



INTERNATIONAL ROAD FEDERATION
FEDERATION ROUTIERE INTERNATIONALE

Sustainable funding and financing for roads: the role of benchmarking



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Caroline Visser, Road Financing & ITS Director, IRF Geneva

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Financing Transport Infrastructure”

Better roads, better world.



Presentation outline:

- About the IRF
- Global road funding context
- Current road funding mechanisms and their flaws
- Construction costs an increasing and continuous risk
- The role of benchmarking in achieving sustainable funding and financing for roads



What is the International Road Federation?

Not-for-profit organisation - Established in **1948**.

Ecosoc status at the UN and its agencies since 1951.

Accredited by EU, ISO.



Global membership from
Private, Public &
Academic Sectors



Vision

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





Global challenges to face



**Financing
road
infrastruc-
ture**



**Optimising
traffic flow,
reduce
congestion**



**Protecting
the
environment**



**Improving
road safety**



Global road funding context

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





Current funding and financing mechanisms

Public funding	From general or dedicated taxes or levies: <ul style="list-style-type: none">- non-earmarked- earmarked
Private funding	Equity, debt or mixture

Public Funding flaws	Private funding flaws	Other road funding flaws
Insufficient budget to finance all public service priorities, including roads.	Increasing costs of commercial lending of money for road infrastructure investments	Public officials favouring new development over optimising the use of existing roads.
Little relationship between expenditure on roads and revenues	Risk of a patchwork of tailored funding solutions, as used on project-level only	Lack of incentives and appropriate governance practices for contractors to better perform and deliver service
Little relationship between payment and benefits.		Resistance with the general public to tolls and user charges and general perception of access to roads as a free public service
Existing funding tools, such as fuel tax, are eroding, due to technological developments		Donor/Multilateral funding focussing on development and extension rather than operation/maintenance
Mismatch between budget and road planning cycles		



