



Financing Transport Connectivity

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Transport Connectivity for the Achievement of the SDGs

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Challenges to Close Infrastructure Gaps

- Closing the infrastructure gap should be a priority
- Investment cost to bring road and rail infrastructure of LLDCs to global benchmarks

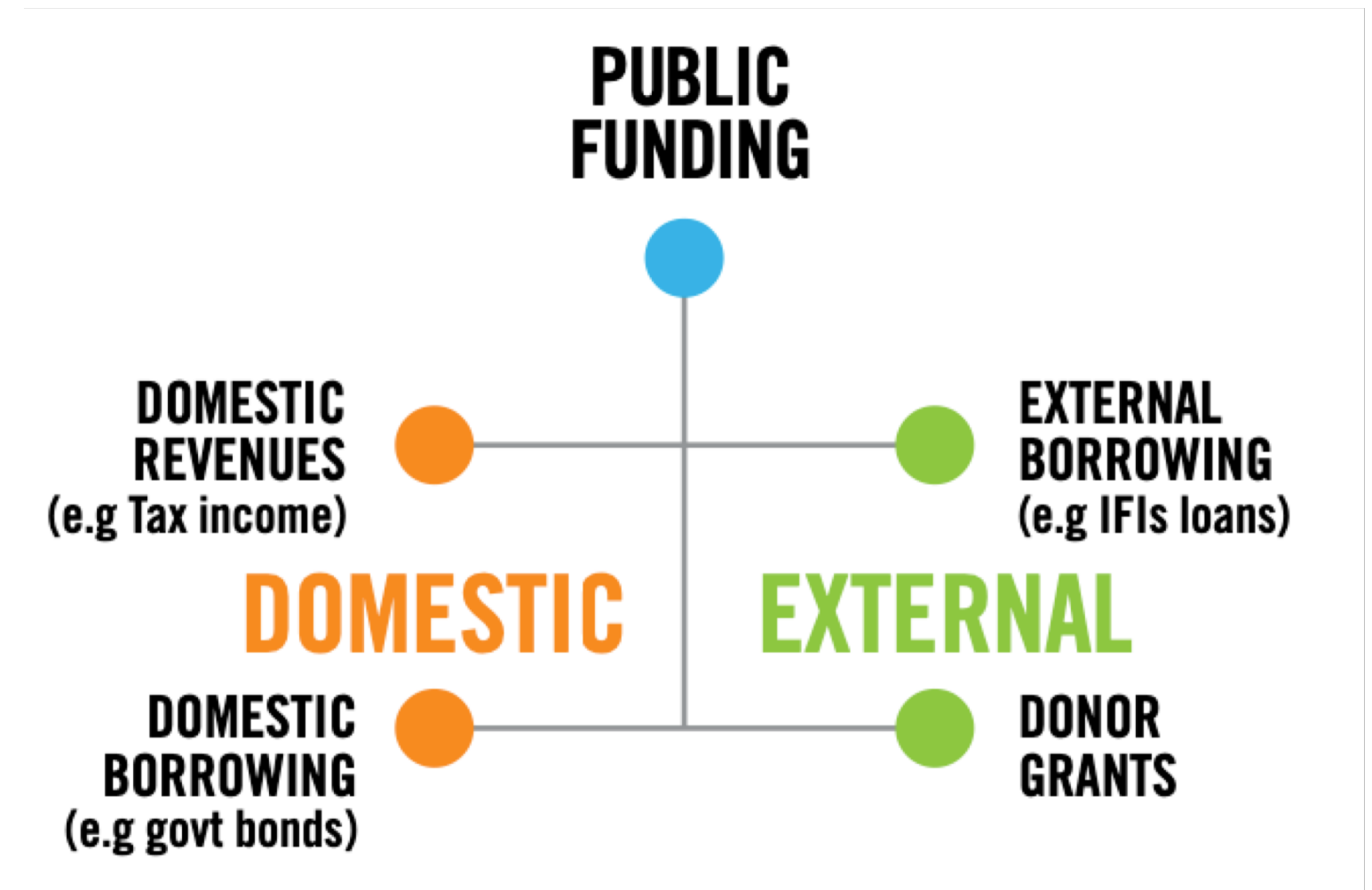
Region	Additional length		Cost	
	Road km	Rail km	US\$ billion	% of GDP
East Asia	8,300	5,100	37.2	4.2
Eastern Europe and central Asia	57,900	13,900	171.6	1.4
Latin America	15,200	1,800	37.7	1.7
South Asia	7,700	4,700	34.1	3.9
Sub-Saharan Africa East	53,900	12,700	158.5	1.9
Sub-Saharan Africa West	53,100	8,000	70.3	4.5
Total LLDCs	196,100	46,300	509.3	2.0

