



Railways in Sub-Saharan Africa

World Bank Strategic Approach

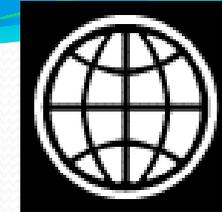
Henry des Longchamps



The challenges

Despite large investment by both national governments and the private sector, the revival of railways sector in Africa is fragile and features:

- Limited capacity
- Poor reliability
- Weak financial performance
- Poor infrastructure density
- Under-performing concessions



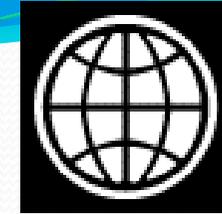
The challenges

In the African context

- Inadequate railways infrastructure and logistics connectivity
- Low traffic volumes
- Low productivity of assets
- Low productivity of labor
- Strong competition from road

In the concessioning of railways systems

- Underestimation of investment needs
- Overestimation of traffic volumes
- Undercapitalization
- Inadequate human resources
- Inadequate marketing approach to transport demand



The challenges

In Governance

- Inadequate regulation
- Inadequate concessions contract and fees
- Inconsistencies or weaknesses in transport policies
- Unrealistic expectations
- Shortfall in financial obligations

In previous Rail projects

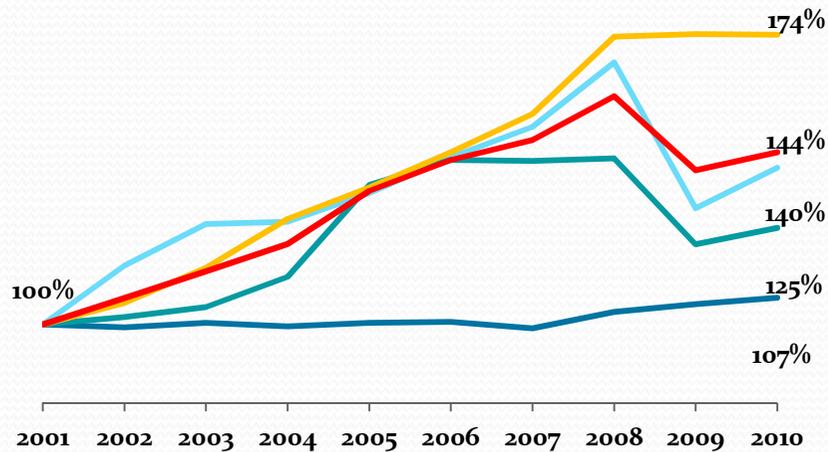
- Systematic PPP/concession strategic approach
- Shortfall in transport integration (logistics) strategy
- Shortfall in indicators and incentives for the economic sustainability of projects

Is the rail a meaningful transport system?



freight

Freight Traffic Evolution

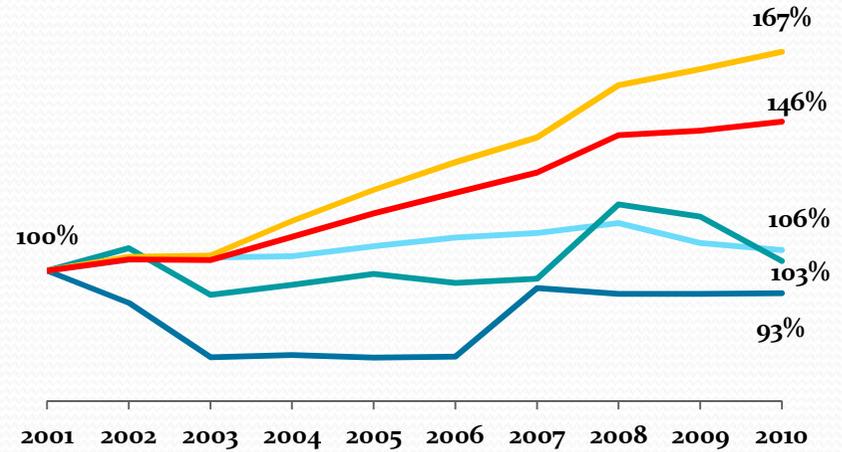


— Europe — Africa — America
— Asia — WORLD

Source: UIC Statistics 2010

passengers

Passenger Traffic Evolution



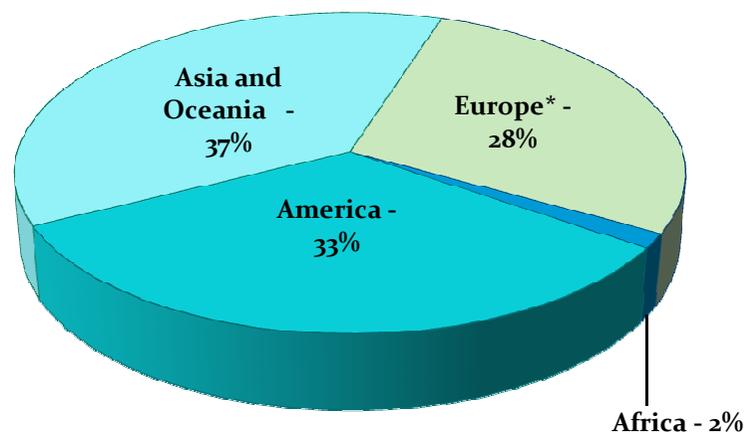
Source: UIC Statistics 2010

How does Africa's rail traffic compare to the rest of the world?



