

Sub-Saharan Africa Transport Policy Program, SSATP

Commercialisation of roads in SSA: An unfinished agenda

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The Sub-Saharan Africa Transport Policy Program

MISSION STATEMENT

The SSATP is an international partnership to facilitate policy development and related capacity building in the transport sector in Sub-Saharan Africa. Sound policies lead to safe, reliable and cost-effective transport, freeing people to lift themselves out of poverty, and helping countries to compete internationally.

STRATEGIC OBJECTIVE

Cost effective transport and affordable access and mobility contributing to poverty reduction and economic growth - implementation of integrated transport sector strategies anchored in poverty reduction strategies



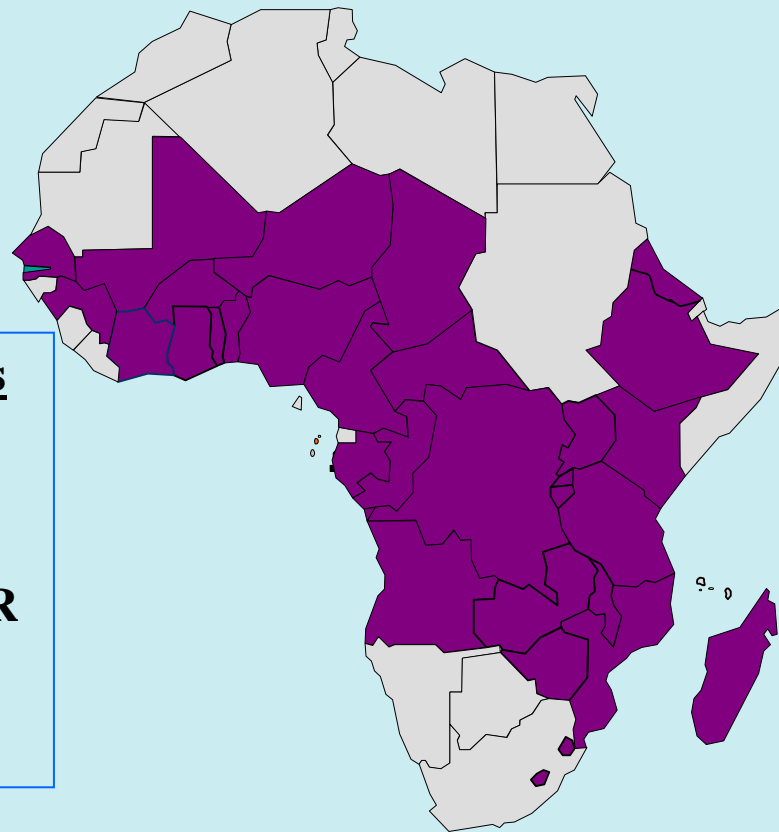
The Sub-Saharan Africa Transport Policy Program

SSATP MEMBERS

35 Active Countries

8 RECS

8 multi and bi-lateral donors



Principal Partners

**AU/NEPAD,
UNECA, AfDB**

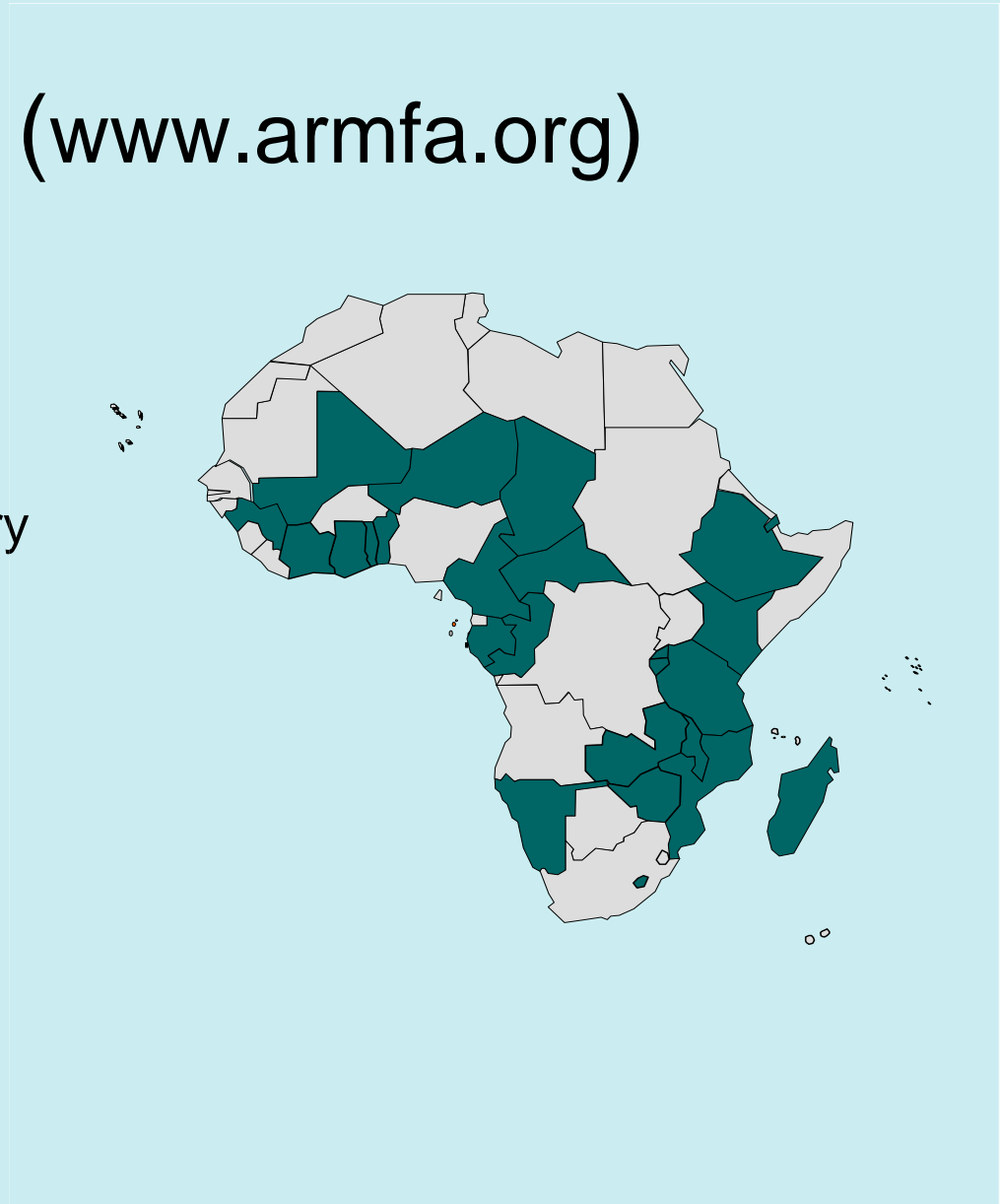
ARMFA/ASANAR

**Numerous Public
and Private SROs**



AFERA (www.armfa.org)

- **26 member states:**
- Benin Burundi
- Cameroun DRC
- Côte d'Ivoire Djibouti
- Ethiopia Gabon
- Ghana Guinée Conakry
- Kenya Lesotho
- Madagascar Malawi
- Mali Mozambique
- Namibia Niger
- RCA Rwanda
- Tanzania Chad
- Togo Zambia
- Zanzibar
- Zimbabwe



