

BRIEFING PAPER

LAYING THE TRACKS

How investment in rail is transforming mobility in the Middle East

JULY 2022



THE MARKET

Multiple factors have affected planned railway schemes across the Middle East and North Africa (Mena) region for more than a decade now. From the Global Financial Crisis in 2008-2009, through to the 2011 Arab Spring and the crash in oil prices in 2014-2015, governments have been forced to scale back spending in the face of budgetary limitations.

The approach, however, has been different for urban transit schemes such as metros. GCC states including the UAE, Saudi Arabia and Qatar have prioritised projects seen as vital to nation building and in preparation for events including Expo 2020 Dubai and the 2022 FIFA World Cup.

But with economists forecasting a brighter fiscal recovery on the back of higher oil prices, it is expected that oil and gas exporters in the GCC can now direct project spending into developments that previously had to be put on the backburner – including long-distance railway networks.

LINES IN THE SAND

The story of rail could not differ more across the region.

In North Africa, nations including Algeria, Morocco and Egypt are home to some of the oldest and longest rail networks in the world, shuttling both passengers and cargo across vast stretches of land.

Faced with the challenges of urban congestion and ageing stock, these countries are now pursuing two options: expanding and upgrading existing networks, and implementing more modern transit systems.

On the other side of the region, Iran boasts the longest railway network, but severely lacks in density. Funding issues, meanwhile, have limited expansion.

In the GCC, the focus has centred on more competitive road transport and urban transit systems.

The oldest operational railway network in the GCC opened in the 1950s between Riyadh and Dammam, but the smaller size of neighbouring GCC states did not justify the need for long-distance transport modes.

According to MEED Projects, rail, met-

ro and tramway projects account for 12 per cent of the value of all transport projects underway in the GCC region, and constitute 32 per cent of future pipeline of transport projects.

After several false starts, work is now underway on the GCC rail network, which involves laying more than 2,000 kilometres (kms) of railway tracks across the six states.

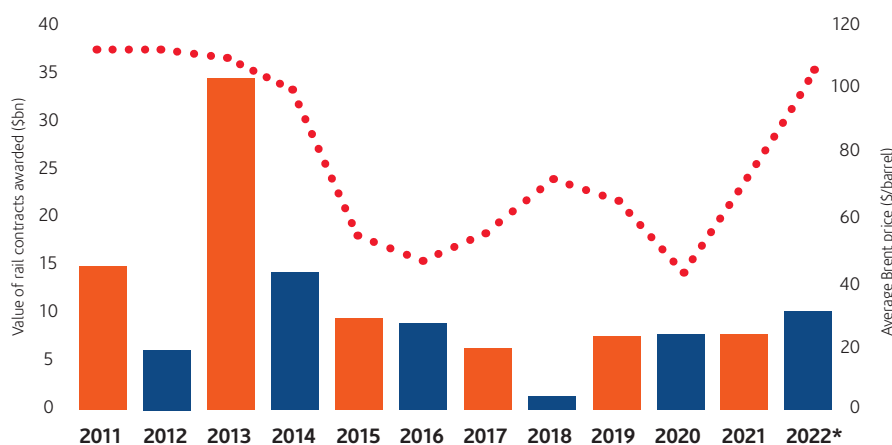
Each nation is responsible for completing their sections of the network, and in December 2021, the GCC Railways Authority was formed to oversee the project. The integrated grid is expected to boost trading across the region, deepen diplomatic ties and enhance cross-border tourism.

But even as individual nations progress with plans, there is little clarity on how these will ultimately link up.

Railways can also support the region's growing sustainability ambitions. According to the International Energy Agency, rail requires 12 times less energy and emits 7 to 11 times fewer greenhouse gases per passenger-km travelled than private vehicles and airplanes.

