

18. CENTRAL ASIAN RAILWAYS RESTRUCTURING AND TELECOMMUNICATIONS STUDIES

Geographic Focus:	Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Turkmenistan, Republic of Uzbekistan
Project budget:	EURO 2,000,000
Contractor:	CIE
Implementation timetable:	August 1997 to July 1998

Background

It has been recognised that fundamental adjustments are required in the railway sector. These include the railway's relationship to the Government, its institutional and management structure, its physical assets and labour force, its operating and maintenance practices and its tariffs and debt collection abilities. The intention of this ongoing project is to help to develop an effective, financially self-sustaining industry. This will include assistance in the detailed design and implementation of a railway restructuring programme and a plan to define a priority programme of investments needed to support the restructuring as this would then provide the basis for the appraisal of loans from IFIs. The EBRD is a close collaborator in all phases of the project.

Objectives

- To develop restructuring strategies to transform the railway sector to a commercially driven, financially self-sustaining industry and elaborate detailed restructuring plans including the future relationship between Railway and Government
- To define investment packages suitable for financing by IFI
- To establish a plan for a project implementation unit and its co-operation with the existing railways as well as the required planning and implementation instruments both for urgent measures and overall requirements for the period 1998-2002.
- To provide commercial and financial orientation for future investment planning
- To assess environmental obligations and regulations within the 5-year restructuring plan.

Key Issues

This project is a final step in the facilitation of external funding for the rail companies concerned, particularly from the EBRD. As the actual financial conditions of the Railways, and associated debt servicing capacity, and cost structures become clearer, then it will be possible to disburse loans for improvement of priority facilities and equipment. To assure long term viability for both debtor and creditor, there is a need for a review of the management of the present rail operating companies and in particular the correct degree and modality of state direction of their operations. Just as in Europe this will involve the definition of a split between regulatory functions, protecting public interest, and the technical or commercial operations being run as a business. Within the operating structure there is a need for division of activities into discrete business or service centres with their costs and revenues identified. The project includes a module to be carried out by the Union International des Chemins de Fer (UIC), for the improvement of telecommunications links.

Achievements

It is clear that the present management information systems could not provide the necessary information to enable the desired changes to be implemented, and this is an example of an area where outside investment is urgently needed. The project has sought to rehabilitate and preserve critical infrastructure and equipment and to identify selective, high-yielding new investments to substantially reduce costs of present operations, or to penetrate new markets. Domains such as telecommunications, track and rolling stock maintenance, and optimisation of traction by electrification or re-motoring of locomotives have been identified as apt for external financing. Loan agreements on the basis of this project have been reached in early 1998 in Kazakhstan, Uzbekistan, and Turkmenistan.