Progress towards achieving the LTDP goal in relation to the outputs – RMF main achievement, lessons and challenges (2004-2007)

Summary of RMF Achievement over the LTDP period (2004-2007)

Operational Second Generation Road Funds

- There are 27 active road funds and four new road funds established during the plan period: Senegal, DRC, Burkina Faso and Uganda
- Eight countries restructured road funds: Gabon, Benin, Madagascar, Niger, RCA, Malawi, Zambia and Sierra Leone
- New road funds under establishment in Swaziland

Autonomous Road Agencies/Authorities

- There are 12 road agencies and five new road agencies established: Mali, Madagascar, Gambia, Uganda and Zambia
- Four countries restructured road agencies: Senegal, Zambia, Malawi and Sierra Leone
- New road agencies under establishment in Ghana, Kenya, Rwanda and Swaziland (study underway for Cameroon)

Capacity Building and Training

- RMF courses ran for 4 consecutive years in Paris and Birmingham benefiting over 300 participants. Outcome? E.g. knowledge in
- Africa-based RMF courses launched in Nairobi and Ouagadougou benefited 70 participants
- Workshops on LVSR and RED held in Mali, Nairobi and Accra for about 175 participants
- SSATP module introduced to a transport postgraduate course at the University of Yaoundé

Strengthening Road Sector Regional Associations

- The African Road Maintenance Funds Association, ARMFA's membership has increased from 16 to 26 members.
- ARMFA is recognized by major road sector organizations (AIPCR and IRF) and its Permanent Secretariat is being established and sustained.
- SSATP partnership with ASANRA entered by a MOU and joint Work program under discussion
- Support to AGEPAR provided through knowledge sharing;
- Partnership with AFRICATIP is planned
- Agreement reached to transfer some SSATP-led activities to regional road associations and

All the RMF outputs feed directly into the LTDP logical framework results 3 category: Sound Institutional and Financing Strategies. In many cases the activity arrangements required the participation of key stakeholders clearly focusing on establishing sustainable mechanisms for financing road maintenance and on improving the efficiency of road management. This report highlights SSATP output deliverables and summarizes the achievements in the road industry. It further discusses lessons learnt from the implementation of the LTDP and points to challenges that the DP2 would need to focus on.

Achievements (outcomes)

Governance: The results of financial audits of road funds indicate that, in general, funding arrangements are more transparent than in the past. The time period for paying the undisputed contractors' bills varies from 5 to 90 days with an average time of **32 days**. For comparison, the time difference between the budget and road maintenance cycles in Burkina Faso, which has not established a road fund as yet, is currently around nine months and delays for paying contractors bills have reached one year.

Financial Autonomy: An increasing number of road funds now have considerable financial autonomy. About 80% of the road funds raise most of their revenues from road user charges and most of the proceeds are channelled directly to their bank account without going through the state treasury.

Sustainability: Road funds have secured a more stable and predictable flow of funds for road maintenance. The results of the survey on road funds performance indicators show[1], on average, that road funds have an amount of **two months** equivalent of road maintenance works as a minimum amount of cash available in their bank accounts. This offers a security margin to meet disbursement needs, although it does not imply that they raise enough revenues to meet maintenance needs. The reported fact of about **one third** of countries meeting routine maintenance needs on a regular basis is, nonetheless, a large improvement 5 years ago.

Impact on Industry: Road funds provide a basis for the development of local small-scale contractors (e.g. around **2,000** local contractors have been promoted in rural Tanzania since the inception of the commercialization of roads).

Better Planning: Overall, the road maintenance needs are becoming more visible. The creation of road funds has sustained a stable flow of funds for road maintenance. This should not imply that road funds raise sufficient revenues to meet all the assessed demands for maintenance but

Lessons and Challenges

Significant progress has been made to advance road sector reforms under the LTDP (2004-2007. The move towards full commercialization of road management is however still facing the following challenges:

[1] Benmaamar M: Financing of Road Maintenance in SSA: Reforms and Progress Towards Second Generation Road Funds, SSATP Discussion Paper No 6, September 2006.

- **Assessment on a case-by case basis:** The performance of second-generation road funds cannot be assessed solely by reference to a priori theorizing but instead must be approached on case-by-case in light of local context and particularly on existing fiscal arrangements. Country progress varies widely and, although a country might have established a road fund, this does not necessarily mean that it is either fully efficient, or fully autonomous. Several road funds were poorly designed and are far from meeting second generation road funds conditions. This partially explains numerous structural problems that undermine their performance.

