as a whole showing its operational and financial targets, the service quality it will offer and the expenditure necessary, including identification of market shares and strategies to achieve annual targets;
- v) identifying relevant key performance indicators (KPI) for each LOB, and developing quantifiable key performance indicators (KPI) for each LOB to meet the business plan targets;
- vi) designing a system for measuring the costs and benefits from the project investment relative to traffic, revenue, rolling stock utilization and costs and organizing a data collection system for the same as part of implementing a monitoring mechanism for the KPI for each LOB to be completed, and implementing this monitoring system;
- vii) identifying BR's current services including its educational and welfare services which are not its core services, which of its non-core services duplicate work carried out by other

- government agencies, and which non-core services are best outsourced/divested to the private sector;
- viii) developing an outsourcing/divestiture plan for all identified BR non-core services within 12 months of commencement of services;
- ix) preparing legal/administrative/contractual instruments that need to be effected for each non-core activity to be transferred in accordance with approved outsourcing/divestiture plan within 20 months of commencement of services.

(ii) Component 2 - Preparation of Asset Register

The tasks for this component include the following:

- (i) Review current situation of recording, valuing and depreciating both fixed and moveable assets.
- (ii) Preparation of format, work plan and timetable for creating an asset register for BR
 - (a) The format of the asset register;
 - (b) The approach for collecting details of the existing assets and procedures for estimating unknown data;
 - (c) Procedures for maintaining the asset register;
 - (d) Computerization and linkages with the more general accounting project.
- iii) Carry out asset revaluation - After the assets have been identified, their value should be updated. This task should summarize the alternative approaches that are in general use and recommend the procedures that should be adopted in the case of BR. This process will require the active involvement of the BR financial management. The approval of the Comptroller & Auditor-General (CAG) will also be required for the subsequent incorporation of the updated asset values in the Balance Sheet.
- iv) Creation of asset registers and identification of assets - This task will define the registers and collect the data for each asset class.
- v) Reallocation of assets – identify assets to be reallocated to the different LOBs and assist BR to complete the reallocation.
- vi) Transfer of liabilities – identify the liabilities to be transferred to the different LOBs and assist BR to complete the transfer.
- vii) Support and Training – The consultant will train staff from BR to maintain the asset register.

(iii) Component 3 – Introduce and Implement Improved Financial Governance Systems

The tasks under this component include:

- i) Define a set of criteria for designing the new accounting architecture based on a line of business structure for BR. These should include:
 - (a) Effectiveness of the options for achieving the BR's objectives of ensuring complete accounting separation of infrastructure, rail operations and also various lines of business;
 - (b) Activity based accounting and costing for identification and mitigation of systemic inefficiencies and maintenance and operational inefficiencies;
 - (c) Overall impact on rail industry and central finances and also the accounting requirements and consequences;
 - (d) Consumer's benefits and end users' cost;
 - (e) Regulatory, legal, institutional, structural and any other financial and technical issues with a bearing on the proposed accounting changes;

- (f) Prevailing local conditions, existing accounting commercial practices and country specific requirements;
 - (g) Assessment of viability of BR from management of infrastructural, network, rolling stock deployment, rail operations and non-core business.
- ii) Critically analyze existing accounting system of earnings and expenditure and starting from point of origin, suggest necessary modifications in grouping and reflection of transactions to arrive at accounts and costs that match the purpose of bringing railway accounts in synchronization with internationally accepted accounting standards in rail industry and CAG requirements. Also advise the BR on the benefits and full implications of the accounting restructuring programmers and this advice will be based inter-alia on the consultant's research into and conclusions drawn from the studies and resultant exercises of rail sector accounting, costing and financial management information reforms carried out elsewhere in the world which could be of relevance to BR's context. The studies with reference to those countries should take into consideration the strong similarities with the BR. The overall BR accounting system review would include the following accounting sub-systems:
- (a) BR's financial statements - basic financial verification – accounting practices - review of Audit comments - clearing up BR's corporate complexity in accounting & budgeting performance - fundamentals of complexities;
 - (b) BR's accounting transactional processing;
 - (c) BR's revenue accounting system – Traffic accounts;
 - (d) Review of project/construction accounting transactional process;
 - (e) Stores accounting (Material Management Modules);
 - (f) Workshops accounting systems;
 - (g) BR's accounting/financial codes – system of accounting governance through codes;
 - (h) BR's accounting policies and standards
- iii) Formulation of an acceptable accounting architecture/model together with detailed chart of accounts that will produce BR's financial statements in conformity with the commercial accounting standards internationally adopted in rail industry and also enable restatement of those financial statements into the ones that conform to government reporting requirements. The detailed tasks are as follows:
- (a) Task 1: Redefinition of commercial system architecture to accommodate LOB/LOS and profit center concepts**
- (a) Review of various eligible and appropriate commercial models working satisfactorily elsewhere;
 - (b) Search for an ideal profit center anchored in the LOB/LOS based accounting system of BR;
 - (c) Statement of principles of accounting separation between LOB/LOS;
 - (d) Conceptualization designing and unveiling of a suitably re-engineered model acceptable to BR's system with LOB/LOS and profit center based separations required by BR.
- (b) Task 2: Accounting architecture design**
- (i) Based on the above, development of a compatible accounting architecture with BR's existing accounting classifications as far as possible to be retained as undisturbed though expansion and regrouping of classifications would be permissible. The other requirements would be;
 - (ii) Compatibility with commercial accounting practices as is relevant to government controlled rail systems;
 - (iii) Conformity with rail Budget presentation format needed – improvements without disturbing basic structure encouraged;
 - (iv) Conformity to Comptroller and Accountant General (CAG) government accounting requirements – improvements encouraged.
- (c) Task 3: Designing of BR's costing modules**
- a) Review of existing costing system;
 - b) Designing a compatible costing model;

- c) Re-aligning the new costing model to the accounting structure.

