



Egypt Airports Development Project

The development objectives of the Airports Development Project, closely interrelated, are to eliminate capacity bottlenecks to traffic growth, particularly for tourism and associated foreign exchange earnings; raise the service quality of the Cairo International Airport and Sham El Sheikh Airport to international best practice standards; and promote efficient private participation in airport management and airport service delivery in a more competitive market. There are three project components: Component 1 constructs a third terminal at Cairo International Airport and enabling works. Component 2: constructs a new terminal at Sharm El Sheikh Airport and enabling works. Component 3 strengthens sector operations and environmental management

SECTOR BRIEF

TRANSPORTATION IN MENA

Facilitating Trade and Promoting Growth through Greater Transport Efficiency. For most countries throughout MNA, sustaining high accelerated growth and creating jobs are a top priority. In support of this priority, improving the efficiency of transport services and trade logistics will serve as a catalyst for economic competitiveness and deeper integration with the global marketplace. In turn, this promotes economic activity, encourages investment, and generates opportunities for employment. 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 share, which is the lowest of any developing region. While a number of factors have contributed to this reduction, deficient transport infrastructure and services in many countries of the region has adversely affected trade flows through higher costs. Trading blocks, such as the Euro-Mediterranean Free Trade Area, hold promise for increasing trade and promoting economic growth through the MNA region, but for these unions to have an impact, transport infrastructure with ample coverage and intermodal connectivity, sufficient capacity to accommodate traffic flows, efficient facilitations, and cost-effective transport services, are required.

Upgrading Urban Transport Services. Despite its relatively small population of 320 million people, MNA has eight cities with more than three million inhabitants, including Cairo and Tehran, which have in excess of ten million residents each. With almost 60 percent of its population living in cities, the MNA region is far more urbanized than East Asia and South Asia, yet the development of urban transport systems, and particularly public transport, has lagged. As a result, many of the region's large urban areas, where the bulk the GDP is produced, face increasingly difficult transport problems with a high degree of traffic congestion and reduced mobility, deteriorating air quality, and constrained resources for public transport services. Most larger cities have experienced rapid growth in transport demand, but because public transport services have not kept pace with demand, there is excessive reliance on private automobiles. This exacerbates congestion, air pollution and overall transport costs while affecting cities competitiveness and economic growth. By some estimates, urban air pollution from transport in developing countries contributes to the premature death of over half a million people annually. In Cairo or Tehran, for instance, ambient concentrations of sulfur dioxide, particulates and nitrous oxides regularly exceed the World Health Organization's guidelines, and often are at a multiple of the concentration levels considered harmful for human life.

Expanding Rural Access. Transport is a critical input to accessing markets, health centers, schools and other social and administrative services, and populations without dependable access are poorer than those with reliable access. This is particularly true for rural areas that are distant from roads that carry regular motorized transport services. For many rural communities in the MNA region, year-round access is limited by the poor condition of rural road networks and the lack of basic transport services. Where all-weather roads are available transport services can be provided, albeit often at a premium. With just 22 percent of the rural population living within two kilometers of an all-purpose road, access in Yemen is low. On the other hand, access in Morocco is improving though still lagging, with some 45 percent living within one kilometer of an all-weather road. Improving mobility of the rural inhabitants, which make up about 40 percent of the region's population, and more in some MNA countries, can help reduce rural poverty by facilitating access to markets and services.

Adapting Public-Private Partnerships to meet growing transport needs. 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 MNA region peaked at approximately US\$5.7 billion, but have been on a steady decline ever since. Although private participation in infrastructure has declined precipitously in recent years, 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 can still have an important role to play. The challenge remains one of removing major constraints, supporting policymakers to build frameworks that are favorable for private participation, and developing well-structured transactions to better fit the economic and political context of MNA countries.

Improving Road Safety. Inadequate urban and interurban road networks, weak enforcement of traffic and transport regulations, and shortcomings in safety information and education contribute to poor road safety records in some countries throughout the region. In 2003, the fatality rate on Jordanian roads averaged 18 deaths per 10,000 vehicles, while in Iran that figure was about 45 deaths per 10,000 vehicles during 2002, or twenty times the average for industrialized countries. Similar records are witnessed by other countries of the region. There is a need to formulate and consistently implement appropriate national road safety plans that integrate institutional, regulatory and physical improvements.

