Status of Road Sector Reforms in Sub-Sahara Africa

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The need for Reform

- Road Transport is the dominant mode in Sub-Sahara Africa and typically carries over 75% of passenger and freight traffic.
- In some cases provides the only form of access especially to rural communities
- Transport (and in SSA, road transport because of its dominance) is essential for economic growth and poverty reduction.

The need for Reform (cont…)

- By the end of the 1980s SSA had over 2 million km of roads out of which about 600,000 km were classified as main roads.
- The replacement value was estimated at over US$ 150 Billion.
- In term of assets roads are some of SSA's largest.
- Despite their importance to economic growth and poverty reduction, roads were poorly managed and inadequately maintained.

The need for Reform (cont…)

- The result was that by the early 90s most countries in SSA had more than 50% of their networks in poor condition.
- Transport costs were thus high through high vehicle operating costs.
- The road networks had therefore become bottlenecks to economic recovery which most of these countries had embarked on.
- There had to be reasons for this state of affairs.

The need for Reform (cont…)

- Various studies indicated that this was attributable to inadequate provisions for the financing and management of roads:-
  - Roads were not managed as part of the market economy but the provision of roads was seen as a social service
  - Road expenditures were from general revenues and were the first to be cut during difficult periods
  - Inadequate institutional frameworks within which roads were managed.

The need for Reform (cont…)

- Roads were largely managed through Departments in Ministries
- The Management was not subjected to any rigorous discipline
- There was lack of clearly defined responsibilities
  - Management structures were therefore weak and ineffective
  - Necessarily there was lack of managerial accountability.

The need for Reform (cont…)

- These indicated there had to be reform if SSA was to get out of the economic quagmire it found itself.
  - ⇨Reform means to make changes (especially to an institution or practice) in order to improve it.

Objectives of Reform

- The objectives of the reforms were:-
  - ⇨To ultimately provide the road user value for money through better management of resources by:
    - Strengthening sector administration through appropriate institutional set ups and human resource development policies
    - Rationalizing programming and budgeting
    - Clearly defining responsibilities between road agencies and ministries, road boards.

Objectives of Reform (cont…)

- To bring roads into the market place and put them on a fee – for – service basis through appropriate cost recovery policies (commercialization)
  - Supported by appropriate legislation and administrative frameworks for sustainability
- To redefine the role of the private sector in road delivery by increasing its role in the management of the sector to engender ownership.

Required Reforms

- By the early 90s after extensive discussions between development partners and SSA governments there was general agreement that among the reforms required were:-
  - The setting up of autonomous road agencies
    - With effective structures
    - Clearly defined responsibilities

Required Reforms (cont…)

- To run as accountable commercial entities while parent MINISTRIES would be responsible for policy and oversight

  i.e Eyes on – hands off.
- Funding for road maintenance needed to be increased and predictable for effective planning
  - To be achieved through the setting up of 2nd Generation Road Funds.

  i.e earmarking funds for road maintenance

Required Reforms (cont…)

- Initial reservations expressed by MOFs/IMF on earmarking through the setting up of Road Funds were overcome by the compelling argument that :
  - Road Funds inflows are fee-for-service
  - That SSA countries were yet to attain good and transparent budgetary systems
  - The importance of preserving the individual countries road asset.
- It was always understood that there could not be one size - fits – all prescription for all SSA countries but the principles were applicable to all SSA countries.

The situation now

By September 2006

- 27 Roads Funds set up of which 9 established since 2000
- 26 have management boards of which 12 with private sector majority
- 18 out of the 27 were established by law
- In nearly all cases, fuel levy is the principal means of raising user charges
- Fuel levy currently between US 3 and 15 cents with an average of around 8 cents.(10 cents seen as desirable)

The situation now (cont…)

- 16 Road Agencies established
  - Most of them after 2000
  - The agencies are at different stages of development
- Only 8 have management boards
- Only 3 of the management boards have private sector representation in majority

The situation now (cont…)

- It would appear that the reforms have been slow
- A number of reasons have been assigned for the sluggishness of the process
- Prominent among the reasons appear to be
  - The fear of loosing control by ministries.
  - In effect, who would be deciding on which roads to maintain, rehabilitate or reconstruct. Roads in developing countries can be used as a powerful political tool

