According to a survey released by the Madar Research Group (http://www.madarresearch.com/), the number of mobile phones in use in the Arab world has increased significantly in 2002, reaching 23.7 million subscribers by end November 2002, compared to 23.4 million fixed lines over the same period. Mobile phone subscriptions already outnumber fixed lines in the United Arab Emirates, Bahrain, Kuwait, Qatar, Jordan, Lebanon, Saudi Arabia and Morocco. According to the survey, the high growth in the number of mobile phone subscribers is due to network development and expansion projects by mobile carriers in many countries including Egypt, Jordan and Tunisia, in addition to new services such as prepaid mobile cards. Overall, mobile phone penetration in the Arab world, is still low. The 23.7 million mobile phone subscribers constitute only about 8 percent of the Arab population, compared with a world average of 17 percent. There is also much disparity in mobile phone penetration between Arab countries. The Gulf Cooperation Council region, for instance, displays mobile penetration rates much higher than world average, standing at 26 percent while the other Arab countries remain just over 5 percent. (Mena Report, 25/12/2003, http://www.menareport.com/)

Jordan

Kuwait’s Mobile Telecommunications Company (MTC) has signed an agreement with Orascom Telecom Holding S.A.E. to acquire its 91.6 percent equity interest in the cellular provider company Fastlink. The acquisition, worth US$43.9, is now subject to regulatory approval by the Jordan Telecommunications Regulatory Commission. If approved, MTC, that currently owns 4.9 percent equity interest in the company, will hold approximately 96.5 percent shares of Fastlink, the Kingdom’s largest cellular provider company. National Bank of Kuwait S.A.K. has acted as the sole financial advisor to MTC for this transaction. (FastLink news, 23/12/02, http://www.fastlink.jo/)

Lebanon

The two Lebanese mobile phone companies, Cellis and Libancell, have finally signed transfer of ownership agreements with the Lebanese government, paving the way for the planned auction and tender of the two networks and 20-year licenses. The Government has agreed to pay US$178 million in compensation to the two firms for

The government has invited interested parties to submit bids by 10 February 2003 for the auction of the 20-year licences to operate the two existing GSM networks. The request for applications, issued by the Higher Council for Privatisation (http://www.hcp.gov.lb) on 20 December 2002, also called for bids for the management of those GSM networks for three years. Applicants should meet the criteria of having at least 5 years experience in operating GSM networks and a subscriber base of 350,000, and the financial means to acquire the licenses and maintain the networks in the case of the auction. (An-Nahar, Public advertisement, 20/12/2002 and various sources)

Saudi Arabia

The initial public offering (IPO) of the state-owned Saudi Telecommunications Company was launched on December 17, 2002. 90 million shares, or 30 percent of the company’s total capital is being offered to local investors. The IPO is expected to generate about US$4.1 billion, which the Government intends to use for debt retirement. (MEED, 20/12/2002, http://www.meed.com)

Transport

Jordan

The Jordanian Government sold the state-owned Royal Jordanian Aviation Academy to Jordan International Real Estate and Tourism Investment Company (and other unidentified local investors) for an amount of JD 5.8 million (US$8.2 million). The Academy, established in 1971, will be transformed into a university specialising in aviation and aeronautics training. The Government is also planning to sell a strategic stake in the Royal Jordanian airline as part of its ongoing privatisation programme. (MEED, 2/1/2003, http://www.meed.com)

Morocco

UK’s Halcrow Group has won the consultancy contract for the supervision of the Tangier-Atlantic Port project and will work with the newly formed Tangier-Mediterranean Special Agency. The project was first launched in 1999 when France-based Bouygues was chosen to lead Infrastructure and Build-Operate-Transfer (BOT) activities. Despite negotiations, the contract was never signed and new tenders were re-launched last September. Overall cost for the new port (that will be on the southern side of Gibraltar straits, 35km east of Tangier) is estimated at US$1 billion. Seven consortia were pre-selected by the Government for the construction works and the successful contractor should be nominated on February 17, 2003. Information on the project can be found at http://www.port-tangermed.ma/.(Various sources)

