Union for the Mediterranean
Union pour la Méditerranée
الإتحاد من أجل المتوسط
“The role of the Union for the Mediterranean in the development of Transport Sector in the Mediterranean Region”

Economic Commission for the Europe – Inland Transport Committee
Working Party on Transport Trends and Economics
Twenty-sixth session - Geneva, 10-12 September 2013

Salvatore D`ALFONSO, Senior Project Manager, Transport and Urban Development Division
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- The regional transport UfM projects
- The UfM vision for infrastructure financing
- The PPPs in the transport sector
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The Mediterranean is a sea that joins, not separates, its people. It is also a highway for commerce. Easy and safe access and flow of goods and people, on land and sea, is essential for maintaining relations and enhancing regional trade. The development of motorways of the sea, including the connection of ports, throughout the entire Mediterranean basin as well as the creation of coastal motorways and the modernization of the trans-Maghreb train, will increase the flow and freedom of the movement of people and goods. Particular attention should be devoted to cooperation in the field of maritime security and safety, in a perspective of global integration in the Mediterranean region.
UfM in short | Facts & Figures

43 Countries
28 EU Member States
15 Southern & Eastern Mediterranean countries

Total Population > 800 Million

Total GDP > 15 Trillion EUR
UfM in short | Objectives

Enhance cooperation and partnership in the Mediterranean through the implementation of concrete projects

- Concrete regional cooperation projects under the principle of “Variable Geometry”.
- Socio-economic development, regional integration, sustainable development and exchange of knowledge.
- Synergy with other key stakeholders in the Euro-Mediterranean region.
UfM Projects | Priority Areas

Deliver concrete regional projects in 6 priority areas:

- Environment & Water
- Transport & Urban Development
- Social & Civil Affairs
- Energy
- Higher Education & Research
- Business Development
UfM in short | Governance

**The Co-Presidency**

The UfM is chaired by two Co-Presidents, one from the North: the European Institutions, and a rotating one from the South: currently Jordan.

**The Senior Officials**

The Senior Officials of the 43 countries are mandated to deal with all aspects of the UfM.

**The Secretariat**

Based in Barcelona, it is led by a Secretary General, assisted by six Deputy Secretary Generals for six priority areas. It is financed by the European Commission and contributions by member countries.
UfM in short | Secretariat

55 staff members
+ than 20 nationalities & organisations
UfM in short | Secretariat
UfM in short | Added Value

Support of 43 countries
Through the UfM label, the project promoter gains the support of 43 countries, this awareness and visibility helps him to further raise support and mobilize partners.

Facilitate access to finance
The UfM Secretariat acts as a one stop shop through which project promoters gain access to a strong network of donors and financial institutions, from the Mediterranean region and beyond.

Broker solution for complex regional projects
The UfM Secretariat’s mandate allows it to overcome difficulties in regional initiatives and mobilize governments and stakeholders towards a project’s success.

Make a project idea become a reality
The Secretariat’s network of Euro-Mediterranean partners as well as its in-house & external expertise help a project idea become a reality on the ground.
Projects proposed by national or regional authorities, private sector, international institutions and civil society organisations.
UfM Projects | Project Lifecycle

REGISTRATION: > 70 projects

Technical
Financial
Political

PROJECT ASSESSMENT > 40 Projects

Analysis
UfM Projects | Project Lifecycle

Proposed by national or regional authorities, private sector, international institutions and civil society organizations.

REGISTRATION: > 70 projects

Unanimous approval of 43 Member States.

LABELLING 14 Projects
UfM Projects | Project Lifecycle

The Secretariat facilitates direct access to financial institutions and partners.
UfM Projects | Project Lifecycle

Proposed by national or regional authorities, private sector, international institutions and civil society organizations.

