



<b>1. Project Data :</b>		<b>Date Posted :</b> 06/29/2000	
<b>PROJ ID:</b> P003286 <b>OEDID:</b> L3273		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b> Second railways project	<b>Project Costs (US\$M)</b>	263.4	125.9
<b>Country:</b> Zimbabwe	<b>Loan/Credit (US\$M)</b>	38.6	38.6
<b>Sector, Major Sect .:</b> Railways, Transportation	<b>Cofinancing (US\$M)</b>	59.5	70.3
<b>L/C Number:</b> L3273			
	<b>Board Approval (FY)</b>		91
<b>Partners involved :</b> Austria, DANIDA, FINNIDA, KfW, Switzerland, USAID	<b>Closing Date</b>	06/30/1997	06/30/1999
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group :</b>
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**2. Project Objectives and Components**

**a. Objectives**  
The basic objective of the project was to support the organizational, financial and asset restructuring of National Railways of Zimbabwe (NRZ) necessary to enable it to increase the utilization of its existing capacity, cater effectively to the prospective demand for rail transport and become financially self-sustaining.

**b. Components**  
The project included four major components:

- (i) **Physical Investments** - provide for the procurement of: 25 main line locomotives, repowering of 43 shunting locomotives, locomotive spare parts, wagons and passenger coaches, replacement of telephone exchange, breakdown crane, plant and machinery and service vehicles, insulation equipment at electrical workshops, electrification of 27 kms of track, provision of over-voltage correction equipment, and equipment for railway training school.
- (ii) **Organizational Restructuring** - technical assistance to support skills development, management training, and studies for managerial improvement.
- (iii) **Operational Restructuring** - procurement of operating information system software and computer hardware.
- (iv) **Financial Management and Restructuring** - technical assistance for the procurement and development of accounting system software.

**The project components were revised in 1997. However, the project objectives remained unchanged.**  
The components relating to the acquisition of locomotives, rolling stock, technical assistance, and some other miscellaneous items, were partially or completely dropped. The funds were reallocated to finance:

- (a) early voluntary retirement of surplus staff to reduce administrative costs;
- (b) additional technical assistance in formulating and implementing actions to deepen the restructuring of NRZ;
- (c) rehabilitation of locomotives and purchase of additional equipment to overcome operational constraints; and
- (d) increased allocation for signaling and telecommunications equipment to improve operational performance.

**c. Comments on Project Cost, Financing and Dates**  
At appraisal, the total project cost was US\$ 263.4 million. In 1997, the project costs were revised to US\$ 120.2 million. The loan amount remained unchanged. The closing date was extended twice by one year each to provide additional technical assistance to NRZ to develop a strategy for the privatization of the railways.

**3. Achievement of Relevant Objectives :**

- (i) The project has largely achieved its objective of making NRZ more efficient and has significantly improved the financial performance of NRZ. NRZ's deficit has declined from about US\$100.0 million (60% of NRZ revenue) in 1989/90 to about US\$15.0 million (12% of NRZ revenue) in 1997/1998. For the year 1999, the net financial

out-turn is expected to be a surplus of about US\$5.0 million.

(ii) The objective of improvement of operational performance of NRZ was partially met. An Operations Improvement Plan (OIP) was developed and performance indicators were established but they did not improve as envisaged.

(iii) Asset Revaluation study was successfully completed to establish the NRZ asset base.

Achievement of individual components:

(i) **Physical Investments** - The subcomponents for extension of electrification, procurement of locomotive spare parts, improvements in signaling and telecommunications; replacement of steam locomotives and improvement in workshop maintenance were successfully implemented.

(ii) **Organizational Restructuring** - This component was successfully implemented.

(a) Various studies were undertaken and their recommendations have mostly been implemented. The Manpower Study identified the surplus staff and recommended reorganization of the remaining staff in more productive configurations.

(b) Technical assistance for Management and Supervisory Development Program (MSDP) was provided. A team from Canadian railways was invited to work along with NRZ staff. MRDP was successful in improving the confidence and expertise of NRZ staff.

(c) Specialized training programs were developed to improve productivity of staff. Managerial staff was seconded to railways in other countries to improve their managerial and decision-making skills.

(iii) **Operational Restructuring** - the achievements of this component are not clear. According to the SAR, the purpose of this component was procurement of operating information system software and computer hardware. It is not clear from the ICR whether this objective was achieved or restructured and funds were reallocated to other components.

(iv) **Financial Management and Restructuring** - this component was successfully implemented. Improvements in financial management were mostly internally driven and technical assistance was provided under MSDP.

(v) **Staff Rationalization** - the component to finance staff redundancy was successfully implemented.

(vi) **Concessioning Studies** - this component was successfully implemented.

**4. Significant Outcomes /Impacts :**

The project had positive impact on restructuring of railways and setting the stage for concessioning of the railways. It assisted in institutional capacity building, retrenchment of surplus staff and improved cost recovery.

**5. Significant Shortcomings (including non-compliance with safeguard policies ):**

None.

<b>6. Ratings :</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**7. Lessons of Broad Applicability :**

The following lessons emerge from the project:

- There are limits to improving the performance of railways when the railway is publicly owned and managed. Privatization of railways is unavoidable if the railways are to remain an important mode of transportation. Delaying the decision to privatize can prove quite costly in terms of mounting losses.
- For successful restructuring/privatization, the railways need to address the issue of overstaffing with a great deal of urgency .

**8. Audit Recommended? ● Yes ○ No**

**Why?** To examine and draw lessons from the institutional and policy reform and to introduce private

sector participation in the railways sub-sector.

**9. Comments on Quality of ICR :**

The quality of ICR is satisfactory.

- (i) The ICR could have provided a more comprehensive assessment of achievements of individual project components.
- (ii) The section on borrower performance could have been developed more.
- (iii) There are some inconsistencies in the cost and financing figures.
- (iv) It does not discuss the disbursement profile and compliance with covenants.
- (v) The Aide-Memoire for the ICR mission is not available.