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## **THE LUXEMBOURG RAIL PROTOCOL A KEY BUILDING BLOCK IN THE DEVELOPMENT AGENDA**

Economic development is virtually impossible without a functioning infrastructure but there is significant under-investment in this area. The World Bank estimates that additional investment of \$90 billion is needed in Africa alone. The railways form an essential component of any infrastructure plan being the most cost effective, efficient, environmentally friendly and safe way to move people and freight within a country. Freight transport on rails is critical for the volume importation of raw materials and consumer goods as well as for moving manufactured goods to export markets. Metro rail and tram systems are increasingly needed to alleviate chronic urban congestion and pollution as populations increase in the cities.

The requirement for investment in rail infrastructure is immense but this is being funded principally by government, locally and through aid budgets. Predictably, the needs outweigh the resources available. But approximately one third of the investment is needed to cover the cost of rolling stock and, given the right conditions, the private sector can carry this cost.

Looking forward, the Luxembourg Rail Protocol to the 2001 Cape Town Convention on International Interests in Mobile Equipment will be a significant tool in providing support for the private sector investing in railway equipment. It is a global treaty which, when adopted, will provide a new system of security for private sector financiers. Specifically, security interests will become registerable in a global registry accessible through the internet 24/7 and the treaty will also create, for the first time, an international system for identifying rolling stock and for recognising security rights financed even when assets cross borders. By opening out the sources, and reducing the cost, of private finance, it will lower the barriers to entry for new local operators, in turn making the industry more efficient and competitive with alternative transport models. By underwriting much needed procurement it will also create new jobs at local manufacturing and maintenance facilities as well as preserving aid and other government resources for building the rail infrastructure.

The Luxembourg Rail Protocol is not yet in force but once adopted by states, it will be a key component in expanding the sources of finance in the rail sector and will be an essential tool going forward for the building and operation of railway systems in developing countries.

The Rail Working Group is a not-for-profit association constituted under Swiss law representing a broad cross section of the global railway community.

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