



Financing Transport Connectivity

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UN-OHRLLS Training on Strengthening Capacity to Design and Implement Policies and Identify Solutions that Promote
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

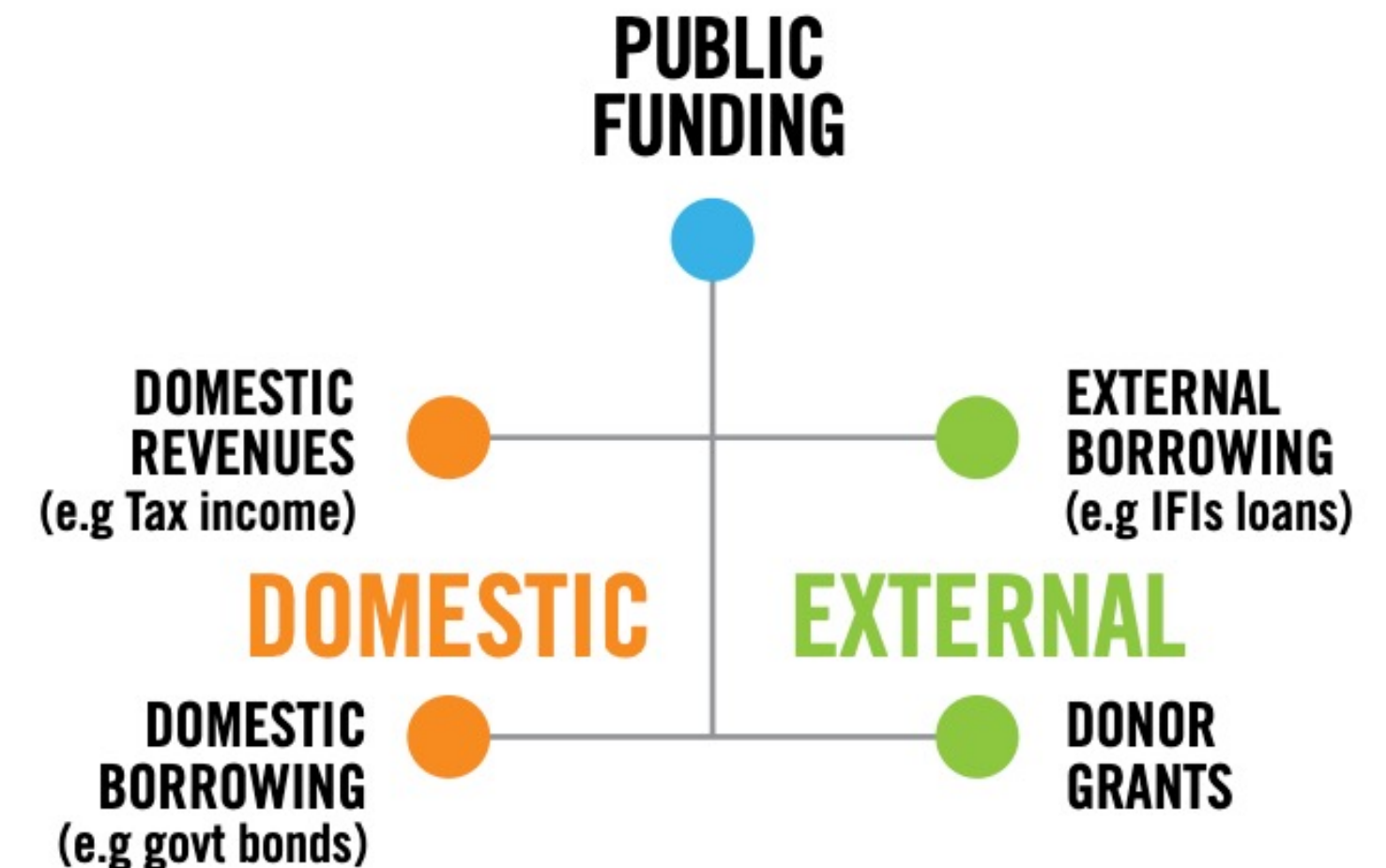
Region	Additional length		Cost	
	Road km	Rail km	US\$ billion	% of GDP
East Asia	8,300	5,100	37.2	4.2
Eastern Europe and central Asia	57,900	13,900	171.6	1.4
Latin America	15,200	1,800	37.7	1.7
South Asia	7,700	4,700	34.1	3.9
Sub-Saharan Africa East	53,900	12,700	158.5	1.9
Sub-Saharan Africa West	53,100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