World Bank Group Strategy

Given the challenges highlighted above, Bank priorities for transport in the MNA region aim at supporting: (i) efficient transport infrastructure and services; (ii) institutional development; and (iii) reforms that promote investment and private sector participation. These three areas, which underpin and reinforce each other, form the Bank's strategy for the transport sector in MNA. This strategy is pursued through a combination of advisory and financial services to build agile and competent sector institutions with proper abilities to formulate and effectively implement sector policies, and investment programs to further enhance the sector capacity to provide cost-effective and high quality transport services.

Adequate transport infrastructure and efficient services are fundamental ingredients to building trade with other countries, reducing congestion in the region's major cities, and increasing access and affordability. Poorly functioning transport assets add to operating costs, while deficient urban transport services exacerbate congestion and air pollution, limit mobility and increase the costs of public transport. The Bank has assisted a number of MNA countries to develop national transport strategies, formulate sectoral policies and regulations, and finance critical investments in transport infrastructure. Investments have been targeted at expanding the capacity of high use roads, equipping ports and airports with up-to-date facilities and technologies, and providing much needed resources for public transport systems.

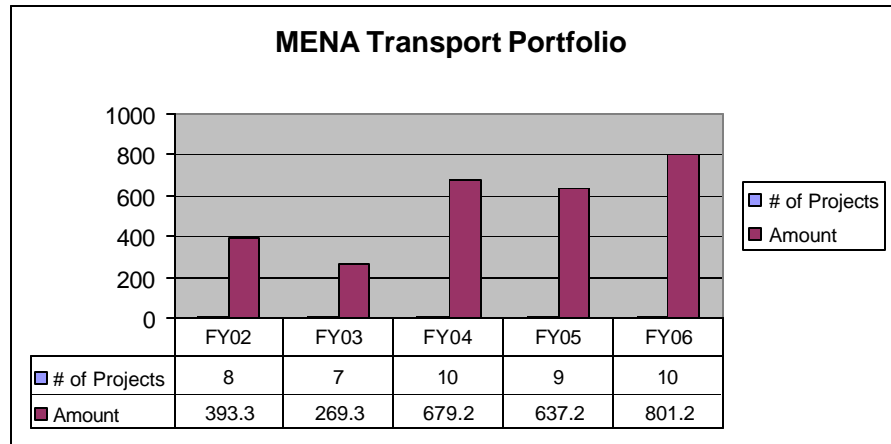
Building institutional capacity and establishing appropriate systems to better maintain existing assets and sustain the benefits of new investment is also essential. This is especially true in the road sector, where abilities to develop and carry out road maintenance and rehabilitation programs are essential prerequisites for preserving networks. Bank interventions have sought to strengthen planning and management capabilities of Government agencies, enhance the operational effectiveness of both public and private sector organizations, and develop mid-term priority investment programs based on economic and social criteria that will maximize the return on public resources.

Adequate Regulatory Framework for Public Private Partnerships. To meet the growing transport demand in terms of capacity and efficiency, the Bank assists client countries in developing adequate frameworks to promoting public-private partnerships. Opening markets to greater competition and increasing the private sector's involvement in managing and delivering transport facilities and services can free scarce financial resources for other purposes, elevate efficiency, and harness innovation. Gains can be substantial when better traffic management schemes and pioneering bus and rail based systems are introduced. To this end, the Bank has extended assistance to support client countries in piloting specific

transactions and reforming existing regulations so that constraints to private sector participation are removed. This has involved when possible, separating the policy, regulatory and operational functions, and building adequate regulatory structures.

World Bank Group Opportunities: Examples of Bank Support

Between FY2002 and FY2006, the MNA region's transport portfolio remained relatively stable, before picking up in FY2004. However, the average loan size has doubled from \$38.5 million in FY2003 to \$80.1 million in FY2006. This is indicative of the larger projects that are coming on line. Although most of the countries in the region are middle income, there is demand for financing to develop transport infrastructure.



Looking forward, the MENA Transport Team is continually focused on growing the transport sector in the region and is now gearing up for a rapid preparation and early delivery of the Egypt-Railways Restructuring Project in FY07, as well as two possible operations in Iran, including the Road Safety and Urban Transport Projects.