(d) Task 4: Designing Activity-Based Pricing Models for BR's Passenger Services Products, Freight Services Products, and Infrastructure Services:

- a) Passenger Services – Activity-Based Pricing Models;
- b) Pricing of passenger related to On-board and Off-board Services;
- c) Activity-Based Pricing Models of Freight Services, Parcel Services, Special Stock Services, Container Services etc.;
- d) Activity-Based Pricing Models for Fixed Infrastructure (Permanent Way, signaling and telecommunications);
- e) Activity-Based Pricing of Moving Infrastructure Services,
- f) Preparation of Activity-Based detailed worksheets for pricing. The worksheets, pricing formulae/methodology and derivatives should be capable of standing any regulatory authority's/legal/judicial scrutiny.
- g) Pricing of Cost Center-Based Services for BR's non-core services which are currently covered by the Government's Welfare Grant such as hospitals and schools.

(e) Task 5: Designing Audit trails in accounting system

- a) embedding audit trails in accounting software, and;
- b) development of Auditbots.

- (iv) Preparation of a checklist and a concordance list to identify compatibilities and incompatibilities between the existing system and the model system. The efficacy of the presently manual revenue accounting (income accounting) should be reviewed and recommendations on application of IT to enhance efficiency and make acceptable changes in accounting procedures should be made.

- (a) Task 1: Sizing up the extent of changes proposed with respect to existing accounting and costing system and accepted new accounting architecture.
- (b) Task 2: Estimation of system preparedness for implementation of accounting changes – assessment
 - (i) Identification of gaps;
 - (ii) Report on what BR can do and cannot do.
- (c) Task 3: Identification of financial governance-related activities that could be funded by the proposed governance fund and for proposals accepted by all parties, to prepare the required documents for submission to the appropriate authority.

- (v) Implementation of the accepted financial management and accounting system:

- a) Monitoring, supervision and commissioning of software development and implementation of the accepted accounting architecture model developed as part of activity c above and subsequently approved by all concerned parties;
- b) Modification and rewriting of codes, manuals, and system designs,
 - i. instruction books, software-operating procedure etc. for the accepted system;
- c) Implementation of Audit trails in revised Accounting System and
 - i. development of Auditbots;
- d) Training and Development of key Accounts Officers of BR in the operation of all the financial management and accounting systems installed;
- e) Production of financial management and accounting statements as agreed in the architecture.

- (vi) Based on the financial statements produced, identify BR passenger services that need to be subsidized and estimate the subsidy needed for each of these services. This task

also requires the consultants to formulate a mechanism to calculate the amount of subsidy required that can be used by BR in the future.

- (vii) Based on the financial statements produced, develop the costing of the different services provided by each LOB including those offered to other LOBs and internal pricing structure between the different LOBs.
- (viii) Based on financial statements produced, develop the costing of the different core services provided by each LOB to users, and develop tariff structure for the services provided by each LOB to the public.

(iv) Component 4 – Improved Human Resources (HR) Governance and Management

The tasks under this component shall include:

- (i) Review current system for maintaining personnel information and files within one month of the commencement date;
- (ii) Identify information that needs to be captured and design a personnel database system that meets the information needs identified, procedures for maintenance of the database, and structure and complete a personnel database for all BR personnel;
- (iii) Identify future staff requirements through micro manpower analysis, requirements, and based on this analysis identify skills shortages, excess requirements and training/retraining;
- (iv) Identify new posts in BR as a whole as well as in each LOB that need to be filled by direct recruitment of experts from the private sector and advise in making appointments for new posts identified;
- (v) Review current job descriptions of the different grades and professions of BR staff as well as current career advancement system within 10 months of commencement date and recommend new job descriptions and career advancement structure for all BR staff grades and professions within 12 months of commencement date;
- (vi) Prepare remuneration structure for all employee grades when BR is corporatized within 21 months of commencement of services and prepare performance-based remuneration component for key management personnel in BR for implementation after transformation to a state-owned corporate entity;
- (vii) Prepare options for staff to deploy staff from BR civil service structure to the corporatized entity based on the principle that staff be no worse off;
- (viii) Design social safety net in case any staff is made redundant in the future.

