

Dedicated Road Financing Lessons and Challenges

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Dedicated Road Financing Lessons and Challenges

- Summary of Presentation
 - Microeconomic Rationale
 - Necessary Organizational Conditions
 - Commercialization: the Heart of the Matter
 - Function of Second-generation Road Funds
 - Creating Second-generation Road Funds
 - Sustaining Second-generation Road Funds

Dedicated Road Financing

Lessons and Challenges

- Microeconomic Rationale
 - Efficient and effective delivery of public services by:
 - Commercialization whenever feasible and autonomous Agency delivery otherwise
 - Having autonomous Agencies delivering on a performance basis under hard budgetary constraints
 - Delegating managerial autonomy and accountability to Agency management, and disengage it from civil service wage restrictions

Dedicated Road Financing Lessons and Challenges

- Necessary Organizational Conditions
 - Governance free from political interference
 - Management Boards genuinely representative of consumer (not producer) interests
 - Measurable outputs and performance indicators, including for running costs

Dedicated Road Financing

Lessons and Challenges

- Commercialization: the Heart of the Matter
 - Separation of the purchasing function from supply and monitoring
 - Ensure that management of road financing, e.g.
 - ...
 - Setting-up the level of the road fee
 - Allocating the proceeds of the dedicated revenues
 - Selecting expenditure priorities on a B/C basis
 - ... is split from the provision of road works and services, and that ...
 - ... performance is independently monitored

Dedicated Road Financing Lessons and Challenges

- Function of Second-generation Road Funds
 - In order to capture the full benefits to users, second-generation road funds should be financing mechanisms and not executing agencies ...
 - ... otherwise, we shall be going back to first-generation road funds, e.g. off-budget earmarking of funds to road expenditures

Dedicated Road Financing Lessons and Challenges

- Creating Second-generation Road Funds has been easier when
 - Government is committed to improved road condition
 - A specific road fee allows for the mobilization of additional revenue
 - Fuel prices do not get out of line with neighboring countries
 - Users and beneficiaries are deeply involved in the process

Dedicated Road Financing Lessons and Challenges

- Sustaining Second-generation Road Funds:
 - Clarify legal executive powers of user-dominated Road Boards
 - Balance revenues with capacity to execute the works
 - Use independent performance auditing to monitor flow of funds, and the quantity, quality, and cost of road works
 - Show results on the ground, and disseminate through mass-media