

Road Safety: Financing

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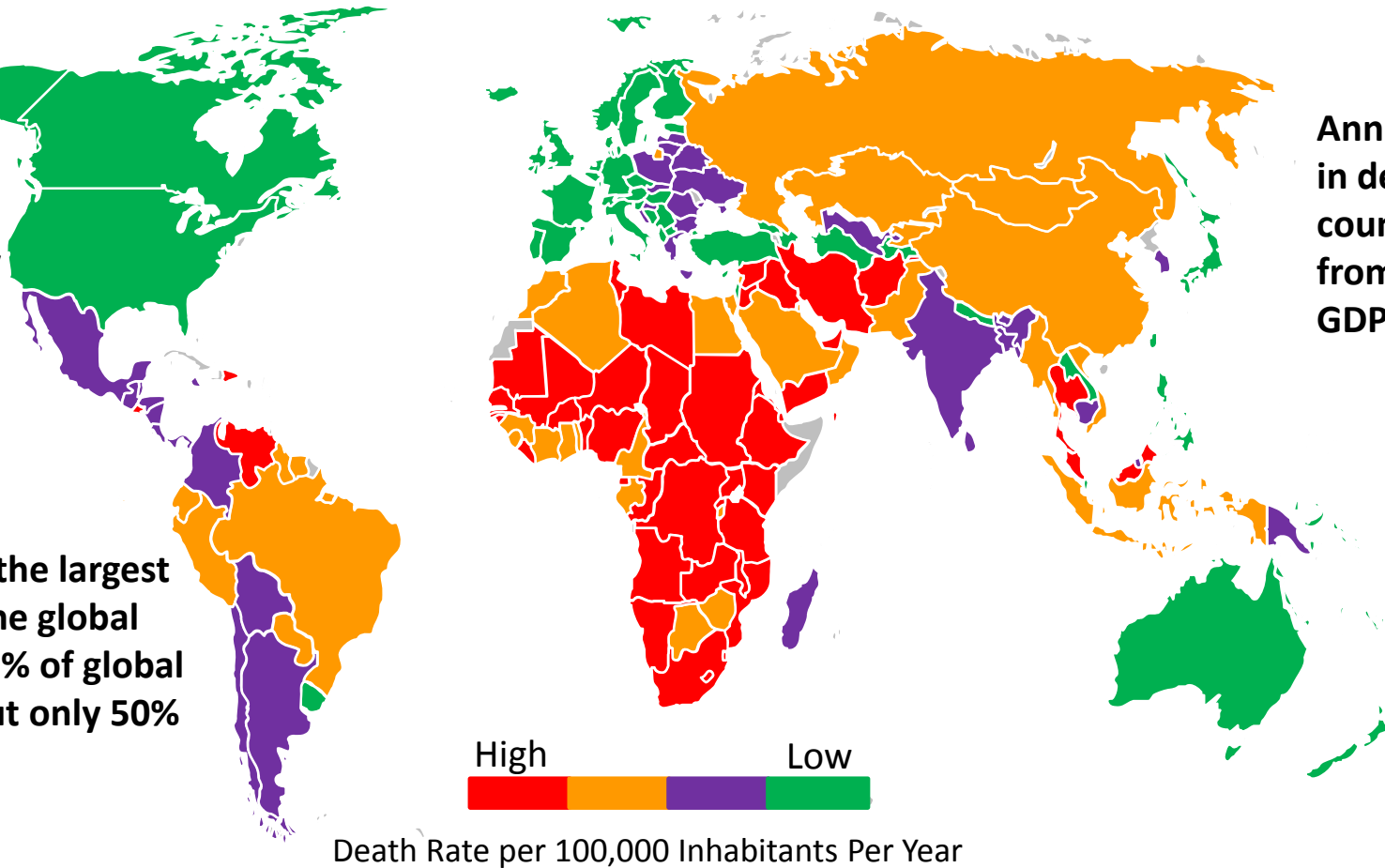
The Cost of the Road Crash Crisis

