

MCC Policy Reforms Show Why Road Maintenance Matters



Before, this bridge in Nicaragua used to flood during the rainy season. Now, there is proper drainage along the side and a fund that will ensure the road and bridges are well maintained.

Imagine: You live in a rural village and have a small family-run mango farm. During the rainy season, the main road to the marketplace is impassable; after hours of navigating through dangerous conditions, you have no choice but to turn around. Unable to make it to market, your mangoes rot, wasting hours of hard work and decreasing your family's income for this month. The road you travelled is unreliable and unsafe during periods of heavy rain. Although the road was renovated a few years ago, due to poor maintenance and failed drainage systems, it does not provide a reliable route to markets.

Roads are lifelines in developing countries—gateways to markets, schools, health clinics, land registration offices, and municipal centers. Proper road maintenance is indispensable economic growth and poverty reduction. Improperly maintained roads also increase safety hazards, leading to more accidents. To help address this challenge, the Millennium Challenge Corporation (MCC), as a condition for its investments in road construction and rehabilitation, asks partner countries to establish a system-wide road maintenance fund. Seventeen out of the twenty

MCC Compacts have road projects and most of the compacts have a condition precedent asking for countries to create road maintenance procedures and funds. The following are examples of the impact road maintenance is having on economic growth and poverty reduction.

Nicaragua



Prior to 2005, the Government of Nicaragua (GON) was maintaining an average of 500 kilometers of roads, with an annual maintenance budget of approximately \$2.4 million. During compact negotiations MCC insisted that the government of Nicaragua establish a permanent source of funds for road maintenance. In 2005, the Nicaraguan National Assembly approved funding for a road maintenance fund that increases annually. The GON is now maintaining more than 2,700 kilometers of roads annually, with more than \$25 million allocated to road maintenance. This tremendous increase in funds and kilometers of roads maintained shows MCC's powerful incentive effect in bringing about a significant policy change for long-term sustainable economic growth. More than 11,000 kilometers of roads have undergone routine maintenance since the signing of the compact.

As part of this agreement, the three road segments that MCC rehabilitated with an investment of \$58 million will be maintained by the GON, ensuring the sustainability of the roads and giving Nicaraguans better access to medical services, education facilities, and local and international markets. One of the segments of road that MCC has rehabilitated is part of the Pan American Highway, which connects Nicaragua to the rest of Central America and provides a key link to greater regional trade. This rehabilitation includes the customs terminal at El Guasaule, through which between 150 and 200 vehicles pass daily in the low season and between 350 and 400 in the high season.

Cape Verde



Following considerable public debate, on July 25, 2005, the Government of Cape Verde (GoCV) established a Road Maintenance Fund for the maintenance and rehabilitation of the country's road network. The fund was created by taxing a fixed amount on each litre of fuel purchased at pumping stations. An independent Road Institute was also established, charged with the maintenance of the GoCV's road network through the engagement of private contractors. The policy reforms were agreed to as a condition for signing an MCC compact. Prior to the creation of this fund and establishment of the Road Institute, roads were maintained by the Ministry of Infrastructure through government budget allocations.

The result was that roads were only maintained/cleaned following the rainy season in 2009. Approximately \$4 million was collected through the Road Maintenance Fund in 2009 and a similar amount is expected to be collected in 2010. MCC funded the rehabilitation of three roads on the island of Santiago and four bridges on the island of Santo Antão. The Road Institute, which is funded through the Road Maintenance Fund, expects to sign additional

maintenance contracts with private contractors soon, outsourcing preventive road care for 39 roads on all the islands, improving safe access for commerce and services.

Honduras



MCC funds are improving sections of the CA-5 North Highway, three secondary roads, as well as close to 500 kilometres of rural roads throughout the country. To ensure sustainability of these roads, MCC asked the Government of Honduras (GOH) to pass legislation to empower the national roads fund, Fondo Vial, to better address road maintenance issues by strengthening the Government's road maintenance commitments and allocating budget to provide adequate funding for maintenance for the MCC-funded sections, as well as all other roads.

The CA-5 highway in Honduras is the most important road connecting Port Cortez, the main port for goods exported from Central America to the United States, with San Pedro Sula and Tegucigalpa, the two largest cities in Honduras. Due to the importance of these roads, particularly the CA-5, for Honduras and all of Central America, MCC funded the design of a weight control system. Although MCC terminated assistance for the weight control system activity in 2009, MCC supports the efforts by the GOH and other donors to come up with solutions to implement the MCC-designed weight control system. Other donors are currently working with the Government of Honduras to construct and operate a weight control system that will help maintain roads so that they last longer and allow for more farmers to export their goods in a timely and safe manner.