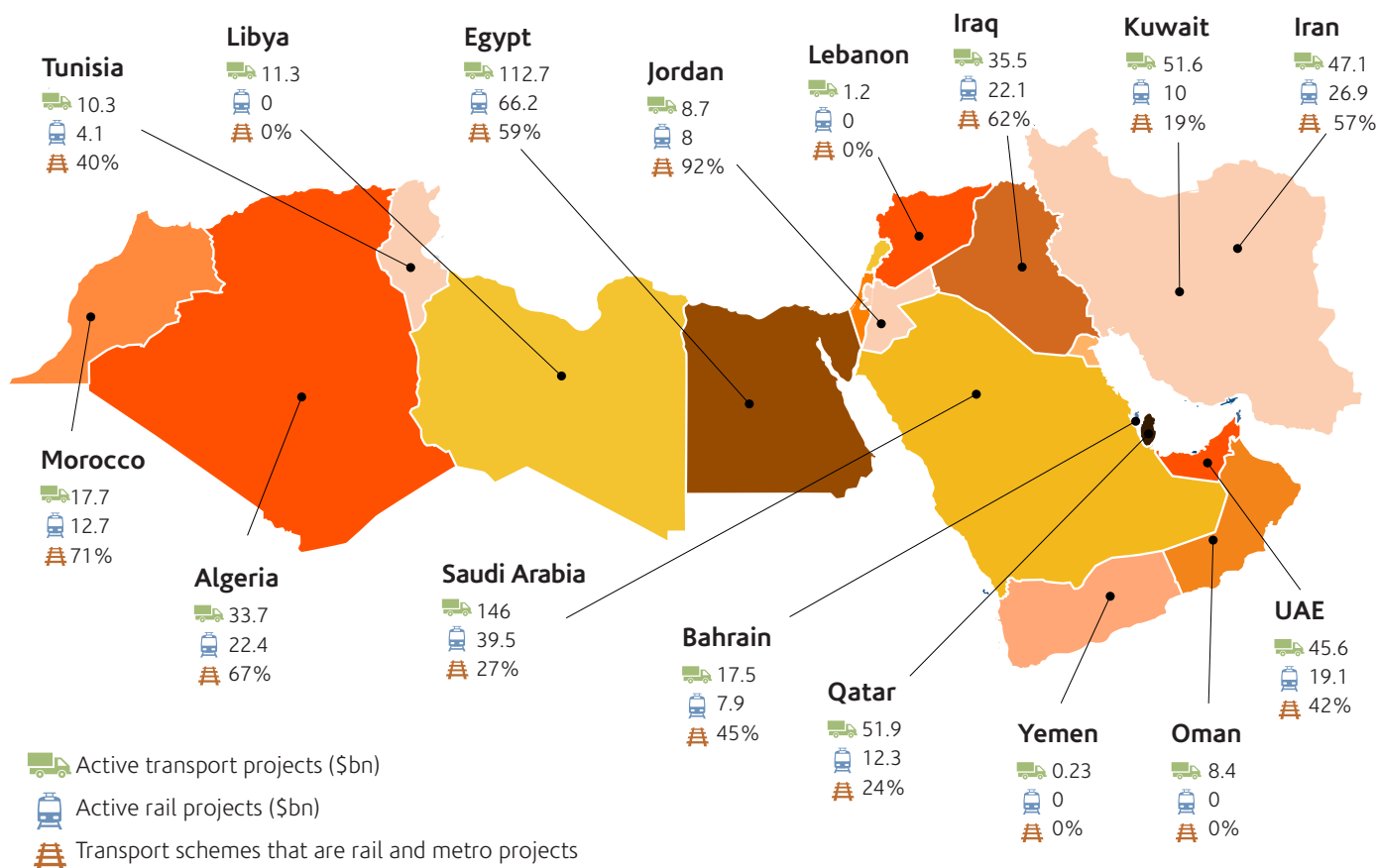
In the GCC, the development of local rail infrastructure is also aiding in another objective defined in national visions – developing in-country expertise – with stakeholders such as Etihad Rail and Saudi Railways Company entering into knowledge-sharing agreements with international partners.

