“Azerbaijan Railways” CJSC (since 1880)
IMPLEMENTATION OF REFORMS.

November 2019
OUTLINE

01  ABOUT AZERBAIJAN RAILWAYS CJSC
   • ADY General information
   • General overview (Network Information)
   • New rolling stock projects
   • General Overview (General and Passenger infrastructure projects)

02  REFORM ACTIONS
   • Strategic goals
   • ADY’s reforms timeline
   • Railway Sector Development Program (RSDP)
   • Completed reform actions for Tranche 1
   • Completed reform actions for Tranche 2

03  CORRIDORS
   • Representation in international organizations
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General overview (Network Information)

- **Length of track-km:** 4,277 km
- **Length of main track-km:** 2,900 km
- **Length of route-km:** 2,070 km
- **39% is double tracked**
- **60% is electrified**

242.2 km of track located on territory of Azerbaijan Republic under occupation.
General information

2019

14 mln. tons of freight
2.8 mln. passengers

№ of employees
19 760
Average age
46

Classification of main activities

Freight
Passenger transportation
Infrastructure

Freight Revenue by segments 2018

In 2018, the main source of Freight revenue came from International Transit routes, import and export.
## New rolling stock projects

### Specifications Techniques which Meeting modern standards

- **15 pieces**
  - repair and construction road machines
- **4 pieces**
  - to maintain the road used techniques
- **1 piece**
  - diagnostic control complex to road infrastructure

### Newly purchased electric locomotives by the Freight Department

- **4 pieces**
  - VL-11m/6 Georgia

### Newly purchased electric locomotives by the Passenger Department

- **9 pieces**
  - two-storey KISS electric train
  - Stadler Rail Group Switzerland

### Newly purchased diesel locomotives

- **10 pieces**
  - AZ8A Kazakhstan “Alstom Transport SA”
  - (29 pieces will be delivered between 2020-2021.)

### Newly purchased electric locomotives

- **10 pieces**
  - France “Alstom Transport SA” 2019 - 2020

### Newly purchased wagons

- **20 pieces**
  - (10 pieces will be delivered in 2020)
  - “Stadler Rail Group” Switzerland

### New purchased freight wagons

- **3101 pieces**
General Overview (Passenger infrastructure projects)

Laki-Gabala Railway Line (43 km) 2018-2020
The total cost of the project 0.27 bln. AZN

Khudat-Shahdag railway line (57 km) 2019-2023
The total cost of the project 0.18 bln. AZN

Baku Circular Railway 2018-2020
The total cost of the project 0.58 bln. AZN

General Overview (General infrastructure projects)

Baku-Boyuk Kesik Project 2013-2019
The total cost of the project 1.1 bln. AZN

Sumgait – Yalama Project 2018-2022
The total cost of the project 0.6 bln. AZN

Alat-Astara Railway line 2018-2027
The total cost of the project 2.02 bln. AZN
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Strategic goals

- Safety and Security (Accident Mitigation)
  - Decrease in the number of accidents
  - Increase security
  - Zero death and injuries target

- Reliable and quality service (Customer Satisfaction)
  - Punctuality
  - Reduce accidents and injuries
  - Reduction of speed limits
  - Customer satisfaction

- Efficiency (Expense train / km reduction)
  - Staff optimization
  - Optimization of railway network usage
  - Efficient use of trains

- Sustainable Development (Reduction of Operational Ratios)
  - Rules for Interagency Services
  - Improvement of processes
  - Environmentally sustainable development
  - Increase market share
  - New services
  - Segmentation

- Market Orientation / Innovation (Increasing Market Share)
  - Reduce accidents and injuries
  - Reduction of speed limits

VISION
PROVIDING SAFE AND QUALITY TRANSPORT SERVICES BY CREATING AN EFFECTIVE RAILWAY SYSTEM

MISSION
TO BE THE MOST COMPETITIVE AND SUSTAINABLE TRANSPORT SERVICE PROVIDER IN THE REGION
New management appointment

Initial reforms (PIU, finance etc.)

