

# “Azerbaijan Railways” CJSC *(since 1880)*

IMPLEMENTATION OF REFORMS.



December 2019



**ADB**  
ASIAN DEVELOPMENT BANK

# OUTLINE

01

## INTRODUCTION

- General Overview (Rolling Stock)
- General Overview (Network information)
- New rolling stock
- ADY Smart new rolling stock
- Situation prior to reforms
- Representation in international organizations
- Corridors
- ADY in Figures

02

## RAILWAY SECTOR DEVELOPMENT PROGRAM (RSDP)

- Trigger for reforms
- Strategic goals
- Railway Sector Development Program
- Defining Policy Matrix Phases 23+22 and outputs

03

## MANAGEMENT REPORTING AND TEAMS

- ADY's reforms Time line
- Project Organization Structure
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- Change management Unit Activity
- Skillset for the CMU and PSU team
- Staff motivation
- Policy Matrix Management
- Policy Matrix reporting
- Template of reporting
- Conditions for reforms

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## ACTION TAKEN by ADY

- Completed reform actions for Tranche 1
- Completed reform actions for Tranche 2
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- Support Block (Centralization)
- SLA
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- Financial Situation
- Asset Management
- Risk Management
- KPI System
- Traffic planning automation
- Electricity efficiency unit
- Passenger Pricing strategy
- Works by ADY Property LLC
- Reform directions to be carried out with the French Development Agency



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## OUTCOMES AND FINAL WORDS

- Sustainable support to reforms
- How to use TA efficiently
- Results
- Challenges in reform implementation
- Resistance
- Remaining challenges

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# General information



2019

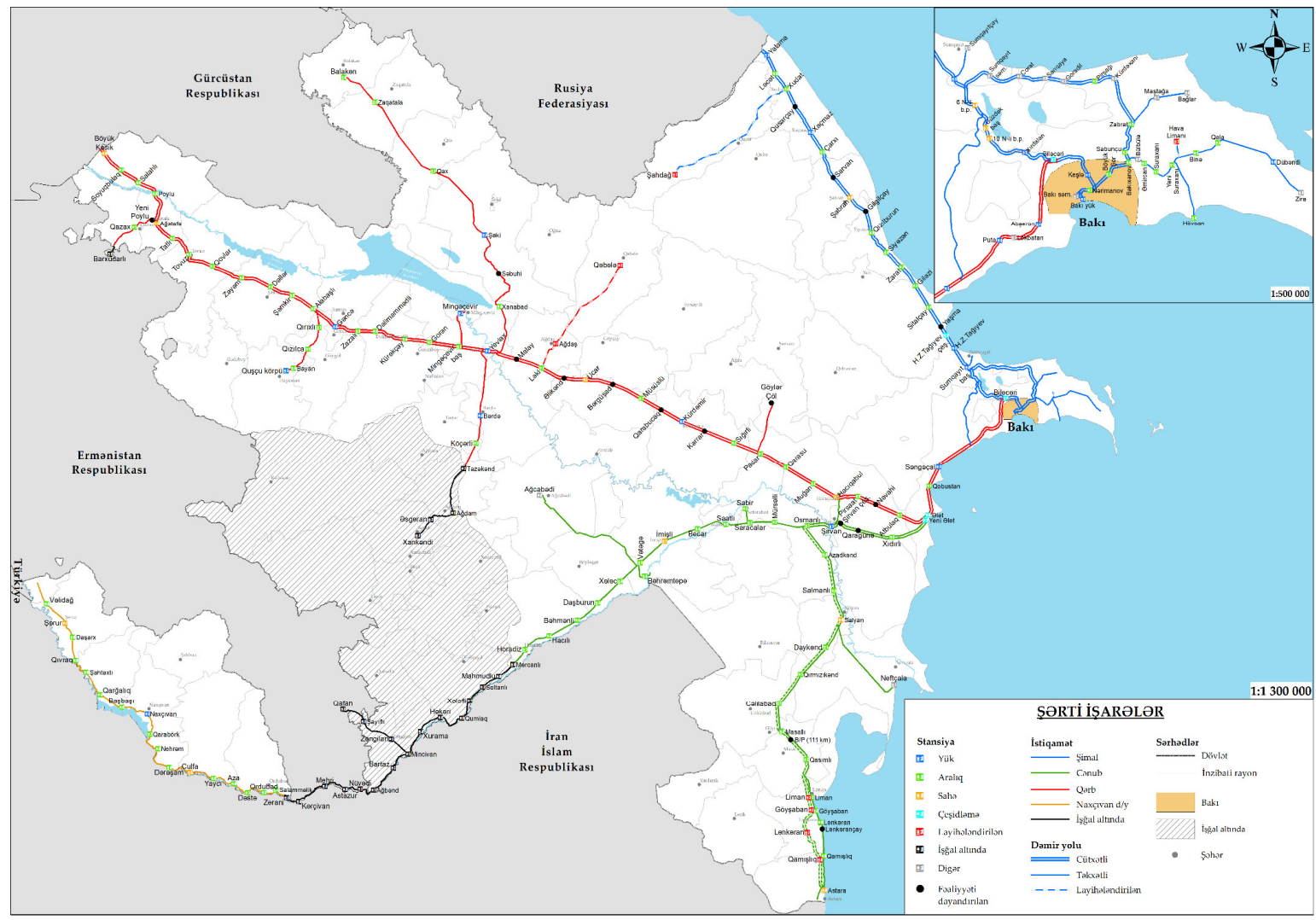


## Classification of main activities





# 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 territories of Azerbaijan Republic under occupation**

## General overview (Passenger infrastructure projects)

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



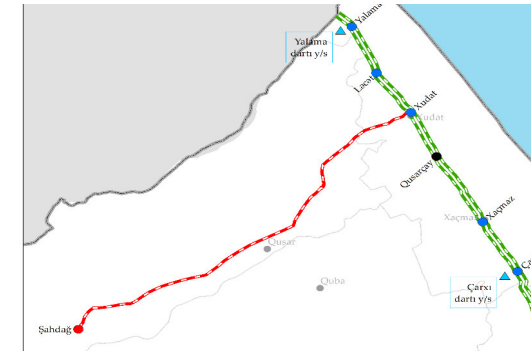
The total cost of the project  
0.27 bln. AZN



### 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

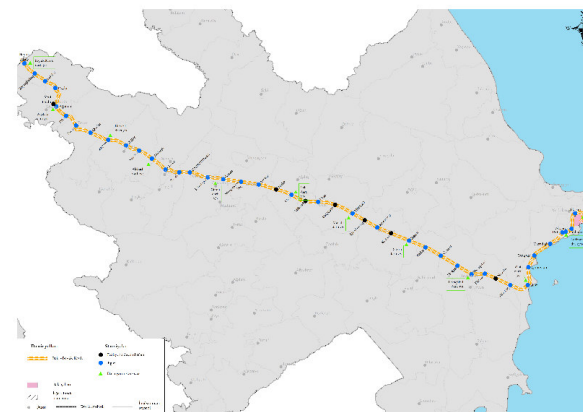


## General Overview (General infrastructure projects)

### Baki-Boyuk Kesik Project 2013-2019



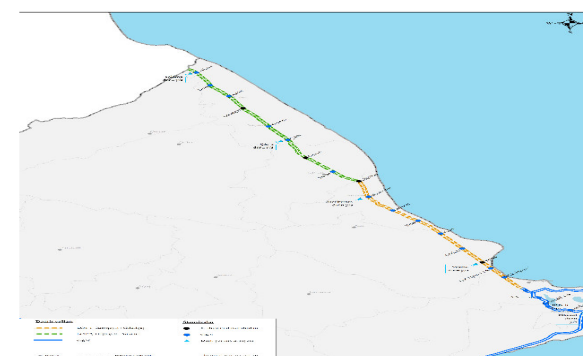
The total cost of the project  
**1.1 bln. AZN**



### Sumgait – Yalama Project 2018-2022



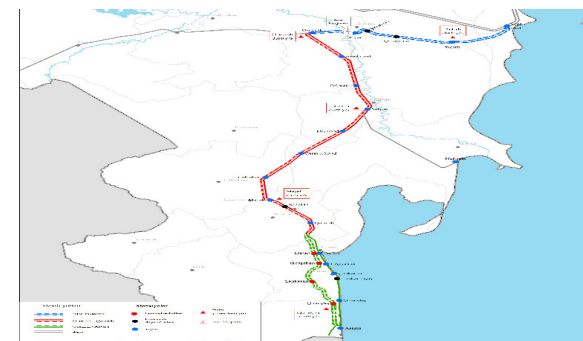
The total cost of the project  
**0.6 bln. AZN**



### Alat-Astara Railway line 2018-2027












The total cost of the project  
**2.02 bln. AZN**



## New rolling stock freight wagons



	Type of wagon	Total number	New wagon number
	Covered wagon	774	401
	Platform	812	400
	Open wagon	1000	1000
	Cistern	956	600
	Fitting platform	219	200
	Hopper	100	100
	Grain wagon	352	300
	Cement wagon	100	100
	Special platform	11	0
		4324	3101



## 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

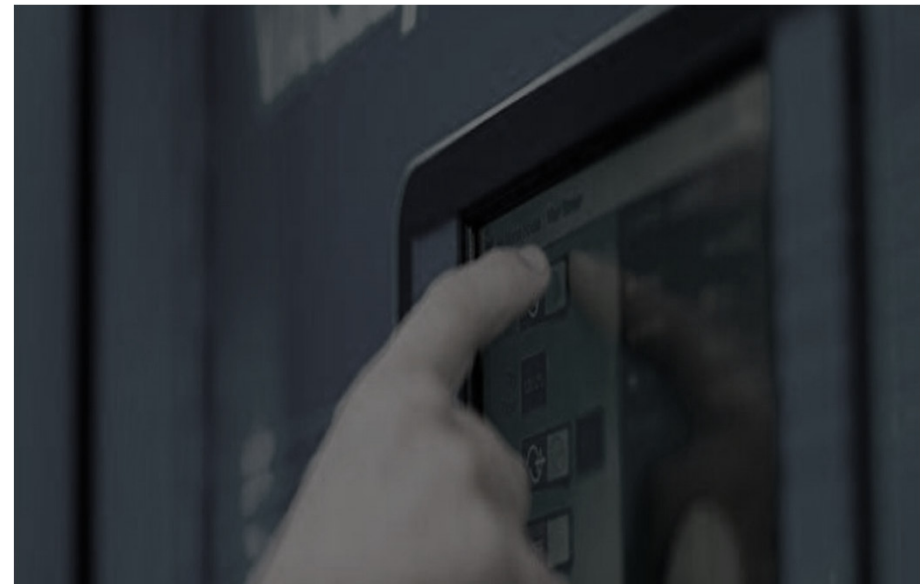
## ADY SMART- manage rolling stock



### Current processes in ADY

- Purchase of Orders
- Border Stations
- Station services
- Wagon maintenance
- Sorting Stations
- Locomotive depots\*
- Customer service \*

(\* Processes to be automated)



## Situation prior to reforms (2015):

- Strategic focus;
- Structure and systems;
- Assets (Infrastructure, rolling stocks and other)
- Management methods;
- Procurement warehousing and supply chain
- Planning;
- IT, MIS Operations, and automation;
- Financial situation;
- Investments;
- Reporting and evaluation (KPIs);
- Internal control environment;
- Human Resources Management;

- Working conditions;
- Average salaries;
- Safety and Security;
- Quality of service both for cargo and passenger;
- Prestige of railways and desire to approach railways.



