

# From Development Finance to Sustainable Development Finance: How an IFI can support the railway logistic chain?

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AFD support to rail: From Development Finance...

10 to 20 years ago  $\rightarrow$  a mixed success saving rail public services through loans



TRANSRAIL | Dakar to Bamako concession Payment Default



SITARAIL | Abidjan to Ouagadougou concession. Ongoing Renegociation due to Force Majeure Event



OCBN | National line
Payment Default calling for Government
Guarantee

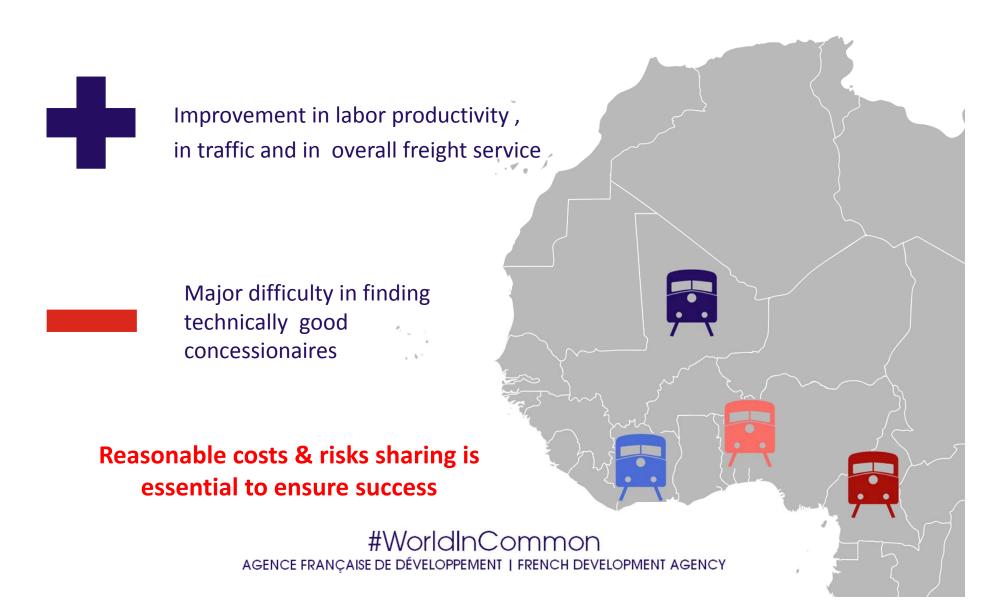


CAMRAIL | Douala to Yaoundé
Successul but insufficient investments
from the Concessionnaire



AGENCE FRANÇAISE DE DÉVELOPPEMENT | FRENCH DEVELOPMENT AGENCY

### O1. AFD support to rail: From Development finance... WHY WAS IT A MIXED SUCCESS?



#### ...to Sustainable Development Finance

TODAY: MODERNIZATION AND NEW SERVICES FOR LARGER RAILWAY SYSTEMS



**CHINA**: Support to energy efficiency. Reduction by 40% of the power consumption (300 T.CO<sub>2</sub>/yr)





**MOROCCO**: Creation of the first High Speed Rail line from Rabat to Tangier Huge investment fully subsidized by government



**GABON**: Rehabilitation and upgrade of the line that links mines to port PPP setup for ore transport and Public Service Obligations



AZERBAIJAN: Modernization of the whole railway system

Ongoing support to in-depth reforms of the national public railway company

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### 23. Lessons learned for sustainable development finance

- Costs are huge and traffic always uncertain
- Failure is easy and costly
- Risk management strategy absolutely essential
- **Prudent market capture and traffic estimates :** alternatives to rail always exist even if they are not economically pertinent
- Aggressive cost control: it is better to be unable to meet the demand than to invest in costly unused capacity
- **Spread investments over time:** upgrading capacity can be easy and cheap if well prepared and therefore less risky than upfront "comfort" oversizing
- Need to implement the right institutional and financial arrangement with an adequate allocation of costs and risks between the private and the public sectors
- Financial engineering complexity difficult to avoid
- Environmental and social due diligences
- Climate change dimension

RISK MANAGEMENT

RISK MITIGATION

**RISK SHARING** 

GREEN SUSTAINABILITY

If risks are too high, private investment will not materialize. Governments will then have to heavily subsidize CAPEX, OPEX or both!

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## O4. AFD as a toolbox for sustainable railway projects A SET OF FINANCIAL SOLUTIONS

Project preparation

- Grants for short term, preliminary studies
- Reimbursable grants for large studies or technical assistance
- Grants to mobilize French expertise

Project implementation

- Sovereign loans to finance government public capex subsidies
- Non-sovereign (soft and commercial) loans to finance Infracos and Opcos
- Loans to private operators (PROPARCO)
- Soft sovereign loans to address essential issues (E&S component)
- Possibility to mobilize EU grants for investments or Technical Assistance

# O4. AFD as a toolbox for sustainable railway projects AFD COMMITMENTS

Be responsive, pro-active and business-oriented

Support the railway sector in the long term

- Facilitating project preparation through adaptive procedures that acknowledge the need for speed and flexibility of private investments
- Exploring viable solutions that **meet the governments' goals** and the market constraints
- Designing and supporting project arrangements that accommodate all parties
- Supporting the governments' strategic thinking over time
- Stand by the operator and the government in the long term to **secure additional financing** as capacity development arises.

# AFD as a toolbox for sustainable railway projects AFD'S SUPPORT TO THE JORDAN NATIONAL RAILWAY PROJECT

JNRP in-depth Discussions with the Government of Jordan and other IFIs to better meet the objectives of the government goals in a viable way.	SHIDIYA LINK  AFD financed a first technical proposal for the access to the Shidiya phosphate mine.	BANKABILITY STUDY  AFD financed an exploratory study for alternative, viable and progressive development of the JNRP	PROPOSAL TO FINANCE  AFD proposed to Aqaba Development Corporation to finance a Transaction Advisor for the concessioning of the Jordan Railway system for the freight corridor from Aqaba to Ma'an.
2	2	2	2
0	0	0	0
0	1	1	1
9	2	6	8

#### 06. Where sustainable railway and finance meet



#### How to set up a sustainable railway?

Clearly identify and plan for sources of financing: operating profit, cost subsidies and public subsidies (if needed).



#### How to build a pragmatic and sustainable finance response?

Financial and risks needs to be acknowledged depending on the institutional set up.

Solutions must be responsive, proactive and evolutive



#### شکراً | Thank you

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