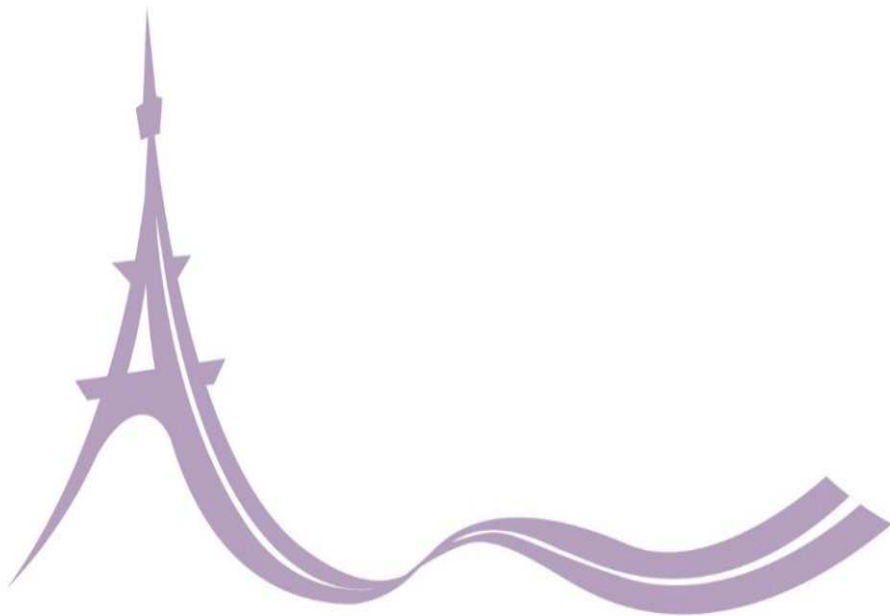


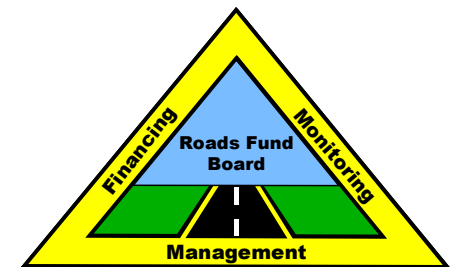
ROAD FUNDS IN AFRICA



PAVEMENT PRESERVATION & RECYCLING SUMMIT

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ROADS FUND
BOARD;
TANZANIA



THE UNITED REPUBLIC OF
TANZANIA

PRESENTATION OUTLINE | 1



Presentation Outline

The presentation seeks to answer 2 key questions

- › Are RFs in Africa able to finance total life cycle costs of their road network to improve their condition?
- › What can be done to ensure Road Funds perform their expected roles of ensuring sustainable road maintenance financing?
 - Background of Reforms
 - Sustainability of Road Funds in Africa
 - Recommendations
 - Conclusions

Background of Reforms

| 2

Background of reforms



Poor roads = Poor Access

Background of reforms

- › In Tanzania allocation per km for road maintenance and the resulting condition was as follows:

Road Class	Before 1980s		After 1980s	
	U\$/km	Condition	U\$/km	Condition
Trunk Roads	800	Good	396	15% Good
Regional Roads	400	Good	194	10% Good
District Roads	230	Good	24	10% Good

Road Condition in Ethiopia

- › Due to deferred Road Maintenances the Road Condition of Ethiopia up to 1997 were:
 - **52% In Poor Condition**
 - **22% In a relatively Good Condition**
- › By 1990's the country was losing most of its road network .





Background of reforms

Consequences of economic recession

- › There was low expenditure on roads.
- › Road network condition deteriorated heavily with most roads becoming impassable hence increasing VOCs
- › The gap between allocations from consolidated budget and maintenance needs grew bigger.

