

“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
- Corridors



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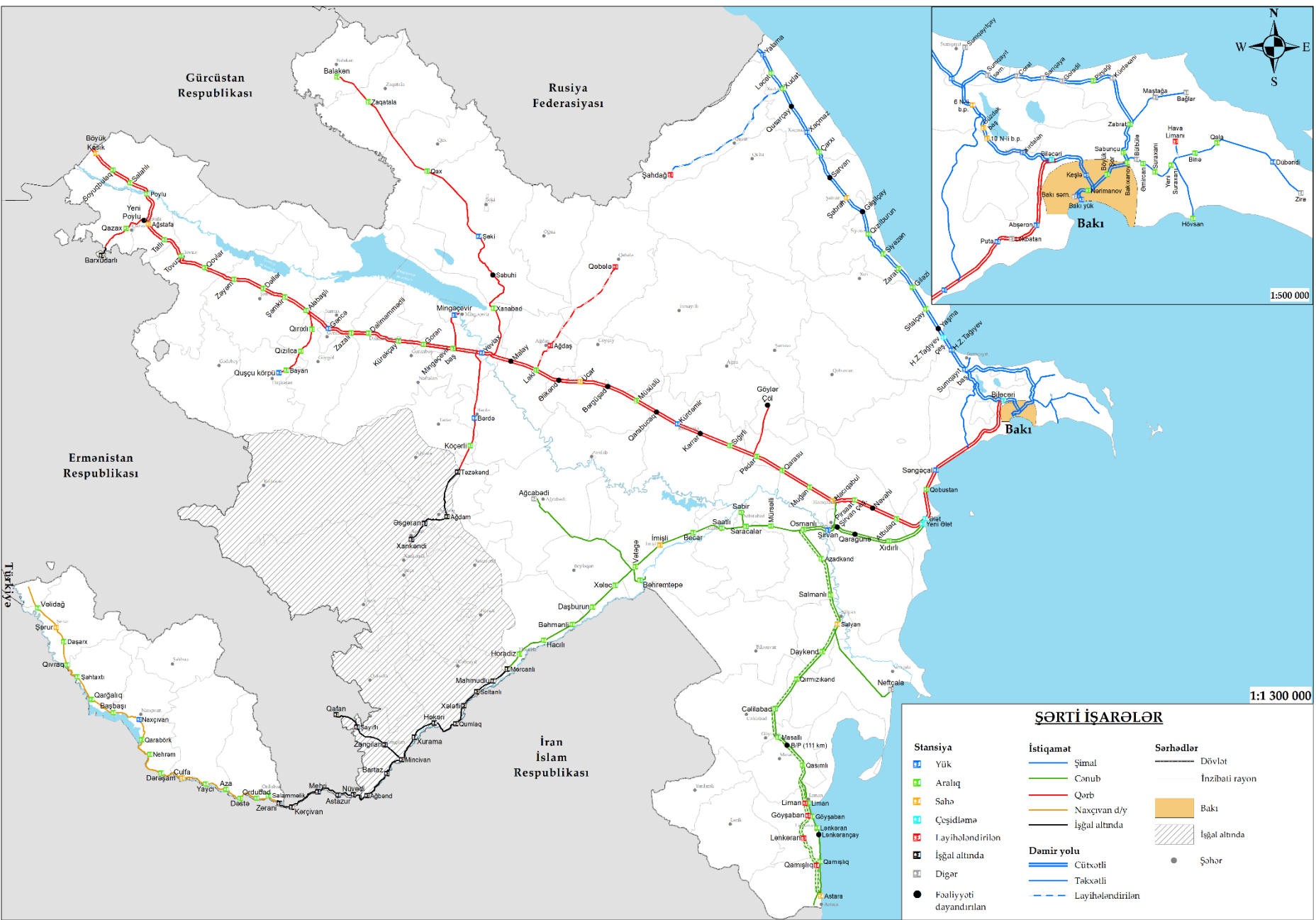
03

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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

East-West (middle corridor)



