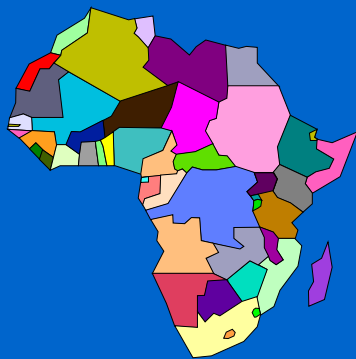


# Framework for Assessment of Road Funds in Africa



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# The Context

- ✦ Inadequate Institutional Capacity for Road Management
- ✦ Insufficient Financing Availability for Road Maintenance
- ✦ Emergence of «Second Generation» Road Funds
- ✦ Sufficient Implementation Experience for Preliminary Assessment



## Elements of «Second Generation» Road Funds - Management

- There are clearly defined legal/executive powers of user dominated Roads Board
- Roads Board serves as procurer of services rather than as service provider
- Roads Board is representative of consumer interests and is run on sound business lines
- Governance is free from political interference
- (Autonomous) road agencies deliver on a performance basis under budget/program constraint provided by Roads Board



## Elements of «Second Generation» Road Funds - Financing

- 💧 Is funded by user charges identified separately from general taxation
- 💧 Revenues are paid directly into Road Fund managed by Roads Board
- 💧 Security of revenue stream and designated allocation of expenditure is assured
- 💧 Roads Board focuses on road financing management rather than on works provision
- 💧 Independent monitoring of performance is provided for - flow of funds; quantity, quality and cost of works



## Suggested Audiences for an Assessment

- 👥 Macroeconomists - confirm workability of general principles; address residual skepticism on i.e.: Road Fund accountability, inflexibility of budget management
- 👥 World Bank task leaders - demonstrate how well (or not) Road Funds have performed in practice (rather than in theory); determine long run utility/generalization of these arrangements
- 👥 Client country managers - increase awareness of what has worked (and what hasn't); develop the strategic basis for improvement in finance, operations in medium term.



## Four Anglophone African Cases

- ✧ Why these four?
- ✧ All four have independent Roads Boards managing a Road Fund - though operational for varying period of time
- ✧ ... but there are differences...
- ✧ Two have statutory road authorities in place, two do not
- ✧ Only one has started to decentralize management for rural/district roads
- ✧ Two appear to now (nearly) have adequate resource base for the Road Fund, two do not



## Questions to be asked - Institutional and Management Structure

- ❧ Does the structure of these Roads Boards facilitate professional management and adoption of sound business practices?
- ❧ Do these Roads Boards have adequate representation of road users and civil society stakeholders and does this encourage better management and efficiency and safeguard against abuse of power?
- ❧ Do these Roads Board possess a firm legislative basis as well as clear terms of reference for operations?



## Questions to be addressed - Processes

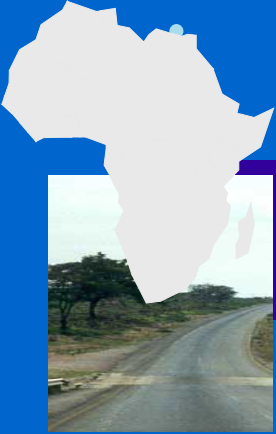
- ❖ Adequacy of financing - have these Road Funds succeeded in securing an adequate flow of funds, e.g. in terms of adjustment of financing in real terms, or in terms of reaching a percentage share of estimated maintenance requirements?
- ❖ Stability of financing - have these Road Funds secured a stable and predictable flow of assigned revenues and maintained a designated allocation of funds?
- ❖ Performance monitoring - for these Road Funds, what are the arrangements to monitor flow of funds and quantity, quality and cost of works?





## Questions to be addressed - Objective Achievements

- ⌚ What has been the impact of these Road Funds on the quality of road maintenance, e.g. as measured by the percentage of roads in good condition?
- ⌚ Have these Road Funds improved operational efficiency e.g. strengthened links between resource mobilization, planning and implementation?
- ⌚ Have these Road Funds improved resource allocation, e.g. ensured higher emphasis on maintenance and funding of highest return (rather than highest profile works)?
- ⌚ Has the existence of these Road Funds helped improve the capacity of executing agencies and local construction industry as well as to perform more efficiently?



