



# Azerbaijan: Railway Sector Development Program

## Project Name

Railway Sector Development Program

## Project Number

48386-004

## Country / Economy

- Azerbaijan

## Project Status

Active

## Project Type / Modality of Assistance

- Loan
- Technical Assistance

## Source of Funding / Amount

Loan 3614-AZE: Railway Sector Development Program

<b>Source</b>	<b>Amount</b>
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Ordinary capital resources	US\$ 250.00 million
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Loan: Railway Sector Development Program

<b>Source</b>	<b>Amount</b>
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Agence Francaise de Developpement	US\$ 75.00 million
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TA 9439-AZE: Capacity Development and Reform Support for Railway Sector Development

<b>Source</b>	<b>Amount</b>
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Technical Assistance Special Fund	US\$ 1.00 million
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Loan 3615-AZE: Railway Sector Development Program

<b>Source</b>	<b>Amount</b>
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Ordinary capital resources	US\$ 150.00 million
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Loan 8375-AZE: Railway Sector Development Program

<b>Source</b>	<b>Amount</b>
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Agence Francaise de Developpement	US\$ 100.00 million
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## Strategic Agendas

- Environmentally sustainable growth
- Inclusive economic growth
- Regional integration

## Drivers of Change

- Gender Equity and Mainstreaming
- Governance and capacity development
- Partnerships

## Sector / Subsector

- **Transport** / Rail transport (non-urban)

## Gender

Some gender elements

## Description

The Program will provide project financing for the rehabilitation of the track and structure of the Sumgayit-Yalama rail line--a key link in the North-South Railway Corridor within the Central Asia Regional Economic Cooperation network. It will improve rail network serviceability (the project loan); and support the railway sector development reforms in management autonomy and governance, financial restructuring, reporting and control, operational efficiency, and corporate restructuring (the policy-based loan).

## Project Rationale and Linkage to Country/Regional Strategy

A sustained policy implementation effort to engineer a transition towards a less oil-dependent economy is an urgent priority, and railway development can be a crucial enabler of this alternative development path. With railway infrastructure installations in almost all strategic locations of Azerbaijan (border cross points, ports, oil production and agricultural regions), railways competitiveness can be essential to the country's production, trade, and distribution of bulk materials such as agricultural products. But reform challenges in the sector are urgent.

The development problem urgently requires a comprehensive policy and fiscal response from the government that (i) promotes institutional, corporate, financial management and control, and labor and debt-restructuring reforms; and (ii) makes crucial financing available to upgrade ADY's service capacity and/or competitiveness. The emerging railway development challenges require properly sequenced institutional and corporate reform actions to tackle the consequences of years of financial and institutional mismanagement at ADY. These reforms are crucial so that a financially sustainable outlook for investment financing can help tackle the physical constraints to the freight and passenger businesses at ADY. The sector development program modality of the ADB enables multiyear assistance to such a sector-focused reform and investment financing agenda.

The program, included in ADB's country operations business plan for Azerbaijan, 2018-2020, will be ADB's first intervention in Azerbaijan's railways. Dialogue on the program's design and the assistance began in late 2015. The program's multiyear, programmatic policy loan component supports the government reform agenda for the railway sector and the currently-integrated main operator. Its project loan component synergizes infrastructure improvement of Azerbaijan's East-West and North-South railway corridors to maximize the country's transit potential. In addition, since ADY's capacity is significantly stretched by the wide range of immediate challenges, ADB will allocate technical assistance to facilitate policy dialogue and support implementing further change. This will enhance the coordination with development partners, key ADY stakeholders and other policy makers regarding the challenging reform processes.

## Impact

Railway development for Azerbaijan economically sustained.

## **Project Outcome**

### Description of Outcome

Rail service delivery and financial viability of railway operations in Azerbaijan improved.

### Progress Toward Outcome

As of end December 2023, construction progress is: Lot 1 = 69% and Lot 2 = 56%. Approximately 119 km of double track line has been completed or 72%.

## **Implementation Progress**

### Description of Project Outputs

Governance, and management and financial autonomy of ADY enhanced.

Financial restructuring of ADY's debt liabilities effectively conducted.

