

Middle East and West Asia

Countries in the Middle East and West Asia region share a socio-cultural context, a tradition of centralized and multi-tiered administration and some significant challenges. More than half of the region's population is under the age of 25, and the annual urban population growth rate of 2.6% is well above the world average of 1.97%. There is a high concentration of youth in urban areas and youth unemployment rates of over 30%. Widening disparities aggravate perceptions of injustice and social exclusion. Recurrent periods of war and civil unrest in the past half century have complicated the situation in many countries.

Despite these commonalities, countries in the region also vary dramatically. Per capita incomes, for example, range from some of the world's lowest (Afghanistan) to some of the highest (Qatar). The MEWA region may be divided into three economically and geographically related sub-regions: the Eastern Mediterranean Region (Lebanon, Palestine, Syria, Turkey); the Middle East extending into West Asia (Iran, Iraq, Jordan, Afghanistan); and the Gulf Cooperation Council (GCC) area (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE, Yemen). The GCC is the most affluent and urbanized of these sub-regions, with over 80% of the population living in cities.

Countries in the region are both the source and the recipients of large flows of migrants. In Kuwait and Qatar, for instance, refugees and migrants make up over 70 percent of the population. However, in the non-oil producing countries, high unemployment rates and the rising cost of living have led to the massive out-migration of young people seeking employment, with Europe and the GCC their primary destinations. Not all migration in the region is economic or voluntary; wars and internal conflicts over the past 50 years have caused political instability, damage to infrastructure, and stunted economic growth. The civil unrest that started in the spring of 2011 will continue to hamper economic growth, especially in Syria and its neighbours until the political situation stabilizes.

A major task facing the region's authorities is the need to address issues of inclusion in the provision of urban basic services. However, centralized governance structures have posed clear challenges to recent efforts to improve the management of cities and the delivery of public services. Despite progress in the affordable housing sector, the rate of urbanization, together with the limited resources outside the GCC, has stressed the ability of urban governments to deliver on their responsibilities. The serious underfunding in the urban sector has resulted in a backlog in construction of needed infrastructure and public facilities, leading to continued densification and expansion of under-serviced informal settlements. In some countries (Iraq, Yemen, and Lebanon, for instance), over half of the urban population lives in slums. The dynamics of the land and real estate markets has also led to wasteful sprawl around larger cities.

Institutional Framework

In most of the MEWA region, three levels of sub-national administration provide services to urban areas: governorates, districts, and municipalities. Major infrastructure investment decisions are made at the central ministerial level, while local authorities are responsible for the enforcement of development regulations and the delivery of services. With the exception of Turkey, where major institutional reforms have recently been made to devolve decisions powers to the local level, inadequate coordination between central and local authorities has often resulted in imbalances in the coverage and quality of urban services.

Since the 1970s, local governments have been slowly gaining more powers through the deconcentration of specific responsibilities. However, in most cases a lack of autonomous financial resources has hindered their ability to effectively discharge their new responsibilities, while overlaps between central and local authorities in some sectors continue to pose a challenge in the coordination of planning and the delivery of services. The resulting neglect of infrastructure and inadequate service levels in informal settlements and lower-income neighbourhoods have contributed to the current unrest in the region. The degree to which MEWA countries will continue to pursue decentralization is unclear at this time. Most governments are implementing modest reforms in response to restive young populations; some are retaining greater central control while introducing minor changes in their legal frameworks.

Central / Local Responsibilities in Providing Services

All countries in the region, with the exception of Iran and Turkey, have been depleting their water resources. The need to manage a scarce resource and the cost of trunk infrastructures has led central governments to assume the primary responsibility for the regulation, planning and management of water and sanitation systems. Municipal-level water utilities typically have limited involvement in planning and financing, and their primary responsibility is to provide water and sanitation services to end-users and maintain the existing delivery infrastructure; tariffs are generally too low to permit the proper maintenance of the delivery and collection systems. In many cities, as a result of low collection rates and low pricing, central government transfers subsidize water and sanitation provision.