## Representation in international organizations



**Rail Council of the Commonwealth Member States**



**Organisation for Cooperation between Railways**



**International Union of Railways**



**International Rail Transport Committee**



**Middle corridor**



**Intergovernmental Organisation for International Carriage by Rail**





## EAST-WEST (middle corridor) BAKU-BOYUK KASIK

- The Trans-Caspian East-West Transport Corridor is the most convenient connection between Asia and Southern Europe.
- Currently, Azerbaijan has a rail link connecting Baku to Boyuk-Kesik (Georgian Border), which is the part of East-West International Transport Corridor.
- To reduce economic costs and achieve rapid transit over Azerbaijani section of the East-West corridor and to make it fully operational, necessary modernization and renovation works on this section are underway.

## Inc. trans-siberian- Caucasus route





## NORTH-SOUTH YALAMA-ASTARA

- International North-South Transport Corridor (INSTC) is a 7,200 km-long multi-modal network for moving freight from Azerbaijan, Russia, Iran, Afghanistan, India, and Central Asia.
- Currently, Azerbaijan has a rail link connecting Yalama (border with Russian Federation) to Astara (border with Islamic Republic of Iran), which is the part of INSTC.
- Nevertheless, to reduce economic costs and achieve rapid transit over Azerbaijani section of the North-South corridor and to make it fully operational, necessary modernization and renovation works on this section are underway.



## SOUTH-WEST CORRIDOR

**Route:** *India – Persian Gulf – Iran – Azerbaijan – Georgia – Ukraine – Europe*

The main role of the South – West corridor is the realization of goods transportation between EU Countries and India. This corridor passing through Iran, Azerbaijan, Georgia and Ukraine reduces time loss for the goods transportation between Europe and India.

According to estimates, the delivery of goods via this corridor is made within 7 days, while the time spent on alternative routes is 35 – 37 days.

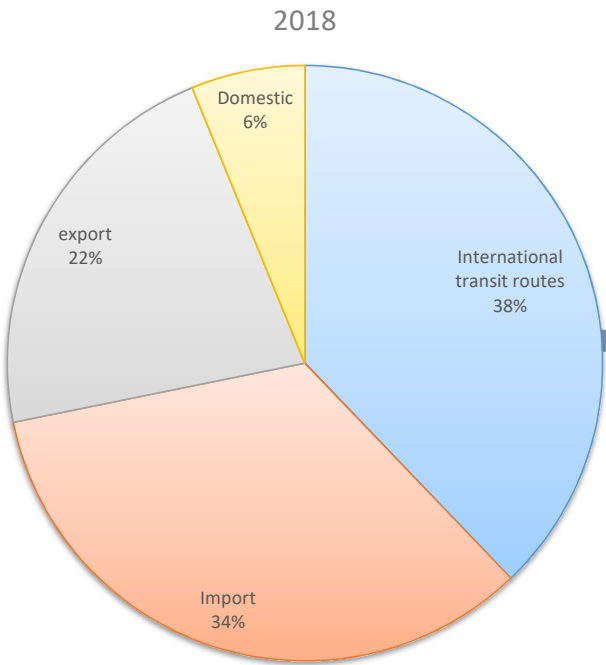
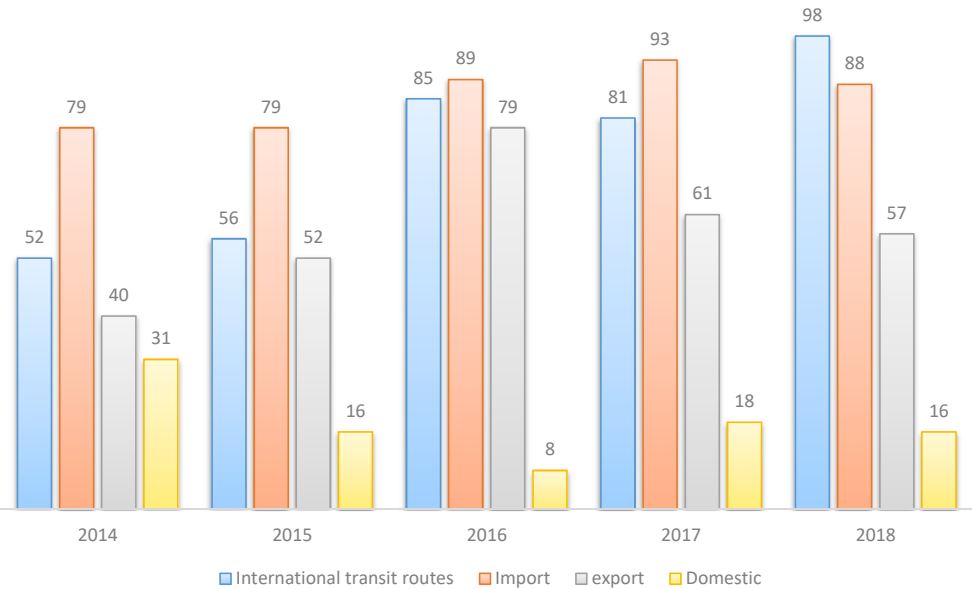


ADY in figures

Freight Revenue



Freight revenue (AZN)



In 2018, the main source of Freight revenue came from International Transit routes, import and export.

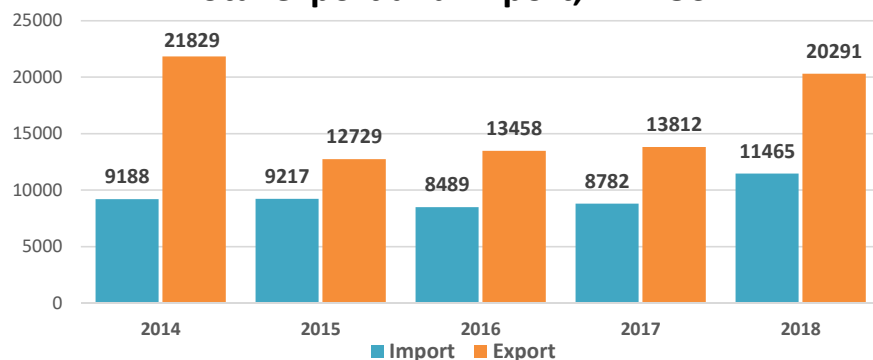


## ADY in figures

## Trade Relations



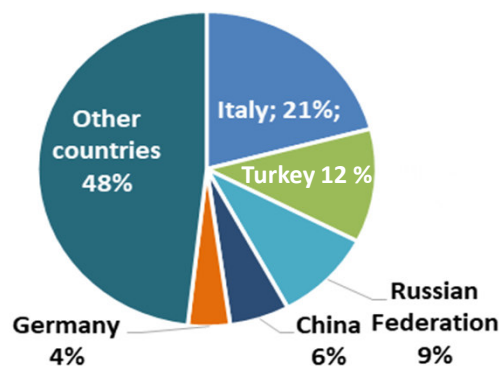
**Total export and import, mln USD**



source: State Statistics Committee of Azerbaijan

<https://www.stat.gov.az/source/trade/>

**Share of main trade partner in 2017 2018**



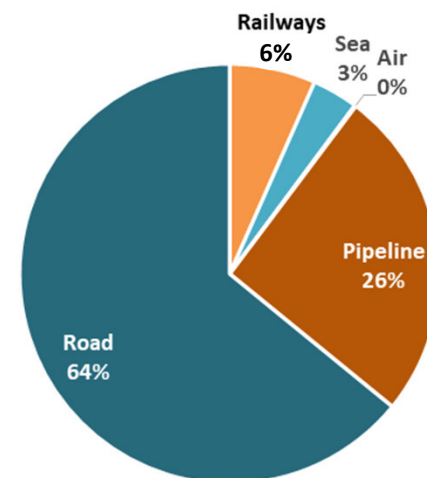
The main trade partners:  
Italy, Turkey, Russia, China  
and Germany

source: State Statistics Committee of Azerbaijan

<https://www.stat.gov.az/source/trade/>

Type of transportation	mln, ton
Railways	14
Sea	8
Air	0.2
Pipeline	58
Road	145
<b>Total</b>	<b>230</b>

