



TRANSPORT AND COMMUNICATIONS

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COMCEC

CCO BRIEF
ON
TRANSPORT and
COMMUNICATIONS
COOPERATION

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BRIEF ON TRANSPORT AND COMMUNICATIONS COOPERATION

I. Introduction

A modern transport and communication industry plays a major role in the economic and social development of a country as it promotes internal and external trade, economic use of natural resources, mobility of skilled labor-force, diversification of markets, reduction in employment, and increase in agricultural and industrial production.

Transportation industry is growing rapidly due to the increasing per capita income and mobility needs of households, trade globalization, deregulation and privatization of the transportation infrastructure and services, as well as technological progress.

Transport infrastructure is crucial for both economic and social development of nations and quality infrastructure is a key pillar of international competitiveness.¹ According to the 'Infrastructure to 2030' report, global transport and infrastructure investment needs would exceed USD 11 trillion over the 2009-2030 period. In order to effectively plan and implement transport infrastructure, countries need to have sound national policy frameworks and ensure the necessary funding.

Furthermore, with regard to the surface transport, worldwide road and rail passenger travel is expected to grow approximately from 120% to 230% by 2050, while this growth is expected to range from 240% to 450% for non-OECD economies. Moreover, global road and rail freight transport is projected to increase between 230% and 420% in the same period.²

Similarly, Information and Communications Technologies (ICTs) industry is also growing and it continues to be a key industry of growth, innovation, economic and social development. The share of the ICT sector in GDP is around 6 % in the OECD member countries and relatively less in developing countries. With the rapid diffusion of digital technologies into developing countries, this number could rise in the future. In addition, the indirect contributions of the ICT investment to economic growth, through improvements in total factor productivity, could also be large as well.

Within this framework, transport and communications infrastructure is a critical component of economic and social development of countries. The economic and productivity growth of a given region is tied closely to its transport infrastructure and transport systems which enable higher productivity through lower logistics costs, inventory savings and access to larger supply and labor markets.

In view of the strategic role of transport in a country's economic development, large transport investments require a well-functioning project appraisal and effective transport coordination among the planning agencies and other relevant authorities. In this respect, transport project

¹ OECD, 2012

² International Transport Forum (ITF)

appraisals are of critical importance to obtain the expected result of an investment as well as effectively use the scarce resources of a country.

Project appraisal is indispensable for determining the value and cost of the transport projects to be funded and implemented. It essentially aims to figure out which projects offer the best value for money. In this respect, an effective project appraisal mechanism can help decision-makers to make good choices in terms of achieving their pre-determined goals. Project appraisal starts with a clear understanding of the role of the project in addressing the key problems and achieving the goals specified in a broader integrated transport and land use plan. Therefore, an efficient transport project appraisal mechanism is a key factor in successfully developing transport infrastructure. Given its critical importance, COMCEC Transport and Communications Working Group (TCWG) has taken transport project appraisals subject on its agenda and studied the subject in its 13th Meeting.

On the other hand, the network characteristic of transportation requires shared efforts and cooperative decision-making processes to plan and manage an effective and efficient transport system. In recent years, the increasing need for the development of infrastructure and budgetary constraints in some developing and developed countries have led governments to seek new ways of financing infrastructure investments.

One of the options is to involve private sector finance and expertise in the provision of public infrastructure and services through Public-Private Partnership (PPP) initiatives. PPPs are the instruments where public sector bodies enter into long-term contractual agreements with private sector entities for the construction or management of public sector infrastructure facilities. In this framework, making use of PPP implementations in developing countries has become increasingly popular as a way of involving the private sector in the development of public infrastructure. The main characteristics of PPP are competitive bidding processes, private sector innovation and expertise, and risk-sharing between public and private sectors. However, due to the high degree of risks affecting PPP projects, effective risk-management remains a critical issue to be addressed. In this respect, risk management in transport PPP projects bear great important for increasing the quality of national transport infrastructure and transport services. Given its significance, the COMCEC TCWG, in its 14th Meeting, has focused on risk management in transport PPP projects.

II. Transport and Communications Cooperation under the COMCEC

Improving the functioning, effectiveness, and sustainability of transport and communications in the Member States is the main objective of the COMCEC Strategy in the field of transport and communications. Within this framework, since the 34th COMCEC Session, the COMCEC TCWG elaborated on the transport project appraisals and risk management in Transport PPP projects in its 13th and 14th Meetings respectively.

