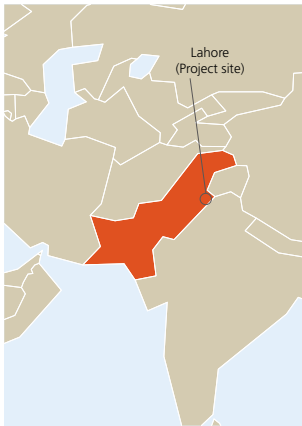


Overall Rating **B** **A Foundation for Sustained Growth**



**25 Pakistan**  
**Diesel Electric Locomotives Rehabilitation Project (2)**

Enhancing railway transport capacity through the rehabilitation of aging locomotives

**Loan Amount / Disbursed Amount** 6.774 billion yen / 6.643 billion yen  
**Loan Agreement** March 1996  
**Terms & Conditions** 2.3% interest rate, 30 year repayment period (10 year grace period), General untied  
**Final Disbursement Date** July 2002  
**Executing Agency** Pakistan Railways (PR), Ministry of Railways (<http://pakrail.com/>)



**Project Objectives**

The objective of this project was to increase the capacity of rail transport, which plays a key role in long-distance transport in Pakistan, by carrying out rehabilitation of diesel electric locomotives, and thereby contribute to the country's economic growth.

**Effectiveness and Impact**

Rating **a**

The initial plan was to increase annual freight and passenger transport volume to 6,340,000 t/km and 23,720 million passengers/km respectively by 2005. The project achieved over 90% of the initial target, recording actual freight of 5,900,000 t/km, and 25,620 million passengers/km. Although the operation rate was high in comparison with other locomotives owned by Pakistan Railways (hereafter PR), the reliability partially fell below the target. The railway's share in the transport sector is gradually climbing after bottoming out in 1999 (FY2005: freight 4.8%, passenger 9.7%). Some of the rehabilitated locomotives are used as the only branch line which reaches Barochistan Province, providing an important means of transportation for the low income segment of society.

While the majority of users indicated their satisfaction in the beneficiary survey, some also indicated that there was room for improvement in areas such as punctuality and reduction in travel time. Therefore, this project has largely achieved its objectives, and effectiveness is highly satisfactory.

**Relevance**

Rating **a**

This project has been highly relevant with Pakistan's Five-Year and Ten-Year Plans both at the time of the appraisal and at the time of the ex-post evaluation. In the current Ten-Year Perspective Plan, particular emphasis is placed on expansion of the share of railway transport, rehabilitation, manufacture, or new purchase of locomotives. Therefore, the relevance of this project is extremely high.

**Efficiency**

Rating **b**

Although the project costs fell below the target (93% of planned costs), the project period significantly exceeded the target (234% of planned period), therefore, the evaluation for efficiency was moderate. The main reason for the delay was the discontinuation of new investment in railway projects due to a policy to privatize PR during the period from 1997 to 1999.

**Sustainability**

Rating **b**

Although no serious problems were observed in technical aspects of the executing agency, PR, financially, operating losses have been chronic. It is also necessary to pay attention to PR's future transformation to a public corporation, but overall sustainability of this project is moderate.

**Conclusion, Lessons Learned, Recommendation**

In light of the above, this project is evaluated to be satisfactory. It is necessary for PR to promptly depart from its operating loss situation. Therefore, efforts to introduce an accounting system, deliver high value-added services, and increase freight transport as well as undertake active initiatives in human resource training in view of future public cooperation are desirable.

**Pakistan Railways' Passenger and Freight Transport Volume**

FY	Freight Transport				Passenger Transport					
	Based on Volume (1,000 ton/km)		Based on Profit (million PKR)		Based on Volume (million passengers/km)		Based on Profit (million PKR)			
	Target*	Actual (% of achievement)	YOY (%)	Budget Target	Actual (% of achievement)	Target*	Actual (% of achievement)	YOY (%)	Budget Target	Actual (% of achievement)
99	—	3,753	-5.5%	—	—	—	18,495	-2.6%	—	—
00	—	4,520	20.4%	—	—	—	19,590	5.9%	—	—
01	—	4,573	1.2%	4,900	4,746.7 (96.8%)	—	20,783	6.1%	5,850	6,437.6 (110%)
02	—	4,820	5.4%	4,750	4,801.6 (101%)	—	22,306	7.3%	7,100	7,162.8 (101%)
03	—	4,796	-0.5%	4,200	4,343.1 (103%)	23,040	23,045 (100%)	3.3%	7,700	7,938.7 (103%)
04	5,513	5,014 (91.0%)	4.5%	5,400	5,059.2 (93.7%)	23,250	24,238 (104%)	5.2%	9,500	9,001.9 (94.7%)
05	6,340	5,907 (93.2%)	17.8%	6,500	4,770.0 (73.4%)	23,720	25,621 (108%)	5.7%	10,000	9,938.9 (99.4%)
06	7,290	4,738 **	-19.8% **	—	—	24,310	24,173 **	-5.1% **	—	—

Note 1. The fiscal year is from July 1 to June 30.  
 Note 2. \* The figure is target level for July through June based on the PR Concept Clearance Paper.  
 \*\* The figure is an estimate for July through November.

**Third-Party Opinion**

Implementation of this project was in line with the government's policy of promoting investment in the railway system as part of efforts to resolve the excessive burden on road transport. Therefore, the project can be recognized as contributing to the recent rise in railway passengers and freight.

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