Financial and management control, efficiency and reporting at ADY enhanced.

Operational efficiency enhanced and corporate restructuring effectively conducted.

Infrastructure of the Sumgayit-Yalama rail line improved.

### Status of Implementation Progress (Outputs, Activities, and Issues)

Outputs 1-4 pertain to the deliverables for the policy-based loan, which was financially closed in September 2019.

Output 5: As of end December, construction progress is: Lot 1 = 69% and Lot 2 = 56%. Approximately 119 km of double track line has been completed or 72%.

### Geographical Location

Baku, Yalama

## **Safeguard Categories**

### Environment

B

### Involuntary Resettlement

B

### Indigenous Peoples

C

## **Summary of Environmental and Social Aspects**

### Environmental Aspects

The project loan is classified category B for environmental safeguards. Meaningful public consultations were conducted and an initial environmental examination was

prepared in accordance with ADB's Safeguard Policy Statement (2009) and disclosed on ADB's website on 7 November 2017. Project impacts during construction are expected to be site-specific, temporary, and related to the direct replacement of track, such as noise in residential areas, dust and exhaust emissions from equipment, impacts of bridge rehabilitation on the crossing rivers, and waste management. During operations, potential noise and vibration impacts are expected from the increased train speed and frequency after track improvement. The project will improve railway safety by fencing along the whole alignment. An environmental management plan provides mitigation and monitoring measures, as well as a capacity building plan for the PMO and ADY. Contractors will be responsible for implementing the mitigation measures. The loan has allocated funds for institutional strengthening, including safeguard compliance and railway safety improvement. The PMO will ensure the project complies with the environmental loan covenants, including semiannual environmental monitoring reporting. No environmental impact is expected for the policy-based loan.

#### Involuntary Resettlement

The project loan is classified category B for involuntary resettlement. Meaningful public consultations were conducted and a draft land acquisition and resettlement plan (LARP) was prepared in accordance with ADB's Safeguard Policy Statement (2009) and disclosed on ADB's website on 5 October 2017. The LARP completion report is finalized and disclosed on ADB's website on 29 September 2019. ADY has overall responsibility for LARP finalization and implementation. It has adequate institutional capacity and is committed to managing social safeguard compliance. The construction supervision consultant will monitor LARP implementation. The PMO will ensure the project complies with social safeguards loan covenants, including semiannual social safeguard monitoring reporting. No land acquisition and resettlement impact is expected for the policy-based loan.

#### Indigenous Peoples

The project loan is classified category C for indigenous peoples.

### **Stakeholder Communication, Participation, and Consultation**

#### During Project Design

Stakeholders including ADY, government agencies, development partners and local residents were consulted throughout project preparation to minimize adverse impacts and ensure social acceptance. The views and concerns of all stakeholders will be taken into consideration during project implementation.

#### During Project Implementation

The recent spread of COVID-19 cases, in the country and region, has led to a minimization of physical contact. Therefore, public consultations cannot be conducted. Instead, since 2020, the information dissemination has been done through individual meetings and through local informants, such as municipalities and train station officials. Therefore, it was considered more appropriate to prepare booklets as a source of information to provide information about the project, including GRM details, to local people. An appropriate booklet has been prepared and will soon be distributed to local people along the entire route.

### **Business Opportunities**

#### Consulting Services

Consulting services to be financed under the ADB loan will be recruited in accordance with ADB's Guidelines on the use of Consultants (2013, as amended from time to time) and ADB's prior review.

#### Procurement

All procurement financed under the ADB loan including ADB-administered loan will follow international competitive bidding procedures pursuant to ADB's Procurement Guidelines (2015, as amended from time to time) and ADB's prior review.

