

## **Managing Roads 4: Making Things Better**

In this final article, some common institutional approaches are presented as to how the common weaknesses described in the previous articles can be overcome, in order that countries can manage their expensive road infrastructure as well as possible; and thereby enjoy the huge benefits that such good management can provide. These ideas are applicable to most countries, as the underlying characteristics of managing roads are common. However, they have met with varying degrees of success, as the political and cultural situations are different in each country. In addition, different countries have applied different combinations of ideas to varying levels, with different levels of success. It is important that any solutions developed are realistic but also holistic: because of their interactive nature, the benefits from institutional improvements in one area can be undermined or diminished from weaknesses in other related areas.

Although institutional reforms focus on the “big picture”, it is also important to promote good individual performance. However big an institution is, it remains a collection of individuals, whose collective efforts contribute to the wellbeing of the entire institution. Fortunately, many of the underlying principles that apply to institutions can also be applied within them, in order to encourage good individual performances.

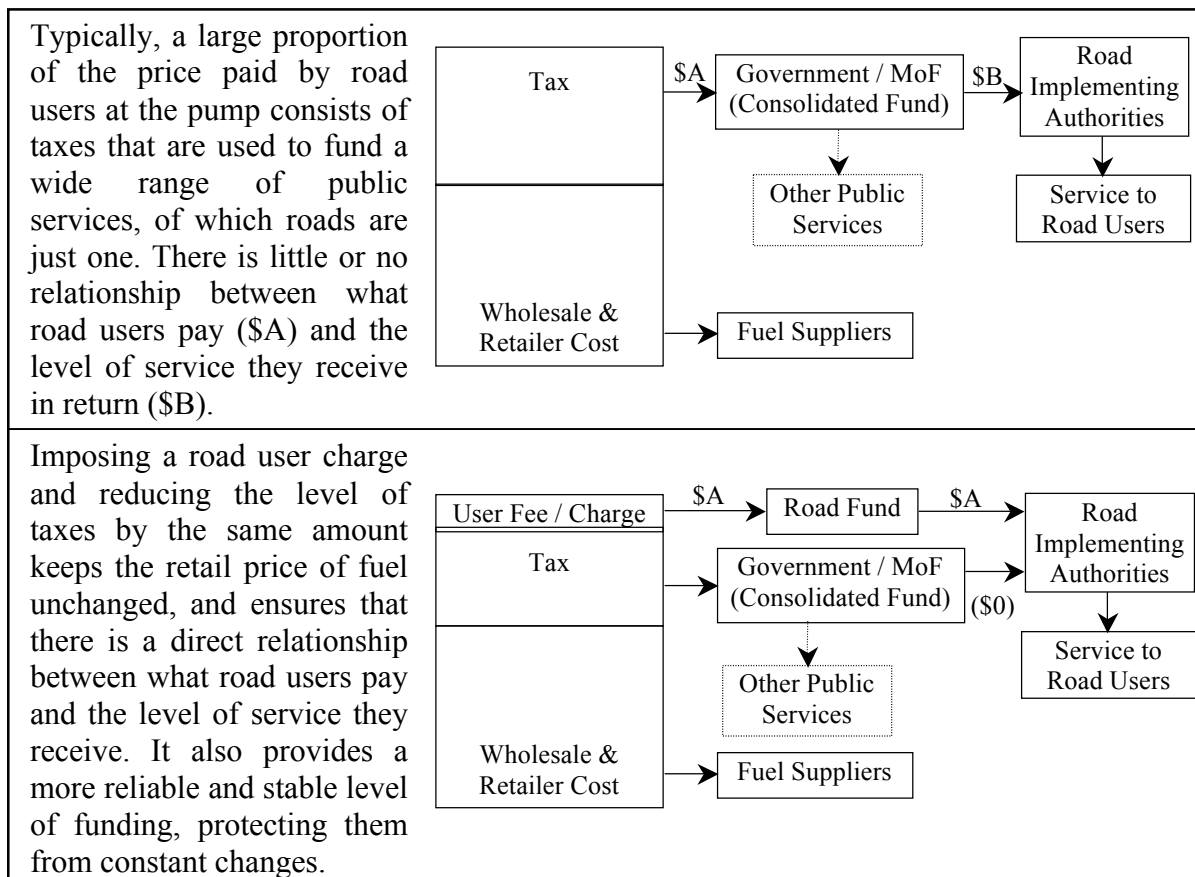
Many of the weaknesses identified in the previous articles are common throughout the entire public sector in many countries. And unfortunately, whilst the institutions managing roads are within the public sector, employing civil servants, they are required to comply with various requirements which severely restrict their ability to operate either effectively or efficiently. Although reform of the entire public sector is therefore probably desirable (resulting in significant improvements throughout all sectors of government involvement), this is a colossal and lengthy process, requiring substantial and strong political leadership. Fortunately, for the roads sub-sector, a less radical approach is possible, which should also result in substantial benefits in this specific area.