Annual Cost of RTI globally is \$1.2 trillion

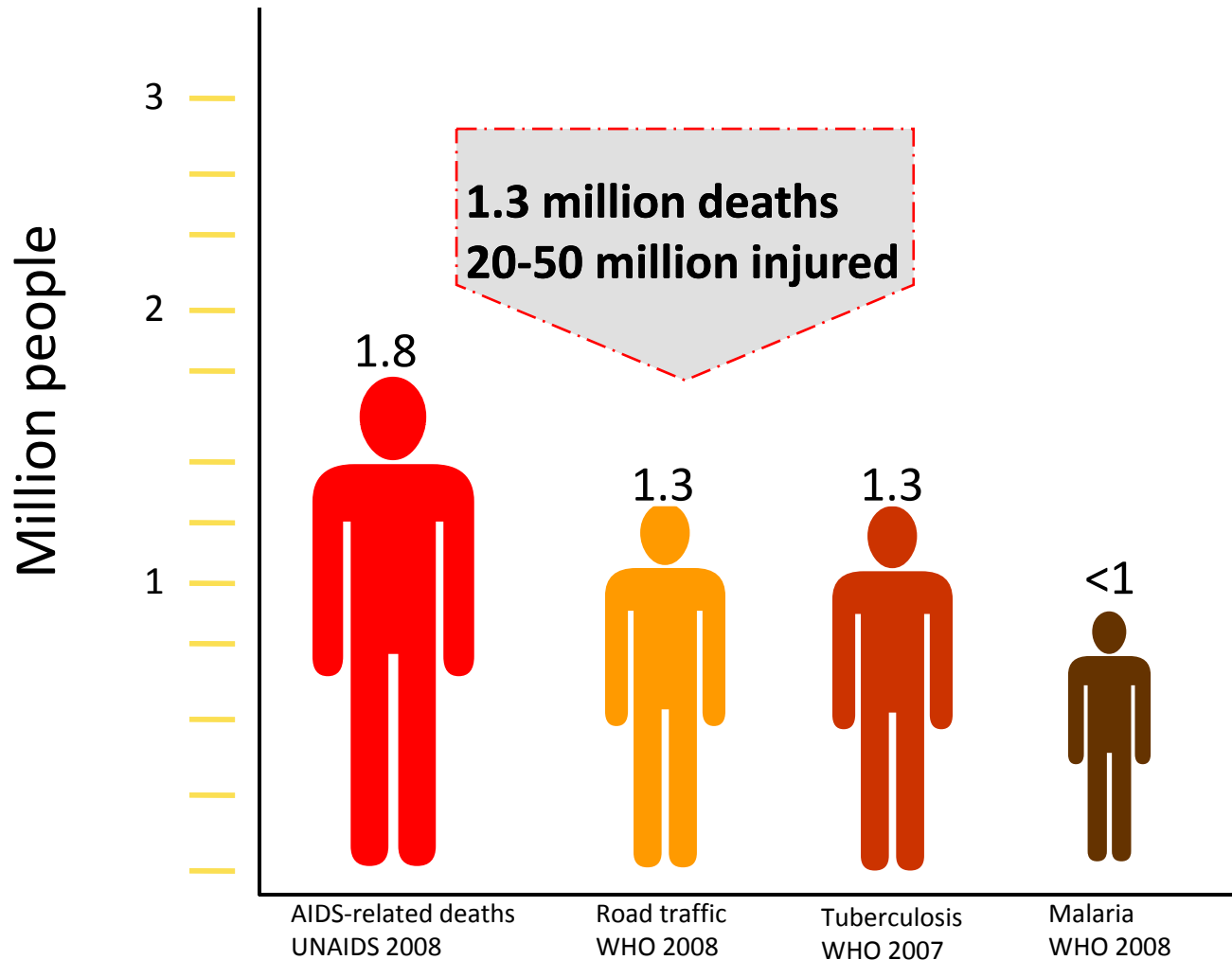
In developed countries, RTI typically cost between 0.5-1.5% of GDP

LMICs bear the largest burden of the global cost with 91% of global fatalities, but only 50% of vehicles