Transportation ministries in the region are typically responsible for developing and implementing transport policies, as well as planning, building and maintaining national and regional roads while the construction and maintenance of local roads are delegated to the municipalities. The centralization of transport policy has resulted in a lack of coordination between transportation investments and urban spatial growth strategies, which are the responsibility of municipal and regional governments. Investments in urban public transport have been limited and have resulted in a growing reliance on private vehicles.

Solid waste management, by contrast, is decentralized throughout the region. Waste collection and disposal are typically the responsibility of municipalities or

provincial administrations. Ministries of Health and the Environment establish performance standards, regulate municipal and private sector performance, and initiate and implement infrastructure projects, including landfills.

Access to and Quality of Basic Services

In the past decade, access rates to improved drinking water sources and sanitation have risen to over 90% in most countries and to over 95% in most cities. However, household connection rates to publicly supplied water, as well as connections to sewers and wastewater treatment facilities, vary widely throughout the region, with access higher in cities than in rural areas. Water shortages have led to intermittent supply in many cities while leaks in the collection network or failures in treatment plants have resulted in the discharge of effluent that is not fully treated.

Private water suppliers or natural sources cover the gaps in public supply. Desalinated seawater has become a major source of drinking water in the GCC countries, while treated wastewater for irrigation and, in a few cases, drinking water, are becoming more frequent, in spite of high capital costs.

The rates of solid waste collection are highest in cities. However, open dumping remains a challenge, particularly in informal settlements, and many sanitary landfills are not maintained to intended standards.

Urban sprawl and increasing car ownership in all MEWA countries has caused significant and unsustainable traffic congestion in city centers and on major arterials. In spite of a growing demand for urban public transportation, this tends to consist mainly of privately operated minibuses and taxis. Publicly operated light-rail and buses are limited to a few large metropolitan areas. The inadequate regulation of private transport operators has led to increased accident rates and urban air pollution. The network, especially on the urban fringe, has lagged behind urban growth and city roads are insufficiently maintained and deteriorating. Some large metropolitan areas, however, are developing major integrated transportation plans to increase their economic competitiveness and relieve congestion.

Management and Financing of Urban Services

Local financial resources are limited and, with the exception of Turkey where half of municipal revenues are based on the property tax, municipal budgets depend on transfers from central governments and, to a lesser extent, on the collection of tariffs. The financing and construction of major infrastructure remains the responsibility of central governments while the role of local governments is limited to the operation of basic services. Outside the GCC, international donors have been major contributors to the construction of transportation, water and solid waste infrastructure projects, though external financing covers only capital costs.

Local Recurrent Expenditures for Public Services: Given the lack of financial and human resources to effectively carry out the responsibilities devolved to them, local authorities give greatest priority to the critical services that affect the daily life of their populations. Expenditures on the maintenance of existing infrastructure are usually deferred until absolutely necessary.

In spite of the steady rise in the value of developed land, real estate taxes provide little public revenue in MEWA countries relative to global norms. Key constraints on the municipalities' ability to generate revenue from property taxes and user tariffs include:

- A lack of authority for local governments to set rates for existing taxes and tariffs or levy new taxes and tariffs.
- Obsolete cadastral records that do not reflect development on the urban fringe or the market value of property transfers.
- Tax laws that hinder the ability of local governments to generate revenue from properties that are commensurate with the services they must provide.
- A disparity between existing tariffs levels and collection rates and the real cost of providing services: tariffs are centrally subsidized in all MEWA countries.
- Government reluctance to take action on tax arrears.

The resulting neglect of infrastructure and inadequate service levels in informal settlements and lower-income neighbourhoods are contributing factors to the current unrest in the region.

Public-Private Partnerships: Governments in the non-oil producing countries are looking at a greater involvement of the private sector in the financing of infrastructure projects but the global financial crisis and the civil unrest of 2011 have led to a general decrease in both domestic and foreign private direct investment in the MEWA region outside the GCC and Turkey.

Private sector participation in infrastructure can take many forms in accordance with the structure of contractual agreements and the degrees of risk sharing and cooperation between the public and private parties. They include outsourcing concessions, divestitures and greenfield projects with government guarantees and other incentives to make the scheme attractive to private enterprise and offset investment risks. However, given the current financial context and common perceptions of instability in the region, governments have found it difficult to develop financing models attractive to the private sector.

