Sustainable funding and financing for roads: the role of benchmarking

Caroline Visser, Road Financing & ITS Director, IRF Geneva

Monday 8 September 2014 – Geneva, Switzerland
UNECE Workshop “Good practices and new tools for Financing Transport Infrastructure”
Presentation outline:

• About the IRF
• Global road funding context
• Current road funding mechanisms and their flaws
• Construction costs an increasing and continuous risk
• The role of benchmarking in achieving sustainable funding and financing for roads
What is the International Road Federation?

Not-for-profit organisation - Established in 1948. Ecosoc status at the UN and its agencies since 1951. Accredited by EU, ISO.

Global membership from Private, Public & Academic Sectors
Vision

A world of safe, efficient and sustainable roads and road networks that enables mobility for all
Global challenges to face

- Financing road infrastructure
- Optimising traffic flow, reduce congestion
- Protecting the environment
- Improving road safety

Better roads, better world.
Global road funding context

• Changing and growing mobility needs
• Quality of current existing road networks not up to standard
• Current road investment levels not linked to quality enhancement
• Funding for maintenance: the orphan child
• Future financing needs enormous
# Current funding and financing mechanisms

<table>
<thead>
<tr>
<th>Public funding</th>
<th>From general or dedicated taxes or levies:</th>
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<tbody>
<tr>
<td></td>
<td>- non-earmarked</td>
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<tr>
<td></td>
<td>- earmarked</td>
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<tr>
<td>Private funding</td>
<td>Equity, debt or mixture</td>
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<td>Public Funding flaws</td>
<td>Private funding flaws</td>
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<td>Insufficient budget to finance all public service priorities, including roads.</td>
<td>Increasing costs of commercial lending of money for road infrastructure investments</td>
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<td>Little relationship between expenditure on roads and revenues</td>
<td>Risk of a patchwork of tailored funding solutions, as used on project-level only</td>
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<td>Little relationship between payment and benefits.</td>
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<td>Existing funding tools, such as fuel tax, are eroding, due to technological developments</td>
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<td>Mismatch between budget and road planning cycles</td>
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Overall risk: costs

- Increase and continuing uncertainty in prices of production resources
  - Labor, capital, energy
- Affecting value that is obtained from investments in road infrastructure
  - Evaluation & benchmarking
IRF system of sustainable funding and financing

Long term, locked-in funding- and financing commitments

IRF Sustainable road funding and financing system

Asset management based investment decision-making

Linking payment with quality and usage

Role of benchmarking

IRF Sustainable road funding and financing system

- Long term, locked-in funding- and financing commitments
- Linking payment with quality and usage
- Asset management based investment decision-making
- Benchmark to inform technocrats
- Benchmark to inform politicians
- Benchmark to inform users


Better roads, better world.
Existing benchmarking activities (examples)

- National studies: e.g. UK Cabinet office (2014)
- National cost monitoring programmes and construction cost databases
- EC pilot study 2006 (BWA) “Benchmarking of Construction Costs in the Member States”
Benchmarking construction costs: Questions/topics for an UNECE task force:

• Who to serve with benchmarking information (determining objectives and scope)?

• Methodological questions:
  – Market prices versus competitive prices
  – Indicators: Average median costs/Average incremental costs

• Data collection: prices of labor, capital and energy
The way forward

IRF continues its efforts and commitment by:

• Setting the agenda and addressing the issue at international forums
• Providing a global and neutral platform for discussion
• Convening a dedicated Road Financing & Economics committee with key specialists from the IRF membership
• Joining forces and collaboration with stakeholders
Thank you for your attention!

More information: www.irfnet.ch