

New Challenges of Infrastructure Development in the UNECE Region

INTEGRATED APPROACH TOWARDS FINANCING OF TRANSPORT INFRASTRUCTURE

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*The role of regional integration and cooperation
for promoting sustainable development in the ECE region
Transport and Trade Infrastructure*

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GAP BETWEEN DEMAND & SUPPLY

- **Plugging the actual transport infrastructure gap is not only a technical & coordination challenge, but a financial challenge too**
- **The economic crisis has had a major impact on countries' capacity to spend public money to fund transport infrastructure projects when priority should be given to fiscal consolidation**
- **At the same time, the private sector faces severe constraints in raising funds**

INNOVATIVE COMBINATIONS OF MEANS & TOOLS

- It is time to have a fresh look at the network planning methodology, at economics of transport projects and at ways to ensure their financing
- The key issue is how to raise new (or additional to available public) resources for medium & long term investments of international importance
- All combinations between national & international, public & private funding, including a wider use of innovative source of financing, such as user charges have to be explored

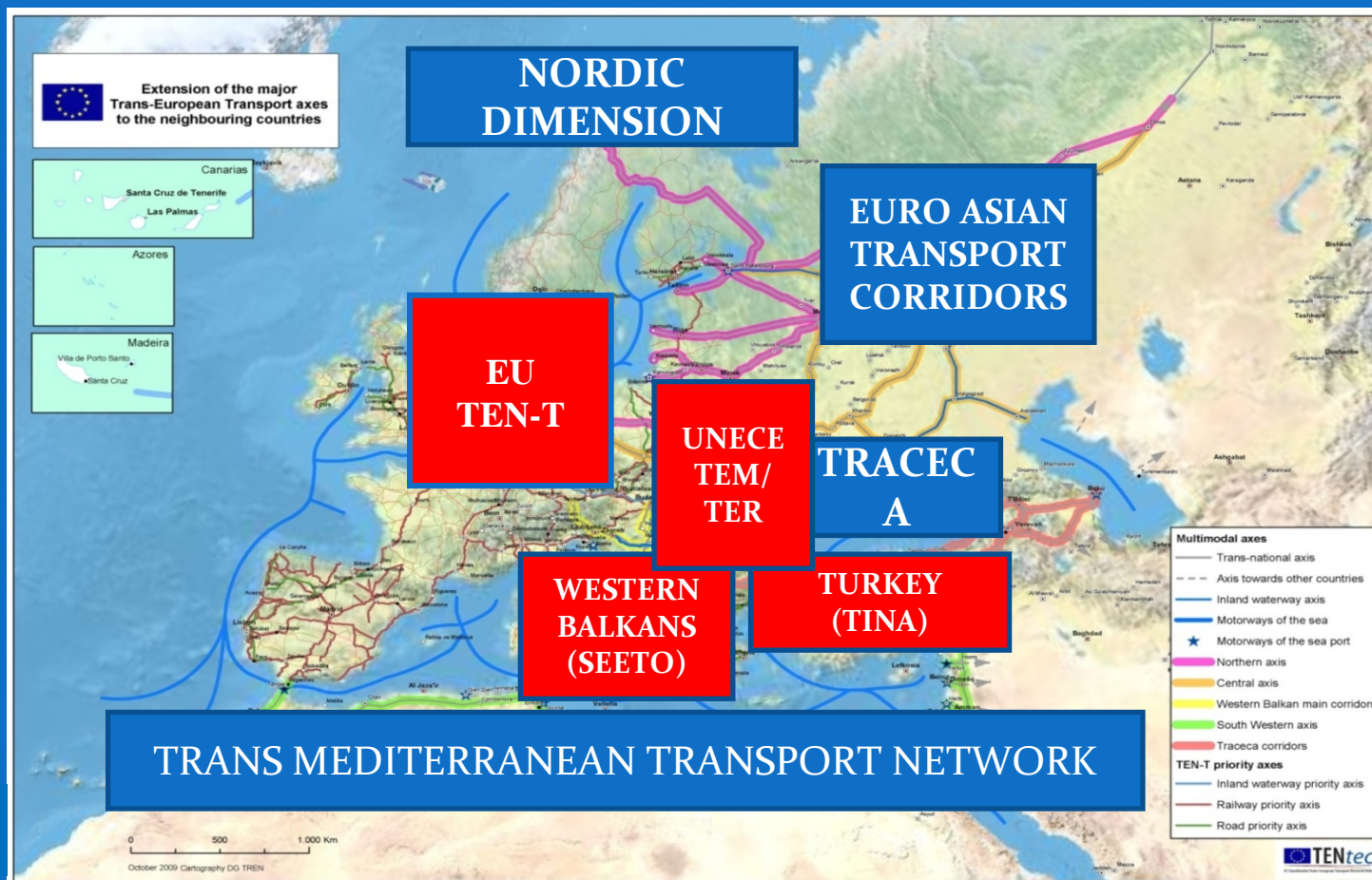
ROLE OF UNECE