Source: UN-OHRLLS

Traditional Funding Sources

1. Public Sector Funding

- Domestic financial resources are critically needed to meet the infrastructure investment needs in LLDCs
- It has been the principal source of funding for infrastructure investment
- Key advantage: it allows governments to maintain control of public assets



Source: UN-ESCAP

Traditional Funding Sources

1. Public Sector Funding

Ex: Miladinovci - Stip Highway (North Macedonia)

- 53 km highway connects North Macedonia's capital Skopje with the eastern part of the country
→ essential for regional development
- Construction started in May 2014; operational in 2019
- The project was structured to be paid for by the citizens of Northern Macedonia; 10% as a share of the Public Enterprise for State Roads and 90% from taxpayers who will also repay a loan from China



Traditional Funding Sources

2. Public-Private Partnership (PPP)

- A contractual relationship between a government and a private business venture for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance (PPP Knowledge Lab)
- PPPs have the potential to close the infrastructure gap by leveraging scarce public funding and introducing private sector technology and innovation to provide better quality public services through improved operational efficiency

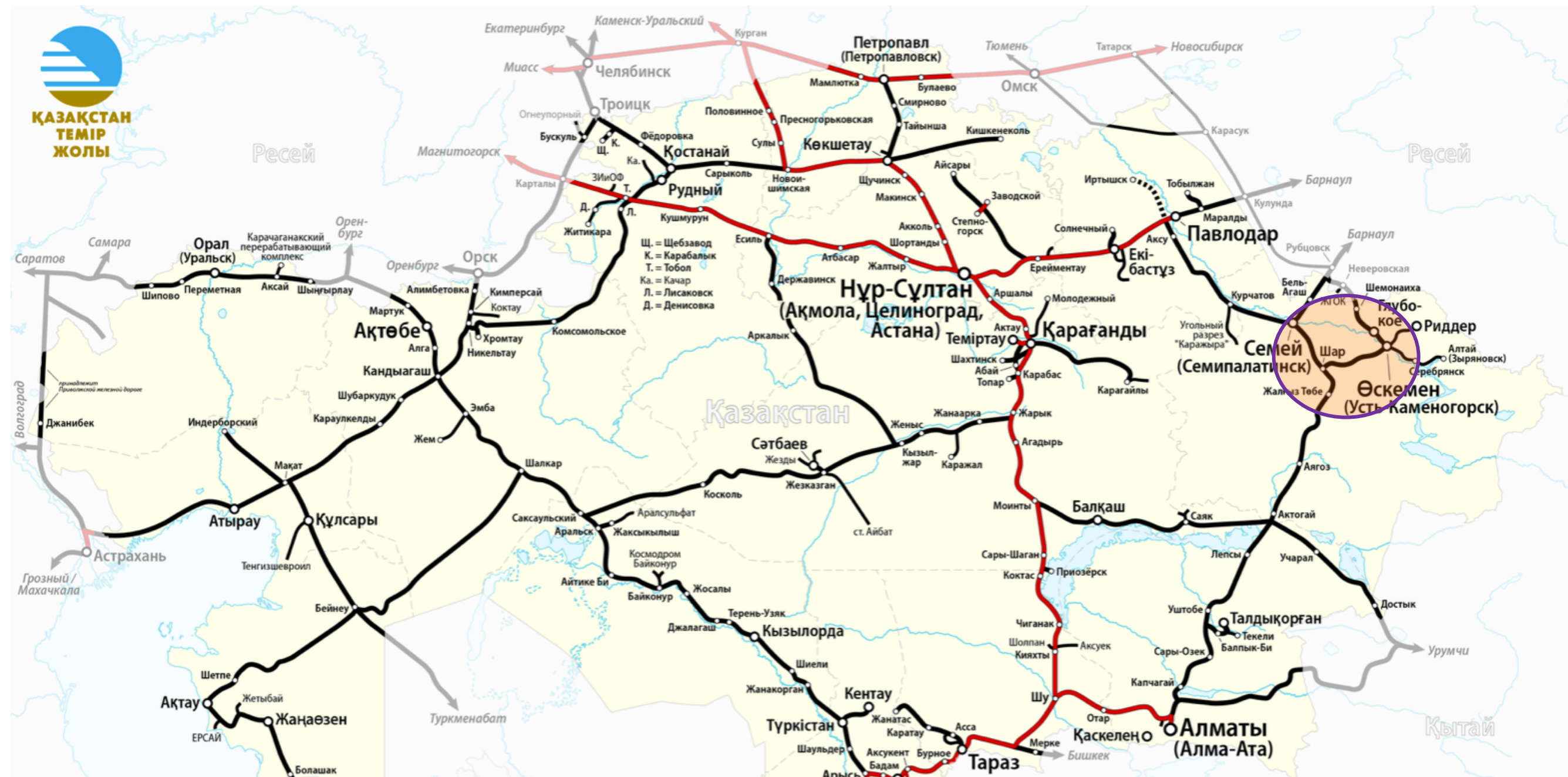
Types of PPP

- BOO : Build – Own - Operate
- BOT : Build - Operate - Transfer
- BOOT : Build – Own – Operate - Transfer
- BTO : Build – Transfer – Operate
- DBFO : Design – Build – Finance - Operate

Traditional Funding Sources

2. Public-Private Partnership (PPP)

Ex: Shar – Oskemen Railway (Kazakhstan)

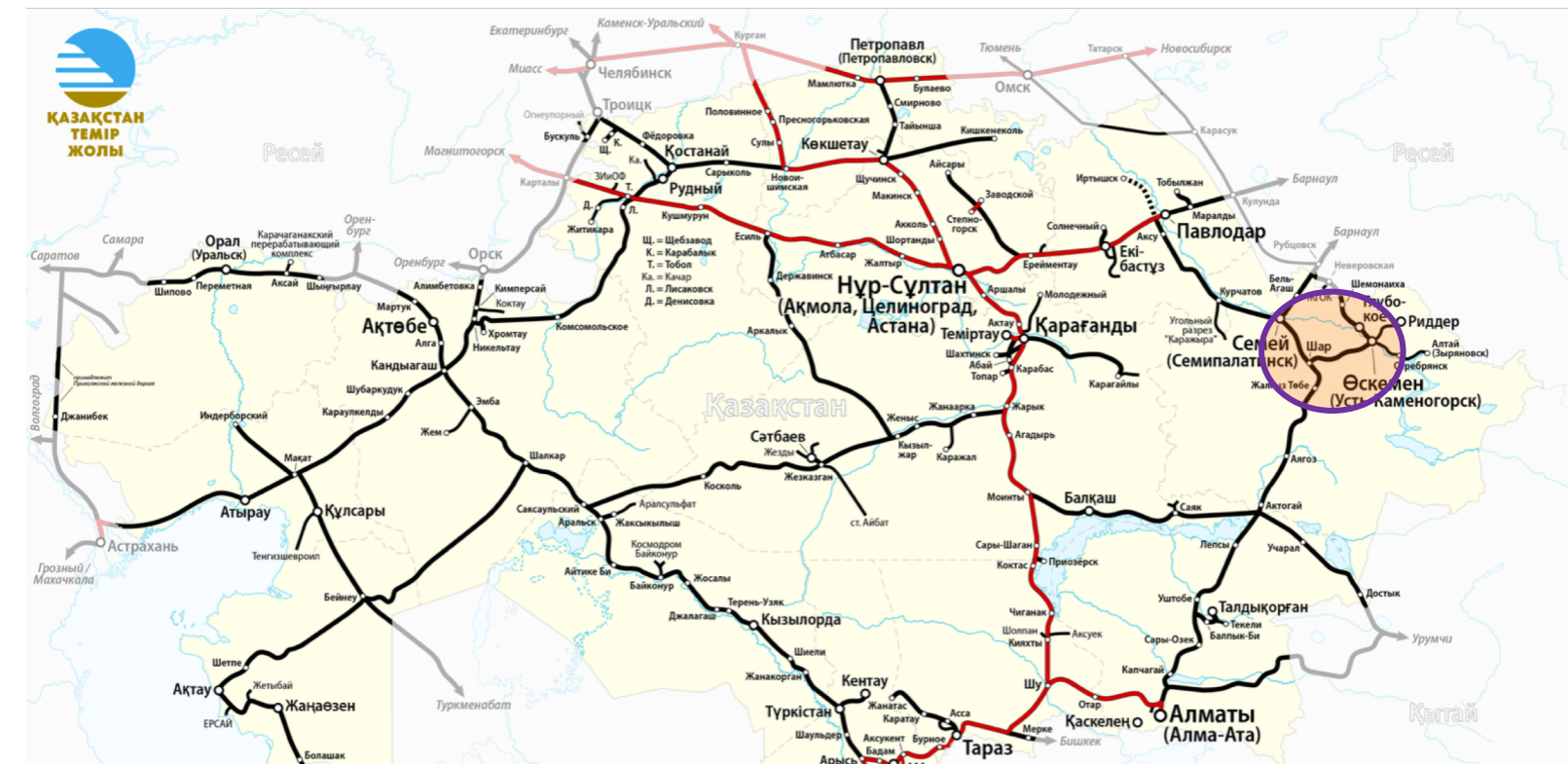


Traditional Funding Sources

2. Public-Private Partnership (PPP)

Ex: Line Shar – Oskemen Railway (Kazakhstan)