Firstly, consider the **funding arrangements for roads**. The second article discussed the advantages from establishing a road fund (overseen by a Roads Board), with the expressed purpose of funding the maintenance of roads. This approach has been adopted in many countries, but varying levels of success, often due to fundamental flaws in how they have been established and run. If they are to operate as intended, then these Roads Boards must be able to raise adequate funds from road users to pay for the services that are expected. Alas, in many countries, they are able to raise less than half of their estimated needs (and have inadequate adjustment mechanisms), with the remainder coming from the government’s coffers (via the Ministry of Finance). This fundamentally undermines the underlying benefits from a stable, predictable and timely provision of funds. The Roads Board is unable to fulfil its responsibilities and hence, it can not reasonably be held properly accountable for its performance. This undermines the decision making processes. It also means that those providing the service (e.g. a Roads Authority) have to submit two budget requests each year (one to the Roads Board and one to the Ministry of Finance), instead of one, adding to bureaucracy, waste, duplication and inefficiency.

So, it is necessary that a Road Fund can raise adequate funds directly from road users to provide the service that road users want. It can then be made properly accountable to road users, as it has complete responsibility for funding these services. In turn, no funding should come from the government for road management activities. Managed well, Donors should be willing to use this mechanism to ‘top up’ insufficient funds, rather than installing duplicate or conflicting management mechanisms.

In many countries, road users are already paying more than enough in taxes to cover these road maintenance costs, although as a tax, there is no connection between what they pay and the roads they receive in return. But when roads are in a poor condition, users should be willing to pay more, provided this results in better standards and hence even greater savings for them in terms of lower vehicle operating costs. Figure 2 below shows how this can be achieved, even without raising the retail price for fuel (which is often politically difficult), by redirecting the tax that is currently collected by the government, to an equivalent charge on fuel instead.

**Figure 2: Alternatives to Funding Roads from Fuel.**



What about the actual **implementation of road infrastructure services**? Here again, substantial improvements should be possible by instigating arrangements that reflect the realities of road management and overcome the current problems discussed in the third article. This is centred around the use of an authority that is wholly funded from the road fund, rather than from government (thereby avoiding many of the current public sector constraints), and run on a commercial basis. This means that those it employs are paid competitively, but equally importantly, the organisation’s management are required to account properly and transparently for its performance. As a commercial entity (albeit wholly publicly owned), the organisation would be required to establish commercial style accounting and management information systems, and be properly monitored and independently audited by those who fund it (i.e. the Roads Board). This is far more objective and meaningful if a Performance Agreement (contract) is also established between the Road Fund and the implementing authorities who spend their funds.

To encourage competition, efficiency and innovation, **private sector suppliers** would be encouraged to participate in as many areas as possible, on a transparent and level basis. The road authority would therefore procure the services it requires from the private sector, which clarifies responsibility and provides greater objective accountability and flexibility.

It would also mean that the road authority can remain a relatively small professional outfit, retaining flexibility to meet changing needs.

In some countries, the **road funding and implementation are combined** into a single organisation, but this is generally not recommended because they represent different interests: the Roads Board is responsible for representing the views and interests of road users (i.e. the ‘customers’), who naturally enough, wish to pay as little as possible; whereas the implementing authorities (e.g. road authority) are responsible for providing a road network that is as good as possible and would therefore wish to receive as much income as possible. This balance between what users are prepared to pay, and the level of service that they want, is best struck transparently between separate organisations, neither of whom face this conflict of interest. This agreement would be reflected in a Performance Agreement between the two.

Roads are important to the whole of society. The **government** would therefore continue to reflect the wider interests of the community and protect their interests, through overall government policy and oversight of the sector. Its transport Ministry would monitor the performance of the Roads Board, the Road Authority and the overall development of the private sector, but in an “eyes on, hands off” basis. The Ministry (and especially the Ministry of Finance, who do not have the appropriate technical qualifications) should *not* get involved with any operational decisions, as this detracts from clear responsibility and hence effective accountability. Instead, its focus should be on the strategic “big picture”.

However, perhaps the most important role needs to be played by the **general public and road users** in particular. These concepts might appear to be rather esoteric and remote to the everyday person in the street. But this is not the case at all! We all suffer the expensive consequences and inconveniences from inadequate and poor roads, so we have a direct interest in seeing that the funding and management of roads are improved too. By their very nature (and enormous cost), governments will always have an important role to play in their construction, maintenance and oversight. Unfortunately, experience in many countries shows that however well the institutional arrangements are structured, they can always be undermined by politicians if they wish. In a sovereign country, it is right for governments to retain such powers, but the “government” only exists to serve the collective interests of its population. It must therefore be accountable to its population as its paymaster. Road users and the general public must demand better performance and in particular, greater accountability from their public institutions, to ensure that they serve our needs efficiently and effectively, and to expose poor governance. But with this obligation comes the responsibility to understand better the implications of the decisions that we (and politicians on our behalf) make in running our society. Roads are just one (important) element of that process.

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