Background of reforms

In order to reverse the situation

- › Government established the Roads Fund, Roads Fund Board and TANROADS to improve on Road Financing and Management of Roads.
- › Govt remained with oversight role of policy, setting of specs & stds and monitoring

Background of reforms

- › Most African countries have established independent source of funding for road maintenance based on road-user principles
- › Funds have been fenced off from the general government budget administered by separate institutions
- › Nigeria, Botswana, Senegal and South Africa do not have a fund BUT discussing on the importance
- ›₁₀ South Africa had a fund and still has a fuel levy but not dedicated to road maintenance

SUSTAINABILITY OF ROAD FUNDS IN AFRICA | 3

Sustainability of Road Funds in Africa

Sustainability refers to adequacy and reliability of funding to meet current and future needs of the roads infrastructure.

Sustainability requires that:

- › The fund must meet all costs for Maintenance of current needs of network, Extension / quality improvement, Asset replacement
- › The costs for maintenance must be recovered fully from road users with no subvention from central government
- › There must be efficient and effective use of resources eg cheap seals and PBC
- › There must be good governance supported by financial and procurement law

Sustainability of Road Funds in Africa

- › Report by Rob Petts (2013) based on evidence gathered from developing and emerging countries indicate that roughly SSA (based on country environment) need to allocate between 0.3% and 1.4% or more of GDP(excluding rehabilitation) to hold the infrastructure assets in a stable condition for classified roads in maintainable condition
- › This figure does not include roads in poor condition which need more input costs

Sustainability of Road Funds in Africa

Situation in SSA on Adequacy of Funds

- › Tanzania and Kenya are among countries with largest road funds in Africa.
- › Tanzania expects to collect USD 442 million (FY 14/15) while Kenya managed USD 286 million (FY13/14). Ethiopia about US \$ 65 million i.e. about birr 1.2 billion per year)
- › AICD report (2010) indicate that road funds in Benin, Côte d'Ivoire, Ethiopia, Gabon, and Zambia are dependent on budget allocations in some cases for more than 75 of their resources

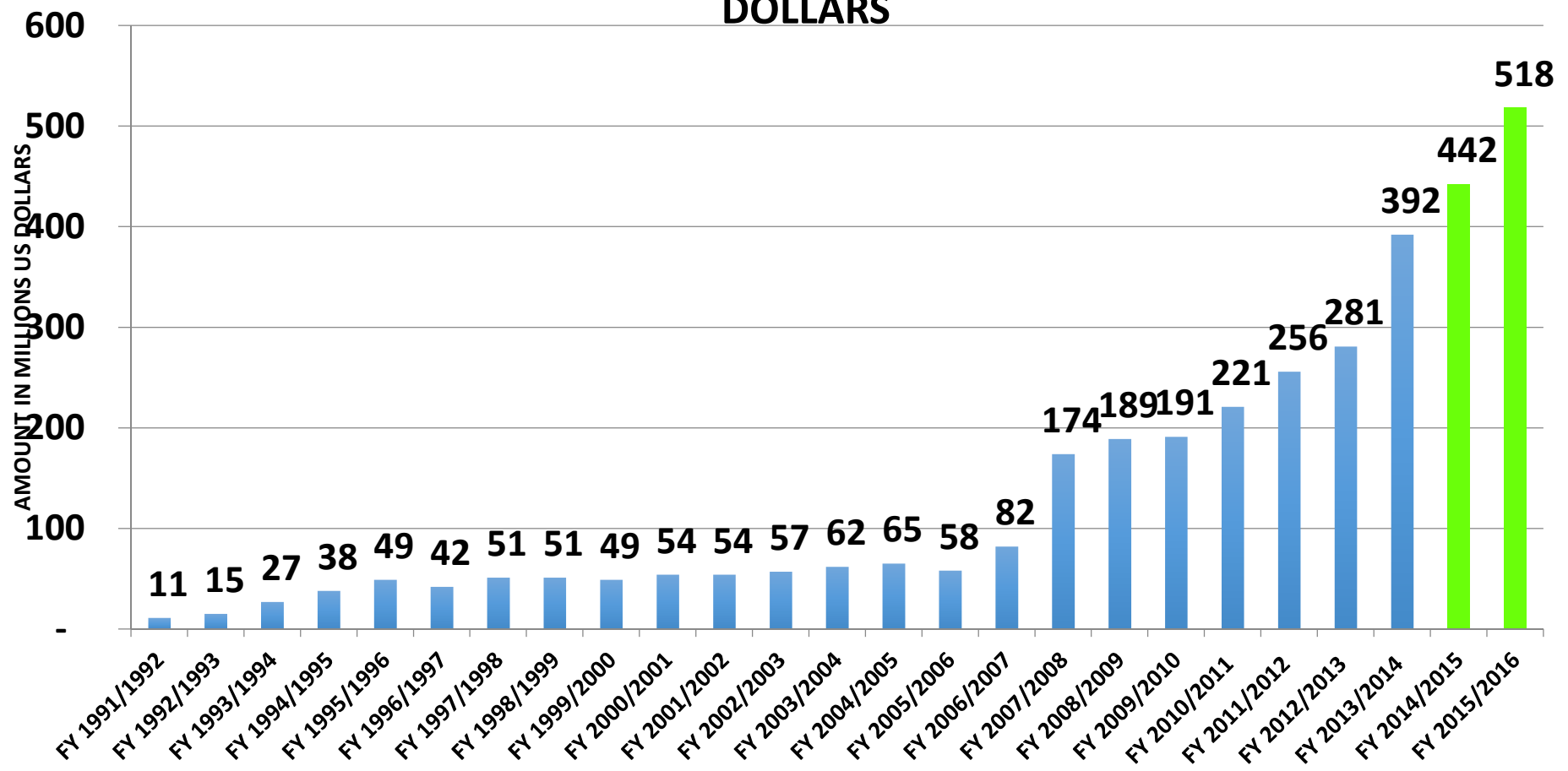
Sustainability of Road Funds in Africa Situation in Tanzania

