



BRIEF ON TRANSPORT

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COMCEC

CCO BRIEFS

TRANSPORT

COMCEC COORDINATION OFFICE

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BRIEF ON TRANSPORT COOPERATION

Transport sector has developed dramatically during the last century in line with the growing demand for high quality, fast and cheap transport. The progress in information and communication technologies made substantial contribution to this development. While the traditional modes of transport made important progress during this period, relatively new modes like urban transport has become more common.

Transport has not only been considered an important sector within the countries, but it also has become a significant cooperation issue among them. The developments in international trade, tourism and investment flows had remarkable impacts on the development of international transport. In the meantime, increasing participation of the private sector in this field, especially in the logistic services, made transport cheaper and facilitated international trade. However, there is a wide diversity among the countries in terms of the quality of transport infrastructure and cost of transport services. Countries that have managed to bring the quality of transport sector to the international standards enjoy the benefits of globalization and successful integration with the global economy. On the other hand, many countries, especially the Least Developed Countries (LDCs) suffer from inadequate transport infrastructure and poor access to proper transport services.

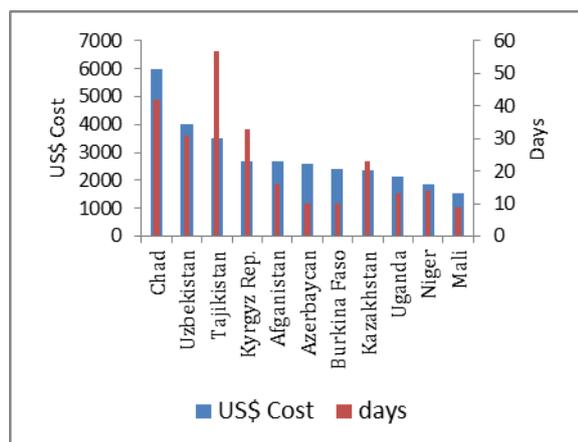
With regards to economic development, countries constantly need to improve and modernize their transport infrastructure and services to compete in the global economy. Poor infrastructure, underdeveloped transport services, prolonged cross-border formalities and counter-productive regulations result in high transport costs and thereby lead to limited exports, less investments and poor production. Moreover, poor infrastructure also limits people's access to basic services such as education and health, thereby constituting a major impediment to poverty alleviation.

Cooperation in the Area of Transport Under the Auspices of the COMCEC

The overall picture of the sector in OIC countries is quite uneven. While some member countries have relatively more advanced and efficient transport infrastructure, many Member States have underdeveloped transport infrastructure and services hindering their economic and social development.

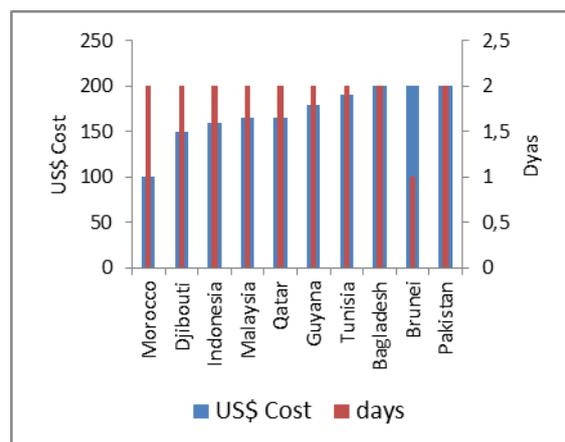
Figure 1 and 2 below illustrate the dimensions of diversity among some Member States in terms of transport costs. According to the World Bank Doing Business 2012 report, inland transportation and handling of imports in the Land-locked Member States take longer time and cost more than USD 2000, which is at least ten times higher than that in the best performer Member States.

Figure 1: Inland Transportation and Handling of Imports in Selected Member States



Source: World Bank "Doing Business 2012"

Figure 2: Best Performer OIC Member States in Inland Transportation and Handling of Imports



Taking into consideration the vital role of transport sector in economic and social development of the Member States, the COMCEC Economic Summit held in 2009 made cooperation in Transport Sector among the Member States a priority. Since then, important progress has been made towards enhancing cooperation in this sector.

The Ministerial Exchange of Views Session of the 27th Session of the COMCEC, held in 2011 was dedicated to the theme "Impact of Transport Networks on Trade and Tourism". A preparatory workshop and an EGM were held in İzmir, Turkey successively in 2011. The EGM and the workshop identified some of the major obstacles faced by the Member States in the area of transport as follows:

- Inadequate transport infrastructure,
- Poor maintenance services,
- Underdeveloped logistic services,
- Limited financial resources and funding opportunities,
- Poor progress in signing and implementing relevant international conventions,
- Cumbersome procedures and facilities in border crossings and
- Underdeveloped regulatory framework.