Rail contracts awarded in the Mena region vs average oil price between 2011-2022



*= estimates; Source: MEED Projects, KAPSARC Data Portal

Transport in the Middle East and North Africa




Source: MEED, MEED Projects

INDUSTRY OUTLOOK

Investments in railway infrastructure are gathering speed across the Mena region, led by Saudi Arabia and Egypt

ALGERIA


 Despite having one of the oldest and most extensive railway networks in the region, legacy economic and political challenges in Algeria's construction and transport sectors have affected the speed

with which schemes come to the market.

Data from MEED Projects highlights that \$5.4bn worth of rail projects are underway in Africa's largest country, while nearly \$17bn are in the pipeline. These also include duplication of tracks and electrification of existing systems.

A major project underway is the \$3bn phase 2 expansion of the Algiers Metro line, which involves extending the network by 37kms and 38 metro stations.

BAHRAIN


 The kingdom remains in the initial stages of its public sector transport strategy and is studying the feasibility of different transport modes. One scheme actively proceeding is

the 109-km long Bahrain Metro, which is slated to be delivered under a public-private partnership (PPP) model.

In May 2022, the transport ministry announced a list of prequalified companies for the project, which includes regional and international developers.

The project is part of the kingdom's \$30bn Strategic Projects Plan that includes building new urban areas on five reclaimed islands to increase total land area by 60 per cent.

EGYPT

 When it comes to rail projects, efforts in Egypt have centred around both green-field developments, as well as modernisation of existing stock. Egypt

OMAN



Oman's transport ministry announced plans for a high-speed national railway network in 2008, which would connect its ports and be integrated with the GCC network. However, the 2014 oil price collapse put extended brakes on the project, and as of June 2022 it remains on hold.

A Mineral Railway project is currently under study to support the transportation of over 30 million tonnes of minerals from sites in Al Wusta and Dhofar governorates to processing plants and export hubs. Authorities are reviewing the project's potential as a PPP.

QATAR



Plans have been revived for the proposed 550km rail link connecting Riyadh and Doha. Initiated before the diplomatic dispute between Qatar and other GCC states in 2017, the high-speed rail project was brought back to the table in early 2022.

As of June, consultants have submitted bids to study the feasibility of using magnetic levitation (maglev) or other technologies for the network.

Meanwhile, Qatar Rail is planning tender extensions for Doha Metro's Red, Gold and Green Lines. The project is still in the early phases and preliminary works are not expected to start until 2023.

SAUDI ARABIA

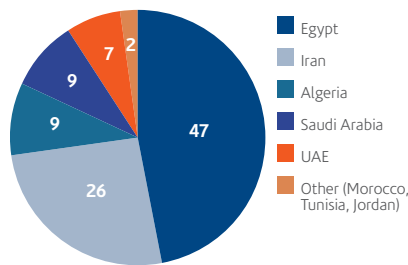


Saudi Arabia is the largest projects market in the Mena region when it comes to railways. The kingdom expects to attract \$146.6bn of investments in railways, airports, and sea-ports by 2030 through a transport and logistics strategy launched in June 2021 by Crown Prince Mohammed bin Salman to strengthen the country's position as a logistics hub.

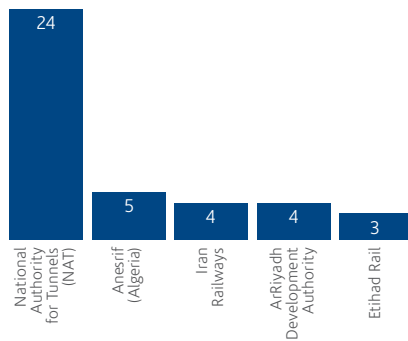
Railways are expected to grow by an estimate 8,080kms in this period. This includes the \$7bn Saudi Land

