



Recent Trends in Road Management and Financing in Latin America

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The Main Dimensions of Reform

- a. Maintenance Funding and Expenditure
- b. Structural Reform
- c. Private Sector Participation
- d. Contracting Reforms
- e. Decentralizing Road Management



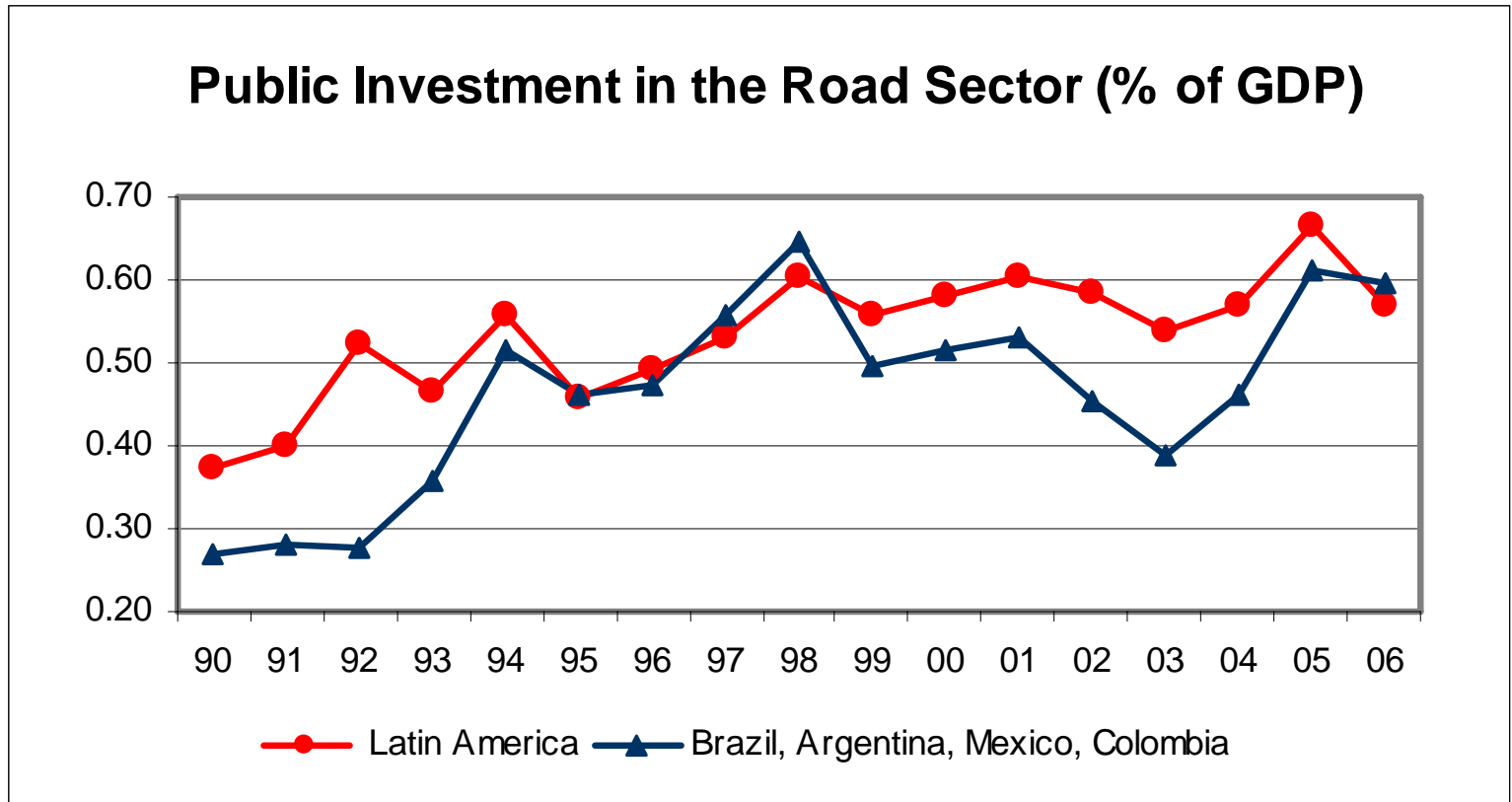
Maintenance Funding and Expenditure

- Megatrends are broadly positive ...
- ... large countries helped by private inflows
- Lot of volatility and variability between countries ..
- ... and on average still investment low in relation to needs
- But ... some countries nearing meeting all requirements

