

## **THE POLICY RECOMMENDATIONS OF THE 19<sup>TH</sup> MEETING OF THE COMCEC TRANSPORT AND COMMUNICATIONS WORKING GROUP**

The COMCEC Transport and Communications Working Group (TCWG) successfully held its 19th Meeting on October 11th, 2022, in a virtual-only format, with the theme of “Economic and Social Impact of Transport Infrastructure: An Overview of the OIC Member Countries”. During the Meeting, TCWG made deliberations on the policy recommendations related to the economic and social impact of transport infrastructure. In the light of the main findings of the report and the intense deliberations during 19th Meeting, the Working Group has come up with the following policy recommendations:

**Policy Recommendation 1:** Developing/Improving a comprehensive strategy including the components of development, planning, and programming capacity for better economic and social impacts of transport infrastructure.

**Rationale:** For a transport infrastructure to affect the economy, a group of preconditions must be in effect. In addition to the transport infrastructure investments, economic variables such as high quality labour force, convenient local economies, and expectations need to be available in the first place. Moreover, the political and institutional setting must be supporting economic development. All these three major preconditions must be available at the same time. Within this framework, a robust systematic and institutional structure is needed for transport planning, project identification and preparation, ex-ante evaluation, procurement, supervision and monitoring, and ex-post evaluation. However, these specific stages should be well guided first by a strategic medium- or long-term policy framework that sets the macro, local and sectoral priorities.

**Policy Recommendation 2:** Integrating the transport infrastructure projects with the higher national policies to serve the needs at best.

**Rationale:** Any investment project should bring benefits to a country and raise the welfare of the citizens. All resource inputs used by an investment project have an opportunity in that without the project they could be used and create value elsewhere in the economy either in the private sector or in a different project on the public side. Ex-ante evaluations of transport projects could provide the government with information on whether the project generates value for money or not. In this regard, project economic analysis is a very critical and useful tool aiming to ensure that scarce resources are allocated efficiently. To this end, several elements/steps should be considered and adopted effectively such as well identification of the project(s), technical feasibility, economic analysis of the project(s), financial analysis of the project(s), and risk assessments. In this respect, every project should first reflect and meet the priorities of the country, which are identified in the relevant policy documents of the country. For this reason, first, a more macro perspective could be employed by using qualitative/quantitative analysis methods such as multi-factor criteria analysis, etc.

**Policy Recommendation 3:** Promoting the prioritization of the transport infrastructure projects in line with the high quality economic and financial analyses.

**Rationale:** To direct the country's scarce resources to the most needed fields, projects need to be appraised according to objective and comparable standards to develop a pool of prospective projects. Then, the projects should be prioritized either within the sector or on a cross-sectoral basis, taking into account some crucial indicators such as the financing capabilities of the country,

the marginal benefit of the project, or the urgency of the needs that leads to the project. At this stage, alternative/options analysis, cost-benefit analysis (CBA), wider economic analysis methodologies, sustainability analysis, sensitivity, and risk analysis play critical roles.

In this regard, a multimodal approach should be developed in order to benefit from the synergy effect and network advantages of the transport system. Improvement regarding not only for the project identification and appraisal preparation but also for predicting the economic and social effect of transport infrastructure and services is essential.

Moreover, in the evaluations, all considerations that have the potential to affect the society and economy should be regarded in a wider manner. While doing this, adopting Input-Output analysis providing output, income multipliers, and sectoral forward/backward linkages in the economy, computable general equilibrium methodologies should be utilized in addition to standard CBA methodology to capture the wider social and economic effects. In addition to standard criteria set in evaluating the feasibility of projects, adopting a payback period as an additional measure could also provide the decision makers with practical evaluation perspectives.

**Policy Recommendation 4:** Strengthening the conditions for better risk assessments of transport infrastructure projects.

**Rationale:** The identification of risks in the planning phase of a project and the arrangement of impact values has become a fundamental basis for transport infrastructure projects. Despite robust and well-planned projects, unexpected problems will likely emerge at any stage of the project if possible risks are not identified and assessed beforehand. Therefore, this process may become a requisite in increasing success as well as minimizing the problems of a project. A risk assessment should be included in the CBA. This is critical, as uncertainty always exists in an investment project inherently. In this regard, sensitivity analysis, qualitative risk analysis, probabilistic risk analysis, and risk prevention and mitigation stages should be incorporated into the analyses. The qualitative and quantitative approaches such as Monte Carlo Analysis, Analytical Hierarchy Process (AHP), Technique for Order of Preference by Similarities to Ideal Solution (TOPSIS), Preference Ranking Organization Method for Enrichment of Evaluations (PROMETHEE), Quantified Cost Risk Assessment (QCRA) might be considered for the evaluation systematic.

**Policy Recommendation 5:** Enhancing the quality of transport infrastructure projects' statistics and ensuring transparency in information disclosure.

**Rationale:** Reliable transport statistics are key for the development of transport infrastructure. Statistics of transportation should be produced and published in terms of domestic, international, and transit transportation separately in ton-km and passenger-km as well as tons and passengers to make a concrete evaluation on how to improve the existing systems. Besides, statistics about user satisfaction, such as delays in transportation, travel times, and reliability would be beneficial to produce to see the bottlenecks and improve the current situation of transport systems. To provide potential investors with a predictable investment environment, documents about project preparation and relevant processes and else could be shared with the public as well. Furthermore, the project pipeline with its main characteristics should be publicized for better planning for all stakeholders, to attract the private sector, and for better monitoring and public evaluation. To provide potential investors with a predictable investment environment, documents about project preparation and relevant processes must be shared with the public. In this regard, the implementation of a robust Transport Information System may be taken into account for better achievement of this recommendation.

**Policy Recommendation 6:** Making better use of alternative financing and procurement mechanisms including Public Private Partnerships (PPPs) and implementing ex-post analysis for enhancing the economic and social impact of transport infrastructure.

**Rationale:** Alternative financing mechanisms can be mobilized including the private sector to overcome bottlenecks in transportation and logistics. PPP can be introduced by a sound regulatory framework and capacity building to assure it brings value for money and is financially sustainable. PPP is a complex procurement mechanism, where project preparation, bidding, and contract management capability of the public is of particular importance. In order to ensure the effective implementation of PPPs, related guidelines for preparing a business case, bidding and contract management should be prepared. On the other hand, to determine if the projects have affected the country as a whole both in economic and social terms, as it was intended before realizing the project, the economic and social impact of the projects should be analysed and measured scrupulously. The forecasts made for a project in the feasibility study could regularly be compared to the realized user volume after the project is put into operation to determine to what extent forecasts deviated from actual numbers. The same case could also be valid for other estimated components of the project such as investment cost or the investment period of the project. This data could be useful for determining the extent of risks for prospective projects, which is of more importance if the project is realized as a PPP.

**Instruments to Realize the Policy Advice:**

**COMCEC Transport and Communications Working Group:** In its subsequent meetings, the Working Group may elaborate on the above-mentioned policy areas in a more detailed manner.

**COMCEC Project Funding:** Under the COMCEC Project Funding, the COMCEC Coordination Office calls for projects each year. With the COMCEC Project Funding, the Member Countries participating in the Working Groups can submit projects to be financed by the COMCEC. For the above-mentioned policy areas, the Member Countries can utilize the COMCEC Project Funding and the COMCEC Coordination Office can support financing the successful projects in this regard. These projects may include training programs, study visits, workshops, organizing seminars, peer-to-peer experience sharing, needs assessments and producing promotional materials/documents.