- **UNECE plays an important role in this process: revision of TEM/TER Master Plan has been completed recently**
- **Harmonization of European/Asian transport network development plans (including measures to facilitate border crossings) is in second phase**
- **Development programs and projects should be supported & justified by feasibility studies built upon reliable demand & revenue forecasts, financed mainly from national public budgets**

HARMONIZATION OF TRANSPORT NETWORK DEVELOPMENT

Regions with a core network already defined

Regions / areas with a core network not yet identified



Based on: P. Costa, Zaragoza, 8/9.06.2010

INTERNATIONAL ADDED VALUE

- *International Added Value (IAV)* should be studied and demonstrated on a case-by case basis
- It is the value reflecting international impacts of a project which is additional to the value that would have resulted from that project solely within regional and/or national boundaries
- Assessment should focus on projects which will generate economic & social benefits over time, falling outside the country/region in which the investment would take place, but which may not be realised without international support

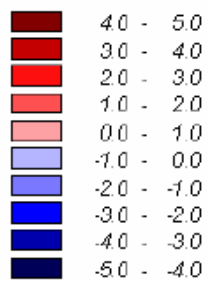
PERCENT CHANGE IN GDP PER CAPITA IN EU27+2 BY ALL TEN/TINA PROJECTS & MAXIMUM ROAD/RAIL PROJECTS IN EU12

(IASON Final Report, March 2004, Fig. 29. p. 69.)

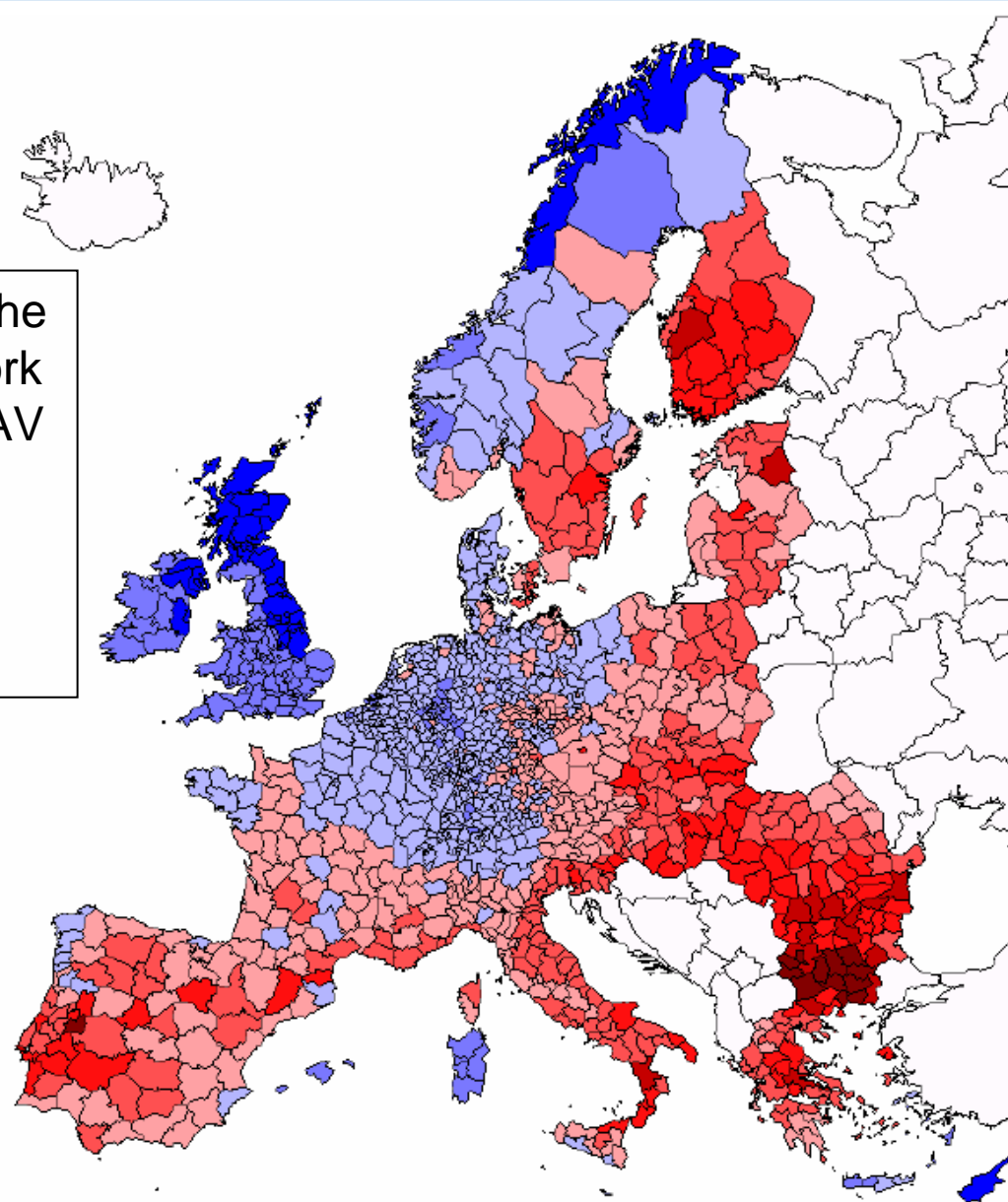
GDP per capita (EU27+2=100)
Scenario A62 v. 000
2020

