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support for the transport sector in Sub-Saharan Africa**

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**GOVERNANCE IN THE TRANSPORT SECTOR**

*Methodology and tools for integrating governance into support for the transport sector in Sub-Saharan Africa*

**(Volume 1 – Concepts and methodology)**

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## Abbreviations

<b>AF</b>	Action Fiche
<b>DP</b>	Development Partner (donor)
<b>EUD</b>	Delegation of the European Union
<b>EU</b>	European Union
<b>NAO</b>	National Authorising Officer
<b>NIP</b>	National Indicative Programme
<b>QSG</b>	Quick Start Guide
<b>PIF</b>	Project Identification Fiche
<b>PPP</b>	Public-Private Partnerships
<b>PW</b>	Public Works
<b>SSA</b>	Sub-Saharan Africa

## Summary

Poor governance, both in general and within the transport sector in particular, has limited the impact of EU-supported sectoral reforms. Analysis of the limited progress made over the past decade has served to highlight the lack of capacity of sector's stakeholders or political will. However, the stakeholders of the transport sector maintain that the reasons for slow progress are complex and deep-seated.

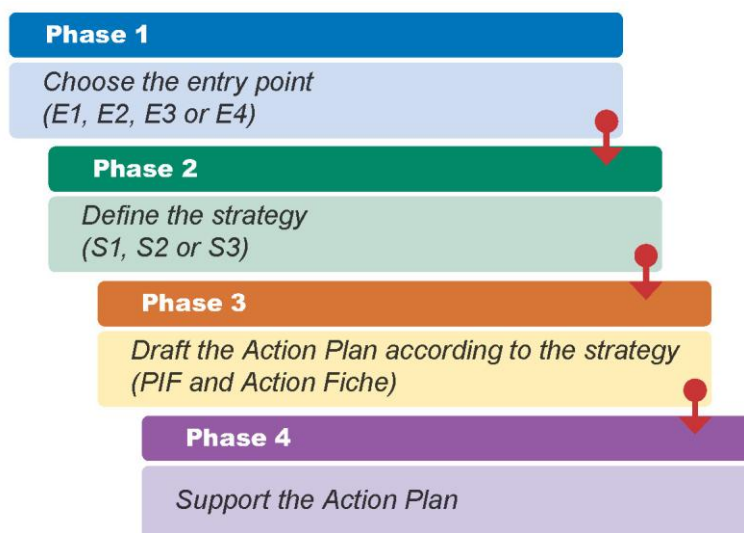
This handbook is earmarked for EU Delegation staff in SSA and is designed to help them to better address governance issues in the transport sector. This guide is divided into **two volumes**:

The first volume describes the **concepts and methodology** developed to optimally integrate governance into EU Delegation' portfolios.

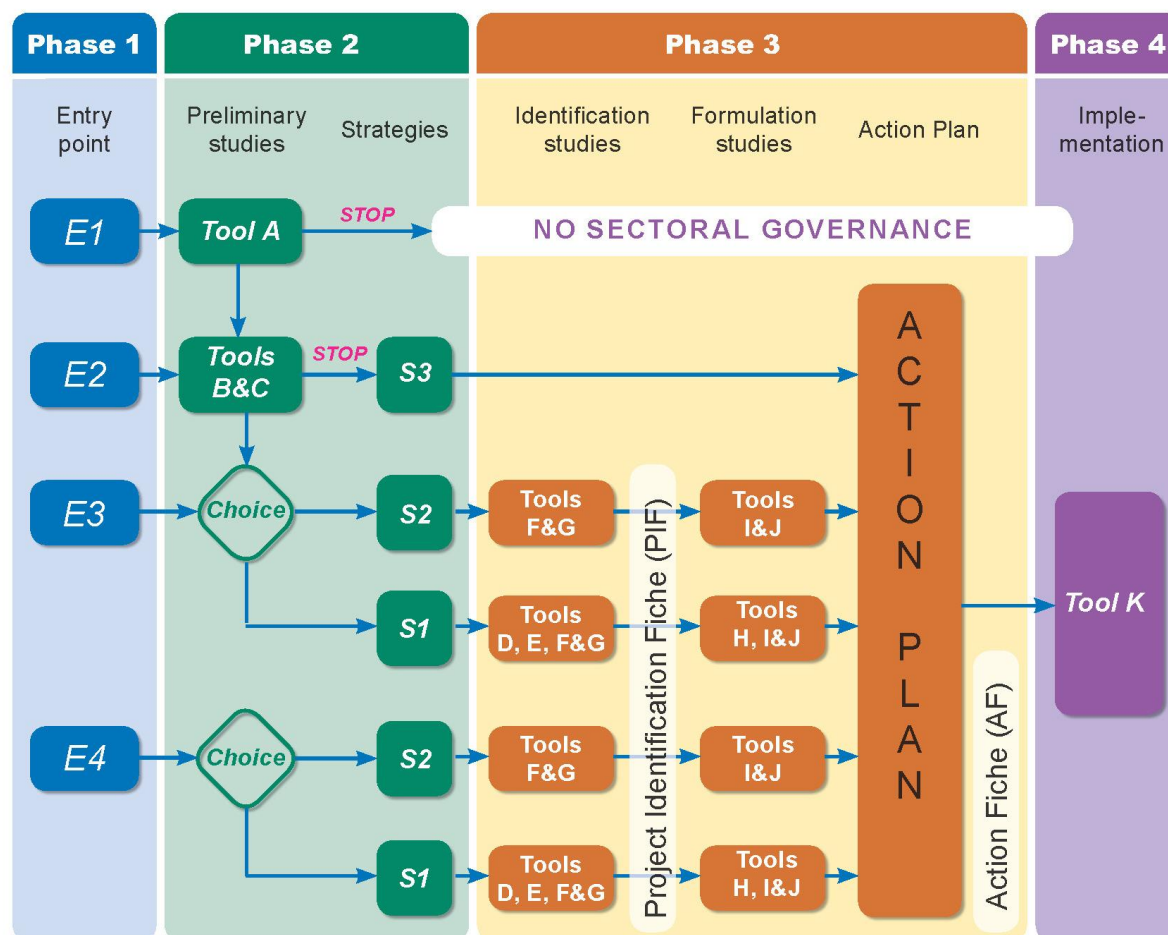
To this purpose a **number of tools** (presented in the second volume) have been designed and can be used according to (i) the expected project size, (ii) the experience of users in the field, (iii) the degree of participation of local authorities and (iv) the available resources, including time and budgets. Eleven tools are available, together with standard terms of reference for any studies that will be carried out.

The purpose of the first volume of this handbook is to describe a method for developing support for sectoral governance in transport using specific tools, broken down into four phases:

- The goal of the **first phase** is to **choose one of four possible entry points** for the toolbox to be introduced, based on the expected scale and scope of the project and the estimated local capacities.
- The **second phase defines the preliminary strategy**. After completing the necessary preliminary studies, one of three strategies will be chosen, based on the scale and scope of the proposed intervention.
- The **third phase** covers both **identification and preparation** of tools to prepare the project identification fiche (PIF) and to draft the action fiche (AF) respectively.
- Finally, the **fourth phase** includes all of the measures that support and monitor implementation of the action plan.



The diagram below sets out the proposed method:



Caption:

**E1, E2, E3 and E4:** Entry points into the analysis sequence.

**E1:** the most ambitious projects within the most difficult context, requiring the greatest use of tools to implement.

**E2, E3:** moderately ambitious projects and/or difficult institutional context.

**E4:** the least ambitious projects, supportive government agencies and extensive experience, requiring fewer tools to implement.

**S1** (Strategy 1): direct support of sectoral governance in a **favourable** context.

**S2** (Strategy 2): integration of tool box with current sectoral governance (**intermediate** situation).

**S3** (Strategy 3): targeted intervention in response to a plea for assistance (**unfavourable** context).

**A, B, C, D, E, F, G, H, I, J and K:** tools, see description below. Depending on their nature and the experience/knowledge of the delegation, the tools may be implemented internally or via consultants.

## Phase 1: Choose an entry point

Use the table below:

External criteria	Internal criteria			
	The level of experience is:		The project is:	
The government is:	Low	High	Ambitious	Not very ambitious
Supportive	E3	E4	E3	E4
Not supportive	E1	E2	E1	E2

First, the level of government supportiveness is assessed, and then the two internal criteria are applied successively: starting with the level of experience and then the scale of the project.

If the result of the matrix indicates the same entry point, proceed to the next phase. If not, choose the entry point based on the resources (time and budget) available to implement the tools in the next phase. If resources are lacking, select an entry point that requires fewer resources for the study, but account for the risks of a more superficial approach.

## Phase 2: Proceed from an entry point to a strategy

- **Use of E1 or E2** depends on the relevance and likelihood of governance support. To guide the user towards the most appropriate strategy, an initial set of **preliminary analysis tools (A, B and C)** have been prepared:

**Tool A, a checklist of the country's political economy:** this indicates if the country is ready to receive assistance with governance, whether sectoral or not. If the result is positive, proceed directly to the next tool. If the result is negative, do not proceed and do not include sectoral governance in the project.

**Tool B, a checklist and table for sectoral governance:** this consists of a checklist of essential information needed to complete the table of existing governance in the transport sector.

**Tool C allows analysis of the demand and supply of governance** in this sector through two separate scenarios: (1) analysis of the current demand and supply, and (2) analysis of the ownership ability of the reform process by the government.

- **With E3 or E4**, preliminary analysis tools are not required to reach a decision on which strategy to select. The choice of strategy (S1 or S2) depends on the knowledge of the sector, the stakeholders, and the size of the project.

## Phase 3: Use the toolbox to draw up the action plan

This phase involves using the appropriate identification/formulation tools to prepare and carry out the project.

The number of tools to be implemented is directly linked to the strategy chosen. An ambitious strategy (S1) will require greater use of tools than a more cautious one (S2). As an additional approach, a “watch” strategy, which involves following a basic action plan, can be employed to significantly reduce the number of tools used.

The set of tools for strategies 1 and 2 are as follows:

- **Strategy 1** (regardless of entry point) will involve rolling out the complete set of seven tools: D, E, F, G, H, I & J
- **Strategy 2** will require only a partial set of only four tools: F, G, I & J.

## ➤ **Identification**

**The tools used** to identify the nature and scope of governance support will be as follows:

- Evaluate the sector performance by mode with tool D (only for S1):

The purpose of **tool D** is to produce an exhaustive **overview** of the sector by mode, providing a detailed picture of the sector before launching the action plan. This overview can be limited to one or two categories, as required. This is especially important if S1 is selected; for S2, the user can opt to analyse the performance of one particular category.

- Analyse corruption in the sector with tool E (only for S1):

**Tool E** is used to **analyse the level of corruption** within the sector. Focusing mainly on procurement, tool E requires identification of safeguards to monitor this problem more efficiently.

- Identify and map the stakeholders with tool F

**Tool F** is required by both strategies. **The stakeholders have to be identified** and individually **mapped**. This will provide a complete picture of the interests of each stakeholder, of the relationships between them and a description of each participant, whether official or not.

- Analyse the political economy of the sector and the institutional leeway with tool G:

**Tool G** is also relevant to **both strategies**, and is designed to pinpoint possible **influences and vested interests**. This analysis will identify which parties will benefit from planned reforms, and those that may be left disadvantaged in terms of power and resources. It will help to draw up a map of the relationships between all stakeholders.

## ➤ **Formulation**

**The tools to implement** in order to understand the nature and scope of governance support required, are the following:

- Use tool H to analyse the performance of the key institutions likely to receive EU support

What are the rules of the game? Which are the most important rules to allow the planned support? Which are the most comprehensible and flexible rules? Have there already been trade-offs between the sets of rules? How might the balance between the formal and informal rules of the game influence the sequencing and timetable of the support? Who are the key people?

- Anticipate reactions according to formal and informal rules with tools I

Are there groups and potential partners outside the politico-administrative sphere with a legitimate interest in transport policy? Are they acceptable as collaborators in the long run for the other participants? What are the risks of their involvement in dialogue or control, for them and for EU support?

Based on these analyses (identification and formulation), it will be possible to:



**Establish an open policy** and include stakeholders and transport users in consultations, to ensure **greater transparency, participation and inclusion**.

Use **tool J** to draw up an action plan based on knowledge acquired in similar contexts, using evidence of good or poor performance in the transport sector.

Define indicators of governance improvement in the transport sector using **tool J**.

**Tool J** is the final part of the planning phase, and aims to ensure a smooth change from the study phase to the main project. Tool J consolidates all of the answers to the previous questions **in the form of indicators and therefore activities**. This tool allows the framework of the project to be designed and finalised.

## **Phase 4: Support the implementation**

Once the finance agreement has been signed, **tool K can be used. This is an instrument that allows the establishment and monitoring of activities and/or indicators**. It is designed for use by the infrastructure sections of both the EU Delegations and the National Authorising Officer (NAO). Regular communication is required, both between sector agencies and development partners (DPs) active in the sector.

## Introduction

Poor governance, both in general and in the transport sector in particular, has hampered the impact of EU-supported sectoral reforms. Analysis of the limited progress made over the past decade has served to highlight the lack of capacity or political will. However, the stakeholders of the transport sector maintain that the reasons for slow progress are complex and deep-seated.

Various factors such as a lack of political commitment, corruption, poor human resources policies and insufficient road maintenance are clearly linked to governance problems. Delegation staff and consultants do not currently have a comprehensive collection of tools to analyse the reasons for resistance to reforms, despite the technical excellence of many projects.

This handbook not only analyses how poor governance can explain poor performance, and why poor systems are deeply embedded, but also provides experts with relevant tools to address these issues. These tools have been designed according to the level of development in the target country, to improve project ownership and to ensure effective change. In the long run, the aim of the reforms is to strengthen the impact of EU interventions by improving sectoral governance.

## How to use this handbook

This handbook is intended to support:

the rationale for implementing transport sector governance;

evaluation of sectoral governance in the transport sector, thereby identifying the most appropriate support strategy;

analysing the effect of the governance support programme on other interventions in the transport sector;

integrating governance across many sectors;

the implementation of actions and subsequent monitoring of sectoral governance support.

This approach allows identification of the governance component in the transport sector and the rapid implementation of the project, according to the needs of the beneficiary country. The organisation of this handbook allows users direct access to the relevant tools and their instructions for use (volume 2).

Nevertheless, it is strongly recommended that users take the time to understand the degree of complexity of transport sector governance before using the tools.

## 1. EU intervention logic

Compared with other sectors (in particular the social sectors), the support provided by the DPs to the transport sector has focused less on institutional context or sectoral governance. This has resulted in inadequate ownership. **To date, therefore, the main recommendations of DPs have been based almost exclusively on two precedents:** (i) **institutional imitation**, where reforms carried out in another field or country are copied, and (ii) **quick governance changes** from one organisation to another without institutional transition, in areas such as road funds and road agencies, landlord ports, the separation of infrastructure and operation in the railway sector and security agencies in aviation.

These reforms are useful, but experience has shown that these lack permanence. **The informal rules often overtake institutional arrangements.** A more appropriate approach would be to build on existing practices and habits (official or otherwise) within an institution to gradually work towards a more efficient management of transport infrastructures. Since this approach would be designed jointly with the stakeholders, it would allow more realistic development.

This handbook aims to contribute to the expected added value of EU support: specifically, to encourage dialogue on an open, transparent and documented basis. The proposed tools allow an analysis of the constraints and flexibility that must be accounted for when developing EU support.

### Specific objective and expected results

The specific objective of EU support for transport sector governance is to achieve a more effective, transparent and accountable management of transport infrastructures and services.

The expected results are:

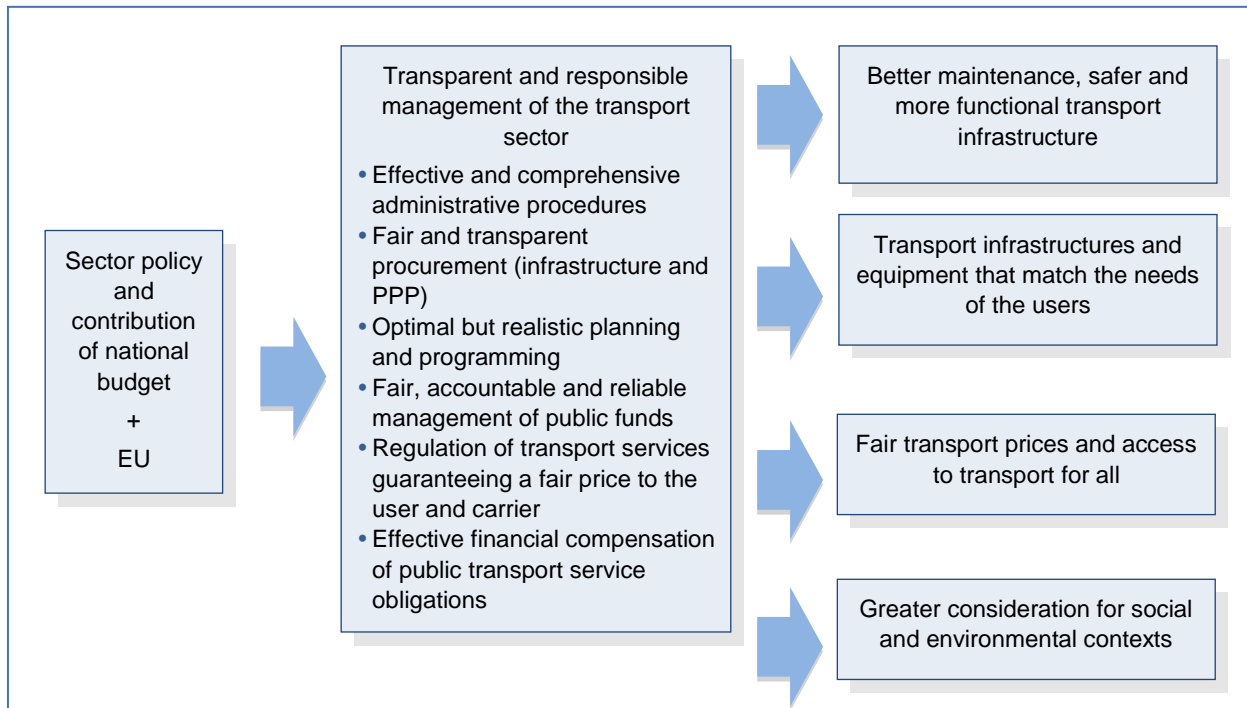
- Transport infrastructures and equipment that match the needs of the users;
- Better maintenance, safer and more functional transport infrastructure;
- Fair transport prices and access to transport for all;
- Greater consideration for social and environmental contexts.

