



# Technical Assistance Report

---

Project Number: 47087-001  
Policy and Advisory Technical Assistance (PATA)  
December 2014

## Republic of the Union of Myanmar: Transport Sector Reform and Modernization

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 5 December 2014)

Currency unit	–	kyat/s (MK)
MK1.00	=	\$0.00097
\$1.00	=	MK 1,033.55

## ABBREVIATIONS

ADB	–	Asian Development Bank
JCC	–	joint coordination committee
MOT	–	Ministry of Transport
TA	–	technical assistance

## NOTE

In this report, “\$” refers to US dollars.

<b>Vice-President</b>	S. Groff, Operations 2
<b>Director General</b>	J. Nugent, Southeast Asia Department (SERD)
<b>Director</b>	H. Iwasaki, Transport and Communications Division, SERD
<b>Team leader</b>	A. Véron-Okamoto, Transport Specialist, SERD
<b>Team members</b>	M. Alam, Unit Head, Project Administration, SERD
	P. Brimble, Principal Country Specialist, SERD
	M. Javier, Senior Project Assistant, SERD
	J. Leather, Principal Transport Specialist, SERD
	D. Mizusawa, Senior Infrastructure Specialist, SERD
	T. Sann, Programs Officer, SERD
	F.P. Villanueva, Senior Operations Assistant, SERD

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

## CONTENTS

	<b>Page</b>
POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	1
III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE	3
A. Impact and Outcome	3
B. Methodology and Key Activities	3
C. Cost and Financing	5
D. Implementation Arrangements	5
IV. THE PRESIDENT'S DECISION	5
APPENDIXES	
1. Design and Monitoring Framework	6
2. Cost Estimates and Financing Plan	8
3. Outline Terms of Reference for Consultants	9



## POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 47087-001</b>	
<b>Project Name</b>	Transport Sector Reform and Modernization	<b>Department /Division</b>	SERD/SETC
<b>Country Borrower</b>	Republic of the Union of Myanmar Not applicable	<b>Executing Agency</b>	Ministry of Transport
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ Transport	Transport policies and institutional development		1.00
		<b>Total</b>	<b>1.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Institutional development Organizational development	No gender elements (NGE)	✓
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty	No	Nation-wide	High
<b>6. TA Category:</b>	B		
<b>7. Safeguard Categorization</b>	Not Applicable		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>1.00</b>	
Sovereign Policy and advisory technical assistance: Technical Assistance Special Fund		1.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>1.00</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		No	
Use of country public financial management systems		No	



## I. INTRODUCTION

1. Myanmar's economy has reached a turning point, potentially separating a history of low growth with a phase of quick catch-up. Modernization of the country's transport system can be an engine for such transformation. An Asian Development Bank (ADB) study showed that improving international and national transport systems and services can increase Myanmar's gross domestic product by more than 20% by 2030.<sup>1</sup> Improving transport connectivity and rural accessibility will raise the competitiveness of agricultural products and reduce rural poverty. Investment needs are large because of the low quality and poor condition of existing infrastructure. Addressing them will take time since transport institutions require strengthening.

2. The government has asked ADB for policy and advisory technical assistance (TA) to help design transport sector reforms and modernization plans. As a first step toward assisting Myanmar, ADB has been preparing a transport sector policy study.<sup>2</sup> This follow-on TA is a second step, which builds on the early findings of the initial study and the policy dialogue developed. This report is based on understandings reached with the Government of Myanmar during the TA fact-finding mission fielded in July 2014. It reflects agreements reached on the impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and terms of reference. The design and monitoring framework is in Appendix 1.<sup>3</sup>

## II. ISSUES

3. In its current state, Myanmar's transport sector will impede the country's economic takeoff. The transport infrastructure compares favorably with neighboring countries in terms of quantity, but it is largely obsolete and dilapidated. Myanmar's road network is extensive (148,700 kilometers), but only 20% is paved and only about 10% is in good to fair condition. Similarly, the rail network (5,988 kilometers) is longer than that of any Southeast Asian country, but train speeds rarely exceed 30 kilometers per hour because of poor track condition. Economic distortions have long hampered the development of transport services—lack of access to foreign exchange; high license costs for vehicle imports; a subsidized but rationed fuel market; government control over allocation of freight; and subsistence of loss-making, low-productivity public transport operators. From 1990 to 2010, the quantity of heavy trucks in Myanmar grew at 2.5% annually, well below the pace of economic growth. In 2010, there were only 4.5 cars per 1,000 Myanmar people. Until the early 2010s, transport was cheap but of low quality for people and businesses that relied on public road, rail, or river transport operators; it was expensive and unreliable for those who availed of smaller private operators.