- Construction began in 2005
- Length: 151 km
- Passenger and freight traffic bypassing Russian territory
- In operation since 2009 under a BOT (Build-Operate-Transfer) concession
- The first concession in Kazakhstan
- The PPP contract with the Ministry of Transport and Communication
- PPP contract with the Ministry of Transport and Communication
- A company “Doszhan Temir Zholy” was established in March 2005 to implement the construction and to operate the concession. It is owned by the national railroad company KTZ (46%), Investment Fund of Kazakhstan (49%) and others (5%).
- The PPP generates sufficient passenger traffic to provide a return to the investors



Traditional Funding Sources

3. Others

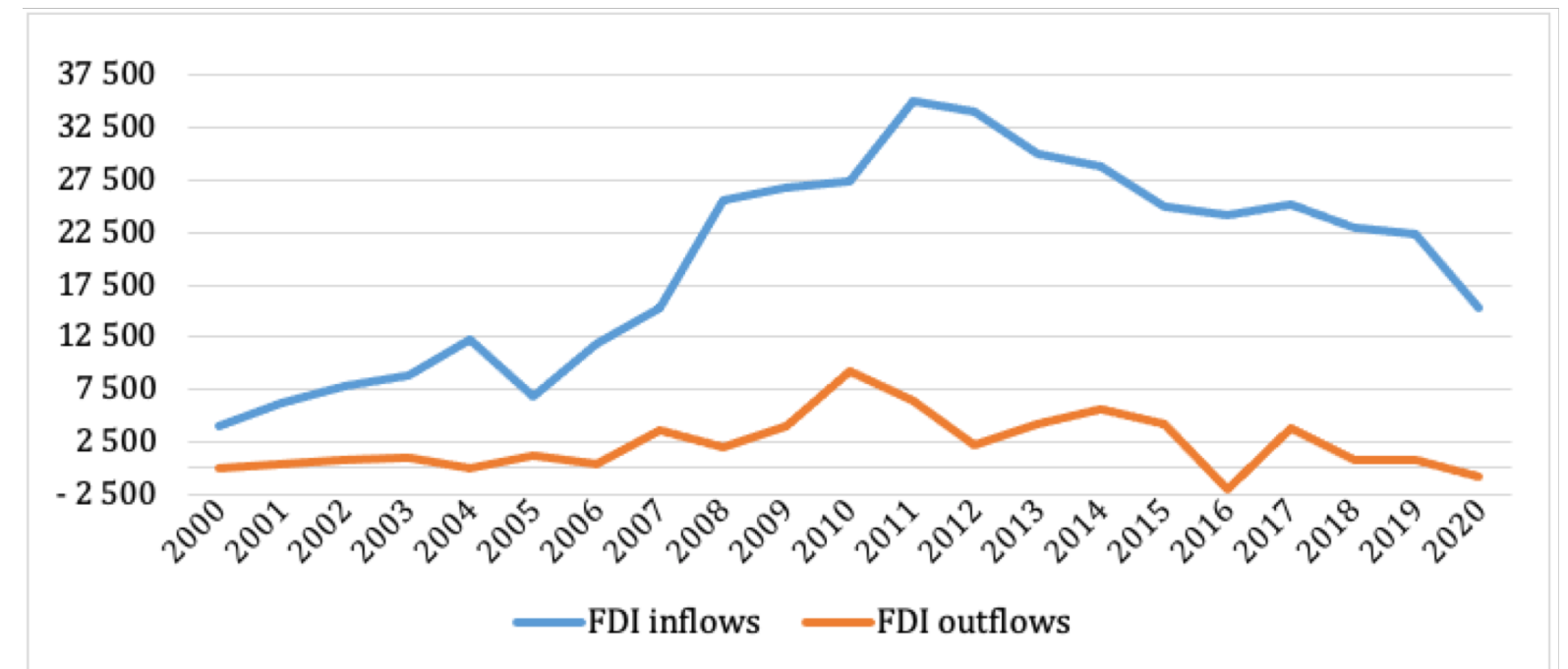
- Official Development Assistance (multilateral, bilateral and blended)

ODA has been critical in meeting infrastructure investment needs of the LLDCs as international community aims to fully achieve the SDGs, as such sustained support to LLDCs to meet their considerable needs for economic infrastructure is of importance.