The situation now (cont…)

- Politicians see themselves as the ones being accountable to the people
- The need for ministries to set policy and monitor what the agencies do should ensure that their views are adequately taken care of
- The use of multi-criteria analyses in decision making would also ensure that soft issues which tends to be neglected by rigorous economic analyses are taken care of

The situation now (cont…)

- The inclusion of soft issues in multi-criteria analyses should however be transparent and understood by all stakeholders
- There is also the fear that the agencies may be insensitive to issues such as the laying off of superfluous staff
  - With decentralisation which has been embraced by most of these countries staff to be shed could be deployed at the district level for capacity enhancement

The situation now (cont…)

- Force account units could be turned into contracting entities to reduce the impact of down sizing

- Agencies could help reduce these fears through consultation on sensitive issues and timely reporting and updates for ministries to be adequately aprised
- Continuous dialogue could also assure ministries of their important roles of policy formulation and oversight.

The situation now (cont…)

- It must be pointed out that the minister would always be politically responsible for the agencies and funds to Parliament
- It should also be understood that if there is improvement in service delivery credit goes to the ministries

What are the current practices?

- Recent on-going studies on Road Agencies and Roads Funds indicate:-
  - There is generally lack of autonomy from the parent ministries
  - Top managements are not always abreast with International Policy Issues
  - Board members are not usually appreciative of Government Policies on Roads
  - The mechanism of commercialisation of roads not fully appreciated by Board members

What are the current practices? (cont…)

- There are parallel boards for Road Funds and Road Agencies with the same representation
- In some cases one Roads Board oversees the Road Fund and the Agency
  - ⇨ These do not allow the separation of responsibilities
- There is inadequate public promotion of new sector institutions
- Bureaucracy could further be reduced in most of the new sector institutions thereby improving efficiency

What are the current practices? (cont…)

- Some Road Fund Boards have taken over the responsibility of paying contractors thereby diffusing the accountability of Road Agencies
- Present collection by Funds inadequate for the maintenance needs of the networks
- There is over reliance of most funds on fuel levy
- Reliable statistics on the size of the vehicle fleet not available for proper strategic planning