Annual RTI costs in developing countries range from 2.5%-8% of GDP



Road Safety is a Public Health Crisis



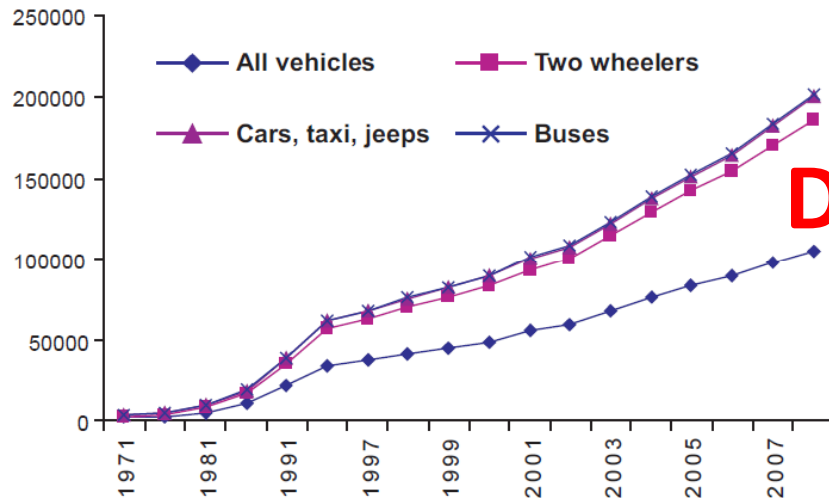
The Global Fund, which fights AIDS, Tuberculosis, and Malaria has approved funding of over \$23.7 billion and has a total disbursement of nearly \$8.9 billion thus far. In stark contrast road safety funding may not annually exceed \$2 billion.

A true public health burden in India



440 lives lost every day
Costs **US\$65 billion/y** (3% of GDP)
305,000 projected fatalities by 2020

Estimated using UN Decade of Action Report



Motorization growth in India
Doubled in less than 10 years

G. Gururaj, Road Safety in India: A Framework for Action, NIMHANS

India: Funding challenge

Funds allocated and available for road safety:

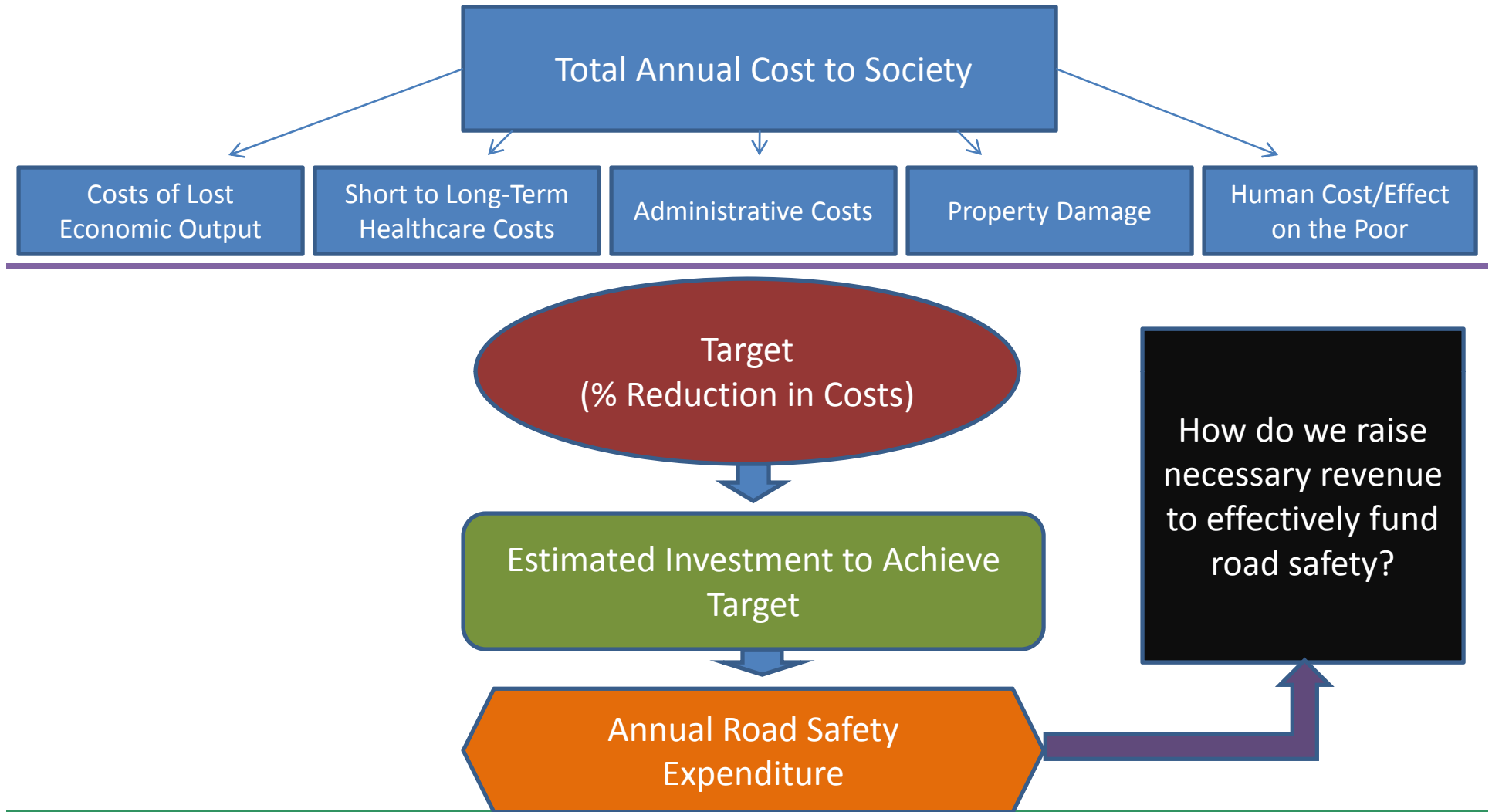
- For 2012-13, GOI has earmarked Rs. 215 crore (approx. USD 43 m) for road safety out of an annual outlay of Rs. 32,600 crore (approx. USD 6,520 m) for road transport, i.e. **less than 1% of the annual outlay**
- The amount spent on road safety, while low, has not even been utilized fully over the period of the Eleventh Five Year Plan, as shown below

