



# Financing of rural infrastructure and services trends, achievements and challenges

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# The recently published World Bank Transport Business strategy (2008-2012) advises:

- 1.2 billion of the world's poor still lack access to an all-weather road
- Between 40 and 60 percent of people in developing countries live more than 8 km from a healthcare facility. Few transport services exist
- In some regions less than 15% of roads are paved
- Without effective rural transport systems, the MDGs and ALL rural development & poverty initiatives, agriculture & growth are substantially constrained
- There are serious concerns that the MDGs may not be achieved, unless radical new initiatives are taken





# Opportunities and Challenges

## Challenges

- Lack of rural transport policy and strategy
- Weak management capacity at Local Levels
- Ownership and responsibilities are unclear.
- Inadequate financing
- Planning and selection processes have withered away
- Replacement of force account execution
- Promoting private provision of rural transport services

## Opportunities

- Global attention to rural poverty has increased
- While single-intervention approaches have proliferated, renewed attention to transport systems is being embraced by global partners
- Rapid technological development in knowledge of what works and what does not and getting that information distributed has increased



# RURAL ROAD ISSUES

- Several central government ministries involved - rarely consult local governments or each other
- Many local government roads are not designated
- Local government agencies operate at small scale - suffer from shortage of skills, remoteness
- Local road agencies lack capacity to plan, manage & execute road works





# ROAD FUNDS 2<sup>nd</sup> GENERATION

- Sound legal basis - separate road fund administration, clear rules and regulations
- Strong oversight - broad based private/public board
- Agency which is a purchaser not a provider of road maintenance services
- Revenues incremental to the budget and coming from charges related to road use and channeled directly to the Road Fund bank account
- Sound financial management systems, lean efficient administrative structure
- Regular technical and financial audits





# ROAD FUNDS IN SSA

- 27 road funds are in place - of which 9 established since 2000
- 18 road funds are established by law of which 12 have a board with private sector majority
- 14 road funds rely on 80% or more of road user charges as revenues
- In nearly all cases, fuel levy is the principal means of raising road user charges
- Fuel levy in US cents/liter is between 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.





# OUTPUT AND PERFORMANCE BASED CONTRACTING

- Increasingly popular to replace a BoQ system
- Reduces need for quality control and supervision
- Centred around the design, finance, build, operate, maintain and transfer principle
- Asset management linkages





# Financial Issues

## Local Government Roads

- Central-local fiscal transfers insufficient and erratic,
- Local leverage to access funds for maintenance practically non-existent
- Planning process for network preservation weak
  - focusing on allocation of capital funds







# Institutional Option I: The Special Purpose Road Agency



- A single rural road agency at central government level
- Agency coordinates all central government interventions
- Agency decentralized and plans & manages roads
- Civil works contracted out to small-scale contractors



# Advantages & Disadvantages

- A– Consistent framework for planning & finance
- A– Unified civil service terms & conditions = effective technical capacity
- A– Able to manage contracts
- D– HQ decisions still remote from users
- D– Consultation often insufficient
- D– Hampers full decentralization to local level





# Institutional Option II: Set Up Contract Executing Agency

- Common element remains one central government ministry to coordinate local government roads
- Local government plans – delegates implementation to agency which uses consultants & contractors to do work
- Contract executing agency manages projects –
- Board, general manager, staff paid market-based
- wages





# Advantages & Disadvantages

- A– avoids cumbersome government procurement regulations
- A– streamlines payment procedures
- A– market-based wages = high quality staff
- D– agency not subject to competitive bidding
- D– usually dependent on donor funding
- D– long-term sustainability questionable





# Institutional Option III: Joint Services Committee (JSC)

- Central government ministry policy-making and coordinating body on local government roads
- Local government agencies encouraged (central government fiscal incentives) to form joint committee to provide services for participating agencies





# Advantages & Disadvantages

- A--local governments collectively determine priorities (participation not consultation)
- A– provides scale economies for provision of own services and contracting out
- A– consistent with long-term sustainability
- D– local govts. must create forum to work together
- D– fiscal incentives not always available
- D– requires technical support from central govt





# Institutional Option IV: Contract Out to Consultants

- One central government ministry remains to coordinate interventions on local government roads
- Local government contracts out planning, management & execution of works
- Local consultants act as agents for groups of local government agencies - local government is the client
- A supply of technical advice & training to strengthen capacity of local government to guide consultants





# Advantages & Disadvantages

- A– local government determines priorities (participation not consultation)
- A– consistent with long-term sustainability
- A– grouping local government creates scale economies
- A- consultants provide technical capacity
- D– requires well-developed local consultants
- D– local government has to manage consultants
- D– requires technical support from central government







# Financial Option: New Generation Road Funds

- Proceeds deposited into special account
- Account (road fund) managed by representative board
- Board has independent chairman + strong secretariat
- Agreed formula for dividing funds between main, urban and RURAL roads
- Inform local governments of qualifying expenditures and train them in planning





# FISCAL Sources and sharing

- Legal framework (cooperative) permits use of public funds
- Resources for capital projects coming from development budget or social funds
- Recurrent costs from local communities and road Fund
- Work financed on a cost-share basis – village contribution in form of cash and/or labor
- Cost-share arrangements require cooperative meets most recurrent costs





# Conclusions

- Institutional & financial framework for rural roads rarely sustainable
- Need decentralization of decisions to local levels + coordination at central government level
- Interim options - single rural road agency + contract executing agency (Road fund?)
- Growing interest in contracting out planning & management
- Second generation road funds - have made a big difference
- Road cooperatives - promising development