Energy

Algeria

Algerian state oil and gas company Sonatrach awarded on December 14, 2002, a US$240 million contract to US-based FMC Sofec Floating Systems to construct five offshore terminals for loading crude and condensate oil. The new installations are designed to double Algeria’s oil export capacity to 220 million tonnes by 2010. Two crude loading quays will be built off the port of Arzew, two in Skikda and one in Bejaia.
Construction should begin in 2003 and be completed within two years. *(MEED, 17/12/2002, http://www.meed.com)*

**Egypt**

A two-day conference organised by CWC Associates under the patronage of the Egyptian Ministry of Petroleum is scheduled to take place on January 20-21, 2003 in Cairo. The main aim of the conference is to increase international awareness on Egypt's potential in the gas sector and identify new areas and incentives for investment. The conference will also discuss strategies for capitalizing on Egypt’s gas reserves and building Egypt as a regional hub for gas and power. Natural gas is set to become the key driver of growth for the Egyptian economy, as major discoveries, particularly in offshore areas, have increased the country's estimated gas reserves to 120 trillion cubic feet. Building on Egypt's strategic location on the Mediterranean Sea, the Government is also actively promoting new export options, including a pipeline to Jordan and beyond, and liquefied natural gas trains to feed the booming European market. *(Mena Report, 6/1/2003, http://www.menareport.com/)*

**Syria**

The Indian subsidiary of the Swiss technology group ABB's has won a US$35 million contract in Syria to engineer and build six high-voltage substations to upgrade the country's transmission network. The contract, signed with the Public Establishment of Electricity for Generation and Transmission, Syria's power generation and transmission utility, is for substations in Dera, Al-Fayha, Bebila, Telhamis, North Aleppo and Sarakeb. The substations will play an important role in improving power supply to these towns and strengthening Syria's power network. The scope of the project includes designing, procuring, manufacturing and supplying the equipment for six substations. *(Mena Report, 8/1/2003, http://www.menareport.com/)*

**Water and Sanitation**

**Algeria**

Eight companies are preparing to submit bids by end of January 2003 for the Hammı desalination plant, which is intended to provide Algiers with a regular supply of water regardless of climatic conditions. The proposed plant will use the reverse osmosis technology and will have initial capacity of 200,000 cubic metres a day. The client, Algerian Energy Company (AEC), says that the capacity may be raised to 400,000 cm/d at a later date. The proposed plant replaces plans first tendered in March 2002 for a similar desalination plant, which was also due to be located in the Hamma suburb. As per the previous project, the selected investor will form a project company with AEC and Algerienne des Eaux. The joint venture will design, finance, construct, operate, own and maintain the desalination plant and the water produced will be sold to Algerienne des Eaux. *(MEED, 20/12/2002, http://www.meed.com/)*

**Lebanon**

French company Ondeo Group has been awarded a contract to manage and upgrade part of Tripoli water and wastewater networks. Ondeo, a subsidiary of France's Suez, beat out another French bidder, Vivendi, for the four-year, €20-million (US$ 21 million) first privatisation deal in the sector. The company will manage water distribution in northern Lebanon from Tripoli. Nine million euros will go towards managing the office and the other €11 million towards upgrading the network and related infrastructure projects. *(Daily Star, 13/12/02, http://www.dailystar.lb/)*
**Bulletin**