To achieve these results, the following components must be taken into consideration:

- Effective and comprehensive administrative procedures;
- Fair and transparent procurement (infrastructure and PPP);
- Optimal but realistic planning and programming;
- Fair, accountable and reliable management of public funds in relation to infrastructure;
- Regulation of transport services guaranteeing a fair price to the user and the carrier;
- Effective financial compensation of public transport service obligations.

## Governance in the Transport Sector

A method and tools for integrating governance into supporting the transport sector in Sub-Saharan Africa  
Volume 1 – Concepts and methodology



Source: Adapted from Queiroz C., Lopez A., Ishihara S. and Hommann K. (2011)

This sector approach is consistent with the governance elements of the European Commission's Agenda for Change 2011: "**Public-sector management** for better service delivery. The EU should support national programmes to improve policy formulation, public financial management, including the setting up and reinforcement of audit, control and anti-fraud bodies and measures, and institutional development, including human resource management; (...)

**Corruption** - The EU should help its partner countries tackle corruption through governance programmes that support advocacy, awareness-raising and reporting and increase the capacity of control and oversight bodies and the judiciary."<sup>1</sup>

## Principles of support

A typical example of transport sector reform in Africa, supported by external partners, is division of governmental functions between the department in charge of the roads sub-sector - for policy development and programming, a Road Agency entrusted with the road maintenance as well as a Road Fund for financing. In retrospect, this reform was considered to have gained momentum without sufficient account being made for its limits, in terms of real scope, impact and sustainability.

<sup>1</sup> EU, COM(2011) 637 final, *Increasing the impact of EU Development Policy: an Agenda for Change*; 6.

The theoretical aim of this reform was to provide an alternative model for the reformers to the previous vertically integrated public action model. This would stimulate the development of commercial or managerial practices that should be less dependent on patronage systems: in theory, improving their efficiency.

Today, there are plenty of examples that show that new institutions were only moderately successful in departing from old practices, despite the radical change. Each link in the chain of control was manipulated, thereby undermining the ownership of new structures.

It should be noted, however, that **the problem lies with the method rather than the objective of the reform**. To address this, the project must be designed according to context and capabilities, and must involve all stakeholders, not just the supporters of reform. This “best fit” approach, or the best approximation, proposes an alternative to the institutional imitation that is generally favoured.

In terms of governance, **ambition that exceeds capability may not be an advantage**. The inertia of socio-cultural behaviours rooted in the political and social reality of any country must be taken into account. **Preference should be given to realistic improvements: the principle that will be developed in this handbook is to give preference to reachable objectives that generate fast and visible results, before going on to accelerate the speed of reform.**

## 2. Understanding the impact of governance on support for the transport sector

Poor governance is not only specific to the transport sector. It is rooted in habits, informal rules, the geographic location and the politico-financial priorities of a country. Governance issues therefore prevail in all this country's institutions.

The country's general political economy should first be analysed to better understand the delays and blockages specific to the transport sector.

### 2.1 The structural causes of poor governance

Poor governance is based on the premise that holders of any form of authority and the political system are systematically inclined to appropriate resources from the management of public policy and the functioning of the markets. In the countries of SSA, the resources from which these “rents” are acquired are scarce, and the impact of these practices is therefore proportionally greater (“Rents” in this context, and elsewhere in this report, refer to economic rents, i.e. an excess return to effort, often arising from a position of authority or from a monopolistic market). Conversely, this requires them to establish more binding and more imaginative capture systems than elsewhere.

Even at sectoral level, analysing governance calls for more than a simple examination of the mechanisms for collecting and distributing rents. It must identify the fundamental factors of the political economy: **the underlying interests, the incentives of the groups of stakeholders, rents and their distribution, historical legacies, previous experiences in relation to reforms, and finally, social structures and dynamics.**

### Patronage and clientelism

**Patronage and political clientelism are the basic mechanisms used by the elite to acquire budgets and markets.** Patronage is the system whereby a group places itself at the service of a leader in exchange for a redistribution of the benefits thus acquired. Clientelism is a variant in the political sphere (an advantage is granted in return for a vote, for example), although this system is not as structured.

Patronage<sup>2</sup> is a universal form of power management. In SSA, however, it has cultural resonances that have given it, perhaps more than elsewhere, the value of a system. The fact that the “patron” is equated with the social organisation of the chieftainship, the lineage, the faction (in West Africa) and ethnicity (in East Africa) has facilitated its social acceptance.

**The basic principle is the asymmetric redistribution of benefits.** An individual assigned to a position (elective or administrative) by his network must, in return, favour this network as much

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<sup>2</sup> The term *patronage*, from an operational perspective, is equivalent to “*patrimonial management*”, “*neopatrimonialism*”, etc.

as possible by distributing benefits: employment, access to public contracts, exemptions and privileges. The aim is to strengthen the power of the network in its competition with other networks for access to (relatively) scarce resources or rent-generating opportunities. Patronage must be brought on board in any effort to replace the existing system (chieftainship, lineage, faction or ethnicity), itself built on the same model.

The resources injected into a given network help each issuer of the resources find their way back up the network's internal hierarchy and are redistributed (in a form that may be financial, but also in the form of exchanges of socio-cultural credits) to its members indirectly (in a way that cannot be invoked directly back to them).

**This organisation constitutes a system that does not exclude free riders**, i.e. those who exclude themselves on account of personal convictions, or who are excluded because they are alien to the dominant networks/groups. Free riders may champion reforms but can be used by the patronage system to make reform credible to DPs.

**Patronage is legitimist and conservative but is able to adapt**. It can absorb new institutional models by stripping them of their original meaning while retaining the external form, generally imposed by DPs. The operation of most of the current road maintenance funds and roads agencies is a good example of this ability.

**Bodies charged with control and accountability do not constitute an effective safeguard**. Public authorities (parliament, auditing bodies, administrative tribunals, inspectorate, etc.) are subject to the same collusion and can be circumvented by means of underestimated budgets and appointments of convenience. Any watchdogs (if the country has reached a development threshold that gives a voice to the middle classes) of civil society are kept at arm's length from the mechanisms of decision-making and political dialogue and deprived of reliable and credible documentation. They can also be circumvented by social pressure or bribes.

## **Impact on public goods**

**The weaker the state and the poorer the economy the worse the problems of patronage and clientelism**. Fragile countries and those in a post-conflict situation are the most exposed. Most countries in SSA (apart perhaps from South Africa and its borders) are administered by an elite, who impede the overall development of the country to preserve their access to rents. In failed states, public road construction contracts (including maintenance work) are of major financial importance for patronage.

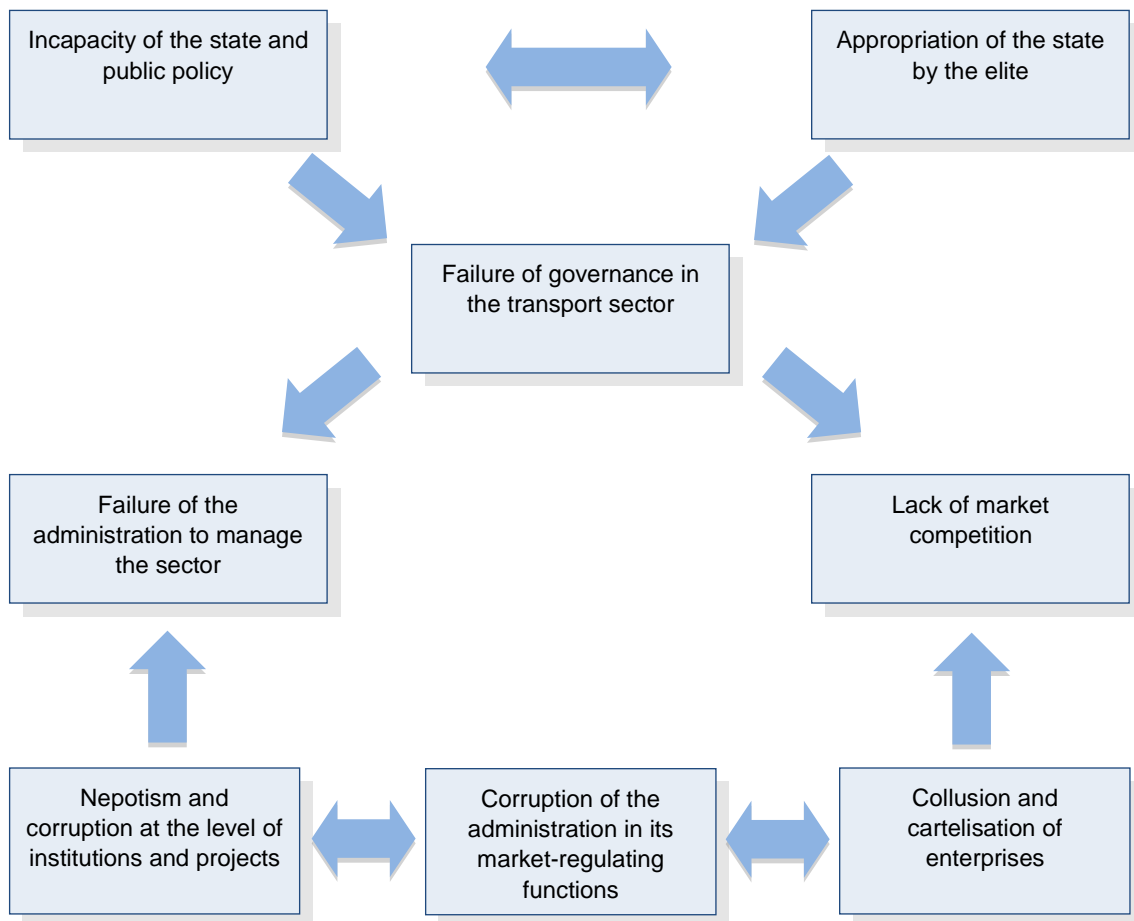
In a system of management of public goods based on patronage, corruption<sup>3</sup> is (along with economic rent and trafficking) a means of freeing up liquid funds from administrative management. This 'rent' management of public goods also applies to the management of public enterprises, notably those with a delegated project management (organisations comparable to public enterprises), public works (subcontracted works) or transport (mainly urban). Nor are public-private partnerships totally exempt.

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<sup>3</sup> Defined as "abuse of power for private gain" by the EU (2003), *A comprehensive EU policy against corruption, COM (2003) 317 final*; the extension of the definition to political sphere is more faithful to the systemic nature of corruption, as in the definition adopted by the World Bank: "the abuse of public funds and/or office for private or political gain".

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The graphic above enables the reasons for the failure of governance in the transport sector to be easily understood. The causes of failure are (i) take-over of the state by elite groups who lack interest in development and (ii) the incapacity of the state and public policy as a result of insufficient capacity and resources. The resulting poor governance implies and affirms (i) the failure of the administration to manage the transport sector and (ii) the distortion of competition in the transport, construction and infrastructure maintenance markets.

Weak sectoral management leads to the development of nepotism and corruption within the administration and the management of DPs' projects and reforms, also widely promoted by DPs, a development that reinforces it in turn. The distortion of competition between enterprises is supported by the enterprises themselves, which seek to increase their profits by organising monopolies and cartels, with the collusion of the administrations, which give up their regulatory functions – or create niches based on arbitrary exemptions.

The system's strength lies in the sheer number of interrelations between causes and effects. Each element forms part of a vicious circle that maintains an official façade of respectability that justifies poor governance by invoking the lack of capacity and resources. To date, the sectoral and segmented approach adopted by DP support has served only to reinforce the patronage system.



Based on an initially healthy institutional structure and business plan (such as, for example, a road fund or a transport authority), **the patronage system gradually introduces a different logic, which gradually leads to inefficiencies** in terms of strategic orientation (at the level of the board of directors), of poor job descriptions, of overstaffing and interference with internal and occasionally external, operating expenses.

The problems are made possible and perpetuated by the impotence (intended or not) of accountability mechanisms and, above all, by a widespread impunity from prosecution. This latter phenomenon brings us back to the general poor governance of the country.

This involution<sup>4</sup> is often found, albeit to a lesser degree, in PPPs and public service delegations. In this type of mechanism, the rent tends to be taken through failure to provide part of the delegated service, or to make counterparty investments, or via partial payment of the service rendered.

## **Contribution of the political economy**

The political economy must allow all the resistance and obstacles that may affect the launch of a project to be analysed and interpreted in advance. Their identification allows them to be anticipated. In simple terms, it could be said that a political economy analysis (PEA) must be in a position to identify the assumptions and risks of the logic of intervention in the logical framework approach. In particular, the PEA identifies the institutional leeway that can be relied upon to support the desired dynamics of change.

Within the context of programme aid (by the EDF, for example), it is this **institutional leeway** that must be identified at the programming phase. **Sometimes this institutional leeway can be foreseen, at other times it cannot.** Experience has shown that political economy analyses systematically lead us to underestimate the capacity for change of the institutional system in place. In particular, they do not or do not adequately capture (i) the continuous negotiations between allied or competing patronage networks, and between factions within the same network, which weaken the system and can create discontinuities, and (ii) the imponderables and contingencies that necessarily affect the apparent consistency of a system, its networks and the organisations they tend to use.

It is up to Delegation staff to make a well-considered decision on the basis of the results of the political economy analysis for transport. In partnership with the drivers of change, it must take action by putting in place safeguards capable of limiting resistance to change. **The method developed in this handbook proposes three strategies adapted to the most common situations** (cf. chapter 3).

## **2.2 Understanding the specifics of governance in the transport sector**

For more than ten years, the EU has identified good governance as a prerequisite to sustainable development in third countries. This condition applies at a global (national) level, but

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<sup>4</sup> *Equivalent in physiology to the regression of an organ, notably as a result of ageing.*

also at sector level, including that of transport<sup>5</sup>. Transport, through infrastructure or services, is also a source of funding for patronage. Therefore, **when the EU wants to improve governance in this sector, it faces many and varied conflicts of interest**, from the street-level civil servant to the head of state, from the taxi driver to the large trucking business. The larger the budget devolved to the sector, the keener these conflicts of interest.

**This situation is particularly acute in the poorest countries.** Corruption in construction, corporatism in road haulage, public enterprises in monopoly situations for customs, roadblocks, etc. offer a fertile ground for patronage in the early stages of development.

**Support for governance must therefore be designed in its entirety**, linking support to democratic governance at national level to sectoral interventions, where transport should be a pilot sector, since it is especially significant both strategically and financially.

The problems of governance are harder to resolve in the transport sector than in those that have little if any input from the private sector, such as education or health. **Administrative and market failure must be dealt with simultaneously, the two being linked by major financial interests.**

To be effective, **EU support for governance must be integrated vertically and horizontally.** The vertical dimension implies ensuring the accountability of public policy, by supporting (i) the control bodies (or promoting their creation) such as parliament and national audit bodies, (ii) the bodies that manage public finances, (iii) the associations representing civil society, and (iv) independent media. The horizontal dimension touches on those in the transport sector: ministries, agencies, funds and professional organisations. The more types of people with clear positions there are, the greater the potential for the emergence of the demand for good governance.

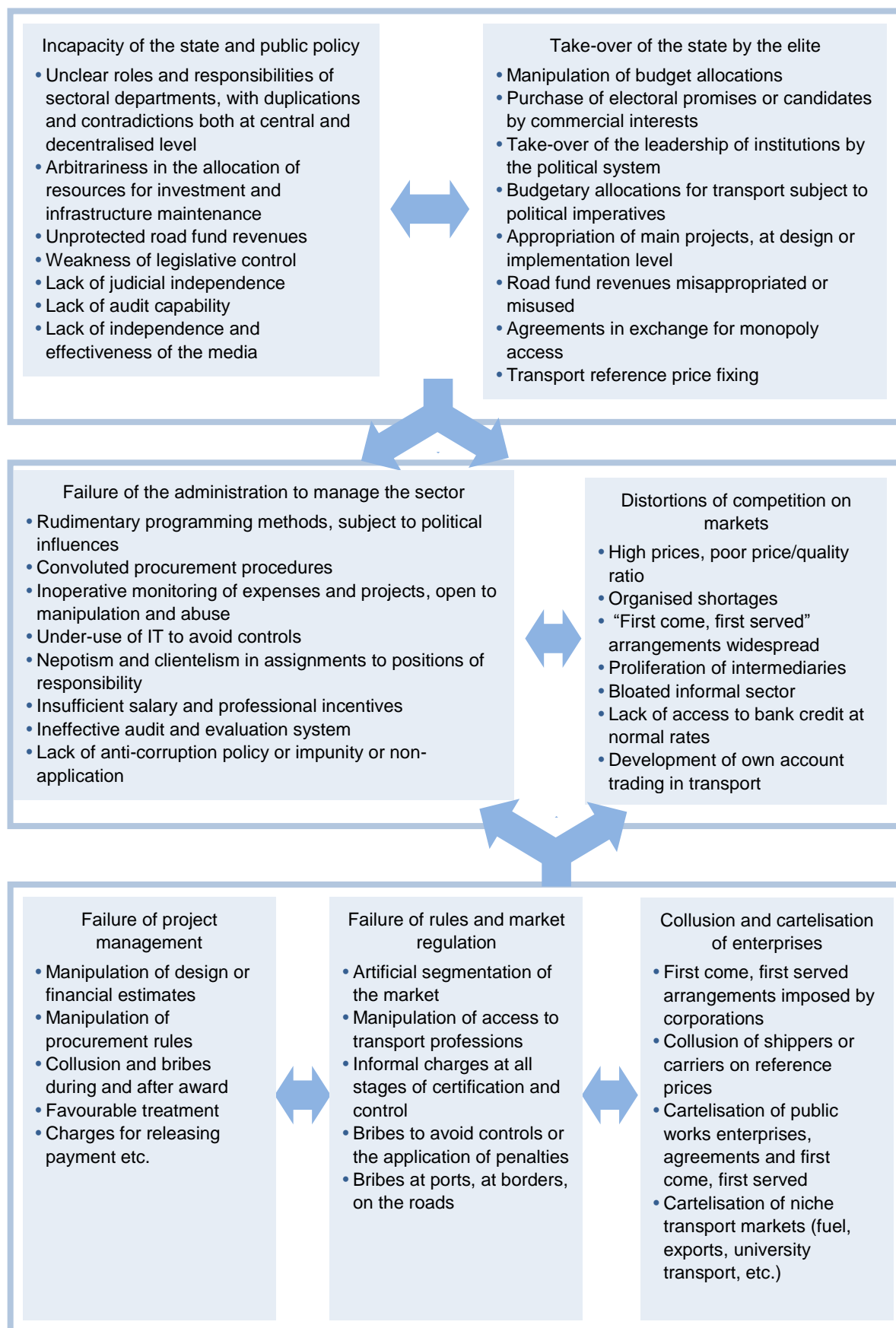
The following graphic presents the standard model of poor governance in the transport sector. It deserves careful study: it explains and gives the keys to the overall inter-relationship of problems which cannot be resolved if taken separately.

