

Bangladesh: Railway Capacity Expansion (RACE) Project

**Project Summary Information**

Date of Document Preparation: 09/26/25	
Project Name	Railway Capacity Expansion (RACE) Project
Project Number	P001009
AIIB member	Bangladesh
Sector/Subsector	Transport
Alignment with AIIB's thematic priorities	Green infrastructure; Connectivity and Regional Cooperation
Status of Financing	Under Preparation
Objective	To enhance the operational capacity, efficiency, and reliability of Bangladesh Railway's services through procured locomotives.
Project Description	To address the critical shortage of serviceable locomotives in Bangladesh, the Government is planning to procure 60 new meter gauge (MG) locomotives. This will enable Bangladesh Railway (BR) to capture suppressed demand, particularly on profitable intercity and freight routes, translating directly into increased revenue. It will also allow BR to fully leverage its recent infrastructure investments by introducing services in routes where demand is high but operational capacity is constrained. The replacement of obsolete locomotives with modern, fuel-efficient units would also result in lower carbon emissions, helping the country's climate mitigation efforts. The government has requested financial assistance from the AIIB for the procurement of 30 MG locomotives, whereas the remaining 30 will be procured through a proposed ADB-financed project (<i>Bangladesh: South Asia Subregional Economic Cooperation: Chattogram-Dohazari Railway Project</i>). The RACE project is expected to comprise the following two components, with AIIB's financing likely to support most of them: (i) Component 1 – Locomotive Procurement: This will include procurement of 30 MG Diesel Electric Locomotives with capital and maintenance spare parts as well as commissioning of the procured locomotives. (ii) Component 2 – Project Management and Capacity Building activities (i.e., training, study tour) for the benefit of the BR.
Expected Results	The following indicators will be monitored to assess the achievement of the project's objective (PO): ▪ Increased railway transport capacity (both passenger and freight) in the rail network ▪ Increased efficiency of Bangladesh Railway ▪ Improved efficiency related to GHG emissions

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Environmental and Social Category	C
Environmental and Social Information	Applicable Policy and Categorization: The Bank's Environmental and Social Policy (ESP), including the Environmental and Social Standards (ESSs) and the Environmental and Social Exclusion List (ESEL), will apply to the Project. Based on the Bank's ESP, the proposed Project is categorized as C as it is likely to have minimal environmental and social (E&S) risks and impacts. ESS1 - Environmental and Social Assessment will apply as the proposed activities may potentially incur health and safety risks and environmental impacts that can be mitigated through plans and procedures. Currently, there is no requirement for land acquisition and no Indigenous Peoples will be affected by the Project. Hence, ESS2 Land Acquisition and Involuntary Resettlement and ESS3 Indigenous Peoples will not be applicable to this Project. Environmental and Social Instruments: As stated above, following the further E&S assessment to be conducted during appraisal, Standard Operating Procedures (SOPs) may be developed. Further instruments may be prepared to strengthen E&S risk management during implementation, if risks are found to escalate beyond initial expectations. In addition, any critical gaps between the client's current framework and AIIB's ESP will be identified and addressed through agreed capacity-building measures. Environmental and Social Aspects: The Project involves the use of AIIB loan proceeds for procuring diesel-electric locomotives. This will not entail direct environmental, health and safety (EHS) risks/ impacts. At this stage, the potential EHS impacts envisaged are related to hazardous waste generation, accidents due to collision, ergonomic hazards, etc. Before appraisal, a site visit will be conducted at the maintenance workshop, where the engines will be transported from the Port and commissioning will take place. Based on the assessment of the commissioning process and discussion with BR on the existing mitigation measure protocols as well as regulatory framework, SOPs may be prepared, as necessary. As the Project is not expected to involve land acquisition, resettlement, or impacts on Indigenous Peoples, no significant adverse social impacts are anticipated either. Project Grievance Redress Mechanism (GRM) and Monitoring Arrangement: BR will establish an effective project-level GRM. The PMU will ensure the GRM is accessible, transparent, and responsive to Project stakeholders (BR employers, particularly BR staff involved in locomotive commissioning process, suppliers, and port authorities), and designed to be culturally appropriate, including options for anonymous reporting and use of local languages. More details of E&S monitoring and reporting arrangement of the Project will be discussed and determined with the Borrower during Project appraisal.

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Cost and Financing Plan	Total Project Cost - USD 241.47 million AIIB Financing - USD 164.57 million GoB Financing - USD 76.9 million		
Borrower	People's Republic of Bangladesh		
Implementing Entity	Bangladesh Railway		
Estimated date of loan closing (SBF)	June 2030		
Contact Points:	AIIB	Borrower	Implementation Organization
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Date of Concept Decision	October 7, 2025		
Estimated Date of Appraisal Decision	March 2026		
Estimated Date of Financing Approval	September 2026		

Independent Accountability Mechanism	The Project-affected People's Mechanism (PPM) has been established by the AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through Project-level GRM or AIIB Management's processes. For information on how to make submissions to the PPM, please visit the PPM web page: https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html
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