



Assessment of Selected Road Funds in Africa

Stephen Brushett
Road Management Initiative
The World Bank
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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 - Structure

- ★ 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 - Process

- ★ 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



Objectives of the Assessment

- Review of experience in five countries - Benin, Ethiopia, Ghana, Kenya and Zambia
- Why these? - continuity in existence; diversity of arrangements; availability of data
- What has worked, what hasn't, the lessons learned
- A 'work-in-progress' e.g., the Uganda comparison



Comparative Structure

	Legal Basis	Date of Establishment	Board Structure (Total/Public)	Board Chairman	Board Secretariat
Benin	Exec Bd	96	9/4	Minister	3
Ethiopia	Exec Bd	97	15/11	Minister	9
Ghana	Exec Bd	97	13/5	Minister	3
Kenya	Exec Bd	00	12/5	Pvt. Sec	
Zambia	Advisory	94	11/4	Pvt. Sec	8





Structure: Performance (1)

- ★ **Zambia:** Pvt/user dominated board; professional mgmt; *but*, more to be done on: adequate legal basis; functions overlap with road agencies; stability of resources; clear prioritization of maintenance expenditure
- ★ **Ethiopia:** public sector dominated; strong legal basis; professional mgmt; able to protect resource stability; clearly defined functions; *but*, more to be done on: performance monitoring; capacity building
- ★ **Ghana:** pvt sector dominated board; well-defined legal basis; professional mgmt; monitoring processes in place



Structure: Performance (2)

- ★ **Benin:** successful in stabilizing revenues, safeguarding user interests, *but* more to be done on: capacity to plan and monitor.
- ★ **Kenya:** Board in place only since July 2000, since then suspended due to constitutional challenge to enabling Act, and now reinstated.

Overall, reform process appears to enjoy widespread public support & activities are shared widely (transparent allocations, annual reports, media).



Process: Adequacy and Stability

Changes in Road Maintenance Expenditure

	FY94	FY99
Zambia	< \$3m	> \$5m
Ghana	\$14.6m	\$86m
Ethiopia	\$10m	\$17m
Benin	> \$5m	\$6.7m

Experience: Funding for maintenance shows improvement over past



Process: Adequacy and Stability

	RF/Total Maint. Requirement	RF/Total Maint. Expenditure
Ethiopia	80%	90%
Ghana	90%	100%
Zambia	30%	90%
Kenya	50%?	<100%?
Benin	80%	<90%

(Excluding deferred maintenance and rehabilitation)



Process: Adequacy and Stability

	Zambia	Ghana	Ethiopia	Kenya	Benin
Fuel Levy	4c	8c	1c	3c	2.5
FL % of RF	95%	94%	35%	100%	23%
RF Receipts	\$6.7m	\$80m	\$25m		\$6.7m
Disbursement	\$5m	\$75m	\$15m		\$5.8m
Ratio	75%	94%	60%		87%
Transfer Time into RF	2/3m	1m	3/4m		4m



Process: Performance Monitoring Arrangements

Ghana: internal and independent financial and technical audits in place

Ethiopia: performance agreement system between RFA & ERA; preparation of payment certificates; audit arrangements not yet in place

Zambia: preparation of Annual Works Program; setting up an Engineering Inspectorate; limited financial audits

Benin: working on improved service delivery through introduction of performance based contracts--past delays in work program approval and performance quality



Objective Achievement

Has it improved share of roads in good condition?

Share of paved roads in good condition
(indicative)

Zambia: 20% in 1995 to 35% in 1999

Ghana: 21% in 1997 to 30% in 1999

Ethiopia: 15% in 1996 to 25% in 1999

Benin: 29% in 1998 to 33% in 1999

But, the benefits have been confined to the main and urban roads



Objective Achievement

Feeder/Rural Roads Network

(Some Indicative Numbers)

- Zambia: Compared to a target of 15% of feeder road network in good condition, achievement to-date is only 5%.
- Ethiopia: 70% of feeder road network is in poor condition.
- Kenya: FY99 disbursements were only 2% of the budget allocations.
- Ghana: Currently only 45% of feeder roads classified as “maintainable”--aim is to raise this to 75% by 2003.



