TRANSPORT

1. Background

For most countries in the MENA region, the transport sector is central to their main objectives of accelerating economic development through export led growth, creating jobs, and reducing vulnerability and exclusion. It is also key to regional integration and vital to improving the quality of life and reducing poverty.

In general, with the exception of Yemen and Djibouti, transport systems in the MENA region are relatively well developed. Most countries have extensive road networks, with high capacity in some areas; they also have important facilities for air and sea transport, and, in several instances, a sizable rail network\(^1\). The quality of transport infrastructure is, however, often deficient and cannot support growing, modern economies. There are also serious capacity gaps in urban and rural transport infrastructure and multiple constraints to regional transport. In addition, congestion is a growing and serious problem in most large urban areas.

Institutions in charge of the sector are generally in place, but policy formulation and management capacity are often weak. Regulatory and financial systems also need development, especially to encourage more private sector participation in transport infrastructure and service provision which has traditionally been dominated by the public sector.

2. Key Issues in the Sector

Facilitating Trade and Promoting Growth and Regional Integration through Greater Transport Efficiency: Economic growth and employment creation are priority objectives for most countries in the region. To achieve these, it is essential to develop trade. Over the past couple of years, however, the region has lost global market share in many export sectors, and non-oil exports represent just one percent of world trade, which is the lowest share of any developing region. While a number of factors have contributed to this reduction, low performing transport infrastructure and services in many countries of the region have adversely affected trade flows through higher costs, delays, and uncertainty. To address this situation, transport infrastructure with broader geographic coverage, better inter-modal connectivity, higher quality, and sufficient capacity to accommodate traffic flows, as well as more efficient logistical services are required.

Upgrading Urban Transport Services: With almost 60 percent of its population living in cities, the MENA region is far more urbanized than East Asia or South Asia. Already, eight of the region’s cities have more than three million citizens; Cairo and Tehran have more than ten million. With the transformation of the economy and deep seated social changes currently taking place, most cities have experienced rapid growth in urban transport demand and in motorization. Yet, the development of urban transport systems, and particularly public transport, has lagged, and this has fostered excessive reliance on private automobiles. As a result, many of the region’s large urban areas, where the bulk of GDP is produced, face increasingly difficult transport problems with a high degree of traffic congestion, reduced mobility, and deteriorating air quality. In Cairo and Tehran for example, ambient concentrations of pollutants exceed most of the time WHO’s guidelines. All this reduces social and economic opportunities and quality of life, especially for the poorest, while affecting cities’ competitiveness and economic growth.

\(^1\)In Algeria, Morocco, Tunisia, Egypt, and Iran, the railway plays a significant role in passenger and freight transport.
**Expanding Rural Access:** Transport is critical in rural areas for accessing markets, health centers, schools and other social and administrative services, and populations without affordable and dependable transport are generally poorer. For most MENA countries, especially those with a large rural population such as Morocco, Egypt, and Yemen, all-weather access in rural areas is limited by the poor condition of road networks and the inadequacy of basic transport services. With only 22 percent of the rural population living within two kilometers of an all-weather road, access in Yemen is as bad as in the poorest countries of the world.

**Meeting growing transport needs by increasing the role of the private sector:** Throughout the 1990s, most countries encouraged private participation in the development of infrastructure facilities and services. In 1997, private investment flows to infrastructure projects throughout the MENA region peaked at approximately US$5.7 billion, but have been on a steady decline ever since. Yet, the need to build additional capacity at airports and ports, and to extend and maintain road and motorway networks has continued to grow. To meet this additional demand in a fiscally constrained environment, the private sector has an important role to play. This requires a change in paradigm as, for too long, the focus has been in MENA’s transport sector on public provision of infrastructure and services.

**Climate change:** Climate change mitigation is a special challenge in the region. Indeed, although MENA GHG emissions are less than 6% of the world total for the transport sector, some countries (mainly the oil producers) are among the highest emitters in the world per capita. In addition, of all the regions of the world, MENA has the highest GHG transport emissions per unit of GDP (about 150 Tons CO2 per US$ million of GDP, roughly the same as North America). So far, also, very little has also been done for adapting the transport sector to climate change. In Morocco, for example, recent natural disasters have damaged transport infrastructure and disrupted services, thus inflicting serious costs on the economy. Floods have also been made worse by design flaws in transport infrastructure.

**Enhancing the transport sector’s contribution to social development:** Transport could make a stronger contribution in general to social development by improving the access of the urban and rural population, (especially the poor) to public services and economic activities in urban and rural areas as noted above. In addition, there are specific areas, namely road safety, women’s empowerment, and the accessibility of persons with reduced mobility (PMR), where the sector’s contribution could be enhanced if there was greater understanding of issues among governments and focused interventions whenever justified. Indeed, inadequate design of urban and interurban road networks, poor quality of public transport, weak institutional and legal frameworks, unsatisfactory enforcement of traffic and transport regulations and shortcomings in information and education contribute to the poor performance in these three areas. Several countries in the region are signatories of the Convention on the Rights of Persons with Disabilities but none seem to have started to implement the Convention in the transport sector.