REGISTRATION: > 70 projects

Launch & follow-up of projects.
### UfM Projects | Labelled Projects

| Environment       | • Desalination Facility for the Gaza Strip | EUR 310 m |
|                   | • Governance & Financing for the Mediterranean Water Sector | EUR 2.5 m |
| Transport         | • LOGISMED-TA Training Activities         | EUR 6.6 m |
|                   | • Trans-Maghreb Motorway Axis             | EUR 670 m |
|                   | • Jordanian Railway Project as part of regional network | EUR 2 bn |
| Higher Education  | • Euro-Mediterranean University of Fes    | EUR 1.2 m |
|                   | • Euro-Mediterranean Masters & PhDs (3 projects) | |
|                   | • Higher Education on Food Security & Rural Development | |
| Social Affairs    | • Young Women as Job Creators             | EUR 0.3 m |
|                   | • Employability Skills for Women          | EUR 0.7 m |
|                   | • Developing Women Empowerment            | EUR 1,5 m |
| Business Development | • Euro-Mediterranean development centre for enterprises | EUR 5.4 m |
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# UfM projects | Transport

## LOGISMED Training Activities

<table>
<thead>
<tr>
<th>Promoter</th>
<th>European Investment Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>Training Activities and sharing knowledge in the logistics sector in all the MPCs</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>All the MPCs for the general training activities and five logistics platforms of the Euro-Mediterranean Logistics Network</td>
</tr>
<tr>
<td>UfM label</td>
<td>November 2011</td>
</tr>
<tr>
<td>Duration</td>
<td>6 years (2013-2018)</td>
</tr>
<tr>
<td></td>
<td>The first phase (2013-2015) regards the training for a first group of three platforms (Egypt, Morocco and Tunisia)</td>
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<tr>
<td></td>
<td>The second phase (2016-2018) includes the activities of platforms coordination and creation of a Regional Observatory</td>
</tr>
<tr>
<td>Budget</td>
<td>EUR 6.6 m (EUR 3,2 m + EUR 3,4 m)</td>
</tr>
<tr>
<td>Funding</td>
<td>EC (DG DEVCO) + Deauville Partnership MENA Transition Fund</td>
</tr>
<tr>
<td>Launching</td>
<td>17 June 2013</td>
</tr>
</tbody>
</table>
Completion of the central section of the trans-Maghreb Motorway Axis

<table>
<thead>
<tr>
<th>Promoter</th>
<th>Technical Secretariat of the Group of Transport Ministers of the Western Mediterranean (GTMO 5+5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>102 km (80+22) of dual carriageway motorway linking the major cities of Tunisia, Algeria &amp; Morocco.</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>&gt; 97 % of the population of these three countries</td>
</tr>
<tr>
<td>Duration</td>
<td>2015-2018</td>
</tr>
<tr>
<td>Budget</td>
<td>EUR 670 m</td>
</tr>
</tbody>
</table>
Jordanian National Railway

**Promoter**  
Ministry of Transport of Jordan

**Objective**  
Integrating the Jordan railway system with the regional network by establishing an effective rail connection with neighboring countries, Gulf Cooperation Council countries and Europe.

**Beneficiaries**  
Jordan and neighboring countries

**Duration**  
2013-2017

**Budget**  
EUR 2 bn
The Union for Mediterranean in short
The regional transport UfM projects
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From a political agenda to an investment agenda
One of the main responsibilities of the Secretariat of the UfM is to support the project sponsors in the efforts on fundraising. The UfM Secretariat acts as a **one stop shop** through which project promoters gain access to a strong network of donors and financial institutions, from the Mediterranean region and beyond. While the promoter is the main “driver” of the project, the UfM plays a catalytic role in supporting the identification of the roadmap and implementation of fundraising for the project.

To play this role effectively, the UfM Secretariat has developed a funding strategy, which consists of a general approach based on **strengthening relations** with Institutional & Bilateral Financial Institutions, developing long term private sector partnerships and strategic alliances.

The UfM Secretariat is currently working with the European institutions, the private sector and financing institutions from **Europe, North Africa and the Middle East** to enhance the funding capacity for the UfM projects. A methodology for the fundraising will be applied to each project, building a viable financial framework, and using, in a balanced way, **public and private funds**.
The UfM Secretariat, through the Transport and Urban Development Division, is actively collaborating with the EC and the Mediterranean Partner countries in the drafting of the Guidelines for the new Regional Transport Action Plan, which will cover the 2014-2020 period, continuing the strategic actions of the previous 2007-2013 Action Plan.

One of the main actions of the 2007-2013 Action Plan involved identifying the Trans-Mediterranean Transport Network in the Mediterranean region and promoting the implementation of its priority projects. A specific action aimed at supporting the process of definition of the network, through a database that describes the socio-economic situation, the existing and planned infrastructures and the transport flows in the Mediterranean, and a package of methodologies and tools in order to analyze the infrastructure networks and simulate the future performances of the transport system in the Mediterranean region on the basis of the definition of possible infrastructural and transport policies scenarios.