4. The government has removed some constraints through recent reforms. From 2011 to 2013, it abolished the fuel subsidization system, gradually facilitated the import of foreign vehicles, reduced their import costs, and freed the market for freight and public transport. It also raised public transport operator tariffs, bringing them closer to costs. As a result, private sector transport services and personal transport means have boomed. From 2011 to 2014, the number of cars increased by 70%, and the number of motorcycles and trucks doubled. In 2014, the government approved the country's first transport master plan.<sup>4</sup> The plan identifies long-term

---

<sup>1</sup> D. Roland-Holst and C.Y. Park. Forthcoming. Myanmar: Long-Term Scenarios for Sustained Macroeconomic Growth. *ADB Economics Working Paper Series*. Manila: ADB.

<sup>2</sup> ADB. 2013. *Technical Assistance to the Republic of the Union of Myanmar for Capacity Development and Institutional Support*. Manila.

<sup>3</sup> The TA first appeared in the business opportunities section of ADB's website on 26 November 2014.

<sup>4</sup> Government of Myanmar. 2014. *National Transport Master Plan*. Naypyidaw.

infrastructure upgrade needs and broad policy directions. It recommends a package of investments of \$25 billion to be implemented over 15 years.

5. Implementation of the transport master plan will pose significant challenges as key problems remain. Policies governing the transport sector still reflect a paradigm in which the government organizes and directly provides transport infrastructure and services, even though its role has dwindled in practice. Coherent policy principles are needed, clarifying the role of the state in asset ownership, organization, delivery, and control of transport services. The organization of the central government is another constraint. Overlaps exist in the responsibilities of the Ministry of Transport (MOT), Ministry of Construction, and Ministry of Rail Transportation, as well as major gaps, particularly in planning and regulatory capacity. Fragmentation has limited the sector's ability to formulate and implement significant plans or reforms, and could constrain its ability to handle such a large investment program.

6. In parallel, the transport sector has suffered from underfunding and misallocation of investments. Based on investment plans, it is estimated that Myanmar needs to raise its annual investment effort in the transport sector from 1% to about 3%–4% of its gross domestic product. This level of financing is ambitious but comparable with what other East or Southeast Asian countries (Japan, People's Republic of China, Republic of Korea, Thailand, Viet Nam) invested during fast growth periods. However, the transport sector has received a dwindling share of government budgets. The country needs to mobilize other financing channels, such as earmarked taxes, state-owned enterprise debt, private sector, and development partner resources. Resources have also been focused on extending infrastructure networks in remote areas. Mechanisms ensuring efficient prioritization are needed.

7. Finally, state-owned transport enterprises involved in the provision of transport services have been facing a severe crisis. The market share of state-owned transport enterprises dropped from 50% in 1990 to about 10% in 2013 for passengers and from 25% to less than 3% for freight. The decline had been gradual since the early 1990s, but accelerated after the first set of transport sector reforms. The state rail operator—Myanma Railways—lost 30% of its freight and passenger traffic over 2010–2013. The state river operator—Inland Water Transport—lost 75% of its passenger traffic and 55% of its freight traffic. The public bus and truck operator—Road Transport—mainly only caters to government transport needs. These three companies are making operational losses, reaching 70% of revenues in the case of Myanma Railways.

8. The transport sector policy study has helped identify promising paths for reform and modernization. To achieve the plan's objectives, the government and ADB agree that each transport sector institution needs to be restructured, refocused, and strengthened to manage and develop Myanmar's transport sector economically. While doing so, foreign experience should be considered. Sector restructuring is understood to involve (i) corporatizing and partly privatizing state-owned enterprises under MOT; (ii) transforming Public Works, under the Ministry of Construction, into a government department focused on highways, after corporatizing its construction activities; (iii) restructuring Myanma Railways to make it more autonomous, commercially oriented, and financially sustainable; (iv) increasing private sector involvement through concessions and build–operate–transfer mechanisms; (v) decentralizing road network management; (vi) refocusing the ministries in charge of transport on policy-making planning and regulation; and (vii) creating new mechanisms to fund the transport sector. Better coordination is needed between the ministries in charge of transport. The three ministries in charge of transport have set up a Joint Coordination Committee (JCC) to implement the plan. Discussions with sector stakeholders suggest that their potential merger should also be considered.



9. The restructuring of Public Works and Myanmar Railways will be major tasks, during which it will be useful to consider foreign experience. For instance, Public Works still carries out most road works with its own equipment, 25,000 staff, and hired labor. Its work techniques and processes are largely outdated. Modernizing the road sector will involve technical and organization transformations—from labor-intensive to mechanized works, from reactive maintenance to asset management, and from public to private delivery. Road departments in many other countries have successfully undergone similar transitions.

