



UNITED NATIONS  
ECONOMIC AND SOCIAL COUNCIL

DOCUMENTS OFFICE

FILE COPY

NO TO BE TAKEN OUT



Distr.  
LIMITED

b10689965

E/CN.14/TRANS/111  
28 March 1974

ENGLISH  
Original : FRENCH

ECONOMIC COMMISSION FOR AFRICA

NOTE ON THE PROJECT FOR THE  
ESTABLISHMENT OF A LAGOS - MOMBASA  
TRANS-AFRICAN HIGHWAY AUTHORITY  
AND AN AFRICAN ROAD FUND

I. BACKGROUND

1. On 13 February 1971, the Conference of Ministers of the United Nations Economic Commission for Africa (ECA) adopted a resolution concerning the implementation of the project for the construction of a Trans-African highway running from Lagos to Mombasa through the territories of Nigeria, Cameroon, the Central African Republic, Zaire, Uganda and Kenya.
2. At a meeting convened by the Executive Secretary of ECA in June 1971, it was decided to establish a co-ordinating committee of the Trans-African Highway comprising representatives of the six countries traversed by the Highway and the Executive Secretary of ECA. At the same meeting it was agreed to accept an offer made by the Executive Secretary of ECA to establish a bureau within the ECA Transport Division to act as a secretariat for the newly created committee.
3. Very soon after its establishment this bureau was called upon to perform tasks other than its duties as secretariat of the Committee. It was required, inter alia, to draw up the terms of reference of pre-feasibility, feasibility and engineering studies to be conducted on various sections of the Trans-African Highway, to draft protocols of agreement between the member States and donor countries and to assist in their negotiation.
4. However, the status of the Bureau as part of the Transport Division of ECA, which is, in turn an organ of the United Nations Secretariat, limits the Bureau's competence and the means at its disposal. The implementation of the final phases of the project, and in particular the construction of the Highway and the adoption of certain measures concerning traffic, will require firm commitments on the part of the Governments of the member States and the investment of large resources. Neither the Co-ordinating Committee nor the Bureau as it is constituted at present is in a position to guarantee such commitments.
5. There seems to be an immediate need to establish a body which can be made responsible for managing every aspect of the project. This body should be given relatively extensive authority so that it can take decisions whenever appropriate and implement the measures called for. The ECA secretariat has suggested the

/...

establishment of an authority with legal status which would be empowered to take out loans, enter into contracts and initiate legal proceedings on behalf of the Governments of the member States. The Co-ordinating Committee of the Trans-African Highway was seized with this question at its third meeting held at Mombasa. Aware of the urgency of establishing an organ responsible for identifying and co-ordinating the studies and work to be carried out, which would have at its disposal enough resources to operate properly, the Committee recommended that the ECA secretariat should make arrangements for studying in detail the establishment of a trans-African highway authority and an African road fund.

6. Because of the responsibilities which would be delegated to an authority and a fund of this type by the countries concerned and because of the sizeable commitments which their establishment would imply on the part of those countries, their creation must necessarily be decided by the national authorities of the member States. To enable those authorities to decide on these matters, the secretariat saw the need to inform them as to the work which has been accomplished, the structures which it is proposed to establish, the machinery contemplated for operating the various organs concerned and the sources which have been envisaged for obtaining the financial resources to be put at the disposal of the African Road Fund.

## II. SUGGESTED STRUCTURES

7. The authority will have two kinds of roles: A conceptual and decision-making role and an operative role. The role of the Fund will be to handle the financing of the Authority's operations. It is thus clear that there must be a close operational link between the Authority and the Fund.

8. In the beginning two types of organization were envisaged:

(a) Two legally independent organs each with its own governing council and executive bodies, but with some of the same administrators serving on the two governing councils. For example, each governing council might have two representatives of each member State, one of whom would be a member of both councils.

(b) A single organ known as the Lagos-Mombasa Trans-African Highway Authority. This organ would have two branches of activity: an administrative and technical branch and a financial branch known as the Road Fund. The Authority would have a governing council with a chairman and a vice-chairman and a director-general at the head of the two branches, each of which would have its own director.

9. The first solution had one major drawback: Although the resources of the Fund would be utilized solely to finance the work of the Authority, the Authority would be legally separate from the Fund and would have no legal power over its management. This might occasion delays and even other difficulties in the implementation of the Authority's programmes.

10. The alternative solution also had a drawback in that if it were adopted, the Fund would not have the legal status and financial independence it would require for carrying out the activities entrusted to it.

11. In order to get around these two drawbacks, the following solution was adopted as a compromise between the two types of organization referred to above: A single organ known as the Lagos-Mombasa Trans-African Highway (hereinafter known as the "Authority") will be established, and will have legal status and be empowered to act independently in matters of finance. In matters related to the Trans-African Highway, this Authority will be fully empowered to take decisions and act for and on behalf of all the member States. Its supreme organ will be a governing council consisting of one representative for each member State, a representative of the Executive Secretary of ECA and a representative of the Administrative Secretary-General of OAU. In addition it will have three executive organs - a general directorate, an African road fund and a financial control office. It will also have an advisory board.

