



Opportunities for the Private Sector in the area of Transport



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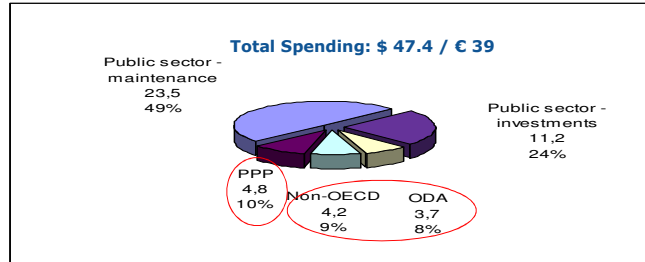


The Infrastructure Problem – with a focus on Africa (from recent AICD Country Diagnostic)

- Infrastructure is responsible for more than half of Africa's recent improved **growth performance**;
- The **costs of addressing** Africa's infrastructure needs is about € 65 billion per year (US\$ 80 billion), about one third of which is for maintenance;
- Infrastructure **spending** in Africa is at about € 39 billion. Efficiency gains could raise an additional € 15 billion from within the existing envelope;
- Even then, Africa still faces an **annual infrastructure gap** of around € 11 billion...



Current infrastructure spending in Sub-Saharan Africa (\$ billion per year) by sector - AICD data



Bridging the gap: not only a financial problem (USD billion per year)

Financing gap	-32
Reallocation of expenses between categories	+8
Acceleration of investment budget execution	+3
Elimination of inefficiencies	+3
Improvement in the collection of revenues	+4
Remaining gap	-14

3



The Overall Challenge:

- (i) The geo-political characteristics of Africa
- (ii) The number of land-locked countries
- (iii) Their small economies and
- (iv) Natural resources distribution

-> underlines the importance of **regional integration**, including the development of **efficient regional transport hubs** for the movement of people and goods and the promotion of economic growth;

-Africa's infrastructure **financing needs are huge:**
-> *public finance alone not sufficient*

-Private sector involvement is required;

-African countries to **strategise** how to engage with private sector, building the required capacity and business environment;

-Huge opportunities for Africans and Partners in infrastructure development, but high **level political leadership** required

The Specific Transport Challenge

Spending need: 20 billion \$ a year (25%);
 Cost of road construction (-> considerable increase in the last 10 years based on EDF projects);

The Governance "Trap":

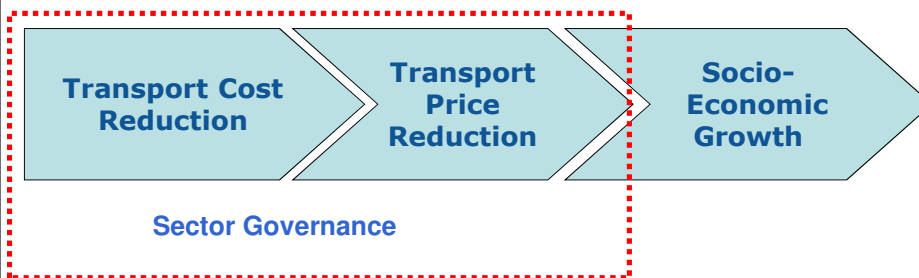
-Cost of delivering a container from Tema to Ouagadougou is 7 times cost from Newark to Chicago roughly same route distance (USAID 2010);

-Ten travelling days for containers from Mombasa port to Kampala: 5 spent in Mombasa, 2 at Malaba border post, 3 on the road;

-Road freight tariff (\$ per T/km):
 Africa = 0.04-0.14; Other countries = 0.01-0.04

