

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: CWTC

TA No., Country and Name			Amount Approved: \$850,000	
TA 3265-KAZ: Preparing the Railway Restructuring Sector Development Program			Revised Amount: \$850,000	
Executing Agency: Kazakhstan Temir Zholy (Kazakhstan Railways)		Source of Funding: Japan Special Fund	Amount Undisbursed: \$53,005.54	Amount Utilized: \$796,994.46
TA Approval Date: 28 September 1999	TA Signing Date: 5 November 1999	Fielding of First Consultants: 17 January 2000	TA Completion Date Original: 30 June 2000 Actual: 30 June 2002	
			Account Closing Date Original: 30 June 2002 Actual: 30 April 2003	
Description				
<p>The railway is Kazakhstan's main means of transport, carrying more than 90% of freight traffic and 55% of passenger traffic for all modes. The railway network provides international services for major export and import commodities, domestic services especially for passengers, and transit services principally for freight. The railway system is operated under the Kazakhstan Temir Zholy (KTZ – Kazakhstan Railways). The Government of Kazakhstan is conscious both of the key role played by the railway and the merit of restructuring the railway system along commercial lines. The Government planned to restructure KTZ through a de-monopolization program that would leave KTZ to maintain the basic rail infrastructure while bringing in other enterprises to run services and maintain suppliers. During the Country Programming Mission in March 1999, the Government therefore requested assistance from the Asian Development Bank (ADB) to support its plans for restructuring the railway system. A railway restructuring sector development program (the Program) was planned for 2000 and this project preparatory technical assistance (TA) was provided to prepare the Program in 1999.</p>				
Expected Impact, Outcome and Outputs				
<p>The expected impact of the TA was maintained competitiveness of rail transport and transit traffic routes by introducing competition, contractual relations, and private sector investment to provision of railway services in Kazakhstan. The expected outcome of the TA was an efficient railway transport. The expected TA output was a railway restructuring sector development program suitable for ADB financing. Specifically, the TA was to (i) review the railway sector and its future role in the economic development of Kazakhstan; (ii) identify measures for converting KTZ into a commercially oriented enterprise responsive to market demands; (iii) identify means of introducing private sector investment into the railway sector; (iv) identify Government support needed for KTZ and its employees to implement the necessary structural reforms; (v) evaluate specific investments for possible ADB assistance for realizing efficiency and service quality improvements in the railway sector; and (vi) improve routes for export and transit traffic, and maintain the affordability of passenger travel.</p>				
Delivery of Inputs and Conduct of Activities				
<p>The TA was well-prepared and the terms of reference (TOR) for consultants were clear, comprehensive, and specific. The TOR included guidance for the consultants in undertaking the tasks and technical approaches to be followed. However, the TA design and monitoring framework lacked specific and quantified performance targets/indicators to measure the achievement of the TA outcome.</p> <p>The consultants were recruited and engaged in accordance with ADB's <i>Guideline on the Use of the Consultants</i>. A total of 38.75 person-months of consultants' services (20.5 international and 18.25 national) were used, which was the same to the amount in the contract. While this was lower than the planned 43 person-months of consultants' services (22 international and 21 national) indicated in the TA Report, the quality of consultant inputs was good. Two contract variations were processed during implementation. The consultants' performance was satisfactory and in line with the TOR. The consultants submitted the Inception Report on 28 February 2000 and the draft Final Report at the end of May 2000. After incorporating the stakeholders' comments on the draft Final Report, the consultants submitted the Final Report in August 2000.</p> <p>The performance of KTZ, the Executing Agency, was satisfactory. KTZ (i) appointed a project director to oversee implementation of the TA; (ii) provided the consultants with furnished office space and facilities, counterpart staff, available materials and data, and logistical support. A task force for restructuring was established within KTZ and a</p>				

working group at the technical level was established with membership from other government agencies that need to contribute to the railway restructuring process.

ADB's performance was satisfactory. ADB fielded two review missions in March and June 2000, respectively, to review TA implementation activities and conduct tripartite meetings.

The TA was originally envisaged to be completed by 30 June 2000, but it was actually completed on 30 June 2002. A long time elapse between the submission of the consultants' Final Report and the TA completion was mainly due to the delayed submission of the final billing by the consultants.

Evaluation of Outputs and Achievement of Outcome

The expected TA outputs were achieved. The consultants' Final Report was significantly improved from the draft after tripartite discussions, and met the requirements. The consultants formulated the proposed railway restructuring sector development program with the rationale, components, cost estimates, financing plan, and implementation arrangements. The consultants also prepared the initial social assessment and the summary initial environmental examination of the investment component of the proposed Program.

After the TA completion, ADB and the Government failed to proceed with an ensuing loan. The railway restructuring sector development program prepared under the TA was implemented using KTZ's own resources. Therefore, the TA outcome was partly achieved.

Overall Assessment and Rating

The TA was relevant to Kazakhstan's transport sector development plan and was consistent with ADB's country assistance strategy for Kazakhstan as well as the *Central Asia Regional Economic Cooperation (CAREC): Transport and Trade Facilitation Strategy*. Overall, the TA is rated partly successful.

Major Lessons

ADB and the Government failed to proceed with the ensuing loan because of the Government's borrowing policy that limited the Government's borrowing from external sources. KTZ had to implement the railway restructuring program with its resources due to the urgency of the Program. It is critical for ADB to assess the policy and capacity of a client prior to provision of the TA for preparing an investment project.

Recommendations and Follow-Up Actions

Kazakhstan's railways play a key role in the national economy and in the entire Central Asia region, accounting for a significant share of national, regional, and international traffic for freight. ADB needs to make continued efforts in assisting the Government and KTZ to further develop the railway sector. ADB also needs to request KTZ to provide information on the project(s) resulting from the TA and on their outcomes.

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