RAIL PROJECTS IN THE REGION

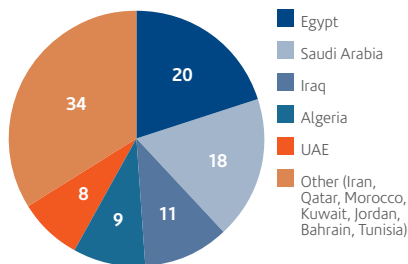
Value of projects underway (\$bn)



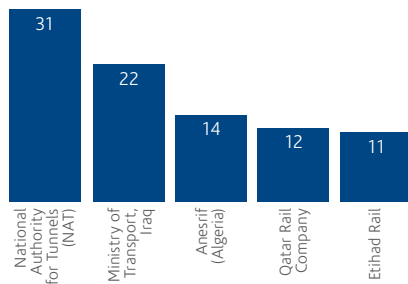
Top 5 owners by the value of projects underway (\$bn)



Value of projects planned (\$bn)



Top 5 owners by value of projects planned (\$bn)



Source: MEED Projects

Bridge project to connect the country's ports on the Red Sea and Arabian Gulf, through the construction of 950kms of new line between Riyadh and Jeddah, and another 115km of track between Dammam and Jubail.

Neom is meanwhile undertaking a \$4bn high-speed rail scheme for The Line project, which will include both passenger and freight services.

Work is also underway on the North-South rail project by Saudi Railway Company, which includes the railway network in the Jubail Industrial City and links Jubail to Ras al-Khair and Dammam.

The kingdom has the most extensive railway system as well as the only passenger network in the GCC, and is integral to the cross-regional network. Its existing system serves passengers and freight across a track length of 5,330km, of which 450km is the Haramain high-speed railway, linking the holy cities of Mecca and Medina.

UAE



The UAE's operational railway network may be among the least sizeable in the Mena region, but its appetite outpaces many of its contemporaries.

In December 2021, the UAE introduced a \$13.6bn railway programme, as part of its Projects of the 50 initiative. It involves linking railway and other transport modes across the country, enhancing both logistics and passenger travel, as well as creating a long-term innovation hub. The programme is expected to create nearly \$55bn worth of economic opportunities in the coming years.

Phase 1 of Etihad Rail has been operational since 2016 and work was kicked off on the second phase in 2020. When completed, phase 2 will enable passenger travel across 11 cities from Abu Dhabi to Fujairah, by increasing the total network length to 1,200km. Nearly 75 per cent of phase 2 is complete and in June, the developer announced that the first passenger station will be located in the Sakamkam area of Fujairah.

has the oldest railway network in the region, but has faced enormous challenges in recent years with dilapidating stock and surging population growth.

A critical development is the High-Speed Rail network. Fully electrified trains will run across a network planned in three phases: a 660km line linking Ain Sokhna to Alexandria and Marsa Matrouh; a roughly 1,100km link between Cairo and Abu Simbel; and a 225km stretch between Luxor and Hurghada.

Another significant project is the Cairo Metro expansion project, which includes the phased construction of a 45km underground metro line.

Egypt's rail projects also continued to attract international project finance in 2021. This included South Korea's Economic Development Cooperation Fund committing nearly \$252m to finance the upgrade of the traffic signals on the Luxor-High Dam line; and Japan International Cooperation Agency providing \$2bn to fund phase 1 of Cairo Metro's Line 4.

IRAQ



In 2010, Iraq said it was planning \$60bn-worth of railway projects to connect the Gulf to Europe through Syria and Turkey. Baghdad's plans were derailed in 2011 when the civil war began in Syria, and were further challenged in 2014 when Islamic State rebels took control of territory

in northern Iraq and southern Syria.

Those plans may be revisited as the GCC restarts its rail project, the security outlook in Iraq stabilises and relations between the GCC and Syria improve. Reconstruction efforts have picked up pace over the past 12 months, with transport projects being prioritised by the government to draw investors, stimulate the local economy and generate revenues.

KUWAIT



The Kuwait Authority for Partnership Projects (Kapp) took on responsibility for the planned Kuwait Metro and the national rail project in 2015, but little progress has been made on both developments.