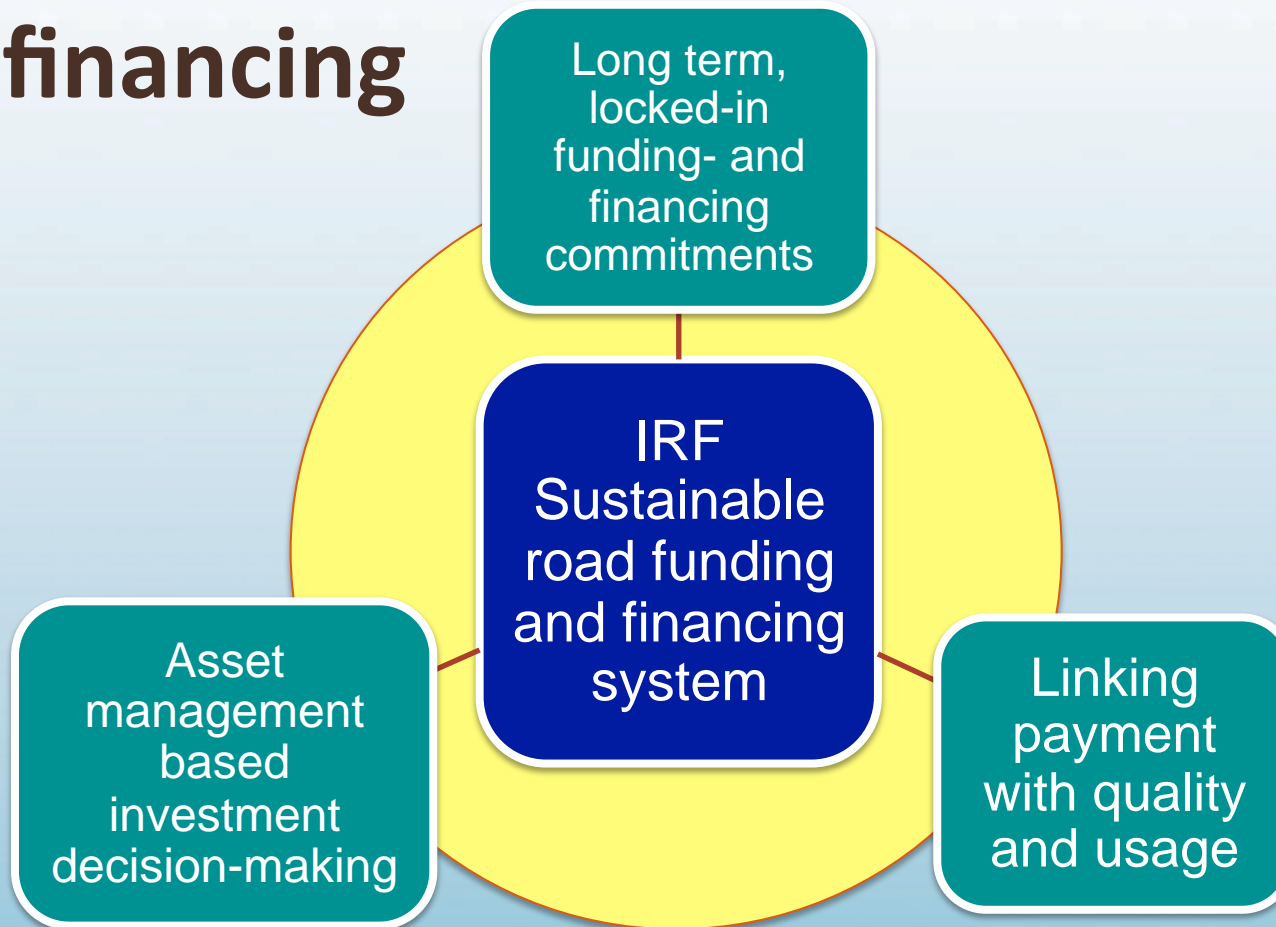
Overall risk: costs



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



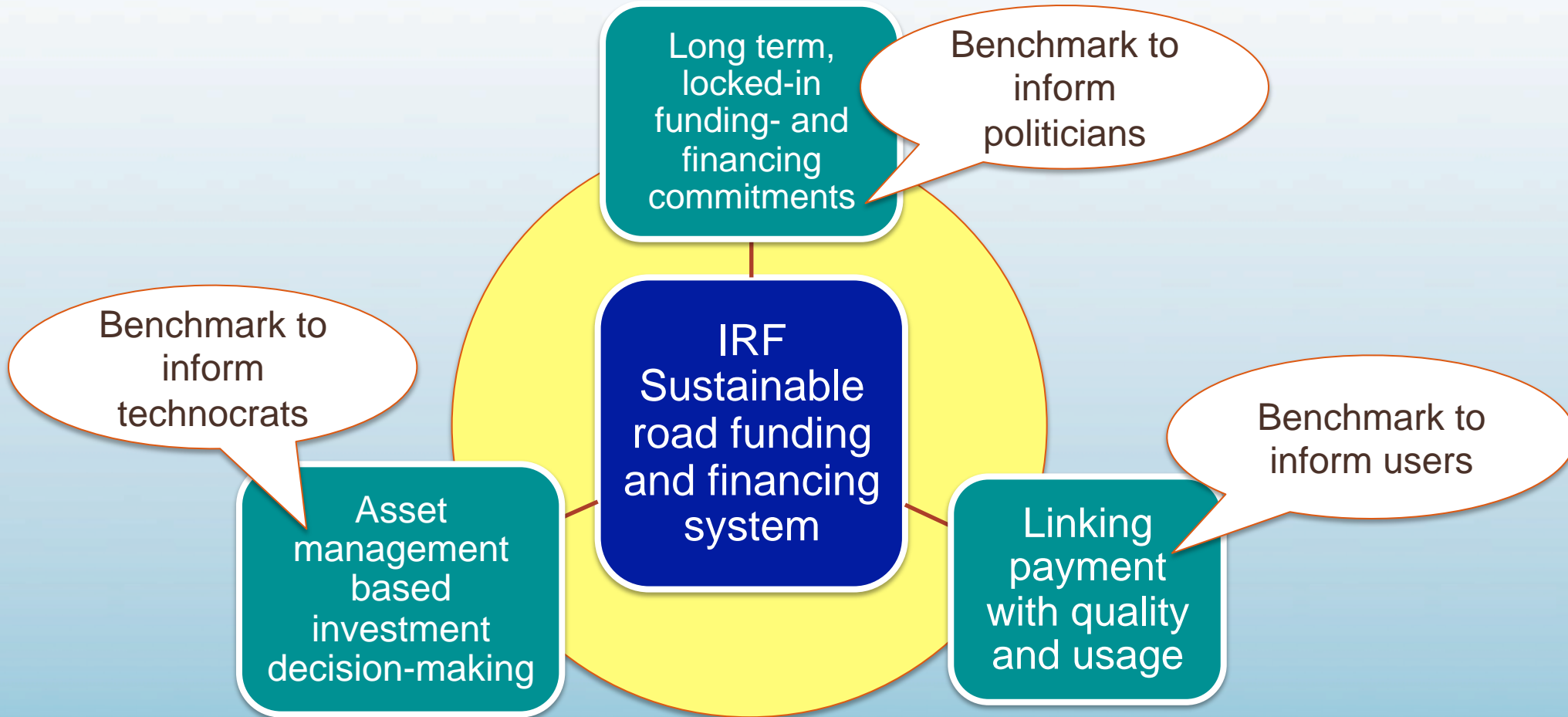
IRF system of sustainable funding and financing



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Role of benchmarking



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Existing benchmarking activities (examples)

- National studies: e.g. UK Cabinet office (2014)
- National cost monitoring programmes and construction cost databases
- EC pilot study 2006 (BWA) “Benchmarking of Construction Costs in the Member States”





Benchmarking construction costs: Questions/topics for an UNECE task force:

- Who to serve with benchmarking information (determining objectives and scope)?
- Methodological questions:
 - Market prices versus competitive prices
 - Indicators: Average median costs/Average incremental costs
- Data collection: prices of labor, capital and energy



The way forward



IRF continues its efforts and commitment by:

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



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Thank you for your attention!

More information: www.irfnet.ch



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