



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

15th Trans Middle East Conference - Aqaba

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01.

AFD support to rail: From Development Finance...

10 TO 20 YEARS AGO → A MIXED SUCCESS SAVING RAIL PUBLIC SERVICES THROUGH LOANS



TRANSRAIL | Dakar to Bamako concession
Payment Default



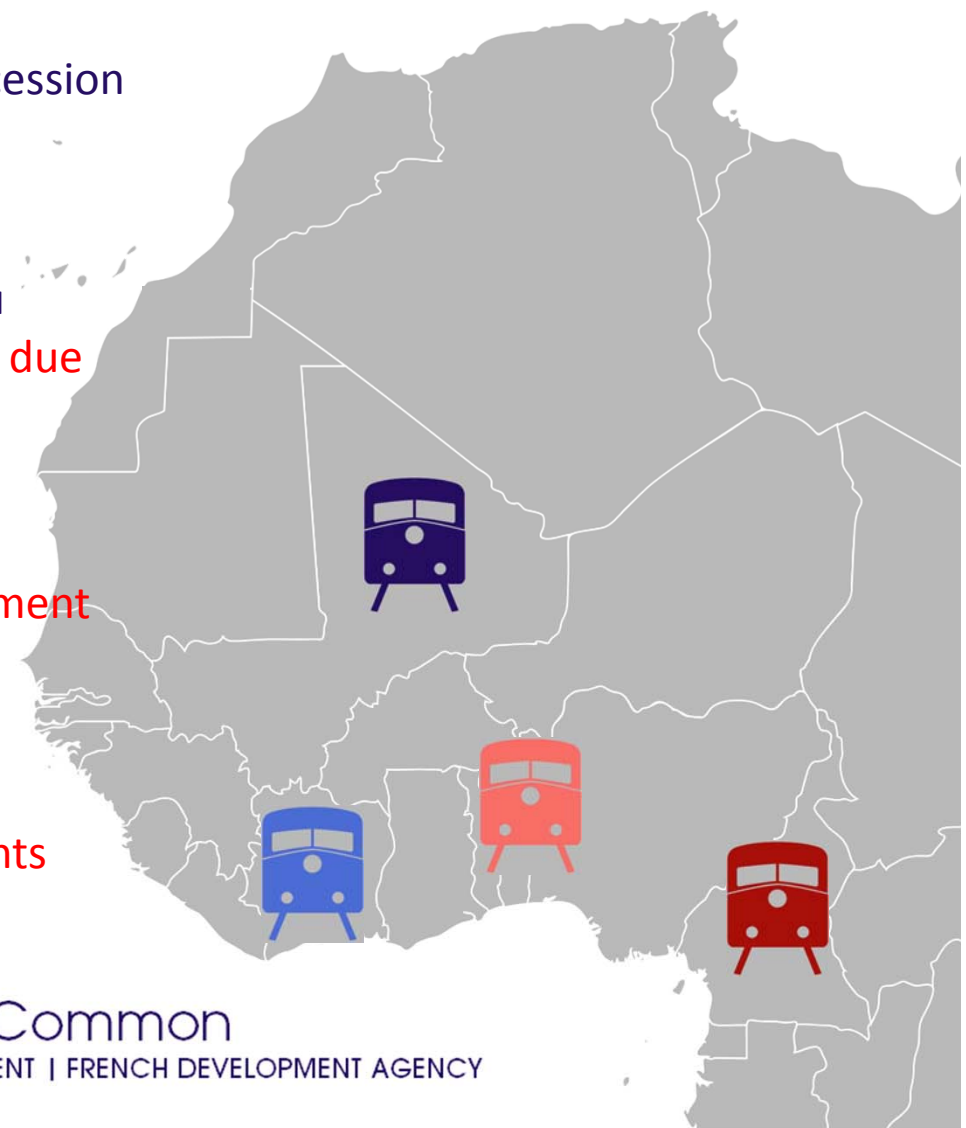
SITARAIL | Abidjan to Ouagadougou concession. Ongoing Renegotiation due to Force Majeure Event



OCBN | National line
Payment Default calling for Government Guarantee



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



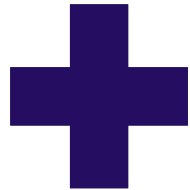
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01.

AFD support to rail: From Development finance...

WHY WAS IT A MIXED SUCCESS?