10. Modernizing Myanmar Railways will also be a long-term agenda, with strong economic, social, and environmental benefits. It is a state-owned company with about 20,000 staff. The quality of its services is limited by the low standards of the network and lack of rolling stock. One of the reasons for this status is that Myanmar Railways has been unable to generate the resources needed to self-finance its modernization. There is a growing understanding within the government that the company needs some form of restructuring and productivity improvements to become financially sustainable, attract private investment, and improve the quality of its services. Eventually, the company will need to modernize its track, rolling stock, and systems comprehensively.

11. **Lessons.** Major transport sector reforms can take 5–10 years to implement. To be effective, development partner support needs to be framed as long-term engagements where investment resources are combined with a robust medium-term policy framework and TA program. As of 2014, only ADB and Japan have developed significant engagements in Myanmar's transport sector. Japan is taking a comprehensive approach, which includes the preparation of national and Yangon transport master plans as well as large investments in the rail sector. ADB has taken the lead in policy and institutional reform dialogue, and has started several operations in the road transport subsector. Once the reform and modernization strategies are defined, ADB and the government may consider setting up a medium-term program of TA and investments to facilitate sector development. ADB is already considering financing project preparatory TA for transport sector modernization in 2015 followed by a loan in 2017 to support reform implementation.

### III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE

#### A. Impact and Outcome

12. The impact will be a more effective and sustainable management of the transport sector in Myanmar. The outcome will be improved policies and actionable plans for reforming and modernizing the transport sector.

#### B. Methodology and Key Activities

13. The technical assistance will be implemented under the following four outputs.

14. **Output 1: Improved transport sector architecture defined.** The TA will advise and support the government through the JCC to formulate common policies and prepare institutional reforms. This will include (i) helping formulate a transport sector policy statement, stating the principles governing transport sector organization and economic regulation, to complement and clarify the policy directions of the transport master plan; (ii) identifying and advising the government on changes to the transport sector's institutional structure, e.g., a potential merger of the three ministries in charge of transport, a realignment of selected organizations to eliminate gaps and overlaps, and the creation of stronger institutions in charge of planning and

regulation; (iii) defining new mission statements, responsibilities, objectives, and internal structures for key sector institutions in transition; (iv) improving the processes guiding project selection and linking budget allocation with approved plans in the transport sector, e.g., the definition of a formal project cycle for transport investments, and a template for preparing feasibility study reports; (v) identifying and advising on financial mechanisms to fund the transport sector, e.g., new fees or taxes, potentially earmarked, creation of off-budget maintenance, and investment or debt funds; and (vi) determining a realistic plan for rolling out the changes, e.g., support for drafting a law reorganizing the sector.

**15. Output 2: Restructuring and rationalization strategy for Myanmar Railways prepared.** The government has identified Myanmar Railways for restructuring and rationalization while being retained under government ownership, with the objective of improving its financial performance. The TA will advise the government on the institutional and financial restructuring of Myanmar Railways, and help identify and consider productivity enhancement measures. This will include (i) determining a suitable model for reorganizing the railway sector, its governance, and the role of the private sector, e.g., corporatization of Myanmar Railways, creation of a railway department and regulatory entities, reorganizing or splitting Myanmar Railways along business lines, and outsourcing of non-core activities to the private sector; (ii) determining the financial conditions for such restructuring, including treatment of land and other assets, long-term debt, pensions, recapitalization needs, and public service obligation payments; and (iii) creating a rationalization plan aimed at raising productivity. Productivity enhancement measures may involve (i) rationalization of rail services, network used, track and track equipment, and related maintenance strategy; (ii) rationalization of traction and rolling stock and related maintenance practices; (iii) improvements in operational practices and investments in information systems; (iv) marketing and pricing changes; (v) rationalization of the workforce; and (vi) internal reorganization of Myanmar Railways. As a key input to the strategy, the TA will assist Myanmar Railways in setting up a cost allocation model.

**16. Output 3: Reengineering plan for Public Works prepared.** The government is considering separating Public Works' road sector activities into a Department of Highways, and corporatizing its road construction activities. The TA will advise on how to set up the new organizational structure and its key business processes, particularly those related to dealing with private sector participation. This will include (i) determining a new organizational structure for Public Works; (ii) determining the approach toward developing the private construction industry, including corporatizing or divesting Public Work's construction activities and the resulting corporate structure; (iii) developing robust procurement procedures to deal with private contractors; (iv) advising on how to improve Public Works' program for managing tolled roads through private contracts; and (v) preparing action plans to reengineer Public Works' key business processes, e.g., design and supervision, maintenance planning, management and delivery, information systems and processes, and investment planning and budgeting.