**Freight Transportation (mln, ton)**



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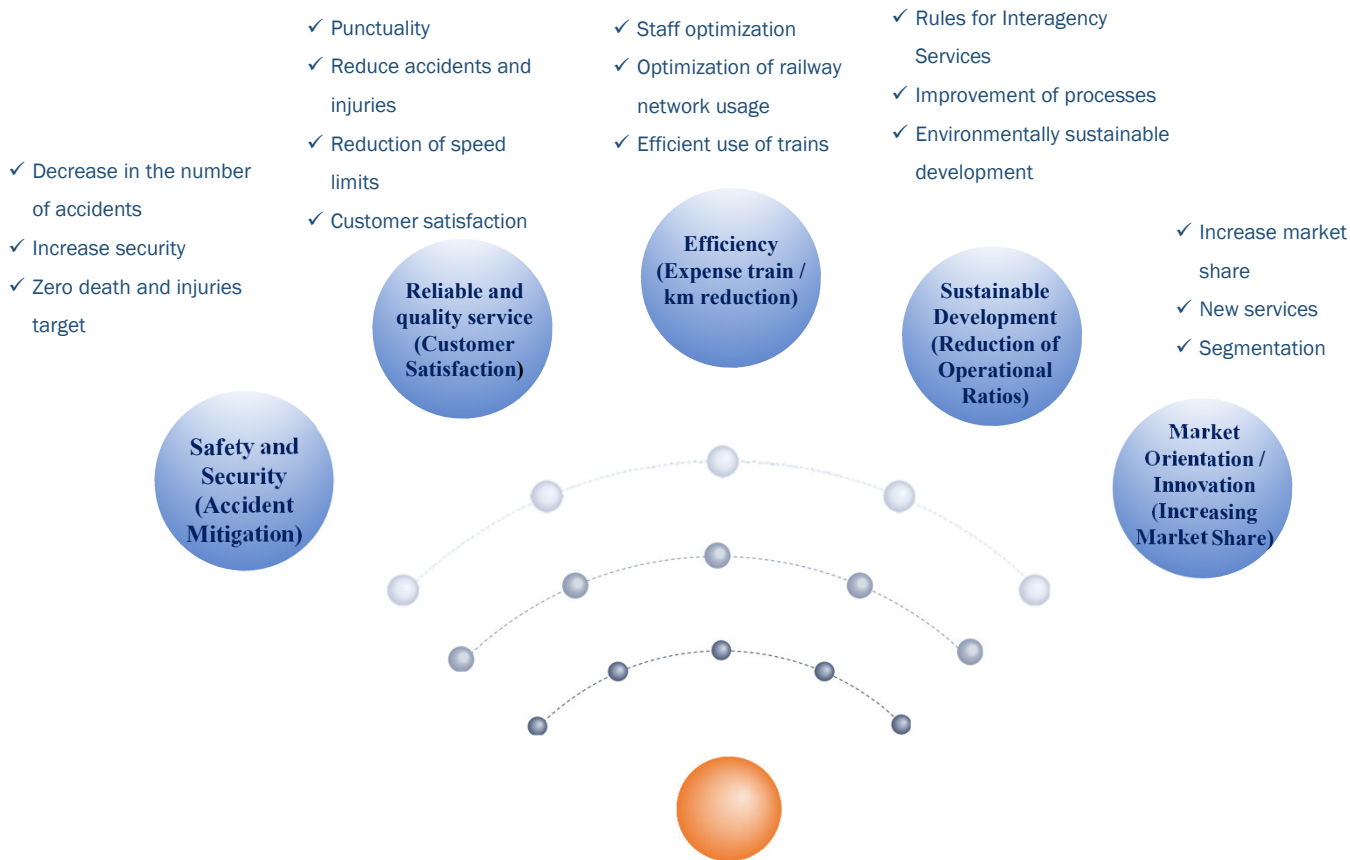
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## Trigger for reforms

- Role of Azerbaijan Republic in the region;
- Reforms wave started in the country;
- Strategic roadmaps and other government instructions related to strategic development;
- Role of Railways in the efficient and sustainable economic development of the country;
- Railway sector development program;
- The willingness of the Railway management to make railways leader in the logistics in the region;
- Difficult financial situation in Railways operation that require immediate intervention;
- Cooperation with neighboring railway companies;
- Strategic goals.



## 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





## Railway Sector Development Program (RSDP)



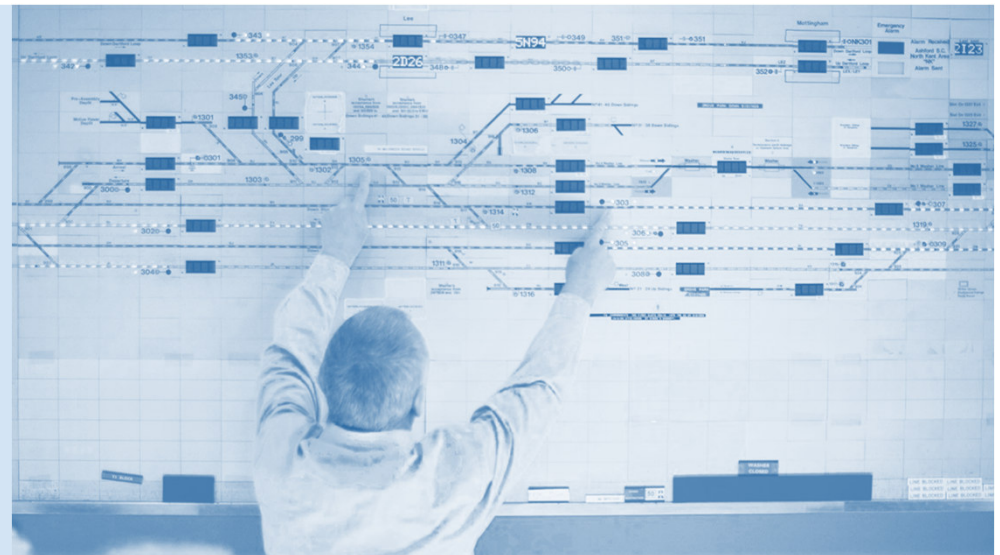
- Since late 2017 the Railway Sector Development Program (“RSDP”) aimed for performance of corporate, institutional, financial and human resources reform actions in the railway sector of Azerbaijan Republic (AR) has been developed with the technical assistance of Asian Development Bank (ADB) and support 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.



## Defining policy matrix



- Experts view on all aspects;
- Flexible approach;
- Strategic vision of the future;
- Global and regional developments;
- Industry understanding.





## Defining policy matrix



### **Output 1**

Enhanced governance, management and financial autonomy;

### **Output 2**

Effective financial restructuring of ADY's debt liabilities;

### **Output 3**

Improved financial and management control and reporting;

### **Output 4**

Enhanced operational efficiency and effective corporate restructuring.



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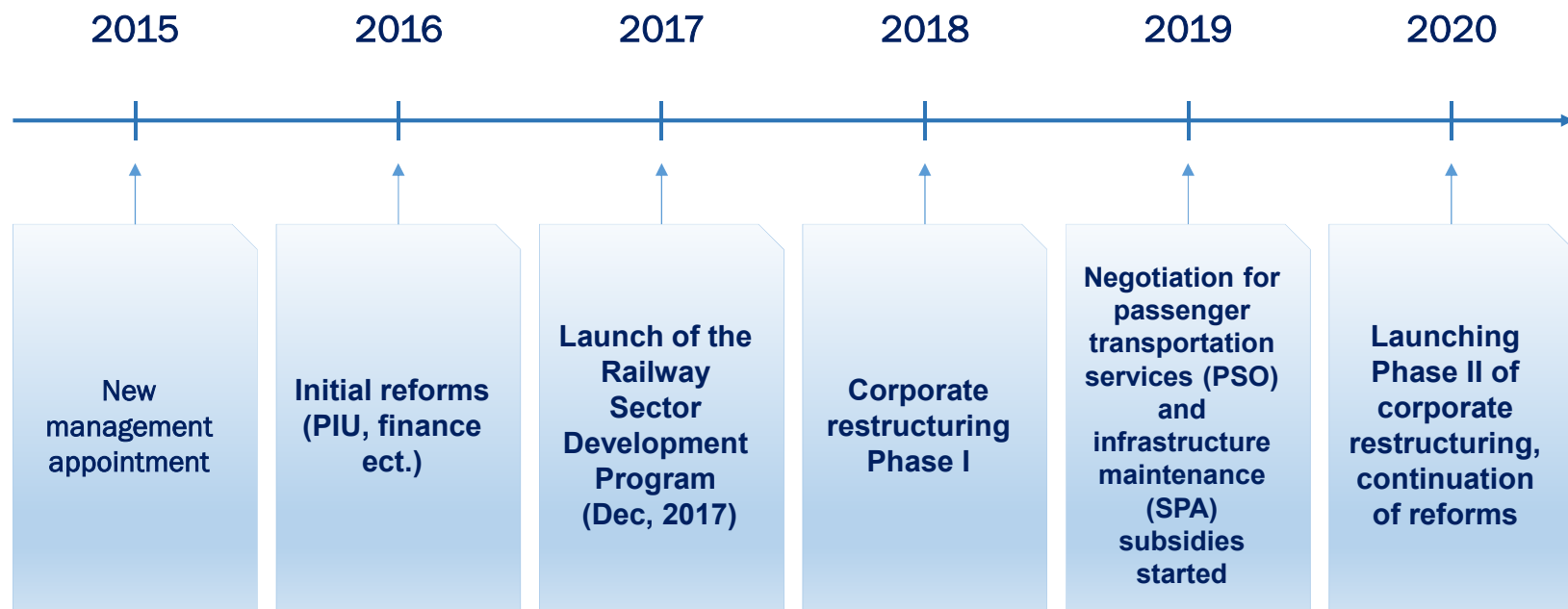


