

Initiative on Transport Prospects and Opportunities in the Post-Covid Era: The AMU Region

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Introduction

Since the outset, the goal of the Arab Maghreb Union has been to gradually work towards the free movement of people and goods between the Maghreb countries and unify legislation in economic matters with a view to achieving economic integration.

The desired Maghreb integration cannot succeed without advanced infrastructure. The AMU countries have invested heavily in multimodal, road, rail and air transport infrastructure and implemented far-reaching regulatory reforms to facilitate private sector involvement and encourage investment.

Since its creation, the General Secretariat of the Arab Maghreb Union has made huge efforts towards promoting regional cooperation in the field of infrastructure, especially across the different transport modes, by carrying out feasibility studies and drawing up regional agreements in the field of land, rail, maritime and air transport with a view to achieving intra-Maghreb connectivity.

Despite its late arrival in Africa, especially North Africa, Covid-19 is rapidly spreading and resulting in an unprecedented global economic recession and widespread social deprivation.

The Maghreb countries reacted quickly to their first Covid-19 cases. The measures taken have helped limit the impact of the disease and the AMU countries are now dealing with the economic and social consequences of this health crisis.

Measures Taken by the AMU Countries

The Maghreb governments reacted quickly to contain the spread of the epidemic by taking appropriate measures in the various regions as the pandemic developed. These included:

- Closure of schools and universities
- Cancellation of air and sea links
- Closure of borders
- Cancellation of sporting events
- Closure of restaurants, cafés and night clubs
- Implementation of lockdown measures
- Social distancing on public transport and locking
- Mobilization of public administrations

Social and Economic Consequences

This pandemic has had profound social and economic consequences for the countries of the AMU, as in all countries around the world. The measures to fight Covid-19 have had serious economic and social repercussions and compounded the difficulties faced by poor and vulnerable communities, but the situation is less tragic than in the West.

The World Bank has predicted that Africa will suffer its first recession in 25 years. The continent's economy is expected to contract by between 2.1% and 5.1% in 2020, compared to 2.4% growth experienced in 2019. The hardest hit sectors are air, sea and road transport, freight transport and logistics, tourism, oil and gas, and wholesale and retail trade. Covid-19 has turned the transport sector upside down, from aviation and logistics to public transport.

The Transport Sector in AMU countries: Post-Covid-19 Challenges

Transport plays a key role in the Maghreb countries and each country's transport sector is characterized by the implementation of transport economic restructuring, major reforms designed to demonopolize and liberalize transport activities, a commitment to the development of international transport, and the establishment of tools, mechanisms and procedures to facilitate the movement of goods and people.

Aviation Sector

- The critical importance of air transport in conducting diplomacy and business, the growth of the economy and the development of trade have thrust this sector into the spotlight. Although this is not the first crisis experienced by the aviation sector, it has undoubtedly caused the most damage in a relatively short period of time.
- The aviation industry supports more than 6.2 million jobs in Africa and accounts for 2.6% of the continent's GDP, or nearly 56 billion dollars, according to a statement from IATA, AFRAA, UNWTO, the World Travel and Tourism Council and the Airlines Association of Southern Africa (AASA). This observation also applies to the Arab Maghreb countries, where employees have been dismissed at certain companies and there has been a drastic reduction in flights.
- On the financial side, an overall decline of 287 billion euros in airline turnover compared to 2019 has been announced (according to the same source).
- In general, airlines around the world have only about three months of cash liquidity. However, this rule does not apply to Africa, where most companies have just a few weeks' worth of liquidity. The liquidity crisis has therefore become a real concern that could push many African airlines into bankruptcy.
- The 10 largest African airlines include three Maghreb companies (Royal Maroc, Air Algérie and Tunisair) and, according to a study by the International Air Transport Association (IATA), the drastic reduction in traffic has grounded between 80% and 90% of the global aircraft fleet. The consequences for the AMU countries will be as follows:

Algeria

The suspension of flights due to Covid-19 could cost the Algerian economy 3.1 billion dollars, while air passenger traffic is expected to fall by around 8 million passengers.

The reduction in the number of passengers will result in revenue losses for Algeria of around 800 million dollars and will threaten 161,800 jobs.

Morocco

The suspension of flights will cost the Moroccan economy 4.9 billion dollars. Air passenger traffic will see approximately 11 million fewer passengers.