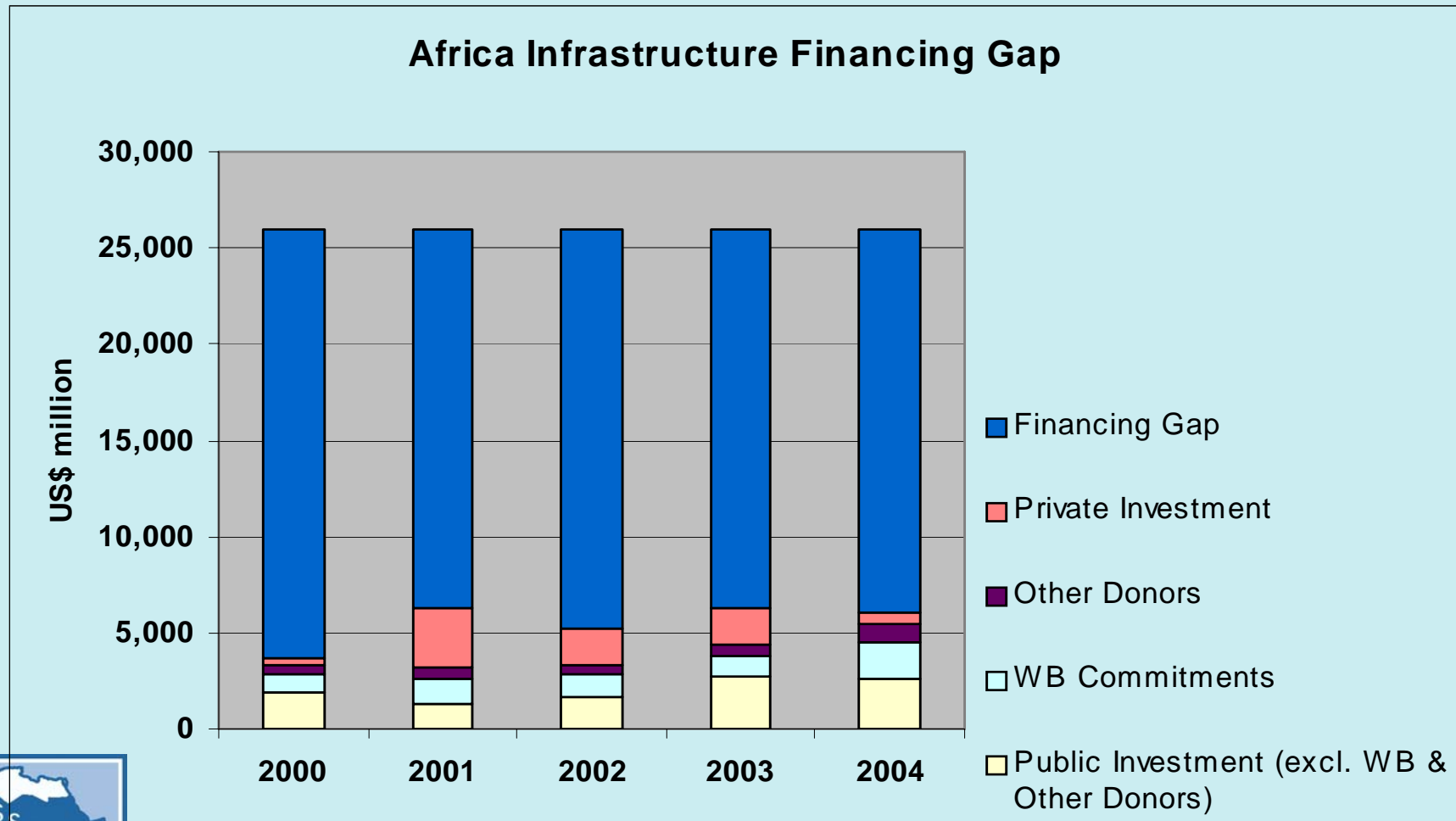
www.armfa.org

Summary

- Transport financing gap in SSA
- Impact on growth and poverty
- Road Management and Financing:
Outcomes to date
- Constraints encountered
- Challenges of Commercialisation of
Roads in SSA

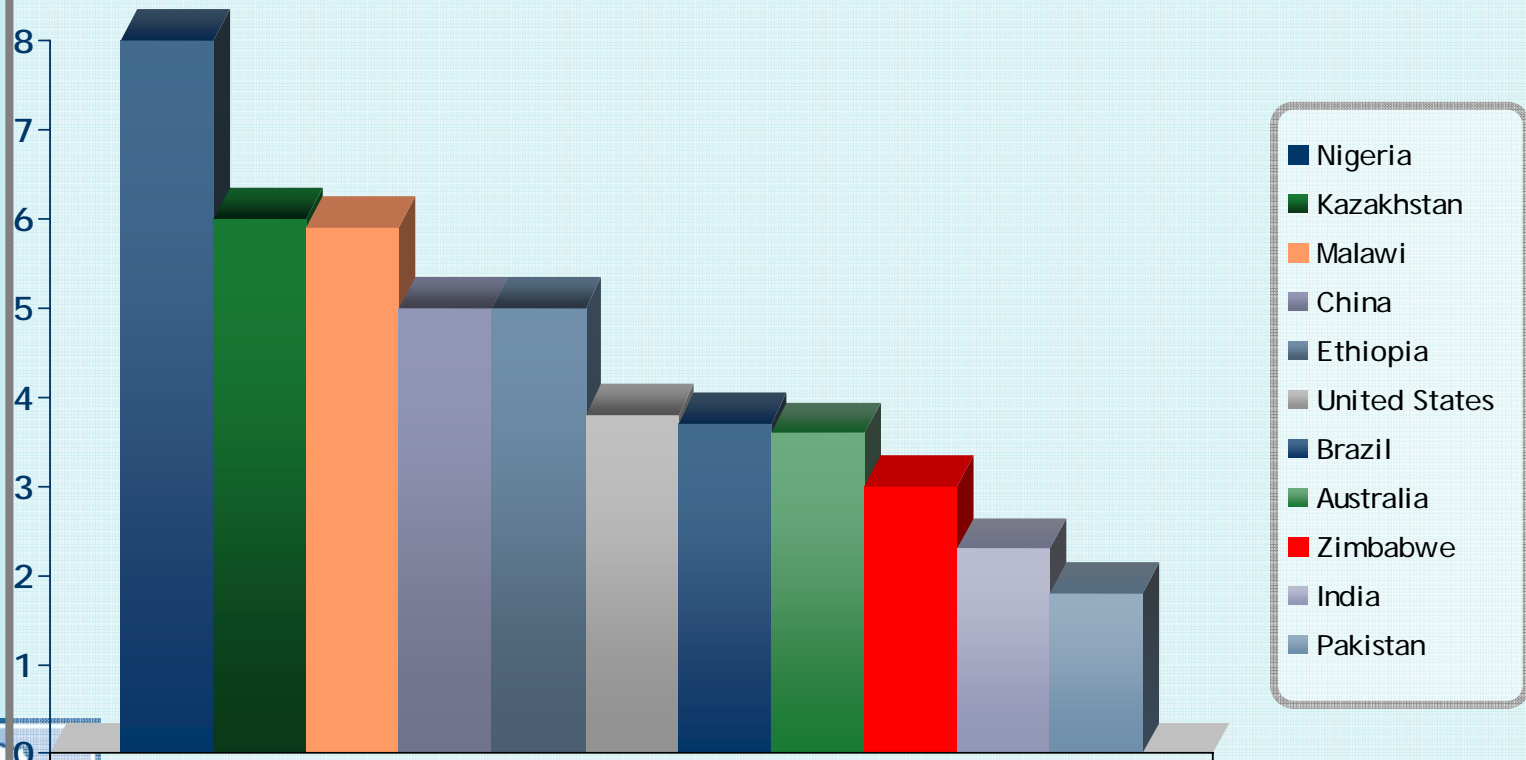


Africa infrastructure financing gap (I)



High truck tariffs...SSA is at significant disadvantage, up to 4 times higher than in Asia

Truck tariffs in US cents per ton kilometer



High transport cost, an impediment to export-based growth

- SSA's share in world trade amount to only to 2% and falling continuously
- Particularly landlocked countries and regions are greatly disadvantaged due to high transport costs
- **3/4** of countries which are both landlocked and less developed are in SSA
 - Transport cost of landlocked countries are 50% higher than those of coastal countries
 - 50% of the high transport costs can be attributed to poor infrastructure and 50% to the ineffective use of means of



transport and to **non-tariff barriers**

Is this acceptable?