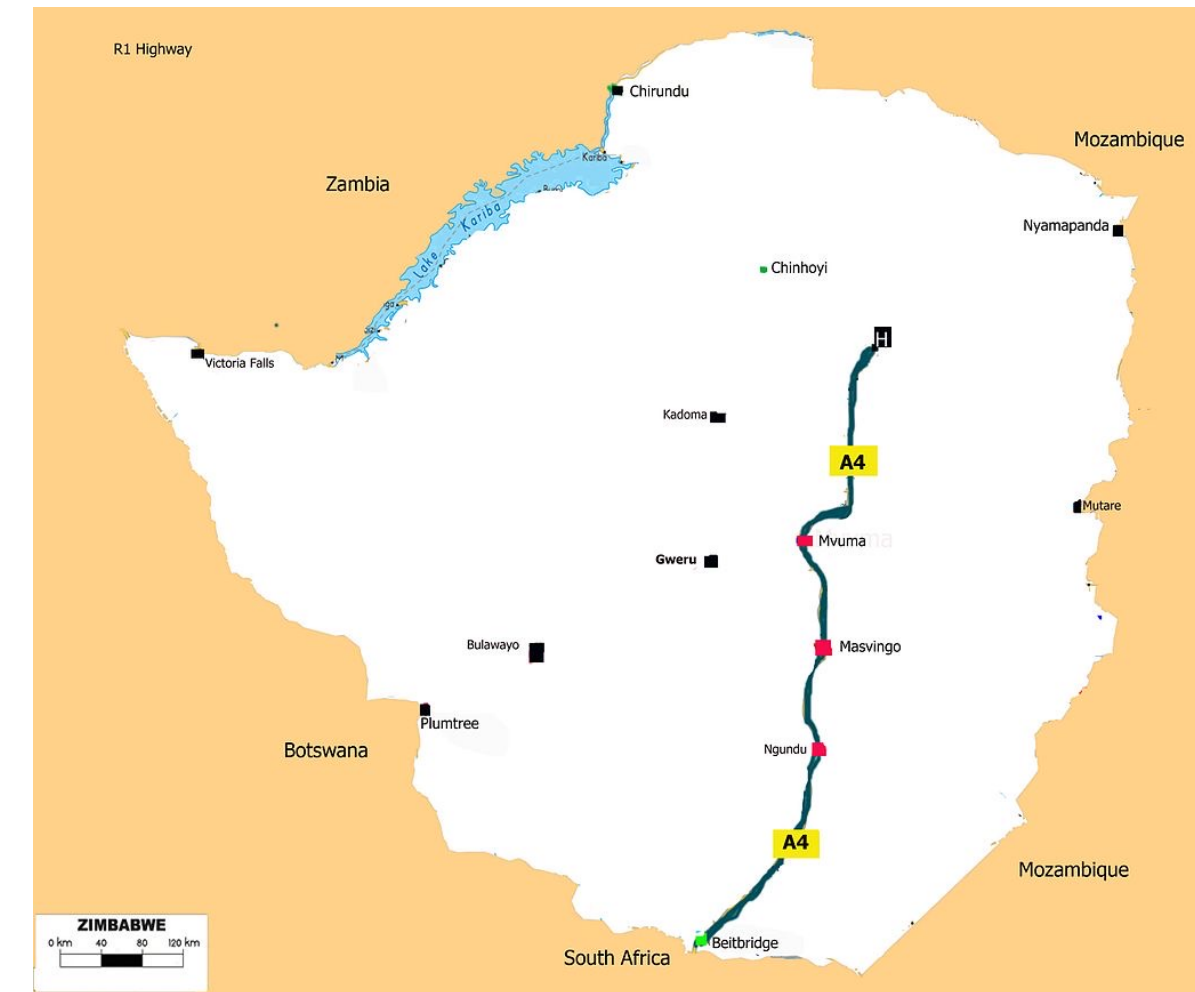
Source: UN-ESCAP

Traditional Funding Sources

1. Public Sector Funding

Ex: Rehabilitation/Dualization of the Beitbridge – Harare Road (Zimbabwe)

- The main route for trade between ports in South Africa and Zimbabwe, and countries north of Zimbabwe
- Located along the North - South Corridor and is an important trade route for the SADC region
- Due to increase in road traffic deaths in 2018, Zimbabwe decided to develop the project using its own public funds, channelling a large part of toll revenue into the road rehabilitation
- As of end 2020, 132 km of 600 km has been constructed



Traditional Funding Sources

1. Public Sector Funding

Ex: Rehabilitation/Dualization of the Beitbridge – Harare Road (Zimbabwe)

- Decision to undertake the project using domestic funds (toll funds) resulted in not only progress but also savings, including foreign currency savings by working with local contractors
- Using local companies and resources creates local employment and spurs local production and expertise