Example demonstrating the impact of transport network development, including IAV

„Integrated Appraisal of Spatial economic and Network effects of transport investments and policies” study - IASON (EU)



0 250 500 km



PLANNING & PRIORITIES

- **Infrastructure investments, in particular transport infrastructure are to be set as a political priority to exit the crisis, to ensure sustainability and economic growth**
- **Political coordination may not be enough to efficiently ensure the completion of international transport networks and cross-border links**
- **UNECE shares the responsibility to take the initiative, enhance co-operation of governments, provide co-ordination of measures**

INTEGRATED APPROACH

- **New ways to improve operational and financial coordination should be invented & promoted in the framework of an integrated approach**
- **Funding transport infrastructure projects of international importance by IFIs/international organisations should become more conditional on the pooling of national resources**
- **Objectives could not be achieved without active participation of UNECE Member States in multi-lateral co-operation and co-financing**

FOOD FOR THOUGHT

- **Is it worthwhile or feasible:**
 - **to establish an international infrastructure fund or supranational body to coordinate funding?**
 - **to create a public scoreboard to record year by year the state of implementation of projects within approved networks and the funds committed and disbursed by interested States, IFIs and international organisations on each project?**
 - **to take into account the amounts of funds per capita that each interested State has invested over the past years when evaluating eligibility for international support and performance of future transport projects?**

AFFORDABILITY, PROFITABILITY & PPP

- **Focus should be given to (financially) affordable & profitable projects (generating sufficient revenues to use public funding more effectively)**
- **Reduced fiscal capacity of governments will naturally enhance the importance of public-private partnerships (PPPs) in transport too**
- **PPP cannot be motivated solely on the basis of its accounting treatment, but revision of current classification could be detrimental in the short run i. e. in economic recovery**

TOWARDS AN INTEGRATED FUNDING STRATEGY

- Funding strategy should aim at efficient coordination & combination of available sources/means of financing, concentration of available international support
- Future funding should have focus on:
 - cross-border sections or on sections crossing natural/regional barriers
 - projects of strategic importance and high IAV value
 - demand management (road pricing) and traffic avoidance projects
 - projects to improve transport efficiency and sustainability
 - existing infrastructure and capacities (e. g. upgrades, maintenance) and less on building new infrastructure



**THANK YOU FOR YOUR KIND
ATTENTION!**