3. **World Bank Recommendations**

**Improve expenditure patterns in the sector.** Most countries in the region need to increase the efficiency of their expenditure in transport, and probably also the sheer volume of expenditure in order to cope with demand growth and modernization. Five areas warrant special attention. One is maintenance, particularly road maintenance, which has generally been underfunded and is suffering from the financial crisis and its fiscal consequences. Increased maintenance funding is essential to stop the deterioration of road networks. At the same time, it could be a significant source of employment. The second is urban transport for which there is a major capacity problem in almost all large cities as evidenced by the massive congestion they experience. Public transport should be given priority, including the expansion of mass transit systems in large cities, which are a necessity given the volume and density of passenger
transport demand. Because of their much lower investment needs, however, bus systems, including Bus Rapid Transit systems, should generally (but not exclusively) be the preferred technological choice. Third, the capacity and efficiency of transport infrastructure for international and, in particular, regional cross-border trade should be developed. Fourth, transport expenditure plans should include greater consideration for social development, including improved safety characteristics of the road networks, and targeted micro level improvements which experience has shown essential to fulfill the transport needs of women and PMR. Fifth, in general, throughout the sector, investment alternatives need better assessment and selectivity. Overdesigned or premature projects are numerous, sometimes mainly because foreign funding turns out to be available. These should be weeded out and the focus should be on well justified, economically sound, alternatives.

Increase the performance and capacity of the public sector. Whether it is at Government level or within State owned enterprises, capacity development should be pursued vigorously. Indeed, many senior decision makers may match the training and capability of their western counterparts but they often do not have the systems, institutions, or even the staff to formulate and implement adequate strategies and investment plans, and to ensure that operations are organized and managed efficiently. Planning systems and data bases need to be improved, for example for urban transport. Proper asset management systems are required, especially in the road sector. Regulatory capability should be developed, notably for urban public transport services. Performance of border agencies (particularly the Customs) needs to accompany improved cross-border facilities. Better monitoring and multi-sectoral coordination is necessary for addressing the social agenda. Better governance and accountability systems are necessary everywhere. Finally a massive training effort is needed.

Develop a suitable framework for efficient private sector provision of transport infrastructure and services. A key challenge within the region’s transport sector remains one of removing major policy and practical constraints to private sector participation and competition. Policy makers need to greatly improve the institutional, regulatory, and financial framework in transport to provide suitable incentives for private participation. This still requires in many cases separating the policy, regulatory, and operational functions in the sector. In parallel, it will be key to develop well-structured transactions that best fit the specific economic and political context of MENA countries. Cost-effective transport services also need to be promoted through deregulation of transport markets and greater competition among service providers, including for international transport.

Improve pricing policies. Although the situation varies greatly by country, there are numerous examples of gross price distortions in the MENA transport sector, for example for fuel pricing and public transport tariffs. These should be gradually removed while paying attention to the social impact of cost reflective price levels. Raising fuel prices is essential for increasing transport sector energy efficiency and reducing GHG emissions. Whenever feasible, proper systems should also be established to compensate operators for public service obligations imposed on them.

Reduce CO2 emissions and adapt the transport sector to climate change. Much can be done in the MENA region for reducing CO2 emissions through general efficiency improvement measures such as vehicle regulations, fiscal incentives, raising fuel prices, and better traffic management, as well as through specific actions such as vehicle fleet renewal programs, public information campaigns, and training of operators. Investment in public transport in the large cities would also be a key contributor to emissions reductions. These measures would have major co-benefits in terms of better air quality and lower fuel import bills for the oil importing countries. In addition, adaptation of the transport sector to the changing climate, particularly the heavy rains and flooding that climate models predict for the region, requires better design norms and methods, retrofitting vulnerable infrastructure, and building capability within transport and other relevant institutions to address catastrophic events.
4. World Bank Lending/AAA Activities

In the past ten years, the MENA region’s transport portfolio has remained stable. Lending in the sector has been relatively small if compared to other regions in the Bank, but has picked up significantly since FY09. With seven investment projects under implementation in Morocco, Lebanon, Jordan, Yemen, Iraq and Egypt, the total portfolio amounts to loans and credits of almost US$1150 million. An additional eight investment projects are currently under preparation.

Analytical and advisory activities (AAA) have been comparatively as important as lending in most countries, as clients seek assistance from the Bank in the design and evaluation of transport policies and the transfer of international know-how. Finally, the Bank MENA Transport Group is involved in a technical co-operation program with the GCC countries on a refundable basis, including in Saudi Arabia.

All dollar figures are in US dollar equivalents. Updated September 2010

For more information, please contact:
In Washington: Najat Yamouri, nyamouri@worldbank.org