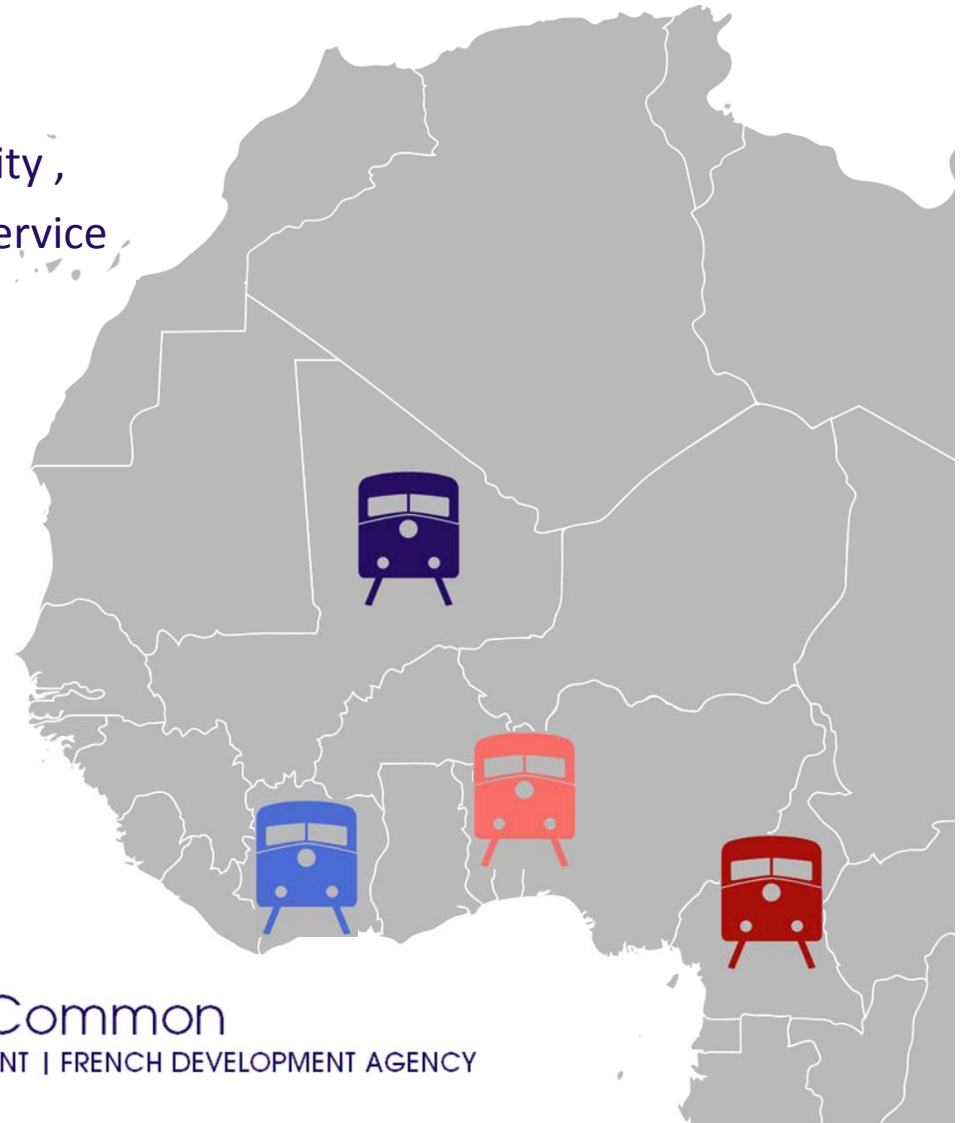


Improvement in labor productivity ,
in traffic and in overall freight service



Major difficulty in finding
technically good
concessionaires

**Reasonable costs & risks sharing is
essential to ensure success**



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02.

...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.CO₂/yr)



VIETNAM: Modernization of signaling and ICT systems

↗ speed, ↗ capacity, ↗ safety and ↘ costs



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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03. Lessons learned for sustainable development finance