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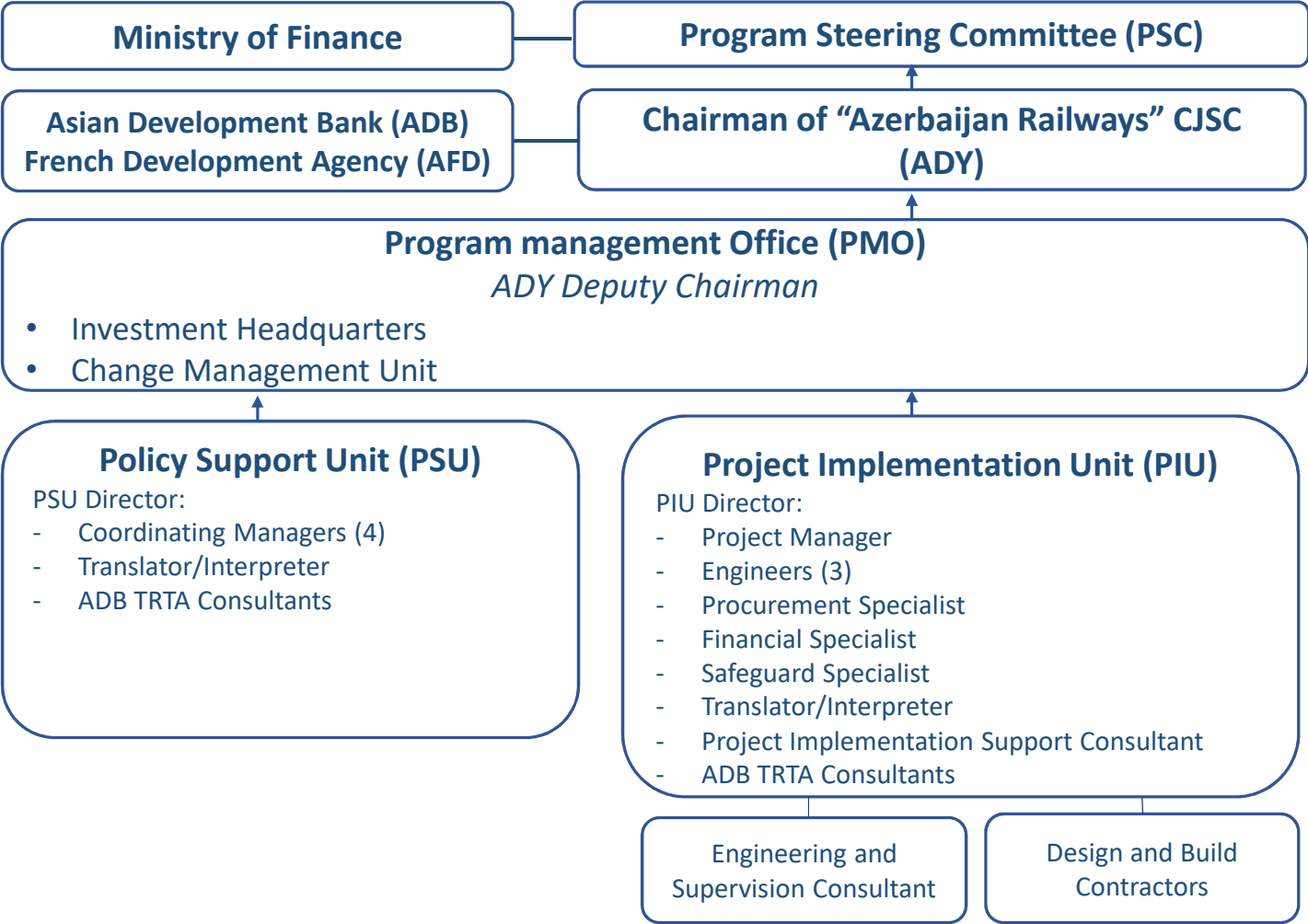
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## ADY's reforms timeline

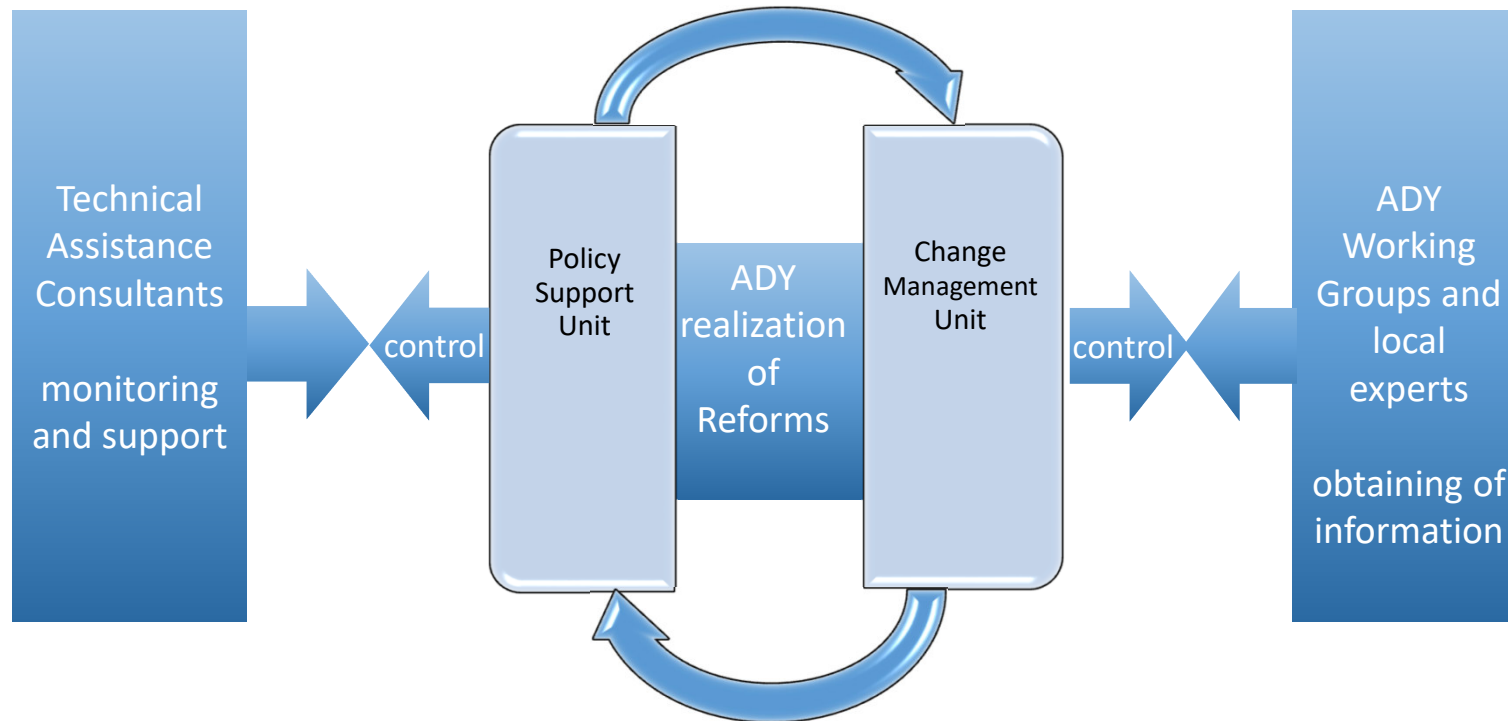
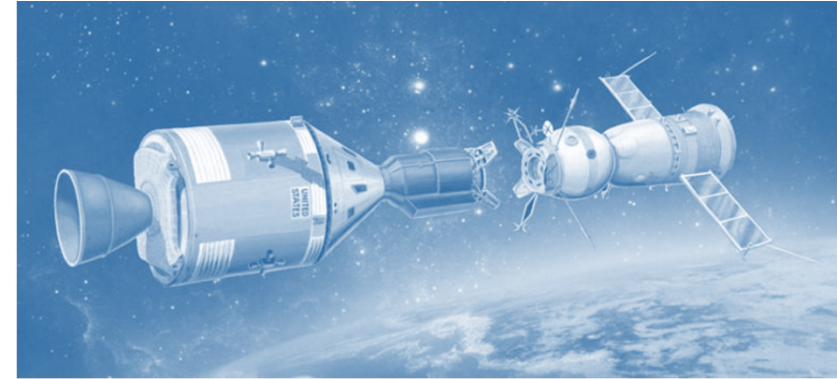


Project organizational chart





## ADY reforms leadership team



## Change Management Unit (CMU) activity

(CMU) was established in 2018 by the Order of the Chairman of ADY Change management unit. The main mission of CMU is to manage change and integration.

CMU:

- Performs control and analyses the reformation process;
- Identifies restructuring bottlenecks, risks and threats;
- Ensure that proper approvals and decisions are made by the Board;
- Coordination with units;
- Research and study international experience;
- Realize Gap analysis (determine of any gaps);
- Overcome resistance with strong support of Top management of ADY and international experts;
- Prepares Action Plans to overcome gaps;
- Realize Action Plan (with support of consultants);
- Monitor reformation process.



## Skillset for the (CMU )Change Management Unit and Project Support Unit (PSU) team



- Experience in railways;
- Local Team young and motivated eager to learn;
- Very deep experience of international and local experts;
- Team work;
- Individual recognition of the responsibility for specific task;
- Project management abilities;
- Negotiation skill Soft and Hard;
- Adaptive and ready for quick change in the team;
- Some experience in railway business may not necessarily be accompanied with railway background (but welcomed).



## Staff motivation

- Working with Expert local and international;
- Participation in unique project like RSDP;
- Be a part of team that makes the «World» a better place;
- Career growth motivation;
- Monetary motivation.





