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Pakistan

29 Locomotives Manufacturing Factory Project

This project was to progressively promote the domestic manufacture of locomotives by constructing a locomotive manufacturing factory and transferring manufacturing technology to Pakistan, where railways play an important role in freight transport, and thereby contribute to economic development through stabilization of rail transport.

Loan Amount/Disbursed Amount: 9,760 million yen/9,670 million yen
Loan Agreement: February 1984
Terms and Conditions: Interest rate 2.75%; Repayment period 30 years (grace period 10 years); Partial untied
Final Disbursement Date: August 1994
Executing Agency: Ministry of Railways/ Pakistan Railways

External Evaluator: Hajime Sonoda (IC Net Limited)
Field Survey: September 2004

Evaluation Result

In this project, construction of a locomotive manufacturing factory and technology transfer were conducted almost as planned. The project period was much longer than planned due to the shortage of local currency and changes in design. However, the project cost was lower than planned.

Under this project, production guidance was conducted, and a technological base for the factory was established. Although 239 locomotives were planned to be manufactured in 12 years from the start of the operation (1993), only 59 were manufactured, due to financial limitations of the executing agency. The share of rail against other means of transport also declined. Moreover, in line with the policy to promote domestic production the original plan was to attain a domestic locomotive production rate in Pakistan of 50% from the tenth year of operation and onward. However, the actual domestic production rate is as low as 33% because the standardization of locomotive parts did not progressed as expected.

Locomotives manufactured at the factory constitute just over 10% of all diesel electric locomotives, transporting 20 million passengers a year in estimation. By manufacturing these locomotives domestically, approximately 1 billion rupees (24 million US dollars) of foreign currency was saved.

There are no problems in the technical capacity of the Pakistan Railway, and with regard to the operation and maintenance system, reforms are progressing, including formation of a public corporation and consignment of operations to private companies. Financially, the Pakistan Railway is in deficit, but it is increasing income by raising fares and boosting the number of high-speed trains.

In order to increase the number of locomotives manufactured at this factory for the future, well-planned allocation of the budget will be necessary.

One of the lessons learned from this project is that the implementation method and size of the project should be decided after the careful study of the financial capacity of the executing agency.

Third-Party Evaluator's Opinion

The effect generated by this project is limited because of poor management of Pakistan Railways. However, renewal of locomotives is relevant, and there is potential for an increase in rail transport through managerial improvement.

Third-Party Evaluator: Ms. Rehana Sheikh (NGO)

Obtained a master's degree in public policy from Monash University. Presently holds the post of Project Manager on the British Council/DFID Gender Equality Project. Specializes in public policy and rural development.

Relevance of the project

In the transport sector in Pakistan, recovery of the share of rail transport in long-distance, large-volume freight transport has been an important issue. However, as of 2003, the share of railways in passenger and freight transport declined to 10% and 5%, respectively.

One reason is the shortage of funds to repair facilities, such as tracks and locomotives, and that resulted in a decline in train speeds and the efficiency of freight transport in terms of operation management and waiting time. This project forms part of the progressive plan for domestic production of locomotives. However, at present, the plan itself is not being actively promoted.

Pakistan Railways needs to conduct market studies focused on the recovery of market share in long-distance, large-volume freight transport and to promote construction and installation of railway infrastructure by double-tracking and introduction of new-type cars, while it steadily promotes administrative reforms such as the formation of a public corporation and allowance of partial entry of private companies into train service.

Changes in the Railway's Share of Passenger and Freight Transport