

POLICY TOOLS - INFRASTRUCTURE PROVISION

4.7 SECTORAL ORGANISATION

Problem: There are many different road sector organisational models, all of which involve some balance of responsibility for roads development between one or more sector ministries and an executing agency (or agencies). Political considerations are likely to be an important influence in selecting an appropriate model.

Solution: There is no specific solution to the selection of an appropriate organisational form, but there are clear merits for giving the executing agency as much independence from its parent ministry as can be tolerated.

BACKGROUND

Provision of rural transport infrastructure must be viewed within the broader context of rural development and rural service delivery. In recent years there have been two important world wide trends in the management and provision of a wide range of publicly provided infrastructure and services. These are:

- a) Privatisation
- b) Decentralisation/deconcentration

In the provision and maintenance of road infrastructure privatisation, particularly for undertaking maintenance works, has reduced costs and increased efficiency. In contrast decentralisation (where authority is handed over to a lower level of local government) has not been so successful. Decentralisation occurs when authority is given to say a Regional or District office of a central ministry or authority.



The privatisation of different tasks has helped to reduce costs through a clear division of responsibilities for the different functions, the identification of specific tasks and the letting of competitive contracts. Decentralisation of responsibilities for rural road infrastructure has not been that successful for a number of reasons. These are:

- a) The planning of works and the letting of road contracts is a complex process involving considerable technical knowledge and experience that is often not found at the lower levels of government in developing countries
- b) With limited funding local government often finds it difficult to meet the pay costs and other day to day expenses required to enable engineering staff to do their job properly. Limited career opportunities also make it difficult to retain good quality staff in the longer term.

- c) Road projects are often many times more expensive than other infrastructure projects undertaken at the local level. As a result there may be a general lack of experience of handling contracts and projects at this scale. The size of the typical road project contract may also be beyond the legally agreed limit for local government; hence delays may result as further authority is sought before final approval is given
- d) There may be insufficient road based work to fully employ one engineer at the lowest levels of local government (i.e. the district) as a result there may be pressure to substitute lower qualified staff or for one engineer to be shared between several districts. Neither solution is very satisfactory

An arbitrary shift of responsibility for rural roads to weak local governments is unlikely to be successful. Strengthening local institutions through effective decentralisation is the centrepiece of rural development and implies building local capacity in both public and private sectors. To do this, an enabling environment of sound policies, incentives, effective management structures, democratic control of local governments and trained and motivated people is needed.



Effective decentralisation (devolution) hinges on a balance of political, institutional and fiscal responsibilities. The allocation and control of finances lies at the root of decentralisation. Many decentralisation efforts are only partial: administrative responsibilities are assigned to local governments, whereas central governments remain in control of fiscal instruments. Partial decentralisation risks perpetuating weak local governments and causes central government to take back or temporarily assume local government responsibilities due to poor performance (see **Appendix I** for a decentralisation checklist).

MODELS AND OPTIONS FOR MANAGING RURAL ROADS

Malmberg Calvo (1998) set out two major organisational models and a number of options for managing rural roads and these, together with their strengths and weaknesses, are presented below:

- i) Legal responsibility assigned to *one ministry or specialised road agency*; or
- ii) Responsibility assigned for main and rural roads to *different ministries or levels of government*.

Within the second model, there are further options depending on whether a centralised or a decentralised approach is adopted.

- **Model A: Roads managed by the same ministry**

Three varieties of this model exist:

- Separation of network management function (separate rural and main roads departments)
- Separation of management by road standard (paved road and unpaved road departments)
- Management of main roads and rural roads together

- **Model B: Roads managed by different ministries or different levels of government**

In this case, the institution legally responsible is, most frequently, a local government or rural district council. The agency responsible for overseeing roads at central government level may be the main road ministry, local government ministry, the ministry of agriculture, the office of the Prime Minister or the president. The overseeing agency advises on policy and standards, and has responsibility for planning, guidelines, technical and financial oversight, and resource allocation. Some countries have no co-ordinating ministry.

One of the main challenges for managing proclaimed rural roads is the mobilisation of local capacity to plan and programme physical works adequately, and to award and manage contracts. Four common options for this draw on both the centralised Model A (Option 1) and the decentralised Model B (Options 2, 3 and 4). See **Table 1** for comparison of models.

Option 1: Central government rural roads department

A typical organisation has a national headquarters in the capital and branch offices in provincial centres and, possibly, area office in some districts. The functions of headquarters are to advise on policy, formulate guidelines and provide technical support to branch offices on planning and contract management. Area offices are in charge of day-to-day management of the network and supervision of works. Area offices may liaise with local government administrations, but they report ultimately to central government, which is the source of funds. Where the rural roads department is attached to the sector ministry of roads, there is the advantage that technical support and guidance are received from the parent ministry. Co-ordination at various levels of the network is also facilitated. The disadvantages include ensuring sufficient attention to local priorities and local consultation on planning.

