Africa Transport Technical Notes

Sub-Saharan Africa Transport Policy Program (SSATP) Road Management Initiative (RMI)
UNECA and The World Bank

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Road Sector Reform: A Tale of Two Countries (Part 3) Impact and Lessons

There is no sufficient historical perspective nor similarities by which to compare the Ghanaian and Burkinabe experiences. Burkina Faso's reforms are more structured and planned, while Ghana's more complex political and economic history have had greater influence on road sector reforms than any attempt at advance planning. Yet many African countries find themselves in situations somewhere between those of Ghana and Burkina Faso. Their choice of path towards reform depends largely on their condition of the roads, the state of their public road-management institutions, the capacity of their private sector, the government's own policies and policy objectives, and the financial resources available to them from their budget and from donors.

Why Reforms?

Burkina Faso and Ghana have both undertaken extensive road sector management reforms (for more detailed description of these processes, see Africa Transport Technical Notes Numbers 6 and 7, March and April 1997). The process in both cases was partly an outcome of complex internal politics and conditionalities for external assistance. But the most pressing reason for road sector reforms was the abysmal condition of the road network.

Ghana inherited an excellent road network at independence from the British in 1957. Four years later, drastic budget cuts began to affect the condition of its roads. By the 1970s, most of the road 22,000-kilometer network had deteriorated to poor condition. This situation was made worse by the multiplicity of organizations responsible for road maintenance. Burkina Faso, a poor landlocked country, has fewer roads in a network totaling about 12,500 kilometers but, like Ghana, these roads suffered serious neglect, and by the end of the 1980s most of their network, too, was in poor condition.

This note, Part 3 of 3, is based on a dissemination report prepared by Sam Mwamburi Mwale for a study tour undertaken by a Kenyan delegation to Burkina Faso and Ghana in June 1996. Mr. Mwale is a policy analyst with the Policy Research Group in Nairobi.

This series is intended to share information about issues raised in various SSATP reports. The views expressed in the paper, and in this note, are those of the author, and do not necessarily reflect the opinions of the World Bank Group,UNECA, or any of the RMI stakeholders.

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A Roads Ministry

Ghana's Ministry of Roads and Highways has provided a viable model for countries that wish to raise the political profile of road sector reform. Cabinet level representation is always a bonus to reform efforts, particularly in circumstances where road sector issues might otherwise be unable to wield sufficient political clout. This is not, however, a necessary condition for road sector reforms. The roads sector is only one part of the Ministry for Infrastructure, Housing and Urban Development in Burkina Faso. Yet, the recent reforms appear to have as high a political profile as those in Ghana.

The lesson to be concluded from these two very different circumstances, therefore, is that it is the political commitment to road sector reform that is paramount. The reform process should therefore focus on garnering strong political support, in addition to finding more favorable institutional arrangements.

A Road Fund

Several African countries, including Ghana, have road funds. Although Ghana's road fund has been in place for more than ten years, it has not been able to create the basis for sustainable road maintenance financing. The levels of financing, even after currency devaluation and other exogenous factors are accounted for, have been relatively unstable, fluctuating from year to year. In order to arrest this trend, the government has agreed to increase the fuel levy significantly over the next five years. The levy rose from 1.6 US cents per liter in 1995 to 4 US cents per liter in 1996. The levy will rise to 6 US cents per liter in 1997, 8 US cents per liter the following year, and to 10 US cents per liter in the year 2000, which should be sufficient to maintain the entire road network.

Getting the Ministry of Treasury to agree on this graduated path to sustainable financing was a significant accomplishment, and required considerable political skill and goodwill within the Ghanaian government. For example, so as to avoid passing all of the proposed increases directly and immediately on to the consumer, Ghana's Treasury agreed to cede some of its other excise revenues to the road fund, so that overall fuel taxes remain at basically the same level, even as the proportion of the fuel levy designated for the road fund rises to six times its 1995 level by the year 2000.

Another key lesson to draw from the Ghanaian experience is that having a fund in itself is not sufficient to ensure sustainable road maintenance financing. The creation of a board overseeing the fund, with sufficient authority and autonomy, is essential to reduce the possibility of "raids" on the fund by other government offices.