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<sup>5</sup> EC, *Promoting sustainable transport in development cooperation COM (2000) 422 final*.

## Governance in the Transport Sector

A method and tools for integrating governance into supporting the transport sector in Sub-Saharan Africa  
Volume 1 – Concepts and methodology



The main challenges facing governance in the transport sector are:

- Distortions of sectoral policy, programming and the management of public finances;
- Administrative problems, lack of public service spirit and nepotism;
- Corruption in the construction and maintenance of infrastructure;
- Imperfect competition and bribes in transport services;
- Little demand for improved governance and little participation in governance-related processes.

Each of these aspects is presented in the following pages.

#### Distortions of sectoral policy and programming

Public sector programming is pointless, if not harmful, for those involved in poor governance. The arbitrariness that governs the choice of investments and in the respective share of road maintenance and construction allows for a proliferation of opportunities to distribute income selectively and to diversify the clientele eligible to receive the proceeds.

Under pressure from DPs in the 1990s, sectoral policy statements and national transport plans gradually became more widespread. The intention was to rationalise practices, with the aim of limiting the opportunities to extract rents.

The sector policy framework improved the efficiency of the management systems. **It did not get rid of the clientelism and corrupt practices, which were adapted and renewed**<sup>6</sup>. Senior officials have no intention of being constrained by institutional and administrative formalities. They need arbitrariness to keep themselves in the game of retaining power for as long as possible vis-à-vis politicians<sup>7</sup> and their administration.

During the 2000s, there was an increase in delegation of public service to the private sector. These concerned the management, development and operation of transport services and infrastructure such as ports, airports and railways. This reform received a warmer welcome by governments than the previous ones, since the concessions, and to a lesser extent the privatisations, (i) opened up new opportunities for bribes at the time of selection, (ii) opened up the prospect of long-term rents thanks to interdependent contractual obligations. Arbitrariness and nepotism in recruitment to the key positions of semi-autonomous structures (road funds, port landlords, rail construction companies, etc.) extended the control of patronage networks in the new agencies.

The main difficulties encountered by the rail concessions that have been established over the last ten years stem from the lack of regulation between types of transport, which has led to a distortion of competition in favour of roads (whose infrastructure costs are largely supported by taxpayers in general, rather than users) and reduction in heavy freight on the railways. Port concessions, dominated by a few global operators (i.e. Dubai Ports, Bolloré, etc.), encounter

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<sup>6</sup> Gwilliam (2011); 363.

<sup>7</sup> Gwilliam (2011); 362.

fewer development and performance problems. However, this quasi-monopolistic situation may be sub-optimal, with excessive returns to the operators.

Issues more specifically related to governance put a strain on the prospects for PPP models:

- lack of PPP experience on the part of contracting authorities, evident during contract negotiations;
- failure of administrations to fulfil their obligations, agreed on while negotiating the contract, especially in social matters and investment;
- contradictory role of the state, which is often both a shareholder and responsible for regulation;
- corruption when selecting the contractor;
- difficulties in monitoring compliance with technical obligations by the agent (supervision of the concession by the regulatory authorities) and focus on payment of the fee;
- growing contractual ambiguity due to the failure of those involved on either side to fulfil their obligations and the more or less informal arrangements that are put in place.

#### Institutional and administrative problems

The difficulties of the agencies responsible for infrastructure are generally different from those responsible for transport, even if they are subject to the same **logic of acquiring public goods for political or private interests**.

The introduction from the 1990s onwards of **road funds** and **road agencies** was designed to improve the management and funding of road maintenance. This reform is one of the most successful examples of in-depth institutional restructuring in response to the poor performance of public administration. The agencies and funds were supposed to:

- break with the patronage system by becoming more autonomous (administrative instead of technical supervision by the ministry) and by separating financial management and technical management,
- develop a demand for governance and better ownership of sectoral policy (representation of users on boards of directors),
- create autonomous sources of funding to allow the allocation of stable financial resources in line with the need to upgrade the maintainable network and maintain its quality of service,
- improve managers' technical skills in technical and contractual aspects, while at the same time developing the governmental functions of the ministry.

After twenty years of support by the donors for the introduction of this new administrative model, the overall picture is mixed depending on the various transport modes.

**Despite the official break with ministerial supervision, little has changed in practice.** Agencies such as road maintenance funds mostly continue to act as ministerial departments. The financial incentives linked to a departure from the structure of the civil service were not

sufficient to develop a commercial approach<sup>8</sup>. Although audits certify the accounts, they rarely show the effectiveness of achievements or compliance with technical specifications. The supervision of work remains the weakest link.

The de facto close relationship of these structures with the government limits the scope of efficient maintenance programming. Only rarely is there a sustainable improvement in the quality of technical studies (knowledge of networks and traffic) and in the reliability of the estimated quantities and unit costs<sup>9</sup>.

The patronage networks are maintained by the way governments select board members, as well as senior staff in Road Funds and/or agencies. This maintains the patronage networks, and perpetuates the problems that the establishment of the agencies was meant to solve<sup>10</sup>. The Road Funds have generally increased the resources available for road maintenance but these remain well short of a 100% coverage of requirements. Preventing social unrest increasingly takes precedence over much needed increases in taxes on fuels, the main - if not the only - source of financing road maintenance.

The maritime and aviation sub-sectors, where both international competition and universal regulatory frameworks hold more sway, have benefited most from the new model of separating functions and delegating public service, with gains in efficiency and reliability. In the maritime sub-sector, this certainly applies to those able to develop the landlord port model in a non-predatory regulatory framework.

Delegation of public service (to autonomous agencies or concessionaires) was also implemented in the railway sub-sector. However, this method has three problems: first the lack of international competition (most lines serve domestic markets or carry international traffic in transit from landlocked countries), secondly the unfair competition from roads and thirdly there is no compensation for meeting public service obligations. **The poor results show the limited access of this mode of transport.** Most railways under concession are currently experiencing major problems, except for those rare cases where it is possible to specialise in bulk commodity transport (such as the export of copper from the Copper Belt to Mombasa).

Road (and inland waterway) infrastructure management and road transport are protected from international competition; they are in a position to resist efficiency gains linked to the separation of policy/regulatory functions with that of management. Even though the road sub-sector generally accounts for more than 90% of movements of goods and people in a country, the mechanisms for misappropriation have adapted. **The influence of patronage has refocused on the weak points of each part of the decision-making and regulation chain.** These weak points have been: the planning of new roads and upgrades by the ministry, maintenance planning and operations by the Road Fund, compliance with technical specifications by the Roads Agency and the effectiveness of expenditure of the Roads Funds.

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<sup>8</sup> Gwilliam (2011); 366.

<sup>9</sup> SSATP, *Introducing the Commercialized Road Management (CRM) Project*.

<sup>10</sup> Paterson W., Chaudhuri P. (2007); 166.

### Corruption in the construction and maintenance of infrastructure

The management of transport infrastructure works is subject to multiple forms of corruption: the tracking tools distinguish as many as 29 “indicators”<sup>11</sup> and 40 critical points to be verified to safeguard tender and contract procedures<sup>12</sup>.

For developing countries, development and maintenance of the road network accounts for 2% to 4%<sup>13</sup> of Gross National Product (GNP). Considering that the GNP of SSA is around EUR 1,500 billion, the annual road sub-sector expenditure is around EUR 45 billion. Corrupt payments are commonly said to account for 5% to 10%<sup>14</sup> of sub-sector expenditure, so **the amounts placed into circulation in SSA countries by corruption could range from EUR 2 to 5 billion per annum**, or the GNP of Djibouti and Mauritania respectively.

**The rules of transparency, control and accountability imposed by DPs are at best a safeguard.** Only 15% of major international enterprises felt that the public procurement rules were effective against corruption<sup>15</sup>. All levels of control can be manipulated by national administrations for the benefit of the patronage networks, beyond the control of international administrations. These administrations are at best chronically understaffed and are often adept at cutting their losses (e.g. by allowing a reasonable limit of informal withdrawals that allows the implementation and spending timetable to be followed) and are occasionally victims of internal complicity<sup>16</sup>.

Corruption not only increases the cost of projects (by an average of 15% of the contract amount, in Eastern Europe and Central Asia for example), but also allows unit prices to be exaggerated, fuelling constant inflation.

The forming of cartels between major infrastructure construction companies at both international level (selection by degree of country risk) and national level (selection by degree of capitalisation to access the market) reduces the ability of the tendering process to obtain a price/quality ratio that corresponds to the realities of the market.

The weakness of supervision (both private and public) linked to the financial interests of the participants in the patronage system, together with the lack of technical skills and material means to carry out controls (spot visits, laboratory tests), mean that enterprises fail to meet their contractual obligations.

Technical specifications are only partially followed, especially since the most expensive operations (such as excavation or structural work) are not visible upon acceptance of the work.

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<sup>11</sup> Kenny C. and Musatova M. (2010), ‘Red Flags of Corruption’ in World Bank Projects, *An Analysis of Infrastructure Contracts*, Policy Research Working Paper 5243, The World Bank. Alexeeva V., Queiroz C. and Ishihara S. (2011), *Monitoring Road Works Contracts and Unit Costs for Enhanced Governance in Europe and Central Asia*, Transport Papers, The World Bank.

<sup>12</sup> Booth and Golooba-Mutebi, 2009, p.6

<sup>13</sup> Between 0.5 and 5% according to Cesar Queiroz C., Lopez A., Ishihara S. and Hommann K. (2011), *Road asset governance filter – case study of Kazakhstan and Armenia*, Transport Papers, The World Bank.

<sup>14</sup> Other estimates use the band 10-20%; cf. Kenny C. (2010); 5.

<sup>15</sup> Kenny C. (2010), *Publishing Construction Contracts and Outcome Details*, Policy Research Working Paper 5247, The World Bank; 4.

<sup>16</sup> The specific case of budgetary (sectoral) support is developed by Fritz V., Kolstad I. (2008), *Corruption and aid modalities*; U4 Issue 4.

This leads to reduced infrastructure lifespan and sustainability of the savings in vehicle operating costs.

[Corruption linked to the regulation of the transport business](#)

**The technical rules and economic regulation of the transport business is another source of corruption.** There has been less focus on this area to date, as it does not directly concern external aid resources.

The importance of economic regulation only begins to emerge once transport policies consider their impact on the cost to users, particularly through the question of competitiveness: transport may represent more than 30% of export prices in the landlocked countries of SSA.

In most cases, **improving the regulatory framework is supported by DPs since this allows the business to be cleaned up and streamlined.** The new rules are aimed at strengthening controls of the fleet (through technical visits, inspection of axle load limits and log books) or the business (for example producing business cards and inspecting transport licences). Because of the systemic nature of corruption, the new rules can allow new ways to obtain exemptions or obtain permits illegally. Since the regulations are often simply not applied, the industry lacks professionalism. The number of logistics companies is increasing rapidly, without an increase in the demand for transport, and also prices are rising to allow everyone, and above all the administrative elite, to prosper.

The issuing of authorisations (professional permits, vehicle licences and sometimes waybills) and certificates (technical visits, log book, HGV licence, insurance, etc.) are all open to bribes. In the most predatory administrative environments (West Africa), up to two-thirds of the fleet<sup>17</sup> may be on the road without being roadworthy and thus easy prey for roadside checks. The widespread practice of overloading (and technical non-compliance of vehicles and missing travel documents) encourages the illegal taking of payments by the police.

“Harassment” on the roads, especially on regional corridors, is another significant cost. It occurs mainly in West and Central Africa and to a lesser degree across the rest of the continent. Data have been systematically collected on West African roads since 2005, when the Observatory of Abnormal Practices was created. These figures put the average amount of illegal payments at EUR 3.4/100 km<sup>18</sup>, although this varies greatly depending on the route<sup>19</sup>. For example, the fine is EUR 22 for a cargo of onions from Niger to Ghana, but EUR 6 for a cargo of shea nuts from Bamako to Accra.

Bribes in ports and along regional roads clearly helps artificially inflate the cost of transport. It also introduces delays in delivery, and above all creates uncertainty regarding deadlines, all factors that push up costs.

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<sup>17</sup> IRTG project, 2009.

<sup>18</sup> 20<sup>th</sup> report of the OPA / UEMOA (2012). The number of inspections is 1.8 for a 16 min. delay (per 100 km).

<sup>19</sup> Bromley D., Foltz J. (2011); 3.



### Price distortion linked to imperfect competition and bribes within transport services

High transport costs (including overheads linked to bribes) not only affect the competitiveness of national production on international and regional markets, but also the dynamics of the rural economy<sup>20</sup>, steering it towards corrupt practices and a subsistence economy<sup>21</sup>.

Private activity is also subject to extortion of money, even for an activity as informal as road haulage in SSA. Recent studies show **transport costs are high in most countries on the continent, particularly in Western Africa**.

High prices are only partly linked to the extraction of rents by professional associations (or unions or freight offices) and the services of the state (access to business and regulation, road tax). **They are also generated by a price agreement, or at least a reference price**, arranged between (public) carriers and often between carriers and shippers. Its application is controlled by professional unions.

The price level is calculated to allow small-scale operators, whose activity can be as small as one or two round trips a month, to remain in business. It currently allows (i) a return on investment for the elite who financed the purchase of the vehicle or who effectively own it and (ii) a greater profit for larger investors.

It is common for **patronage to monopolise either a segment of the market** (fuel transport), **a niche** (transport of mining company staff) **or a service** (school or university transport) to maximise profits.

Professional organisations maintain their profits and are supported by their networks within the government and the administration. They (i) slow down reforms<sup>22</sup> (ii) only selectively apply regional agreements and national regulations (on technical visits and overloading) and (iii) limit competition, maintaining their prices and profits.

Operational factors that justify higher prices, such as empty return trips and the number of round trips a month, are very much in force on the domestic market. High prices on regional transit routes also reflect (i) market distortions (informal payments to associations, to brokers to waive corporate rules and to the administration to ignore regulations), and (ii) the inefficiencies of the logistics chain<sup>23</sup> (loading and waiting times, informal payments to waive charter or freight distribution rules).

However, there is no single price-fixing mechanism. The arising logistic chain has divided the market according to niches, procedures, shippers, nature of the product, etc. This profusion allows **oligopolies to multiply on restricted markets**, given that the reference price is still calculated on the basis of an anti-competition agreement.

**An artificially high reference price (whether official or not)** is sometimes justified by applying the price constraints of a professional transport business (purchase of a new vehicle,

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<sup>20</sup> Freund C., Rocha N. (2010), *What Constrains Africa's Exports?* Development Research Group, Trade and Integration Team WPS5184, The World Bank

<sup>21</sup> Bromley D., Foltz J. (2011), *Sustainability under siege: Transport costs and corruption on West Africa's trade corridors*, *Natural Resources Forum* 35 (2011) 32–48

<sup>22</sup> USAID/UEMOA (2012).

<sup>23</sup> Gwilliam (2011); 366.

regular maintenance, original spare parts) to the informal segment of the market (low annual mileage and empty return trips).

The best proof that road haulage is organised in Africa to maximise profit – to varying degrees between West Africa and the rest of the continent – is the reaction of the sector to the introduction of axle load controls. Rather than eliminate small-scale carriers and their obsolete fleet, the reaction of the profession has been to increase prices by 20%-30% by an agreement between the professional associations and the shippers' councils.

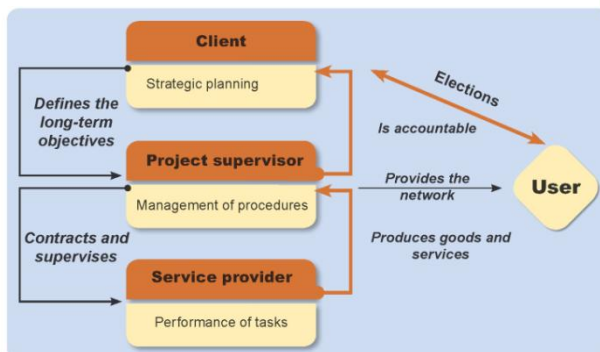
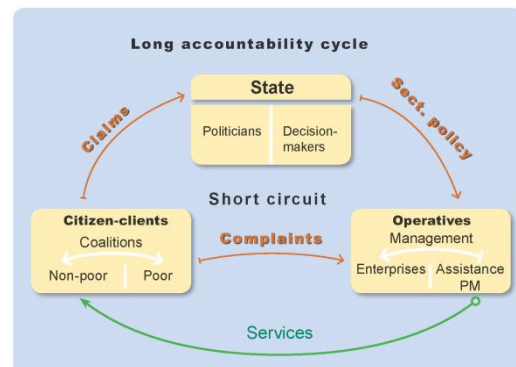
The institutions that generate economic rents (on a rotation basis) justify these as social measures. They effectively guarantee the survival of the informal sector, which represents the bulk of the overcapacity. Each small carrier has a very low mileage, which pushes prices up. This high level of price generates significant profits for some capital-intensive businesses that will feed the patronage mechanism.

## 2.3 Identifying institutional leeway

**The support of the EU and partners to sectoral reforms is generally an offer to improve governance.** It intends to introduce best practices and more efficient institutional arrangements, and then to implement them with technical support, while reinforcing existing skills and developing new ones.

**However, there must also be a demand for this offer of governance support.** Both the electorate and its representatives are aware of the sector's recurrent governance problems. The details of the problems, in particular corruption, are known, as are the risks they involve for the quality and sustainability of infrastructure (not forgetting the artificial increase in prices). Despite this, **demand for better governance is almost non-existent. Even when there is a demand, support for it is minimal.** The priority for all, especially the poorest, is a better road system and lower prices, not better governance.