## Policy matrix management

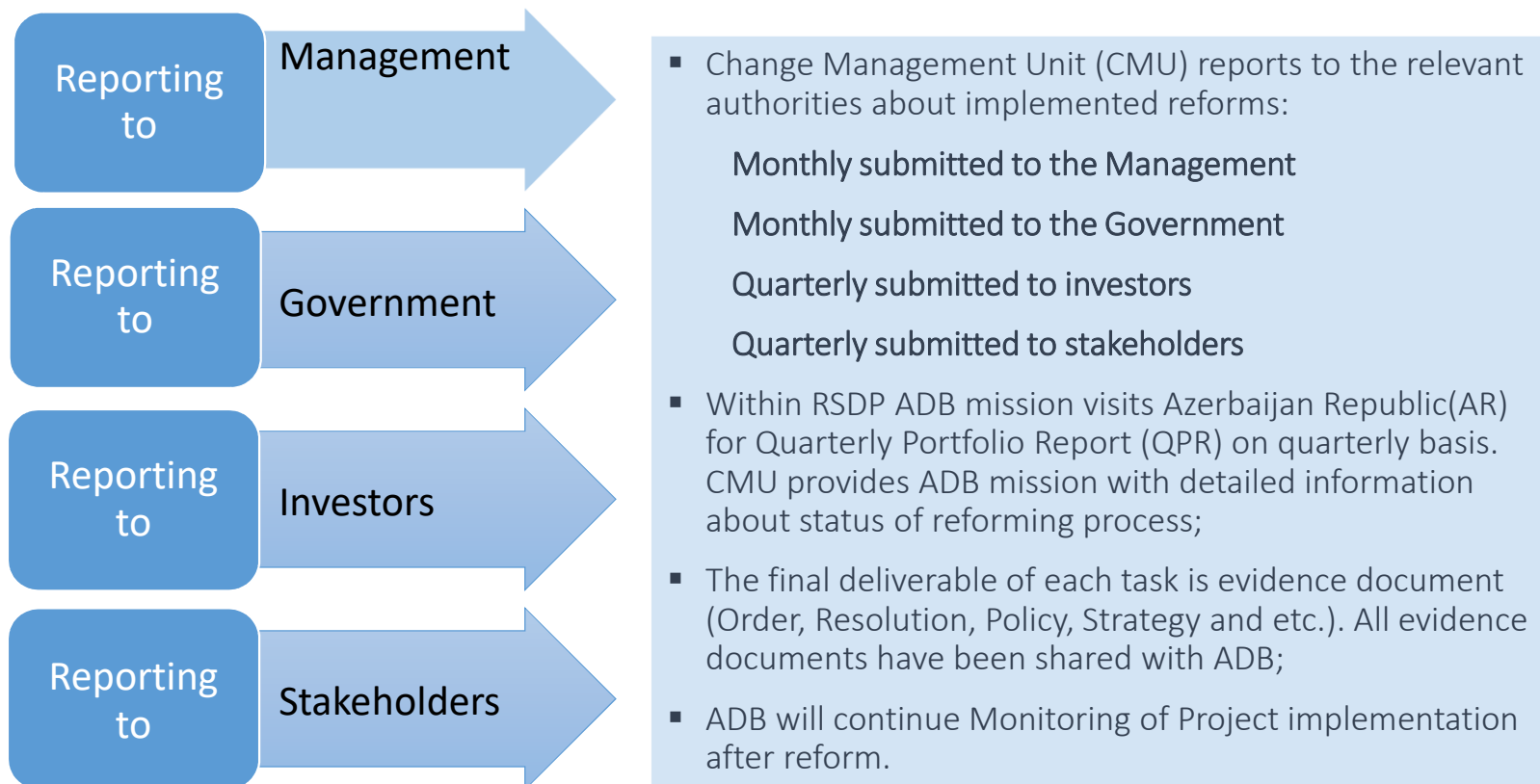


- Considering the fact that the Policy Matrix includes 23+22s of institutional reform tasks, and the scope of change management is even wider and can keep increasing;
- the responsibility of delivering all these tasks should be carried by respective units of ADY;
- delivery teams should be directed to the right objectives;
- delivery teams should be properly supported and monitored.

PROJECT SPONSOR	PROJECT MANAGER	DELIVERY TEAM	INTERNAL SUPPORT	EXTERNAL SUPPORT	MONITORING	REPORTING
Deputy Chairman	Head of Business Unit	ADY Working group	Change Management Unit	Policy Support Unit	ADB Consultants	Steering Committee
Responsible for delivery of the group of tasks in line with the commitments and objectives of the ADY	Responsible for managing the delivery of the specific project in line with the Institutional Reforms tasks of ADY	Responsible for the delivery of assigned Institutional Reform	Responsible for supporting the ADY Working group to stay in line with project objective	Responsible for ensuring technical assistance on the "lack of expertise and knowledge" areas	Responsible for the periodic support and monitoring of the progress (together with PSU)	Responsible for achieving objectives of the overall program



## Policy matrix reporting



## Template of reporting

October 15, 2018

<b>Reform action:</b>	Establishment of a risk management system in ADY
<b>Deadline:</b>	03.05.2019
<b>Total number of project Phases</b>	5
<b>Number of completed phases:</b>	2
<b>Reform action content:</b>	b) ... Establishment by ADY of a risk management system (including a risk management manual, assessment guidelines and risk control functions).

<b>Project sponsor:</b>	
<b>Technical support:</b>	ADB
<b>Specialist:</b>	
<b>Coordinators:</b>	
<b>Working group:</b>	



Performed work:	Date:	Work to be done:	Date:
Practices of other countries are investigated	31.05.2018	Risk Management Training Risk Coordinator Key Departments (Field work 3)	07.12.2018
Submission of TOR to ADB for additional expert engagement and completion of work for the expert to commence	31.05.2018	Risk Management Training Risk Coordinator Key Departments (Field work 3)	07.12.2018
International expert has been recruited for the risk management project	25.06.2018	Risk Workshop for the key Departments (Field work 4)	22.02.2019
Presentation and agreed ERM Framework and Deliverables. Interview ADY key Departments and update Risk Catalog (Field work 1)	27.07.2018	Recommendations Improvements Credit Rating (Field work 4)	05.03.2019
The risk management plan for the organizational structure and functional activity will be developed, approved	15.08.2018	Risk Catalog and ADY Risk profile. (Field work 5)	03.05.2019
Draft and Submit ERM Policy, Strategy, Process, Procedures (Field work 1)	31.08.2018		
Finalise & agree Policy, Strategy, Process, Procedure.	14.09.2018		
Risks:		Solution:	
Old-school management style, lack of corporate culture elements as well as communications are the major obstacles project owners may face		Strong Leadership and commitment by the management board for the implementation of the project as well as management buy-in	
A majority of employees more likely will show their resistance against the new challenges		Tone of the management and top-down delegation of the responsibilities	
Very low level of risk awareness and risk engagement within the control units of ADY		Implementation of risk awareness program including training, risk exercises, workshop etc.	

## Conditions for reforms



- Political will;
- Management clear understanding of desired result;
- Strategic focus of entire organization;
- Qualified and experienced team with required skillset mix;
- Believe of core people in reform;
- Power to replace people and ability to do it in time.



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## 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



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



**Strategic goals have been determined :**

1. Security
2. Reliability
3. Efficiency
4. Sustainable development
5. Market orientation



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



**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)



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



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



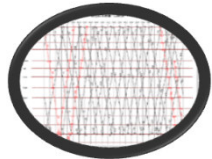
**Centralization of functions and creation of Supporting unit** (Finance, Legal, Human Resources, Supply, Asset Management, Marketing, HSE)



## 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 planing**



### **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



## Passenger transportation and Infrastructure subsidies (PSO, SPA)



- Working groups were created as part of ADY CJSC to provide the Government with operational costs for passenger transportation and infrastructure maintenance;
- Cost items were analyzed in conjunction with international consultants;
- The draft agreement on the payment of passenger traffic and the maintenance of railway infrastructure for 2020-2030, developed along pilot routes, was sent to the corresponding state. Bodies for consideration.



## Restructuring: structural changes by departments



Traffic Management function has been transferred from the Freight Department to the Infrastructure Department

Railway stations transferred from the Freight Department to the Infrastructure Department

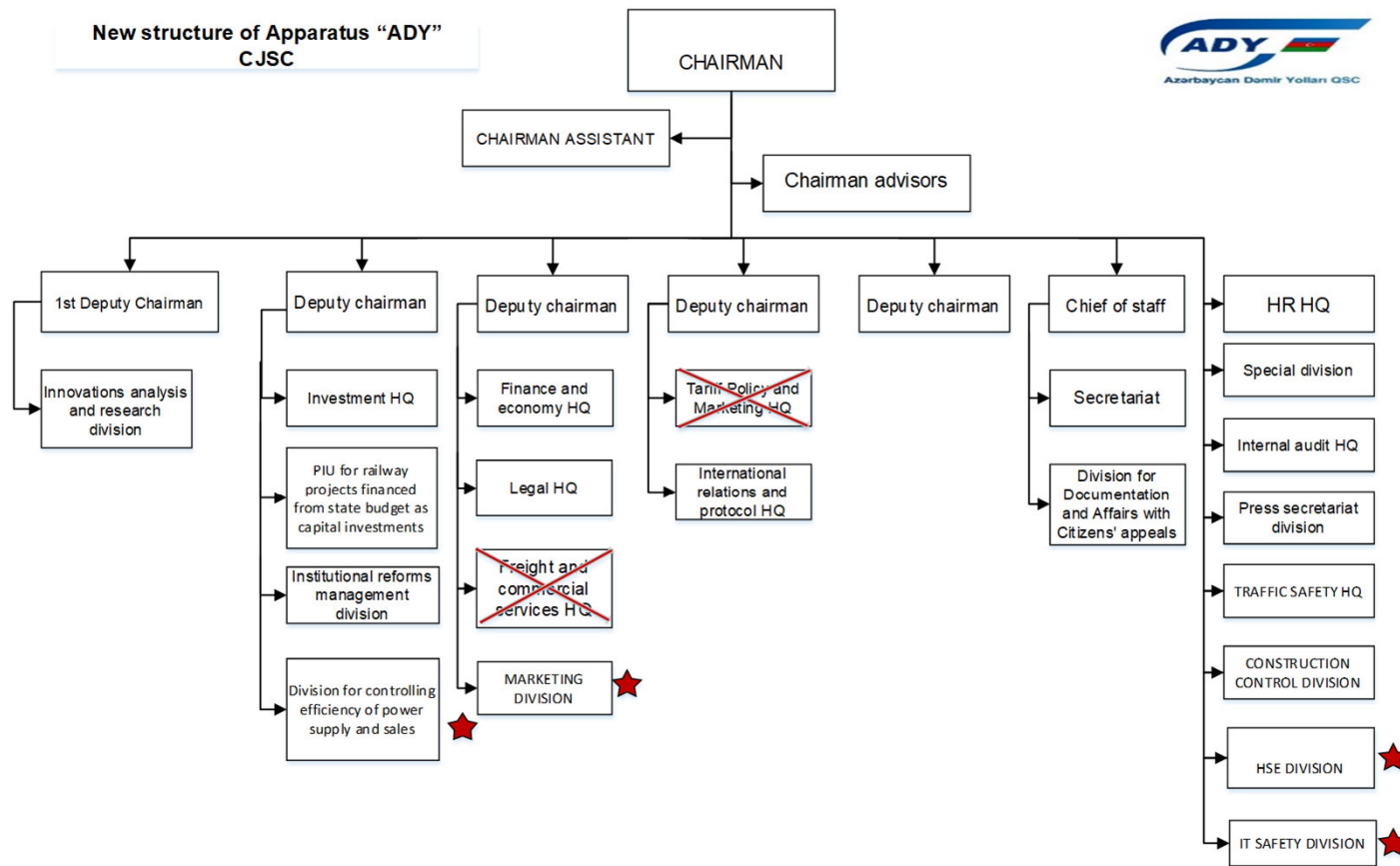
Freight and Commercial and Tariff functions were transferred to the Freight Department

The cargo handling function has been transferred from Traffic Management service to the Freight Department

Service level agreement between departments of Infrastructure, Freight and Passenger Transportation were developed and KPIs monitoring system was established.