- Importing a container from Shanghai to N'Djamena takes 90 days and cost \$US6000
- 30 days and \$US1000 from Shanghai to Douala.....and
- **60 days and \$US5000 from Douala to N'Djamena**

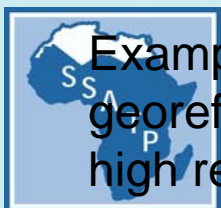
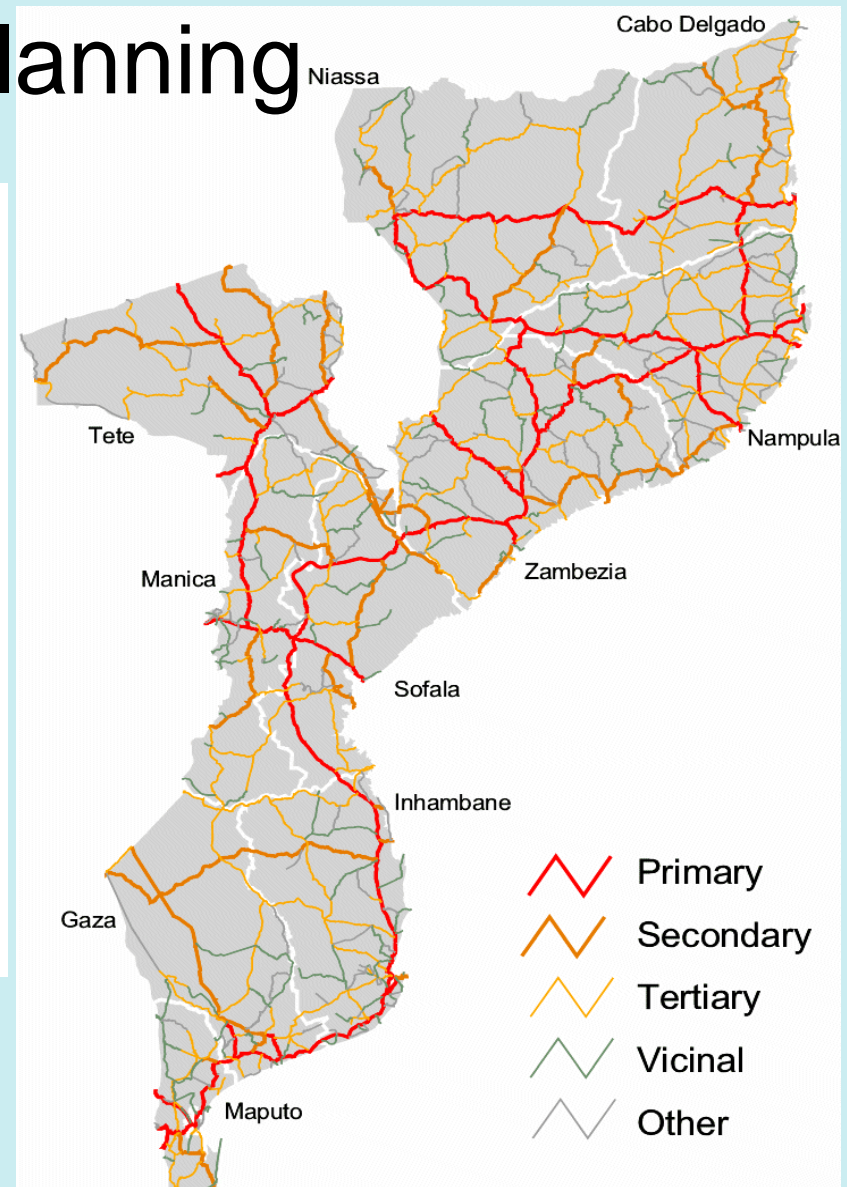
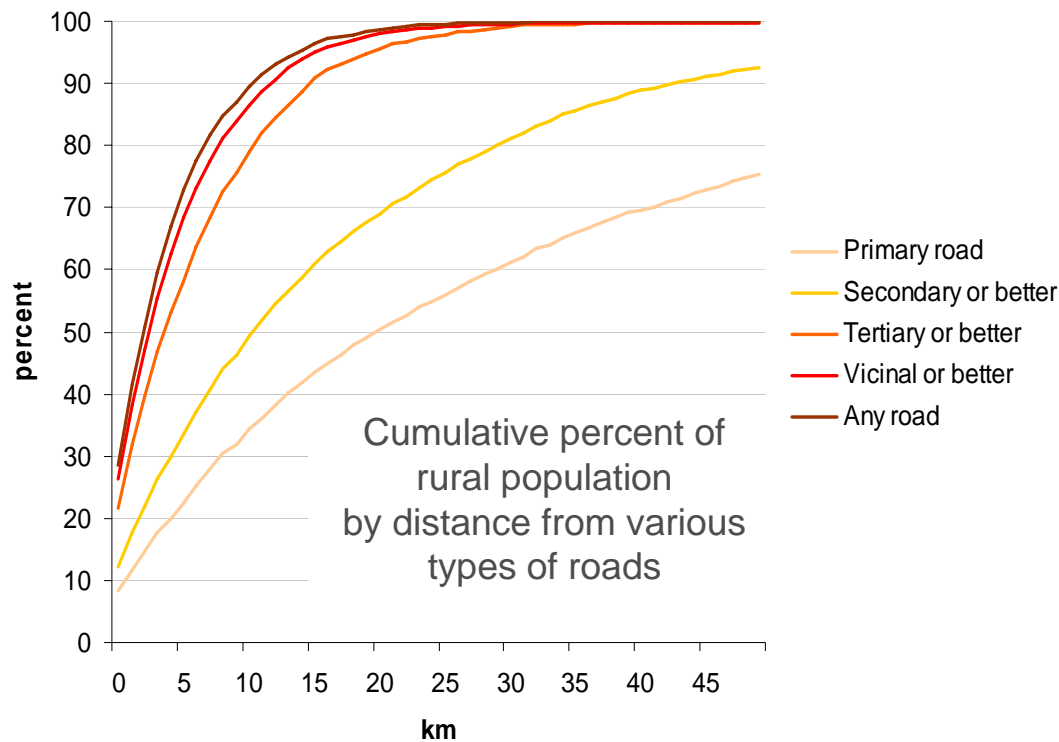


Rural & Urban Mobility

- 40% of SSA's rural population lives without access to an all-season road – the lowest share of all developing countries by region – its 22% in India and 1% in USA
- Sub-Saharan Africa is in the midst of a rapid urbanization process. Between 1971 and 2001, urban population quadrupled from 50 million to 218 million and the urbanization rate doubled from 20% to 40%.
- However, for a variety of reasons, the anticipated economic benefits of urban agglomeration have not yet materialized.
- One of the reasons is the deficiency in urban transport.
- Public transport expenditure up to 30% of household income