Maintenance Funding and Expenditure

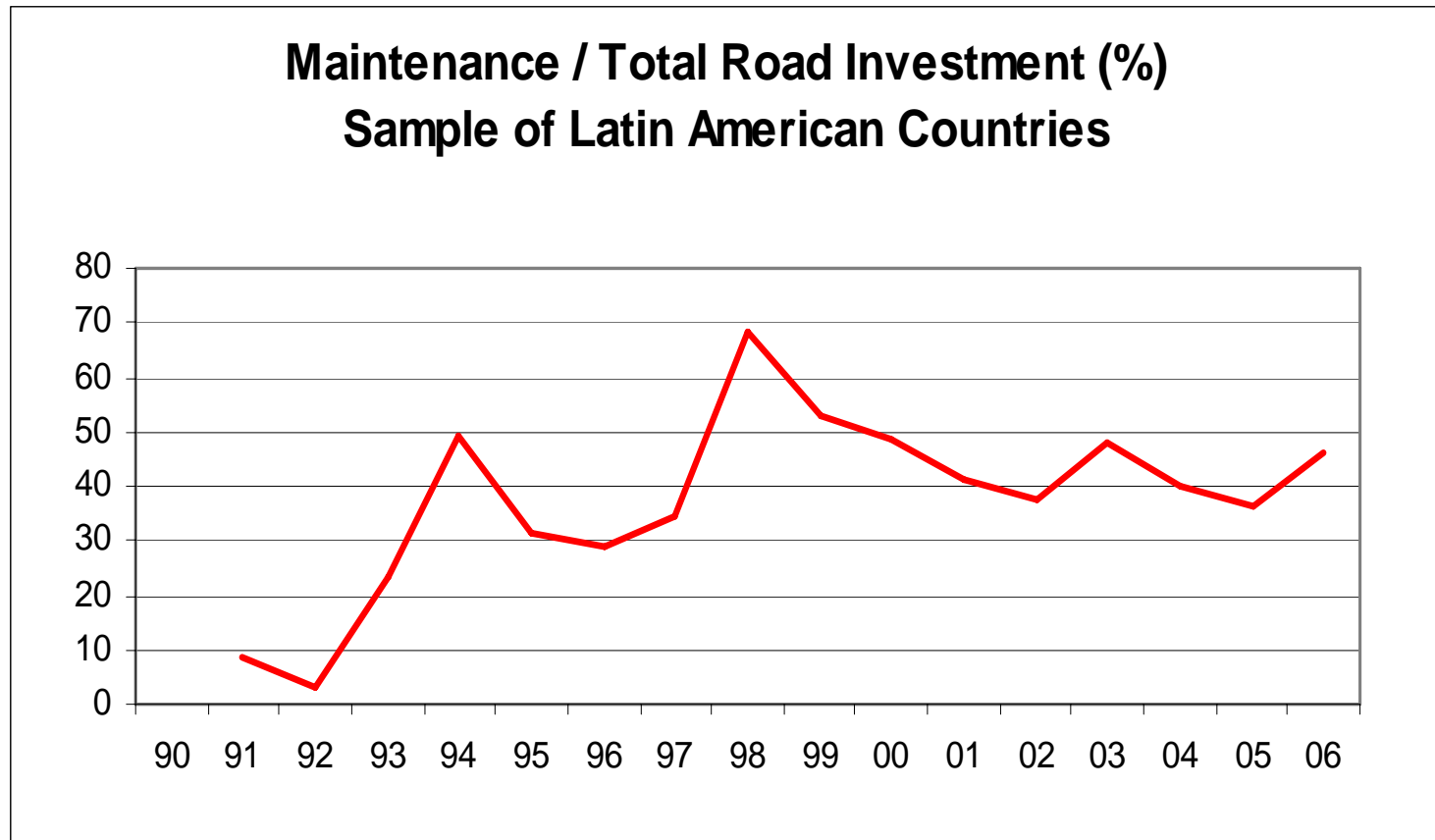
- However , few countries followed advice on setting up road funds and ...
- those that did - in Central America saw benefits - but not a total solution
- Some countries looked to other solutions but reliance on budget still high in most cases
- Ergo, unreliable and insecure funding not fully addressed.