**17. Output 4: Business restructuring strategies for selected state-owned enterprises under the Ministry of Transport and the Ministry of Rail Transportation prepared.** The TA will advise the government on how to restructure selected state-owned transport enterprises. Two enterprises, Inland Waterway Transport and Road Transport, will require specific support given their degraded market and financial situation. The TA will advise on options for their restructuring, including partial to complete sale, joint ventures, and equity support from the government. The TA will also facilitate the preparation of business plans, based on the preferred restructuring strategy by the government.

### C. Cost and Financing

18. The TA is estimated to cost \$1,050,000, of which \$1,000,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The government will provide counterpart support in the form of counterpart staff, office accommodation and supplies, domestic transportation for site visits, and other in-kind contributions.

### D. Implementation Arrangements

19. The JCC at ministerial level will serve as a high-level steering committee. The director general-level JCC will act as an implementation coordination committee. The committees will request participation at a similar level from other concerned ministries such as the Ministry of Finance and the Ministry of National Planning and Economic Development, when the meeting agenda requires it. Important policy documents will be submitted to the cabinet. Three technical working groups will be set up, covering transport-wide institutional issues, railways, and roads. Each participating ministry will nominate a counterpart acting as focal point for activities related to the ministry. For administrative matters, MOT will act as executing agency for the TA. The TA will be implemented from 1 January 2015 to 31 August 2016.

20. ADB will recruit consultants in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time). TA implementation is anticipated to require 31 person-months of international consultancy, and 48 person-months of national consultancy. The following international expertise will be required: institutional development specialist (8 person-months), road sector management specialist (6 person-months), railway specialist (6 person-months), railway costing specialist (4 person-months), restructuring specialist (4 person-months), and resource people (3 person-months). A national coordinator will also be recruited for 18 person-months. ADB will recruit these consultants using individual consultant selection.<sup>5</sup> ADB will also recruit a think tank through single source selection to facilitate consultations; carry out data, policy, and legal research; prepare legal documents or regulations; and manage translation of documents and organization of workshops.<sup>6</sup> All procurement under the TA will be carried out in accordance with ADB's Procurement Guidelines (2013, as amended from time to time). Proceeds of the TA will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

## IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,000,000 on a grant basis to the Government of the Republic of the Union of Myanmar for Transport Sector Reform and Modernization, and hereby reports this action to the Board.

---

<sup>5</sup> This is appropriate given (i) the need to ensure the high quality and cost-efficiency of advice, for an assignment under which a consulting company may not have specialized expertise in all the fields covered, (ii) the limited overlaps between the assignments and the different time frames for their provision, (iii) the need for flexibility in the definition of the consultant's outputs, and (iv) the need for a quick start of work to ensure that substantial outputs can be produced sufficiently ahead of the 2015 Myanmar general elections.

<sup>6</sup> The Centre for Economic and Social Development of the Myanmar Development Resource Institute is a nongovernment research institute founded by advisors to the President. The think tank is regularly tasked by the government to prepare economic and institutional reform proposals. It has direct access to decision makers, and is reputed as being nonpartisan. Single source selection is appropriate given the small contract value, the dearth of qualified consulting firms in Myanmar, and the center's unique experience.

### DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></p> <p>More effective and sustainable management of the transport sector</p>	<p><b>By 2020</b></p> <p>More effective transport sector architecture in place</p> <p>State-owned enterprises restructuring process completed</p>	<p>Government organizational structure</p> <p>Budget laws</p>	<p><b>Assumptions</b></p> <p>Government reform agenda is sustained.</p> <p>Development partner support for reform implementation available</p> <p><b>Risk</b></p> <p>Loss of momentum for proposed reforms following 2015 elections</p>
<p><b>Outcome</b></p> <p>Improved policies and actionable plans for reforming and modernizing the transport sector</p>	<p><b>By 2016</b></p> <p>At least three major reform proposals and restructuring plans presented to government for approval</p>	<p>JCC reports</p> <p>TA completion report</p>	<p><b>Risks</b></p> <p>Vested interests outside of the sector restrict change options.</p> <p>Leadership and management changes lead to loss of knowledge.</p>
<p><b>Outputs</b></p> <p>1. Improved transport sector architecture defined</p>	<p><b>By 2016</b></p> <p>Statement on sector policies and organization prepared</p> <p>New institutional architecture for the transport sector incorporated in draft law</p>	<p>Consultant reports</p> <p>Mission back-to-office reports and aide-mémoires</p>	<p><b>Risks</b></p> <p>Political considerations reduce scope for making economically sound reforms.</p> <p>Sudden influx of resources lead the government to prioritize short-term agendas over long-term ones.</p>
<p>2. Restructuring and rationalization strategy for Myanmar Railways prepared</p>	<p>Restructuring plan for Myanmar Railways prepared</p> <p>Productivity enhancement plan of Myanmar Railways prepared</p> <p>Costing model for Myanmar Railways services functioning</p>	<p>Consultant reports</p> <p>Mission back-to-office reports and aide-memoires</p>	<p><b>Assumption</b></p> <p>Objective to make Myanmar Railways financially sustainable keeps guiding government action.</p> <p><b>Risk</b></p> <p>Sudden influx of donor resources leads the government to prioritize short-term agendas over long-term ones.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
3. Reengineering plan for Public Works prepared	Restructuring plan for Public Works prepared  Action plans for building the capacity of Public Works prepared	Consultant reports  Mission back-to-office reports and aide-mémoires	<b>Risk</b>  Momentum for comprehensive reform reduced after 2015 elections
4. Business restructuring strategies for selected state-owned enterprises under MOT and MRT prepared	Report on how to restructure selected state-owned transport enterprises prepared	Consultant reports  Mission back-to-office reports and aide-mémoires	<b>Risk</b>  Governance considerations reduce scope for making economically sound reforms.
<b>Activities with Milestones</b> <ol style="list-style-type: none"> <li><b>1. Improved transport sector architecture defined</b> <ol style="list-style-type: none"> <li>1.1 Institutional working group mandate agreed by Q1 2015</li> <li>1.2 Draft policy statement prepared by Q1 2015</li> <li>1.3 Draft transport sector organizational charts and supporting documents prepared by Q2 2015</li> <li>1.4 Consultations with stakeholders by Q1 2016</li> <li>1.5 Transport sector organization adjusted and draft law prepared by Q2 2016</li> <li>1.6 Advice on early reform implementation provided by Q2 2016</li> </ol> </li> <li><b>2. Restructuring and rationalization strategy for Myanmar Railways prepared</b> <ol style="list-style-type: none"> <li>2.1 Railway working group mandate agreed by Q1 2015</li> <li>2.2 Basic costing model established by Q2 2015</li> <li>2.3 Rail services viability analyzed by Q3 2015</li> <li>2.4 Draft restructuring plan prepared by Q3 2015</li> <li>2.5 Draft productivity enhancement plan prepared by Q3 2015</li> <li>2.6 Consultations with stakeholders by Q1 2016</li> <li>2.7 Plans finalized and advice on early reform implementation provided by Q2 2016</li> </ol> </li> <li><b>3. Reengineering plan for Public Works prepared</b> <ol style="list-style-type: none"> <li>3.1 Road sector working group mandate agreed by Q1 2015</li> <li>3.2 Draft restructuring plan prepared by Q2 2015</li> <li>3.3 Draft capacity-building action plans prepared by Q3 2015</li> <li>3.4 Consultations with stakeholders by Q1 2016</li> <li>3.5 Plans finalized and advice on early reform implementation provided by Q2 2016</li> </ol> </li> <li><b>4. Restructuring strategies for selected state-owned enterprises under MOT and MRT prepared</b> <ol style="list-style-type: none"> <li>4.1 Advice on restructuring strategies provided by Q2 2015</li> <li>4.2 Advice on business development and business plan drafting provided by Q4 2015</li> </ol> </li> </ol>		<b>Inputs</b> <b>ADB: \$1,000,000</b> Note: The government will provide counterpart support in the form of counterpart staff, office accommodation and supplies, domestic transportation for site visits, and other in-kind contributions.	

ADB = Asian Development Bank, JCC = joint coordination committee, MOC = Ministry of Construction, MOT = Ministry of Transport, MRT = Ministry of Rail Transportation, Q = quarter, TA = technical assistance.  
Source: Asian Development Bank.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Amount</b>
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	635.0
ii. National consultants	80.0
b. International and local travel	100.0
c. Reports and communications	30.0
2. Training, seminars, and conferences	50.0
3. Miscellaneous administration and support costs	5.0
4. Contingencies	100.0
<b>Total</b>	<b>1,000.0</b>

Note: The technical assistance (TA) is estimated to cost \$1,050,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office accommodation and supplies, domestic transportation for site visits, and other in-kind contributions. The value of government contribution is estimated to account for 5% of the total TA cost.