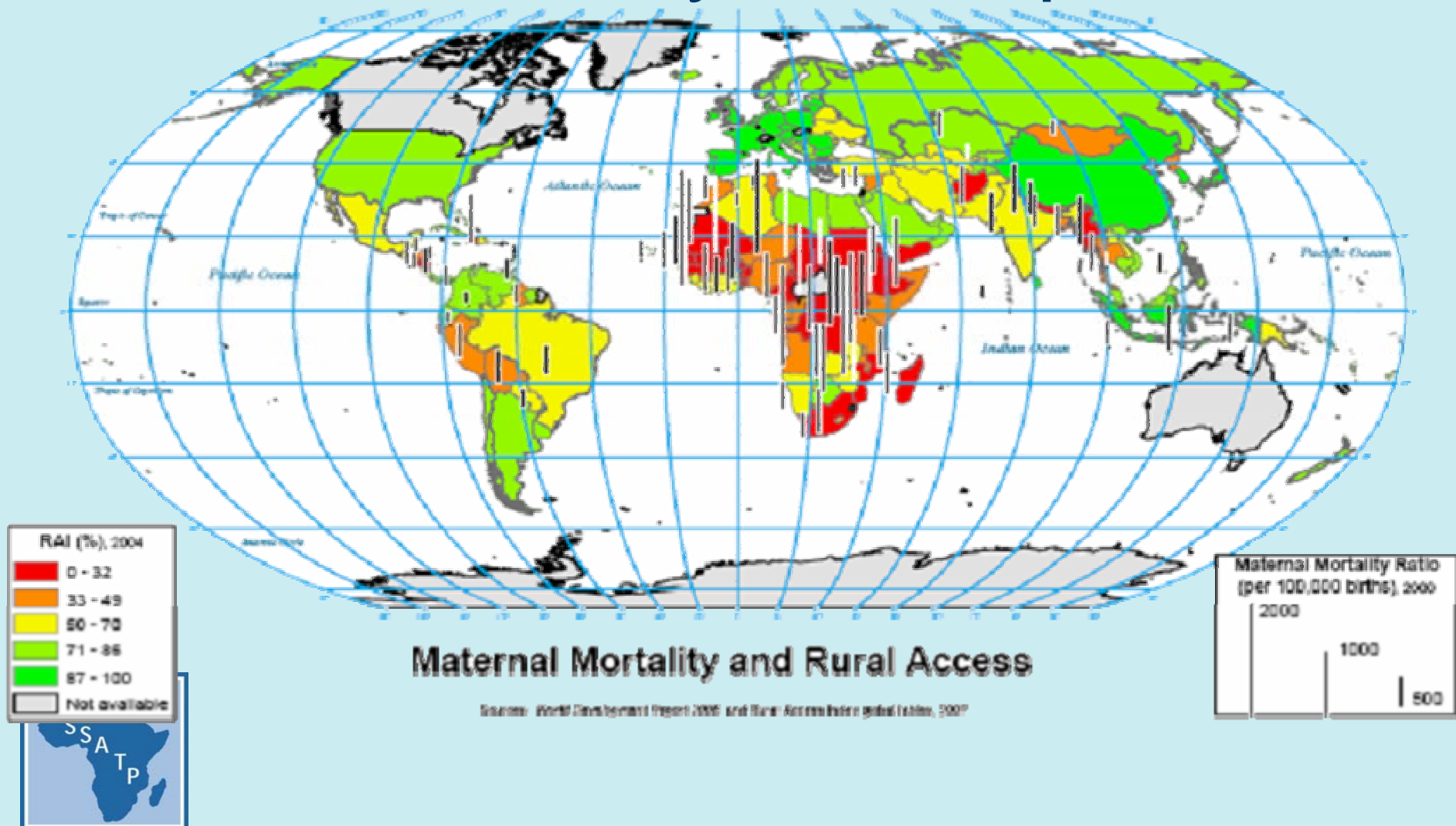


Estimating Rural Access Indicators for Mozambique Road Investment Planning



Example of indicators generated with georeferenced roads information system & high resolution information on population distribution

Local Human Services: For a Healthy Development



Rural Poor vs. Urban Poor ?

Will making urban transport better just attract more people to urban areas and further depress rural economies?

- The worst rural poverty often occurs in countries that have weak, remote urban economies. In this case there is insufficient incentive to invest in agriculture, processing, and rural transport and marketing.
- One of the best ways to promote rural development is to ensure that there is good accessibility to large, dynamic, competitive urban markets.
- Improving urban transport has an important role to play in developing both urban areas and the wider rural economy



Urban/Rural dichotomy irrelevant

Urban Growth/Rural Growth Interlinked

Financing gap (II)

Massive underinvestment in infrastructure in SSA :

- Challenge: bridging an annual financing gap of around US\$ 20 billion to meet demand
- The highest investment needs is in transport: requires US\$ 7.5 billion/year (US\$ 4.1 billion for new roads and **3.4 billion for maintaining existing roads**)



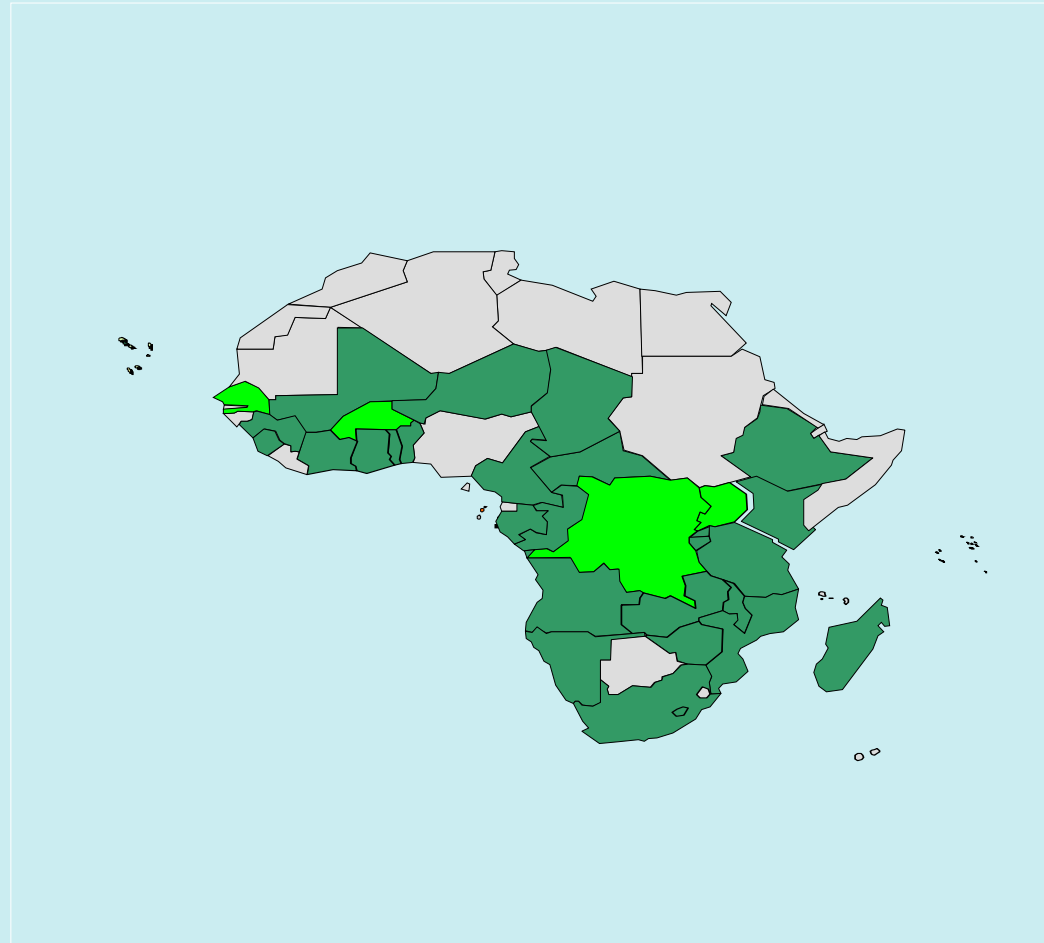
Road Financing and 2 GR Road Funds

Thirteen years following the establishment of the first 2G RF in SSA:

