



## Conference of Ministers 2018

### Seminar

#### **Railway rolling stock financing: A new solution for Africa**

Organized by the Economic Commission for Africa

To be held at the United Nations Conference Centre on 13 May 2018

#### **Background**

Africa has been making headlines with some double-digit growth economies, a growing middle class, an ever-expanding mobile communication sector and huge unexploited natural resources. The spread of this wealth is slow and non-inclusive and the benefits of such growth are marred by structural issues, among which is the poor level of infrastructure.

Road, rail and port networks are underdeveloped and, as such, are unable to meet the needs that are expected to arise from Africa's envisaged expansion and economic development. With about 20 landlocked countries in Africa, an efficient railway network between and among countries has the potential to play a significant role in providing an environmentally sustainable and safe land transportation system, and in facilitating trade and economic and social development. The lack of infrastructure in Africa is reducing growth by 2 per cent annually and is a critical bottleneck in terms of reaping the benefits of increased regional integration. The Programme for Infrastructure Development in Africa (PIDA) predicts an increase in African transport needs of 800 per cent between now and the year 2040.

The 2030 Agenda for Sustainable Development and Agenda 2063 of the African Union recognize the role of infrastructure in delivering development. The First Ten-Year Implementation Plan of Agenda 2063 in particular has identified the railway network as a critical future land transport mode for the continent. Among the major flagship programmes that were approved for implementation during the First Ten-Year Implementation Plan is the Integrated High Speed Train Network that will connect all African capitals and commercial centres. The Integrated High Speed Train Network is an initiative led by the African Union Commission and is a programme designed to facilitate movement of goods, factor services and people, reduce transport costs and relieve the congestion of current and future systems across the continent. It is anticipated that, by 2023, the train network will have passed the inception stage and will be transporting its first passengers from one African capital to another. In addition to connecting African capitals, the African Integrated High Speed Railway Network is a project

that is designed to connect economic and industrial hubs and major tourism locations with appropriate high speed rail technology. Urban railway systems will also be essential for Africa in the coming decades as populations migrate to the cities, urbanizing them into mega cities.

Railway infrastructure is an expensive economic venture. Government resources, however, are severely limited, with a number of African States already at the top edge of their sustainable debt levels (see the 10 March 2018 edition of *The Economist*). The result is delays in urgently needed investment. The solution is to attract major investment from the private sector and for States to work with banks, investment funds and institutional investors to raise the finance for both the construction of a railway system and the required rolling stock.

### **Objective**

This event is being organized to discuss the Luxembourg Rail Protocol to the Cape Town Convention on International Interests in Mobile Equipment, and how the Protocol will play a key role in attracting private capital. The purpose of attracting capital is to create a sustainable model for supporting existing and new rail projects. In turn, it is hoped that this would facilitate banks and other funders who are providing finance for rolling stock procurement through secured credit and leasing equipment (that is, rolling stock) to operators without the need for State guarantees.

### **Expected outcomes**

The expected outcomes include the following:

- Enhanced advocacy for major expansion of the rail sector in Africa and better understanding of the macroeconomic and microeconomic benefits of the Luxembourg Rail Protocol;
- A policy statement on and framework for collective work on the implementation of the Luxembourg Rail Protocol at the regional level;
- Commitment by African leaders to ratify the Luxembourg Rail Protocol, noting that 20 African States have already ratified a related protocol to the Cape Town Convention (Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment).

### **Target audience**

The target audience includes:

- Senior officials from the African Union Commission, African Development Bank, Development Bank of Southern Africa, NEPAD Planning and Coordinating Agency, Regional Economic Communities, African Export-Import Bank and the PTA Bank
- Officials from Ministries of Finance, Economic Planning and Transport
- Select Ministers of Transport
- CEOs of prominent railway authorities

**For further information, please contact:**

**Mr. Soteri Gatera**

Chief: Industrialization and Infrastructure,  
Regional Integration and Trade Division, ECA

Email: [gatera@un.org](mailto:gatera@un.org)

Tel.: +251 11 544 54 49

+251 939 81 81 44

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