**AfDB/ Algeria**

The African Development Bank (AfDB) has approved a loan of US$76.85 million, to finance the Constantine Highway Bypass Project- Phase II in Algeria. The project is part of the extension of a previous project and aims to improve traffic flow by reducing transport costs, travel time and road accidents. The project will increase capacity of road infrastructure and will promote national integration between East, Centre and West regions in Algeria and regional integration with countries of the Arab Maghreb Union. The project will also contribute to the development of urban centres and the country's agricultural and industrial activities and provide easier access to major economic centres. The AfDB loan will be used to finance the foreign exchange costs of the project. The total cost of the project is estimated at US$111.46 million. (AfDB Press release, 4/12/02, [http://www.afdb.org/knowledge/pressreleases.htm](http://www.afdb.org/knowledge/pressreleases.htm))

**European Commission**

The new MEDA website has been launched by the European Commission’s EuropeAid Cooperation Office. The website presents co-operation between the European Union and the Southern Mediterranean, Near and Middle East Region, and includes information on MEDA funded bilateral and regional activities, as well as other important items such as financial statistics, sectors of co-operation, reports, and publications. To access the website, visit: [http://europa.eu.int/comm/europeaid/projects/med/index_en.htm](http://europa.eu.int/comm/europeaid/projects/med/index_en.htm)

**EU/Regional**

The 2nd Euro-Mediterranean Working Group Meeting on Trade Measures Relevant for Regional Integration was held on 16 and 17 December 2002 in Malta, organised by the Maltese authorities and the European Commission. The Working Group had discussed regional integration including customs procedures and standards harmonisation. The report of the Working Group will be presented to Euro-Mediterranean Trade Ministers scheduled for July 2003. (Euromed Synopsis no. 208, 19/12/02, [http://europa.eu.int/comm/external_relations/euromed/publication.htm](http://europa.eu.int/comm/external_relations/euromed/publication.htm))

Managers of all the MEDA funded Private Sector Development Programmes (PSDPS - Business Centres and Industrial Modernisation Programmes) will meet in Brussels on 16 and 17 January 2003. The Business Conference is organised by the European Commission. Presentations will be made by Algeria, Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia. Government representatives will also discuss the linkages between the EC-funded private sector development programmes and their respective national policies for industrial modernisation. Two parallel workshops will be devoted to 'Facing the Challenge of Industrial Modernisation in the MEDA Region – Is There a Recipe for Success?', and 'MEDA Business Centres – New Services and Better Working Methods for the Future'. (Euromed Synopsis no. 209, 09/01/03, [http://europa.eu.int/comm/external_relations/euromed/publication.htm](http://europa.eu.int/comm/external_relations/euromed/publication.htm))

**EU/Lebanon**

The Lebanese Authorities on 7 January, 2003, notified the EU Council of Ministers of the ratification of the EU-Lebanon Association Agreement (AA), and of the EU-Lebanon Interim Agreement. The latter will enter into force on 1 March, 2003. Both agreements had been signed in June 2002, and had been endorsed by the Lebanese Parliament. The European Parliament, which needs to ratify the AA, is scheduled to discuss it on 15 January, 2003. The Parliaments of all 15 EU Member States will also need to ratify the AA. The Interim Agreement allows quick implementation of the Association Agreement’s trade provisions in advance of full ratification of the AA itself. (Euromed Synopsis no. 209, 09/01/03, [http://europa.eu.int/comm/external_relations/euromed/publication.htm](http://europa.eu.int/comm/external_relations/euromed/publication.htm))
**IDB/Lebanon**

Lebanon’s Council for Development and Reconstruction (CDR) signed a memorandum of understanding with the Islamic Development Bank on 19 December, 2002 for the financing of infrastructure projects worth US$47 million. US$37.6 million will go towards a project in Beirut for new electricity and telephone lines, wastewater management systems, and road improvements. The remainder is to be used to complete road schemes in Akkar. *(MEED, 20/12/02, [http://www.meed.com](http://www.meed.com))*

**WB/Tunisia**

The World Bank (IBRD) approved on December 5, 2002, a **US$78 million** loan to the Government of Tunisia aimed at improving the quality of life for urban residents by supporting local governments in delivering basic municipal services and infrastructure. The **Municipal Development Project III** is the third in a series of World Bank projects paving the way for institutional and policy reforms to decentralize expenditure and service responsibilities to local authorities. *(World Bank Press Release, 5/12/02, [http://www.worldbank.org/](http://www.worldbank.org/))*