- › The current GDP of Tanzania is about USD 44 billions hence the current level of Road Fund is just about 1% of GDP. Its fuel levy is about USD 0.15
- › Main challenge is that only about 10% of network is paved and about 90 is unpaved which is susceptible to vagaries of weather hence more resources are required to keep the network passable all the year by providing funds for spot improvement and emergencies
- › That taken into account the RF in Tanzania meets about 70% of the requirements with no subvention from the central government.

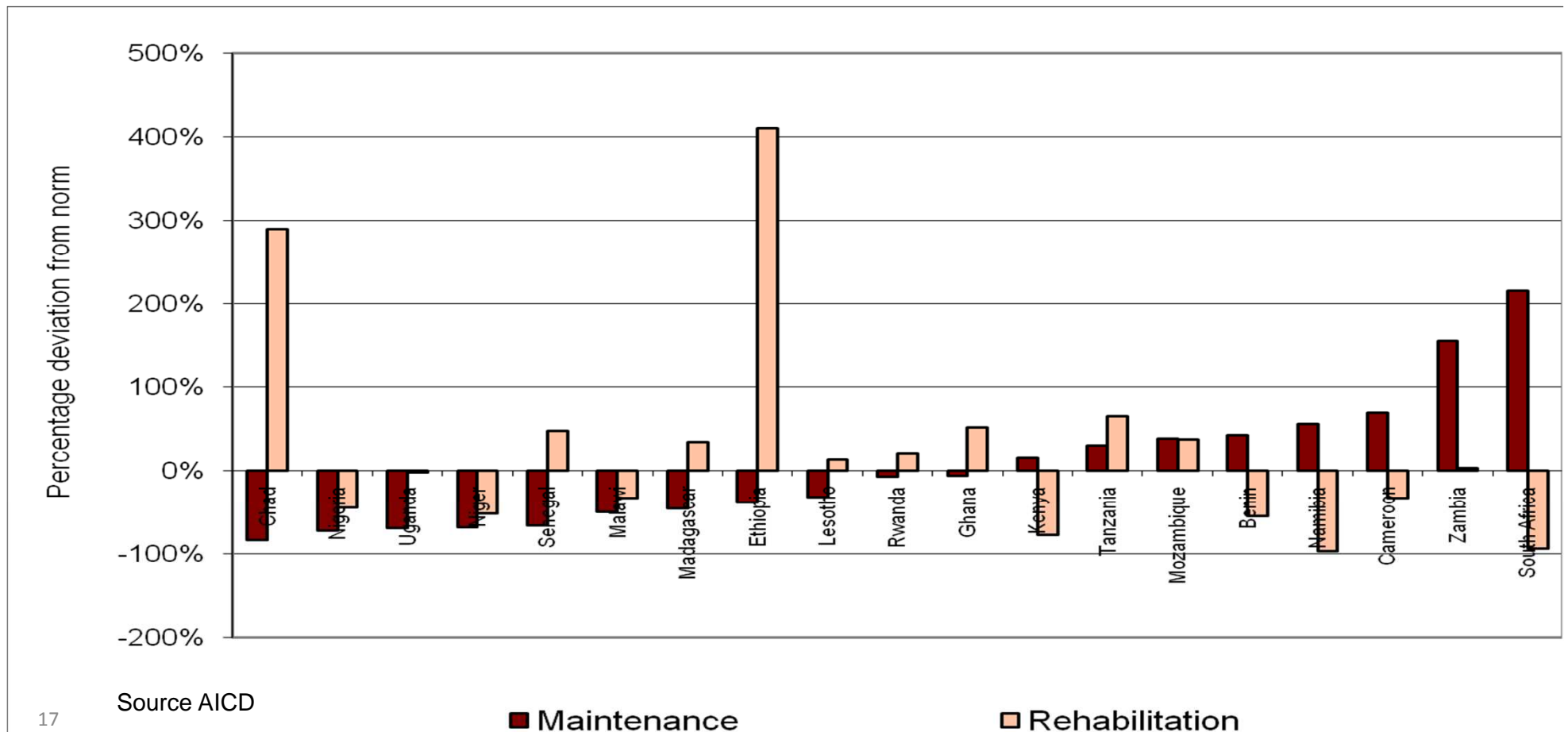
Sustainability of Road Funds in Africa

Road Fund in Tanzania

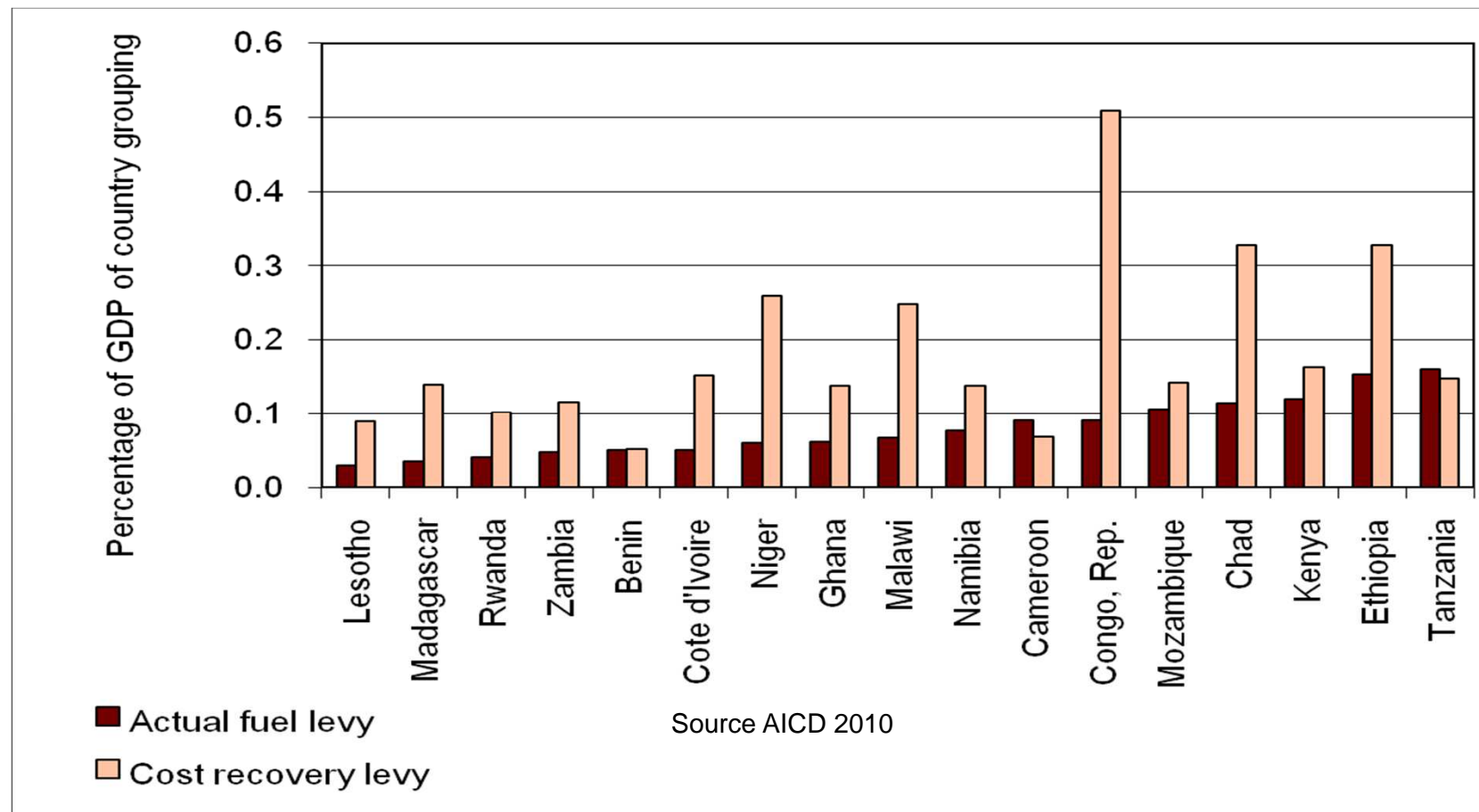
ROAD FUND COLLECTIONS IN UNITED STATES OF AMERICAN DOLLARS



Half fail to cover maintenance, and a different half fail to cover rehabilitation



All countries depend on fuel levy with few countries have fuel levies at cost recovery level