North-South corridor



Trans-Siberian- Caucasus route




South-West corridor



General information

2019



14 mln.
tons of freight



2.8 mln.
passengers

№ of employees

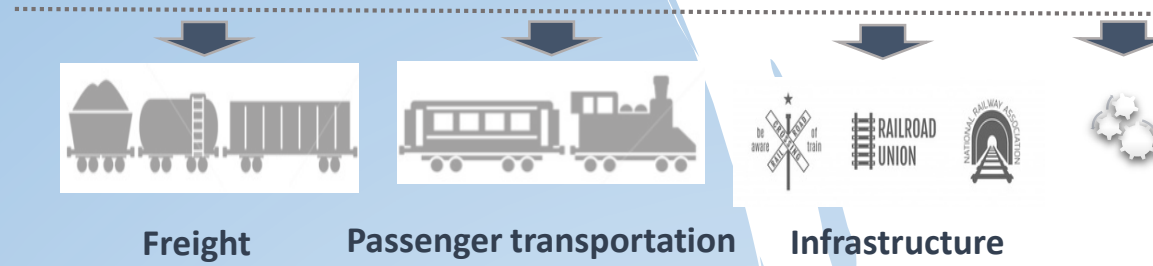
19 760

Average age

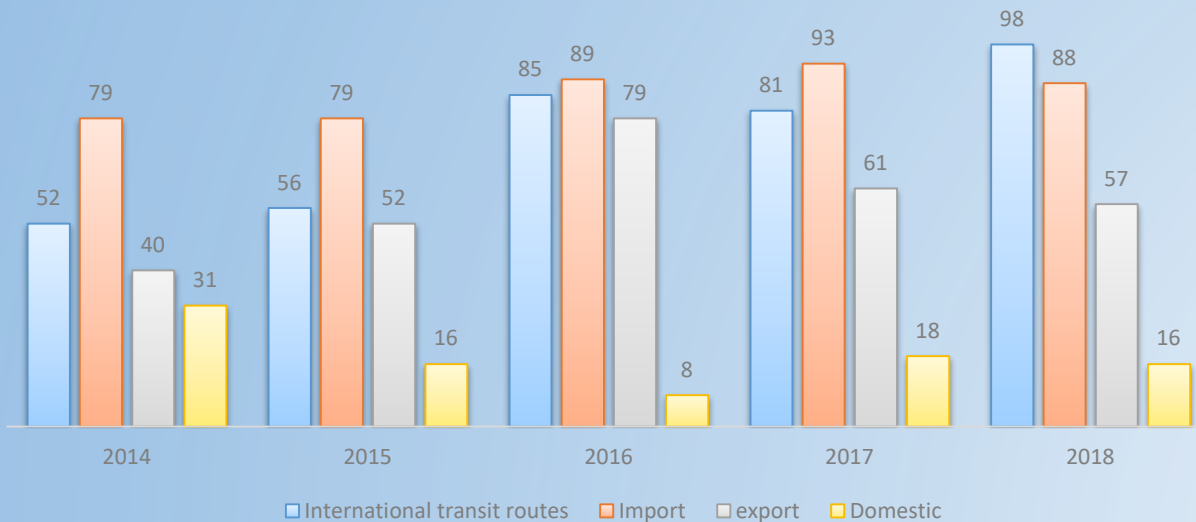
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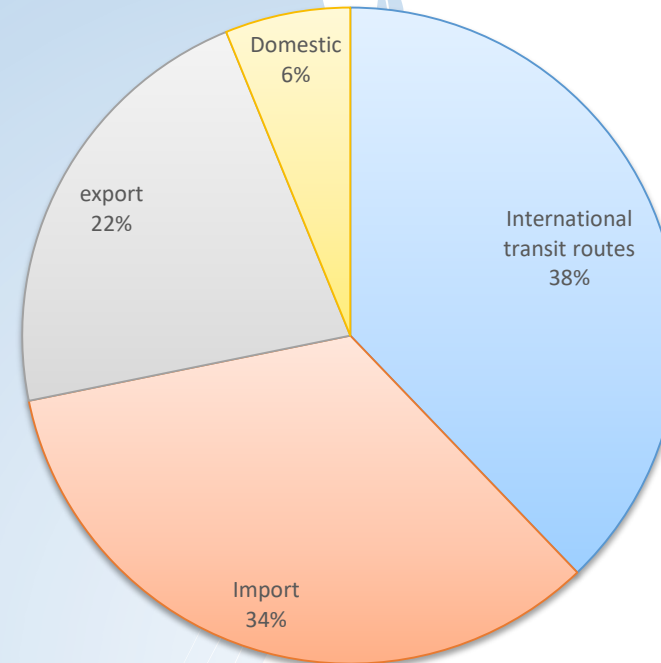
Classification of main activities



Freight revenue (AZN)



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

40 pieces

AZ8A Kazakhstan “Alstom Transport SA”

(29 pieces will be delivered between 2020-2021.)