**The demand for governance is based on accountability.** Within the general framework of public services, there are three facets to accountability: accountability of politicians towards the population, accountability of public services (hospitals, schools) towards their "clients", and ability of the executive to oversee and monitor public service agents (see figure above).



However, in the transport services and infrastructure sector, this arrangement does not work. In reality, politicians are only tenuously accountable to voters (see figure opposite), and the rest of the system is only internally responsible, hence a widespread

feeling of impotence in the face of deteriorating road conditions.

Support for the transport sector can change this approach by supporting the main infrastructure users: organisations of public works companies and transport councils. The other beneficiaries of EU interventions to improve traffic conditions are too scattered to be a force for collective action. Nevertheless, it is essential that at almost every stage of a governance support project in the transport sector, the EU imposes transparency and visibility, and therefore publishes and communicates not only its results but also any on-going discussions. This transparency will be especially useful during the identification and formulation phases to create a space for dialogue but also to highlight the stakeholders.

The patronage system is conservative and stable. It has the ability to divert institutional reforms by bypassing formal rules through informal practices. **Also, the best times to introduce structural reforms are when the system is destabilised or not yet reconfigured, f.i during political crisis or crisis exit strategies.**

Apart from these specific periods, transport sector institutional reforms supported by DPs are only successful if the management of the sector has too obviously failed, as shown by advanced deterioration of the road network or a significant increase in the price of staple foods (which the public may or may not associate with an increase in transport prices). **For patronage, reform has the disadvantage of calling into question the distribution of key responsibilities, of introducing new demands in terms of responsibility, of requiring new skills, of establishing new circuits of strategic decision-making and expenditure, and reallocating positions between the various patronage networks.** The patronage system needs time to adapt these new hierarchical arrangements and to bypass the monitoring and control systems.

The difficulties generally encountered by capacity building projects can also be explained using this same pattern. There is few incentive to develop personal skills and organisation, at least when patronage governs the institution. Meritocracy is replaced by extended nepotism.

### 3. How to use this guide

#### An approach in four phases

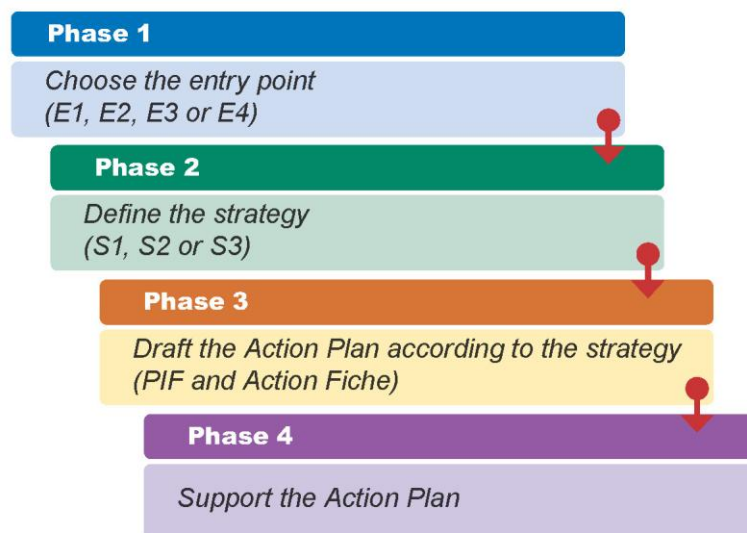
Faced with the diversity of situations encountered in Sub-Saharan Africa, it would be impractical to offer a single approach. This would either be:

**Too difficult** and partially redundant for countries that have already made significant advances in governance or that want to implement a project with fairly limited objectives, or:

**Too limited**, when the local situation is complex or the envisaged project mobilises significant resources and numerous partners.

A differentiated approach is called for and this handbook therefore proposes a structured, flexible approach that can be adapted to suit the actual local situations. It is broken down into **four phases that can use up to eleven different tools**, as follows:

#### The major phases of the approach:



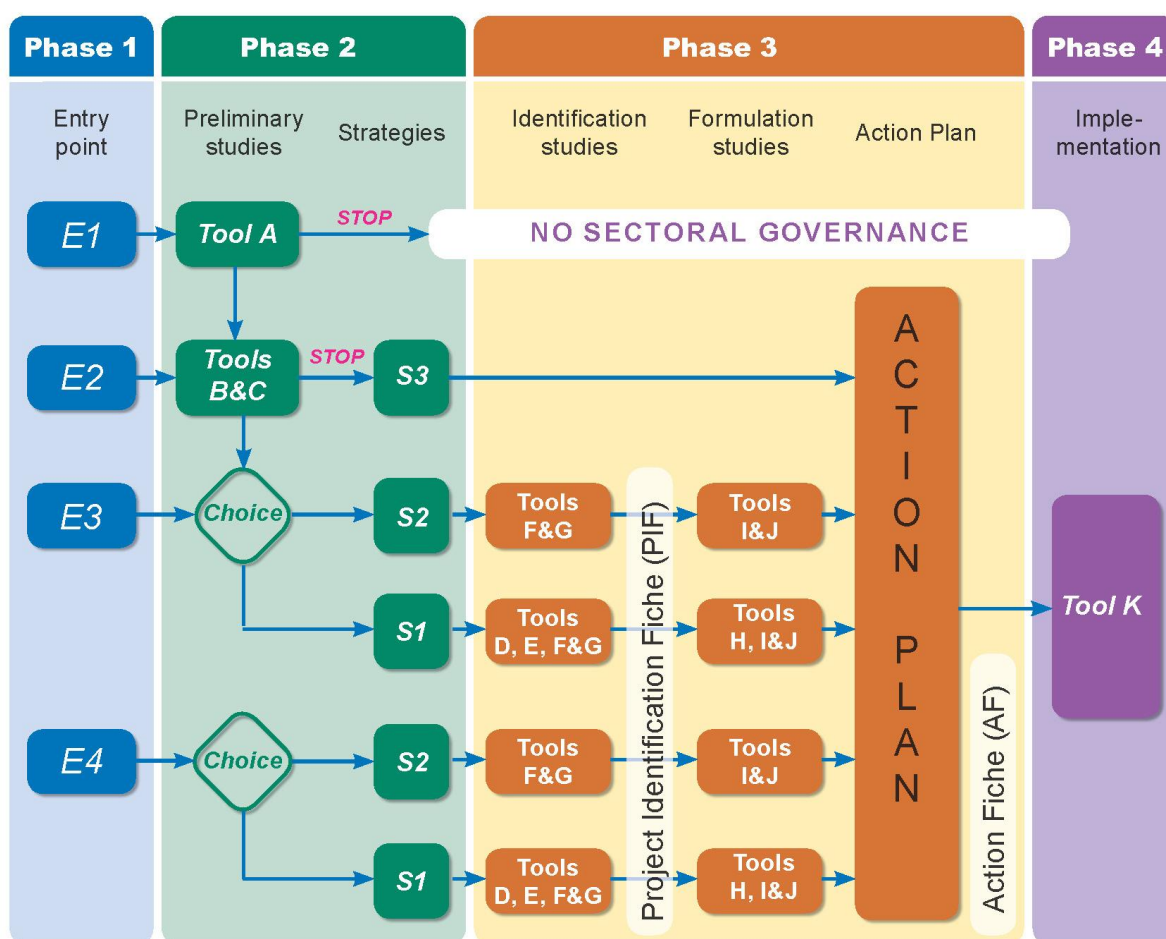
- The purpose of the **first phase** is to help **choose an entry point** into the set of tools. There are four possible entry points. The choice of entry point allows an estimation of the effort required to draw up the action plan. At this stage, no specific tools are required.
- During the **second phase**, after conducting the necessary preliminary studies, the **strategy to be pursued should be defined**. Specific tools will help define the preliminary studies necessary to choose the most appropriate strategy. Three possible strategies have been identified.

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- **The third phase** consists of **finalising the identification phase**, where the identification tools allow the identification fiche for future intervention to be prepared, and **drafting the action plan**. After the identification phase, and depending on the strategy chosen, a number of tools will allow analyses/supplementary studies to be carried out and the details of the action plan to be defined. The result of this phase is drafting the action plan and the action fiche for a project or programme.
- Finally, the **fourth phase** encompasses all the measures that support and monitor the successful implementation of the action plan. A single tool is proposed for monitoring projects.

The diagram below summarises the proposed method:



### 3.1 Phase 1: Define the entry point into the set of tools

#### Explanation of the approach

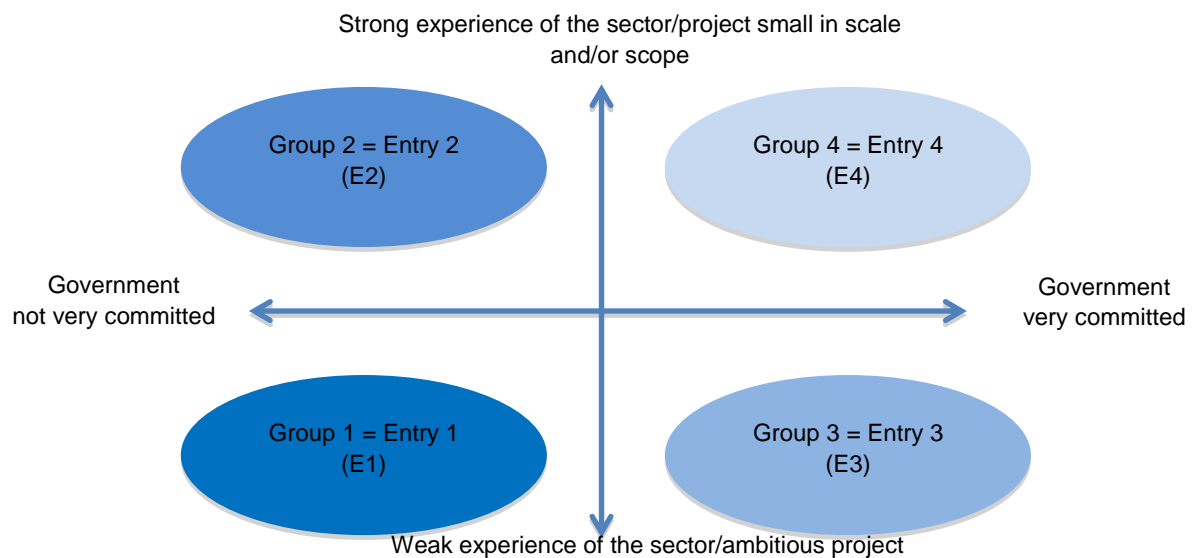
This phase should enable identification of an entry point (E1 to E4) into a set of tools. To simplify the approach, **three selection criteria** have been defined. Others are possible, but those proposed have the advantage of being simple to use and easily identifiable.

The three criteria are as follows:

The first, and most important, is to understand whether or not **the local government is a driving force** in the process of sectoral reform. It is the fundamental external characteristic of the project and forms the horizontal axis of the matrix.

The second criterion is linked to the **level of experience of the Delegation in the transport sector**. “Level of experience” includes: (i) that of the people within the Delegation and/or (ii) that gained through a long series of projects in the transport sector, more specifically in transport governance, within the latest National Indicative Programmes (NIPs).

The last criterion relates to the size and complexity of the project under preparation.



The last two criteria represent the two principal internal characteristics of the project and the vertical axes of the matrix. The intersection of the external characteristic (i) with the internal ones (ii and iii) of a project in the matrix may result in two points of entry that are identical or very close (for example E3 and E4 or E1 and E2).

- **If the points of entry are identical**, proceed to the next phase.
- **If they are different**, it is recommended that a final criterion be used to identify the most suitable entry point. The criterion for separating the two points of entry will depend on the available resources (time and budget) to implement the tools in the

next phase. If resources are lacking, focus on an entry point that requires fewer resources for the studies (while taking on board the risks of a more superficial approach).

If, despite these possible options, the user is not entirely satisfied with the proposed entry point, he can create the sequence himself. An action plan can be prepared from the range of tools described in chapter 5, depending on which strategy is chosen.

## Table for defining the entry point in the set of tools

The table is as follows:

Internal criteria	Internal criteria			
	Level of experience is:		The project is:	
The government is:	Low	High	Ambitious	Unambitious
A driving force	E3	E4	E3	E4
Not a driving force	E1	E2	E1	E2

### 3.2 Phase 2: Proceed from the entry point to defining the strategy to be followed

#### Why define a preliminary strategy?

The choice of a preliminary strategy allows the scale of the action plan to be defined in advance, thereby avoiding a long and costly series of studies and analyses that may eventually conclude that (i) a reform or a project is not possible, or (ii) a reform/project has limited scope. The choice of strategy and the result of any identification studies (tools F to G) will result in the project/programme Identification Fiche which will then be fleshed out on the basis of supplementary studies (tools D to J) to provide the Action Fiche with the action plan).

#### Three possible strategies

Strategy 1 (S1), or direct support to sectoral governance	Strategy 2 (S2), or integration of sectoral governance	Strategy 3 (S3), or a plea for sectoral governance
Support for governance is provided on the basis of the technical and institutional priorities of the sector and forms part of a global vertical approach.	The technical and institutional priorities of the sector are supplemented by the introduction of an improvement in governance, viewed as a cross-sectional component.	Interventions targeted at an organisation are occasionally used to highlight the issues of good governance.

## Which strategy?

In order to ensure that the studies are appropriate to the needs and to time and budget constraints, the **strategy** must be defined or chosen **from among the three on offer**. The entry point (and the level of knowledge of local sectoral governance) will indicate the most appropriate sequence of **tools (analysis tools/preliminary studies)** required to define the strategy:

- **For entry into E1 or E2**, the degree of relevance and feasibility of support for governance is determined using preliminary analysis tools A, B and C, which also act as a guide to the strategy to be adopted, if appropriate.
- **For entry into E3 or E4**, preliminary studies are not necessary to determine which strategy is required. At this phase, **one of the two strategies (S1 or S2) will be chosen directly** on the basis of knowledge of the sector, the stakeholders, and the size of the project within the Delegation. Given the context, the third strategy (S3) should not be chosen.

It is recommended **to set up a multisectoral reference group**, led by the Head of Cooperation (and not the infrastructure section) to encourage a multi-sector approach and the participation of everyone within the Delegation. Similarly, a second multi-DP committee would allow access to internal DP information, benefiting from their critical viewpoints when deciding which tools to use. The best situation is when a dynamic sectoral working group of which the EU is leader already exists in the country. At this stage, it is better not to introduce the subject at the sectoral round table, because it would be too early to involve the sectoral administrators, unless the government is the driving force.

Once again, common sense should be applied in deciding which course of action to take. The value of any of the proposed tools depends on the specific context and they can then be retained or discontinued. Following this procedure it is possible to add other tools as required, and even to create ones that are more suitable. Choosing the most appropriate strategy implies **first identifying constraints, then the related tools**. Similarly, the influence of the political economy and the proceeds of corruption must be measured. This constrains the scope for collective action (i.e. a consensus being reached by all participants, not just the technical experts) that would allow ownership of sectoral reforms supported by the EU.

**The time required** for this phase is 3-4 months at an **estimated cost** of not more than 100 man days (if activities are outsourced).

The tools to be implemented (i.e. the analyses/studies to be conducted before choosing the strategy) are as follows:

- **Tool A (a checklist of the country's political economy)** must provide an indication of whether the country is ready to receive aid for governance, sectoral or otherwise. If the result is positive, proceed directly to the next tool. If not, the recommendation is not to proceed any further in the analysis of the feasibility of a sectoral governance project.
- **Tool B (a checklist and matrix for sectoral governance)** consists of two related sub-tools (B1 and B2). The first (B1) is an overview of the essential information



concerning governance in the transport sector that will feed into the second (B2), which is the matrix for governance in the transport sector.

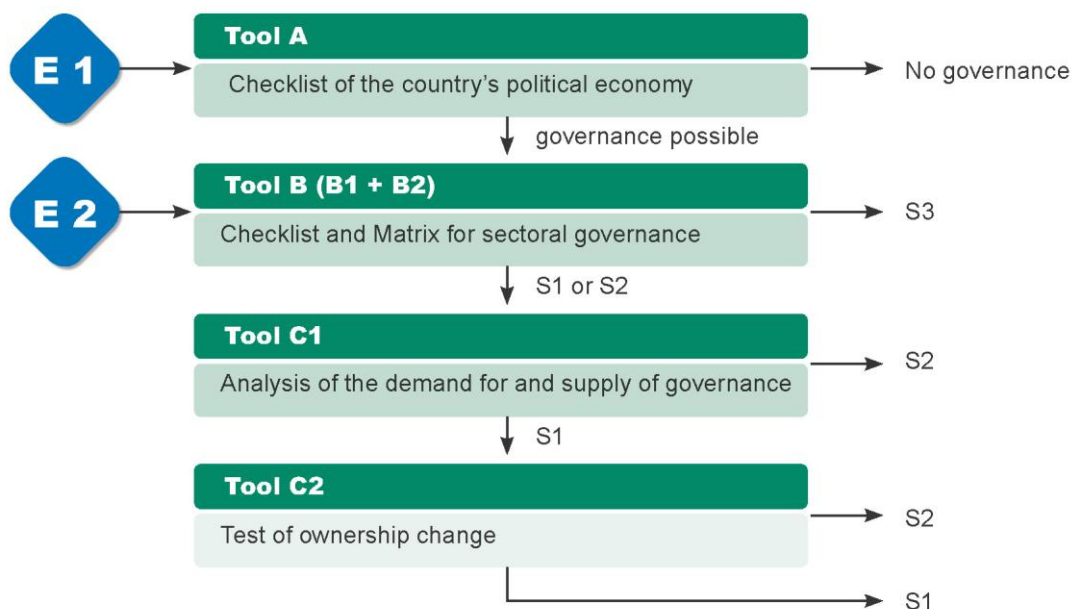
- **Tool C (analysis of the demand for and supply of good governance and the test of change ownership)** consists of two distinct sub-tools (C1 and C2). It concerns the analysis of sector governance supply and demand through: (C1) analysis of the supply of and demand for governance *per se* and (C2) analysis of the ability of the public authorities to take ownership of a process of reform.

## Which strategy for entry into E1?

**For entry into E1**, it is necessary to determine the ability of the country (tool A) to implement governance reforms (sectoral or not). Those that are able to implement these reforms will follow the same approach as those who entered in E2, by continuing with tools B and C, and thus define an operational strategy (1, 2 or 3). For countries that are not, it is advisable to abandon any intention of support for sectoral governance. A context should first be developed that is favourable to the introduction of general governance.