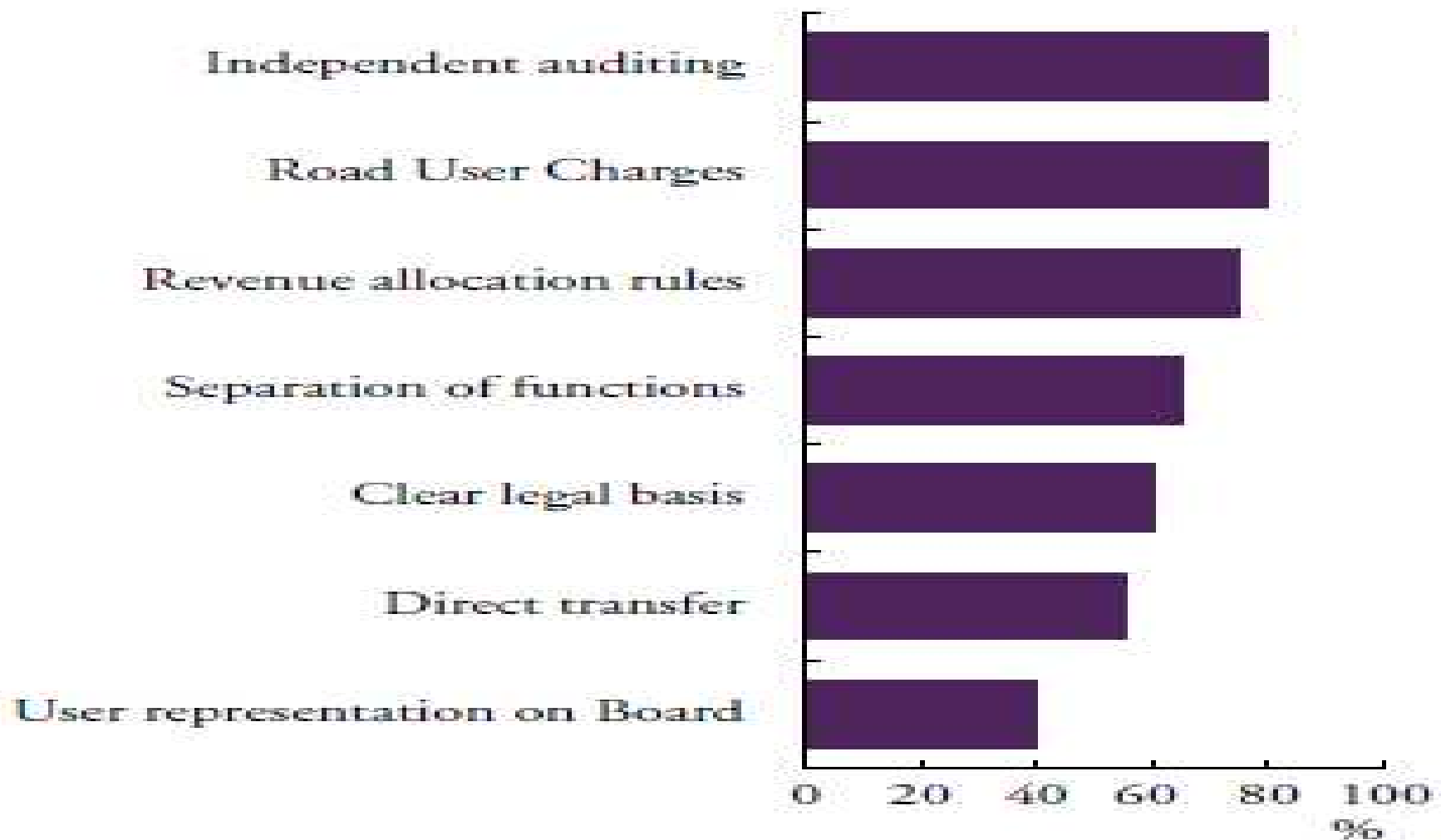


Sustainability of Road Funds in Africa

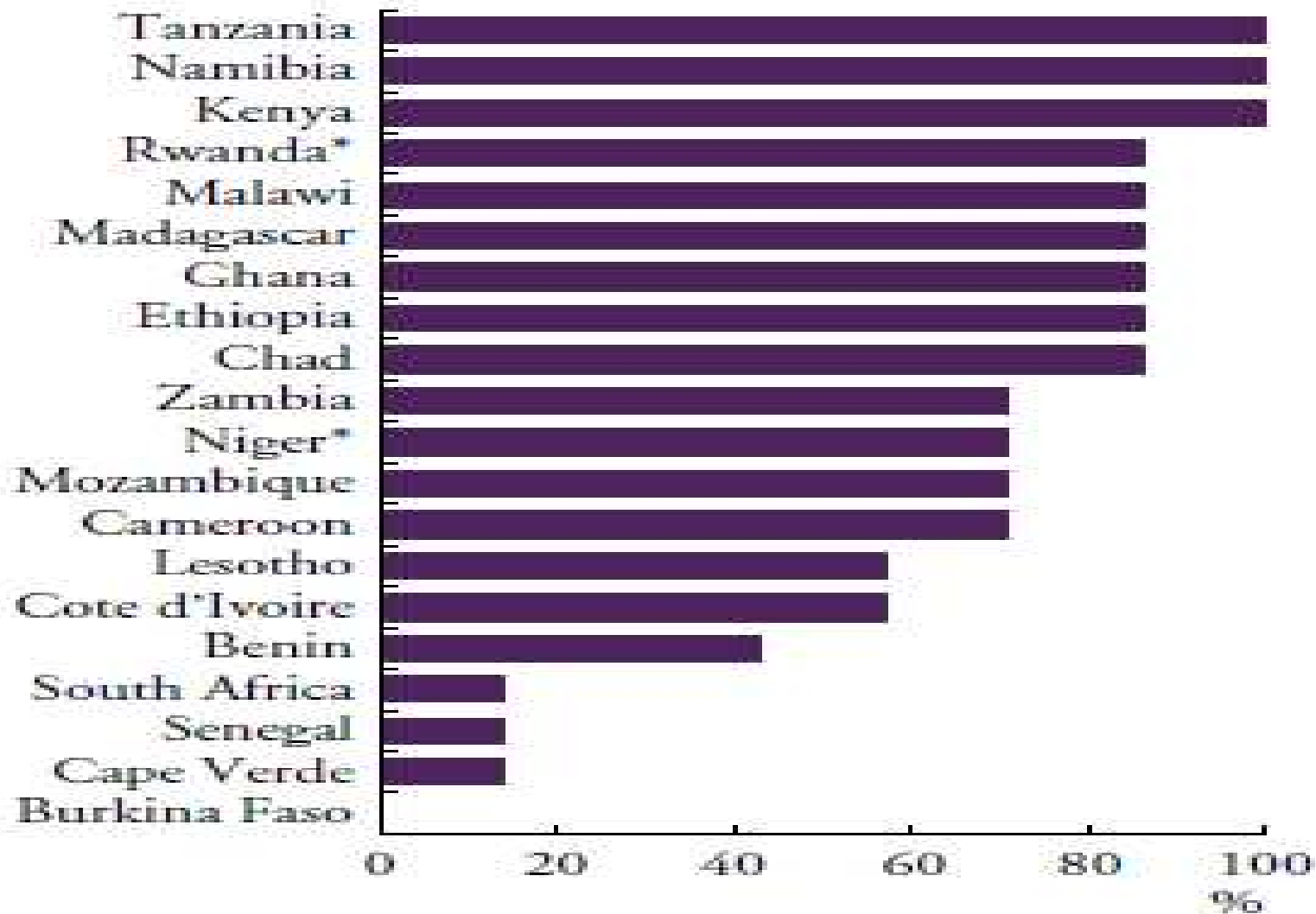
Road Condition in SSA

- › Evidence in Africa indicate that Countries that devote a larger proportion of their road funds to maintenance (and that also have road agencies) have better quality road network
- › Despite shortfalls in fund resources noted , evidence indicate that road funds have stabilized road maintenance financing compared to traditional budgetary allocations from central governments.
- › Countries that depend on budget allocations risk having poor roads due to erratic disbursements.

Countries meeting basic Criteria (AICD 2010)



Countries meeting Criteria of 2nd Generation Road Funds



Sustainability of Road Funds in Africa

Road Condition in SSA

- › AICD report (2010) indicate that Countries with both RFs and RAs show substantially higher levels of road quality than those that lack either one of these institutions.
- › RFs meeting criteria of second generation
RFs with higher amount of the fuel levy have higher quality of main road network.

Sustainability of Road Funds in Africa

- › WB Studies indicate that when a road is allowed to deteriorate from good to poor condition, each dollar saved on road maintenance increases VOCs by between \$2 and \$3.3
- › It is estimated that the extra costs of insufficient maintenance in Africa amounts to about \$1.2 billion on VOCs alone per year
- › Cutting back on road maintenance increases the cost of road transport and raises the net cost to the economy as a whole.

Sustainability of Road Funds in Africa

- › AICD (2010) analysis of performance on the three variables—institutions, expenditures, and network quality indicated the following:
 - › South Africa and Namibia stand out as being the strongest performers overall.
 - › the second group of best performers are Ethiopia, Ghana, Kenya, Mozambique, Nigeria, and Tanzania.
 - › The third group includes Benin, Cameroon, Chad, Madagascar, and Zambia.
 - › The final group comprises Lesotho, Rwanda, and Senegal.