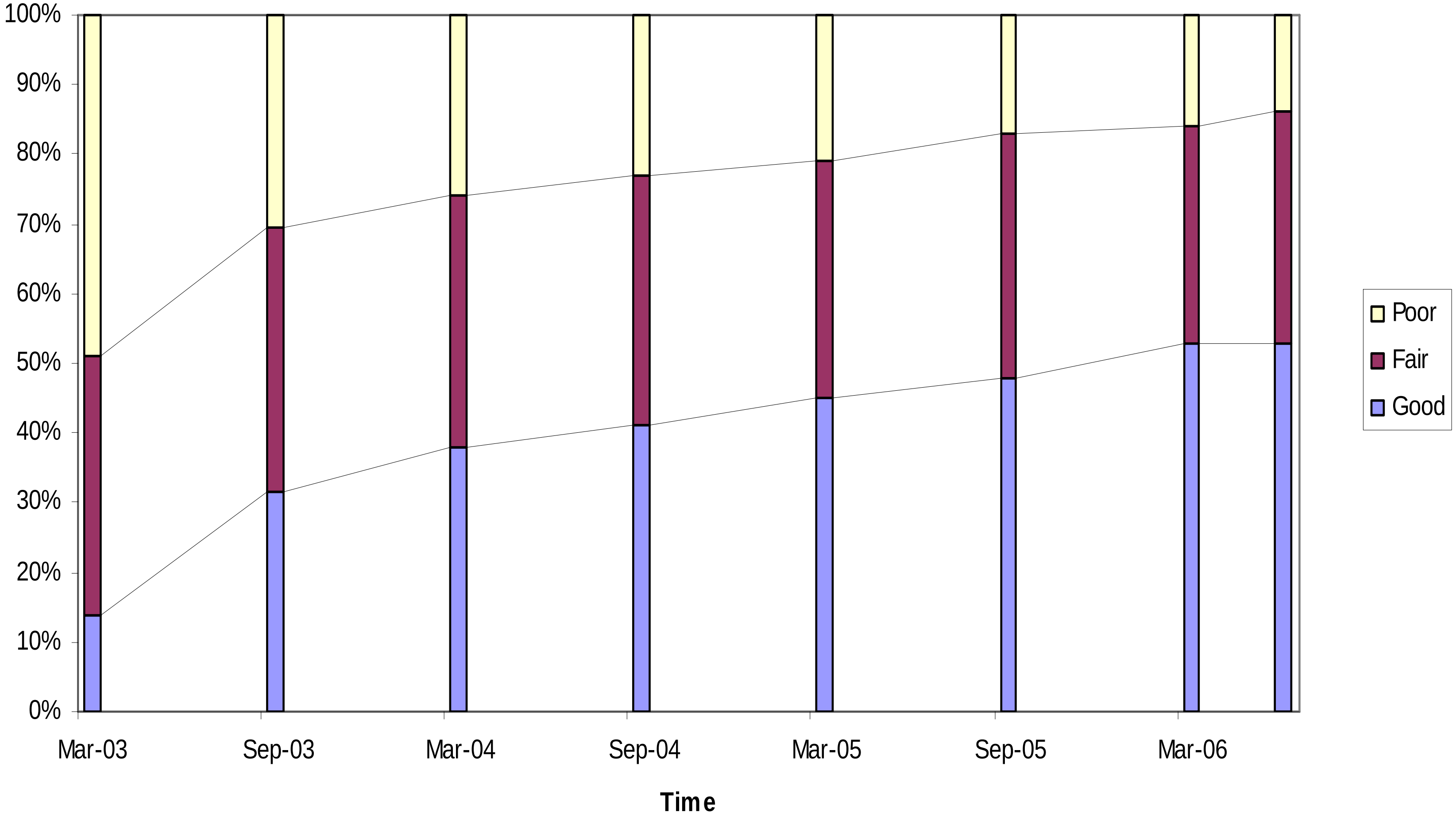
What are the current practices? (cont…)

- There are no mechanisms for automatic adjustment of levies
- Inadequate autonomy of Funds
  - ⇨Collections for most funds are still passing through MOFs only II of the 27 receive funds directly
- Funds not always used for maintenance
- Capacity of local contractors and consultants still limited

Positive impacts of reforms

- Despite the challenges Road Funds and Agencies face there has been noticeable successes with the reforms so far made
  - Under-funding of maintenance has been reduced though not eliminated
  - The predictable income for maintenance with improved operational efficiency of Road Agencies have led to the arrest of declines in road quality
    - In some cases this has been significantly reversed