Entry point	Principal characteristics	Brief description of the path to follow
E1	<p>E1 should be chosen in situations where (i) the EUD has limited experience in the transport sector, and/or (ii) the project is particularly ambitious and the EUD is considering mobilising considerable resources.</p> <p>These situations are also relevant if the local government lacks power in the process of reform; or in reforms which, although part of the government programme, do not materialise despite the resources available.</p> <p>Ideally, the EUD would be in the NIP drafting phase, but this is not mandatory.</p>	<p>It is suggested that the most complete sequence be followed, which must initially define whether the country is capable of defining and implementing reforms (tool A), sectoral or not:</p> <ul style="list-style-type: none"> <li>• If the result is negative, do not proceed. The country is not yet ready to implement institutional and, therefore, sectoral reforms;</li> <li>• If the result is positive, the most suitable strategy for support has to be defined, using the results of the preliminary studies (tools B and C). Based on this strategy and the results of any analyses/formulation studies (tools D to G), the PIF is drawn up. Next, the relevant sequence of tools (see figure below) is followed to draw up the action plan and the Action Fiche.</li> </ul>

The sequence to follow is set out below (entry point in E1 or E2):



## Which strategy for entry into E2?

For entry into E2, the EUD's knowledge and experience of the country's political economy is sufficiently high, or the size of the envisaged project is sufficiently small, to allow tool A to be omitted. Therefore start directly with tools B and C (*analyses/studies before choosing the strategy*). These concern (i) the matrix analysis and (ii) the evaluation of governance supply and demand and the ownership test.

When choosing the strategy, follow common sense rules. Reading the results of the three tables (results of the tools) should help reveal a clear trend for a particular strategy.

However, if no clear trend emerges, follow the path below:

- If the matrix analysis of the sector (tools B1 and B2) indicates S3, do not proceed any further. If S1 or S2 is indicated, proceed to tool C;
- If the evaluation of governance supply and demand (tool C1) indicates S2 or S3, do not proceed any further and follow strategy S2. For S1, proceed to the reform ownership test;
- The reform ownership test (tool C2) should essentially allow confirmation of S1, which will subsequently involve the most studies but also provide most interventions (and impacts). Thus, if the test confirms S1, this will be the strategy to follow. Conversely, if the result is S2 or S3, use S2.

If, however, no trend is clear, choose S2.

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Entry point	Principal characteristics	Brief description of the path to follow
E2	<p>E2 is the ideal entry point for those who have (i) a high level of experience of the sector and/or (ii) an unambitious project.</p> <p>These situations are also relevant if the local government lacks power in the process of reform; or in reforms which, although part of the government programme, do not materialise despite the resources available.</p> <p>Ideally, the EUD drafts the NIP, but this is not mandatory.</p>	<p>With E2, there is no need to analyse the country's ability to implement reforms (tool A). However, the low level of government participation may be prohibitive, or sector governance may be too degraded. These may need to be checked, using analysis/preliminary tools B and C.</p> <p>Once the strategy has been defined (see next chapter) and any identification studies (tools D to G) performed, proceed to the preparation of the PIF. All that remains is to follow the corresponding sequence of tools (analysis/supplementary studies – tools H to J) to define the action plan and the Action Fiche:</p> <ul style="list-style-type: none"> <li>• If strategy 1 is the obvious choice, it will be possible to consider an ambitious programme. The EUD will be confirmed in its reformist approach. The risks of failure, although present, are reduced. The sequence of tools (analysis / supplementary studies) to be followed is comprehensive for drawing up the action plan and the Action Fiche;</li> <li>• If strategy 2 is recommended, the project will be limited to relatively modest objectives, although participants should watch for conditions that would allow S1 to be put into place. As with S1, follow a set of specific but less comprehensive tools (analysis/supplementary studies), in the indicated strategy (see figure below) to draw up the action plan and the Action Fiche;</li> <li>• If strategy 3 is specified, an extremely cautious approach is required. This situation is also valid for all projects to improve governance, not only in transport, as they will be hazardous to execute. Surveillance is more than welcome. No tool (analysis/supplementary studies) then applies.</li> </ul>

## Which strategy for entry into E3?

For entry into E3 or E4, the approach to choosing the strategy is much simpler, as the choice is limited to strategies 1 and 2 (strategy S3 is a priori excluded). There is no need for tools (analyses/preliminary studies) or consultants. The strategy is chosen at the same time as the entry point.

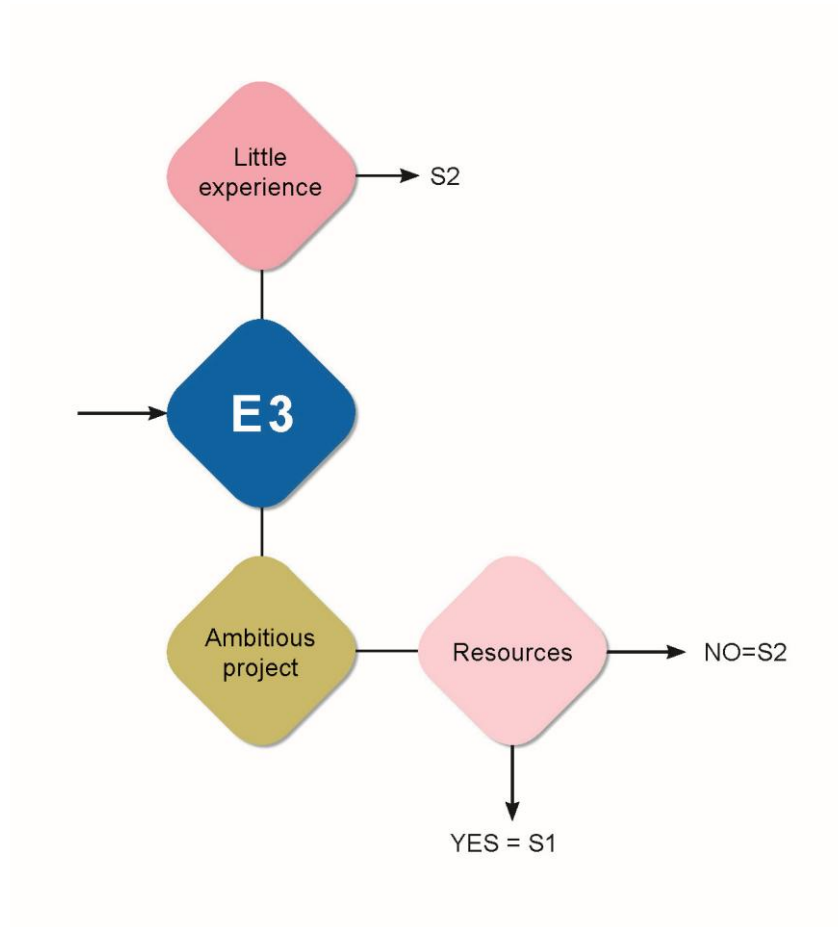
Overall, **for entry into E3**, follow:

Entry point	Principal characteristics	Brief description of the path to follow
E3	<p>E3 is the first entry point when the government is a driving force but (i) the EUD has little experience and/or (ii) the project is ambitious.</p> <p>This is likely to be the most common entry point.</p>	<p>With entry point E3, the strategy can be identified without carrying out preliminary studies/analyses (tools A to C).</p> <ul style="list-style-type: none"> <li>• If the project to be implemented is ambitious, follow strategy 1. In this case, perform detailed identification and formulation studies (tools D to G and H to J respectively);</li> <li>• If there is little experience in the sector, follow strategy 2, although it is not recommended to develop a sectoral reform project without having accumulated some experience in this sector. The action plan will certainly be fairly modest and emerge from the results of identification and formulation studies (tools F/G and I/J respectively). The choice of strategy 2 is normal for an E3 entry;</li> <li>• Finally, for an ambitious project) the choice of S1 or S2 depends on the funds and time available. If considerable resources are available, S1 is recommended. Otherwise, follow S2.</li> </ul> <p>The Action Fiche will be produced by following the sequence of tools (analysis/supplementary studies) corresponding to the chosen strategy (S1 or S2).</p>

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This corresponds to the following diagram:

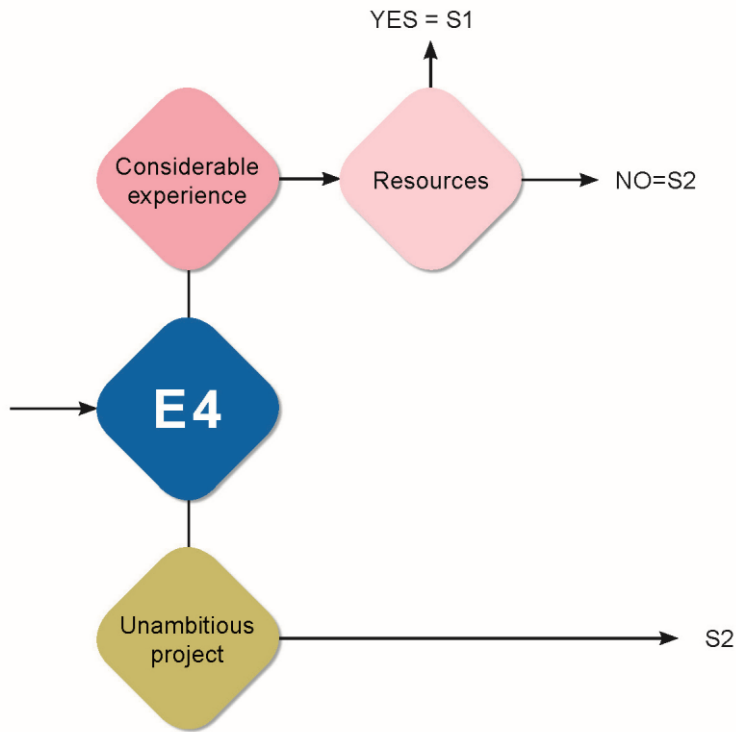


## Which strategy for entry into E4?

Entry into E4 will result in the following progression:

Entry point	Principal characteristics	Brief description of the path to follow
E4	<p>E4 corresponds to an ideal situation.</p> <p>First, the government is a (considerable) driving force and, secondly, the EUD possesses significant experience in the sector from several NIPs or the project is planned too modest in size.</p>	<p>With entry point E4, the aim is to define the strategy (and the PIF) quickly, before using the tools (analysis/supplementary study tools) to draw up the action plan and the Action Fiche.</p> <ul style="list-style-type: none"> <li>• If the EUD possesses considerable experience in the sector, and the government is co-operative, it is recommended that strategy 1 is followed. The choice of strategy 1 is normal for a E4 entry;</li> <li>• If the project is small in size, and the need for studies is limited, follow strategy 2. This will be the case for the small institutional components of a transport infrastructure project, for example.</li> <li>• Once again, for any strategy 1 (considerable experience), the choice takes into account the funds and time available. If considerable resources are available, strategy 1 is confirmed. Otherwise, follow strategy 2.</li> </ul>

This can be summarised as follows:



### 3.3 Phase 3: Draw up the Action Plan using a set of tools

#### Explanation of the approach

Support for governance in the transport sector must be strongly linked to the country's global governance. Poor sectoral governance is rooted in the global system of patronage and corruption. The EU has specific support at global level (justice, management of public funds, support for non-state actors, etc.) Support for governance in the transport sector cannot wait for outcomes that are too far in the future. Sectoral governance must be in line with the key principles, but also develop a pilot approach (taking into account the specificities of the sector). This is all the more necessary as transport infrastructure and services often occupy an important place in the national economy of the countries of SSA and even internationally. Given the nature of the sector, resistance to change will necessarily be greater than in other sectors.

**There is no difference between the sectoral approach and the project approach for support to governance.** In both cases, the first step is to analyse informal practices and

structures at the level of institutions and individuals, to define a realistic institutional leeway into which the actions could fit.

Ideally, a progressive cascade approach must therefore be used. In practice, the approach has to be adapted to developments in (i) the knowledge available at the level of the Delegation and other DPs, (ii) the institutional leeway and (iii) the dynamics or tension of the partner and project.

In this phase, the following will **already have been defined**:

- Whether a sectoral governance action is feasible (preliminary study – tool A – for entry in E1),
- Whether strategy 1, 2 or 3 will be used, as a result of preliminary study tools B or C; whether the entry point is E1 and tool A is conclusive, or whether the entry point is E2.

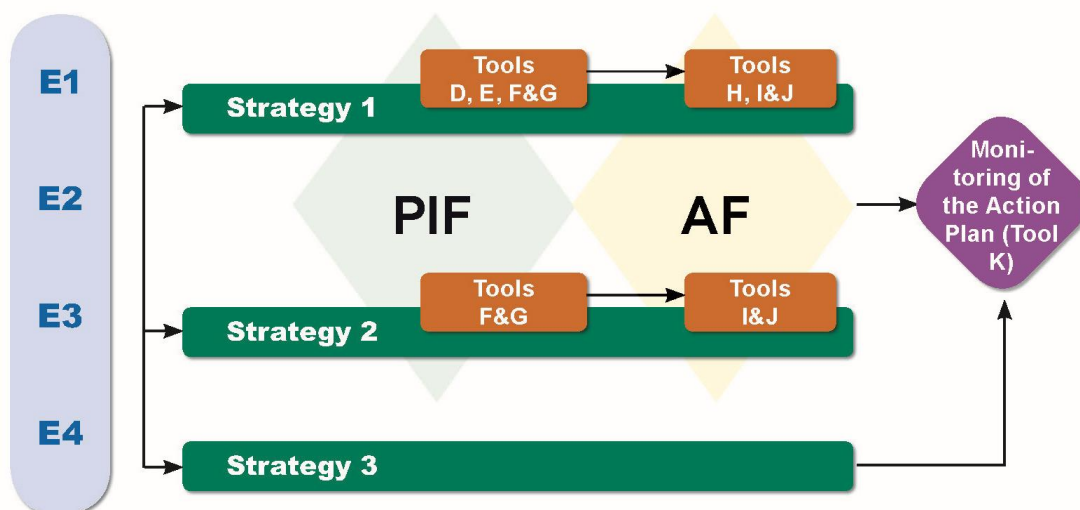
An alternative approach, for entry points E3 and E4, is if **strategy 1 or 2 was chosen** (at the same time as the entry point) using the following criteria: size of the project, level of experience in the sector and available resources.

The set consists of a series of tools that can be used to:

- **Draw up the PIF** (analysis tools/identification studies where appropriate – tools D to G), and
- **Draw up the Action Fiche** (analysis tools/supplementary studies – tools H to J).

Regardless of entry point, strategy 1 will involve the complete set of seven tools, while strategy 2 will involve four tools.

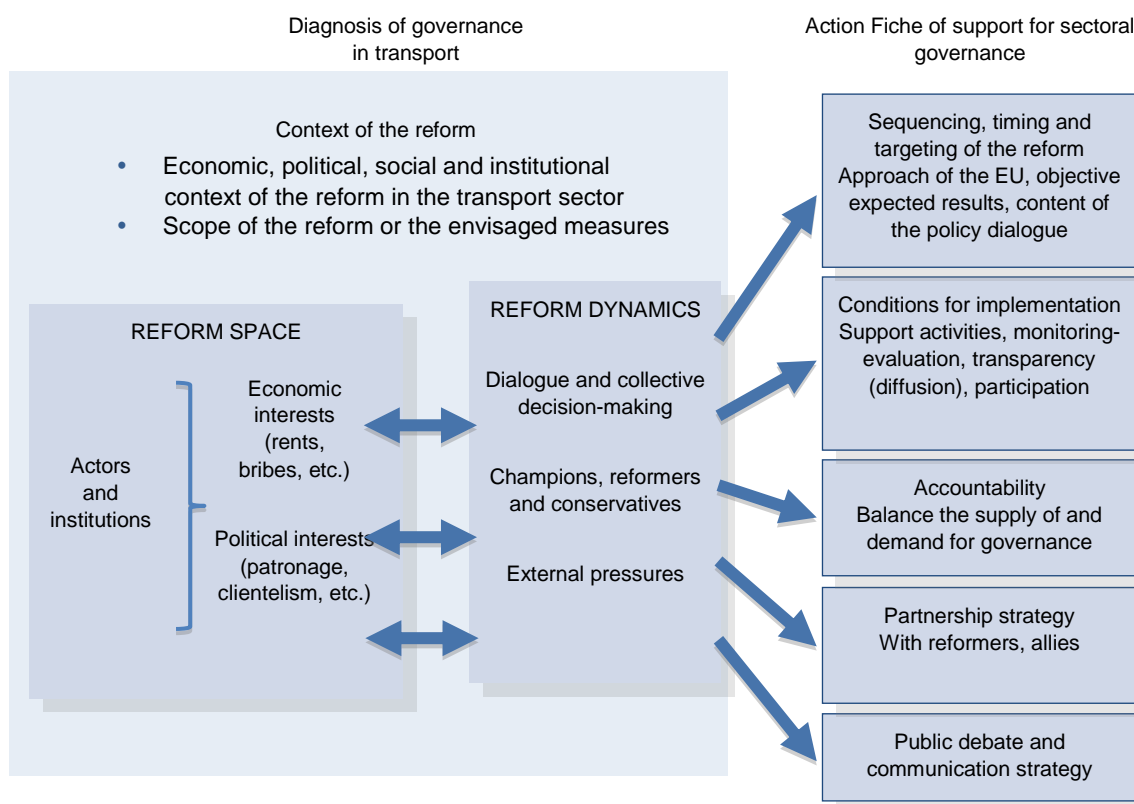
If strategy 3 is chosen, the action plan produced will simply show the need to monitor the sector. It will therefore be much less elaborate than for the other strategies, but will nonetheless require a certain involvement from the Delegation. It will not be the subject of a specific project, therefore no PIF or Action Fiche (AF) need to be provided.





## Drawing up the PIF

This phase involves an in-depth analysis of the sector, including governance. Its aim is to produce the Project Identification Fiche (PIF). The PIF will identify the framework for intervention, tailored to the constraints and politico-economic issues specific to the transport sector, as shown in the figure below:



Source: inspired by World Bank, The Political Economy of Policy Reform: Issues and Implications for Policy Dialogue and Development Operations, 2008

At the end of this phase, the EUD will have (1) potential drivers of change and an institutional leeway for supporting reform in the sector or one of the sub-sectors, and (2) the identification fiche. The next phase involves the formulation of the project (see below: drawing up the Action Fiche).