Newly purchased diesel locomotives

10 pieces

TE33A Kazakhstan (General Electric)

New purchased freight wagons

3101 pieces



Newly purchased electric locomotives by the Passenger Department

9 pieces

two-storey KISS electric train
Stadler Rail Group Switzerland

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

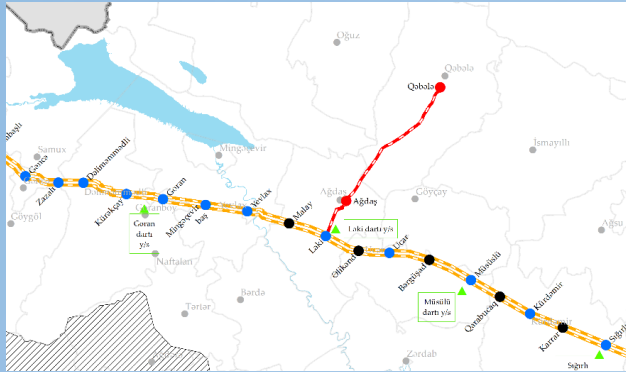
General Overview (Passenger infrastructure projects)



Laki-Gabala Railway Line (43 km) 2018-2020



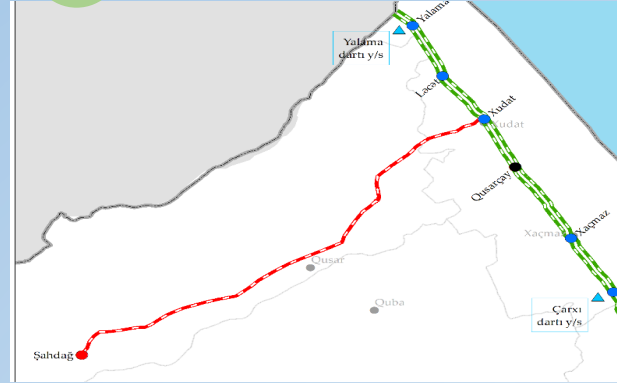
The total cost of the project
0.27 bln. AZN



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



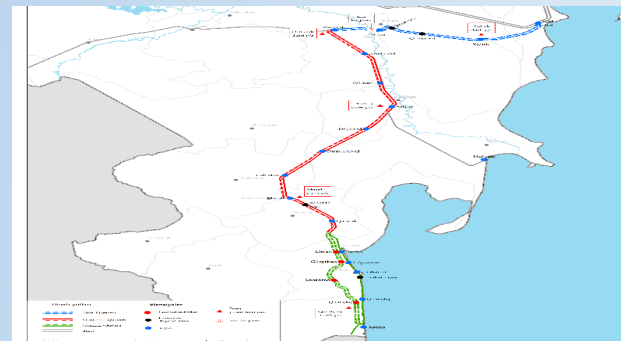
The total cost of the project
1.1 bln. AZN



Sumgait – Yalama Project 2018-2022



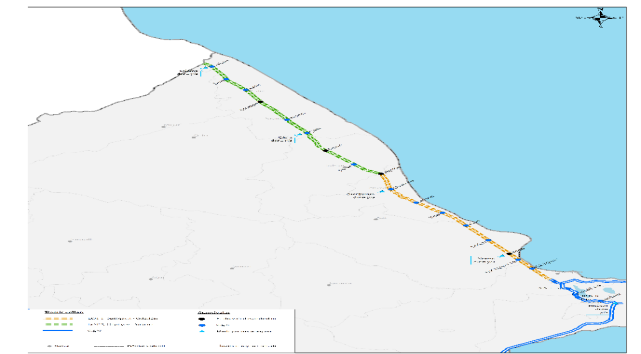
The total cost of the project
0.6 bln. AZN