Year	Funds allocated (Rs. Cr/USD m)	Funds spent (Rs. Crore/USD m)	Percentage spent
2004-05	39.7 (7.9)	35.0 (7.0)	88%
2005-06	43.1 (8.6)	29.7 (5.9)	69%
2006-07	47.0 (9.4)	43.3 (8.7)	92%
2007-08	52.0 (10.4)	42.9 (8.6)	82%
2008-09	73.0 (14.6)	54.9 (11.0)	75%
2009-10	79.0 (15.8)	22.4 (4.5)	28%
2010-11*	81.0 (16.2)	44.5 (8.9)	55%

Road Safety Financing Strategy



Costing Road Safety



Funding Road Safety

- How much should we be investing in road safety? How can we achieve set targets?

Allocation of Resources **VS** Increasing Funding

- Improve efficiency of road safety activities: more targeted allocation of financial and human resources
- Better policies or procedures

- Strong data and quantitative analysis
- Make data collection and institutional capacity a priority.

Argentina Road Safety Project

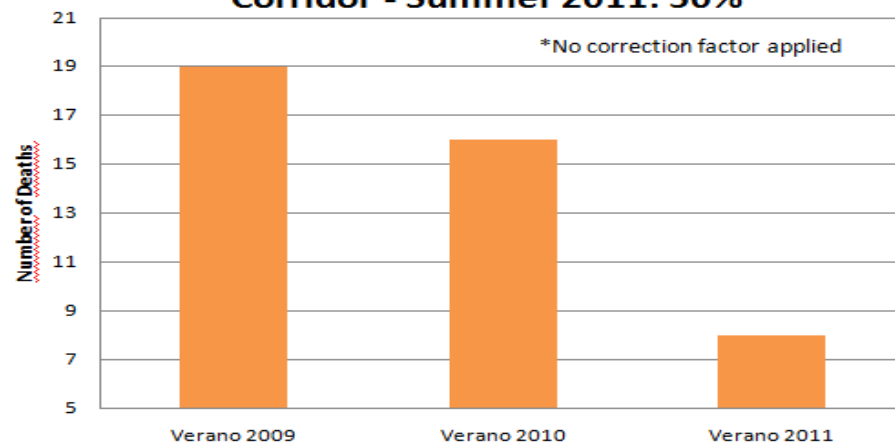
Loan: \$38.5 million

Components

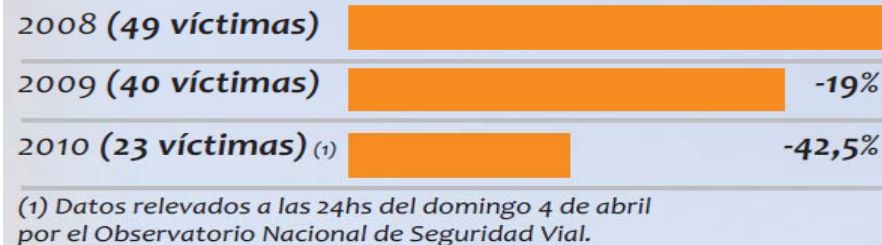
1. Strengthening the management capacity of the national road safety agency.