Objective Achievement

		M,T, D	Feeder	Urban
Zambia	(Planned)			
	\$18.1m	40%	40%	20%
	(Actual)			
	\$5.2m	33%	12%	55%
		\$100/km	\$42/km	\$1,900/km
Ethiopia	(Planned)			
	\$25.8m	70%	20%	10%
	(Actual)			
	\$14.3m	84%	7%	9%
		\$800/km	\$80/km	\$4,600/km
Ghana	(Planned)			
	\$80.0m	52%	20%	27%
	(Actual)			
	\$75.0m	52%	20%	27%
		\$3,000/km	\$1,200/km	\$6,700/km





Objective Achievement

Has it improved operational efficiency?

- ◆ Stabilized road financing which has helped to reduce uncertainties in the budgetary process
- ◆ Addressed the problem of lack of synchronization between the budget year (Jan to Dec) and the construction season (Sept to May)
- ◆ Funding certainty has enabled effective competitive bidding
- ◆ Unit costs for maintenance have reduced (particularly in Ghana)



Objective Achievement

Has it improved capacity of local construction industry?

Share of force account in road maintenance

Zambia <10%

Ghana < 5%

Ethiopia >75%

Benin reduced from 47% in 97 to 40% in 98

- ★ Zambia--# of local contractors increased from 4 in 94 to 450 in 99
- ★ Ghana--resurgence of domestic contracting industry
- ★ Benin--efforts to support SMEs
- ★ RF has helped to insulate payment issues from financial uncertainty



Conclusions - Institutional and Management Structure -

- ★ Boards are both representative and diverse ...
- ★ But no evidence to support notion of an optimum size (number) and mix (public v. private)
- ★ Some evidence of improvement in financial management ...
- ★ But limited effectiveness (powers and persuasion) on raising road user charges.
- ★ More work needed on operational management, greater role for financial and technical audits.
- ★ Legislative basis varies - how important is it?



Conclusions - Processes

- ★ Funding for maintenance shows consistent increases ...
- ★ But amounts still fall well short of requirements ...
- ★ Road user charges not matched to calculated maintenance needs
- ★ And pressure to fund rehabilitation and upgrading is strong
- ★ Stability and predictability of funding improving in some cases but not all
- ★ Though not all that is provided can be readily absorbed



Conclusions - 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?



Conclusion Overview

- ✦ Funding stability is a necessary but not sufficient condition for a well managed and well maintained road system.

- ✦ Road Funds represent one promising way - *where the conditions are right* - to address funding stability.



Agenda for the Future

- Broaden the resource base for the Road Fund
- Strengthen the capacity of executing agencies
- Address road needs beyond the main and trunk network
- Build capacity of local contractors and consultants
- Managing stakeholder expectations and political pressures
- Onward to a ‘ third generation ’ of Road Funds?



The Road Management Initiative

The **RMI** is the component of the Sub-Sahara Africa Transport Policy Program (**SSATP**) which exists to facilitate policy and institutional reforms that result in sustainable management and financing of public road services in Sub-Saharan Africa. 13 countries are beneficiaries and 9 donors have provided funding to date.

Contact: Stephen Brushett, 1-202-473-4153,
sbrushett@worldbank.org

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RMI Objectives

- Sustain and deepen a dialog on the need for policy reform and on the available reform options
- Develop and disseminate knowledge on sustainable road management and financing
- Assess systematically the results of reform to date and disseminate lessons learned and best practices
- Build capacity to carry out policy analysis, strategy formulation, reform monitoring and evaluation



Recent RMI Publications

Review of the Road Sector in Customs and Economic Union of Central African States, 1999

14th Annual RMI Coordinating Committee Meeting Proceedings, 2000

Road User Charges Model, 2000

Introducing the RMI Road Sector Database, 2000

Forecasting Vehicle Fleets in SSA Countries, 2000

Implementing Second-Generation Road Funds, 2000

Assessment of Selected Road Funds in Africa, 2000

Reforming Road Management in Sub-Saharan Africa, 2001

