

# Suggested Framework for a Road Maintenance Fund

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The logo of the Asian Development Bank (ADB), consisting of the letters 'ADB' in white, serif font, centered within a dark blue square.

ADB

# Causes of inadequate maintenance

Money is not spent efficiently

- not doing the *right job*

Money is not spent effectively

- not doing the *job right*

Money is allocated but not spent

- money is promised, but not given

Money is not allocated

- not enough money is allocated

*All four* causes are important

# What do we know?

Poor road maintenance is a serious cost

- to road users
- to the nation

Road agency feels only partly responsible

Government agency (that should be)  
most concerned is the *finance ministry* \*

\* *The exact name depends on the country– Ministry of Finance, Department of Budget and Planning, Planning Commission,*

# The lesson of toll roads

A toll road...

- is properly maintained
- attracts users because users save money
- takes account of users' costs

because this is good business

Most roads must remain under road agency

A toll road operator gets market feed-back

A road agency is a monopoly

# Message: reform road administration

Road administration should

- try to imitate toll roads
- view its custody of roads as *providing a service to users*

Road administration needs

- the analytical ability to take account of road users' costs
- to harness road user involvement (because there is no market feed-back, as for a toll road)
- to charge road users for the service they receive (like tolls on a toll road)

# Reform: the RMF solution

One approach to reform is to set up a road maintenance fund (RMF) based on

- a 'road tariff' (road user charges)
- an RMF to manage the revenues and expenditures
- an independent RMF board comprising
  - persons committed to value-for-money for road users
  - government officials to present broad national interest
- a small secretariat to serve the board

Road agency remains intact

Customer-supplier relationship (RMF-road agency)

Reform *is* successful, if fully implemented

# Expenditures the RMF should meet

## Routine maintenance

- drainage, pot holes, edges, cracks,...

## Periodic maintenance

- reseals, about 5 yearly, to rejuvenate the surface

## Rehabilitation

- overlays, about 15 yearly, to restore smoothness and durability

## *Minor* road improvements

- done at the same time as rehabilitation

Administration, planning & programming, monitoring, training,

R&D

# Roads the RMF should support

National roads only?

- but...subsidy from sub-national roads

All roads?

- but...subsidy from national and urban roads

Solution?

- road users pay for mobility
- property owners (communities) pay for access



# 'Road tariff' to provide revenues

Road tariff the *only* source of RMF funds

Tariff is set to match expenditure  
...not the other way around

Hence RMF initiates tariff adjustments

Tariff levied directly on road users

- fee for access (time related fee)
- fee for usage (fuel tax)

Tariff mirrors maintenance costs

- deterioration with time and weather
- pavement wear (trucks and buses)

# Road tariff composition

Levies on consumables, mainly fuel

- in Latin America 7 to 9 US ¢ a liter alone would maintain the whole road network