- Multilateral Development Banks

- The World Bank (WB), Islamic Development Bank (IsDB), African Development Bank (AfDB), Asian Development Bank (ADB), Development Bank of Latin America (CAF), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and Inter-American Development Bank (IADB).
- And several smaller ones

- Foreign Direct Investment



Traditional Funding Sources

Financing transport corridors in Euro-Asia

- Contributions of all member countries to the Organization's budget
- Eurasian Development Bank (EDB)
 - Consistently implementing the Europe–Western China transport corridor project (through Russia and Kazakhstan).
 - Arranging financing for the Big Almaty Ring Road (BAKAD) in Kazakhstan
 - Ensured the launch of the Nur Zholy automobile checkpoint on the border with China.
- Asian Development Bank (ADB)
 - Major source of development financing in Asia and the Pacific region (policy dialogue, loans, equity investments, guarantees, grants, and technical assistance)
 - Serves as the CAREC Secretariat and takes the lead in organizing institutional events
 - Involved in all priority sectors of CAREC—transport, trade facilitation, trade policy, and energy
- Other external partners – e.g. European Union (financing TRACECA)

Innovative Funding Sources

Innovative sources of funding refers to non-traditional mechanisms to raise funds for development

- **South-South Cooperation:** New Development Bank, Asian Infrastructure Investment Bank
- **Climate Finance:** Green Climate Fund, Global Environment Facility (mainly finances sustainable urban transport project in LLDCs)
- **Global Innovation Fund:** focuses on solving major development problems in low/lower-middle income countries, seeking solutions to be scaled up commercially
- **Chinese Finance:** China Development Bank, China EXIM Bank
- **Specific initiatives:** Global Infrastructure Facility (a “platform” for identifying, preparing & financing complex infra projects), Africa50
- **Pension funds and insurance reserves:** initially applied in real estate, good returns required.

Innovative Funding Sources

South-South Cooperation

- It refers to an engagement of developing countries in the Global South (all LLDCs except Bolivia and Paraguay) in mutually beneficial activities on the basis of solidarity, self-help and self-reliance.
- Cooperation between LLDCs and global South countries is necessary mainly for the development of transit transport corridors
- It provides more technical assistance and project preparation than investment → knowledge sharing
- Initiatives: One Belt One Road → US\$ 40 billion of Silk Road Fund (particularly in infrastructure projects)



Innovative Funding Sources

South-South Cooperation

Project	Country
Europe-China – Rail Link I & II	Multiple
Khorgos Gateway Dry Port	Kazakhstan
Sino-Thai – High-Speed Railway	Multiple
Single Gauge Trans-Asian Railway	Multiple
Pap Angren Railway	Uzbekistan
Budapest – Belgrade Railway	Multiple
Addis Ababa Light Rail	Ethiopia
Khartoum-Port Sudan Railway	Sudan
Djibouti – Ethiopia Railway	Multiple
Vientane – Boten Railway	Laos
Savannakhet-Lao Bao Railway	Laos
Kuala Lumpur-Singapore High Speed Rail	Multiple
Dushanbe-Uzbekistan Border Road Improvement	Tajikistan
Harare Airport Expansion	Zimbabwe
Port Aktau	Kazakhstan
“Khorgos – Eastern gate”	Kazakhstan

Transport infrastructure projects in LLDCs in the framework of BRI

Source: <https://www.beltroad-initiative.com/projects/>

Innovative Funding Sources

South-South Cooperation

Vientiane – Boten Railway (2016 – ongoing)

- Part of six international economic corridors of BRI
- Connects Lao PDR and China, and the entire BRI network → greatly reduce travel time between Laotian cities/provinces
- Financing:
 - Initial investment: US\$ 5.95 billion
 - A joint company is set up
 - Government of Laos: 30% of the project (national budget + loan from Export-Import Bank of China)
 - Chinese Government: 70% of the project



Innovative Funding Sources

South-South Cooperation

Dushanbe-Uzbekistan Border Road Improvement (2016 – 2020)

- Rehabilitation of a 5-km road section in Dushanbe that connects to the border with Uzbekistan
- The last missing section of the Asian Highway Network; CAREC 3 was built over 30 years ago and is in poor condition
- Financing (total project cost: US\$ 105.9 million):
 - AIIB: US\$ 27.5 million
 - EBRD: US\$ 62.5 million



Thank you for your attention ...