III. Improving Transport Project Appraisals in OIC Member Countries (13th Meeting of the Transport and Communications Working Group)

The 13th Meeting of TCWG was held on 21st of March 2019 in Ankara, with the theme of “Improving Transport Project Appraisals in OIC Member Countries”.

The research report prepared for the meeting revealed important findings in terms of transport project appraisals practices in the world as well as in the member countries. The research report provides a conceptual framework on the appraisal of transport projects, the global trends and current practices, and concrete policy recommendations for improving the transport project appraisals in the OIC member countries.

Concerning the transport project appraisals practices in the OIC region, the report underlines that in many OIC member countries, there is no legislation that stipulates project appraisal to be carried out. Project appraisal is often mainstreamed in the procedures for the development of new transport projects. Furthermore, the need to carry out project appraisal is often in place, a description of how to carry out project implementation is mostly lacking. The research report also reveals that training on project appraisal does not take place at a large scale in the member countries. Specific guidelines or manuals on how to carry out project appraisal are mostly lacking. Standards on input parameters, such as the discount rate or value of time, are not systematically applied.. A clear methodological framework, describing for which projects what analysis is to be applied; and when and how it is to be used, is often not present in the member countries.

In this framework, the report highlighted the following major setbacks related to transport project appraisals practices in the OIC geography:

- Lack of cooperation and coordination among the relevant public authorities,
- Lack and deficiency of accurate data and statistics,
- Unclear legal and institutional framework, and necessary guidelines on the content of project appraisals,
- Lack of a governance system defining clear and separate roles for the institution that reviews and approves the appraisal of projects
- Lack of institutional and human capacity to implement project appraisals with its all dimensions,
- Lack of ex-post evaluation.

In light of the main findings of the report and the deliberations during the 13th TCWG, the Working Group has come up with the following policy recommendations:

- Designing a systematic framework for transport project appraisals, indicating the objectives, types and the utilized methodologies.
- Developing/ Improving manuals and guidelines for ensuring having effective and harmonized transport project appraisals as well as effectively implementing the existing ones.

- Applying transport project appraisals as the main part of a full project cycle and making use of quality data/information as well as the lessons generated from the implementation of the previous project(s).
- Encouraging the enhancement of Improving transport project appraisals capacity through a system of official certification of competences, exchange of experience, training programs, seminars, conferences, and workshops, etc.

The report is available on the COMCEC website. (www.comcec.org)

IV. Risk Management in Transport PPP Projects in the OIC Member Countries (14th Meeting of the Transport and Communications Working Group)

The 14th Meeting of TCWG was held on October 3rd, 2019 in Ankara, with the theme of “Risk management in Transport PPP projects in the OIC Member Countries”.

The research report prepared for the meeting revealed important findings in terms of risk management in transport PPP projects in the world as well as in the member countries. The literature review and analyses conducted for this study are based on a framework of seven elements, namely; (1) strategy and policy (2) pre-tendering decision process (3) procurement and contracting (4) construction and asset delivery (5) operation and (6) end of the contract. The conceptual framework is also based on the combination of risk governance dimensions, namely; (1) risk identification, (2) risk assessment, (3) risk allocation, (4) risk monitoring, (5) risk treatment. These risk governance dimensions represent the analytical lenses through which this study describes the different investment phases, following a life-cycle approach.

Concerning the risk management in transport PPP projects in the OIC region, the report underlines that the pace of the transport PPP projects remained relatively low in the OIC geography. Limited legal framework, economic instability, the lower degree of competitiveness in the PPP tenders, insufficient institutional capacity; poor management of project risks are some of the major challenges that hinder effective implementation of PPP projects in the OIC region.

In this framework, the report highlighted the following major setbacks related to risk management in transport PPP projects practices in the OIC geography:

- Weak legal framework,
- Lack of a governance system defining the division of labor among the various stakeholders,
- Poor institutional and human capacity to deal with the risk management in transport PPP projects with its all dimensions,
- Lack of the necessary guidelines on the content of risk management in transport PPP projects.

In light of the main findings of the report and the deliberations during the 14th TCWG, the Working Group has come up with the following policy recommendations:

- Encouraging to develop/improve the legal framework through adopting a PPP tailored legislation.