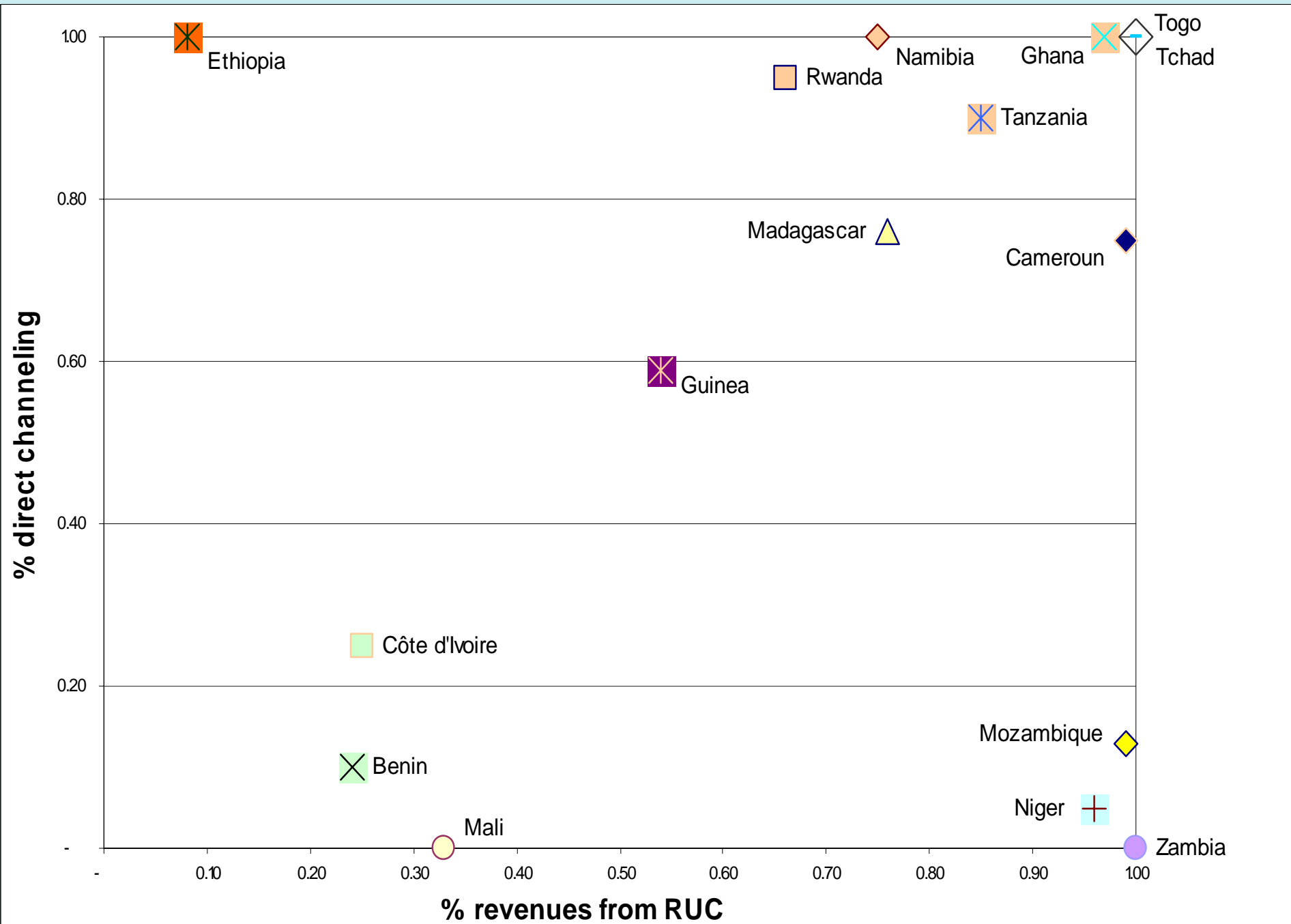
- - Are road maintenance needs becoming more visible?
- - Have we sustained more funding for road maintenance?
- - Are we covering our maintenance needs?
- - Are road funds managed according to “the user pay ” and to second generation road funds principles?
- - Are the available resources efficiently used – value for money?
- - What needs to be done?