**The time required** to implement the set of tools in its entirety (tools D to G for strategy 1) is 6 months. **The cost is estimated** at not more than 200 man days, including the support of a consultant.

**The tools used** to identify the nature and scope of support for governance will be as follows<sup>24</sup>:

- Analysis of the performance of the sector (by mode of transport), or **tool D**;
- Analysis of corruption in the sector, or **tool E**;

<sup>24</sup> Adapted from Unsworth and Williams (2011).

- Mapping of the stakeholders, or **tool F** (composed of tools F1, F2 and F3);
- Analysis of the political economy of the sector and identification of the drivers of change and the institutional leeway, or **tool G** (composed of tools G1, G2, G3 and G4).

**Tool D** (analysis of the performance of the sector by mode of transport) is used to produce a comprehensive and exhaustive overview of the sector, thus providing a detailed picture of the sector before the action plan is initiated. Where appropriate, the analysis can be limited to one or two modes. This is especially important for strategy 1. For strategy 2, where applicable, analysis can be limited to the performance of a specific mode.

**Tool E** (analysis of corruption in the sector) is also aimed at strategy 1. Focusing mainly on procurement, tool E will allow the identification of safeguards to monitor this problem more effectively. The weaknesses will also have to be diagnosed, to allow them to be addressed more effectively in the action plan. For strategy 2, this tool should not be used except for a project to modernise the administration of public finances, which is different from the transport sector.

**Tool F** (mapping the stakeholders) is required by both strategies to (1) identify the stakeholders and (2) draw up a map of these individually. This will give a complete picture of the interests at stake, the types of relations and a description of each “player”, both formal and informal. This tool consists of a sequence of three sub-tools to be drawn up jointly: F1 – **Snapshot of the stakeholders**, F2 – **Analysis of the relationships**, and F3 – **Matrix of stakeholders’ sectoral interests**. As with the next tool, this tool is vital for a thorough analysis of sectoral governance. Resources and expertise should be employed in drawing these up.

**Tool G** (analysis of the political economy of the sector and identification of the drivers of change and institutional leeway) is also very important and concerns both strategies. It consists of a sequence of four sub-tools to be drawn up jointly: G1 – **Analysis of the political economy of the sector**, G2 - **Evaluation of stakeholders**, G3: **Drivers of change**, and G4: **Institutional leeway**. It involves identifying the state of the vested interests: those who would benefit from and those that would be disadvantaged by reform, as well as those who would gain power and those would lose power. This will allow the production of a map of the “allies” and “enemies” of reform, and also identify the risks of stakeholders changing allegiance.

With tool G, an attempt will be made to answer the following questions: what are the conflicts of values and objectives likely to interfere with the EU’s support? Can the analysis identify new niches and new stakeholders demanding more governance in transport? Is a political cost foreseeable for the EU, or are there contradictory interests with interventions in other sectors, with another system of stakeholders or rules?

The complete approach is as follows:



The analysis requirements of this phase are defined according to the strategic choice made in the previous phase.

**For strategy 1**, follow the entire sequence (tools D, E, F and G), since the level of knowledge of the sector and its governance is relatively weak, or the possibility of mobilising significant financial resources does not allow shortcuts to be considered.

**For strategy 2**, limit the analysis to tools F and G. The analyses of the stakeholders and of the political economy of the sector should suffice to satisfy the need for studies and produce a qualitative PIF.

## Drawing up the Action Fiche

The strategy for support of sectoral governance is based on a theory of change that is both global (to ensure the coherence of the EU's interventions) and also highly specific to the national and sectoral context.

Change is made possible by three interdependent factors: (i) dissatisfaction with the existing state of affairs (driver of change), (ii) the expectation that future conditions will be more satisfactory and (iii) a clear and shared vision of the transition from one to the other.

Transition is naturally prevented or hampered by vested interests, internal to the organisation or the sector, but externally in the transport sector: such as established rents, corruption and networks.

**The time required** to implement this phase in its entirety (tools H to J for strategy 1) is 3 months. The cost is estimated at not more than 100 man days, including the support of a consultant.

**The tools to be used** to formulate the nature and scope of support for governance will be as follows<sup>25</sup>:

- Analysis of the performance of key institutions for the EU, or **tool H** (composed of tools H1 and H2);
- Evaluation of the reactions to formal and informal organisations, or **tool I** (composed of tools I1 and I2);
- Definition of the monitoring indicators and the logical design framework, or **tool J** (composed of tools J1, J2 and J3).

The tools must define in a precise and effective manner the conditions and resources to be brought together to draw up the governance support project for the transport sector. They supplement the tools defined during the PIF and which will also feed into the Action Fiche.

This mainly consists in answering the following questions:

**Tool H** (analysis of the performance of key institutions for the EU) includes two tools to be drawn up jointly: H1 – **Analysis of the performance of key organisations**, and H2 - **Diagram**

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<sup>25</sup> Adapted from Unsworth and Williams (2011).

**and targeting of efficient organisations.** Globally, the following questions should be answered: What are the rules? Which are the most strategic for support? Which are the most comprehensive and flexible? Have there already been trade-offs between the sets of rules? How might the balance between the formal and informal rules influence the sequencing and timetable of support? Who are the key people? What is the geometry and limits of influence? How are their convictions compatible with the objectives of support (in the short and long term)? Are objective collaborations with the leaders feasible? Are alliances possible with stakeholders who are less strategic but more receptive? What are the political affiliations that might interfere? What would be the sustainability of the tactic adopted?

**Tool I** (Evaluation of the reactions of formal and informal organisations) comprises two sub-tools to be drawn up jointly: I1 – **Framework of the relations of sectoral governance**, and I2 – **Framework of the balance between formal and informal organisations**. Globally, the following questions should be answered: Are there groups and potential partners outside the politico-administrative sphere? Are they legitimate in terms of transport policy? Are they acceptable to the other stakeholders in the long run? What are the risks of their involvement in dialogue or controls, for them and for EU support? What are the constraints of each of the categories of stakeholders who directly or indirectly use transport? What are the implications in terms of prioritisation, incentives and development of capacities for the EU's support? Does the focus on these constraints have implications in terms of institutional architecture?

Based on these analyses, it will be possible to:

- Establish an open and transparent policy dialogue and extend consultation to stakeholders and transport users;
- Draw up an action plan based on knowledge acquired in similar contexts. This is the role of tool J, described below

**Tool J** (Defining the monitoring indicators and the logical design framework) is the last phase before starting the action plan. It aims to facilitate the transition from the study phase to the project. Tool J is the synthesis of the answers to all these questions described above, in the form of indicators and therefore activities. It will also be worth drawing on tools F and G from the previous phase. This phase will involve tools J1 (**Matrix of the indicators of the action plan**) and J2 (**Monitoring diagram of the indicators of the action plan**). The two are to be drawn up jointly. To make the task easier, 10 indicators are proposed which together cover the entire range of the governance issues in transport in SSA. Should these indicators not correspond fully to the action plan, there are more than 200 in the current literature. However, this set of 10 indicators are recommended since they have been specifically adapted to the concerns of an EUD ready to intervene in this sector in SSA. Tool J3 (**Logical design framework of the action plan**) should then be used. This will subsequently feed into the logical framework of the Action Fiche and the technical and administrative provisions for implementation.

For strategy 1, complete the entire following sequence:



- **Strategy 1:** tools H, I and J because the EUD's level of knowledge of the sector is not sufficient. The sheer size of the envisaged support means that all parts must be included. The relative participation of the government in the process indicates that reform is still being debated and that nothing can be taken for granted.
- **Strategy 2:** the project is modest and/or there is experience in the sector that allows tool H to be dispensed with. In this case, limit the process to tools I and J.

## What is the action plan for strategy 1?

For **strategy 1**, the project will have to emphasise an **ethical dimension** that must introduce guiding principles of (i) inclusive dialogue, (ii) social equity, i.e. prioritising low-income groups, (iii) justification of use of public funds, (iv) respect for the spirit of the rules and procedures and (v) transparency and integrity.

Any improvement in sectoral governance will remain limited as long as the sector does not include **external systems of control and accountability**. The action plan must therefore include support at the level of senior national auditing bodies and parliament.

The application of these principles to prioritise governance actions in the transport sector will be translated by an action plan able to incorporate the following types of activity:

- **Efficient and honest administrative procedures:** rationalisation of the institutional set-up; promotion of the public service ethic, capacity building; elaboration of guidelines for administrative procedures, with a focus on accountability; strengthening audit or supervisory bodies; increase in fines and administrative sanctions and ensuring their enforcement; systematisation of periodic external financial, organisational and technical audits of semi-autonomous agencies; dissemination of the audits and the follow-up of the application of their recommendations; and creation of websites to denounce corruption and suspicions of nepotism.
- **Open and transparent contract management (infrastructure and PPP):** integration of warning indicators (red flags) in annual procurement plans; capacity building; widespread publication of public-domain tender documents and evaluation committee proceedings (on the internet); increase in the range of tender documents in the public domain; participation of independent observers on evaluation committees; technical assistance to the central procurement committee; strengthening of control and administrative supervision missions; and reform of the procedure for acceptance of works.
- **Targeted, justified and realistic planning and programming:** Conduct regular, systematic, needs assessments, especially of the lowest income groups and of the contribution of transport to improving the competitiveness of exports; inclusive dialogue on the long-term vision and on the principles of sector policy; adoption of multiannual

contracting of current maintenance works; prioritisation of techno-economic criteria in programming; conclusion of performance contracts with semi-autonomous agencies and public enterprises, etc.

- ***Fair and reliable administration of public finances:*** advertising of annual budgetary arbitrations; rationalisation of public expenditures management; elaboration of a medium-term expenditure framework (MTEF) for the sector; upgrading the resources dedicated to maintaining networks and equipment; and increased use of PPPs.
- ***Regulation of transport services to guarantee a fair price for both user and provider:*** revision and enforcement of technical regulations for registering commercial vehicles, as well as for becoming registered as a transport operator; making the registration of road hauliers subject to tighter controls (registration, qualifications, management capacity, financial assets); creation of a regulatory authority charged with preventing cartelisation; privatisation of public enterprises; axle load control, and creation of an organisation in charge of management of regional corridors and traffic monitoring (an example of which is the Observatory of Abnormal Practices in West Africa).
- ***Increasing the professionalism of contractors:*** introduction of multi-year routine maintenance contracts and performance-based contracts; providing access to credit and leasing; support intermediary organisations for providing management and on-the-job training to their members; and promotion of inclusive dialogue on infrastructure investment and maintenance planning and programming.
- ***Effective financial compensation for public service obligations:*** budgeting of compensation for public service obligations based on needs assessments; widening of the tax base for transport services; creation of coordinating authorities; and publication of public service contracts.

Achieving the objectives of governance reform assumes a major long-term financial commitment from the EU to provide the right incentives for the partner to engage in the difficult process of challenging rents and privileges.

The Court of Auditors, or similar supervision authority, should be the main partner of the programme. The Ministry of Transport or Public Works might be an alternative if the Cabinet and the General Secretariat hold coordination positions. The Parliament and the Court of Auditors must in all cases be involved in the programme and receive specific support.

## **What is the action plan for strategy 2?**

**For strategy 2**, the technical options remain the same as for the previous strategy, but the approach consists of **supporting transport actions** (mainly investments) by a section dedicated to improving governance. The measures linked to governance will target as a priority: (i) more efficient and integrated administrative procedures, (ii) more open and transparent procurement, and (iii) more timely, rational and realistic planning and programming (investments in new networks and maintenance).

The action plan for this integration of governance will be compiled based on the following components:

- A revision of regulatory texts to reinforce ex-ante and ex-post control measures as well as increasing the level of administrative and financial penalties;
- A training plan dedicated to monitoring bodies;
- A communication plan for governance with one section focused on sectoral administration and another focused on users and the general public;
- Provision of technical assistance to the national auditing body and the department in charge of planning and programming (generally at the level of the technical ministry, but also possibly at the level of the road agency);
- Quarterly policy dialogue, open to professionals and users' representatives.

The method of support could be a sectoral or sub-sectoral programme (based on the sub-sector of infrastructure and road services). But it could also be feasible as a specific project or an institutional component of a project. Governance will be introduced as a key item in the offer for support to the sector. The project will be tied to the ministry responsible for transport or the general directorate that manages the sub-sector targeted by the programme.

### **What is the action plan for strategy 3?**

In a **strategy 3** approach, the ideal situation is to use an existing project in the transport sector to monitor detrimental changes to efficient and integrated administrative procedures. This allows the introduction of improved governance into the discussions of thematic working groups and into the policy dialogue with the government.

### **3.4 Phase 4: Support the action plan**

Once the financing agreement has been signed, tool K can be used to monitor the action plan by indicator.

The use of this tool concerns the implementation phase of the action plan, once the Action Fiche has been approved and the financing agreement has been signed. It will allow the project's progress to be monitored. This instrument is designed to allow major activities to be planned and indicators to be monitored and involves summary fiches, which will have to be updated regularly.

It will be relevant to all those who have followed strategies 1 or 2. It is aimed at monitoring the services of the Contracting Authority, namely those of the National Authorising Officer (NAO).

Within the EUD, the Infrastructure Section is responsible for managing the action plan. It therefore feeds into the fiches jointly with the managers of programmes on infrastructure and modernisation of the state (among others), depending on the project for the NAO. Ideally, a Monitoring Committee will be created within the Delegation because of the cross-sectional characteristics of an Institutional Reform Plan.

Regular exchanges are necessary with the public authorities around the Sectoral Round Table and with the other DPs through the Sectoral Working Group.



## 4. Case studies

The purpose of this chapter is to illustrate the potential of the sector governance approach in the transport sector and describes situations of typical EU interventions. They are based on projects that were implemented relatively recently and which have been evaluated. The evaluators of these projects identified weaknesses or bottlenecks at the level of performance and sustainability which are **generally linked to sector (if not overall) governance issues**.

Based on the identification of these issues, this chapter aims to illustrate the added value of implementing the method described in the previous chapter. It should therefore be seen as a theoretical approach rather than a concrete application of the method.

The cases described are the following:

- **Support of road maintenance** in a country with dysfunctional democratic and institutional governance;
- **Support of axle load regulation enforcement** in a country where corruption is widespread, but where the government is supportive;
- **Support of programming efficiency** and the implementation of road maintenance through **sector budget support** in a country with an authoritarian political system;
- Support to **improve the performance of a large regional port**.

The examples of the principles developed in this guide are based on real EU interventions. It was decided to make the description schematic to convey as much information as possible and introduce elements that are typical of countries with similar characteristics. The presentation should therefore not be taken as a position paper for a particular country.

### 4.1 Improve road maintenance

CONTEXT
<p>This example is based on the case of technical assistance to the department responsible for road maintenance in a West African country with dysfunctional democratic and institutional governance. To make the illustration more precise, the description is voluntarily schematic and introduces elements that are typical to post-conflict countries or countries where democratic transition and the rule of law struggle to take hold.</p> <p>The example takes place in the <b>context of a chronic democratic and governance crisis</b>, fuelled for decades by personal authoritarian power:</p> <ul style="list-style-type: none"> <li>• Clientelism is widespread, and corruption is eroding the entire system.</li> <li>• Civil and administrative justice is non-existent in practice.</li> <li>• The Department of Public Works (DPW) has carried out almost no road maintenance for at least the last ten years, resulting in poor upkeep of the road network.</li> <li>• The Department has no budget for maintenance. It barely functions, even at central level, and remuneration in the Department of Road Maintenance is minimal. The creation of a roads agency is being considered by the very few champions of reform.</li> <li>• There is no regulated programme of road maintenance; annual programmes are based more on</li> </ul>

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political interests than on techno-economic considerations.

- The public procurement system is corrupt, both within the department and at the level of the National Public Procurement Committee.
- How much of the maintenance works is financed by the national budget is not known, even by the Roads Fund. There are almost no local construction companies. Supervising and engineering firms are non-existent, or incompetent and most likely corrupt.
- Little is known about transport operators.
- Transport conditions are not particularly efficient, generally uncomfortable if not dangerous, despite price levels remaining high compared to the standard of living.

For these reasons, **the EU has committed itself to a sizeable programme of technical assistance to the Department of Public Works** and, to a lesser extent, the Roads Fund (RF). International technical assistants, including a large number of experts from neighbouring countries, have previously supported all the services of the department responsible for road maintenance. After three years of work by the Delegation, the results are significant in technical terms. However, there has been no improvement in officials' authority, incentives or stability and **there are no guarantees that improvements can be sustained.**

**Despite initial hopes for change, the environment of the department and the project has remained the same.** Those newly in power still have links with all the patronage networks, in a country where the military is readily involved in politics.

### ADDED VALUE OF THE GUIDE

Taking governance in the transport sector into consideration might not have completely improved the outcome, but it would have improved the impact of the support and its chances of being more sustainable.

### PHASE 1 - DEFINE THE ENTRY POINT INTO THE TOOL BOX

Positioning of the partner	Experience of the EU	Available resources
The government has a reformist discourse that is not translated into a dynamic of institutional reform.	The EU does not have much experience of cooperation with the Department of Transport. It has supported difficult democratic transitions.	The project of support for road maintenance was granted a significant contribution of around EUR 80 million

According to these data, **the entry point should be E1 or E2.** As the Delegation already supported governance in the country (rule of law, justice, support for civil society), **entry point E2 would have been chosen.**

### PHASE 2: PROCEED FROM THE ENTRY POINT TO THE STRATEGY TO BE FOLLOWED

Tool	Comments	Conclusion
<b>B1</b>	<u>The sector governance checklist</u> (B1) will make it possible to measure <b>the magnitude and diversity of the governance issues</b> in the sector and highlight the fact <b>that no work is documented</b> ; the Delegation manages and understands well the information from the informal sector.	→ <b>Tool B</b> would confirm the interest and timeliness of governance support, therefore recommending S1 or S2.
<b>B2</b>	<u>The sectoral governance matrix</u> (B2) will allow the thematic priorities of the subsequent phases to be organised into a hierarchy, which will be translated into the ToR for consultants.	