2. Increasing public awareness of road safety issues through education and communication campaigns.
3. Improving the capabilities of the emergency response services.
4. Strengthening capacity of traffic enforcement and control services
5. Innovative Fund- Reimburse road safety plans, actions and interventions put forward by provincial and municipal authorities
6. Providing support to the establishment and capacity building of the National Road Safety Observatory.

Preliminary Results

Reduction in Number of Deaths along Atlantic Coast Corridor - Summer 2011: 50%



Reduction in Number of Deaths along Tourism Corridors – Easter Holiday 2010: 42.5%



■ Benefits of Investment in Road Safety

ARGENTINA	Estimated Cost & Benefits	
	Human Capital Approach (Cost of DALY in Argentina).	Valuation of Human Life (iRAP methodology)
NPV (US\$ millions)	59	141
IRR	123%	225%
Benefit/Cost Ratio	8	19

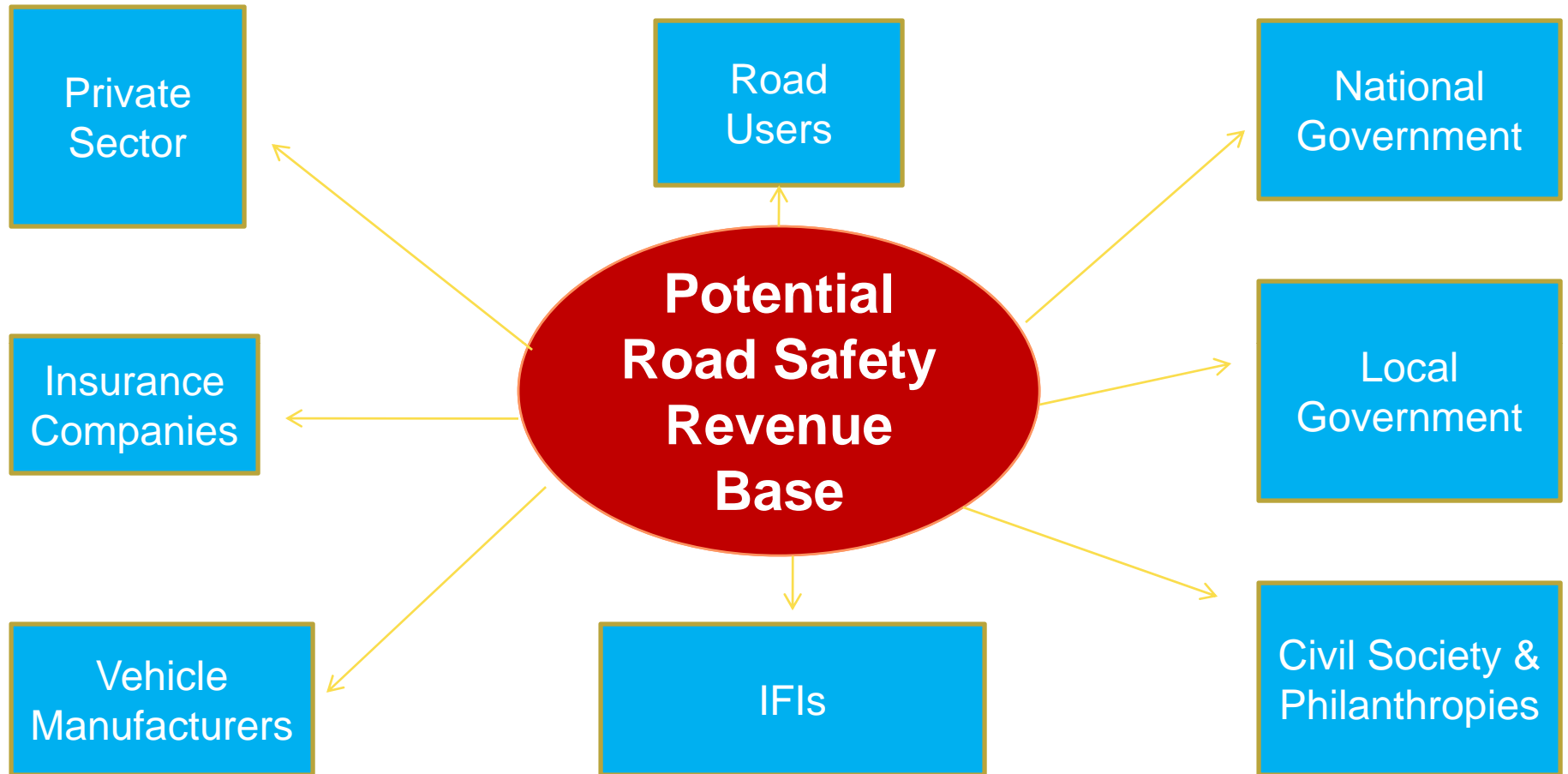
Based on three commonly used analysis tools, the benefits of investing in road safety in Argentina are positive.