	FY2006	FY2007
Number of New Operations	3	3
Amount of New Operations (\$ mil.)	235.0	368.0
Number of ESW / AAA	3	2

Over the past couple of years, MNA interventions have become increasingly focused on identifying solutions to address some of the challenges that were identified earlier, while supporting the Bank's goals of economic development, growth and poverty reduction. Some examples follow.

Trade and Transport Efficiency: Jordan – Amman Development Corridor Project. The *Amman Development Corridor Project* seeks to improve Jordan's transport infrastructure, facilities and services to support more modern, efficient and competitive trade and transport services. A key development objective is to reinforce Jordan's role as a regional center for trade and services by increasing trade flows. It is hoped that this will be achieved by improving the connectivity of the main highways in the Greater Amman Area, where 80 percent of the country's industrial sector is located, by relocating the Amman Customs Depot to a less congested area, and developing a modern and efficient inland logistics port.

Urban Transport: Lebanon – Urban Transport Project. To help the Greater Beirut Area (GBA) meet its diverse urban transport issues and challenges in a cost effective, sustainable and socially sensitive manner, the *Urban Transport Development Project* focuses on establishing key institutions and providing financing for improvements to critical transport infrastructure throughout the GBA. Traffic management will be improved by supporting the

establishment of a traffic management organization, and through the installation of traffic signals and layout improvements for all significant intersections (up to 200). Traffic flow will be enhanced along major corridors by constructing grade separation facilities at highly congested intersections. To improve sustainability, transport planning will be strengthened through the formulation of an integrated urban transport development strategy, and capacity building in regulation and organization of public transport services. Under the *Transport Technical Assistance Project*, the Bank is assisting the Government of Algeria to establish authorities in major cities to regulate urban transport services, with Algiers serving as the pilot city.

Rural Development and Poverty Reduction: Morocco - Rural Roads Project. With nearly twenty percent of Morocco's overall population living below the poverty line, and two-thirds of those poor residing in rural areas, a priority for the Government is to increase the rural population's access to basic infrastructure and social services. Since the density and quality of Morocco's road network is low, nearly half of which is unpaved, and many roads are cut anywhere from thirty to sixty days per year due to severe weather, a fundamental tenet of the Government's objective is to further develop the rural road network. In rural areas where road conditions are generally poor, transport services are limited to basic, once or twice daily bus services, or all-wheel drive vehicles on poorer roads. The *Second Rural Roads Project* supports the Government's strategy of increasing the rural population's access to all weather roads by developing a national program of road improvements, and by strengthening institutional capacity. Two projects are currently financed by the Bank in coordination with other donors.

Public-Private Partnerships: Egypt - Airports Development Project. Worldwide, financing for complex transport infrastructure projects has deteriorated in recent years, but the need to develop new capacity in airports, ports and roads continues to grow. Faced with capacity constraints at two of its principal airports, and a desire to capitalize on Cairo International Airport's (CAI) potential as a regional hub for passengers and freight, the Government of Egypt turned to the World Bank for assistance. Under the *Airports Development Project*, two new passenger terminals will be constructed at CAI and Sharm El Sheikh (SSH) Airports. While the new passenger terminals will be financed by the Government, management and operation of the CAI and SSH airports has already been turned over to private operators, even before construction of the new facilities has been completed. Based, in part, on the success of the Airports project, the Government and Bank are preparing a *port sector operation*, which will support on going Government initiatives to reform the sector and assist in implementing the Landlord Model for managing and operating the country's ports. Similar PPP are under development in Tunisia and soon in Iran.

Road Safety Improvements: Iran - Road Safety Project. Traffic accidents in Iran indicate that, since 1994, the number of annual traffic fatalities has doubled to 22,000. Statistics also indicate that as many as 167,000 people are injured each year in road traffic, which is a four-fold increase since 1994, and that over half of fatal accidents occur in cities, a disproportionate number of which involve pedestrians. Aware of the problems, the Government of Iran requested Bank assistance in developing a road safety national strategy and supporting its implementation through a Bank-financed project. As a result the GOI has established a multi-agency road safety council to address the multidimensional nature of road safety, developed, with Bank assistance a national road safety action plan for the next five years and completed the preparation of Bank-supported project.

All dollar figures are in US dollar equivalents.

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For more information, please contact:

In Washington: Dina El Naggar, Phone: 1 (202) 473-3245; Fax: 1 (202) 522-0003; Email: delnaggar@worldbank.org