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	<p>The column headings correspond to the main challenges faced by governance in the sector. In the present case, the hierarchy of problems by order of importance would be as follows:</p> <ol style="list-style-type: none"> <li>1. Corruption in the construction and maintenance of infrastructure and its regulation;</li> <li>2. Institutional and administrative issues;</li> <li>3. Distortions of sector policy, programming and management of public finances;</li> <li>4. Taking of bribes in transport services and regulation;</li> <li>5. State of the demand for governance.</li> </ol>	
<b>C1</b>	It will pre-identify individuals who will be in favour of change, in either the administration or the private sector. The resulting matrix will be discussed in groups of varying sizes according to the partner's reaction. Ideally, it must be the subject of public dissemination, in the presence of the press.	→ <b>Tool C1</b> would undoubtedly conclude that the demand for governance is non-existent. At best, it could conclude that the demand expressed by the sub-sector pressure groups seeks to preserve the lack of clarity and corporatism.
<b>C2</b>	It will illustrate the predominance of the DPs in the offer of reform. It may be considered as an element of dialogue with the government rather than an element to be circulated. At the same time, the more transparent the approach is at all phases, the greater its impact will be on governance.	<p>→ <b>Based on the results</b>, an offensive strategy (S1) will have little chance of achieving the expected result, even if the government agreed to create a roads agency in addition to the road fund. The new institutions would be subject to the old rules of the patronage system.</p> <p>→ The strategy of transverse integration of governance (S2) is preferred.</p>
<b>PHASE 3: DRAW UP THE ACTION PLAN</b>		
<b>Tool</b>	<b>Comments</b>	<b>Conclusion</b>
<b>F1</b>	<b>Tool F1</b> highlights the weight of the interrelations between the groups of stakeholders concerning the extraction of rent either during procurement or by fixing transport prices, and thus the risk for sustainability.	→ <b>This would have involved a greater number of stakeholders</b> to create a collective decision-making space rather than confining the programme within the walls of the ministry
<b>F2</b>	<b>Tool F2</b> , by identifying the nature of the relations and by qualifying their importance, will provide keys to the communication and advocacy strategy to be put in place. In particular, it may allow participants to be strategically arranged formed into focus groups, national forums and platforms of exchange on governance in the sub-sector.	→ In the present case, the options will be limited but will constitute a more effective lever.
<b>G</b>	<b>The G series of tools</b> will demonstrate that the institutional leeway would have remained	At the end of these phases, the delegation would have been in a

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	narrow, since unfortunately operation of the sub-sector is largely private and secret, with the seat of power being arbitrary and distributed amongst only a few individuals.	position to draw up a <b>Project Identification Fiche</b> that is separate from the services responsible for road maintenance.
<b>I1</b>	<b>Tool I1</b> will explore the formal relations between institutional partners and organisations such as trade unions.	<b>The transition to the Action Fiche</b> would evolve from this draft and would be supplied in the first instance by tool I.  The exact outcome of these two exercises is uncertain, but they are especially productive if used in an inclusive manner, i.e. by involving all the stakeholders as much as possible. The open discussion platforms <b>will show the collective and individual power relationships</b> , representatives of different age groups, executives who have shared an experience abroad, etc. who will subsequently serve as potential dividing lines.
<b>I2</b>	<b>I2</b> will try and forecast the reactions of the authorities and informal relationships.	
<b>J</b>	To complete the Action Fiche, <b>tool J</b> , the Delegation must adapt the indicators to be specific, measurable, and targeted in time.	
<b>PHASE 4: SUPPORT THE ACTION PLAN</b>		
<b>Tool</b>	<b>Comments</b>	<b>Conclusion</b>
<b>K</b>	Based on the list of indicators defined in the previous phase, <b>tool K</b> will be implemented internally by the Delegation and systematically shared with the partner and placed online on the website of the project or the Delegation.	

## 4.2 Strengthen axle load control

CONTEXT
<p>This example is based on the case of a central African country where corruption is widespread but where the government nevertheless supports axle load control. The context of the intervention is more complex than in the previous case:</p> <ul style="list-style-type: none"> <li>• The country has made significant progress over the past two decades in terms of economic and institutional development.</li> <li>• Civil society cannot exert pressure on governance issues.</li> <li>• Corruption is widespread.</li> <li>• Sectoral administration has been self-managing, with the contribution of EU support, for more than ten years.</li> <li>• The Department of Public Works has staff with technical skills and operational resources.</li> <li>• The safeguards put in place to try and secure procurement have dramatically reduced the rate of expenditure commitments. Alternatives to participating in patronage networks and rent extraction</li> </ul>

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have not yet emerged.

- The situation is fairly similar for road transport, apart from a proliferation of stakeholders and a modest share of public procurement. The major exporting companies support a small group of operators who compete with the informal sector during seasonal downturns in activity.
- The rate of overloaded trucks had reached barely sustainable levels for the road network (of the order of around 80% of all trucks inspected).

Under an EU initiative, initially two weighbridges were built near the port. But they were met with such strong resistance from carriers, that the rate of overload was not significantly reduced.

In response, and complementing its investments in regional roads, **the EU countered these tactics using more suitable technology.** This involved digital weighing technology, public posting of weights, automatic calculation of the amount of fines, real-time centralisation of weights (allowing comparison between one weighbridge site and another) and inspection and immobilisation of trucks. **Following the introduction of the scheme, the overload rate has fallen to 10%.**

→ **The EU's contribution was therefore decisive in terms of efficiency,** cutting the overload rate from 80% to 10% in just a few years. The approach was mainly technical, although it also involved improving working conditions for weighbridge operators. However, this approach was imposed on carriers in an effort to protect the roads. This makes it fragile, as it is the exact opposite of a decision for collective action that would strengthen ownership: the underlying causes of overloading have not been resolved.

### ADDED VALUE OF THE GUIDE

→ Taking governance in transport activities into consideration might not have completely altered the outcome in the short term, but it would have improved the chances of sustaining the achievements in the medium term, or even of creating a new equilibrium within the profession.

### PHASE 1 - DEFINE THE ENTRY POINT INTO THE TOOL BOX

Positioning of the partner	Experience of the EU	Available resources
Over the years, the partner has demonstrated a highly conservative and overcautious attitude to reform.	Although the EU has considerable experience of the road sector, it but has no experience in supporting hauliers and the logistics chain, except with customs at ports. It therefore has an idea of the problems rather than of their root causes.	There are reasonable resources available for checking overloads, in the order of EUR 5 million.

These data suggest **the entry point should be E1.** The lack of knowledge of the formal and informal connections between road hauliers justifies **launching an analysis of the political economy (tool A)**, since this is an area that is very dynamic and generates considerable cash-flow and its patronage networks stretched back almost 30 years.

### PHASE 2: PROCEED FROM THE ENTRY POINT TO THE STRATEGY TO BE FOLLOWED

Tool	Comments	Conclusion
<b>A</b>	Analysis of the political economy is all the more justified as the planned investment in this sector is sizeable and the EU needs to <b>renew the terms of the policy dialogue.</b> The government has systematically backtracked on its	→ <b>The analysis of the political economy</b> (carried out by a consultant) will probably conclude that the activity is fragmented, with competing interests and investments

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	commitments. By tackling the question of governance and corruption, the dialogue has a good chance of evolving towards less formal and more sophisticated exchanges.	in different patronage networks struggling for power. This will help avoid bottlenecks or blackmail of corporations affiliated with those in power.  → This result justifies continuing the approach recommended in the guide.
B1	The sectoral governance matrix will allow the thematic priorities of the subsequent phases to be organised <b>by priority</b> , as follows:  1. Extraction of a rent in the transport services and distortion of prices  2. Institutional and administrative issues in relation to joining and working in the profession  3. State of the demand for governance among hauliers (by market segment)  4. Corruption in the construction and maintenance of infrastructure  5. Distortions of sectoral policy, programming and management of public finances.	
B2		
C1	<b>Tool C1</b> would probably conclude that the demand for governance exists in professional enterprises that have competitive advantages, and that they would like to edge out the informal sector. They could be supported in this approach by some shippers, but not necessarily by the Shippers' Council.	→ Based on the results, the governance integration strategy (S2) should put in place technical regulations and economic regulations for the various road freight transport markets, including intercity buses where appropriate.
C2	<b>Tool C2</b> will illustrate the predominance of DPs in the reform in the sector and the inadequacy for the transport business, which has long been a development aid blind spot.	
PHASE 3: DRAW UP THE ACTION PLAN		
Tool	Comments	Conclusion
F1	<b>Tool F1</b> will analyse the discrepancy between the expected functions of each group of stakeholders and their actual involvement in the various aspects of the operation, and public management of the road freight transport business.	→ <b>Highlighting the importance of the interrelations</b> between all the groups of stakeholders around the extraction of rent by fixing transport prices when awarding public transport contracts (food aid, for example), with road inspections, customs and port procedures, etc.  → Support for overload checks needs to be carried out in a more inclusive manner, by guaranteeing the participation of more stakeholders to create collective decision-making rather than isolating debates and decisions within the administration.

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<b>F2</b>	<b>Tool F2</b> might allow participants to be strategically formed into focus groups and national forums on governance and competition.	
<b>G</b>	The series <b>G tools</b> – <u>identification of institutional leeway</u> – continues the focusing and feasibility work of the reform begun with F.	<p>→ <b>The institutional leeway would be created</b> by the department responsible for road maintenance, the objective alliance with professional operators, the divisions between professional organisations and the diffuse nature of the distribution of rent among the patronage networks close to the seat of power.</p> <p>→ At the end of these phases, the Delegation would have been in a position to draw up a PIF going well beyond a purely technical approach.</p> <p>The tactic would consist of starting from a relatively broad agenda of reforms for hauliers, involving significant overheads: both formal (training, taxation, technical inspections and overload checks) and informal (minor corruption, maintenance of roadside checks). This would result in the exclusion of small-scale carriers from the business. This approach should be strengthened by the establishment of a system for monitoring performance and abnormal practices for each route. This would allow the problems raised by operators to be addressed.</p>
<b>I1</b>	The transition to the Action Fiche would be enabled by <b>tools I1 and I2</b> , which will try and anticipate reactions to the improvement in performance or the reform. The exact outcome of two exercises is uncertain, but they are especially productive if used in a participatory manner, i.e. <b>by involving all the stakeholders as much as possible</b> .	→ <b>The open discussion platforms will reveal</b> collective and individual <b>power relationships</b> , those representing particular age groups, executives who have shared an experience abroad, etc. who could subsequently be disruptive.
<b>I2</b>		
<b>J</b>	To complete the action fiche, <b>tool J</b> proposes a list of indicators linked to governance.	
<b>PHASE 4: SUPPORT THE ACTION PLAN</b>		
<b>Tool</b>	<b>Comments</b>	<b>Conclusion</b>
<b>K</b>	Based on the list of indicators defined in the previous phase, <b>tool K</b> will drive the project monitoring.	



### 4.3 Put in place sectoral budgetary support

CONTEXT		
<p>This example is based on the case of a country in East Africa but is not restricted to it, in the same way as the previous examples. The EU helped improve the management of roads and road transport by two successive sector budget support programmes.</p> <p>The context of the intervention was as follows:</p> <ul style="list-style-type: none"> <li>• The country had undergone an historic period of economic growth since the 1990s, based on an authoritarian democracy and administrative interventionism geared more around public enterprises in which patronage networks have interests.</li> <li>• The administration responsible for roads is part of a centralised tradition of intervention, quite similar to that of European public service administrations. Corruption undoubtedly exists, but is not endemic and crippling.</li> <li>• The policy framework for the roads sector was drawn up with DPs. It applies international best practices to the road fund, the roads agency and to a department reduced to barely more than its regulatory functions.</li> <li>• The road fund collects and manages growing resources, even if they only cover 65% of road maintenance needs; only 84% of resources are disbursed.</li> <li>• Very little is known about the economy and the organisation of road transport.</li> </ul> <p><b>The two sectoral budgetary support measures</b> of the EU have been designed according to good technical and institutional analysis. The EU's contribution initially focused on the policy framework and the planning of the sub-sector. It enabled the design, drafting and application of programming that, while ambitious, proved to be realistic, thanks to both the commitment of the government and to economic growth. The EU's contribution subsequently focused on strengthening capacities at central and devolved levels.</p>		
ADDED VALUE OF THE GUIDE		
<p>→ Taking governance into consideration in the design of budgetary support measures would have allowed the stakeholders to anticipate the internal and external difficulties of the road authority. These difficulties included (a) facing up to the pressure both from DPs regarding the quality of technical studies and the supervision of works and from the government regarding the more than substantial increase in maintenance budgets and (b) the urgent need to disburse them correctly, given the forthcoming elections.</p>		
PHASE 1 - DEFINE THE ENTRY POINT INTO THE TOOL BOX		
Positioning of the partner	Experience of the EU	Available resources
The partner is a stakeholder in the policy framework of the roads sub-sector. Its principles are aligned with international best practices and are implemented without any attempt to circumvent or alter them.	The EU has considerable experience in collaborating with the road agency and the government.	The EU has significant resources for the entire sub-sector, of the order of EUR 300m over 5 years.
<p>According to the above, <b>the entry point should be E3 or E4</b>. The country concerned resists copying institutional patterns from other African countries. The advice would therefore not have been to begin drawing up the Action Plan straight away (E4). Instead there should first have been institutional analyses that focused on the organisations to be supported, while taking account of the potential for</p>		



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informal relationships. → The choice of entry point would therefore be <b>E3</b> .		
<b>PHASE 2: PROCEED FROM THE ENTRY POINT TO THE STRATEGY TO BE FOLLOWED</b>		
Both the context (less serious problems of governance), and probable government's reluctance to a DP intervention in a politically sensitive area, would result to the choice of a strategy of integration (S2).		
<b>PHASE 3: DRAW UP THE ACTION PLAN</b>		
<b>Tool</b>	<b>Comments</b>	<b>Conclusion</b>
<b>F1</b>	<b>Tool F1</b> would have highlighted the weight of the technocratic and political intervention and therefore the room left for sound management of the administration and public enterprises. The solutions put in place are not necessarily the most efficient, but deliver what is expected from them.	→ The analysis would have concluded to the relevance of putting the chosen options into perspective with more flexible solutions involving a partnership with the private sector on a broader basis.
<b>F2</b>	<b>Tool F2</b> will provide keys for the communication and advocacy strategy to be put in place.	→ In the present case, the options will be limited, but will constitute a more effective lever.
<b>G</b>	<b>With the G series of tools</b> , the Delegation will analyse the results in terms of potential institutional leeway of the sectoral reform.	→ In the present case, the institutional leeway would be considerable for all technical and organisational aspects, and without doubt relatively narrow for those aspects linked to governance. As the government is pragmatic, the institutional leeway could be improved if the efficiency of the strategy is quickly demonstrated.  → At the end of these phases, the <b>PIF</b> should include a prioritisation of the levels, themes and project initiators with (1) a strong institutional dimension based on an overhaul of the incentive and control systems for road agency staff, and (2) a targeting of the partnership with professional organisations representing small contractors and road hauliers.
<b>I1</b> <b>I2</b>	<b>Tool I1</b> would explore formal relations (institutional partners and organisations such as trades unions), while <b>I2</b> would try to anticipate the reactions of the authorities and formal relationships.	→ In the present case, the hierarchical arrangement of the actions targeted on governance could have been as follows: <ul style="list-style-type: none"><li>• Timely, rational and realistic planning and programming</li><li>• Open and transparent contract management</li><li>• Efficient and integrated administrative procedures</li><li>• Professionalisation of public works companies</li></ul>

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		• Fair and reliable management of public funds
<b>J</b>	To complete the action fiche, <b>tool J</b> proposes a <u>list of indicators linked to governance</u> in the roads sub-sector, one of which may be chosen to monitor disbursements.	
<b>PHASE 4: SUPPORT THE ACTION PLAN</b>		
<b>Tool</b>	<b>Comments</b>	<b>Conclusion</b>
<b>K</b>	Based on the list of indicators defined in the previous phase, <b>tool K</b> will drive the project monitoring.	

### 4.4 Improve the performance of a regionally significant port

CONTEXT		
<p>The governance national specificities appear less important than for the other case studies: corrupt customs services and dysfunctional transport markets - port operations and ancillary trades - are attributes that are widely shared by all the ports of the continent.</p> <p>The context of the intervention on the efficiency of a regional port is highly complex and difficult to define. This directs the approach towards an entry in <b>E1</b>. The main reference points are as follows:</p> <ul style="list-style-type: none"> <li>• The logic of landlord port, a logic that clarifies the roles between the department of transport and the manager of the public port domain, was only partially applied.</li> <li>• The container terminal concessionaires have begun to communicate with the government, on an extra-contractual basis linked to the failure by both parties to comply with some of their contractual obligations.</li> <li>• The economic importance of the port, reinforced by the almost complete lack of competition between regional ports, creates a situation where each category of stakeholders can block reforms.</li> <li>• The operational and customs inefficiencies create points for extracting rents at every stage between a container being unloaded and leaving the port. Customs officers lining their own pockets is a classic case of corruption.</li> <li>• Importers use ports and sometimes ships as warehouses that are both economical and safe, which increases berth congestion.</li> </ul> <p>The EU has very little experience in supporting port improvements.</p>		
ADDED VALUE OF THE GUIDE		
→ Taking governance into consideration when improving the efficiency of port activities enables one to be decisive in analysing complex situations, notably by highlighting relations between stakeholders in the sector and by creating room for collective action.		
PHASE 1 - DEFINE THE ENTRY POINT INTO THE TOOL BOX		
Position of the partner	Experience of the EU	Available resources
The position of the government is ambiguous about improving the efficiency of the port.	The EU has very little practical experience of interventions in support of ports.	The resources assigned to the project are relatively limited, of the order of EUR 10 million.
According to these data, <b>the entry point should be E1 or E2</b> . The lack of knowledge of the formal and		

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informal links between authorities, port operators, shippers, other transport trades and road hauliers, stakeholders in an activity that is not only dynamic but also generates significant cash-flows, justifies launching an analysis of the political economy. <b>Entry E1 will therefore be chosen.</b>		
<b>PHASE 2: PROCEED FROM THE ENTRY POINT TO THE STRATEGY TO BE FOLLOWED</b>		
<b>Tool</b>	<b>Comments</b>	<b>Conclusion</b>
<b>A</b>	Analysis of the political economy ( <b>tool A</b> ) is all the more justified since the EU needs to renew the terms of the policy dialogue. This is based on an understanding of the complexity of the groups of stakeholders and therefore the reluctance to copy institutional arrangements from elsewhere.	<p>→ The analysis of the political economy will in this case probably conclude that at present each of the administrative, customs, operational and commercial spheres develops relatively simple strategies to maximise their profits based on inefficiencies, but that the main determining factors are external to the port system. These findings would allow the EU's approach to be expanded and advantage to be taken of the divisions to put in place a process of collective action, based on informal bargaining as well as formal consultation.</p> <p>→ This outcome in turn justifies pursuing the approach recommended in the guide.</p>
<b>B1</b>	<b>Checklist B1</b> will allow the scope and diversity of the problems of governance in the port to be presented in summary fashion as well as the conclusion that nothing is documented.	<p>→ In the present case, <b>the order of priorities</b> produced by tool B would be as follows:</p> <ol style="list-style-type: none"> <li>1. Extraction of rents and excessive profits by users of the port services</li> <li>2. Institutional and operational problems in the port area</li> <li>3. Corruption of the customs services and port operators</li> <li>4. Distortions of sectoral policy and the supervision of the ports</li> <li>5. State of demand for governance among operators in the logistics chain (by market segment)</li> </ol>
<b>B2</b>	<b>Matrix B2</b> will give visibility to the problem of governance and allow the approach of policy dialogue or the integration of this in the dialogue to be started.	
<b>C1</b>	<b>Tool C1</b> would undoubtedly conclude that the demand for governance exists, but far downstream from the port management. C1 will pre-identify individuals who will be involved in the discussion of change, either for the administration or the private sector.	<p>→ <b>The strategy of integration of governance (S2) is necessary to support an initiative based mainly on the introduction of an institutional model adapted to the vested interests, with a tariff policy that gives incentives to users of the port services. Economic regulation will be fully taken into account by involving all operators and users in the removal of many dominant positions to avoid consumer price distortions.</b></p> <p><b>In this context, the transparent and competitive granting of concessions for port activities as a condition of support</b></p>
<b>C2</b>	<b>Tool C2</b> will illustrate the predominance of DPs in the reform in the sector, and the inadequacy of this to sustainably resolve the problems of efficiency in the ports.	

