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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector - maintenance</td>
<td>$23.5</td>
</tr>
<tr>
<td>PPP</td>
<td>$4.8</td>
</tr>
<tr>
<td>Non-OECD</td>
<td>$4.2</td>
</tr>
<tr>
<td>ODA</td>
<td>$3.7</td>
</tr>
<tr>
<td>Total Spending:</td>
<td>$47.4</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing gap</td>
<td>-32</td>
</tr>
<tr>
<td>Reallocation of expenses between categories</td>
<td>+8</td>
</tr>
<tr>
<td>Acceleration of investment budget execution</td>
<td>+3</td>
</tr>
<tr>
<td>Elimination of inefficiencies</td>
<td>+3</td>
</tr>
<tr>
<td>Improvement in the collection of revenues</td>
<td>+4</td>
</tr>
<tr>
<td>Remaining gap</td>
<td>-14</td>
</tr>
</tbody>
</table>

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...

- **Profit Margins**
- **Administrative Costs**
  - Trade Facilitation
  - Transport Prices
- **Logistics Costs**
  - Rehabilitation
  - Maintenance
  - Infrastructure Management
- **Vehicle Operating Costs**
  - Transport Costs
  - Not enough maintenance funds
  - Policies and Strategies inadequate
  - Budget not executed properly
- **Cartels and protectionism**
  - « Tracasseries »
  - Trade Conventions not applied

... 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....

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...resulting in clear plan and priorities: the PAP - Priority Action Plan

- **21 transport**
- **16 energy**
- **11 TWR**
- **3 ICT**

PIDA - TRANSPORT NETWORKS 2020 & 2040

- Corridor 2020
- Corridor 2040
- TWR 2030
- TWR 2040
- Multi-Port Programmes
- EU/ACP Connectivity
... 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

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