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Developing Africa's Transport:
The Shifting Paradigm

The Challenge

Providing effective and efficient infrastructure underpins all attempts to reduce poverty. Trade is the engine of economic growth, and reliable and efficient transport is essential for successful trade. Transport is needed to facilitate production and exchanges, enable farmers to produce and bring their products to markets, and provide the basis for private investment. The poor state of transport infrastructure impedes Africa's development and obstructs poverty reduction.

The Vision

One of the main reasons for the poor performance in transport has been inadequate institutional incentives for improving infrastructure and infrastructure services. To promote responsive service delivery, incentives need to be changed through commercial management, competition, and user involvement. Establishing a new culture in developing Africa's transport infrastructure will therefore be critical. This involves a learning process that leads to a paradigm shift in governments' understanding of their role in transport provision. Global experience has proven that good infrastructure is a prerequisite to the massive private investment that is so badly needed in Africa. Thus, even if the public sector could manage transport infrastructure effectively, the private sector will be increasingly asked to finance it. Changing the culture of transport infrastructure provision will demand an increasing role for the private sector.

Shifting the responsibility for transport infrastructure provision will require a rethinking of the nature of public—private partnerships and of central and local government partnerships. Such partnerships could be built of multilevel ties consisting of entrepreneurs and financial and public institutions, all of which should include local and foreign expertise and participants. Although the most visible partnerships will continue to be central governments and large foreign partners,
small and medium sized local entrepreneurs must also be involved in providing transport infrastructure in order that local economic actors have a stake. In many cases, this means finding different ways of dealing with providing rural transport infrastructure and involving local governments in managing and financing infrastructure. Building mutual trust among the public and the private sectors — foreign and national, central and local, large and small — is essential for cooperation in improving the products and services provided.

Introducing the private sector into managing and financing transport infrastructure in Africa cannot be approached as a classical private sector development case. It requires special attention to address issues linked to public—private partnerships in the region. Investments in African transport infrastructure are vulnerable to political risks, including governmental reneging on regulatory commitments. Establishing an adequate legal and regulatory framework will help build trust with the business community and specify clear rules and procedures. This framework would ease the constraints on mobilizing local finance by introducing risk-reducing mechanisms.

Rethinking Public/Private Partnerships

As countries around the world attract an ever-increasing amount of foreign private investment in infrastructure, Africa lags behind. Because the region's infrastructure privatization is in its initial stages, an understanding of the region's private participation in its provision needs to be enhanced, and demand and potential for successful private—public partnerships must be identified. The importance of this issue is reflected in the Bank's dialogue with the governments, especially in regard to the fiscal constraints which most are facing. Global experience shows that capital is extremely selective in choosing its markets and requires preliminary conditions which, in most cases, do not yet exist in Africa.

Most African markets are not big enough to attract private investment. The main cause for this lack of interest is attributed to the low per capita income combined with the low growth rates, which will probably not experience a substantial increase of purchasing power in the near future. On top of the small size of its markets, the region's integration is in its infant stages. Experience, mainly in Asia and Latin America, has proved how important integration is in extending the possibilities of attracting investment. Transport infrastructure could have a substantial impact on regional trade, economic growth, and poverty reduction.

Eliminating the pervasive restrictions on private sector participation in transport infrastructure would improve the legal and regulatory frameworks that are restricting the liberalization and privatization of Africa's infrastructure. There is a general awareness of the urgent need to establish supportive public institutions and create a sound regulatory framework to ensure the effective operation of public enterprises. Increasing attention is given to the crucial role these institutions play in a commercial and market oriented environment and the need to strengthen their regulatory capacity.

In a time of dwindling worldwide resources devoted to foreign aid, the role of co-financing increases. The World Bank's role of assisting a recipient country in developing a viable financing plan that identifies potential co-financiers is growing. The role of project financing in development has been expanding rapidly in some regions, although it has not yet been rooted
widely in Africa. In order for governments in the region to attract more project finance, it may have to make commitments in the form of concessions, guarantee mechanisms, and a business-oriented environment that ensures the private sector of their commitment to changes. In order to improve its service, the Bank is searching for better ways to learn, provide, and manage non-lending services that help our clients to identify and negotiate co-financing projects with private financial institutions.

Revisiting Decentralization

Evidence shows that government programs work better when they seek the participation of potential users, and when they tap the community's reservoir of social capital. The benefits show up in smoother implementation, greater sustainability, and better feedback to government agencies.

Decentralization is a multi-dimensional process that proceeds with success and setbacks. Initiatives to decentralize the process of decision-making in Africa have evolved around the three substantial dimensions of political, fiscal and institutional decentralization. The importance of these components is widely recognized, yet conceived to be complex in its structure and internal relationship, and therefore requires a thorough analysis. The decentralized institutions will need to build up municipal and financial competencies — or find ways to contract them out — to cover the costs of providing rural public goods and services. Revenue sources draw upon three main sources: locally generated resources; transfers from high-level institutions, such as intergovernmental fiscal transfers and external resources (grants and loans). In the highway sector, the Bank estimates the road maintenance requirements and ensures that they are included in national budgets and financed. A similar approach needs to be found to do this for municipal and village transport infrastructure, since local financing sources are unlikely to be adequate to meet the needs.

As local governments are permitted to raise revenues through taxes and borrowing, an appropriate system should be put in place to incorporate efficiency and equity goals. Such a system can operate efficiently by emphasizing crucial points, such as: transparency to make transfers clear and visible, predictability to permit strategic planning, and autonomy to ensure independence and flexibility of sub-national governments in setting their priorities and therefore establishing the demand.

The Evolving Role of the World Bank Group

At the country level, the World Bank assistance to transport mostly takes the form of International Development Association (IDA) lending to sustainable development of physical infrastructure — mostly roads, but also railways and ports. This assistance is increasingly formulated in cooperation with other donors under the form of pluri-annual sector investment programs (sips). Bank assistance to transport, nevertheless, is framed into comprehensive Country Assistance Strategies (cas) formulated with stakeholders and emphasizing corporate restructuring, private participation and regulatory reform. At the regional level, the Sub-Saharan Africa Transport Policy Program (ssatp), an initiative in which the World Bank is a main partner, helps to improve transport sector performance by promoting policy reforms and institutional
changes. The program is now widely recognized as a cooperative process to foster policy development and knowledge exchange, as well as a catalyst for capacity-building efforts.

The World Bank Group is evolving with its client countries. Their needs and emphases change, and the Bank strives to provide the tools to meet their demand. The World Bank Group and its constituent agencies — ibrd, ida, ifc and miga — use a variety of instruments to support promising transport projects and programs, including economic and sector work, public expenditure reviews, technical assistance, adjustment operations, guarantees for mitigation of non-commercial risks, equity participation, and promotional activities.

Finally, however, the tools are only the means to reach an end — significantly improving the well-being of people.

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