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		for port infrastructure could be an effective lever.
<b>PHASE 3: DRAW UP THE ACTION PLAN</b>		
<b>Tool</b>	<b>Comments</b>	<b>Conclusion</b>
<b>F1</b>	<b>Tool F1</b> would have highlighted the weight of interrelations between all the groups of stakeholders around the extraction of rent by fixing of prices for unloading, customs clearance and transport, etc.	→ It would have found there was a need to target 4-5 operators, each dominant in the sectors of activity downstream of the port services, to open a platform for dialogue (in particular with the port operators) and collective decision-making.
<b>F2</b>	<b>Tool F2</b> will provide keys for the strategy of communication and defence to be put in place. In particular, it may allow participants to be tactically formed into focus groups, national forums and platforms of exchange on governance and competition.	
<b>G</b>	<b>The G series of tools</b> continues the targeting and feasibility work of facilitating the functioning of the modal port interface begun with F.	→ In the present case, the institutional leeway would essentially be independent of the ability of the minister for transport (or the port authority) to amend the rules. In particular the pricing policy of port operators, the practices of the customs services and the regulations for accessing and practising the professions of importer and transport ancillary. The size of the financial stakes and the limited number of influential actors on either side make more tactical options difficult. Action on the demand for governance is also conceivable by relying on the effects of price distortion for consumer products, even basic necessities.  → At the end of these phases, analysis of the institutional leeway will allow an <b>identification fiche</b> to be drawn up - <i>a priori</i> going well beyond a purely technical and organisational approach. In the short term it would above all support the creation of a platform for discussion between the public and private spheres to enable a process of collective action.
<b>I1</b>	<b>The transition to the Action Fiche</b> would arise out of this draft and be enabled by tools <b>I1 and I2</b> . I1 will explore <u>the formal relations</u> (institutional partners, concessionaires, Shippers' Council), while I2 tries to forecast the <u>reactions of the authorities and informal relations</u> (importers, small-scale hauliers, traders with a fleet for their own use, MPs).  These two exercises are uncertain in	→ <b>The open discussion platforms will reveal collective and individual power relationships, or personalities who would be allies or enemies of the reform.</b>
<b>I2</b>		

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	outcome, but are especially productive if used in a participatory manner, i.e. by also involving all the stakeholders, clients and users as much as possible.	
<b>J</b>	To complete the action fiche, <b>tool J</b> proposes <u>a list of indicators linked to governance</u> in the transport sector.	
<b>PHASE 4: SUPPORT THE ACTION PLAN</b>		
<b>Tool</b>	<b>Comments</b>	<b>Conclusion</b>
<b>K</b>	Based on the list of indicators defined in the previous phase, <b>tool K</b> will organise the monitoring of the project performance for each of them.	

## 5. Annexes

### Annex 1: Frameworks of the EU's strategy

The idea of sectoral governance is gaining ground in response to the importance of democratic governance. Most of the difficulties encountered in developing and implementing sectoral policies are the result of problems of governance, either those of the non-developmental management of the elite, or those of a weak and corrupt administration. Although technical concepts remain important, governance tends to take centre stage in sectoral interventions, and this movement must be stepped up, especially for transport infrastructure and services, which are fundamental for development.

It involves applying the principles of governance to a given sector, such as that of water and sanitation, education, health or, in the present case, transport. These principles apply either at the level of a sector programme (whether or not it is a multi-DP programme) or a project, or even a specific component. Nowadays the “policy” approach as a complement to the technical approach and integrated into it, is the subject of particular attention, while recognising the specificities of each sector.

Thus, more attention is given to (i) understanding the relationships of power in a given sector, and (ii) the functioning of informal, normal or indeed customary or, quite simply, mafia-like relationships, which, although not very visible, are nevertheless present and play a strong role in influencing sector effectiveness and efficiency.

Good sectoral governance could be summed up as the search for a harmonious balance between demand for and supply of governance aimed at optimising the effectiveness of the activities of a given sector. It is the imbalance due to the lack(or excess) of demand for and/or supply of governance that is deemed to be at the origin of the ineffectiveness of investments in a sector, or even the principal issues faced by this sector. Logically, it is the adoption of corrective measures designed to reduce distortions between the demand for and supply of governance, in addition to technical investments, which should allow the sector in question to be effective in terms of products and services offered to citizens.

There are several ways of understanding the governance situation in a sector. The most consensual is to understand where the sector stands and to analyse its reality. This allows a realistic overview to be put together of national or non-national stakeholders, and of their ability to improve the situation. It is therefore necessary to go beyond the simple legal framework, the role of institutions or formal processes to address, without prejudging, the underlying political economy of the sector in terms of rules, interests, distribution of resources and power. This approach prioritises the dynamics of inter- and intra-sectoral, national and regional governance. For example, in Mozambique, an analysis of the political economy in the railway sector cannot happen without properly understanding the mining sector, but also relations within the sub-region. This guide builds on this approach, while taking into account the special characteristics of the transport sector in Sub-Saharan Africa.

To date, despite the abundance of literature on governance, very few sectoral experiences have been systematically analysed and documented, apart from an evaluation carried out in 2006 by the EU<sup>26</sup>. However, it is possible to draw some general lessons: (i) good sectoral governance allows greater impact and better sustainability to be achieved, (ii) sectoral reforms take time and (iii) good governance is not limited to fighting corruption.

Overall, all the stakeholders agree that it takes a sound knowledge and vision of the situation at national or even regional level to be able to identify a strategy for intervention. Consequently, once the intervention strategy has been chosen, the decision-maker will build his own action plan.

The transport sector, because of the significant financial resources involved and the relative degree of their impact and sustainability, has not escaped this underlying trend. The EU and the World Bank are the DPs that are most concerned with governance in the transport sector.

## **The EU's cooperation strategy for governance**

The EU's policy for governance with its partners in SSA is defined both by international agreements (Cotonou in particular), the documents defining the strategy of cooperation with Africa and communications relating to transport and governance.

This annex develops these definitions of cooperation in support of governance in the transport sector that is consistent with its general framework – and therefore less open to reconsideration at Quick Start Guide (QSG) level.

### **➤ The partnership agreement (Cotonou)**

In the case of the Cotonou partnership agreement<sup>27</sup> (2000), 77 ACP countries and the EU agreed to establish consultation procedures linked to compliance with the essential elements of the partnership. **Article 9, paragraph 3** of this agreement states that respect for human rights, democratic principles and the rule of law constitute its essential elements and that good governance constitutes its fundamental element. It proposes an interesting approach to governance: "In the context of a political and institutional environment that upholds human rights, democratic principles and the rule of law, good governance is the transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development.

It entails clear decision-making procedures at the level of public authorities, transparent and accountable institutions, the primacy of law in the management and distribution of resources and capacity building for elaborating and implementing measures aiming in particular at preventing and combating corruption."

**Article 96** stipulates that in cases of violation of one of these essential elements, one of the parties may invite the other to begin consultations (a similar procedure had been introduced for

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<sup>26</sup> *Thematic evaluation of the EC support to good governance, March 2006.*

<sup>27</sup> *OJ L 317 of 15.12.2000*

the first time in 1995, through Article 366a of the revised version of the Lomé IV Convention). The consultations organised under Article 96 are aimed at examining the situation to find a solution that is acceptable to both parties. If no solution is found, or in case of emergency or if one of the parties refuses to take part in the consultations, appropriate measures may be taken. The suspension of cooperation is only considered as a last resort. The appropriate measures within the meaning of this article, which must be proportionate to the violation of the essential element, are designed to give a clear indication to governments for compliance with Article 9.

Prior to the introduction of the consultation procedure in 1995, cooperation was *de facto* fully or partially suspended for several countries. Since 1995, consultations have been held in 12 cases, notably 10 ACP countries<sup>28</sup>. Zimbabwe is a recent example, for which consultations were held under article 96 of the ACP-EC agreement, following which targeted sanctions have been taken, including the freezing of funds and assets of members of government, a ban on their travelling within or passing through Member States, an embargo on exports of equipment of repression and a ban on providing any training related to military activities<sup>29</sup>.

The Cotonou agreement took an important step in the battle against corruption, which can serve as an example for future agreements with other third party countries or regions. Negotiations on the broader concept of good governance resulted in a dual approach: on the one hand, a commitment to good governance as a fundamental and positive element of the partnership, the subject of regular dialogue and an area benefiting from active Community support; and, on the other, an agreement to consider that cases of serious corruption, and the bribery leading to this corruption, constitute a violation of the agreement requiring appropriate corrective measures. The consultation procedure referred to in **Article 97** certainly applies to cases of corruption involving Community funds, but also more broadly to any country in which the Community is financially involved and where corruption constitutes a serious obstacle to development strategies based on results. It is therefore not limited to cases of corruption directly affecting the financial cooperation activities of the EC. This is particularly important when considering that public finances are highly interchangeable.

At the end of this agreement, the EC produced a communication note on governance: Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on Governance and Development, or COM 615 from 2003.

## ➤ **Communications on governance**

Community policy on governance has changed significantly since the Cotonou agreements of 2000. The founding document remains COM 615 from 2003 “Governance and Development”. It dates from the same time as COM 217 “On a comprehensive EU policy against corruption”, which mainly targets the EU but also concerns third countries.

*It is the Commission's firm intention to reduce corruption at all levels in a coherent way within the EU institutions, in EU Member States and*

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<sup>28</sup> Niger, Guinea-Bissau, Togo, Haiti, Comores, Côte d'Ivoire, Republic of Fiji, Liberia, Zimbabwe and Central African Republic

<sup>29</sup> Council Common Position and Council Regulation (EC) No 310/2002 of 18 February 2002



*outside the EU, i.e. political corruption, corrupt activities committed by and collusively with organised crime groups, private-to-private and so-called petty corruption*

The communication on “Governance and Development” has been clarified and extended by:

- a) COM 421 from 2006 “Governance in the European Consensus on Development – Towards a harmonised approach within the European Union”; for the ACP countries. It defines the arrangements for taking account of governance in the policy dialogue and programming of European aid; it advocates support for African mechanisms by strengthening the capacity of the African Union and regional and national African institutions.
- b) COM 163 from 2010 “Tax and Development – Cooperating with Developing Countries on Promoting Good Governance in Tax Matters”; it aims to improve the effects of synergies between fiscal policy and development policy by showing how the EU could help developing countries create effective, equitable and sustainable tax administrations and tax systems, to improve the mobilisation of national financial resources in a changing international environment.

Thematic papers have tried to translate these communications in operational form, and among these we can distinguish:

- 1) The Guide to taking account of good governance in the development cooperation of the EC from 2004,
- 2) The thematic evaluation of EU support for good governance from 2006,
- 3) The analysis and consideration of governance in sectoral interventions from 2008. More recently, several works on good governance in the transport sector have been produced as a preamble to this document: (i) the Operational manual for truckers in delegation with its data sheets, revised in 2010, and (ii) the working and concept papers of July 2012.

As stated above, COM 615 from 2003 may be considered the founding document of Community doctrine on good governance as an extension to the achievements of Lomé IV and the Cotonou agreements. These clearly limited the concept of governance in a technical and economic dimension, but it was at Cotonou that governance was approached from a more political angle and recognised as a fundamental contextual element. In 2003, the EC went further by offering a new definition of governance, wider than Cotonou. Even if the way power can be exercised and public resources managed are important, the social, cultural and political dimensions took centre stage.

Meanwhile, the Guide to taking account of good governance from 2004 identified six areas or exclusive themes. From 2005, the EU's Strategy for Africa pushed the boundaries back further by distinguishing “legal” governance (the result of a democratic process such as elections) from “legitimate” governance (accepted by the population or the beneficiaries).

Following the Thematic Evaluation of the EU's support for good governance in 2006, a new step is being taken, since good governance is starting to be thought of in sectoral terms. Even if

good governance is only briefly addressed in the EU/Africa Partnership for infrastructure, it is central to the other thematic partnerships.

In 2008, sectoral governance came into its own due to the publication of a methodological document which attempted to break down sectoral governance and proposed tools for its evaluation.

## **EU strategy of cooperation with Africa**

### **➤ The European Consensus on Development (2005)**

In October 2005, at a joint meeting with the AU Commission, the European Commission adopted a communication on the EU's strategy for Africa, formally approved by the European Council in December of the same year. This strategy, more commonly known as the "European Consensus", allowed political coherence to be strengthened within the EU and better coordination of the policies of the Commission and the Member States with regard to Africa.

On 20 December 2005, the presidents of the Commission, the Parliament and the Council signed the new declaration on the EU's development policy, the "European Consensus". For the first time in fifty years of cooperation, this defines the framework of common principles within which the EU and its Member States will each implement their development policies in a spirit of cooperation.

The European Consensus on Development defines the approach and the means of action to contribute to these objectives, identifying in particular good governance, democracy and respect for human rights as integral components of the process of sustainable development and the key objectives of the EU's development policy. The substantial increase in the volumes of aid for the coming years called for the establishment of governance that will ensure the efficient and effective impact of this new European aid effort. However, the financial resources are not enough to achieve the MDGs. Community policies, each of which has an external dimension, must also contribute to good governance. The tools available to the EU are highly diverse, including political dialogue, measures for the prevention of conflicts, cooperation with regional and international organisations, thematic programmes, electoral observation, as well as national development aid programmes that are the subject of joint multiannual programming.

A second communication was produced by the EC: Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee and the Committee of the Regions, or COM 421 from 2006.

### **➤ Europe/Africa strategic partnership and the Lisbon Declaration**

Two years after the adoption of the EU's Strategy for Africa, the EU and Africa are redefining their partnership in the light of the transformations they have undergone with the adoption of a strategic partnership with Africa.

In the area of governance, the AU and the EU are committed to stimulating dialogue on questions of governance of common interest, such as human rights and the management of natural resources, by creating a governance forum involving non-state stakeholders, national

parliaments, local authorities and regional organisations. In addition, the EU will explore new strategies to increase Community funding and the Member States that support the pan-African governance architecture.

The Lisbon Declaration enshrines the philosophy and commitments of the partnership. The strategic priorities identified are embodied in eight partnerships, including that covering democratic governance and human rights.

### ➤ **Agenda for Change (2011)**

On 13 October 2011, the Commission presented the Agenda for Change, as well as proposals for reforming the EU's budgetary support, thereby establishing a European approach to reducing poverty, including in particular a more focused allocation of funds.

EU aid must follow two priorities: (i) human rights, democracy and other key aspects of good governance; and (ii) inclusive and sustainable growth in the service of human development. The EU should also try to further improve the effectiveness of the aid it provides. To do this, it must ensure that the Member States and the European Commission prepare their strategies and programmes in consultation and allocate the work effectively.

This new programme must serve as a guide for Delegations in the identification and drafting phases of their respective NIPs and RIPs for the 11<sup>th</sup> EDF (2014-2020).

#### **EU strategy of cooperation in the transport sector**

### ➤ **Euro-African partnership for infrastructure**

Faced with the infrastructure requirements of the African continent, in 2007, the same year as the EU/Africa Strategic Partnership, the EU launched a partnership with Africa for the development of major infrastructure networks on the continent. This partnership is based on the EU's infrastructure of the African Union and NEPAD.

The partnership focuses on infrastructures that allow interconnection at continental and regional level in Africa, including the transport sector (road and rail networks, ports, sea and river routes, air transport), to reduce costs and improve the quality of services.

The **financing** of operations within the framework of the partnership is based on several instruments:

- c) The regional and national budgets of the 10th European Development Fund (EDF), EUR 5.6 billion. This amount represents a significant increase in the resources previously granted by the EDF to African infrastructure (EUR 3.75 billion under the 9th EDF);
- d) Intra-ACP resources;
- e) The new African Infrastructure Trust Fund (AITF) put in place by the EU and the European Investment Bank (EIB), including cross-border infrastructure investments. This Fund is co-financed by the Commission, interested Member States and European and African financial development institutions.

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In this new partnership, the notion of sectoral governance is strangely absent and appears under the heading of “measures of institutional development and strengthening of capacities as well as measures to support the political and regulatory framework at national level”. Absent as it is from the major concerns, sectoral governance does not have any instrument or measure of specific incentives. The focus is solely on establishing sound financial and institutional frameworks for infrastructure in Africa.

At national level, to ensure the consistency and complementary nature of the partnership and national strategies, “policies and sectoral measures that strengthen the sustainability of the actions covered by the partnership” are expected. It is recommended that the AU-NEPAD join forces with the EU and its Delegations to supervise those national interventions that contribute directly to achieving the objectives of the partnership.

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