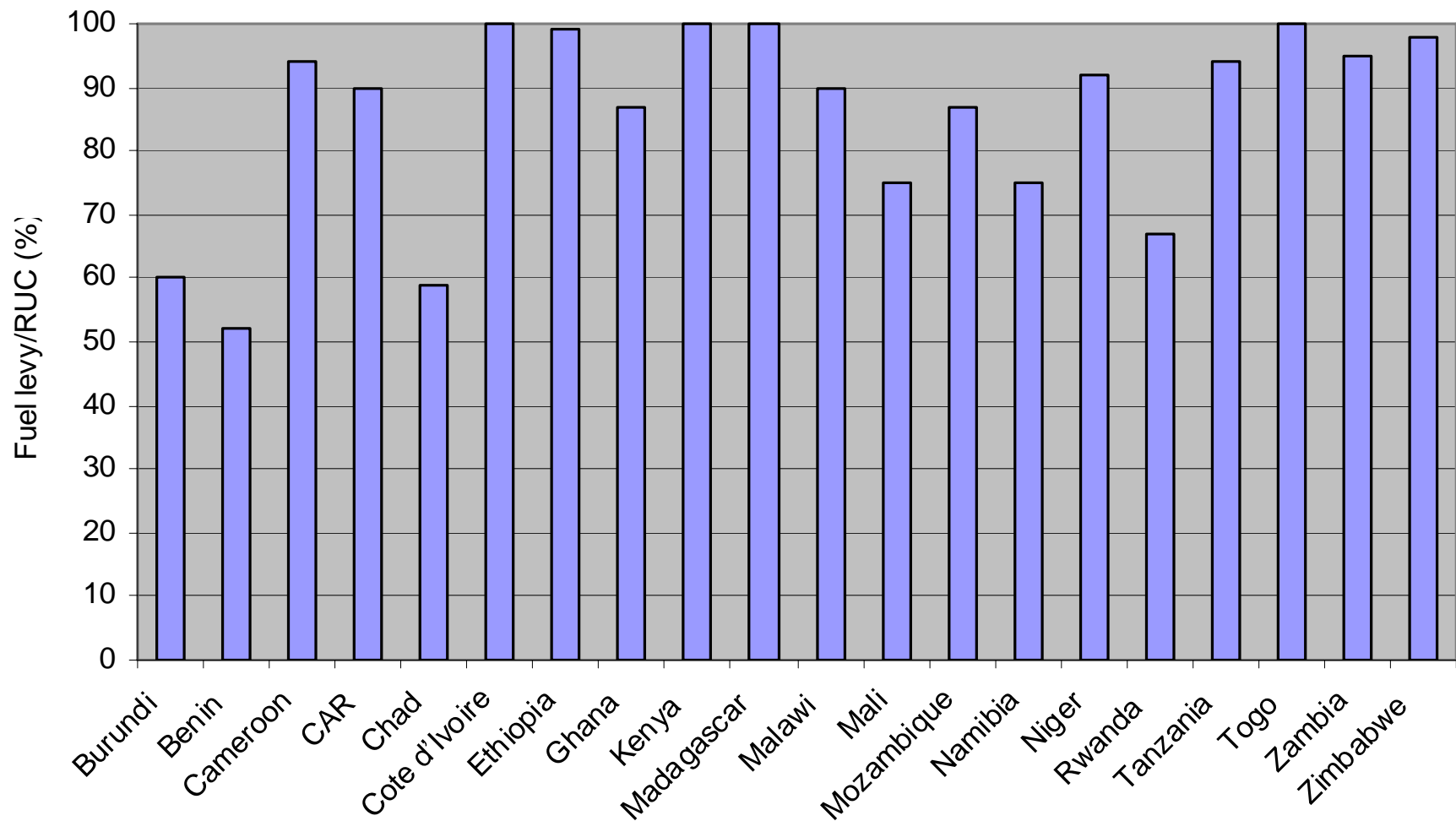
Practice extended



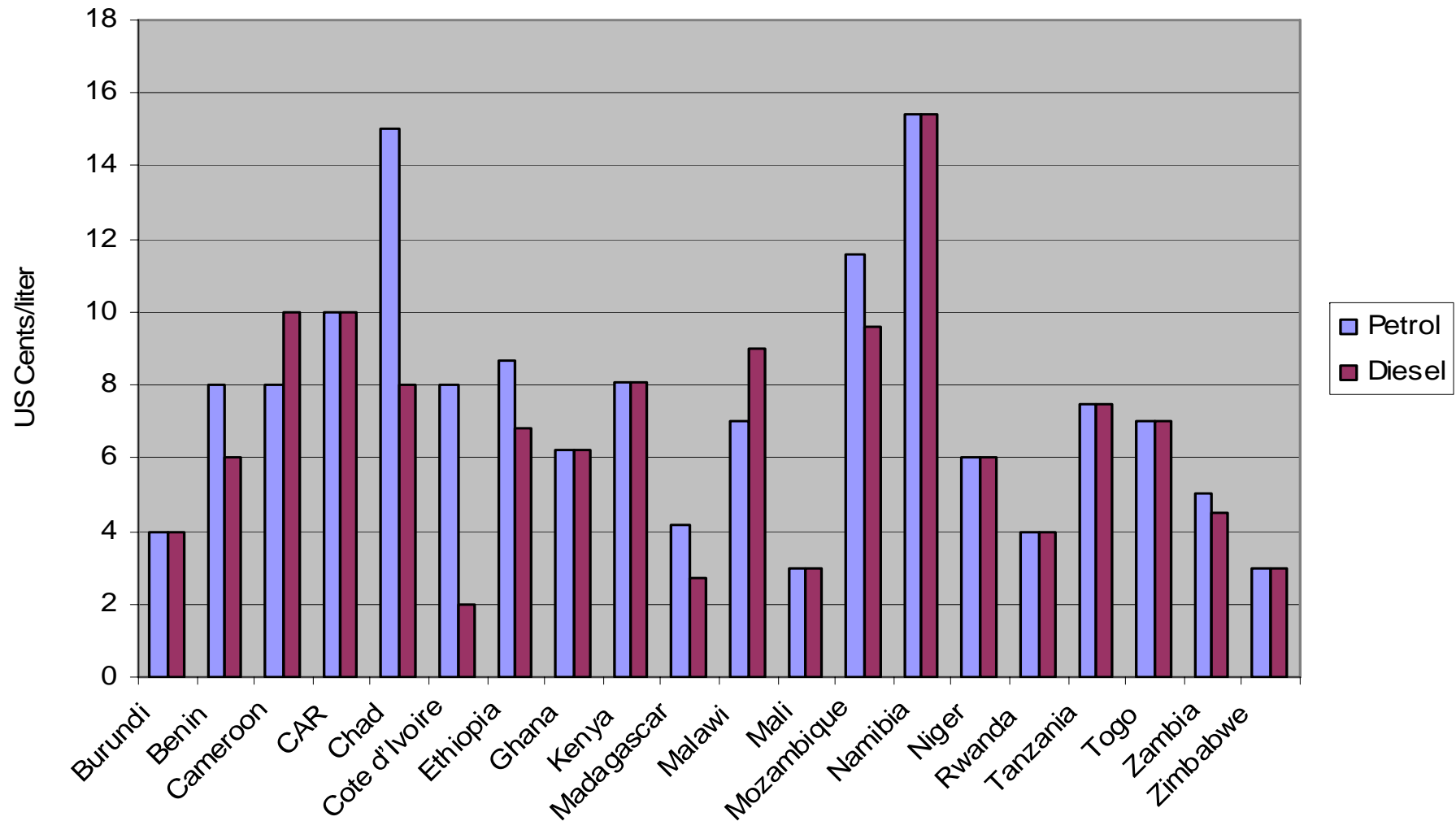
27 Road Funds in SSA – 31 by end 2007
(Uganda, Senegal, Senegal, DRC and Burkina Faso)



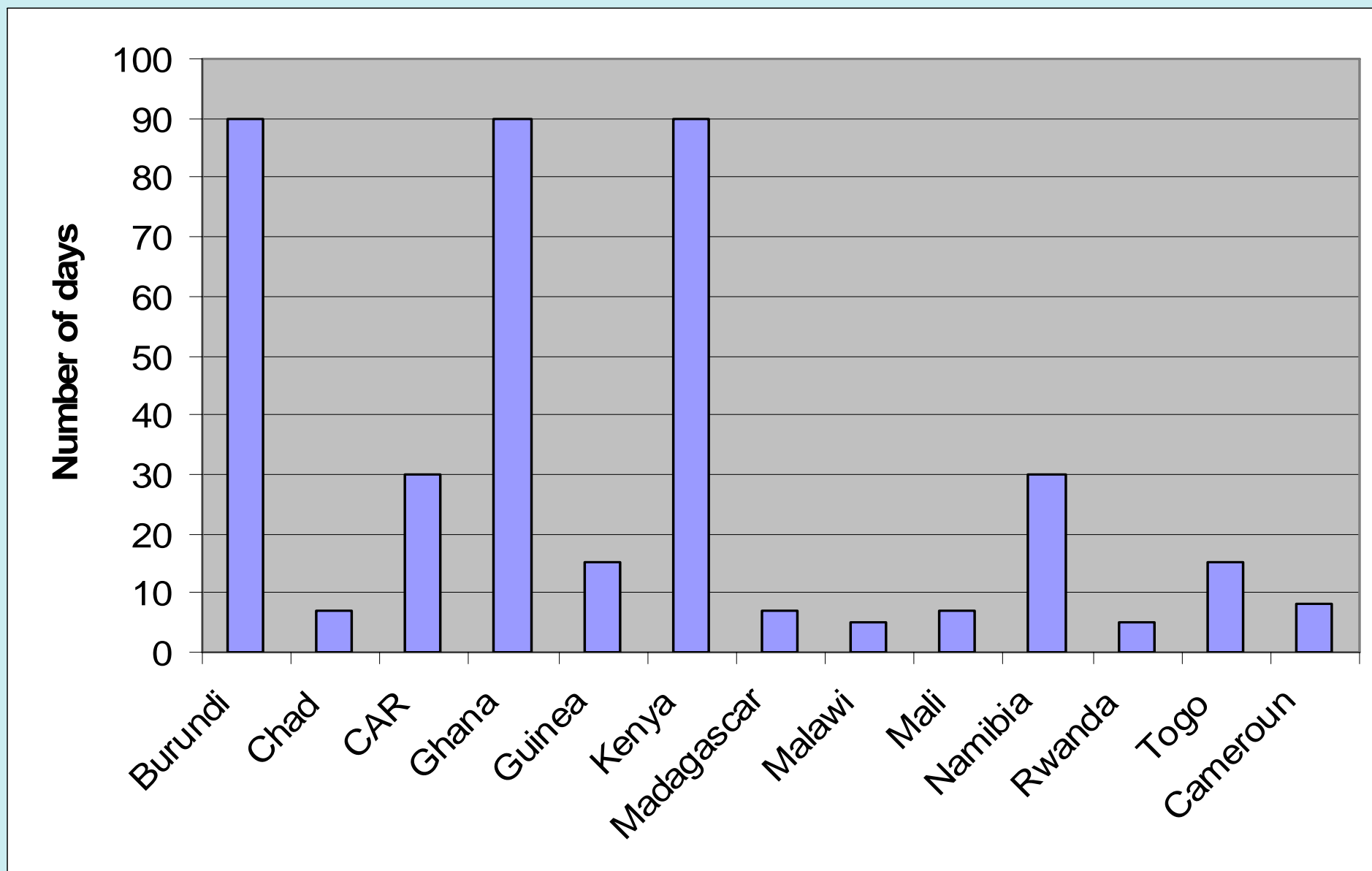
Fuel levy/Road user charges (%) (Av.= 80% of RUC)