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: Beitbridge – Bulawayo Railway Line

- 385 km railway linking the North South Corridor, commissioned in 1999
- Construction cost US\$ 85 million, raised by the concessionaire (foreign and private investors, incl. South Africa's Rand Merchant Bank): laid the tracks, provided an additional 10 locomotives and serviced the route
- Government of Zimbabwe took 15% stake in the partnership
- The first BOT mechanism (30 years) in the SADC region
- Good practice reflecting SADC initiatives to increase private sector involvement in railways investment.
- The concessionaire received a number of incentives: duty exemptions on imported rail equipment and spares, discounted tariffs and priority service for investors in rolling stock

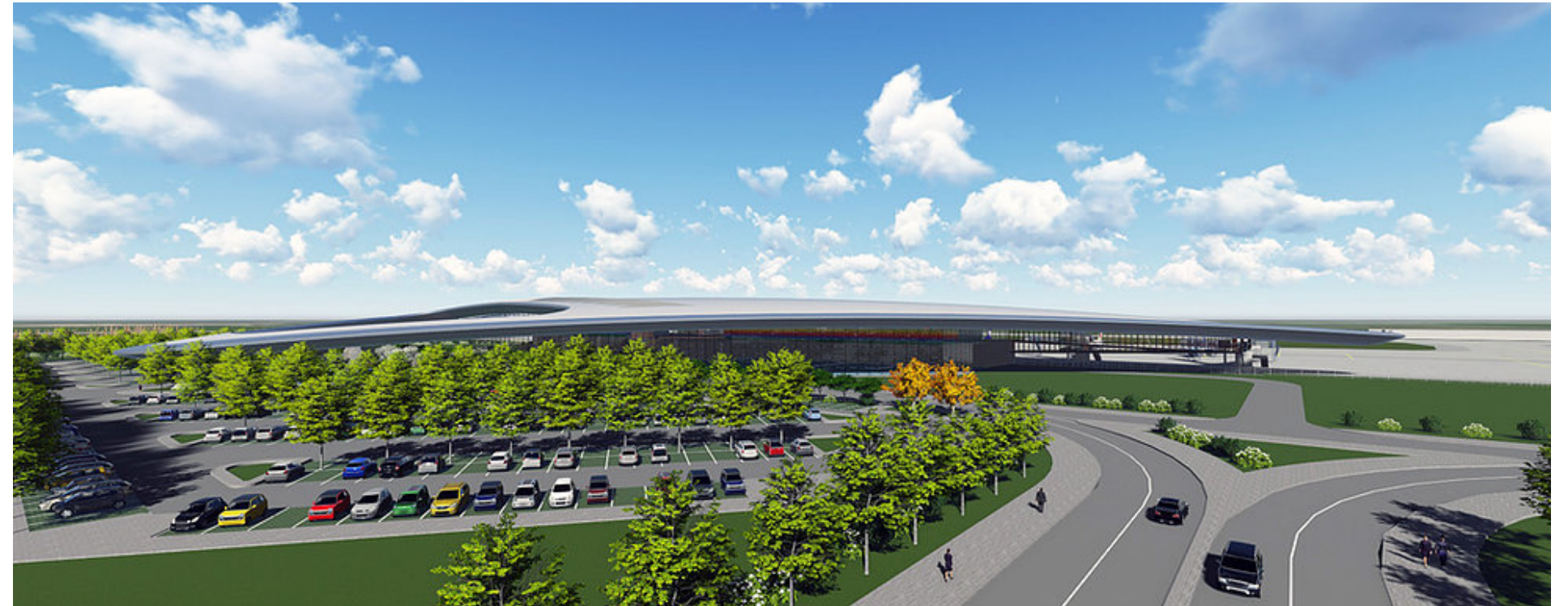


Traditional Funding Sources

2. Public-Private Partnership (PPP)

Ex: Viru Viru International Airport Expansion Project (Bolivia)

- US\$ 420 million investment for design, construction, operation, maintenance and financing of Viru Viru International Airport
- The expansion has been on the agenda since 2015, aims to turn Viru Viru Airport into an international hub .
- 30 year DBFOM project
- The first PPP asset built under the Bolivian regulation that governs PPP (2018)