**WB/Egypt**

The World Bank, in partnership with the NGO Service Center, launched on December 4, 2002 the **Egypt Development Marketplace**. The program aims to engage organizations in fighting poverty through innovative development initiatives. The Development Marketplace was first launched in 1998 in Washington, DC, and matches social entrepreneurs innovative ideas to tackle poverty with partners. The first country in the Middle East and North Africa to launch a local version of the Development Marketplace, Egypt is introducing a program which will include an **Innovation Competition** - an open competition whereby start-up funds are awarded to organizations proposing innovative ideas around the chosen theme; and a **Knowledge Forum** where various leaders in the development community will share their experiences around the chosen theme. For further information, visit [http://www.DevelopmentMarketplace.org](http://www.DevelopmentMarketplace.org). *(World Bank Press Release, 4/12/02, [http://www.worldbank.org](http://www.worldbank.org))*

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**Transport Policies in the Euro-Mediterranean Free Trade Area**

*by Daniel Müller-Jentsch, Economist, PPMI Programme*

It is a widely recognized fact that efficient transport is required for the successful implementation of the Euro-Mediterranean free trade area (FTA) between the 15 EU countries and their 12 Mediterranean Partners (MPs). Implementing the FTA requires improved flow of goods, people and investments and the creation of a ‘common transport space’, but serious physical and non-physical bottlenecks now exist and need to be eased. This article argues that, while substantial physical improvements in the transport networks, and the related investments are required, many of the frictions

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1 The PPMI program recently published a regional transport study with the title “Transport Policies for the Euro-Mediterranean Free Trade Area – An Agenda for Multimodal Transport Reform in the Southern Mediterranean”. This article summarizes the main policy reforms analyzed throughout the study. The paper can be obtained by writing to ppmi@worldbank.org.
In several southern Mediterranean countries transport reforms are now underway, but a range of economic and efficiency indicators suggest that much remains to be done. Benchmarking of macroeconomic freight costs against best practice, for example, suggests that the potential economic benefits of comprehensive transport reforms in the Maghreb and Mashrek countries could be as high as €3 to 5 billion per year. There are still ports in the region where it takes longer to obtain customs clearance for a container than to ship it all the way from Hong Kong. Prior to recent reforms, the total economic costs imposed by port inefficiencies in Egypt were estimated to be as high as $2 billion annually, and in Algeria private sector sources calculated that the costs of customs inefficiencies in the port of Algiers alone amount to $200 million each year.

On the northern shore of the Mediterranean, the European Union (EU) has created a Single Market for transport, with 15 countries and about 370 million consumers. Integral part of that integration process were comprehensive transport reforms. Air traffic has been liberalized; the majority of flag carriers and many key airports have been privatized; competition for ground handling has been introduced; air traffic control is being integrated (Single European Sky); and agreement has been reached with ten EU accession candidates to create a European Civil Aviation Area (ECAA). Road freight has been fully competitive for about a decade, border controls have been abolished, and a vibrant logistics industry is rapidly consolidating across borders. EU’s strict competition and state aid rules are being applied throughout the transport sector and the EU Commission has drafted new legislation to introduce competition in port services. In rail transport, a pan-European route network of 50,000 kilometers will be opened to private freight train operators.

The Mediterranean Partners could use this experience accelerate their own transport reforms and to more effectively ‘plug into’ the large EU Single Market which is at their door step. In air transport, policy reforms should include the liberalization of international air service agreements (which regulate traffic rights) and the gradual transition towards regional open skies. Licensing regimes should be modernized; national airlines be restructured and privatized; competition in ground handling introduced; and greater private participation in airport management and investments encouraged. The regulatory and institutional framework of the ECAA could provide a model for the gradual creation of a common civil aviation market between the EU and its southern Mediterranean neighbours.