Source: World Bank

How Can We Fund Road Safety?



Funding Sources for Road Safety



Commonly Used Funding Mechanisms for Road Safety

- **General Tax Revenue:** As part of national budget process, road safety components are often embedded in larger engineering, enforcement, and education programs.
- **Road Funds:** Revenue sources come from fuel taxes, vehicle registration and licensing fees, and road user charges for heavy vehicles.
- **Insurance Levies:** A fee on insurance premiums to help fund road safety initiatives → Often directed toward education & awareness campaigns (raises smaller amounts of revenue in LICs).
- **Earmarked Charges:** Taxes can be earmarked for road safety. Example: percentage of traffic fines used to finance road safety interventions in some countries.



Budget Support and Taxes

- Many best practice countries use this process to fund large components of their road safety programmes (*Sweden, UK*)
- Often the specific road safety components are embedded within larger engineering, enforcement and education programmes and are difficult to identify as individual budget items.
- Simple to administer, but it lacks transparency in terms of determining equitable cost sharing across road user groups and in monitoring the financial performance of investments.
- Advantage-Earmarked resources, wherever possible, can assist transparency of road safety investment and its value.

Road Funds

- Part of the fuel taxes are earmarked for roads and channeled either through MOF or collected in separate account
- First priority of such funds is often road maintenance.
- Road Users will likely pay a slightly higher fuel tax if they are convinced the funds will improve road safety.
- Advantage – easy to collect and charges cannot be evaded by road users.
- Examples – New Zealand, The United States, South Africa and Ethiopia

■ Surcharges on Vehicle Licensing & Inspection Fees

- Several examples in both developed and developing countries—US (Virginia's EMS program), Australia, Tanzania, Botswana



■ Funding from Compulsory Vehicle Insurance Fees

- Strong examples of implementation include Finland, Switzerland, Slovakia, South Korea, and Finland.
- In some countries insurance companies contribute a certain percentage of premiums on voluntary basis (Fiji).
- Advantage- A strong relationship between road accident costs and road safety user charges as long as the insurance premiums reflect the driver's risk profile.

Other Funding Mechanisms

- Percentage of road traffic violation fines
- Surcharge on road tolls – South Korea
- Levies on tyre manufacturer profits – South Korea
- Personalized Licensing Plates – NZ