RECOMMENDATIONS FOR IMPROVEMENT | 4



RECOMMENDATIONS FOR IMPROVEMENT

The Road Fund in Tanzania has put the following policy conditions for accessing road fund:

- › All works financed by road fund must be executed by local contractors (to stimulate local economy)
- › At least 20% of works executed must be through labour based technologies. This will reduce income based poverty and provide stable income to labourers. It is also a cost effective.
- › Women should be given priority to employment in labour based contracts to assist vulnerable group
- › Education on HIV must be provided by contractors to minimise spread and improve livelihood.

RECOMMENDATIONS FOR IMPROVEMENT

- › Contractors must take care of environment when executing road works in order to safeguard environment degradation and improve welfare. Activities such as taking care of borrow pits or using borrow pits for socioeconomic development is a case in point
- › Lean organisation structure for efficiency that operates at arms length along commercial/sound business practices including use of international reporting standards (case of Ghana)
- › Periodic review of fuel levy rate to cope with inflation and depreciation of local currency. In Ethiopia the current rate was set 18 years ago. In Tanzania reviewed 3 times since year 2000

RECOMMENDATIONS FOR IMPROVEMENT

- › Develop service level agreements with implementing agencies
- › Monitor utilization of funds through audits and Carryout regular discussions of results of audits with implementing agencies
- › Enhance accountability by regular publication fund disbursements for various programmes. Road user surveys must be carried out.
- › Funds must be allocated based on objective and transparent formula across implementing agencies to allow proper planning and future projections
- › Recruit staff on competitive basis, Retention of highly skilled and motivated staff to oversee activities of implementing agencies



RECOMMENDATIONS FOR IMPROVEMENT

- › Budget allocations are determined based on proper road inventory & condition survey and optimization of Integrated Road management System
- › Priority should be given to allocating funds to routine and periodic maintenance of the existing network as benefits are immense
- › Diversify and consider other sources of revenue for the fund (adulteration, dumping of transit fuel, inflation, fuel efficient vehicles, alternative fuels and political backlash)
- › RUCs set at recovery levels for sustainability
- › Seek to improve governance of RF and implementing agencies

Improve Governance

- › Ethiopia General Manager of the Fund appointed by Government on Recommendation by the Board
- › Ghana Chief Director Appointed by the President & staff provided by Ministry
- › CEO in Uganda, Zambia & Lesotho appointed by the Minister
- › Mozambique The Chairman has Executive functions (CEO of the fund) appointed by Minister & staff seconded from civil service
- › Recruit CEO on competition and on contract basis

Improve Governance

- › Board Composition in Ethiopia RF (16 Board Members are Responsible for managing the Road Fund)
- › **Five Regional presidents by virtue of their positions**
- › Four private sectors Representatives by nominations of their Associations. i.e. 2 from Dry cargo Transport owners Association
 - 1 from liquid cargo Transport owners Association
 - 1 from passenger Transport Owners Association
- › Public Sector is represented by
 - State Minister of Transport, Chairperson ; State Minister of Trade member, State Minister of MOFED member, Director General of RTA, ERA and Road Fund

Improve Governance of RF and RA

Results of Government Audit of Road Project

Defect found	Percentage contracts affected
Improperly sized aggregate	44%
Too much clay	75%
Aggregate not strong enough	67%
Base thinner than required	81%
Surface dressing too thin	82%
Cement content less	100%
Concrete weaker than required	50%

Source: Curbing Fraud, Corruption and Collusion in the Road Sector, World Bank

2011

CONCLUSION | 5



Conclusion.

- › Based on the principle of sustainability, many Road Funds are not adequately providing funds for maintenance and costs are not fully recovered from road users
- › Without regular maintenance, roads can rapidly fall into disrepair, preventing realization of the longer term socio economic impacts of a good road.
- › Countries must adopt policies and recommendations mentioned above to improve sustainability
- › Without good governance of implementing agencies and RF benefits of RF will be hard to realise



Conclusion.

- › Capacity of RF must be enhanced to improve efficiency and effectiveness by using technology, RMMS, RONET, PBC,

Thank You