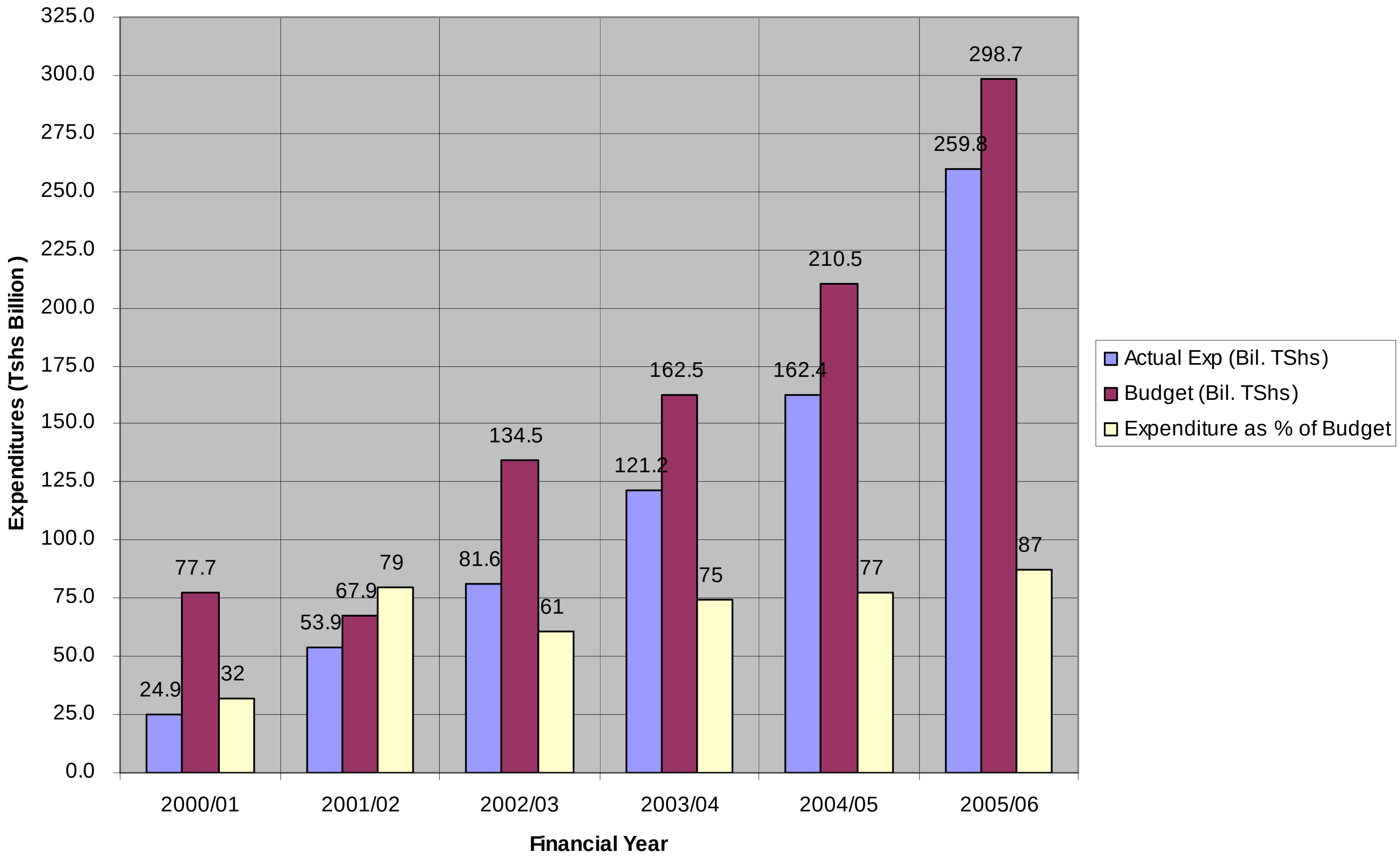
ROAD CONDITION



Positive impacts of reforms (cont…)

  - There is evidence to suggest that the cost of maintenance has been reduced in some cases by up to 20%
- Even with the limited autonomy new Road Agencies have been able to experiment with Area-wide and Long-Term Performance Based Contracts
  - This is helping with the local industry capacity building while improving service delivery
  - Absorptive capacity has also been increased.

TOTAL ANNUAL EXPENDITURE



Positive impacts of reforms (cont…)

- Most of the Agencies are able to attract and retain competent staff
- The impacts have been greater in countries where the reforms have been underpinned by other legislation like the Public Procurement and Public Finance Acts

The way Forward

- The positive impacts of the reforms so far despite the challenges indicate that the pursuit of the reforms is justified and beneficial
- However to realize the full benefits
  - Autonomy should be given to Agencies and Road funds for accountability and improved efficiency. This can be enhanced through the restructuring of ministries in parallel with the setting up of new road sector bodies

The way Forward (cont…)

- There should be more separation between Funds and Agencies with separate Boards and clearly defined roles
- Mechanisms should be put in place for automatic adjustment of Tariffs?
- Inflows to Funds should be made directly rather than through MOFs
- Collection Base for Funds should be widened
- Agencies should develop management systems for cost-effective use of available funds.

The way Forward (cont…)

- The current administration of roads usually spread over more than ministry needs to be reviewed to ensure that local government roads are also adequately catered for
- Agencies should be moving towards a network management approach rather than considering maintenance and rehabilitation/reconstruction as separate interventions
- Sector Policies must be put in place to guide Agencies in their work and reduce friction between them and their parent ministries

END

THANK YOU ALL