The reduction in the number of passengers will result in revenue losses of around 1.7 billion dollars and will threaten 499,000 jobs.

Tunisia

The suspension of flights will cost the Tunisian economy 1.2 billion dollars. Air passenger traffic will see approximately 3 million fewer passengers.

The reduction in the number of passengers will result in revenue losses of around 600 million dollars and will threaten 92,000 jobs.

Recommendations for the Aviation Sector

- Restore passenger confidence: in a survey conducted by IATA, feelings of fear and uncertainty, psychological strain and the drastic measures proposed by different countries for activities to resume were all cited by travellers as reasons for their lack of confidence. The study, carried out in 11 countries around the world, showed that only 14% of passengers would be willing to board a plane once restrictions are lifted. In addition, 46% would prefer to wait one or two months, while 40% would wait six months or longer.
- Ensure political commitment to support the civil aviation industry and take appropriate action.
- Standardize all initiatives proposed for the African civil aviation industry.
- Develop a comprehensive, unified response strategy that takes account of the interests of all stakeholders in the African civil aviation industry.
- Create regional funds, such as an African common fund controlled by African heads of state and governments, to deal with the impact of Covid-19 on the African civil aviation sector.
- Use all available funding sources to support the African aviation industry.
- Implement measures to allow airports and air navigation service providers to resume operations.
- Ensure multilateral cooperation at regional and continental level.

Public Transport (Road and Rail)

- Formal and informal public transport sectors in Maghreb cities have been hit hard, as lockdown and prevention measures have had a major impact on people's mobility.

- All cities have experienced a reduction in public transport, which has limited demand, reduced the supply of public transport and, to some extent, favoured non-motorized transport.
- The sustainable future of cities is under threat from the rise in the number of private vehicles, which is expected to have a significant impact on congestion, emissions and social exclusion.
- The formal and informal public transport sectors are facing severe financial difficulties due to the reduction in demand for transport and services. Most formal and informal operators are on the verge of bankruptcy. They have suffered a sharp drop in revenue from fares due to social distancing measures, reduced economic activity and people's risk-averse attitude towards public transport, all of which have undermined their ability to recover operating costs.
- To compensate for public transport revenue losses, some cities have negotiated an increase in fares, which has an impact on users.

Recommendations for the Public Sector

- Provide the public transport sector in cities with rapid, comprehensive support to (i) prevent massive job losses, (ii) prevent disruption to public services that can increase the social exclusion of vulnerable populations, and (iii) avoid hampering the efficiency of cities.
- Define sustainable funding schemes to compensate for revenue losses from social distancing and new mobility protocols while avoiding long-term fare increases, in particular by studying the possibility of allocating funds to support urban transport operations.
- Consolidate, formalize and structure the informal sector with a view to increasing its resilience.
- Improve governance, funding and capacity building by (i) strengthening land use management and transport planning in cities, and (ii) designing funding mechanisms to ensure the long-term financial viability of urban transport operations and guarantee that they are affordable for users, especially the most vulnerable groups.
- Support a modal shift from private vehicles to high-capacity transport systems, primarily by planning an integrated multimodal transport system with adaptable and resilient modes of transport.

Cross-Border Trade

- Disruptions to cross-border trade, especially factors such as the slowdown in demand, the drop in commodity prices, supply chain bottlenecks, rising freight costs and export bans, have likely played a role in the downturn in trade in North Africa.
- Most governments are seeking to strike a balance between limiting the long-term spread of the virus and facilitating emergency and essential trade. Covid-19 could be around for some time, and governments will be required to adapt and innovate to facilitate new, "safer" means of carrying out cross-border trade.

Maritime Transport

Maritime transport, which plays an essential role in globalization and is responsible for moving more than 80% of the world's raw materials and goods, is suffering the effects of the pandemic due to both the economic slowdown and the lockdown measures imposed by most countries.

The measures taken in some countries require ships to undergo a 14-day quarantine before being allowed to dock, while other ports have simply closed down. Crew changes have also been banned, which has put personnel in a very difficult situation. Meanwhile, passenger transport has virtually stopped in many places.

This decline in activity has brought ship orders from shipowners to a halt and reduced shipyard activity.