This instrument could help the choice of the priority projects, throughout the evaluation of economic profitability of the implementation of new infrastructures and new maritime Mediterranean services represented by the Motorways of the Sea.
As regards the transport projects, medium size and large projects with national or regional objectives face particular difficulties in obtaining private finance because of **high initial capital outlays** that can only be recovered from project revenue over a long time period.

Analyses revealed that revenue volatility during the beginning of the operating period was one of the main obstacles these projects faced when trying to raise debt funding. Once the project has survived this initial period of “ramp up”, it would normally be able to produce sufficient cash-flow to cover the debt service of the project.

The “**Loan Guarantee Instrument for Trans-European Transport Network**” (LGTT) developed jointly by EC and EIB, which has been successfully utilized in a number of traffic revenue-risk transactions from 2008 to date, facilitating a large participation of the private sector in the financing of TEN-T infrastructure, facing difficulties in attracting private sector funding due to relatively high levels of revenue risk in project’s early operating stages. LGTT partially covered these risks and consequently improved the **financial viability** of the project.
The Loan Guarantee Instrument (LGTT) for TEN-T projects

LGTT has been successfully utilized in a number of traffic revenue-risk TEN-T PPP transactions from 2008 to date, i.e. for the South Europa Atlantic HSL between Tours and Bordeaux (300 km), scheduled to open to traffic in 2017, which will continue the existing HSL Paris-Tours, with a total investment of 7.8 billion Euros. It is the Europe’s longest HSL ever financed under a public-private partnership. The 50 year contract covers the financing, design, construction, operation and maintenance of the line, and the LGTT of 200 million Euro (SBF) could be draw down in the “ramp-up” period (5-7 years) to cover the revenue volatility during the beginning of the HSL operation.

The LGTT instrument provides for a particularly high value-adding and leverage effect range on the use of the EU funds, as relatively small amounts of the LGTT can support significant amounts of senior debt.
The Union for the Mediterranean Secretariat is participating to the **Investment Security in the Mediterranean (ISMED) Support Programme**, launched in November 2012 by European Commission, the Organisation for Economic Cooperation and Development (OECD) and the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group.

The ISMED Support Programme seeks to increase private infrastructure investment in the Southern Mediterranean Region by providing advisory services to host governments on **reducing the legal risk** of specific investment projects, conducting **public-private policy dialogue** on broader legal framework improvements, and informing potential investors of available **risk mitigation instruments**.

The Programme will evaluate, through project-specific assessment missions and related studies, the **level of investment protection** provided by local legal, regulatory and sectorial frameworks, identify **gaps** in protection and make **policy recommendations** to address them, support an informal network of experts exchanging views on innovative ideas to improve investment security in the Mediterranean region, and provide relevant information concerning **guarantee products** to potential investors.
The Mediterranean Partner Countries expect a step to be taken to clearly address the financial needs for priority Mediterranean transport infrastructure through the implementation of a fund in the form of grant to finance the Trans-Mediterranean Transport Network (TMN-T) projects with the highest priority.

The EU experience with planning and implementation of TEN-T provides the reference for the Mediterranean and it is a good example on how the combination of an efficient institutional framework for cooperation and international funding can be an effective way of making progress on projects of trans-national interest.

Although more than three quarters of the financing resources have come from national and private sources, the TEN-T Policy has successfully enabled to mobilize EU Member States around projects of European interest. The modest funding has successfully pushed national authorities to review their priorities and pay greater attention to projects of international interest. In addition, bilateral negotiations held between countries on cross-border projects have been sped up due to the existence of a multilateral framework in which there matters have comprehensively handled.
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The International Transport Forum (ITF) 2013, which was held in Leipzig the 22nd and 23rd May 2013, debated, for this year edition, the theme of “Funding Transport” and, specifically, the Public Private Partnerships (PPPs) and the shortcomings of the existing models, used in many countries as private finance to deliver infrastructure capital projects based on projected revenues of transport needs.

Specifically, the problems that have occurred with PPPs regard biases in planning and forecasting, weak regulation and lack of performance pressure, insufficient skills in public administration, inadequate standard Cost-Benefit Analysis (CBA), and lack of reliable instruments for ex-ante assessment of the project costs. Finally, projects are assessed in isolation, without a systemic view.