- Allocating clear responsibilities for the management of PPPs over the course of their life-cycle and establishing/strengthening a unit/department within the government to that end.
- Supporting the use of appropriate technical tools, analyses, etc., and development of strong database and competences for minimizing risks during the implementation of the PPP projects.
- Developing/Improving risk management guidelines and checklists for the betterment of the implementation of the PPP projects.

The report is available on the COMCEC website. (www.comcec.org)

COMCEC Project Funding Mechanism

COMCEC Project Funding is another important implementation instrument of the Strategy. The projects to be financed under the COMCEC Project Funding need to serve multilateral cooperation and be designed in accordance with the objectives and the expected outcomes defined by the Strategy in its transport section. The projects also have important role in realization of the policy recommendations formulated by the member countries during the AWG meetings.

Three projects in the Transport and Communications cooperation area were implemented in 2018 by the Gambia, Iran and Jordan under the COMCEC Project Funding. The Gambia implemented the project, “Analysis of the Road Database Management Systems in the Selected OIC Countries”. The partner countries in the project are Senegal and Nigeria. The aim of the project was to analyze the current situation regarding the establishment of a Road Transport Database Management System in the Gambia and to share experiences and best practices among the partner countries. The project included a workshop, in which partner countries delivered presentations about their country experience and recommendations for the Gambia were given in a road map. The road map is the outcome that supports national transport policy making and planning capacity for the Gambia and partner countries.

Iran implemented the project, “Feasibility Study of Iran-Caucasus Transport Corridor” with the partner countries Azerbaijan and Turkey. The aim of the project was to improve transnational transport corridor between Asia and Europe in order to enhance the functioning, effectiveness and sustainability of transport in member states. In the project, a research report was produced based on study visits to the partner countries and desk-based analyses. The report mainly consists of current situation of transnational transport corridors in the world and in the OIC, detailed analysis of the respective countries, concrete strategies and policy recommendations for the OIC region.

Jordan implemented the project, “the Feasibility Study for Reconstructing the Old Ottoman Hejaz Railway Line” with the partner countries Iraq and Turkey. The aim of the project was to study the rail line from the far north until the far south of Jordan to determine the potential points in the infrastructure to be developed. In the project, a research report was produced. The respective report is based on study visits to the partner countries and desk-based analyses. The report consists of a list of recommendations, which identify the added value, cost, the procedure of the reconstruction processes and PPP possibilities.

Under the sixth call for project proposals, three projects is being implemented by the Gambia, Iran and Jordan. The project titled “Improving Human and Institutional Capacity for Integrated Database Management System in the OIC Countries” is being implemented by the Gambia with the partnership of Senegal, Nigeria and Turkey. The project aims at developing of sound infrastructure policies and improving national transport policy-making and planning capacity of the member states. The ultimate

target is to develop an integrated transport database management for The Gambia with the support of the project partner countries. Within the framework of the project, a study visit to Turkey was conducted to gain experience on transport database management system of Turkey. Then, a training program on transport database management system for analyzing and learning the standards, procedures and functions was held in the Gambia with the participation of the partner countries.

Iran is implementing the project titled “Increasing Seaborne Transport and Trade within the Framework of the TPS-OIC” with the partnership of Oman, Pakistan, Qatar and Turkey. The purpose of the project is to enhance the interconnectivity and interoperability of transport sector by converging technical standards and creating links among the member countries. More specifically, the project searches for practical solutions within the framework of the TPS-OIC to facilitate trade by decreasing international seaborne transportation costs. Within the framework of the project, a Research Report on multimodal transportation chain in the OIC countries will be produced for analyzing the seaborne transportation and trade costs and proposing recommendations for the OIC countries to smooth flow of goods in line with the TPS-OIC.

Another project titled “Reconstructing the Old Ottoman Hejaz Railway Line - Phase 2” is being implemented by Jordan. The project focuses on inadequate transport infrastructure, poor maintenance services, limited financial resources and funding opportunities, which are the major problems of the OIC countries. Within the same scope, the project also focuses on funding opportunities for reconstructing the Hejaz Railway Line and sharing experiences on railway engineering and planning with the partner countries. In this regard, a training program on feasibility studies, railway engineering and planning was organized with the participation of the partner countries, which are Egypt, Iraq, Saudi Arabia and Turkey. Also, raising opportunities and challenges on funding requirements of the Hejaz Railway Line were handled by the partner countries during the workshop, which was organized immediately after the training program.