(v) Component 5 – Advisory Services for Transformation into Government-Owned Corporate Entity Component

The tasks shall include the following:

- (i) advising on options for transforming BR into a state-owned corporate entity;
- (ii) prepare the relevant information material as may be reasonably required to effectively carry out the stakeholder consultation process;
- (iii) organize appropriate study tours, if determined by BR and ADB to be needed, to relevant countries carrying out railway reform for representatives of all levels of BR management, rank-and-file and labor representatives;
- (iv) prepare accounting statements including income statements, balance sheets, funds flow statements, and profit and loss statements for BR according to IAS, including identification

and valuation of the current assets in terms of cash, receivables and inventories; the fixed assets in terms of book value, accumulated depreciation and net book value; any other assets held; the current liabilities in terms of short-term debts, payables and others; the long-term debts to BR;

- (v) carry out a stakeholder consultation process to disseminate accurate information and attempt to build consensus among all stakeholders in the transformation;
- (vi) recommend form and legal status for BR to be transformed into corporate entity and after decision by Government and ADB finalize proposal for transforming BR into corporate entity;
- (vi) Identify assets and liabilities that need to be transferred to BR after transformation in line with approved proposal and success factors for successful transformation identified as well as assets and liabilities that need to remain with the Government and finalize this proposal after decision by BR and ADB;
- (vii) carry out preparatory actions including preparing a drafting of the appropriate legal instruments to effect the transfer of assets and liabilities of BR to the corporate entity that will be set up and option papers for staff to be assigned from BR;
- (viii) carry out preparatory actions including preparing a drafting of the appropriate legal instruments for the rail safety regulatory body that will be established/strengthened after BR is transformed into a corporate entity.

(vi) Component 6 – Legal Support

The tasks under this component include,

- (i) Prepare legal/administrative/contractual instruments that need to be effected for each non-core activity to be transferred in accordance with approved outsourcing/divestiture plan;
- (ii) Prepare first draft of the corporatization bill to transform BR from a departmental enterprise to a corporate entity;
- (iii) drafting all legal and/or administrative paperwork necessary to give legal effect the transfer of assets and liabilities from BR to the corporate entity;
- (iv) drafting the legal instruments for the options to be given to staff upon corporatization of BR;
- (v) Advise on the appropriate legal form for a railway regulator including safety and technical regulation of the railway sector including institutional set-up and legislative requirements;
- (vi) Advise on any other legal issue relevant to the implementation of the agreed reform program generally and the other components.

REFORM ROAD MAP

Reform Component	Prior Actions By Appraisal/ Negotiation (September 2006)	Intermediate Milestones	Reform Actions to be taken by January 2008	Intermediate Milestones	Actions to be taken by January 2009 (Second DPC Triggers and Investment Loan Appraisal Conditions)	Intermediate Milestones	Actions to be taken by January 2011
Overall Policy Framework	Satisfactory Macroeconomic Framework	Satisfactory Macroeconomic Framework	Satisfactory Macroeconomic Framework	Satisfactory Macroeconomic Framework	Satisfactory Macroeconomic Framework	Satisfactory Macroeconomic Framework	Satisfactory Macroeconomic Framework

Reform Component	Prior Actions By Appraisal/ Negotiation (September 2006)	Intermediate Milestones	Reform Actions to be taken by January 2008	Intermediate Milestones	Actions to be taken by January 2009 (Second DPC Triggers and Investment Loan Appraisal Conditions)	Intermediate Milestones	Actions to be taken by January 2011
Restructure of Bangladesh Railway by line of business (LOB)	<p>Formal adoption and approval of LOB structure</p> <p>Appointment of heads of LOBs</p> <p>Assignment of Key staff to LOBs to support LOB heads and work with the reform consultant in implementing LOB structure</p> <p>Effective Communication</p> <p>Strategy developed for the reform program to communicate internally within BR and externally to the public</p> <p>Application for PPIAF Grant for PPP Op-</p>	<p>Formulate detailed LOB structure for BR with clear lines of authority and accountability as a whole to be agreed by BR, ADB and WB</p> <p>Managerial relationship and reporting lines clarified between HQ management and LOB field managers</p> <p>Reform Consultant is hired—financing and procurement to be done by ADB</p>	<p>Reorganization of BR by LOB completed and all BR staff assigned to positions in the approved structure.</p> <p>Develop an agreed 5-year business plan for each LOB and BR as a whole showing the LOB operational and financial targets, the service quality it will offer and the expenditure necessary for each LOB and BR as a whole</p> <p>Develop key performance indicators (KPI) for each LOB to achieve business plan targets.</p> <p>PPP Options Study completed</p>		<p>i) BR asset registry completed with all BR assets to be identified, revalued and recorded in a new asset register that shows which LOB owns which asset.</p> <p>(ii) Identify non-core services, develop and approve an outsourcing/divestiture plan for non-core services.</p> <p>(iii) Review performance of LOBs and report on LOB performance submitted</p> <p>PPP Options Study implemented</p>	Start divestiture of non-core services	Complete the divestiture/outsourcing of all non-core services in accordance with the approved outsourcing/divestiture plan.