12. The role and functions of each of these organs may be as follows:

#### The Governing Council

13. The Governing Council is to be the supreme organ of the Authority, and those responsible for the General Directorate, the Road Fund and the Financial Control Office will be answerable to it. It will decide on the programme of activities covering the studies, construction, improvements and maintenance to be carried out on all sections of the Trans-African Highway and on the amount of the financial contribution and taxes to be paid in by each member State; adopt the Authority's annual budget and approve the manner in which the Fund's resources are utilized. It will also appoint a director-general for the Authority, an executive secretary for the Road Fund, a financial comptroller and an auditor. It may at any time delegate part of its responsibilities to the Director-General of the Authority or to the Executive Secretary of the Fund.

#### The General Directorate

14. The General Directorate shall be placed under the authority of a director-general, who shall be a national of one of the member States appointed by the Governing Council. It will act as a secretariat for the Governing Council and will be responsible for preparing programmes for submission to the Governing Council and for their implementation.

#### The Road Fund

15. The Road Fund shall be placed under the authority of an executive secretary, who shall also be a national of one of the member States, appointed by the Governing Council and answerable to it. The purpose of the Fund will be to ensure that the Authority's activities are financed by guaranteeing loans taken out in connection with those activities. For this purpose, the Fund will manage all the Authority's resources, which will be deposited in a bank of good international reputation, preferably of African management, such as the African Development Bank (ADB). The co-operation of ADB has already been solicited, and negotiations will be held concerning the ways and means of effecting this co-operation.

/...

### The Financial Control Office

16. A Financial Comptroller, who must be an expert accountant and a national of one of the member States, will be made responsible for the Financial Control Office. He will keep a check on the expenditures of the Authority's organs, i.e., the General Directorate and the Road Fund, and see that those expenditures accord with the decisions taken by the Governing Council. He will also ensure that the accounts and books faithfully record the receipts and expenditures of the Authority and its principle organs.

17. An auditor, also appointed by the Governing Council and answerable to it, shall audit the Authority's accounts at the end of each fiscal year and check on the validity of all documents relative to accounting.

### The Advisory Board

18. The Advisory Board shall be made up of representatives of the States members of the Authority and representatives of other African countries concerned with linking their road networks to the Trans-African Highway. It shall also comprise representatives of countries wishing to help in the implementation of the Highway project; of international organizations, such as IBRD, ADB, UNDP, EIB and IRF, and of other entities of good international reputation in the fields of activity covered by the Authority.

19. The task of the Board will be to advise the Governing Council on the Authority's programmes of work, on the selection of advisers and firms and on the administration of the resources of the Road Fund. The Director General of the Authority will provide the Advisory Board with the services of a secretariat.

### III. RESOURCES OF THE FUND

20. It should be borne in mind that the Lagos-Mombasa project got under way and reached the present stage in its development thanks to the support it was given from the ECA regular budget and from grants from donor industrialized countries, whose Governments paid for the advisory services of experts. The value of this effort, to which no African States members of the Co-ordinating Committee have contributed, may be estimated at about \$3 million. If this project's main goal, which is the construction of a permanent road link between Lagos and Mombasa, is to be achieved and this link is to be permanently maintained, it is vital that it have its own resources from an assured source and not have to rely on sporadic grants. This is why it is necessary to establish a special fund whose resources will derive mainly from the member States themselves.

21. The resources of the Fund must be relatively large so that the Authority can achieve its objectives. For that reason a number of sources are under consideration, including an annual contribution to be allocated from the budget of each member State. Consideration is also being given to taxes to be derived chiefly from those who are potential users of the Highway and finally to grants and loans from donor countries and international organizations. In January 1974 a mission from the ECA secretariat visited a number of member countries and discussed these problems with officials in their Governments with a view to ascertaining their views and taking them into account.

#### A. Contributions from member States

22. Since the member States are the prime beneficiaries of the Highway, it is entirely natural to assume that they should make an annual contribution to the Authority. However, economic conditions in the countries concerned are not the same; some are landlocked and are among the least favoured of the developing countries, while others are among the most richly endowed countries in Africa. It is therefore reasonable that the contributions paid by individual countries should not be of uniform amount and that in assessing them, account should be taken of the length and condition of the Highway and of the number of motor vehicles in each country.

23. The amount of a country's contribution (c) might be determined on the basis of a curve showing its gross domestic production (g), the condition and length of the road in that country's territory (r) and the number of motor vehicles registered in the country (n), giving the equation  $c=f(grn) + k$ , the value of k being determined by the resources needed by the Authority.

24. It would be much easier to set the contribution every 3 or 4 years using the national budget of the States concerned as the sole criterion. For example each member State might be required to pay into the Road Fund a sum in the amount of anywhere from 0.1 to 0.5 per cent of its budgetary receipts. This rate does not seem excessive in view of the fact that the United Nations and the European Economic Community, respectively, suggested that the industrialized countries should devote 1 and 0.75 per cent of their GDP to the developing countries. Moreover, the initial resources of the Solidarity Fund of the Council of the Entente States (now known as the Mutual Aid and Loan Guaranty Fund) were derived from contributions from member countries in the amount of 10 per cent of their budgeted income.