Public Investment Trending Up



Source: National information, World Bank analysis

Proportion to Maintenance Also Rising



Source: National information, World Bank analysis

Structural Reform

- Few examples of new commercially oriented structures/agencies ...
- but number of successes in restructuring existing road departments
- Refocusing, downsizing, associated with PPP and contracting reforms
- Much better than other regions in the basics of road planning and monitoring
- Challenge is discontinuity and sustaining quality of staffing



Structural Reform

- Some good examples, e.g.

URUGUAY (1994 on ..)

Downsizing

PPP and contractor reform

EL SALVADOR (1999 on ..)

Downsizing

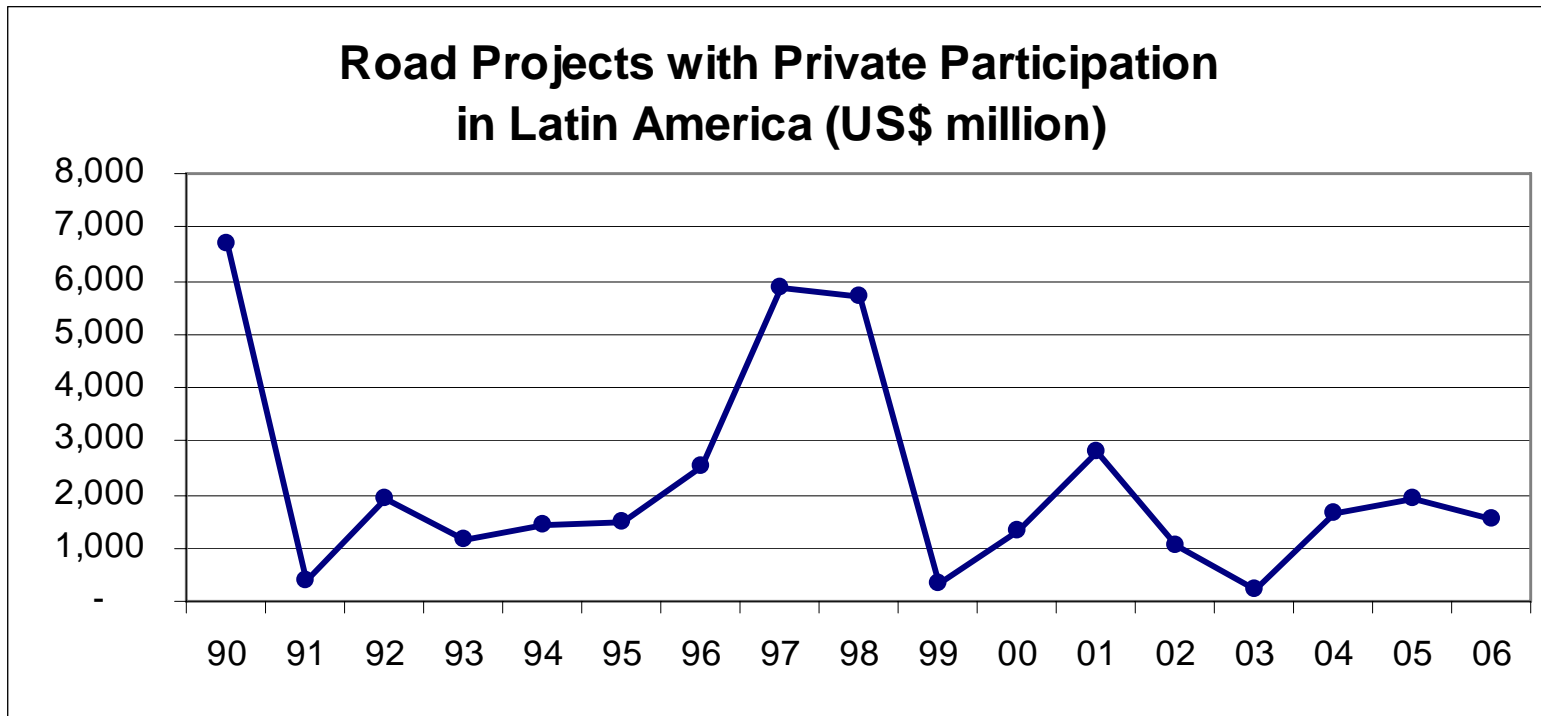
Road Fund

In both, renewed maintenance emphasis

Private Sector Participation

- Some early setbacks on private toll roads ..
- ... and then the late 1990s crisis
- However strong rebound and learning by doing - 4 generations in Colombia
- Large countries now have large reliance on concessions
- This is a big success in relation to the original PROVIAL recommendations
- Also note the creation of special agencies to manage concessions

Private Sector – Evidence of a Rebound



Source: World Bank PPI Database



Contracting Reforms

- Early attention to management by contract and scaling back force account
- Specific reforms based around adoption of output and performance based
- This has worked at various levels - CREMAs and micro-enterprises (tool for contractor development)
- Cost and efficiency advantages, also social benefits from micro-enterprises

The Scope of Micro-enterprise Programs

Micro-enterprise Programs in Latin America

Country	Year Started	Total ME	Total Workers	Total Km	Total Cost US\$ million
Bolivia	2001	354	2,291	10,200	5.1
Colombia	1984	318	3,235	11,823	18.1
Ecuador	2002	70	889	2,762	2.1
Honduras	1999	70	889	2,762	2.6
Nicaragua	1997	33	411	1,464	1.5
Peru	1995	642	7,236	15,744	13.4

Source: World Bank Transport Note Micro-entreprises

