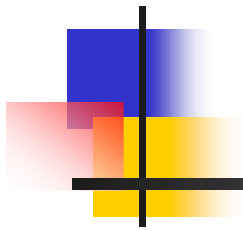


Road Funds in Africa – Comparative Experiences



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Organization of Presentation

- Principles accepted
- Practice extended
- Results anticipated
- Outcomes to date
- Constraints encountered
- Challenges for Road Funds in Africa



Principles accepted (1)

- Prioritize (routine) road maintenance
- Raise (incremental) road user charges
- Involve road users in decision making
- Commercialize road management
- Establish high standards of governance ...
... leading to ..
“Second Generation” Road Fund seen as a
valid, permanent solution



Principles accepted (2)

Features of the “Second Generation” Road Fund:

- Sound legal basis

- Strong oversight

- Separately and independently managed

- Clear procedures – allocation, setting and adjusting charges

- Independent audit

- Disclosure of results



Principles accepted (3)

Gwilliam and Kumar (2003):

“ .. Evidence on new road funds in Africa .. finds that they have not undermined fiscal flexibility. Moreover, they have improved administration of road funding (in terms of execution capability) and its outputs (in terms of road conditions)



Practice Extended (1)

RMI review of 27 countries – Policy Reform matrix:

22 have established “second generation” road funds

20 have mixed public-private boards in place ...

... of which however only 9 have a private sector majority



Practice Extended (2)

Of the 27 reporting countries:

14 indicate 80% or more of resources come from road user charges

10 report these charges are directly channeled to the Road Fund

Only 8 indicate routine maintenance needs are wholly or largely covered

Footnote – 9 countries report independent road agency established



Results anticipated

Four principal areas:

Underfunding of road maintenance addressed

Efficiency of resource use increased

Efficiency of resource allocation enhanced

Impact on road quality evidenced



Outcomes to Date (1)

Underfunding of maintenance

“ .. Underfunding has been reduced but it remains a serious problem ...”

Review causes of underfunding – fuel levy not adjusted, vehicle taxes not collected

Review maintenance funding needs – impact of holding/emergency maintenance

How are road user funds actually being utilized
USc3 to 8 cents/liter being raised now



Outcomes to Date (2)

Efficiency of resource use

“.. Despite limitations [inadequate capacity of maintenance providers], maintenance costs have been reduced.”

Evidence suggests 10-20% unit maintenance cost reductions possible (Ethiopia, Ghana, Zambia)

Key success factors – predictability of funding, supply of contractors, availability of maintenance management systems



Outcomes to Date (3)

Efficiency of resource allocation

“ .. Contractors have become better able to absorb allocated funds..” but

“ in practice resource allocation continues to be driven by standard formulae rather than planned reviews of programs put forward ...”

Disbursement bias towards main, urban roads

Rural allocations assume some cross-subsidization, but resources not always absorbed



Outcomes to Date (4)

Impact on road quality

“... long term declines in road quality have been arrested and in some countries significantly reversed.”

Evidence of improvements from Ethiopia, Ghana and Zambia – 3 to 4% per annum

However improvements skewed towards main, urban roads



Constraints Encountered (1)

- Fuel levy assessment and adjustment process
- Diversification to other road user charges
- Release of resources to the Road Fund – delays, leakages
- Moneys not always devoted to maintenance
- Disbursement of funds
- Vehicle overloading
- Contracting capacity and supervisory management



Constraints Encountered (2)

An interim conclusion, i.e.:

Supportive role of government is still crucial for “second generation” road fund to meet objectives. High country demand for technical advice and management tools for reform “advocacy”

Issues include:

- competing uses of public funds;
- prioritization of road expenditures;
- interference in decision making.



Challenges for Road Funds in Africa (1)

OVERALL

- Making the case that roads are different
- Gaining and keeping allies in key ministries
- Clearly and consistently demonstrating impact on the ground



Challenges for Road Funds in Africa (2)

INSTITUTIONAL

- Mobilize road users and stakeholders more effectively – influence decision-making
- Stay the course on “second generation” principles – the right direction to take
- Develop and fully utilize advocacy tools – commercial management



Challenges for Road Funds in Africa (3)

FINANCIAL

- Ensure equitable distribution of user charges
 - particular regard to heavy vehicles
- Take the lead on policies for financing rehabilitation and emergency works
- Right sizing the network for road user financing with due regard to basic access