Trucks dominate the transport of goods in Egypt and a number of factors including air quality, traffic congestion and road safety have motivated the Government of Egypt to promote a greater role for river transport. It is against this backdrop that the ISMED Support Programme, in collaboration with the River Transport Authority of Egypt (RTA) conducted a series of consultations to identify the short and longer term actions required to strengthen the legal and regulatory environment of a river ports Public-Private Partnerships, identify investment climate shortcomings, and prioritise the implementation of appropriate policy remedies. This process was finalised during a Public-Private Dialogue organised on 18 September 2014, which brought together government officials, private sector operators, financiers, experts and IFI representatives in a lively policy dialogue focused on the key challenges and opportunities of developing PPPs in Egypt’s river transport sector.

Ms Nicola Ehlermann-Cache
Head of the MENA Investment Programme
OECD Global Relations Secretariat
nicola.ehlermann-cache@oecd.org
DISCLAIMER

The opinions expressed and arguments employed herein do not necessarily reflect the official views of the OECD or of the governments of its member countries or those of the European Union.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

With the financial assistance of the European Union
EXECUTIVE SUMMARY

The River Nile has been a central element of Egyptian life and culture for thousands of years with up to 95% of Egyptians living along its banks. However, the Nile plays a surprisingly small role in Egypt’s transportation sector. A study by the French Development Agency, *Nile River Market, Financial and Institutional Transport Study* (Royal Haskoning, 2012), suggests that river transport accounts for less than 1% of total cargo volume shipped in Egypt. Trucks dominate transport in Egypt causing pollution, traffic congestion and expenditure on fuel subsidies, and hindering road safety, encouraging the Government of Egypt to promote river transport.

The River Transport Authority of Egypt (RTA) sought assistance from the Investment Security in the Mediterranean (ISMED) Support Programme in 2013 on framework and risk-sharing issues for a potential public-private partnership (PPP) covering four river ports. Building on OECD instruments and good practices, ISMED reviewed a previous attempt by the RTA to tender a river ports project by PPP in 2009-10 and conducted a series of consultations with public and private sector stakeholders, investors and river operators to identify the short and long term actions required to strengthen the legal and regulatory environment of a river ports PPP.

Key recommendations to address the gaps and move the project forward include:

- **Conducting a thorough feasibility and traffic study**: A thorough feasibility study that examines traffic demand should be completed in order to move the project forward. The study should identify a suitable port location based on traffic levels and demand, and estimate the potential revenue from services provided by the port facility. A feasibility study is required under Egypt's PPP Law, and is also a practical necessity.

- **Developing a mechanism to share traffic risk**: The allocation of traffic or volume risk is one of the most important factors in any transportation PPP. If the feasibility study reveals that demand and potential available revenue are not sufficient for a concession-based project, the RTA will have to consider its willingness to face demand risk or consider devising a mechanism to share demand risk that would see a certain level of minimum revenue be paid to the project company regardless of traffic levels.

- **Building capacity at the RTA**: Depending on the results of the feasibility study, it may necessary to establish a PPP Satellite Unit at the RTA to successfully tender and manage the process. A Satellite Unit is also a requirement under Egypt’s PPP Law if the RTA is to interact effectively with Egypt's PPP Central Unit of the Ministry of Finance.

The ISMED Support Programme's engagement with the RTA also sought to identify the key elements of a successful PPP river port project, and initiate a multi-stakeholder policy dialogue between the government, international institutions and private sector to ensure that project-specific recommendations lead to broader reforms.

The recommendations fit into broader reform plans for Egypt’s transport sector and can be applied to other relevant public entities. The objective of the Government of Egypt to increase the share of freight
shipped on the Nile is indeed part of an overall aim to upgrade Egypt’s transport infrastructure by restoring investor confidence and tapping private, multilateral and bilateral sources of funding and expertise. Other planned projects include the further development of Cairo’s metro system, the modernisation and expansion of the country’s rail network, and the Suez Canal Development Project.