Reform Component	Prior Actions By Appraisal/ Negotiation (September 2006)	Intermediate Milestones	Reform Actions to be taken by January 2008	Intermediate Milestones	Actions to be taken by January 2009 (Second DPC Triggers and Investment Loan Appraisal Conditions)	Intermediate Milestones	Actions to be taken by January 2011
<p>Transform BR into a Government Owned Corporate Entity</p>	<p>Formal GOB re-confirmation to transform BR into corporate entity as per the Land Transport Policy and Draft Integrated Multimodal Transport Policy (IMTP)</p> <p>GOB re-affirmation letter for the approval of IMTP</p>	<p>Cabinet approval of the draft Integrated Multimodal Transport Policy</p> <p>Performance agreement signed between BR and MOC as an interim governance structure clarifying responsibilities and accountability</p>	<p>GOB gives BR financial and operational autonomy to operate within the constraints of the public service contract.</p>	<p>Formulate options for transforming BR into corporate entity</p> <p>Conduct wide stakeholder consultation on the different options</p>	<p>Decide on and approve options for the form and legal status of BR after it is transformed into a corporate entity taking into account the experience gained in restructuring BR by LOB.</p> <p>Draft Act to transform BR into a government-owned corporate entity prepared for discussion by Cabinet</p>	<p>GOB gives BR the authority to set freight tariffs at market sensitive, compensatory levels</p> <p>GOB gives BR the authority to set passenger fares for First Class Passengers at market sensitive, compensatory levels</p>	<p>BR transformed into corporate entity</p> <p>Finalize and approve technical and safety regulatory framework for rail sector after BR is transformed into a corporate entity including roles, reporting arrangements and institutional strengthening for safety and technical regulatory body.</p>

Reform Component	Prior Actions By Appraisal/ Negotiation (September 2006)	Intermediate Milestones	Reform Actions to be taken by January 2008	Intermediate Milestones	Actions to be taken by January 2009 (Second DPC Triggers and Investment Loan Appraisal Conditions)	Intermediate Milestones	Actions to be taken by January 2011
Transparent cost accounting and financial reporting system		<p>Consultant hired— financing and procurement to be done by ADB</p> <p>Define a set of criteria for designing the new accounting architecture based on LOB structure for BR</p> <p>Critically analyze existing BR accounting system</p>	<p>Develop an Architecture/model for a new accounting and financial management system that will produce BR's financial statements in conformity with commercial accounting standards internationally accepted in the railway industry and also enable restatement of these financial statements to ones that conform to Government reporting requirements.</p>		<p>(i) New accounting and financial management system to be fully implemented with the production of financial management and accounting statements as agreed in the accepted architecture</p> <p>(ii) Identify passenger services that need public service obligation (PSO) subsidies and implement a mechanism to calculate and pay PSO subsidies.</p> <p>(iii) Implement a new internal pricing structure for the services provided by the individual LOB to other LOBs.</p>	<p>GOB to provide a fully compensatory PSO for all passenger services it wishes to be operated</p> <p>External audit of BR accounts.</p>	<p>Implement a new tariff structure for all BR core services and revise tariff book according to the approved tariff structure</p> <p>All qualifications of previous external audit corrected.</p>

Reform Component	Prior Actions By Appraisal/ Negotiation (September 2006)	Intermediate Milestones	Reform Actions to be taken by January 2008	Intermediate Milestones	Actions to be taken by January 2009 (Second DPC Triggers and Investment Loan Appraisal Conditions)	Intermediate Milestones	Actions to be taken by January 2011
Human Resources Management		<p>Consultant hired — financing and procurement to be done by ADB</p> <p>Assess training and recruitment needs for implementing the LOB structure.</p>	<p>(i) Set up personnel database with completed data for all BR personnel and procedures for maintaining database in place.</p> <p>(ii) Identify personnel requirements showing skills needed at each LOB, skills existing at BR, skills shortages and surplus to requirements, training and retraining needs, and experts that need to be filled by recruitment from outside BR for successful implementation of LOB business plans.</p>		<p>(i) Redefine job description, career advancement process of the different staff grades and professions needed to optimize LOB structure and corporatization.</p> <p>(ii) Recruit managers with needed skills from outside BR as and where necessary with the successful candidates appointed and in service with BR.</p>		<p>(i) Formulate a new market-based financial remuneration structure for BR employees to be implemented after transformation of BR into a corporate entity.</p> <p>(ii) Formulate performance-based incentive structure and accountability measures for key BR management personnel to be implemented after the transformation of BR into a corporate entity is approved.</p> <p>(iii) Prepare options based on principle that staff will be no worse off for BR personnel to transfer to corporate entity and prepare the necessary documentation for the various accepted options.</p> <p>(iv) Prepare and approve social safety net for BR staff, if</p>

Reform Component	Prior Actions By Appraisal/ Negotiation (September 2006)	Intermediate Milestones	Reform Actions to be taken by January 2008	Intermediate Milestones	Actions to be taken by January 2009 (Second DPC Triggers and Investment Loan Appraisal Conditions)	Intermediate Milestones	Actions to be taken by January 2011
Improve BR Operations and Maintenance Practices and Performance	Three-year maintenance plan and funding arrangement for rail infrastructure and rolling stock prepared and agreed	<p>Consultant hired—to be done under ADB AOTA</p> <p>Review current standards for maintenance of permanent way and rolling stock and signaling</p> <p>Review current train operations planning including timetabling, rake links, and operating practices for priority corridors</p>	<p>(i) Implement monitoring system to collect and analyze data needed to monitor operational aspects of KPI for each LOB.</p> <p>First year maintenance plan implemented</p>	Second year maintenance funding plan	<p>(i) Formulate and accept improved standards for maintenance of permanent way and rolling stock and signaling.</p> <p>(ii) Improve timetabling, rake links, locomotive links, and terminal operating practices to reduce journey times in Dhaka-Chittagong corridor by 10% compared to the situation existing in December 2005.</p> <p>(iii) Formulate standards for maintenance of permanent way and rolling stock and signaling.</p> <p>(iv) Update all</p>		