## Contact

Responsible ADB Officer  
 Sluijter, Jurgen  
 Responsible ADB Department  
 Sectors Group  
 Responsible ADB Division  
 Transport Sector Office (SG-TRA)  
 Executing Agencies  
*Ministry of Finance*

## Timetable

Concept Clearance  
 04 Jul 2016  
 Fact Finding  
 28 Aug 2017 to 08 Sep 2017  
 MRM  
 09 Oct 2017  
 Approval  
 06 Dec 2017  
 Last Review Mission  
 -  
 Last PDS Update  
 15 Feb 2024

## Funding

### Loan 3614-AZE

<b>Approval</b>	<b>Signing Date</b>	<b>Effectivity Date</b>	<b>Milestones</b>		
			<b>Closing</b>	<b>Original</b>	<b>Revised Actual</b>
06 Dec 2017	19 Dec 2017	16 Jan 2018	30 Jun 2022	-	30 Sep 2019

#### Financing Plan

<b>Total (Amount in US\$ million)</b>	
Project Cost	325.00
ADB	250.00
Counterpart	75.00

Cofinancing 0.00

Loan Utilization

	<b>Date</b>	<b>ADB</b>	<b>Others</b>	<b>Net Percentage</b>
Cumulative Contract Awards	06 Jun 2024	250.00	0.00	100%
Cumulative Disbursements	06 Jun 2024	250.00	0.00	100%

Status of Covenants

<b>Category</b>	<b>Sector</b>	<b>Safeguards</b>	<b>Social</b>	<b>Financial</b>	<b>Economic</b>	<b>Others</b>
<b>Rating</b>	Satisfactory	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

**Loan 3615-AZE**

Milestones

<b>Approval</b>	<b>Signing Date</b>	<b>Effectivity Date</b>	<b>Closing</b>		
			<b>Original</b>	<b>Revised</b>	<b>Actual</b>
06 Dec 2017	19 Dec 2017	16 Jan 2018	30 Jun 2022	31 Dec 2024	-

Financing Plan

<b>Total (Amount in US\$ million)</b>	
Project Cost	150.00
ADB	150.00
Counterpart	0.00
Cofinancing	0.00

Loan Utilization

	<b>Date</b>	<b>ADB</b>	<b>Others</b>	<b>Net Percentage</b>
Cumulative Contract Awards	06 Jun 2024	146.69	0.00	98%
Cumulative Disbursements	06 Jun 2024	140.11	0.00	93%

Status of Covenants

<b>Category</b>	<b>Sector</b>	<b>Safeguards</b>	<b>Social</b>	<b>Financial</b>	<b>Economic</b>	<b>Others</b>
<b>Rating</b>	Satisfactory	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

**Loan 8375-AZE**

Milestones

<b>Approval</b>	<b>Signing Date</b>	<b>Effectivity Date</b>	<b>Closing</b>		
			<b>Original</b>	<b>Revised</b>	<b>Actual</b>
14 Jun 2018	11 Mar 2019	11 Mar 2019	27 Dec 2023	-	12 Dec 2023

Financing Plan

<b>Total (Amount in US\$ million)</b>	
Project Cost	100.00
ADB	0.00
Counterpart	0.00

Cofinancing 100.00

Loan Utilization

	<b>Date</b>	<b>ADB</b>	<b>Others</b>	<b>Net Percentage</b>
Cumulative Contract Awards	06 Jun 2024	0.00	98.17	100%
Cumulative Disbursements	06 Jun 2024	0.00	98.17	100%

**TA 9439-AZE**

Milestones

<b>Approval</b>	<b>Signing Date</b>	<b>Effectivity Date</b>	<b>Closing</b>		
			<b>Original</b>	<b>Revised</b>	<b>Actual</b>
06 Dec 2017	28 Dec 2017	28 Dec 2017	31 Dec 2020	-	29 Jan 2021

Financing Plan/TA Utilization

<b>ADB</b>	<b>Cofinancing</b>	<b>Counterpart</b>				<b>Total</b>
		<b>Gov</b>	<b>Beneficiaries</b>	<b>Project Sponsor</b>	<b>Others</b>	
1,000,000.00	0.00	0.00	0.00	0.00	0.00	1,000,000.00

Cumulative Disbursements

<b>Date</b>	<b>Amount</b>
06 Jun 2024	963,315.83

Status of Covenants

<b>Category</b>	<b>Sector</b>	<b>Safeguards</b>	<b>Social</b>	<b>Financial</b>	<b>Economic</b>	<b>Others</b>
<b>Rating</b>	Satisfactory	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

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