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. **Institutional development specialist** (international, 8 person-months, intermittent). The institutional development specialist will have at least 20 years of experience in advising or leading institutional reform in the transport sector. The consultant will advise the government to (i) formulate a policy statement regarding transport sector organization and economic regulation to complement and clarify the policy directions of the transport master plan; (ii) determine changes to the transport sector's institutional structure to enable effective and coordinated planning, efficient management and maintenance of assets, and regulation of the private sector; (iii) develop a mission statement that clearly defines the institutions' role, responsibilities, and objectives and that can serve as a guide to measure performance for key sector institutions in transition; (iv) define robust processes guiding project selection and linking budget allocation with approved plans in the transport sector; (v) define new financial mechanisms and broad levels needed to finance sector investments, asset maintenance, operations, and public services; (vi) ensure coherence in the approach taken to restructure state-owned enterprises in the transport sector; and (vii) determine a realistic plan for rolling out the changes, including pilot testing or phasing.
  
2. To deliver these outputs, the consultant will, among others, provide the following:
  - (i) **Policy formulation support.** Define a suitable mandate for the institutional reform working group and obtain consensus from relevant ministries on it. Propose a work agenda. Structure for the working group the process of defining a new organizational structure and preparing major policy reforms. Advise working group members on the rationale behind international best practices and analyze the main options and implications. Identify stakeholders that need to be consulted and assist in consultations. Identify the best format for the documents required to convey the changes. Provide briefings to the implementation coordination committee. Facilitate consultations with stakeholders on draft documents. Assist in the formal approval process.
  - (ii) **Guiding policy principles.** Recommend a policy statement covering, among others, the respective roles of the public and private sectors, the role of state-owned enterprises, regulation of transport services, pricing and subsidies, planning, budgeting, public administration, and the legal framework.
  - (iii) **New ministerial structure.** Recommend a new institutional structure for the transport sector ministries to improve coordination, facilitate policy making, and eliminate overlaps and gaps. Consider realignments or mergers of the ministries in charge of transport; and the merger, establishment, or extinction of dependent entities. Define missions for each entity. Recommend their administrative nature, considering options such as departments, implementation agencies, regulatory agencies, and boards. Analyze staffing needs and recommend the internal structure of entities. Recommend functions to be decentralized to lower levels of government, analyzing the conditions for such decentralization and suggesting an organization of services at the decentralized level. Prepare organizational charts. Prepare high-level presentation documents.
  - (iv) **Land transport regulatory function.** Recommend the principles, operational approach, and institutional organization in charge of regulating the land transport sector. Compare the current organization and approach to regulations with international practices. Define functions and areas to be included under the scope of the regulator, e.g., transport services, including licensing and public service payments, safety regulations and enforcement, and infrastructure concessions. Recommend missions and key business processes. Recommend

the institutional form, governance for new entity, and transparency principles to be followed. Propose an internal structure at national and local levels. Recommend transitional arrangements.

- (v) **Planning and policy-making function.** Recommend ways to coordinate transport sector investments, strengthen the links between plans and actual investments, and improve the quality of information available for decision making. Recommend a formal project cycle for transport investments, and help prepare a template for preparing feasibility study reports. Recommend statistical information (e.g., indexes, surveys) and reports (annual transport statistical yearbook) to be produced on a regular basis. Recommend a structure and key processes for a department in charge of transport planning, in case such option is pursued by the working group, and recommend transition arrangements.
- (vi) **Financial channels.** Recommend financial instruments or mechanisms for increasing, stabilizing, and clarifying sector funding, such as earmarked taxes and fees or debt emissions. Define feasible institutional and legal channels for implementing them, such as the creation of funds. Recommend levels of instruments, and fund allocation mechanisms.
- (vii) **Legal framework.** Advise on the content and structure of a law or set of laws enacting the proposed reforms. Assist in its drafting and consultations.

3. The consultant will submit for approval by the institutional working group (i) an inception report, including the working group's mandate and detailed work plan by the end of month 1; (ii) a draft policy statement by the end of the first quarter (Q1) of 2015; (iii) draft transport sector organizational charts and supporting documents summarizing for each key measure the working groups' diagnostic, objectives for reform, options available, impacts of the measure, and implementation arrangements, by the end of Q2 2015; (iv) materials for consultations with stakeholders by the end of Q3 2015; (v) revised documents based on consultations by Q2 2016; and (vi) a draft law or elements to be included in a law reorganizing the sector by Q2 2016. While the overall coordination of the consultant's team will rest with the Asian Development Bank (ADB), the institutional development specialist will ensure joint reporting to the coordination committee.