The support unit was centralized: Financial and Economic Department, Legal Department, Human Resources Department, Procurement Department, investments and Asset Management, Marketing Department, HSE Department

## Restructuring at ADY



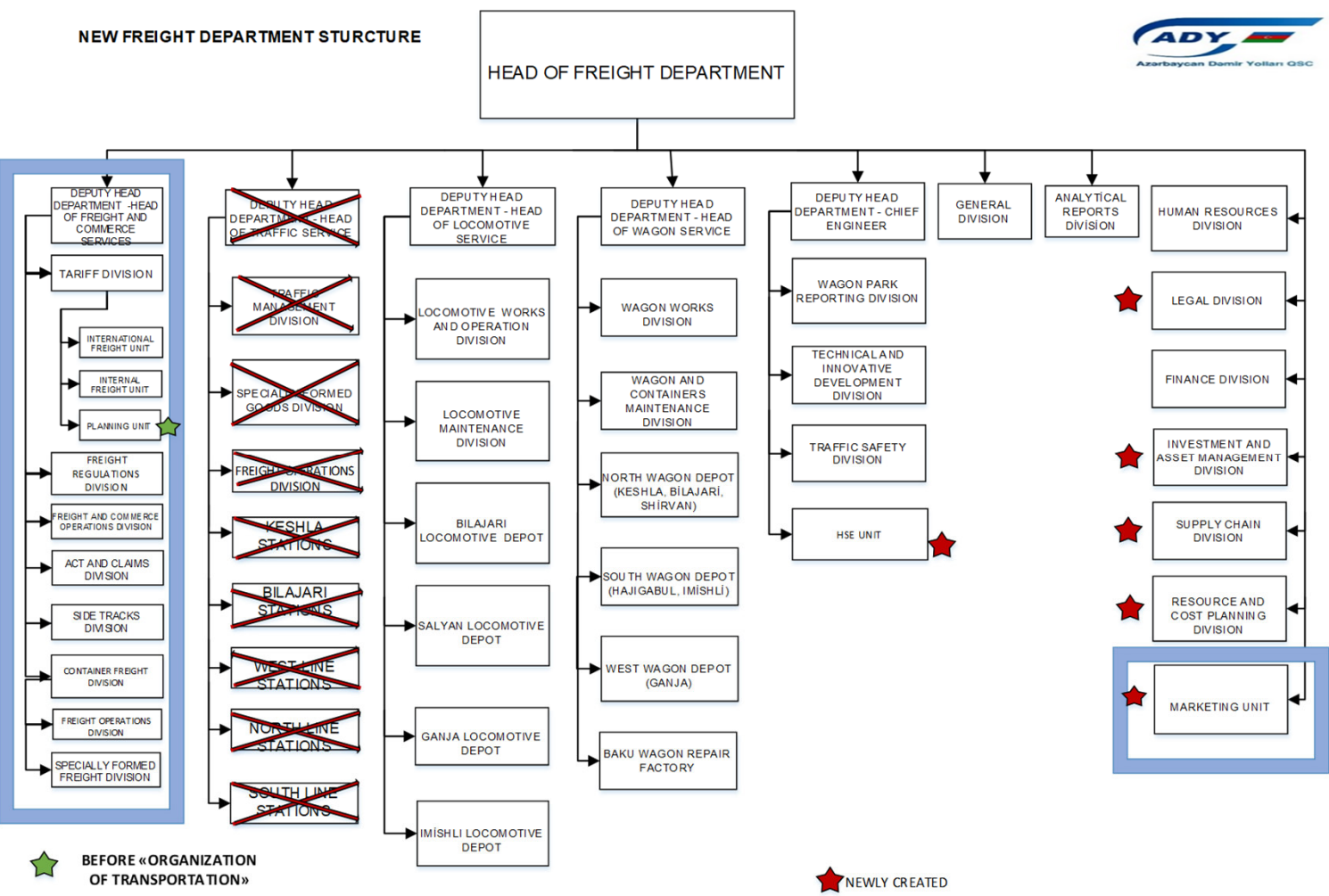
### Reorganization in Headquarter

The Tariff and Marketing department, Freight and Commercial department along with the existing departments transferred to the Freight Transportation Department.

IT Security unit, the unit of HSE, the Marketing unit, Asset Management unit and the unit for Controlling efficiency of power supply and sales were established.



# Restructuring at ADY



## Reorganization in Freight Department

Traffic Management Unit, Stations removed from Freight Transportation department and transferred to the newly created Traffic Service within the Infrastructure department.

Legal unit, Asset Management unit, HSE division, Procurement division, Resources and Cost Planning unit and Marketing division were established.

Freight and Commercial department, Tariff and Marketing department (which were in headquarter), were transferred to the Freight Transportation department.

The Technical Production department was renamed as the Technical and Innovation Development department.

## Railway law

Railway Law was submitted to the Government for approval.



### Issues regulated by this law:

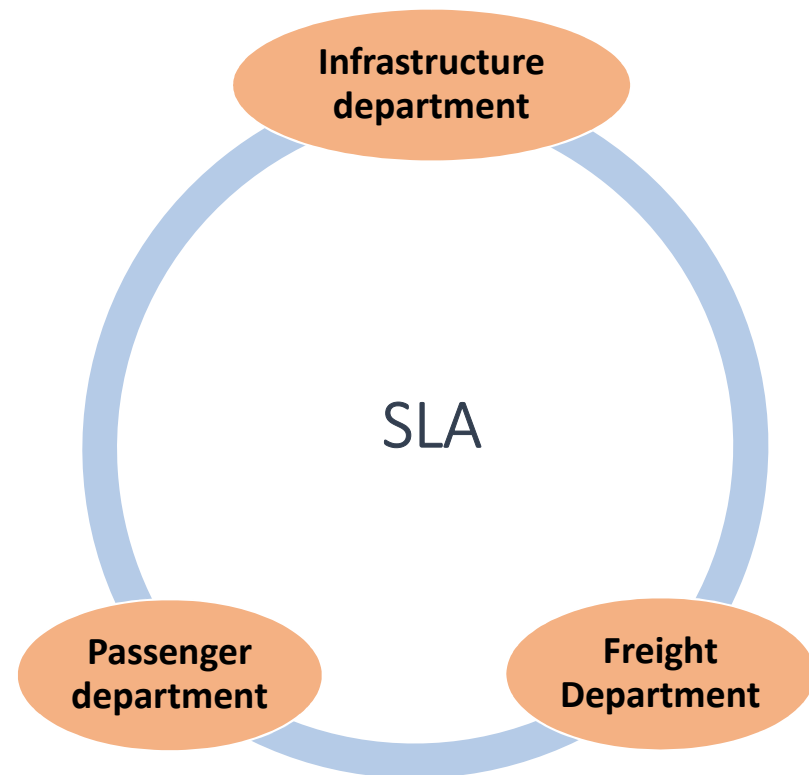
- legal, organizational and economic bases of railway transportation;
- interaction with other railway organizations;
- railway transport relations with other transport organizations.



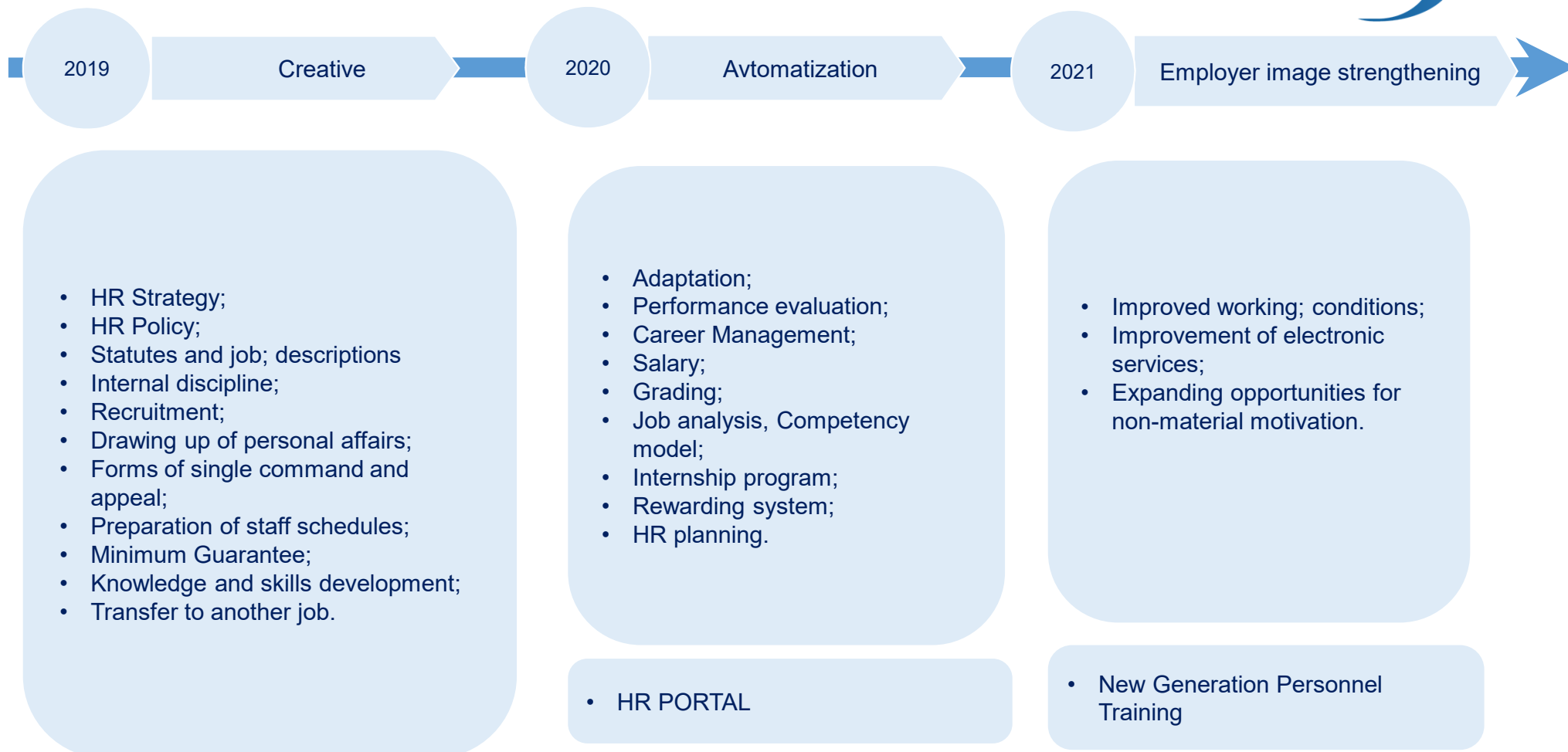
## Service Level Agreements (SLA)