## Zambia - Overview (I)

→ Progress can be considered significant given

- ▼ Overly complex institutional structure still in place (efficiency gains not realized)
- ▼ Legislative framework is inconsistent and incomplete (Roads Board authority compromised)
- ▼ Framework for programming, planning and implementation is not complete (but first Annual Work Plan for 2000)



## Zambia - Overview (II)

- Progress on road financing not sustained after a promising start, i.e.
  - no adjustment formula in place
  - fuel levy as a percentage of wholesale fuel price
  - delays in adding road user charges
  - US\$0.035 actual, US\$0.10 needed
  - Road Fund legislative basis to be resolved



## Zambia - Road Fund receipts and payments

	1998 (Act)	1999 (Act)	1999 (SAR)
Receipts	28,241	22,711	27,430
(Fuel Levy)	(23,000)	(20,200)	(23,270)
Payments	32,180	15,159	27,430
(Works)	(26,859)	(13,663)	(26,000)
Surplus (Deficit)	(3,938)	7,730	0

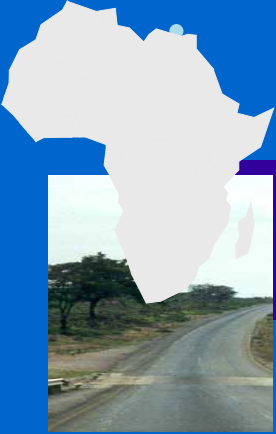
In million KW



## Zambia -Road Fund Receipts and Payments

	1998 (Act)	1999 (Act)	1999 (SAR)
Receipts	14.9	9.1	21.1
(Fuel Levy)	(12.1)	(8.1)	(17.9)
Payments	16.9	6.1	21.1
(Works)	(14.1)	(5.5)	(20.0)
Surplus (Deficit)	(2.0)	3.0	0

In million  
US\$



## Zambia - Overview (IV)

- ❖ Real achievements, with some equally real provisos, i.e.
  - improvements in road quality (data reliability?)
  - more money to maintenance (but a struggle to maintain it)
  - allocation: a lot to urban, very little to rural (in relation to stated policy, if not to demand)
  - limited benefits to agencies and industry to date



## Zambia - Road Network Quality

	Good	Fair	Poor
1984	40%	30%	30%
1995	20%	29%	51%
1999	35%	36%	33%
SAR(2002)	45%		



## Zambia - Expenditure on Roads

	1997	1998	1999
Road Expenditure as % of total public expenditure	5.1%	6.8%	9.9%
Road maintenance as % of total road expenditure	16%	11%	8%





## Zambia - Resource Allocation

	1998		1999	
	Plan	Actual	Plan	Actual
T, M, D	40%	30%	40%	33%
Rural	40%	15%	40%	12%
Urban	20%	54%	20%	55%
Total (US\$ mn)	14.4	10.9	18.1	5.2



## Comparisons - Fuel Levy

	Rate (US cents/liter)	% (Fuel Levy Over Total Road Fund)
Zambia	0.03-0.035	95
Malawi	0.038	46
Ethiopia	0.08-0.095	35?
Ghana	0.095	94?



## Comparisons - Maintenance Spending

	Budget Expenditure (US\$ mn)	% of Needs
Zambia	18	38
Malawi	12	40/70
Ethiopia	44	55?
Ghana	40	85?



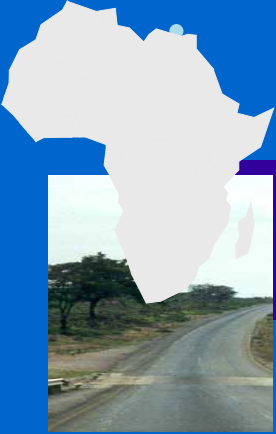
## Comparisons - Funding Allocation

	Main	Urban	Rural
Zambia (P)	40	20	40
Zambia (A)	33	55	12
Kenya *	60	16	24
Ethiopia	70	10	20
Ghana	52	27	21



## Comparisons - Other

	% Administration Cost/Road Fund	% Works Under Private Contract	% Roads in good condition
Zambia	<5	95+	35
Kenya	<3	70+	20?
Ethiopia	<3	75+	?
Ghana	<1	95+	30+



## Issues highlighted - Institutional and Management Structure -

Boards are both representative and diverse ...

But no clear evidence yet to support notion of an optimum size (number) and mix (public v. private)

Some evidence of improvement in financial management ...

- /// But not clearly the case yet on operational performance
- /// Legislative basis varies - how important is it?



## Issues Highlighted - Processes

Funding for maintenance shows consistent increases ...

But amounts still fall well short of requirements ..

And pressure to fund rehabilitation and upgrading is strong

Stability and predictability of funding improving in some cases, but not all

And same can be said for performance monitoring



## Issues Highlighted - Objective Achievements

- ✍ Quality of network improving - question though on quality and reliability of data
- ✍ More information made available on operational performance, but more analysis is needed
- ✍ Capacity of executing agencies and construction industry not improved as anticipated - adequacy and predictability of funding at issue
- ✍ Resource allocation skewed in practice towards urban - this may be rational?





## Agenda for the Future

- ☐ How to manage stakeholder expectations
- ☐ How to deal with «political pressure»
- ☐ Opportunities for « pro-poor » interventions
- ☐ How to ensure « value for money »
- ☐ How to balance addressing and prioritizing maintenance needs with large rehabilitation agenda
- ☐ The next steps on agency strengthening and operational performance improvement