Reform Component	Prior Actions By Appraisal/ Negotiation (September 2006)	Intermediate Milestones	Reform Actions to be taken by January 2008	Intermediate Milestones	Actions to be taken by January 2009 (Second DPC Triggers and Investment Loan Appraisal Conditions)	Intermediate Milestones	Actions to be taken by January 2011
					relevant operations and maintenance manuals by BR and formally adopt these new manuals. (v) All Agreed maintenance funding plan implemented		
Improved Procurement Practices	Preliminary procurement assessment of BR carried out and Actions Agreed				BR to implement the provisions of the Public Procurement Regulations of 2003, including provisions for contract award, delegation of financial powers, bidding process, and information disclosure.		
Improved Environment and				Environmental Audit and Management Plan	Implement Environment and Social Management Plans		

Reform Component	Prior Actions By Appraisal/ Negotiation (September 2006)	Intermediate Milestones	Reform Actions to be taken by January 2008	Intermediate Milestones	Actions to be taken by January 2009 (Second DPC Triggers and Investment Loan Appraisal Conditions)	Intermediate Milestones	Actions to be taken by January 2011
Social Impact Management				<p>carried out to bring BR operation in line with acceptable environmental standards.</p> <p>Social Impact Analysis carried out</p> <p>Environment and Social Unit established in BR with a basic staff of two environmental and two social specialists</p>	Operationalize Environment and Social Unit in BR		

A VIGILANCE ORGANIZATION FOR BANGLADESH RAILWAY

In line with the practice in the Indian Railways, an independent Anti-Corruption Department (ACD) may be established in BR for the prevention, detection and departmental investigation of cases of corruption. Functions & responsibilities of the ACD may be generally as follows:

- i). Undertake prompt investigation of authenticated complaints, with special emphasis on referred complaints, complaints appearing in the media and serious complaints, involving mala fide intent, sent by members of the public;
- ii). Carry out checks, with follow-up investigations, on serious cases of irregularities, based on source information;
- iii). Ensure speedy processing of corruption cases at all stages. Undertake regular review of these cases;
- iv). Ensure that charge sheets are prepared accurately, without any loopholes, and relevant documents are carefully sorted out and sent promptly to the Inquiry Officer;
- v). Ensure that the ? is consulted at all relevant stages;
- vi). Ensure prompt submission of returns to ACC;
- vii). Maintain close liaison with ACC, and other investigation agencies;
- viii). Take proper and expeditious action with regard to Court cases;
- ix). Ensure that proper assistance is given to investigation agencies in investigation cases;
- x). Develop a system of collecting intelligence about malpractices being committed in BR;
- xi). Scrutinize reports of Parliamentary Committees, Audit Reports, proceedings of Parliament, news items in the media, annual property statements etc. to obtain information about irregularities that pertain to the BR;
- xii). Keep a close watch on the functioning & integrity of personnel in the ACD itself;
- xiii). Undertake review of existing rules & procedures, with a view to plug loopholes and suggest systemic improvements to curb corruption;
- xiv). Maintain close surveillance on officials of doubtful integrity, and those who are on the 'agreed' and 'secret' lists;
- xv). Arrange regular and surprise inspections at sensitive work units, which are susceptible to corruption;
- xvi). Monitor cases involving departmental/procedural irregularities;
- xvii). Monitor adherence to aspects of Conduct Rules relating to integrity;
- xviii). Disseminate awareness about corruption, through corruption bulletins, seminars, workshops, lectures, etc.

The ACD of BR will be headed by an Additional Director General, Anti-Corruption (ADG/AC). He will be the link between the BR/MOC and ACC. He is assisted by a team of officers & staff in the department. The proposed organizational set-up has been shown in the schematics below.

Total No. of Officers = 22

Financial Involvement

- Annual salary, allowances and benefits of 22 officers = Tk 2.5 million (Calculation sheet below).
- Annual salary, allowances and benefits of supporting officials and staff = Tk 2.0 million.
- Annual costs of transport, logistics and other incidentals = Tk 1.5 million
- Total annual cost = Tk 6 million