4. **Railway specialist** (international, 6 person-months, intermittent). The consultant will have at least 10 years of experience in managing railways or advising on railway reform. The consultant will advise the government with the objective of (i) reaching a consensus on the objectives and strategy for a medium-term reform of Myanmar's railway sector; (ii) determining a suitable model for reshaping the organization of the railway sector, its relations with the government, and the role of the private sector; (iii) defining the financial conditions for such restructuring; (iv) determining a set of medium-term productivity enhancement measures; and (v) formulating on this basis a coherent strategic document that can guide the medium-term restructuring of Myanmar's rail sector.

5. To deliver these outputs, the consultant will, among others perform the following:
- (i) **Policy formulation support.** Define a suitable mandate for the railway sector reform working group. Propose a work agenda. Structure for the working group the process of defining a new organizational structure and preparing major policy reforms. Recommend the creation of task teams as needed. Advise working group members on the rationale behind international best practices and analyze the main options and implications. Identify stakeholders that need to be consulted and assist in consultations. Identify the best format for the documents



- required to convey the changes. Facilitate consultations with stakeholders on draft documents. Assist in the formal approval process.
- (ii) **Institutional reshaping.** Recommend a restructuring plan for Myanmar Railways and related government entities, including changes to the sector's institutional structure (e.g., creation of railway department and regulatory entities, separation of passenger and freight, devolution of feeder lines to local governments); corporate governance (corporatization, board); relationship with the government (e.g., public service obligations, performance plan, investments); and private sector role (e.g., maintenance, rolling stock, operations of selected lines). Recommend the phasing of such changes, which may take 5 years or more to be fully rolled out. Recommend a transitional implementation organization to lead the reform process.
  - (iii) **Financial restructuring.** Recommend the general lines of the financial restructuring, involving restructuring of core and non-core assets (including treatment of land assets), restructuring of liabilities and recapitalization, and workforce and pension aspects.
  - (iv) **Productivity improvement measures.** Recommend a plan for improving the productivity of Myanmar Railways, potentially involving (a) rationalization of rail services, network used, track and track equipment, and related maintenance strategy; (b) rationalization of traction and rolling stock and related maintenance practices; (c) improvements in operational practices and investments in information systems; (d) marketing and pricing changes; (e) rationalization of workforce; and (f) internal reorganization.

6. The consultant will submit for approval by the railway working group (i) an inception report, including the working group's mandate and detailed work plan by the end of month 1; (ii) a draft restructuring plan covering institutional and financial dimensions by Q3 2015; (iii) a draft productivity improvement plan by Q3 2015; (iv) materials for consultations with stakeholders by the end of Q3 2015; and (v) revised documents based on consultations by Q2 2016. The railway specialist will work in close cooperation with the railway costing specialist.

7. **Railway costing specialist** (international, 4 person-months, intermittent). The consultant will have at least 10 years of experience in setting up cost models for railways to analyze their profitability. The consultant will, among others, perform the following tasks:

- (i) Establish a simple costing model for Myanmar Railways' operations; advise Myanmar Railways on how to produce needed information on a regular basis and maintain the model.
- (ii) Train Myanmar Railways staff in hands-on use of the costing model.
- (iii) Analyze the financial profitability of existing rail services; assess the need for setting up public service obligation payments and advise on their likely level; and advise on retaining or transferring current services to other operators, including local or regional governments.
- (iv) Analyze the likely operational and financial impact of improving various operational parameters, developing or reducing selected services, making changes to the fare structure, and carrying out selected investments. The list of assumptions to be tested will be decided in coordination with the railway specialist to support the preparation of the productivity enhancement plan.

8. The consultant will submit (i) an inception report by the end of month 1, (ii) an interim report by Q3 2015, and (iii) a draft final report including the costing model by Q2 2016.

9. **Road sector management specialist** (international, 6 person-months, intermittent). The consultant will have at least 10 years of experience in managing road agencies or advising on their reform. The consultant will advise the government with the objective of (i) determining a new organizational structure for Public Works and initiating such change; (ii) defining how to divest Public Work's construction activities gradually; (iii) developing robust procurement procedures for entering into contracts with the private sector; (iv) improving Public Works' program for managing tolled roads through private contracts; (v) defining appropriate mechanisms for road sector funding; and (vi) defining how to modernize Public Works' key business processes in areas such as (a) civil works design and supervision; (b) maintenance planning, management, and delivery; (c) information systems and processes; and (d) investment planning and budgeting.