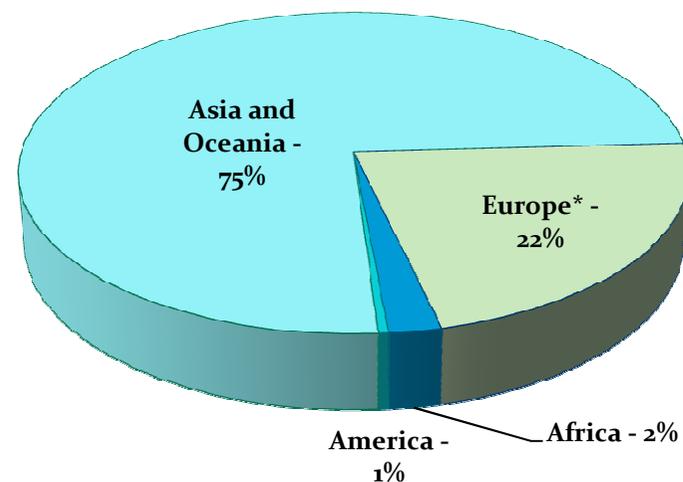
freight

Volume of freight transported by rail in 2010 [billion ton-km]



passengers

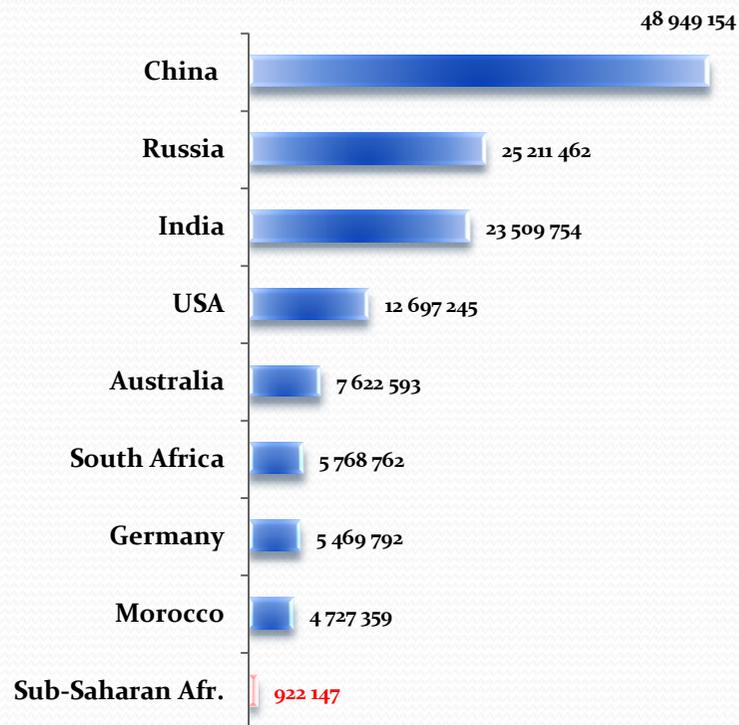
Passengers transported by rail in 2010 [billion pass-km]



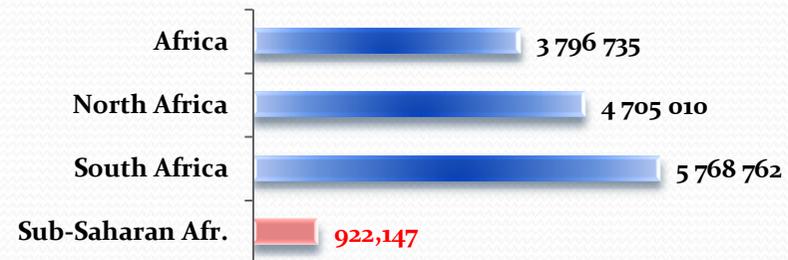
How are the Sub-Saharan African railways performing?



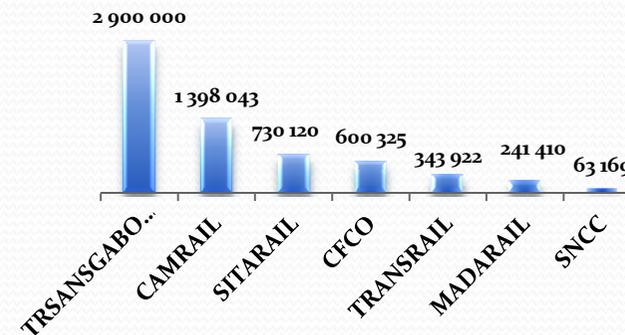
Traffic Intensity Comparison



Traffic Intensity Benchmark in Africa



Traffic Density in various sub-Saharan Railways



All charts from the UIC Statistics – 2010 and statistic data about concession railways in SSA collected yearly by the World Bank (Pierre Pozzo di Borgo)

How are the rail concessions performing in SSA?