RISK MITIGATION IS CRITICAL

- 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

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

**RISK
MANAGEMENT**

**RISK
MITIGATION**

RISK SHARING

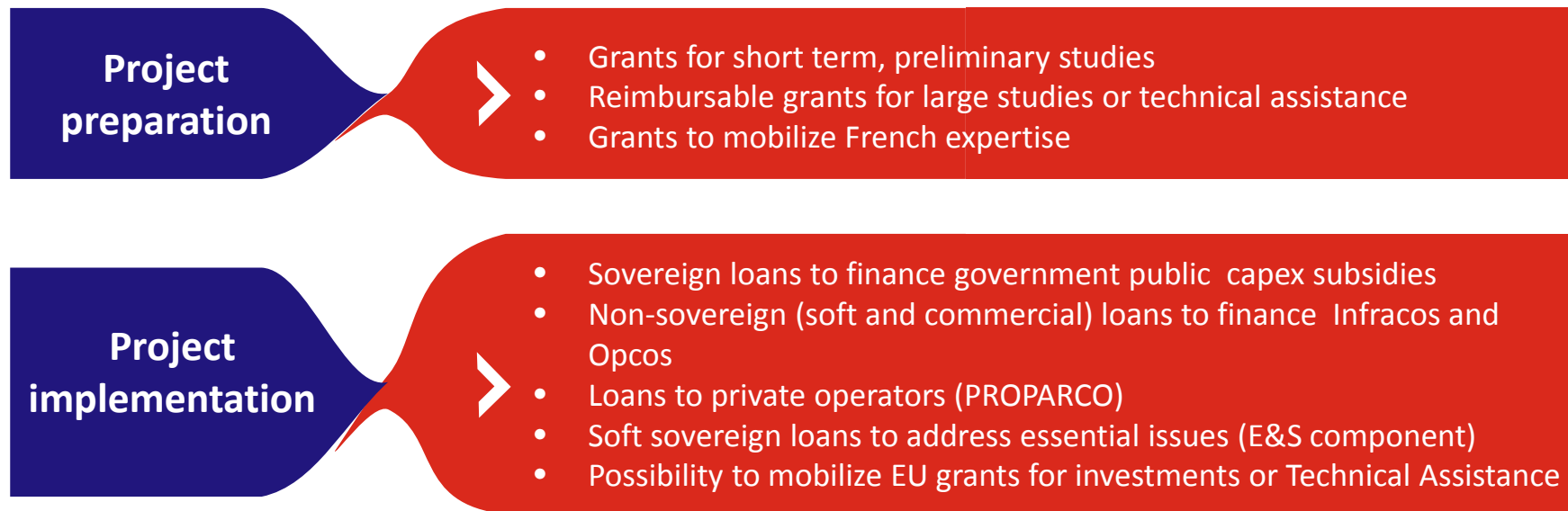
**GREEN
SUSTAINABILITY**

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04. AFD as a toolbox for sustainable railway projects

A SET OF FINANCIAL SOLUTIONS



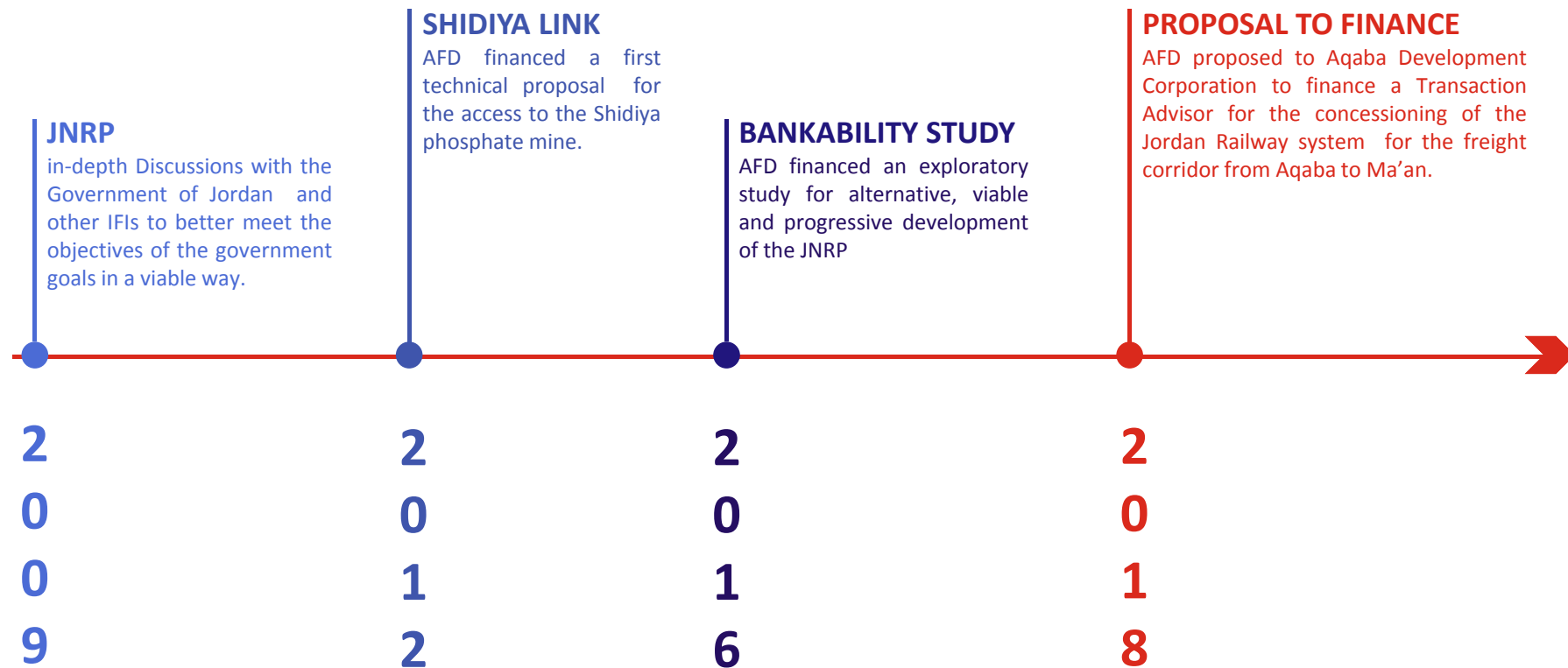
04. AFD as a toolbox for sustainable railway projects

AFD COMMITMENTS



05. AFD as a toolbox for sustainable railway projects

AFD'S SUPPORT TO THE JORDAN NATIONAL RAILWAY PROJECT



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



Thank you | شكراً

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