In maritime transport, port reforms appear to be the top priority. The creation of landlord ports as a means to separate operational and commercial functions should be a corner stone of reforms. The introduction of competition and private participation in port services; the concessioning of large container and bulk terminals to private operators; the reduction of border-related red-tape and the improvement of hinterland connections, are among the key reforms to be considered. Even though reform needs tend to be less pronounced with regard to sea-side issues, some of the MP countries would benefit from the privatisation of remaining state-owned shipping lines, improved integration of ports into international route networks, and reduced collusive practices among shipping lines.

In land transport, the markets for road haulage in most MPs are rather competitive. Nonetheless, further benefit would arise from liberalizing market access and tariffs, reducing formalities at border crossings, and reducing negative externalities through stricter environmental and safety standards. In rail transport, the restructuring of state-
owned companies, the opening up of selected routes for private cargo operators as well as the reduction at modal interfaces and borders, would help achieve better and cheaper services.

Another priority will be the creation of a more conducive policy framework for the third-party logistics industry, which plays a critical role in the provision of multimodal services. The logistics revolution that has been seen in the transport sector in recent years has been driven by the expansion of global trade and a transformation of the way goods are manufactured and distributed. Business trends like global sourcing, just-in-time (JIT) production, supply-chain management, and the outsourcing of individual production stages have profound implications for the integration of developing countries in the global economy. As individual production stages are becoming geographically footloose and supply-chains ever more sensitive to transport-related disruptions, access to state-of-the-art logistics becomes a key determinant for the competitiveness of individual firms and entire countries. Tunisia, for instance, recently lost a bid for a new factory by a German car part manufacturer. Investments of $12 million and 1,700 jobs went to Romania instead, because that country offered better transport connections and thus a critical time advantage in an industry with JIT delivery.

Southern Mediterranean countries are currently poorly integrated in international supply chains and sector reforms are required to avoid further marginalization. Many of the state-owned ports, shipping lines, airports, airlines, and logistics companies that dominate transport markets in the region have found it difficult to adapt to the changing needs of their clients. More private sector participation, competitive dynamics, and regulatory reforms would help provide a framework for the development of a modern logistics industry. Modal interfaces, port hinterland connections, and logistics-related banking and insurance services should also be incentivated.

Overall, most of the MPs have made significant progress in the restructuring of their transport sectors, but important reforms remain to be implemented. Implementing these reforms could provide very large economic benefits. This will help create a ‘common transport space’ in the region, and help the MPs to more deeply integrate their economies with the European Single Market.

**Upcoming Seminars and Training**

**Regulation**

“Utility Regulation”
Organizer: Oxera
Location: Oxford, UK
Date: April 7-11, 2003
For more information: [http://www.oxera.co.uk/oxera/public.nsf/Documents/UtilityRegulation](http://www.oxera.co.uk/oxera/public.nsf/Documents/UtilityRegulation)

**Energy**

“Structuring, Financing, and Monitoring PPP Projects in the Energy Sector”
Organizer: IP3
Location: Washington, DC
Date: April 7-25, 2003
For more information: [http://www.ip3.org/t_workshops_1305.htm](http://www.ip3.org/t_workshops_1305.htm)
"Egypt: A Regional Hub for Gas and Power”
Organizer: CWC Group
Location: Cairo, Egypt
Date: January 20-21, 2003
For more information:  

Water

“3rd Water Forum”
International Symposium
Location: Kyoto, Shiga and Osaka, Japan
Date: March 16-23, 2003
For more information: http://www.postelecom.dz/fnews.htm

“Structuring, Financing, and Monitoring PPP Projects in the Water Sector”
Organizer: IP3
Location: Washington, DC
Date: May 5-23, 2003
For more information: http://www.ip3.org/t_workshops_1307.htm

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