Budget

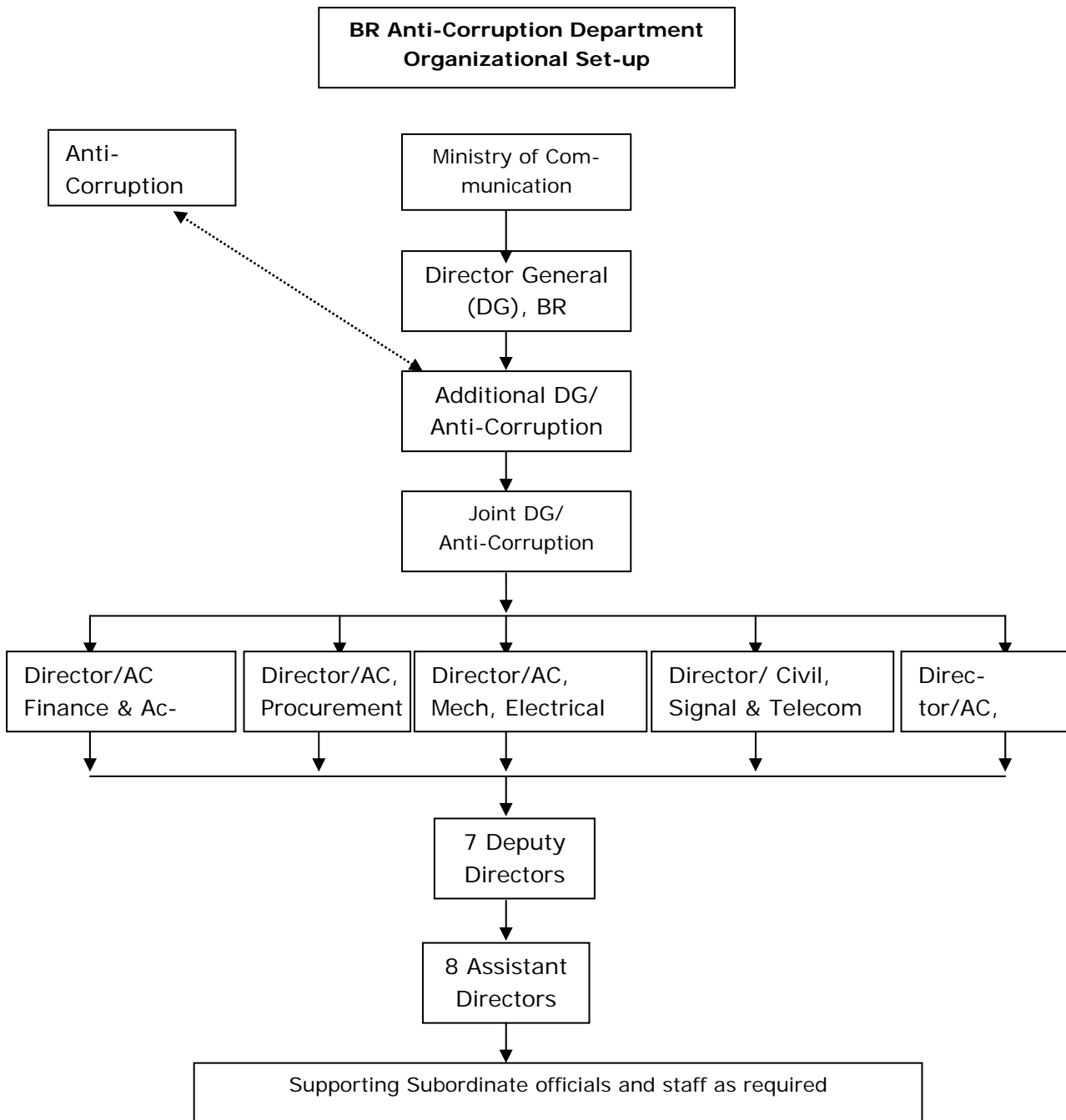
To be borne proportionately from the annual development and non-development budgets of respective departments.

Posts

Existing posts from within BR can be assigned (jobs reassigned) without creating new posts.

Appointment of Officers/Staff

To be manned by available manpower. Incumbents of known integrity shall be selected for the purpose. The ADG should be selected in consultation with ACC. Prior consultation with CVC is also necessary if a change of ADG/AC is sought, other than in the normal course of transfer after completing tenure, promotion, retirement etc. All other officers and staff in the ACD shall be appointed with prior approval of ADG/AC. Job descriptions of the posts under the ACD shall be developed in consultation with the ACC.



**PROPOSED VIGILENCE ORGANIZATION ANNUAL SALARY, Figures in Taka
(Officers)**

Sl. No.	Name of post	No. of Posts	Scale of Pay (As per NPS/05)		Average Pay	House Rent	Medical Allow.	Av. Pay & Allowances per month per post	Total Salary per month	Total Annual Cost = Total Salaryx1.7x12
			Scale Start	Scale end						
1	Additional DG (Anti-Corruption)	1	19300	22100	20700	9315	400	30415	30415	51705.50
2	Joint DG/AC	1	16800	20700	18750	8437.5	400	27587.5	27587.5	46898.75
3	Director/AC (Finance & Accounts)	1	15000	19800	17400	7830	400	25630	25630	43571.00
4	Director/AC (Procurement)	1	13750	19250	16500	7425	400	24325	24325	41352.50
5	Director/AC (Mechanical, Electrical & Stores)	1	13750	19250	16500	7425	400	24325	24325	41352.50
6	Director/AC (Civil, Signal & Telecom Engg.)	1	13750	19250	16500	7425	400	24325	24325	41352.50
	Director/AC (Traffic)	1	13750	19250	16500	7425	400	24325	24325	41352.50
6	Deputy Director/AC	7	11000	17650	14325	6446.25	400	21171.25	148199	202680.80
7	Assistant Director /AC	8	9000	15480	12240	5508	400	18148	145184	1974502.40
	Total	22								2484768.45
	Total Cost								Approx :	2.50 million