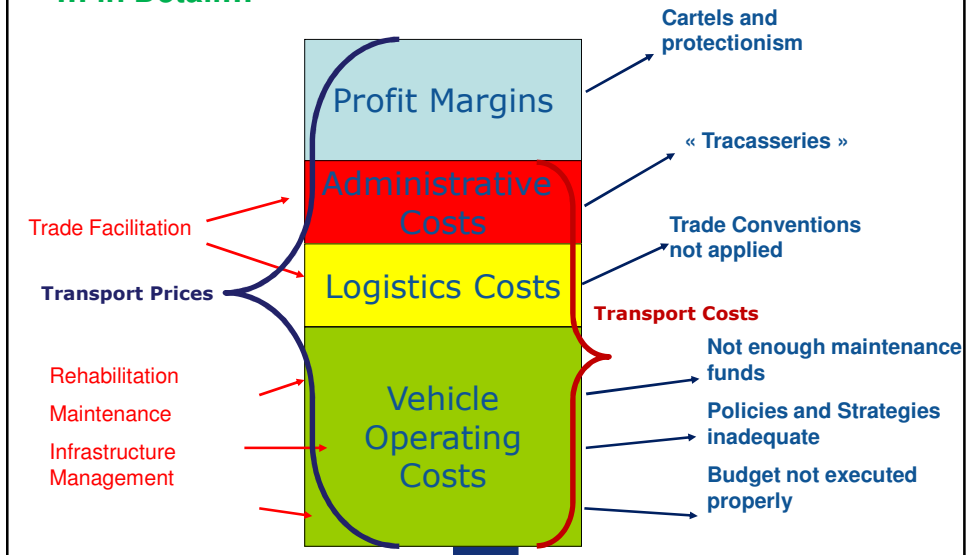


-> Addressing the Governance Challenge...



-> The Logical Chain can only hold if Governance is taken into account...

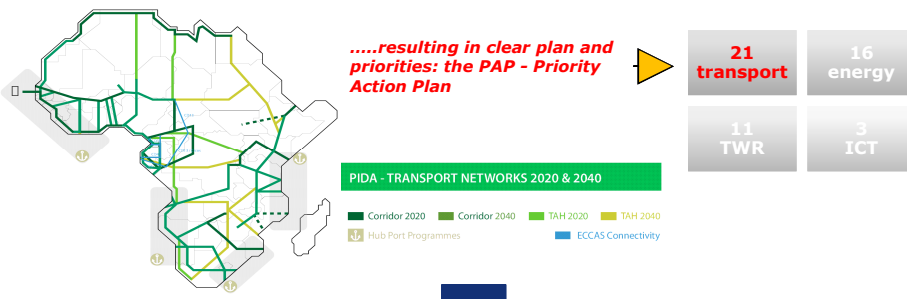
... in Detail...



... and getting guidance on strategic transport corridor support...

The "Programme for Infrastructure Development in Africa" (PIDA):

- **Owned** by African Partners
- constitutes a **priority initiative** aiming at developing a vision on Africa's infrastructure
- based on **strategic objectives and sector policies**, on prioritized regional and continental infrastructure investment programmes
- over the **short, medium, and long term**, up to the year 2040....





... and taking G20 recommendations into account ...

Supply of "Bankable Projects": Support the development of local capacities to improve supply and quality of projects;

Increase quality of information available to investors;

Prioritize project preparation financing;

Work on procedures harmonization;

Contribute to enabling environment for private and public infrastructure financing, especially for regional projects (legal framework development, expertise and capacity building, forming PPPs expertise work, supporting Cost Initiative);

Improve access to funding, notably through the strengthening of local intermediaries and financial markets



... leads to the strategic EDF11 support to the transport sector:

1) Under National (Bilateral) Portfolios:

-> Disengagement from transport in line with priorities of the new EU Development Policy " - Energy and Agriculture"

BUT

2) Strategic Response to regional and continental transport sector needs under Regional Programmes for Western, Central, Eastern/Southern Africa for the period 2014-2020 through:

1) Investments:

Corridor development by innovative loan/grant blending

2) Governance:

Trade facilitation measures by means of grants (axle load, border crossings...)

FROM Bilateral Grant previous EDFs

Policy Shift

TO Loan/grant blending via investment facilities - EDF11



Conclusions

To developing new ways of engaging with the private sector, leveraging private sector activity and resources for delivering public goods;

Enhanced sectoral dialogue with private sector using platforms such as the Africa Business Forum, the Infrastructure Consortium for Africa (ICA) through its Transport Platform etc;

Catalysing public-private partnerships and private investment;

Working with partner countries and banks on a given project;

*Increased 'appetite' for aviation:
-> the steady growth in the air transport sector and the potential for private sector participation depending on traffic projections and location.*



**THANK YOU FOR YOUR
ATTENTION**