Despite having these funds, significant portions of Ghana's road network are still in poor condition. The fact that their road fund is able to only partly fund the required maintenance is actually typical of most road funds, and in Ghana's case, the gap is currently being financed by budgetary allocations and donor financing. Ghana appears to have an adequate plan for achieving sustainable financing by the year 2000. In contrast, Burkina Faso is able to finance virtually all the maintenance required to keep its roads in good condition without a dedicated road fund.

Therefore, while having a road fund is useful, it is not sufficient to achieve sustainable financing or good roads. Having said this, the advantage of road funds is that if the political commitment to sustainable maintenance financing can be made and kept, they are probably a more secure source of funds in the longer term than a line item in a government budget.

Creating local contractor capacity

In order to create a viable local private contracting sector, governments must nurture new firms by providing training, designated contract awards, and specially "priced" equipment (through lease-purchase agreements, for example) and financial support. The most critical weaknesses in many small and medium-sized enterprises are the lack of equipment and technical expertise. Ghana and Burkina Faso have pursued quite different routes in assisting their emerging private sector contractors. Through its four-year equipment financing scheme, Ghana sells its small- and medium-sized enterprises affordable equipment, and then guarantees them four years of minimum contracts in order to enable the enterprises to repay the loans. Burkina Faso's Société de Location du Materiel (SLM) has provided publicly acquired equipment for lease by any small- and medium-sized enterprise.

Both methods have advantages and disadvantages. Ghana's scheme has the advantage of creating a cadre of equipped and experienced small- and medium-sized contractors at the end of four years. The disadvantage is the relatively high cost of the scheme, which by necessity limits the number of participating firms. The Burkina scheme allows for wider coverage of participating small- and medium-sized enterprises at lower cost. The drawback is that it does not necessarily equip the firms at the end of any given period.

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Each of these structures may have advantages for other African countries that find themselves in similar situations. If a country's objective is to equip local firms with skills, experience and equipment, and if there is sufficient financing available, Ghana's route would probably yield better results. If the objective is to equip local firms with skills and experience, but there are resource constraints on assisting with the purchase of equipment, Burkina's route provides a viable option.

Incorporation of Public Property

Burkina's approach seems to have worked quite well for a small economy having limited resources. It may be one of the best alternatives for small, poor countries that have underdeveloped private sectors, small equipment pools, and small road networks. It may also be applicable to countries with large road networks, thousands of government-owned pieces of capital equipment, and a large or dynamic private sector. However, Burkina's system provides a useful transitional phase from force account and government ownership of capital equipment, to full-fledged private sector ownership and contracting.

Financial and Technical Auditing

External financial and technical auditing appear to improve accountability, the quality of work done, the quantity of work completed, and the timeliness of work, at a relatively low percentage of the total budget. When this type of auditing complements regular government audit procedures, and is used to monitor and evaluate management as well, this type of auditing is very useful. However, the procedures should be firmly institutionalized beyond the life of donor projects, in order to ensure its long-term effects on sustainable road sector management reform.

Government Commitment to Long-term Reform

The most significant impact of road sector reform in both Ghana and Burkina Faso has been the governments' commitment to long-term road sector improvements. In Ghana, the projected increase in fuel tax, together with draft legislation and institutional reforms, underscore the government's commitment. In Burkina Faso, the successes of the SLM have been the most visible indicators of the level of the government's commitment to reform.

Road Management Initiative

The RMI was launched in 1988 by the United Nations Economic Commission for Africa (UNECA) and the World Bank, under the auspices of the Sub-Saharan Africa Transport Policy Program (SSATP). The countries taking part in the RMI are Cameroon, Kenya, Madagascar, Rwanda, Tanzania, Uganda, Zambia, and Zimbabwe. Others receiving assistance from the program include Benin, Ethiopia, Ghana, Lesotho, Malawi, Mozambique, and Togo. RMI is administered by the World Bank's Africa Region, and is co-financed with the governments of Denmark, France, Germany, Japan, the Netherlands, Sweden, Switzerland, and the European Union. France, Japan and Norway provide senior staff members to work on the Program.