10. To deliver these outputs, the consultant will, among others, perform the following:
- (i) **Policy formulation support.** Define a suitable mandate for the road sector reform working group. Propose a work agenda. Recommend the creation of task teams as needed. Advise working group members on the rationale behind international best practices, and analyze main options and implications. Identify stakeholders that need to be consulted and assist in consultations. Identify the best format for the documents required to convey the changes. Facilitate consultations with stakeholders on draft documents. Assist in formal approval process.
  - (ii) **Institutional restructuring.** Recommend a new organizational structure (e.g., a Department of Highways) that helps deliver modern business processes, drawing from good international examples. Propose governance and transparency principles. Define the flow of the new entities' key business processes. Recommend key unit's responsibilities and review workforce requirements.
  - (iii) **Construction activities restructuring.** Determine the main lines of the organizational and financial restructuring of Public Works' construction units. Determine transition arrangements.
  - (iv) **Road sector funding.** Determine instruments, levels, institutional organization, and allocation mechanisms for adequately funding the road sector, e.g., fuel tax and tolling policies.
  - (v) **Procurement.** Propose the general policies and outline the key procedures to govern future procurement of private contractors, drawing from good international practices. Identify gaps in the current procurement system and policies, internal organization and skills, and determine a gradual transition path. Share examples of bidding documents, procurement and supervision manuals, procurement planning, and contract management tools that could be used by Public Works after limited adaptation.
  - (vi) **Private sector participation program.** Propose the main features of an improved program for private sector participation, considering contractual instruments (e.g., concessions, performance-based contracts). Advise on how to introduce such changes.
  - (vii) **Modernization requirements.** Identify key business processes that require modernization. Advise task teams on good international practices. Identify key changes involved.
  - (viii) **Action plans.** For all areas, prepare an action plan that summarizes the rationale and objectives for change, key changes, milestones, and TA requirements.

11. The consultant will submit for approval by the road working group (i) an inception report, including the working group's mandate and detailed work plan by the end of month 1; (ii) a draft restructuring plan for Public Works by Q2 2015; (iii) a draft reengineering and capacity building action plans by Q3 2015; (iv) materials for consultations with stakeholders by the end of Q3 2015; and (v) revised documents based on consultations by Q2 2016.

12. **Restructuring specialist** (international, 4 person-months, intermittent). The consultant will be a financial specialist, with at least 10 years of experience in advising on the restructuring of state-owned enterprises. The consultant will, among others, perform the following tasks:

- (i) **Business restructuring of inland water transport.** Recommend options and analyze issues for restructuring Inland Water Transport. Determine business restructuring measures. Advise on reviewing line profitability. Determine financial restructuring measures, including required support from the government. Recommend a strategy for potential medium-term privatization.
- (ii) **Business restructuring of road transport.** Recommend options and analyze issues for restructuring or privatizing Road Transport. In case a restructuring is pursued, recommend business and financial restructuring measures, and facilitate the preparation of a business plan.
- (iii) **Corporatization of Myanmar Railways.** Support the railway specialist in the preparation of the financial restructuring strategy for Myanmar Railways. Advise on corporatization requirements, from a business management and financial standpoint.
- (iv) **Corporatization of Public Work's construction units.** Advise on corporatization requirements from a business management and financial standpoint. Advise on financial restructuring options.

13. The consultant will submit (i) an inception report by month 1, (ii) an interim report including advice on restructuring strategies by the end of Q2 2015, and (iii) a draft final report by the end of Q4 2015.

14. **Coordinator** (national, 18 person-months, continuous). The consultant will have at least 5 years of experience in executive secretariat services, handling government relationships, and interpretation. The consultant will, among others, (i) facilitate the preparation and implementation of consultants' visits, (ii) liaise with the government and ADB on a daily basis, (iii) manage translation and publication of documents, and (iv) provide interpretation and translation services. The consultant will submit a monthly activity report.

15. **Local think tank** (about 30 person-months, national consultant). The consultant will provide a team of key experts that will include (i) a policy analyst with at least 5 years of experience, (ii) a civil society consultation specialist with at least 5 years of experience, and (iii) a legal specialist with at least 5 years of experience. The consultant firm will, among others, (i) facilitate high-level consultations with the government and other stakeholders; (ii) manage the organization and delivery of consultation workshops; (iii) carry out data, policy, and legal research on transport sector reforms; (iv) prepare legal analysis and provide legal advice; and (v) draft legal documents or regulations.

16. **Resource persons** (3 person-months total, international consultant). The resource persons will act as facilitators, speakers, or panelists in workshops and seminars to provide advice on a needs basis to the government on specialized topics, which will be determined during TA implementation based on needs.