Annual vehicle license fees

Supplementary heavy vehicle fees

Fines for overloading

International transit fees

*(All these are borne directly by road users)*

# Protect the consolidated revenue fund

The road tariff should not affect the consolidated revenue fund

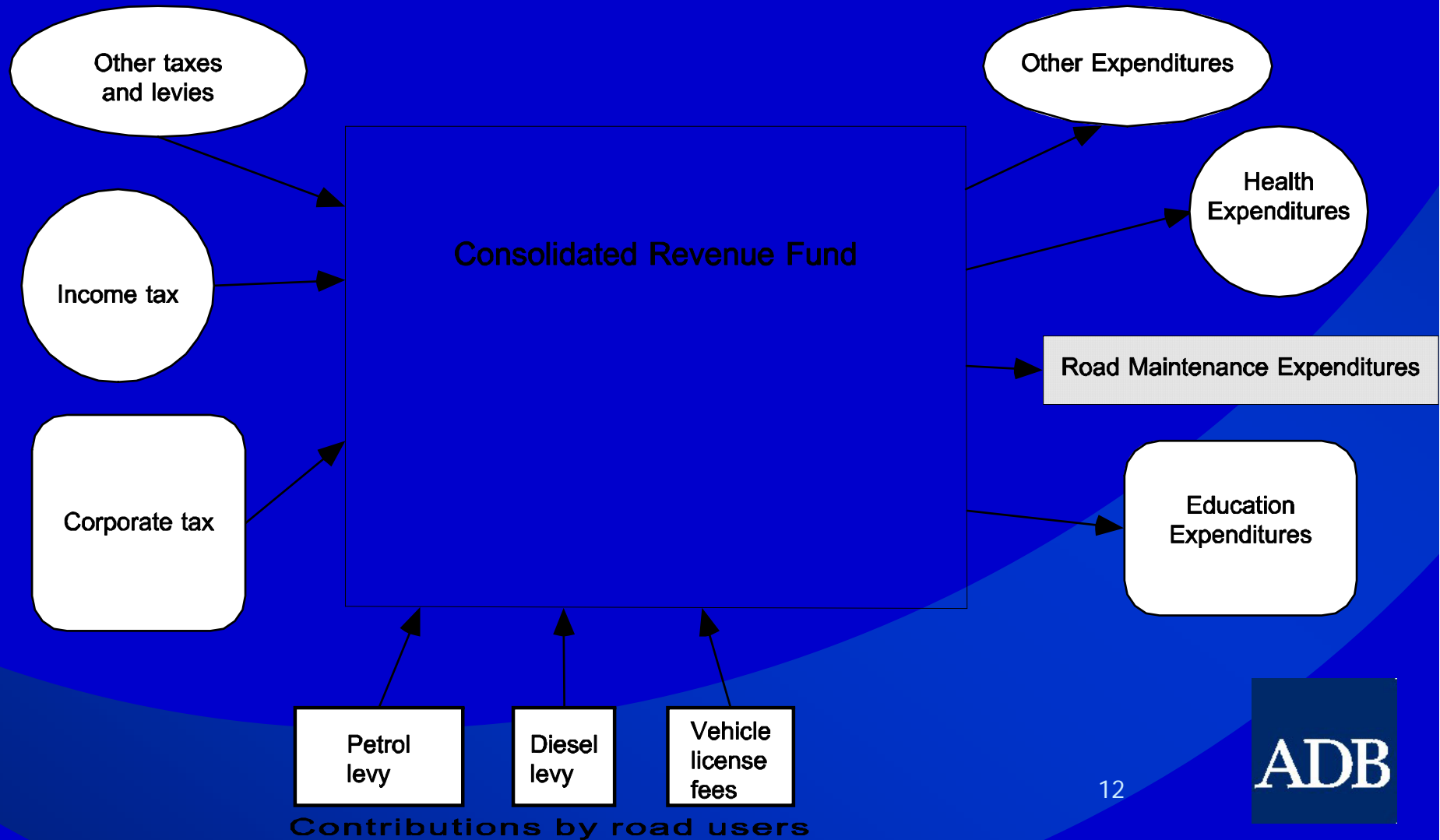
Health, education, etc should not be affected

Consolidated revenue account will lose

- revenue (that now goes to the RMF)\*
- an equal liability (transferred to the RMF)