Alat-Astara Railway line 2018-2027



The total cost of the project
2.02 bln. AZN



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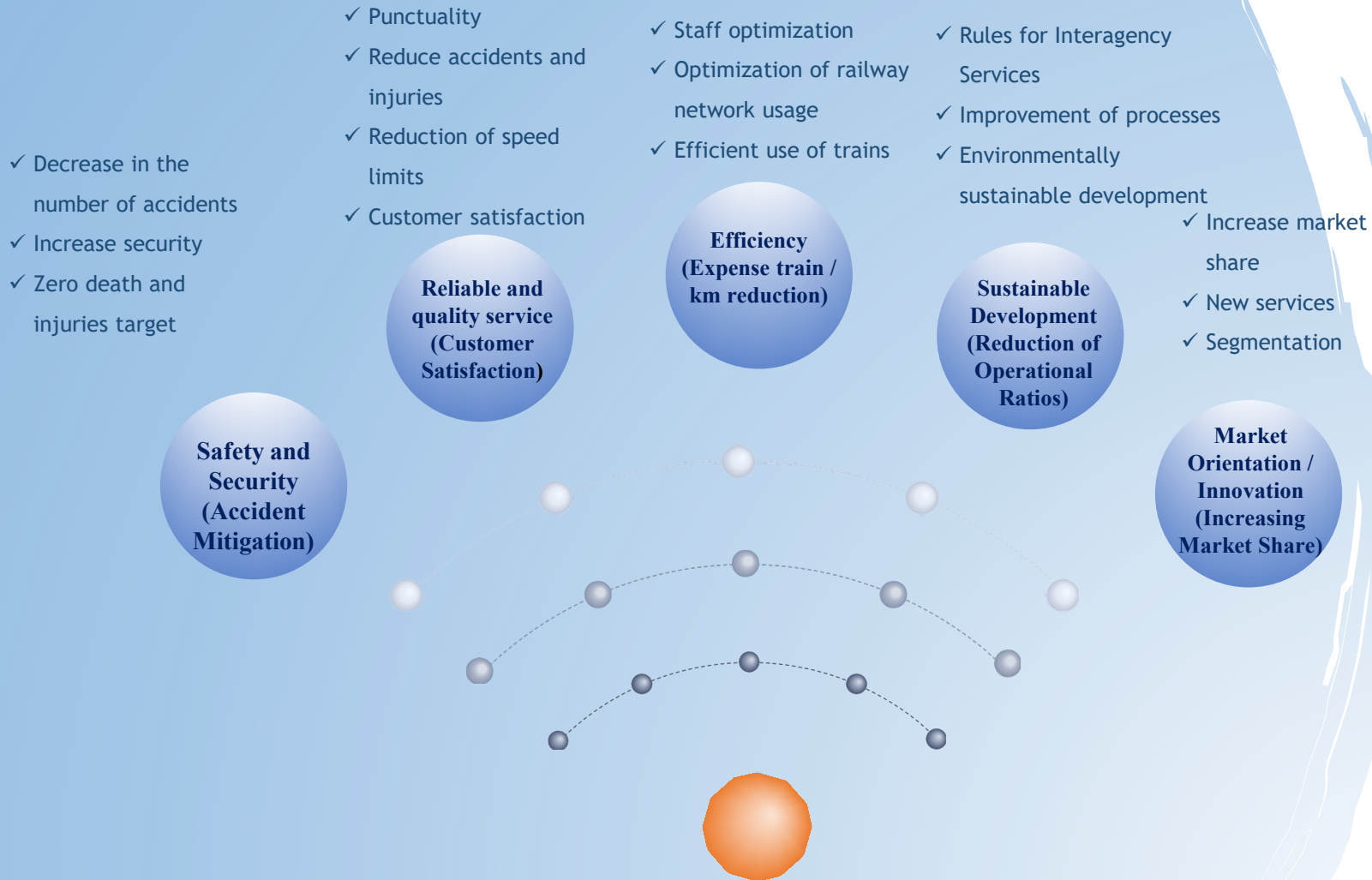
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Strategic goals