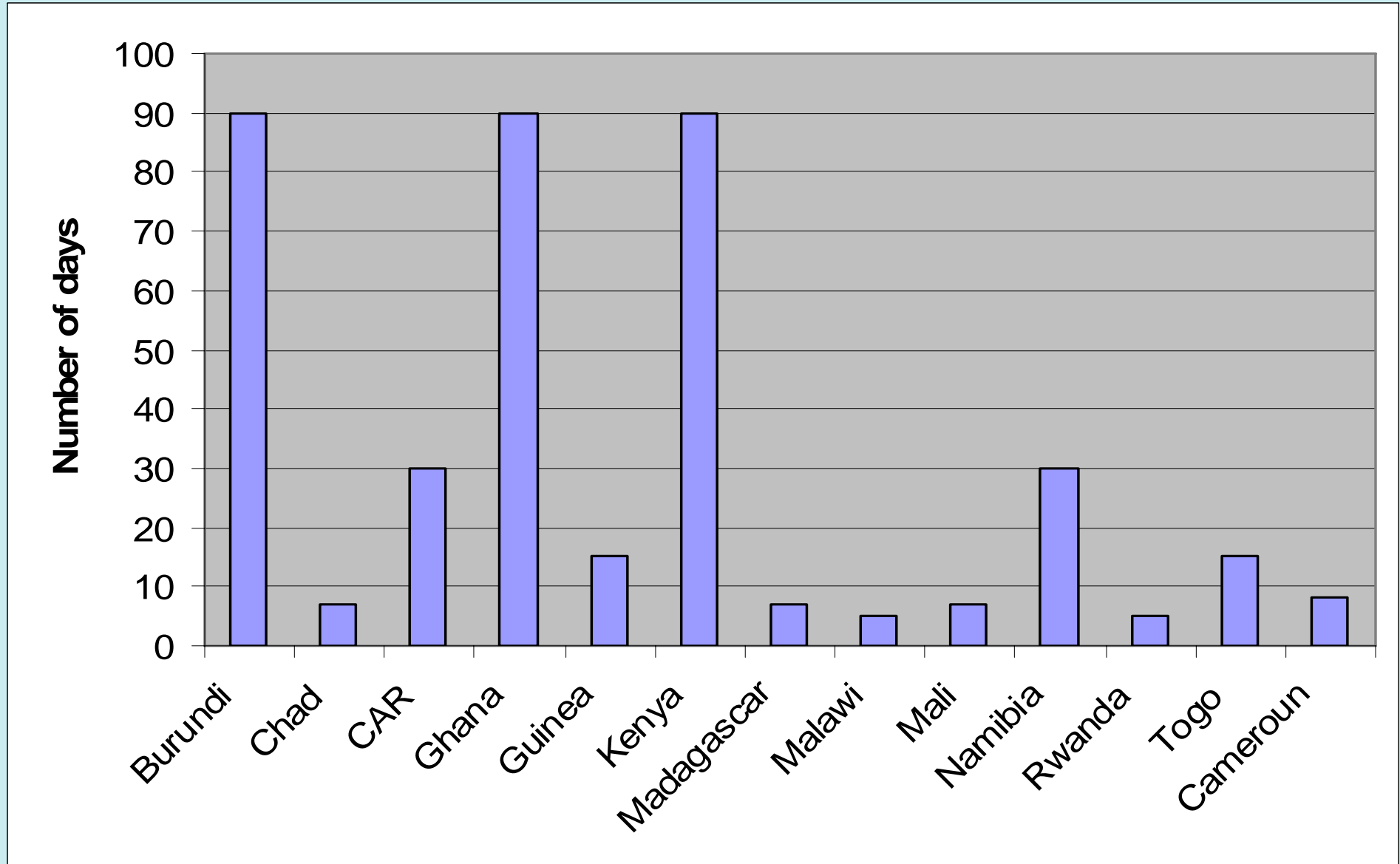
Level of fuel levy (in US cents/ liter) (Av. 7 and 6 cents/liter) in 2006



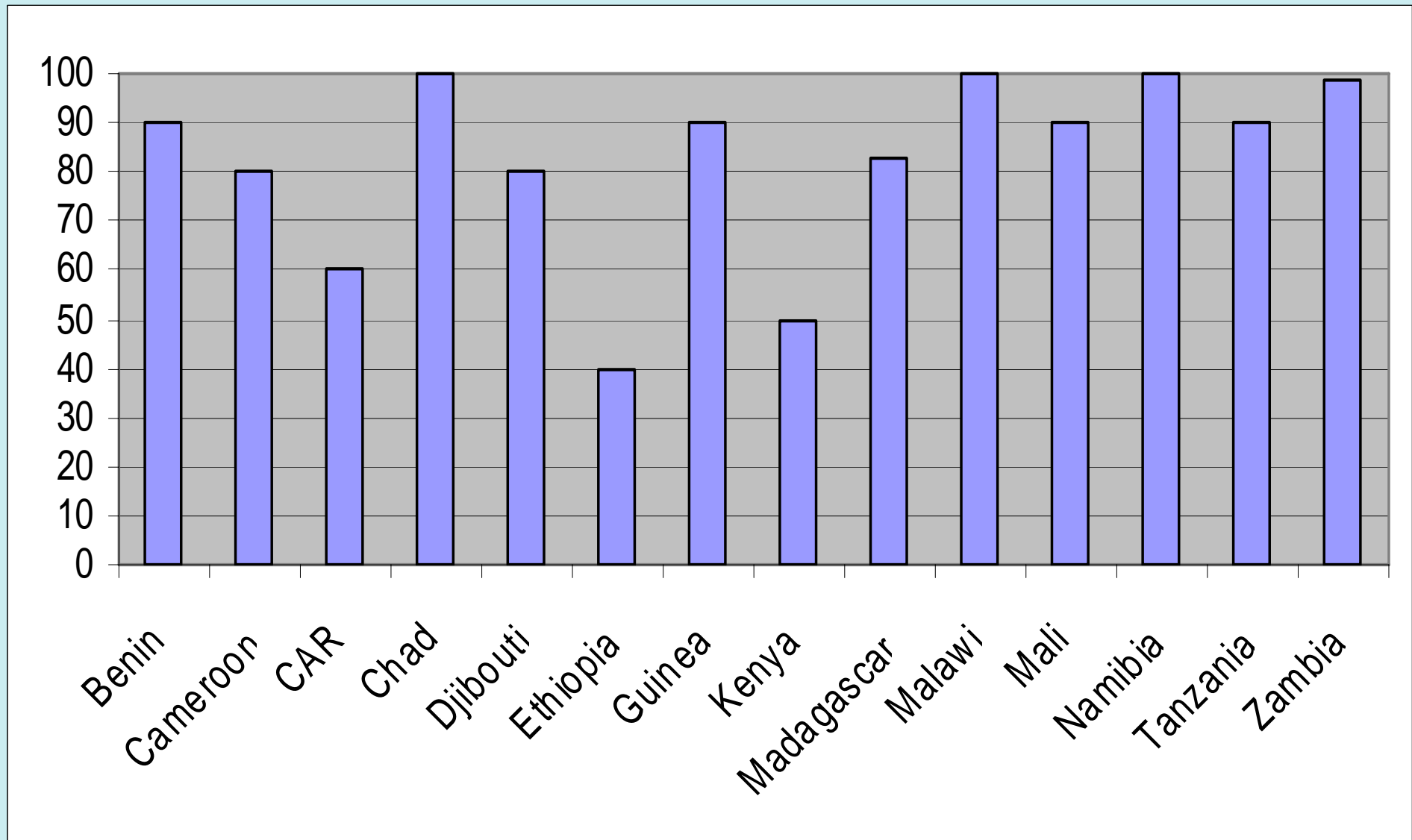
Availability of funds (Av.= 2 months equiv.)