These obstacles result in higher transport costs leading to less investment, production and trade. Therefore, Member States need to improve their infrastructure and adopt sound policies towards enhancing the standards of both infrastructure and services conform with the international conventions. In this context, the differences in the situation of the transport sector among the Member States present a significant opportunity to contribute to the development of the sector through solidarity. Exchanging best practices and experiences among the Member States in the critical areas such as legal, institutional and human capacities would make a substantial contribution to the development of the sector.

COMCEC Strategy on Transport and Communications

Transport and Communications is defined as one of the six cooperation areas by the COMCEC Strategy, which is adopted by the 4th Extra-ordinary Islamic Summit Conference held on 14-15 August 2012 in Makkah. The strategic objective of cooperation in transport and communications is defined as *“Improving the functioning, effectiveness and sustainability of transport and communications in the Member States”*.

The Strategy has defined the output areas for transport and communications as follows:

- Regulatory Framework
- Institutional and Human Capacity
- Transport Infrastructure Policies
- Information and Communication Technologies

To reach its strategic objective, the Strategy brings two new implementation instruments, namely Transport Working Group and Project Cycle Management (PCM). According to the Strategy, Working Group Meetings are held regularly twice a year. The Transport Working Group aims at bringing together the technical experts from the Member States towards exchanging experiences, disseminating knowledge and developing common understanding on the important transport and communications issues. The PCM brings a clear and well defined financial framework for the implementation of the COMCEC Strategy. According to the PCM, the COMCEC Coordination Office will provide grants to the projects proposed by the member states within the framework of the Strategy.

The First Meeting of the Transport Working Group

The First Meeting of the COMCEC Transport Working Group was held on March 28th, 2013 in Ankara, Turkey under the theme “Transport Infrastructure Financing Modalities: Public Private Partnerships (PPPs) in the OIC Member States”. The Meeting was attended by the representatives of 13 Member States, which had already notified their focal points for the Transport Working Group, namely Bahrain, Burkina Faso, Egypt, Indonesia, Iran, Jordan, Kazakhstan, Nigeria, Oman, Pakistan, Senegal, Turkey and Uganda. The representatives of COMCEC Coordination Office, SESRIC, Islamic Development Bank, OISA, International Finance Corporation (IFC), Economist Intelligence Unit (EIU) and TAV Airports Holding have also attended the Meeting.

The Meeting considered the financing modalities in transport infrastructure investments and the Study entitled “Bridging the Gaps: Implementation Challenges for Transport PPPs in the OIC Member States”, which is considered a valuable reference for implementing PPPs.

Representatives of some of the Member States also made presentations on their PPP experience in transport sector. The presentations demonstrated the relevant laws, institutions, success stories and challenges in implementing PPPs in the transport sector in the Member States concerned. The Meeting also provided the opportunity to the representatives from the international financial institutions and an experienced firm in PPP business to share their perspectives on the implementation of PPP projects.

The presentations and deliberations made during the meeting highlighted the fact that, implementing the PPP projects are more complex costlier and than the traditional budget financing. However, PPPs provide additional financing, additional human resources and expertise, promote modernization of technology and practices, improve investment environment and enhance the efficiency of infrastructure. They also noted that, institutional and regulatory reform, development of human resources in relevant authorities, risk identification and allocation, transparency in tendering procedures are important factors to be taken into consideration for the success of the PPPs.

The Way Forward

The current situation of the transport sector in many Member States is below the international standards and hinders their economic and social development. The COMCEC Strategy on Transport and Communications aims at addressing the common obstacles faced by the Member States and improving the functioning, effectiveness and sustainability of transport and communications in the Member States. It brought two implementation instruments.

The Transport Working Group aims at bringing the technical experts from the Member States to exchange experiences, disseminate knowledge and develop a common understanding on the issues identified by the Strategy in its Transport and Communications section. The Transport Working Group will convene at least twice a year; the Second Meeting will be held in the last quarter of 2013.

Grants will be provided for the qualified projects submitted by relevant ministries and other public institutions of the Member Countries and OIC Institutions operating in the field of economic and commercial cooperation in order to reach the objectives defined in the Strategy. The first call for the projects will be made in September 2013.