Interventions of Micro-Enterprises

Micro-enterprise Programs in Latin America

Country	Road Network	Road Type /Surface	Road Agency	Road Type
Bolivia	Main	Paved	ABC	Inter-Urban, Rural
Colombia	Main, Urban	65% paved, 35% unpaved	INVIAS	Urban, Rural
Ecuador	Main, Rural	Paved and unpaved	Ministry and Municipalities	Urban, Rural
Honduras	Main	Paved	Fondo Vial	Inter-Urban
Nicaragua	Main, Secondary	Paved 99%	FOMAV	Inter-Urban, Rural
Peru	Rural, Regional, Main	Unpaved 98%	Municipalities Regional Governments Ministry	Rural, Inter-urban

Source: World Bank Transport Note Micro-entreprises



Decentralizing Road Management

- Why is this important - countries should devolve responsibilities to sub-national level
- Also viability of reform and impact on users depends on whole network performance
- Experience very patchy - reform reversals - not much impact in aggregate
- Critical factor is financial decentralization at the same time as devolving responsibility

Decentralizing Road Management

Peru Case

- Political decentralization: Constitution 1993, key legislation 2002
- Fiscal decentralization: subnational government expenditures 35% in 2006 from 28% 2003
- Create Provincial Road Institutes.
- *Provias Rural* provides technical assistance.
- Budget resources transferred on permanent basis to municipalities, 2006



Conclusions

- Resilience in the face of challenges to both private and public funding for roads
- Clear trends in maintenance spending evident in some countries, but not all
- Maintenance funding not fully resolved -only minority of countries have special financing



Conclusions

- As a result, some improvements in network quality - but more so in better performing countries
- Gap between national and sub-national on average has probably increased (partly due to contrast in % of paving)
- Suggest greater attention needed to address constraints to road management at sub-national level



Thank You!

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