On 19 March, Kitack Lim, Secretary-General of the International Maritime Organization (IMO), alerted governments to the risks associated with the decline in shipping: *“In these difficult times, the ability for shipping services and seafarers to deliver vital goods, including medical supplies and food, is central to responding to, and eventually overcoming, this pandemic (...) I urge a practical and pragmatic approach, in these unusual times, to issues like crew changeovers, resupply, repairs, survey and certification and licensing of seafarers.”*

On 24 March, the International Chamber of Shipping (ICS) sent an open letter to the governments of the G20 countries calling for increased protection of the supply chain to allow it to fulfil its essential mission for people and businesses.

On 25 March, the United Nations Conference on Trade and Development (UNCTAD) also called for supply chains and maritime traffic, including to landlocked countries, to be kept open and protected, since the global maritime transport industry is vital for people during these times of crisis. It also called for ports to accept crew changes, as around 100,000 crew members around the world need to change shift every month.

On 26 March, Ursula von der Leyen, President of the European Commission, said, “The free movement of goods and services is therefore our strongest, and frankly, our only asset to ensure supplies can go where they are needed most”.

AMU, Activities and Roles

- Active participation in the PIDA-PAP 2 process (2021-2030): establishment of a list of priority projects.
- Organization of online seminars.
- Development of a digital policy within the AMU Secretariat to respond to and cope with the pandemic.

- Monitoring of the epidemiological situation of the pandemic in AMU countries through statistics and analyses of its evolution and the sharing of information with member states.

Responding to the Covid-19 Crisis: Effects of Employment on Infrastructure Development

As in the rest of the world, the Maghreb countries have been experiencing extraordinary circumstances since the start of 2020 because of the spread of Covid-19, and no one knows how long the situation will last.

Some key sectors are already experiencing a sharp slowdown due to the pandemic. Tourism, air transport and the oil sector are being directly affected. However, the visible impacts are not expected for several months, depending on how long the pandemic lasts.

Estimates by the International Labour Organization (ILO) indicate that unemployment will rise significantly. Based on different scenarios relating to the impact of Covid-19 on global GDP growth, preliminary ILO estimates show a rise in global unemployment ranging from 5.3 million (best-case scenario) to 24.7 million (worst-case scenario) from a baseline of 188 million in 2019. The medium-case scenario suggests an increase of 13 million (7.4 million in high-income countries).

While these estimates are highly uncertain, all figures point to a substantial rise in global unemployment. By comparison, the global financial crisis of 2008-2009 caused unemployment to rise by 22 million.

The impact on employment will result in major income losses for workers. Overall work income losses are expected to be between 860 billion and 3.44 trillion dollars globally. The loss of work income will translate into less consumption of goods and services, which will have a negative effect on the sustainability of businesses and the resilience of economies.

Emergency Preparedness

The term “preparedness” can be defined as the knowledge and ability of governments, response organizations, communities and individuals to anticipate the occurrence of many different likely, imminent or current disasters, and to respond to them and recover effectively. Preparedness is the product of a combination of planning, resource allocation, training, exercises and organization to create, maintain and improve operational skills based on risk assessment.

Emergencies call for long-term investment without immediate results. However, the more is spent on preparation, the easier it will be to respond to emergencies and control their scale.

Infrastructure obviously heads the list when it comes to fundamental measures in emergency preparedness plans. Without roads and railways connecting different parts of the country, it would be very difficult to meet the population’s medical needs. And without electricity supply and ICTs, it would be impossible to contact people and alert them to danger.

Importance of Infrastructure

Infrastructure plays a crucial role in development. In transportation systems, energy production plants, ICTs, and water and sanitation systems, the services that enable society to function and the economy to thrive are provided through infrastructure. For that reason, they are at the core of efforts to achieve the Sustainable Development Goals. Whether they concern health, education, hygiene or other sectors, most of the Sustainable Development Goals involve improvements in infrastructure, which plays a fundamental role in each of the three dimensions of sustainable development: the economy, the environment and society.

Infrastructure should not be viewed as a set of individual resources, such as a power plant, hospital or water supply network, but rather as different components that make up a system and work together to offer considerable potential to strengthen the three pillars of the Sustainable Development Goals mentioned above.

Infrastructure should be seen not as a goal in itself, but rather as a means of delivering essential services. As pointed out by Jo da Silva, founder and director of international development at engineering consultancy Arup, *“We need to make a shift to thinking about infrastructure as what it does – protects, connects or provides essential services – not what it is. It is infrastructure that is brokering our ability to manage finite resources and get those resources to where there are human needs.”*