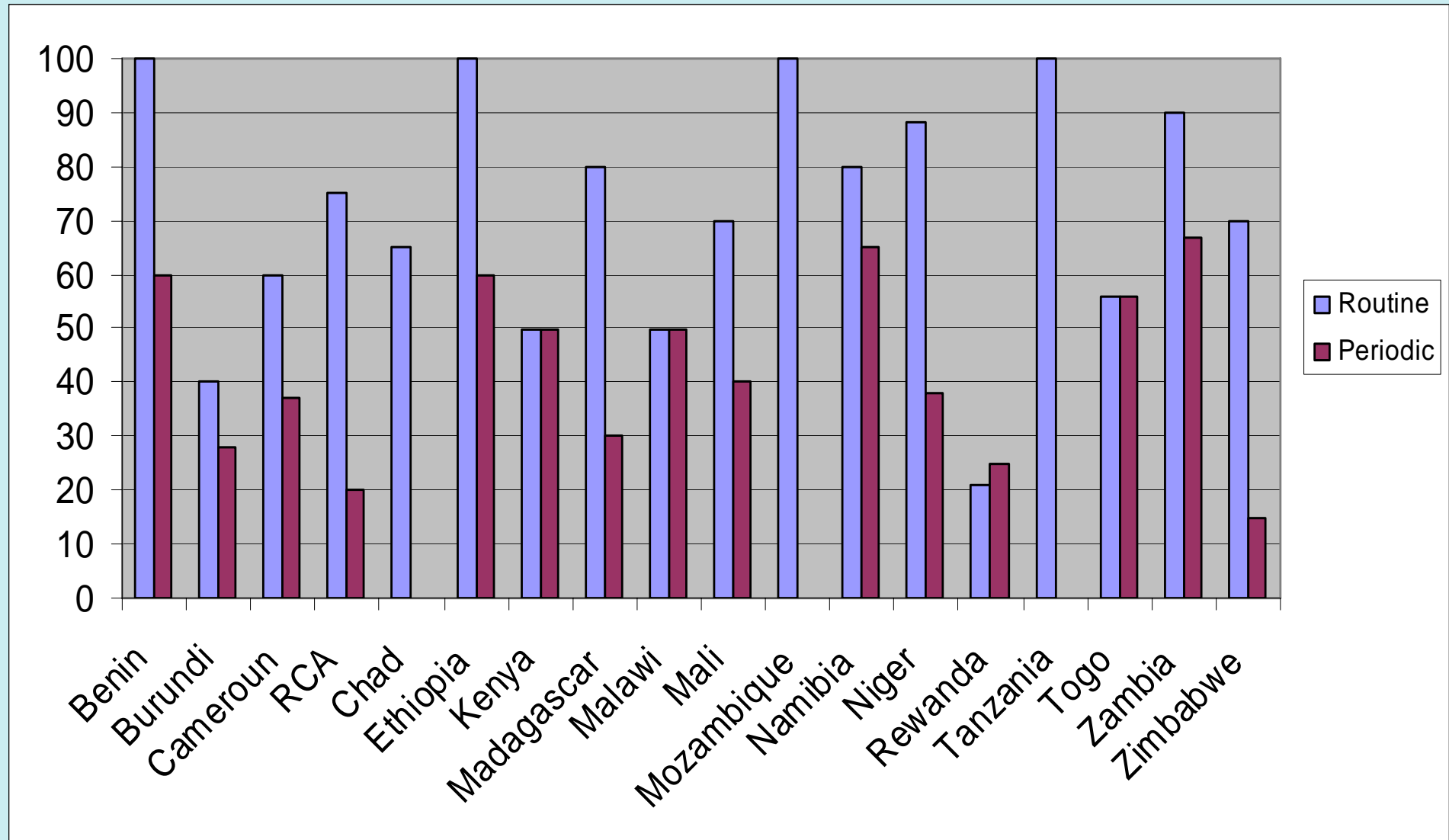
Average time for paying undisputed contractors bills (30 days)



Amount of maintenance work contracted out (Av. > 80%)



Coverage of routine and periodic maintenance needs (Av. = 65% routine and 54% periodic)



Some Indicators of Performance of “Second Generation” Road Funds in SSA

- - 27 active road funds are in place – of which 9 established since 2000 and 7 in Francophone Africa
- - 18 out of 27 are established by a law
- - 12 with a board with private sector majority
- - 14 road funds rely 80% or more on road user charges as revenues
- - In nearly all cases, fuel levy is the principal means of raising road user charges
- - Average fuel levy in US cents/liter is 8 and 7 for petrol and diesel respectively
- - 11 road funds have their revenues channeled directly to their bank account
- - **Only about one third of road funds may now be meeting routine maintenance expenditure needs on a regular basis.**
- Source: RMI-Matrix, 2006

Outcome to date

- **Overall, the road maintenance needs are becoming more visible**
- **Road funds have secured a more stable and predictable flow of funds for road maintenance but country progress varies widely**
- **More transparency in the management of funds**
- **Greater coordination between development partners – EU, AfDB and bilateral agencies....**



Constraints Encountered

- A number of road funds need restructuring
- Fuel levy assessment and adjustment process
- Diversification to other road user charges
- Release of resources to the Road Fund – delays, leakages
- Efficiency of use of the available resources



Challenges for Road Funds in Africa (1)

FINANCIAL

- Ensure equitable distribution of user charges:
Vehicle license fees -particular regard to heavy vehicles;
- Develop a communication strategy to negotiate road tariffs- Mobilize road users and stakeholders more effectively – influence decision-making
- Right sizing the network for road user financing



Challenges for Road Financing in Africa (2)

INSTITUTIONAL

- Road boards to play effectively their role and be accountable to road users
- Finance is not enough – **a RF is a means to an end...**
Road fund as a part of a move towards commercial management of roads
- **RF initiative is at risk** - Need for road management restructuring – to garner cost reductions that could be passed on to road users;
- Need to close the gap between road financing (RFs) and management (RAs) -Intermediate steps – Performance based contracts for road management and maintenance – requires stable flow of fund flows...



Road Agencies in SSA



Commercialisation of roads: An unfinished agenda

- The process of commercialisation of road management in SSA requires both a political will and a change of attitude in the way in which roads are managed. The general direction of the reforms can be grouped under four main headings:
 1. **Financing:** Stay the course towards 2nd G Road Funds
 2. **Management:** Establishing a more autonomous road agency which operates at arms length from government;
 3. **Responsibility:** Identifying clear roles and responsibilities between the autonomous road agency and the parent ministry; and
 4. **Ownership:** Improve the effectiveness of road boards through effective participation of road users.



<http://www.worldbank.org/afr/ssatp>

Thank you