Concession	Countries	Year of concession	Current Performance		Investment responsibility		Canceled concessions
			Operational	Financial	Infrastructure	Rolling Stock	
Sitarail	Ivory Coast, Burkina Faso	1995	A	C	Public	Private	
Camrail	Cameroon	1999	B	A	Public	Private	
CEAR	Malawi	2000	D	D	Private	Private	X
RSZ	Zambia	2002	C	C	Private	Private	
Madarail	Madagascar	2003	B	C	Public	Private	
Transrail	Senegal, Mali	2003	C	D	Private	Private	
CCFB (Beira)	Mozambique	2005	C	D	Private	Private	X
TransGabo nais	Gabon	2005	B	C	Public	Private	
Nacala	Mozambique	2005	C	D	Private	Private	X
KRC-URC	Kenya-Uganda	2006	C	D	Private	Private	
TRC	Tanzania	2007	D	D	Private	Private	X
SNCC	DR Congo	2011	D	D	Public	Priv./Public	

Operational:

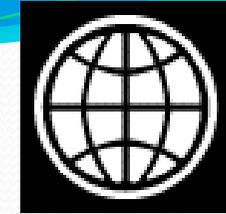
A = best in class
 B = average
 C = below average
 D = worse in class

Financial

A = strong positive cash flow
 sustainable debt load
 B = positive cash flow
 average debt load
 C = positive cash flow
 negative income, higher
 than avg debt load
 D = negative cash flow
 negative income
 high debt load

Source : WB - P. Pozzo di Borgo (2010)

Prioritizing and adjusting rail developments to reality



- Affordable investment levels
 - Long distances in Africa = high infrastructure costs, high maintenance costs => need to prioritize and target
 - Single track vs double track, standard vs narrow => need to adjust investment to real market potential
- Existing operations standards
 - old fashioned rail ops = low labor productivity
 - local traditional markets = low transport productivity
 - Africa specificities = high wear and tear, high maintenance costs

Designing new approaches to Rail developments



- Re-assessing transport market
 - High end profitable segments : containerized goods, minerals
 - Low end non solvable segments : non bulk-non container general cargo, passengers
- Re-assessing rail operations
 - High efficiency, low cost: containerized goods, minerals
 - Low efficiency, low cost: bulk freight, long distance
 - Low efficiency, low revenues and high costs: non bulk/local freight, passengers
- Re-assessing the rail into the transport sector:
 - As an element of the logistics chain for businesses and industries
 - As an element of the intermodal transport system for freight
 - As an element of social and human development for passengers services



Understanding the financial basics

- High infrastructure costs => high levels of capex and high levels of debt servicing for next generations
- Consumer market segments (passengers, non-bulk freight) = low productivity, negative operating cash-flow
 1. Rail systems should be primarily dedicated to core solvable/profitable segments
 2. Non-profitable, non-solvable segments can only exist if subsidized at same level as road transport
 3. Concessions agreements and KPI to be linked to :
 - (i) operating and financial performance on core segments
 - (ii) service levels on subsidized “service obligations”

Building an efficient institutional environment for rail systems



- Strong Rail regulation is essential
- Concession is not (always) an answer
- Rail strategy should be progressive and sustainable
- Private investment requires long term guarantees and strong institutional frameworks
- Governments should honor their financial commitments
- Cash flows identification and transparent revenues transfer / management is a key element of a successful rail strategy



Challenging common place views

- “Road transport is the main competitor”

false: road only supplies what rail cannot deliver - road can have a powerful leverage on rail developments (linkages)

- “Concessions will attract and develop private investment”

true: mining related or industry dedicated rail developments will attract investors

false: non-mining/passengers concessions are cash-suckers

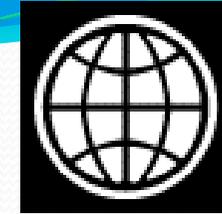
- “Rail gauge is critical”

false: there is no traffic forecast in SSA that existing Cape/narrow gauge cannot handle (with some rehabilitation)

- “Rail capacity on single track systems is limited”

false: double track primarily facilitates intensity, not capacity

Key elements of World Bank approach to rail projects



- Focus on rail operations : ultimately the customer wants a reliable service!
- Focus on the solvable market : evidence shows that freight is where the rail can find value.
- Design projects around the economic sustainability of the system : long term maintenance of infrastructure and reliability of operations.
- Support strong rail regulation and regulator.
- No ideological approach to engagement.



Thank you !