Launch of the Railway Sector Development Program (Dec, 2017)

Corporate restructuring Phase I

Negotiation for passenger transportation services (PSO) and infrastructure maintenance (SPA) subsidies started

Launching Phase II of corporate restructuring, continuation of reforms
Since late 2017 the Railway Sector Development Program ("RSDP") aimed for performance of corporate, institutional, financial and human resources reform actions in the railway sector of Azerbaijan Republic (AR) has been developed with the technical assistance of Asian Development Bank (ADB) and support from sources available in Azerbaijan Railways CJSC ("ADY").

The Government of the Republic of Azerbaijan and the ADB concluded the Loan agreement ("Policy Loan") and (Project Loan) for RSDP (Dec. 2017). The Agency France Development (AFD) has initially agreed to support both projects with counterpart financing.

The loan consists of two tranches, requiring particular reform actions.

According to Policy Matrix upon completion of 23 reform actions during 2017 and 22 reform actions during 2018-2019 Tranche 1 and Tranche 2 ADY was disbursed consequently.
Completed reform actions for tranche 1

- Three-phase **financial restructuring plan** was prepared to strengthen current financial; situation of ADY, and the first phase was executed by the Ministry of Finance of Azerbaijan Republic and ADY;
- **Centralization of Bank Account** in order to strictly supervise financial inflows, and all other bank accounts of ADY were shut down;
- **Internal Audit** function was improved, and relevant unit was reestablished by Chairman’s order;
- **Single register** for assets and properties was created;
- **Automated finance** system was implemented at subsidiaries too;
- **Procurement** was centralized;
- **Change Management Unit** was created by Chairman’s order, dated 15th of September 2017 in order to facilitate the implementation of the project;
- Human resources strategy was approved.
Completed reform actions for tranche 2

Preparation and submitting of the Railway Law to the Government

Strategic goals have been determined:
1. Security
2. Reliability
3. Efficiency
4. Sustainable development
5. Market orientation

Corporate restructuring:
Phase 1 (shifting Stations to Infrastructure department, Creation of Support Unit)
Phase 2 is under preparation:
(Separation of Rolling Stock, Separation of repair and maintenance of depots)

Draft rules on passenger transportation and infrastructure subsidies (PSO, SPA) submitted to the Cabinet of Ministers for approval

Preliminary Draft of Service Level Agreements (SLA) was developed to regulate inter-departmental relations

Integration of the Key Performance Indicators (KPIs) system has begun. KPIs were published on ADY’s official website

Risk management system has been established. The Risk Management Department has been established. Risk policy and risk register have been developed

Centralization of functions and creation of Supporting unit (Finance, Legal, Human Resources, Supply, Asset Management, Marketing, HSE)
Completed reform actions for tranche 2

A department for monitoring the **efficiency of electricity** sales and consumption was established. With the support of the European Bank for Reconstruction and Development (EBRD), a foreign company was involved to increase the power consumption.

Starting the process of acquisition and integration of **software for traffic planning**

**Development of HR Initiatives**
- Strategy, Training Rules, Recruitment Rules, Automation, Internship Program Guidelines, Knowledge and Skills Development Rules
- ADY targets for rationalization of labor resources;
- The staff of the Finance and Economics Department has been evaluated and the new structure has been developed;
- Performance appraisal system has been put in place as a pilot project;
- The structure of the Training Center has been prepared.

**An asset management unit** has been established, policy and strategy approved.

**The current cost structure** of passenger transportation operations have been analyzed and **Pricing strategy** was approved.

**Financial Management**
- Implementation of financial restructuring plan;
- Amendments to terms of Deposit (ESCROW) account;
- The operating ratio is lower than 1;
- An agreement was signed to obtain the internal credit rating.

- Detailed information on reforms and projects implemented under the Railway Sector Development Program were posted on the ADY website.
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EXCELLENCE IN PROJECT MANAGEMENT

This award is given to

Railway Sector Development Program
for overall excellence in Project Management Practices

Given this 27th day of September 2019
(Baku, Azerbaijan)

WERNER E. LIEPACH
Director General
Central and West Asia Department

NARIMAN MANNAPBEKOV
Country Director
Azerbaijan Resident Mission
THANK YOU FOR YOUR ATTENTION!

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