Practical results in the application of these existing models have often led to additional costs, due to non-efficient delivery and delays, up to 30% and to the State assumption of whole risk.
New business models for transport service delivery are required to generate-create, capture and retain value for a wider set of stakeholders. If done correctly, the PPP is a risk management instrument leading to maximize public value optimizing the risk structure.

The risk management has to be implemented in each individual company (including the government) and across the entire life cycle of the project, and needs to start early in the process, i.e. during concept and design phase, even before any decision regarding procurement strategy (PPP or not) or financing structure (public or private) is taken.

PPP contracts can overcome the typical “stop &-go” nature of public finance that often delays construction of transport infrastructure essential for growth, harmonizing short-term political imperatives and long-term investment priorities.

If projects can be financed by tolls, PPPs can produce investment with very little direct call on public funds.
PPPs are an effective strategy for delivering highway projects, and they are the selected project delivery strategy based on a “Value for Money” of feasibility analysis.

The “Model Highway Initiative” represents an example of PPP in the fields of highways. The initiative contributes to the idea of revitalizing the ancient “Silk Road” between China and Europe in connection to the fact that 40% of the transportation time is being lost at the borders, due to inappropriate procedures, and that some 30% of the transport cost is attributable to illicit payments.

The initiative promotes the development of ancillary roadside infrastructure along the main road routes linking Europe and Asia, in accordance with international standards and best practices. Ancillary roadside infrastructure includes:

- “soft” components, such as harmonized border crossing procedures based on the key United Nations multilateral trade and transport facilitation conventions such as TIR, ADR, etc., to improve the control and speed up formalities at the border;

- “hard components”, such as rest and service areas (fuel stations, car wash, maintenance, hotels, shops, restaurants, safe parking areas, etc.), logistic centers and dry ports, border crossing points, etc.
At the moment, two highway sections are under study: South Caucasus (Baku-Tbilisi-Baumi-Trabzon of 1135 km), and Central Asia (Kzylorda-Shimkent-Almaty-Khorgos, which is the Western Europe-Western China Road Corridor, of 1478 km, and will play a very important role in future integration of China into the system of regional and Eurasian transport links.
The “Model Highway Initiative” will be geared by a “Regional Infrastructure Fund” which is to allocate funds for MHI infrastructure projects, involving business community (international, national and local businesses) into the process of creation and modernization of ancillary roadside infrastructure on the basis of PPP mechanism.

The experience and lessons learnt from the Asian region could help to develop, for the Trans-Maghreb Motorway, a road management model similar to the above-mentioned “Model Highway Initiative”.

MISSING LINKS
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The UfM role: from a political agenda to an investment agenda

The UfM plays a major role in the management of projects, focusing on the political promotion, helping the diffusion of the project among the Ministries in the Countries and avoiding political risks affecting its implementation. The close coordination between the Secretariat and the other Institutions is a key point to move a political agenda to become an investment agenda.

The Transport and Urban Development Division is actively participating together with the European Commission (EEAS, DG MOVE and DG DEVCO) in the preparatory work of the II Transport Ministerial Conference, to be held on 14 November 2013 in Brussels. Specifically, the Ministers of Transport of the Mediterranean Partner Countries will approve, among others:

- the Guidelines for the Regional Transport Action Plan (RTAP) 2014-2020;
- the Map of the Trans-Mediterranean Transport Network (TMN-T);
- the List of Priority Projects.
The UfM role: from a political agenda to an investment agenda

The UfM Secretariat recently signed a MoU with the International Road Transport Union (IRU), with the purpose to develop common initiatives in the field of transport and logistics, aimed at effectively harmonizing, streamlining and securing cross-border customs procedures, speeding up and facilitating the customs transit process, reducing the transaction costs and reducing border waiting times, and allowing the Mediterranean region to benefit fully from the trade and transport facilitation. Through the IRU Academy, IRU and UfM Secretariat will also cooperate to develop professional training of road transport operators and drivers in the Mediterranean countries.

Finally, in the current month of September the Union for the Mediterranean Secretariat will sign a Memorandum of Understanding with the Group of Transport Ministers of the Western Mediterranean (GTMO 5+5). This MoU will represent an efficient instrument to develop cooperation between the two bodies and to give visibility to the current work in common.
THANK YOU FOR YOUR ATTENTION