- **Autonomy**: More autonomy is one of the cornerstones of a more commercial approach to road management and financing. Road fund and road agencies managers cannot behave commercially until they are able to operate without interference in day-to-day management. The first step to achieve this is usually to amend the road sector legislation to enable the road fund and road agency to operate at arm's length from government.

- **Road User Charges based principally on fuel levy**: Fuel levy is the principal means of raising road user charges. Graph 3 shows that the level of fuel levy (in Cents/liter) varies significantly from a country to another and the average Fuel levy in US cents/liter is currently 8 and 7 for petrol and diesel respectively. Studies carried out, inter alia by RMI, suggest that fuel levy would not normally be less than US 10 cents per liter to meet all maintenance needs – and for Sub Sahara Africa the average is probably much higher at about US 13 cents per liter. Very few countries have reached this level (Chad and Namibia) and although a majority of (11) countries report fuel levy at US 8 cents per liter or better, this is not enough in most cases to meet routine maintenance needs.

- **Need to diversify road fund resources:** For nearly half of the countries (15), road user charges account for 80% or more of revenues but few countries still rely on general budget to raise more that 50% of their revenues (Ethiopia, Mali, Benin and Gabon). Fuel levy has normally been the most important and consistent source of user funding, though the returns from the countries suggest that efforts to diverse towards, for example to vehicle license fees, transit fee, road tolls and axle load charges, are having some effect.

- **Road Fund as a purchaser not a provider of services:** There are a number of countries particularly in Anglophone Africa where the road fund board cumulates both oversight and executive powers. These road fund boards are also responsible for managing the national road network (e.g. Zambia and Kenya). This has created a conflict of interest and both countries are undertaking reforms to establish separate road agencies and transform their road fund board into a separate road fund administration. Most countries are now reviewing their institutional arrangements to separate the financing from the management and implementation of road works.

- **Weak oversight:** The average size of road fund boards 12 members though that in only 12 cases is the private sector representation in the majority. There are not many examples of effective oversight boards. The board members have generally a weak understanding of second generation road funds principles, particularly among private sector representatives. This place them in a disadvantaged position for advocating their constituents interests and needs. The SSATP is contributing to fill this knowledge gap through training new road fund board members to better fulfill their role and responsibilities.

- **Allocation of funds:** About half only of the countries use road management systems for the prioritization of maintenance work programs of main road networks. The majority of countries however are using formulae to allocate funding between main, rural and urban roads. Countries allocate on average about 60% to main, 18 % to rural and 15% to urban roads. In not all cases are road funds obligated to fund maintenance on all parts of the road network. Six road funds allocate no funds for rural roads while all allocate funds to urban roads except Burundi.

  - **Managing and financing rural roads**: Road funds allocate on average about **18 percent** of their revenues to rural and **15 percent** to urban roads. An increasing number of road funds are allocating up to **one third** of their revenues to the maintenance of rural roads (e.g. Ghana, Kenya, Namibia, Rwanda, Tanzania and Zambia). No clear mechanisms for managing and financing rural roads has emerged which based on an effective involvement of local governments.

- **Finance is not enough.** The road fund is a means to an end and not an end in itself. The assessment of road sector reforms should not assessed solely on the road fund performance. This requires a comprehensive evaluation of both financing and management institutions and practices. **Unless a consistent effort is made to improve the other three pillars of the Road Maintenance Initiative - Management - Responsibility and Ownership, the road funds initiative in SSA will be at risk.**

Output-Based Contracting vs. Execution Capacity: The creation of road agencies has lagged behind the creation of road funds, but the pace of change has recently started to increase such that 16 countries[2] have this in place (including South Africa). The capacity and effectiveness of implementing agencies have developed least rapidly, though there are signs of progress resulting from increased security of finance on a multi-annual basis to maintain continuous

[2] Angola, Cape Verde, Côte d'Ivoire, Ethiopia, Ghana, Malawi, Mali, Mozambique, Namibia, Senegal, Sierra Leone, Sudan, South Africa, Tanzania, Zambia and Zimbabwe

work programs and particularly in respect of governments and private sector contracting capacity

It is worth noting that most road agencies and departments contract out **80%** or more of maintenance works. Output based maintenance contracts in SSA are gaining pace since the first pilot project was put into place in Chad in 2004. There are currently a **dozen**[3] countries that are experiencing or are about to engage in these innovative contracts and this number is likely to increase further in the coming years with the increase of managerial capacity of local contractors. Meeting the increasing pace of Output maintenance contracting raises numerous challenges related to execution capacity.

[3] Chad, Cape Verde, Tanzania, Madagascar, Mozambique, Burkina Faso, Zambia, Rwanda, Kenya, DRC and Nigeria.