25. The mission took note of some more or less valid objections to the plan to establish taxes. The arguments advanced by the individuals interviewed were that fuel, motor vehicles and road transport in general were already subject to taxes and that the petroleum crisis, which was already having an unfavourable effect on five of the six member countries (Nigeria is an exporter of petroleum), would worsen conditions in nearly all the African countries.

26. The secretariat was aware of these facts when it had the terms of establishment of the Authority and the Road Fund under consideration, which is why it proposed to submit these taxes for approval. If, for domestic reasons, a member State finds it impossible to establish the taxes proposed, it might, for example, take the equivalent of the amount which would have been raised from them out of the proceeds of the taxes collected at present.

27. As the secretariat sees it, the total amount collected from these taxes will not amount to much in the beginning. What is important is that by adopting such fiscal measures, the countries will be demonstrating their firm willingness to participate in an international undertaking of great economic scope and their desire not to rely solely on the foreign assistance which so far has made it possible to carry out initial feasibility studies on a number of sections of the road.

/...

(a) Additional tax on the annual registration fee on motor-vehicle sticker

28. In most of the member States, a sticker is required on all road vehicles and on some other motor-operated road devices, such as motor bicycles. The cost of the sticker usually depends on the engine power of the vehicle involved and often decreases as the vehicle ages. The additional tax proposed is relatively low and should be around 5 to 10 per cent of the present cost of the sticker, or (preferably) a flat rate of \$US 1 could be charged for each vehicle.

(b) Additional tax on fuel and lubricants consumed in the member countries

29. The proposed increase is low--about 1 US cent, or 2 CFA francs, on each litre of fuel or lubricant purchased.

(c) Tax at border crossings

30. Consideration was initially given to levying a tax on all motor vehicles (regardless of their load or the number of passengers carried) and on the passengers and freight carried by them at all border crossings along the Highway.

31. However, since customs duty has to be paid on freight at most border crossings and since the imports and exports of some of the member States do not have direct access to the sea, and therefore have to be transported across a number of borders, it is suggested that this tax be levied only on vehicles and/or the passengers they carry.

32. The tax on motor vehicles may be collected either in the form of a ticket to be purchased at the equivalent of \$US 1 at each border station or of a "transit pass" valid on the entire Trans-African Highway for a period of one fiscal year (to be determined) and purchasable in all member States at the equivalent of \$US 10 to 20.

(d) Grants, gifts and loans

33. From the time of the launching of this project, a number of countries have expressed great interest in its completion. Some have financed or are now financing feasibility and engineering studies on various sections of the Highway. It is hoped that this interest will continue and spread to other countries and international organizations and that they also will extend gifts, grants and loans to the project.

34. Except in the case of the pre-feasibility study financed by the United Kingdom and the study on administrative and customs barriers, which was financed jointly by the United Kingdom and France, industrialized countries have so far concentrated on the member States of their choice in making their offers of assistance, with the result that the project is not being evenly implemented. In some countries preliminary feasibility studies have not yet even begun, whereas in others the feasibility or engineering studies or even the actual road work are under way or completed. It is hoped that when the Trans-African Highway Authority and Road Fund are established, outside aid can be utilized in such a way that the project can be implemented more smoothly.

35. Provisions have also been made to enable the Fund to float loans or guarantee loans taken out by member States for implementing the Trans-African Highway project. Loans may be floated on international financial markets as well as in the territory of member States.

#### CONCLUSION

36. The adoption of the proposals outlined above will mean that the Authority will have enough resources to finance the operation of its principle organs and will be in a position to guarantee the loans granted to it and to finance some of the work itself.

37. It was estimated that there was a total of 540,000 vehicles in the six member States taken as a whole in 1970. The proceeds of a supplementary tax of \$US1 per vehicle would therefore amount to \$US540,000. If a minimum of 1,000 litres of petrol per vehicle are consumed annually, a petrol tax of 1 US cent per litre will alone bring in \$US5,400.

38. Moreover, in 1972 the combined budgets of the six member States amounted to approximately \$US35 thousand million, which means that if they agree to allocate 0.1 per cent of their budget to the Authority, their contributions will total \$US3.5 million.

39. Thus, over \$US9.5 million would accrue to the Authority each year by virtue of a contribution from each member State and only two motor-vehicle taxes. This amount would have been enough, for example, to finance all the feasibility and engineering studies carried out over the whole Trans-African Highway in 1972, the cost of which had been estimated at \$US9.8 million.

40. The ECA secretariat very much hopes that the suggestions contained in this document will be carefully reviewed by the authorities of the States directly concerned with the idea of improving them so that the end result will be a model institution which can be adapted to the needs of other large-scale trans-African highway projects.

-----