The national rail project has been delayed by uncertainty over the GCC network and funding issues.

If initiated, both the national rail network and Kuwait Metro are expected to be delivered under a PPP model.

JORDAN



Global economic conditions continue to wreak havoc in Jordan, with the rise in commodity prices due to the war in Ukraine compounding pre-existing fiscal and social pressures. Amman faces current account

and fiscal balance deficits without any near-term end in sight. Over the past two years, the kingdom's public debt has climbed from 78 per cent of GDP to a perilous 92 per cent of GDP.

An estimated \$3bn national railway cargo network has been repeatedly stalled in Jordan due to funding issues, even as talks were revived in 2021 with financiers and investors from China, India and Europe. The network is slated to connect Amman to Syria, Iraq, Egypt and Saudi Arabia, delivered across multiple phases.

MOROCCO



In January 2022, Moroccan transport minister Mohamed Abdeljalil announced plans for a \$12bn extension to the high-speed rail line between Tangier and Casablanca. Financed under a PPP model, the line would be extended to Marrakech and further to Agadir.

In line with Morocco's National Energy Strategy, the Al-Boraq trains running on the existing line are now partially powered using green energy, with the aim of reaching 50 per cent clean energy consumption by 2023.

Work is also underway on an 81km tramway line in Casablanca, which will help improve congestion issues in Morocco's most populous city.

Length of operational rail, metro and tram networks in the Mena region (approximates)

COUNTRY	RAILWAYS	METRO	TRAM
Algeria	4,620km	18.5km	82.5km
Egypt	9,570km	75km	32km
Iran	16,998km	315km	-
Iraq	2,032km	-	-
Jordan	622km	-	-
Morocco	2,200km	-	73km
Qatar	-	76km	28km
Saudi Arabia	5,000km	18.1km	-
UAE	226km	75km	14.6km

Does not include projects under construction; Source: MEED, MEED Projects, regional government databases

About MEED

MEED has been integral to delivering business information, news, intelligence and analysis on the Middle East economies and activities for over 60 years.

Attracting a key senior management audience through its content and activities, MEED is a media brand, publication and data business that covers a spectrum of services which inform, engage, connect and ultimately support our subscribers and partners in their business development and strategic growth.

Acquired by GlobalData Plc in December 2017, MEED is now part of one of the largest data and insights solution providers in the world with the capacity to build global communities for our clients.

Our purpose is to support the region's companies make better and more timely decisions through our innovative data solutions and grow through our comprehensive and world-class marketing solutions. To find out more email: info@meed.com

About Mashreq

Established in 1967, Mashreq is the oldest bank in the UAE, with award-winning financial solutions and services.

Throughout its 50 years' history, Mashreq has differentiated itself through innovative financial solutions, making it possible for its customers to achieve their aspirations.

Today, Mashreq has a significant presence in 11 countries outside the UAE, with 21 overseas branches and offices across Europe, the US, Asia and Africa.

Mashreq launched its new Vision and Mission recently, outlining its commitment towards its clients, colleagues and

the community. In line with its vision to be the region's most progressive bank, Mashreq leverages its leadership position in the banking industry to enable innovative possibilities and solutions for its customers across corporate, retail, international, treasury and Islamic banking.

Mashreq is proud to be the first financial institution in the UAE to be awarded the Gallup Great Workplace Award for four consecutive years from 2014-17.

Mashreq also continues to invest in recruiting, training and developing future generations of UAE national bankers.

Disclaimer: The information provided in this report is solely for educational purposes and does not indicate the Bank's business undertakings. Mashreq Bank complies with all international sanctions and regulations as instated by the jurisdictions it operates within.

You may not copy, reproduce, distribute, publish, display, perform, modify, create derivative works, transmit, or in any way exploit any such content, nor may you distribute any part of this content over any network, including a local area network, sell or offer it for sale, or use such content to construct any kind of investment. Mashreqbank PSC is regulated by the Central Bank of the UAE.