Special Funds for Financing Municipal Development: MEWA countries do not have as many privately-managed funds or innovative funding mechanisms that target local development as other developing regions. They also lack microfinance institutions that offer products to finance housing and assist lower

income households to upgrade basic services and improve the living environment in slums and informal settlements.

As long term financing is difficult to obtain in the MEWA countries, municipal financial institutions have been created to specifically provide local governments with investment capital. These institutions receive funds primarily from central governments with support from international development organizations. Most funds are allocated to finance infrastructure projects, although there is a recent trend towards targeted funding of poverty-reduction and environmental projects.

Land-Based Financing: Local authorities have turned to peripheral urban land and strategically located infill sites as a pivotal asset in the financing of urban projects and social projects, particularly in developing countries. Land obtained by local authorities is typically used for rights of way for public utilities or for public facilities in underserved neighborhoods. Local authorities have recently utilized instruments that allow them to recover the market price of land through clearance of dilapidated blocks, infrastructure upgrading and the replatting and resale of part of the land. The significant difference between the value of land and the value of the improvements built on it allows them to capture a share in the value added by public investments in infrastructure and services.

Existing and Emerging Challenges

MEWA cities face several common long-term challenges. Foremost among these is the combination of rapid urbanization and demographic trends that are driving the demand for jobs, housing and urban services. The youth bulge is a particularly prominent factor: with 50% of MEWA's population under the age of 25, young people migrate to cities in search of employment and educational opportunities. Meeting the resulting demand for such basic urban services as clean water, sewerage, solid waste management, and transportation will be high priorities as a high rate of urbanization continues for the foreseeable future.

Political unrest and violence has disrupted the response to development pressures over the past decade, especially the wars in Afghanistan and Iraq, the civil war in Syria, and the "Arab Spring" protests. Damaged infrastructure will have to be rebuilt, adding to the costs already incurred by the disruption of the economy and loss of foreign investors. In addition to natural and youth-driven growth, cities have become magnets for refugees.

The greatest environmental challenge to the region is the dwindling water supply. As most areas are arid and receive little rainfall, the supply of freshwater has always been a challenge. Rising demand from growing populations is only increasing the strain on rivers and aquifers, many of which are depleting faster than their natural recharge capacity. Already, many cities in the region ration water consumption, leading to an irregular, intermittent supply that is not reflected in the formal figures that indicate high potable water access rates in the region. Climate change will exacerbate this trend, with drier areas becoming

drier and precipitation events more intense. Natural disasters such as flooding and earthquakes affect the dense populations of cities most severely, and will continue to be a source of concern as urban areas expand. Cities also suffer the environmental and health impacts of inadequately treated wastewater, inefficient solid waste management and vehicle-related air pollution.

Conclusions and Recommendations

MEWA municipalities have gradually been gaining more authority over the provision of basic services and local finances. However, many local governments remain incapable of levying the funds necessary to provide the services devolved to them. Additionally, overlapping responsibilities between national, regional and local governments in service provision have led to uncoordinated activities in several sectors. There is a particular need to adopt coherent spatial plans and land management policies that reduce sprawl and improve services in informal settlements, the fastest growing areas of MEWA cities, and use land-based fiscal instruments to promote the construction of affordable housing.

Major investments are needed in the water delivery infrastructure and sewage treatment networks and facilities. Significant investments are also needed in urban transportation as traffic congestion has reached levels that threaten the MEWA cities' competitiveness. These investments exceed the capabilities and resources of local authorities and are usually undertaken by national ministries, directly or through PPPs.

Tariff reforms may help reduce consumption but will not suffice to finance infrastructure improvements. Cities must leverage the high value of urban land and capture a share of rising values in areas serviced by public investments in infrastructure and services. A key issue will be the ability of cities to leverage urban improvements to promote the creation of local jobs through a combination of outsourcing construction and maintenance contracts to local firms and partnerships with NGOs to improve the quality of services.

Turmoil and civil war have set back the financial decentralization process. Cash strapped governments facing civil strife have opted to keep local finances under strong central control even when such moves deviate from governance laws. This state of affairs may last for an undefined interim period until political stability is restored. Except in Turkey, there is little agreement at this time as to the degree of autonomy that should be granted to local authorities or the financial resources that should be made available to them.