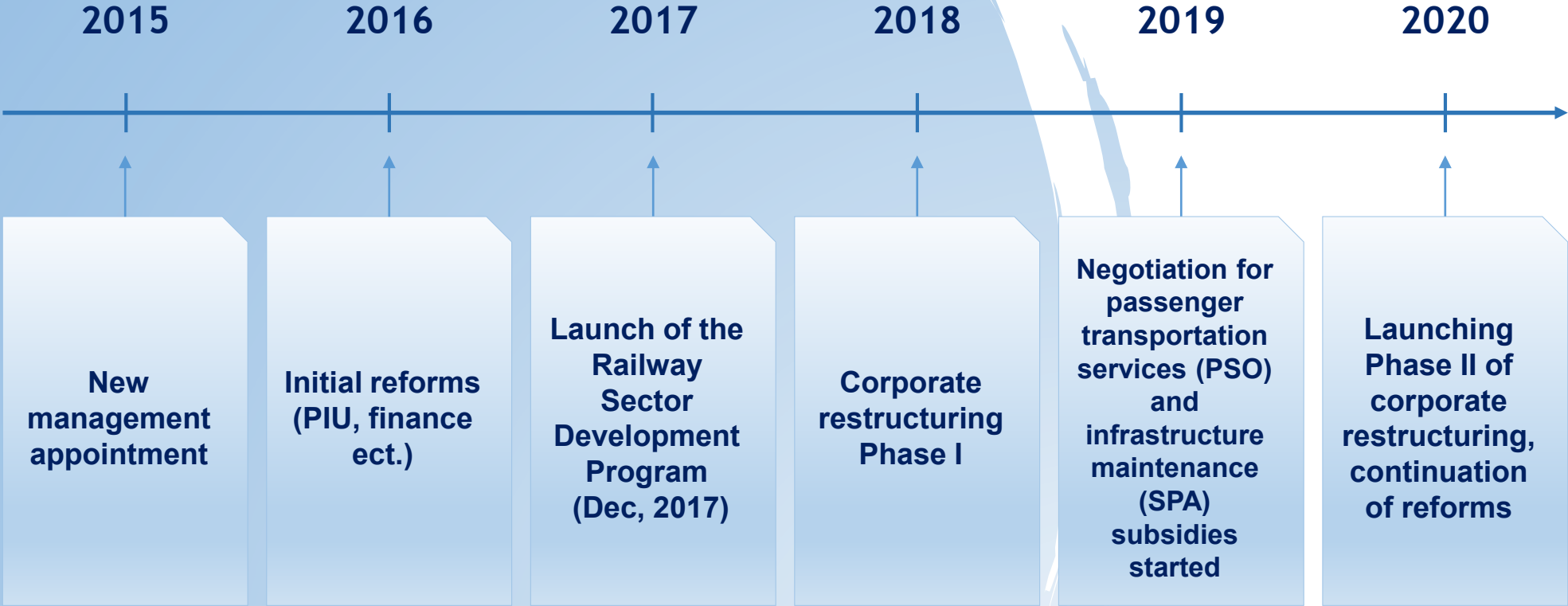
MISSION
PROVIDING SAFE AND QUALITY
TRANSPORT SERVICES BY CREATING AN
EFFECTIVE RAILWAY SYSTEM



VISION
TO BE THE MOST COMPETITIVE AND
SUSTAINABLE TRANSPORT SERVICE
PROVIDER IN THE REGION



ADY's reforms timeline



Railway Sector Development Program (RSDP)



- 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

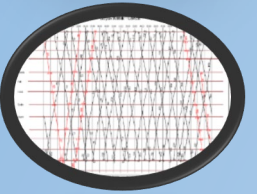


Centralization of functions and creation of Supporting unit (Finance, Legal, Human Resources, Supply, Asset Management, Marketing, HSE)

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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ADB

Asian Development Bank

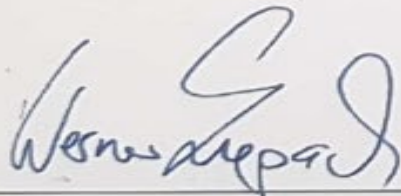
EXCELLENCE IN PROJECT MANAGEMENT

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

A photograph taken from the perspective of someone inside a train, looking out the window. The train's white and yellow exterior is visible on the left side of the frame. The train is moving along a track that runs parallel to a rocky coastline. To the right of the tracks, there is a dense line of green bushes and trees. Further right, a dark sandy beach meets the calm blue sea under a clear sky with light clouds. The overall scene is bright and scenic.

THANK YOU FOR YOUR ATTENTION!

Azad Huseynov, ACCA
«Azerbaijan Railways» CJSC
Head of Institutional Reforms Management
department
Email: a.huseynov@ady.az