ADY aims to reorganize three core departments (Infrastructure, Freight and Passenger) in a way that their mandates will be coherent and focused on their main separate and transparent, formalized through Service Level Agreements (SLAs).

Service Level Agreements are being developed in coordination with all main departments and International Consultants.



## HR management brief



## HR management brief



ELECTRONIC TEST CENTER



## MOBILE ELECTRONIC TEST SYSTEM



## MOBILE TRAINING AND TEST CAR



## ORACLE HR PROJECT



## RAILWAY INTERNSHIP PROGRAM



EDUCATIONAL DEVELOPMENT CENTER



## Financial Situation

With the support of the Government and the Asian Development Bank, the Railway Sector Development Program was launched, including the improvement of the current financial condition of ADY CJSC

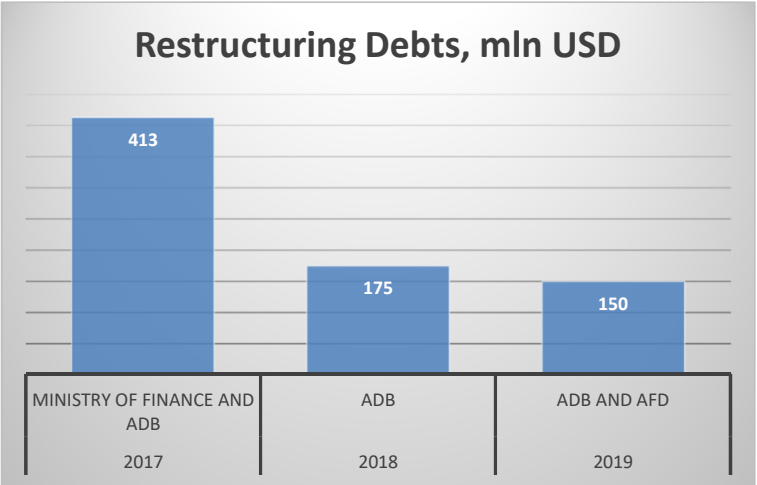
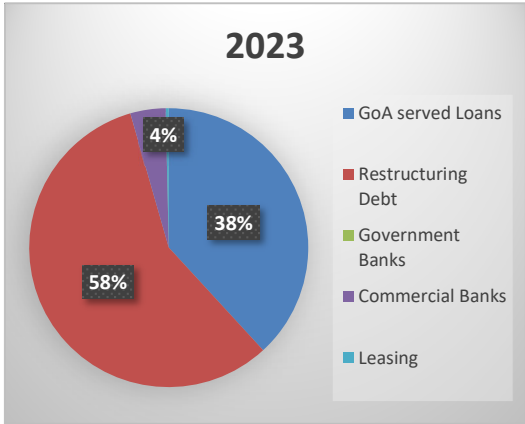
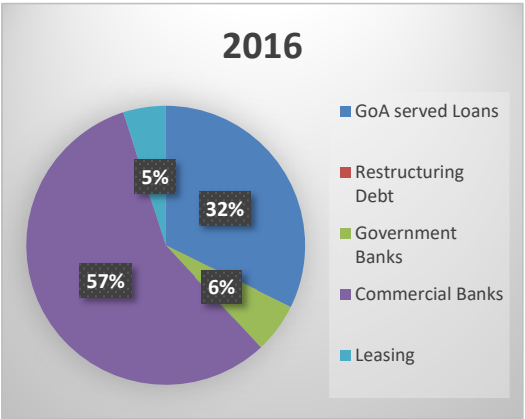
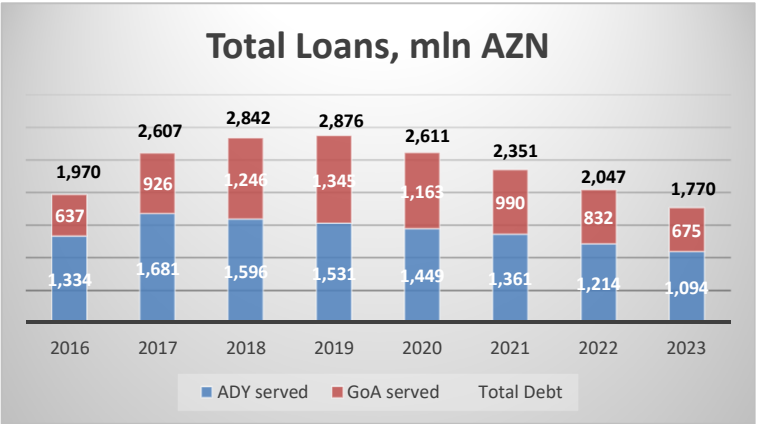


- Refinancing debt obligations of "ADY"
- Certification of employees of the Finance and Economics Department
- Reorganization of the structure of the Financial and Economic Department
- Centralization of cash flows
- Training for employees
- Key Position Appointments

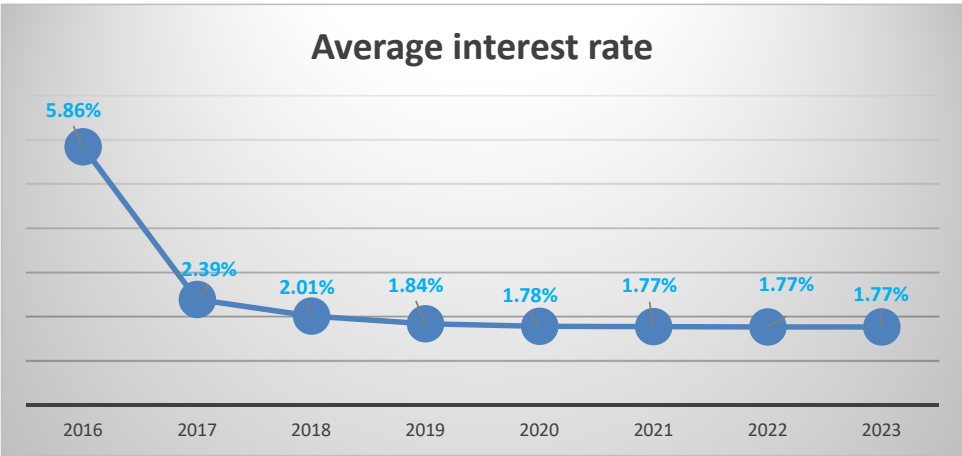
As a result of the refinancing, the average interest rate on the loan portfolio was reduced from 5.86% to 2.26% (decrease by 3.6%), and the average duration of the debt repayment period was increased from 5 to 9.5 years.

# Financial restructuring in Figures

## Debt Restructuring



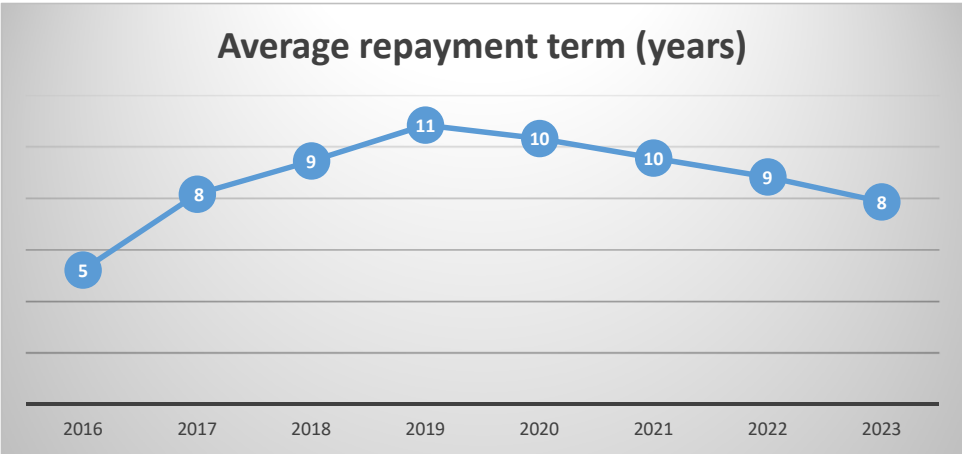
- The proportion of commercial loans will decrease to 4% from 57% between the years of 2016-2023
- Government of Azerbaijan will serve 38% of total loans of ADY in 2023



Effects of Debt Restructuring



Average Interest Rate  
will decrease to 1.77% in  
2023 from 5.86% in 2016



Average payment period  
will increase to 11 years  
from 5 years after debt  
restructuring (2016-2019)

## Asset Management



### Implementation of asset management system of ADY CJSC

- Asset Management Policy and Strategy developed and approved;
- Asset Management Department created to implement an asset management system;
- An indicative assessment of asset maturity for setting goals;
- Developed a route to asset management plans (RAMP) based on existing guidance;
- Asset management classification methodology prepared based on pilot asset data collection;
- The assessment of selected core and non-core assets (real estate) has been completed, and work is underway to prepare for automation of asset management processes;
- In order to implement the asset management system, a working group was created and an international expert on asset management was involved.