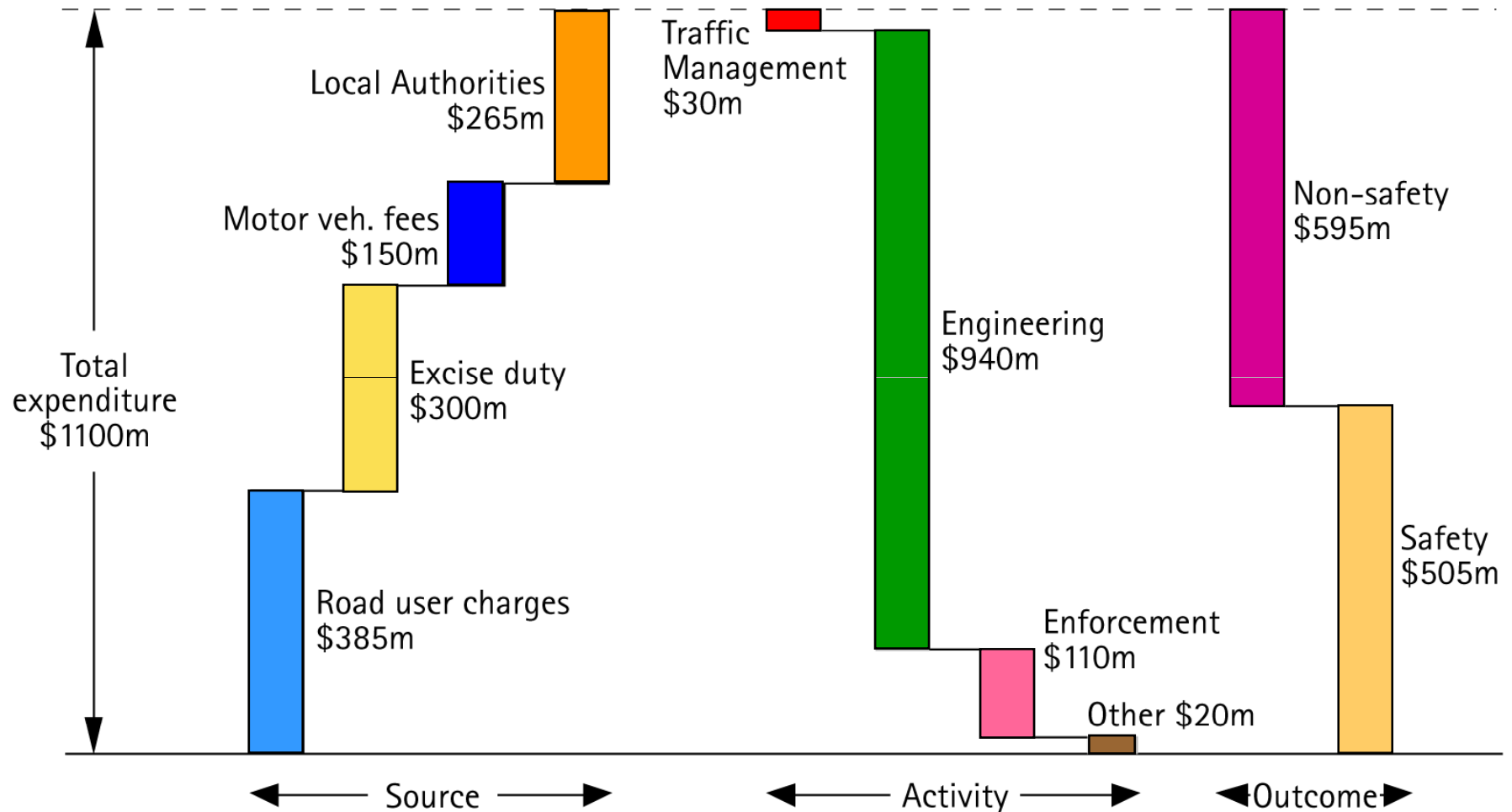
■ Funding Road Safety in New Zealand

The National Land Transport Fund receives its revenues from three main sources:

- Road user charges payable by heavy vehicles.
- A portion of fuel excise duties (petrol tax)
- Motor vehicle registration fees.

Road user charges and fuel excise duties each currently contribute more than 40% of total revenues, with the remainder coming from motor vehicle registration fees.

Funding Road Safety in New Zealand



■ Considerations for New Revenue Sources

- Small tax on text messaging/phone calls.
- Small tax on alcohol sales.
- Small tax on public parking (whether currently paid for or free).
- Private sector provides funding for road safety and receives marketing benefits on streets, highways, and roads.
- Tax benefits for individuals, households, and firms that donate to road safety .
- Tax benefits for firms that invest in and maintain safe vehicle fleets and well trained drivers.
- Tax benefits to vehicle and motorcycle manufacturers that produce and sell vehicles with advanced safety features and top safety ratings.



■ Recommendations

Work with the lead agency at the Central Level (once it is set up) in developing an action plan and program for road safety funding

Help develop an appropriate institutional structure, policy framework and financing strategy for the states/ULBs

Leverage the proposed road safety fund to be set up at the Central Level with a one-time seed capital to each State depending upon vehicle population, supplemented by 50 per cent of the amount collected by way of activities under MVA (e.g. penalties collected towards traffic violations)

The Road Fund could be used for corridor or area specific road safety activities as approved by respective State Road Safety Councils and District Road Safety Committees



Thank You

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