\* Re-label some taxes currently paid by road users

# Government consolidated revenue fund



# Consolidated Revenue Fund

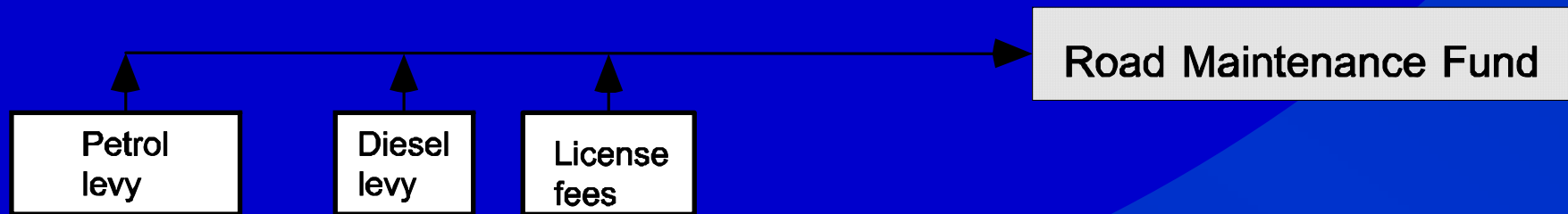
## Contributions by road users

Petrol levy	Diesel levy	License fees
Road Maintenance Expenditures		

# Consolidated Revenue Fund

## Contributions by road users

Petrol levy	Diesel levy	License fees



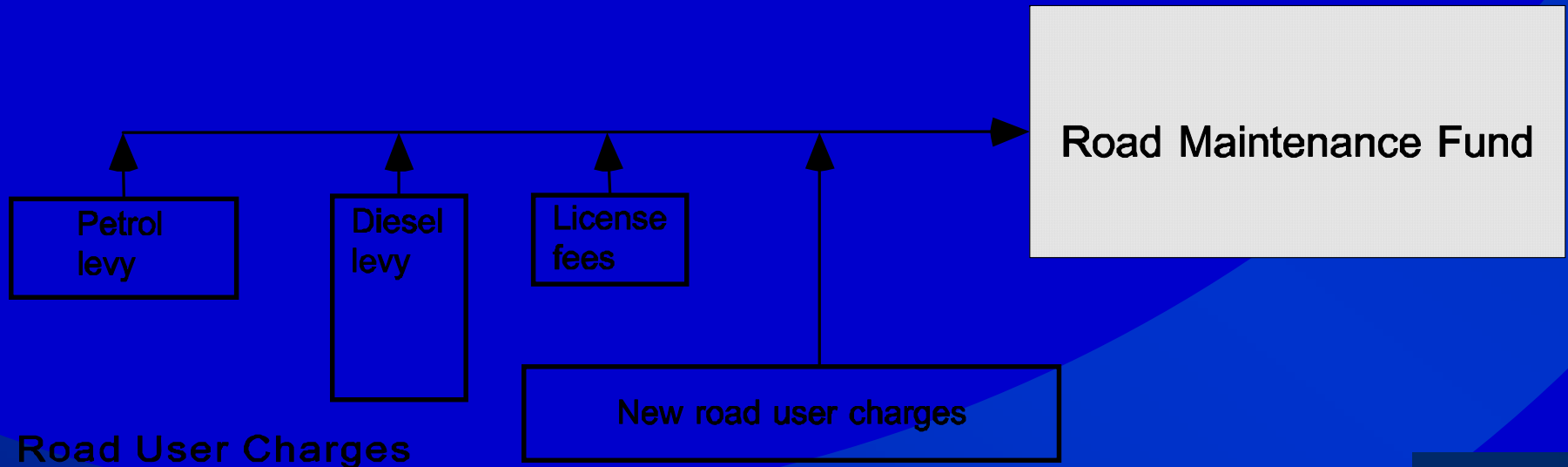
Road User Charges

*NOTE: New roads and road improvements remain funded by the Consolidated Revenue Fund*



Increase/decrease charges, add new ones

Road users are happy to pay more  
if the money goes to road maintenance



# Fuel not used on roads

Only some diesel is used by road vehicles

- electricity, railways, industries, boats, farms,...

Possible solutions are:

- color diesel that does not pay the charge
- exemptions
- refunds
- compensation (offsetting benefits)



# RMF mission statement

“The mission of the RMF is to promote road network maintenance, to a standard users want and are willing to pay for by collecting a road tariff and by allocating funds to road agencies that comply with RMF standards for sound planning and execution of works.”

# Mission statement implies...

Strong road user involvement

Customer-supplier relationship with road agencies

- RMF sets rules
- road agency role remains
  - planning and programming
  - contract procurement supervision
  - 'force account' work (if RMF permits it)
  - financial and technical audits

Road agency accountable to the RMF

RMF accountable to road users

- transparent... and *actively* disseminates information

# RMF board

Members to present the interests of road users

- are in the majority
- provide the chairman
- are chosen for their expertise and contributions

Public officials to present broader national interest

- are a minority
- from central and local government
- may be appointed *ex officio*

Nine members? Staggered 3 year terms?