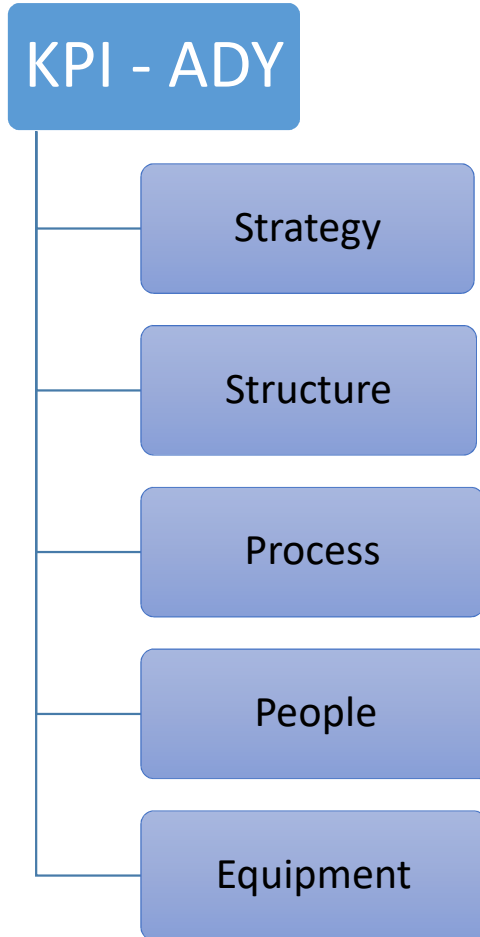
## Risk Management system

- The structure of risk management is defined
- Key Documents Approved (Policy, Procedures, Regulations)
- Risk assessment was performed by an external expert
- Communication as a result of risk assessment
- Risk appetite is defined and risk register is created
- Risk officers (risk coordinators) have been appointed and instructed
- Management has analysed mechanisms for regular monitoring





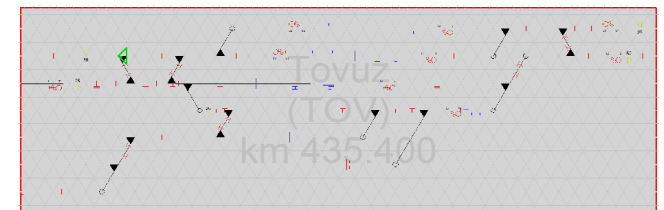
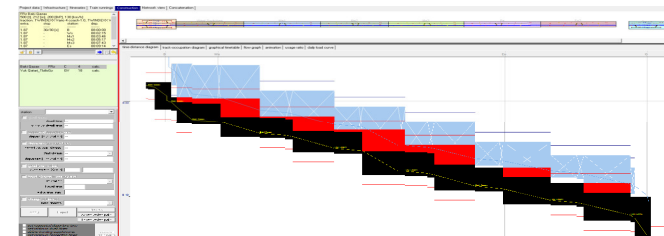
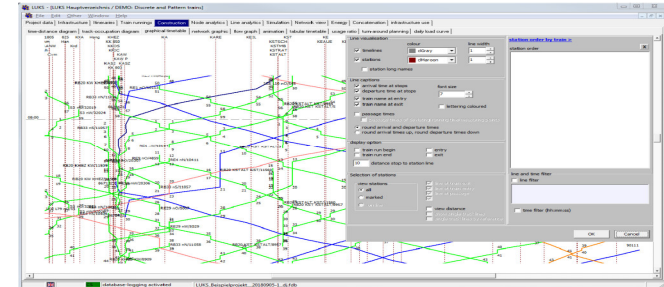
## Key Performance Indicators (KPI) System



# Traffic Planning



- Investigation of the capacity of the infrastructure;
- Effective tool for internal business rules;
- Speed up the graphics preparation process;
- Speed up the graphics preparation process;
- Planning of repair windows;
- Development and simulation capabilities of variant graphics;
- Assistance in planning the transportation process and analyzing the results, etc.



## Electricity efficiency unit

- Functions of the newly established Unit for the Control of Efficiency of Sale and Use of Electricity:
  1. To provide transparent sales that will increase profitability;
  2. Reduction of energy efficiency with the use of energy.
- As a follow-up to the process, a technical assistance agreement was signed with the EBRD to increase sales transparency, reduce costs, increase energy efficiency, and explore alternative energy use options.



## Pricing strategy for passenger transportation

- Subsidized passenger transportation;
- Commercial passenger transportation.

### Pricing strategy 5 principles

Minimizing the cost

Pricing diversification

Service diversification

Accessibility of tickets

Transportation hubs



## Works by «ADY Property» LLC



### **Inventory**

- 2946 real estate and land were inventoried;
- 652 non-Balanced Property and Land Reclamation Measures are underway.

### **Land Acquisition and Balance**

- Land acquisition documents for stops and stations along the Baku-circular railway line have been received;
- 168 residential buildings and warehouses located in the city of Ganja on the balance of ADY CJSC are provided.

### **Extracts from the State Register**

- Baku-Passenger Station;
- Polyclinic №1, located in Narimanov district.

### **Registration of property and its passport registration**

- Administrative building of the society;
- Department of Fuels and Lubricants;
- Baku Passenger Station;
- Emergencies Train Enterprise;
- № 24 Rail Weldering Train etc.



## Reform directions to be carried out with the French Development Agency



- Formation of strategies for main departments
- Increasing operational efficiency in the railway sector
- Automation of asset management system
- Improvement of investment project management Continuation of reforms in automation of processes
- Continuing reforms on HR



# OUTLINE

01

## INTRODUCTION

- General Overview (Rolling Stock)
- General Overview (Network information)
- New rolling stock
- ADY Smart new rolling stock
- Situation prior to reforms
- Representation in international organizations
- Corridors
- ADY in Figures

02

## RAILWAY SECTOR DEVELOPMENT PROGRAM (RSDP)

- Trigger for reforms
- Strategic goals
- Railway Sector Development Program
- Defining Policy Matrix Phases 23+22 and outputs

03

## MANAGEMENT REPORTING AND TEAMS

- ADY's reforms Time line
- Project Organization Structure
- ADY reforms leadership team
- Change management Unit Activity
- Skillset for the CMU and PSU team
- Staff motivation
- Policy Matrix Management
- Policy Matrix reporting
- Template of reporting
- Conditions for reforms

04

## ACTION TAKEN by ADY

- Completed reform actions for Tranche 1
- Completed reform actions for Tranche 2
- Completed reform actions for Tranche 2
- PSO and SPA
- Restructuring
- Railway Law
- Support Block (Centralization)
- SLA
- HR management brief
- Financial Situation
- Asset Management
- Risk Management
- KPI System
- Traffic planning automation
- Electricity efficiency unit
- Passenger Pricing strategy
- Works by ADY Property LLC
- Reform directions to be carried out with the French Development Agency

05

## OUTCOMES AND FINAL WORDS

- Sustainable support to reforms
- How to use TA efficiently
- Results
- Challenges in reform implementation
- Resistance
- Remaining challenges



## Sustainable support to reforms

- Legislative framework;
- State level strategic goals to be fully reflected in Railways strategic goals and strategy;
- Top management embracing strategic goals and give proper tone from the top;
- Continuous review and monitoring of the results and timely response;
- Continuous training programs to all levels of management and operations;
- Gradual integration of new systems and ensuring value added.



## How to use TA efficiently



- Adaptive approach;
- Continuous use of same international experts if possible;
- Reference to current design of PSU and CMU;
- Effective communication with TA provider.





## Results



- Railway Law;
- Economic model and subsidies;
- Strategic focus on all levels of organization;
- Efficient and adaptive structure;
- Systems in place;
- Management methods;
- Risk management function;
- Supported by effective and focused Human Resources Management;
- Planning function;
- Safety and Security;
- Asset Management (Infrastructure, rolling stocks and other);
- Procurement warehousing and supply chain;
- Operations;
- IT, MIS, ERP and automation;
- Reporting and Evaluation (KPIs).





## Results



- Financial situation;
- Investments;
- Internal control environment;
- Improved working conditions;
- Increased average salaries;
- Quality of service both cargo and passenger;
- Prestige of railways and desire to approach; railways both as client and employees.



## Challenges in reforms implementation



- Open resistance;
- Hidden resistance;
- Ignorance;
- Incompetence;
- Lack of motivation;
- Poor management skills;
- Inability to think/go out of the box;
- Poor understanding of complete process
- Inability to see changes in the industry, country and the region;
- Inability to quickly adapt or response to changing circumstances.



## Resistance



### What is resistance?

- Reforms imply change but it is human nature to resist change;
- During reforms the reforms leadership team faced the following categories of open and hidden resistance.

- Resisting employees;
- Resisting and not supporting employees;
- Resisting and supporting employees;
- Not resisting and not supporting employees.

Further, changes to the organizational structure, apart from internal resistance, can disrupt an already functioning system during the transition period that can have serious consequences to the economy.

- Employees are not eager to changes because of **comfort zone**;
- Employees are not eager to change because of the **risk of redundancy**;
- Employees are not eager to change because of **old minded people** and not openness to the innovations;
- Employees are not eager to change because of **losing power**.

**Major question is - How to overcome resistance?**




## Remaining challenges



- Major challenge is to make reform successful and come to destination;
- Change minds of people;
- Give adequate support to new managers and ensure results;
- Continue effective monitoring and provide quick responses;
- Gradual automation of newly introduced systems.







# Thank you for your attention



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