Appendix G

CORRUPTION RISK MITIGATION PLAN (CRMP) FOR BANGLADESH RAILWAY

Risk	Mitigation Method	Responsible Agency
Project Formulation and Preparation		
Design or selection of uneconomical projects because of opportunities for financial kickbacks and political patronage.	Increased vigilance/oversight	MOC, Planning Commission, ACC & Donor Agencies as applicable
Project formulation is not needs based, particularly when procurement of goods (rolling stock rails, bridge girder, ballast, sleepers, components of locomotive, coaches, wagons, signalling etc.) are involved.	Increased vigilance/oversight	MOC, Planning Commission,
Motivated demand, inflated scope for procurement of spares, replacement components.	Increased vigilance/oversight	BR, MOC
Prequalification & Tendering		
Short-listing by Selection Committee is influenced to include/exclude specific firms.	Increased vigilance/oversight	BR, MOC
Procurement fraud, including collusion, overcharging, or the selection of contractors, suppliers, and consultants on criteria other than the lowest evaluated substantially responsive bidder.	Increased vigilance/oversight	BR, MOC, ACC & Donor Agencies as applicable
Project equipment, specification, special conditions set to favour specific supplier.	Increased vigilance/oversight	BR, MOC, ACC
Financial and technical capabilities of bidders are set to favour targeted supplier/contractor.	Increased vigilance/oversight	BR, MOC, ACC
Leaking of bid/tender information to specific contractors.	Open, transparent public debate, donor mediation	BR, MOC, ACC
Limited/controlled tender publicity, tender published in non-important newspapers, publicity not repeated in adequate time. New bidders are not aware of the procurement and mostly miss the notification. Even if they see the notice, new entrants get limited time to study the requirements and find out suitable suppliers when the procurement involves international supplies. On the other hand, the favoured party has the full preparation and knowledge of the tender document, specifications etc.	Ensure adequate publicity through newspapers, websites as per PPR. Ensure adequate and timely dissemination of tender information, scope, specifications etc.	BR, MOC

Risk	Mitigation Method	Responsible Agency
Tender Opening, Evaluation and Award		
<p>At the time of tender opening, information related to the quoted price, bid bond, bid validity, number of copies submitted etc. are only declared and read out in presence of the representatives of the participating bidders. All concerned witness these information data. But there is no way of knowing for one bidder how the competing bidders have complied with the technical and financial criteria of the tender.</p>	<p>Ensure adequate dissemination information of all tender at the time of opening.</p> <p>Increased vigilance/oversight</p>	<p>BR, MOC, ACC</p>
<p>Railway technology and equipment being unique and not used anywhere publicly or in any other organization, public perception of price and quality of works is non-existent. Requiring body can set technical specification and evaluation criteria at will to favor somebody; which cannot be challenged by others. Only railway professionals with comparable competence and integrity can assess and evaluate the situation. Sometimes all involved in the procurement chain close ranks for financial gains.</p>	<p>Increased vigilance/oversight</p>	<p>BR, MOC, ACC</p>
<p>Technical evaluation is carried out in such a way that undesired competitive bidders are rejected even on non-substantial grounds. Similarly, non-substantial deviation of the favored bidder and those higher in prices than the target bidders are ignored. Competitors who have higher prices than the target bidder are liberally evaluated to show that there was proper competition and target bidder has received the award as the technically responsive lowest</p>	<p>Increased vigilance/ oversight and enforcement of procurement regulations</p>	<p>BR, MOC, ACC</p>

Risk	Mitigation Method	Responsible Agency
bidder.		
Tender evaluation process being confidential, competing bidders have no way of knowing whether uniform criteria are being applied to all bidders. There is no scope to raise informed complaint in time by the aggrieved parties.	Increased vigilance/ oversight and enforcement of procurement regulations	BR, MOC, ACC
Contract awarded by subdividing work components to bypass regulatory financial limits. Financial powers inappropriately exercised to avoid approval and scrutiny by higher authority.	Increased vigilance/ oversight and enforcement of procurement regulations	BR, MOC, ACC
Project Execution		
Contractor submits false claims, which are approved in exchange for bribe.	Increased vigilance/ oversight	BR, ACC
Incentives are paid at various levels for quick fund release.	Increased vigilance/ oversight and enforcement of procurement regulations	BR, MOC, ACC
Foreign suppliers invite engineers to visit factory/manufacturing process outside the contractual scope.	Increased vigilance/ oversight	MOC, ACC
Delay of payments and final payment for rent seeking purpose.	Increased vigilance/ oversight	BR, ACC
Handover of project is delayed to collect informal payments.	Increased vigilance/ oversight	BR, MOC, ACC
For GOB funded projects, quality and quantity of work is compromised for rent seeking purpose and/or due to coercion by higher authority/contractors. Aided projects have better oversight.	Increased vigilance/ oversight	BR, MOC, ACC
Recruitment of temporary labor in excess of requirement and used for personal service. Non-existent temporary workers are used in payroll.	Increased vigilance/ oversight	BR, ACC
Illicit payments of "speed money" to facilitate the timely payment of bills, claims etc. to which the party is rightfully entitled, such as re-	Increased vigilance/ oversight	BR, ACC