## Members to present the interests of road users

- Chambers of Commerce
- Industrial and mining associations
- Agricultural groups (farmers, plantation owners,...)
- Tourism and hospitality industry
- Motorists associations
- Truck operators associations
- Bus operators associations
- Bus users associations
- Taxi associations
- Groups and NGOs with special interests (pedestrians, cyclists, poverty, environment,...)
- Scientific and academic institutes
- Professional associations (engineers, lawyers, environment groups,...)

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## Public officials to present broader national interest

- Secretary of the Ministry of Finance (or nominee)
- Secretary of the Ministry of Transport (or nominee)
- Representative of municipalities
- Representative of rural local government

Road agencies are not included  
as they are suppliers of services to the RMF

# RMF secretariat

RMF board appoints a Chief Executive Officer

CEO appoints staff

- perhaps 10 professional staff
  - administration
  - economics
  - accounting
  - planning
  - engineering
- RMF out-sources many functions
  - revenue collection
  - monitoring
  - special projects

# RMF empowerment

Empowering legislation is best

Board to have full legal powers

- to enter into legal agreements
- to collect the road tariff
- to open bank accounts for the revenues

Board has fiduciary duty  
as trustees of the revenues

- to protect the revenues against 'raids'
- to ensure revenues are spent in users' interests

Proper governance is essential  
to the success of the reforms

# RMF duties and functions

- Procedures for an adequate and stable flow of resources
- Transparent criteria for, and manuals to guide, preparation of road agency programs eligible for RMF support
- Procedures for disbursing funds for approved expenditure programs
- Collate & review maintenance programs submitted by road agencies
- Review, evaluate and audit works financed by the RMF, to ensure funds are spent effectively and on the approved programs
- Make payments to road agencies, guarding against misappropriation and unduly slow payments procedures
- Prepare annual reports detailing: funds received and allocated, programs completed, shortfalls experienced, corrective actions taken, etc
- Disseminate information and conduct publicity campaigns to raise awareness of the RMF's work  
(which is *very* important for the RMF's accountability to road users).



# An RMF addresses the problems

Money is spent efficiently

- RMF sets rules for identifying and prioritizing work

Money is spent effectively

- RMF sets rules for carrying out maintenance work

Money is disbursed in timely way

- RMF gets, and disburses, a steady revenue stream

Enough money is allocated

- RMF revenues match maintenance needs

# Who sponsors the RMF?

Road agency? *No*

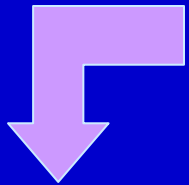
- there would be a conflict of interest since
  - RMF is the customer
  - road agency is the supplier

Finance ministry? *Yes*

- primary government agency concerned about getting value for money
  - economic allocation of resources
  - effective implementation
  - fighting corruption



**This is 'good practice**



**What happens *in practice***

# In practice...

Reform pushed by lending agencies  
working with road agency

Road agency 'strengthened'— gets a PMS\*

Road agency becomes sponsor of reform— call is  
*"we need more funding (for the road agency)!"*

Not convincing-- commitment lacking, or divided

Reforms often progress slowly, then stall-- or  
implementation selective and RMF defective

PMS abandoned

*Reality often falls short of the promise*

\* pavement management system

# A better way...?

The country recognizes its problems  
and takes the initiative to investigate solutions

Lenders support this initiative

- promote intellectual independence
- offer 'on demand' technical support
- 'strengthening' uses locally sustainable technology

Local solutions are developed  
to match local absorptive capacity

For this to work, a country must

- accept there is a problem
- want to find a solution.

# Community action in Papua New Guinea



Toll collection 5 kina (US\$2)...

ADB

...to pay for 'maintenance'