Source: Daly Moreno II

Traditional Funding Sources

3. Others

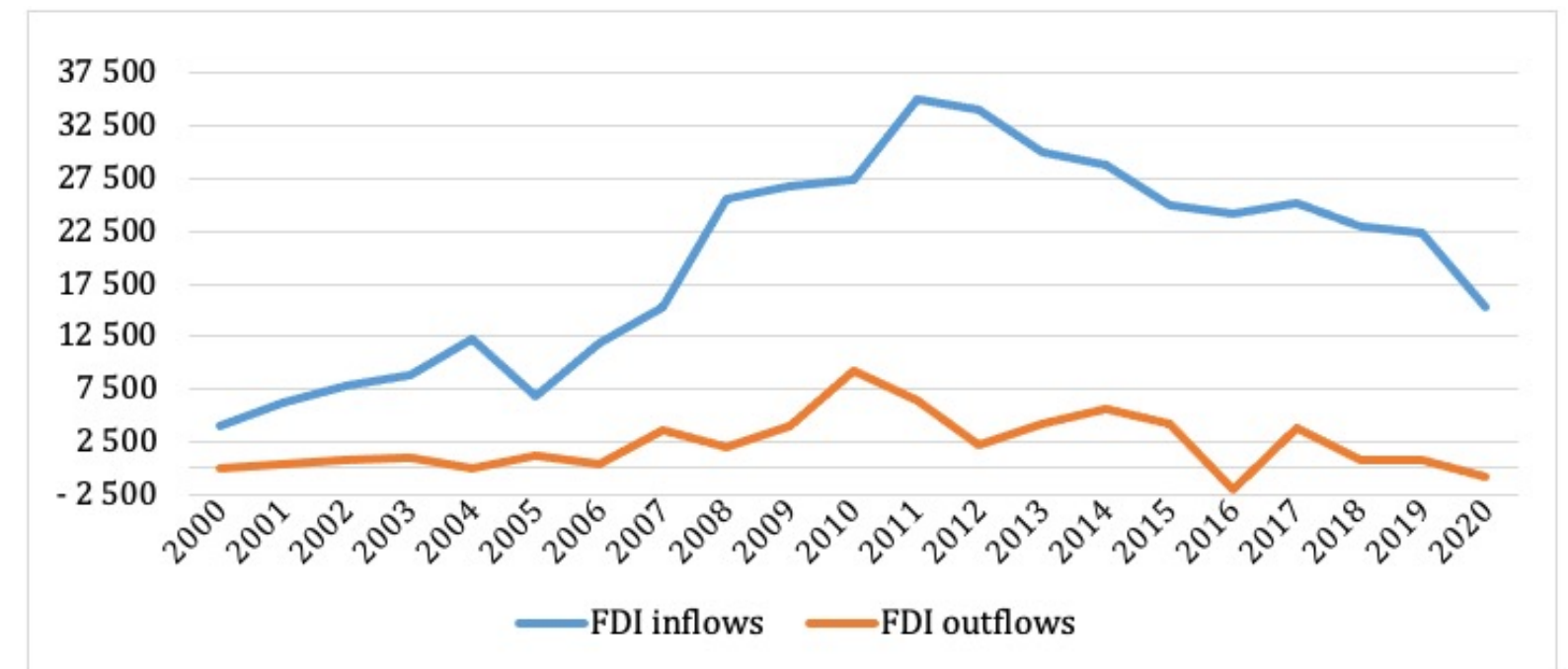
- Official Development Assistance (multilateral, bilateral and blended)

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 Africa

- Contributions of all member countries to the Organization's budget – e.g. start-up costs of the NCTTCA
- The role of African Development Bank (AfDB)
 - 2 of the 5 operational priorities: Infrastructure development and Regional economic integration
 - Provides financial support for the implementation of the Programme for Infrastructure Development in Africa (PIDA) and other corridors not covered under PIDA
 - Through African Development Fund (ADF), up till the 14th replenishment, has been contributing to the continent's regional integration agenda by rehabilitating more than 2,300 km of cross-border roads – ADF-15 covers the period 2020-2022 (\pm US\$1 billion for regional connective infrastructure)
- World Bank (WB)
 - Through International Development Association (IDA), US\$470 Million to advance regional connectivity on the Lomé-Ouagadougou-Niamey corridor
- Other external partners – e.g. European Union (one of the main donors of the Africa Transport Policy Program/SSATP, together with the Swiss Secretariat of Economic Affairs, the AfDB, the Agence Française de Développement, and the WB)

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

Djibouti – Ethiopia Railway

- 753 km of railway modernization project: Addis Ababa – Port of Djibouti
- First cross-border electrified railway in Africa
- Financing:
 - Total investment: US\$ 4 billion
 - Governments of Ethiopia & Djibouti: 30% of the project and own the railway assets
 - China Exim-Bank, China Development Bank, Industrial and Commercial Bank of China: 70% of the project (concessional loans)



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



Thank you for listening ...