Option 2: Local government management through contract management agency

Local governments purchase the services for which they lack capacity through a contract management agency. The agency can then hire consultants to work with local government staff for drawing up development and maintenance plans, and for contract design and bidding. In Francophone Africa, these agencies are known as AGETIPs (*l'Agence pour l'Execution d'Interêt Publics* or Agency for the Execution of Works of Public Interest). These have proved to be highly successful in reducing bureaucracy, particularly in ensuring prompt payments to contractors. Drawbacks include the monopoly over contract management for public agencies, heavy reliance on donor funding, although there is no reason why agencies should not operate for profit in a private market. *Other challenges include:*

- the existence of able contract management firms;
- the ability of local government to deal with the contract management agency; and
- scale, because small networks and small funds result in small contracts.

There is limited experience of this management option for rural roads and, although highly efficient in the management of individual contracts, the arrangement does not really solve the problem of network management or funding.

Option 3: Local government management through joint services committee

A group of local governments can form a special purpose district for management by a *joint services committee (JSC)*. This can achieve sufficient *scale* to procure services competitively from the private sector for road works. Creation of a JSC reflects the fact that needs and demands of an area within an administrative district may not necessarily follow jurisdictional patterns. JSCs may provide a wide range of public services other than roads and are typically organised as commissions or task forces.

Box 1: Guatemala Main and Rural Roads Project

There are twelve municipalities in the Altiplano Marquense of the department of San Marcos. The average municipal rural road network in the Altiplano is 90 km (between 25 km and 200 km). These networks are too small to justify the build-up of technical capacity in each municipality to manage roads. The municipalities therefore have grouped together in order to achieve scale and be able to cost-efficiently provide road infrastructure.

In the first half of 1997, the twelve municipalities of the Altiplano formed an association (AMAMNO) to pursue development of the area by seeking solutions to issues of common interest such as roads. The mayors of the twelve municipalities decided that this association will constitute the core entity for the management of municipal road network. The planning, programming and management of municipal roads in the twelve municipalities in the Altiplano will be contracted out to the private sector through the municipalities' association.

AMAMNO, which consists of the twelve municipalities, will form an assembly of representatives of each municipality (e.g., Mayor or Councillor) and of some of the communities. The assembly will appoint an executive board with representatives from both groups. The Board will recommend cost-sharing arrangements to the assembly, seek and manage funds. The Board will be headed by an Executive Director, appointed by the Assembly. The Board will contract a private sector firm/unit to provide technical services to the municipalities.

Source: Ruan (2001)

Members of a JSC are commonly elected representatives and technical officers of the relevant local governments. It is also common to include representatives of special interest groups, such as transport operators and road users. The bodies need only exist for the time necessary to complete the tasks for

which they are charged, possibly appointing a lead agency for specific projects, or they can be set up as an independent agency charged with the responsibility for the joint programme. Physical works are normally let to the private sector.

Key determining factors for success are the ability and willingness of the originating jurisdiction to innovate, and the degree of motivation to co-operate. This may be influenced by common history, economic stress, or public or political pressure. Advantages are that local governments can still set their own priorities, but gain economies of scale. In addition, where there are differences in tax incidence and needs for development between different jurisdictions, JSCs provide the opportunity for cost-sharing formulae to balance inequalities. Some governments provide incentives for JSC arrangements by making it easier to attract grants. The main disadvantage is the existing rigidity of local government arrangements that may give administrative and legal difficulties. Technical assistance may still be required from central sector ministries.

Option 4: Local government management through private consultants

Use of consultants enables local governments with small networks to determine their own priorities while procuring selectively the services they require from the private sector. It should result in better quality of work at lower cost. Changing to this model requires that local governments currently operating in-house works units need to develop the skills to become a client; and the private sector may need to learn the skills to undertake new types of services and works.

Table 1: Comparison of models for mobilising management capacity

Management model	Options	Local priorities	Market discipline	Sufficient scale	Administrative simplicity
Centralised	1. Central government rural road department	Usually not achieved	Usually achieved	Achieved	Achieved
Decentralised	2. Contract management agency	Achieved	Usually achieved	Achieved	Usually achieved
	3. Joint services committee	Achieved	Usually achieved	Achieved	Usually not achieved
	4. Private consultants	Achieved	Achieved	Usually achieved	Achieved

The centralised and decentralised models each have strengths and weaknesses. The challenge with Model A lies in ensuring adequate local input to planning; with Model B it is to ensure that local government road departments are technically competent. Thus, the first model is more suitable for countries with centralised governments and limited technical capabilities at local level; the second is more suitable where there are decentralised administrative systems. Both models should, however, attempt to decentralise operations through the active involvement of local constituencies in priority setting and planning, and have a strong central unit responsible for co-ordination, guidance and oversight.

KEY REFERENCES

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