Risk	Mitigation Method	Responsible Agency
lease of performance bond, bid bond etc.		
Maintenance and Operation		
Illicit payments to facilitate access to goods, services, and/or information to which the public is not entitled, or to deny the public access to goods and services to which it is legally entitled.	Increased vigilance/ oversight	BR, ACC
Illicit payments to prevent the application of rules and regulations in a fair and consistent manner, particularly in revenue collection from ticketless travelers, un-booked parcel of luggage, excess freight etc.	Increased vigilance/ oversight	BR, ACC
The theft or embezzlement of railway property and monies.	Increased vigilance/ oversight	BR, ACC
The sale of official posts, positions, or promotions; nepotism; or other actions that undermine the creation of a professional, meritocratic civil service.	Increased vigilance/ oversight	BR, MOC, ACC
Repair/Rehabilitation works of bridges, station buildings, service buildings, residential buildings overestimated, under-worked, under-quality, reduced quantity.	Increased vigilance/ oversight	BR, ACC

Risk	Mitigation Method	Responsible Agency
Manpower misuse in maintenance works of tracks and bridges.	Increased vigilance/ oversight	BR, ACC
Cost of maintenance becomes high because of excessive inventory holding, obsolescence, theft, resale/recycling for next procurement.	Increased vigilance/ oversight	BR, MOC, ACC
Rolling stock, locomotives, electrical, signal telecom, consumable materials are not fully utilized. Some times sold in markets.	Increased vigilance/ oversight	BR, ACC
Locomotive fuel misuse/misappropriation.	Increased vigilance/ oversight	BR, ACC
Repair/replacement components	Increased vigilance/ oversight	BR, ACC

recycled through stores purchase.		
Theft and pilferage of track and signaling materials in connivance with railway staff.	Increased vigilance/ oversight	BR, ACC
Payment for no work against gratification.	Increased vigilance/ oversight	BR, ACC
Asking for financial support from suppliers/contractors for social functions, dinners, sports, and illegal contributions to schools, social intuitions.	Enforcement/oversight	BR, ACC
Commercial Operation and Leasing of Railway Facilities and Land		
Leasing/sale of railway land, leasing of shops, commercial, agricultural land allotment through corrupt practices.	Increased vigilance/ oversight	BR, ACC
Illicit payments of "speed money" to facilitate the timely payment of bills, claims etc. to which the party is rightfully entitled, such as payment of claims related to freights damaged in railway custody and/or in transit.	Increased vigilance/ oversight	BR, ACC
Illegal money from ticketless travelers, ticket sales, freight booking etc.	Increased vigilance/ oversight	BR, ACC
Over-weight /under-invoicing of freight booked.	Increased vigilance/ oversight	BR, ACC
Dispatch of booked cargo (particularly perishable and time sensitive cargo) deliberately delayed for extortion.	Increased vigilance/ oversight	BR, ACC
Carrying ticketless passengers, smuggled goods etc. in connivance with railway security personnel and railway police.	Increased vigilance/ oversight	BR, ACC
Illegal money for bill passing, purchase payments, pensions.	Increased vigilance/ oversight	BR, ACC

Risk	Mitigation Method	Responsible Agency
Personnel Management and Transport		
Illegal money from staff for processing of salary increment, salary fixation, time scale and selection grade, pension settlement, punishment waiver etc.	Increased vigilance/ oversight	BR, ACC
Illegal money from staff for Service book maintenance and updating, leave accounts and issue of travel passes.	Increased vigilance/ oversight	BR, ACC
Selling medicines from medical stores. Illegal money from staff by issuing of unfit medical certificates for the staff who is fit to work to avail long leave on medical ground.	Increased vigilance/ oversight	BR, ACC
Misuse of manpower of personal and other works by seniors.	Increased vigilance/ oversight	BR, ACC
Trade union influence.	Enforcement/oversight	BR, MOC, ACC
Political influence.	Enforcement/oversight	BR, MOC, ACC
Nepotism.	Increased vigilance/ oversight	BR, MOC, ACC
Favoritism.	Increased vigilance/ oversight	BR, MOC, ACC
Fake travel allowance particularly for low paid employees, shared by supervisors.	Increased vigilance/ oversight	BR, ACC
Friendly leave.	Increased vigilance/ oversight	BR, ACC
Fake overtime payment against gratification.	Increased vigilance/ oversight	BR, ACC
Trade union leaders do not work.	Enforcement/oversight	BR, ACC
Misuse of transport, no body maintains logbook. Private movements are shown as official duties.	Enforcement/oversight	BR, ACC
Seniors use vehicles of junior officials but do not show the duty as private.	Enforcement/oversight	BR, ACC

Performance of completed Projects		
<p>No accountability if project fails to achieve performance, financial, economic targets. Donor aided projects have post performance audit. But this does not hold EA accountable for anything.</p> <p>GOB projects have no such accountability. Example track rehabilitation is done to achieve certain target speed. There is no mechanism to challenge why target speeds could not be achieved.</p>	<p>Enforcement/oversight Post performance audit</p>	<p>BR, MOC, IMED, Planning Commission</p>