

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: MKID

TA No. and Name TA 5871-REG: ROAD FUNDS STRATEGY			Amount Approved: \$350,000		
			Revised Amount: \$350,000		
Executing Agency ADB		Source of Funding: TASF		Amount Undisbursed \$33,578.95	Amount Utilized \$316,421.05 ¹
Date Approval 02 Dec 1999 Signing Not applicable Fielding of Consultants Apr 2000 – May 2001			Completion Date		
			Original 30 Nov. 2000		Actual July 2003
			Closing Date		
			Original March 2001		Actual To be closed
Description					
<p>Worldwide road transport now carries between 60 and 80% of all passenger and freight traffic, and provide the only means of access to most rural areas. In terms of assets, employment, and turnover, these roads are large investments for most DMCs. In some developing countries, roads comprise the largest national asset with replacement costs that can amount to over \$500 billion. Notwithstanding their importance, roads are often managed by under-funded road agencies in the same way that social services are managed and financed. In many countries there is a huge backlog of deferred maintenance. For example, in 85 countries that received road sector assistance from the World Bank during the 1980s, maintenance has been so slow that nearly 15 percent of the capital invested in main roads, about \$43 billion, has been lost. When planning and execution of road maintenance are not carried out in a timely manner, road networks deteriorate so that production and distribution costs of other economic activities are significantly increased. It is estimated that these costs increase at a rate of \$2 to \$3 for every \$1 of maintenance work forgone.</p> <p>To address the need for sustainable funding of road maintenance, road funds were developed as an institutional financing mechanism through which a selected stream of revenues is put at the disposal of a government road department or agency. Early road funds failed, mainly due to inadequate institutional arrangements, but later versions, so-called 'second-generation' road funds, are being established in a number of DMCs. These second-generation road funds make use of user charges and manage these funds through a board that includes representatives of all road sector stakeholders. However, commercialization continues to be a key response to the need to strengthen the management and financing of roads and four core interdependent elements of policy reform need to be clearly addressed to ensure success in establishing effective road funds. These are (i) creating ownership of road users in road management; (ii) stabilizing road financing; (iii) clarifying responsibility for organization and management of road maintenance; and (iv) providing effective systems and procedures, and strengthening managerial accountability. ADB experience indicates that to improve road maintenance strategies and systems in the DMC's, both the respective governments and ADB need to strengthen their efforts in many areas. In that context, it is important to define the role of road funds and establish implementation guidelines to guide ADB interventions that promote sustainable road maintenance.</p>					
Objectives and Scope					
<p>The goal of the TA was to develop an ADB strategy that promotes sustainable road maintenance. To achieve this goal, the immediate objectives were to (i) review the applicability and the role of road funds in 6 DMCs,² and (ii) prepare implementation guidelines and an action plan for setting up road funds. The scope of the TA was to begin with an examination of existing documentation on road funds to determine current developments in the field. A review was undertaken of current maintenance arrangements in 6 DMCs, the suitability of setting up road funds was assessed, including (i) the macroeconomic and fiscal implications, and (ii) the impact of a road fund with an autonomous board on improving the efficiency of maintenance planning and execution.</p>					
Evaluation of Inputs					
<p>The TA was well formulated in that it addressed the needs for a coherent approach to the funding of road maintenance and to assess the potential for road funds to provide these funds. The TOR followed from this in that an assessment was required of the suitability of road funds to address sustainable road maintenance issues in DMCs together with the preparation of implementation guidelines and action plans for setting up road funds.</p>					

¹ As of 26 December 2003

² Under the TA reviews were undertaken in Philippines, Lao PDR, Viet Nam, Kyrgyz, Uzbekistan, and Pakistan.

The performance of the consultants was satisfactory in that they addressed the requirements of the TOR and worked closely with the ADB staff supervising the TA through meetings in Manila as the TA progressed. During the reviews in the 6 DMC's the consultants held meetings and workshops with a wide range of road sector stakeholders in both the public and private sectors.

Evaluation of Outputs

Work under the TA was presented at a workshop in Manila that was attended by 88 delegates from 20 Asian governments, major donor agencies, private sector and consultants. At this workshop the findings and concepts developed during the TA were presented. The presentations generated considerable discussion between the delegates and the workshop was considered to be highly successful. Final outputs from the TA consisted of two volumes. The first, a strategy for road funds, was published as an ADB publication entitled 'An Approach to Sustainable Funding of Road Maintenance'. Demand for this publication was such that all copies have been distributed. The second volume is a comprehensive report on the TA entitled 'Road Funds and Road Maintenance – An Asian Perspective' which was published in July 2003 and are also being distributed. This second volume contains the proceedings of the TA workshop.

Overall Assessment and Rating

The TA is rated as highly successful as it achieved the TA objectives in that the TA has produced an assessment of the potential for road funds to address the need for sustainable road maintenance and a strategy for establishing a road fund that will address this need.

Major Lessons Learned

During the implementation of the TA it was concluded that a strategy for establishing a road fund could not be based on a set universal formula that could be applied equally in all DMCs. Instead the TA identified a set of parameters that can be considered as characteristics of a 'good practice' road fund and an approach to establishing such a road fund. Putting a 'good practice' road fund in place requires a number of steps. These start with getting acceptance that there is a maintenance problem and progresses through mobilizing the interest and support of all road stakeholders, including users, to developing a road fund that will efficiently, transparently, and effectively provide funding for road maintenance and also monitor the use of funds. The objective is maintaining the condition of the road network at an acceptable standard.

Recommendations and Follow-Up Actions

Under the TA proposals were prepared to address wider issues with respect to Road Asset Management in conjunction with RSFI. The first of these proposals covers establishing a series of sub-regional workshops in DMC's throughout Asia. The objective of these workshops is to (i) exchange experiences and knowledge between countries, (ii) provide learning and education opportunities for those involved in the road sector, (iii) assist in developing understanding of road sector issues and problems, and (iv) develop consensus on appropriate methods of implementing improvements. The second proposal covers the development and implementation of a method of measuring and assessing the performance of existing road fund initiatives in Asia and to prepare implementation guidelines to assist in the design and monitoring of road fund initiatives. The third proposal concerns the development of road sector institutional appraisal and performance measurement indicators. The above proposals have been forwarded to RSFI for consideration under future programs.

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