

# TERMS OF REFERENCE DEALING WITH INDEPENDENT ROAD FUND ADMINISTRATIONS

Prepared April 2004

1. Establishing a New Road Fund Administration
  - [Jordan](#)
  - [Indonesia](#)
2. Auditing a road fund administration
  - [Lesotho](#)
  - [Mozambique](#)
3. Technical Assistance to Support a Road Fund Administration
  - [Jordan](#)
  - [Pakistan](#)
  - [Laos](#)
4. Miscellaneous Studies
  - [Channeling Funds to Local Governments](#)
  - [Dividing Funds Between Urban/Rural Roads](#)
  - [Direct Deposit of License and Transit Fees](#)
  - [Planning a Study Tour](#)

## 1: ESTABLISHING A NEW ROAD FUND ADMINISTRATION

Both these ToRs are good examples and cover nearly all the issues that need to be considered when setting up or restructuring a road fund administration.

## TERMS OF REFERENCE FOR A CONSULTANT TO OUTLINE THE OPERATING MODALITIES FOR A PROPOSED ROAD FUND, JORDAN

### Introduction

The Committee established under the chairmanship of the Ministry of Public Works and Housing (MPWH), to explore what might be involved in establishing a road maintenance fund, is seeking advice on the detailed operating modalities that might be used to set up and manage such a fund. The fund would be managed by a representative management board which would include members representing road users, the business community, and other constituencies with a keen interest in well-managed roads. The Committee is already estimating the annual maintenance needs for all roads under the jurisdiction of MPWH and will be using this information to prepare a 5-year road maintenance program. The intention is to finance the program through the proposed road fund which would derive its revenues from: (i) that proportion of vehicle license fees currently remitted to the Ministry of Finance (MOF); (ii) fines for overloading; (iii) international transit fees; and (iv) a levy on gasoline and diesel. The road fund must be set up in such a way that it: (i) does not abstract funds away from other public programs; and (ii) increases transparency and financial accountability. Although the road fund will initially only finance maintenance of the roads under MPWH, it should be set up so that it can eventually also extend assistance to City and Village Council roads.

### Scope of Consulting Services

The tasks to be carried out by the consultant will include the following:

- (i) Review existing road user taxes and charges and estimate how much money is currently collected in the form of vehicle license fees (and the amount of this remitted to MOF), fines for overloading, and international transit fees (calculate the average amount collected during the past three years).
- (ii) Estimate how much money is currently allocated from the government's consolidated budget to support road maintenance (calculate the average amount allocated during the past three years).
- (iii) If the current revenues received by MOF from vehicle license fees and fines for overloading are transferred to the proposed road fund, what sort of levy on gasoline and diesel would be required to ensure that the total revenue transferred to the proposed road fund was equal to item (ii) above?
- (iv) Given that the board of the proposed road maintenance fund could be expected to actively work with the revenue collecting agencies to minimize avoidance, evasion and leakage, estimate by how much the above revenues might increase once the road fund was fully operational.
- (v) By how much more would vehicle license fees and the fuel levy need to be increased to ensure: (a) all vehicle types cover their marginal (avoidable) costs; and (b) generate sufficient revenues to cover all road maintenance requirements (it is expected that this level would only be reached over a period of 5-7 years).
- (vi) Review the existing Finance Act to ascertain whether the Minister, by notice in the Government Gazette, can open a special account to finance road maintenance expenditures and, if so, what information should be included in the notice (e.g., purpose of the fund, source of revenues, eligible expenditures, method of managing the fund, etc.)? Based on this information, draft a Gazette notice for consideration by MOF.
- (vii) In case the Finance Act does not provide for the opening of a special account, recommend the nature and scope of the legislation needed to establish such a fund. Prepare a draft road fund Bill for consideration by MOF (the presumption is that the Bill would be a short enabling Bill which would be supported by legal regulations published in the government Gazette).
- (viii) Should the fund only finance routine and periodic maintenance, or should it also finance selected road safety programs, minor road improvements and some road rehabilitation? If it does finance these latter expenses, should they be subject to a ceiling (e.g., no more than 10-15 percent of annual revenues).
- (ix) Should the fund be entitled to borrow funds to meet short-term revenue needs (i.e., in the form of overdrafts) and should this facility be subject to a cap to ensure the fund remains solvent. Should the fund likewise be able to issue long-term revenue bonds – particularly to finance road rehabilitation – and, if so, on what basis should this be done and should the board be required to seek specific clearance from MOF each time such borrowing takes place?
- (x) Recommend the composition of the board of management, bearing in mind the need to include persons representing the main constituencies whose support is needed to win broad-based public support for introduction of a road fund and an eventual increase in

user charges. The board should include representatives of the key ministries involved in decisions on road financing, together with representatives of the business community, road users, farming interests, etc.

- (xi) Recommend how board members should be nominated (e.g., by the organizations they represent) and appointed (e.g., by the Minister of Finance, or Council of Ministers). Also recommend procedures for selecting the Chairman and Vice-Chairman (e.g., by having the Minister appoint a Chairman after consultation with the board, or by leaving it up to the board to select the Chairman from amongst its members).
- (xii) Recommend whether the board should have any sub-committees and, if so, what they should do, their composition and their relationship to the main board.
- (xiii) Recommend a suitable structure for the road fund secretariat, including an Executive Secretary, and other professionally qualified accounting, planning and engineering staff. It is not expected that the secretariat would consist of more than about five persons, plus appropriate support staff. Also recommend how staff should be appointed (e.g., the Executive Secretary to be appointed by the board, or in consultation with the board) and under what terms and conditions of service.
- (xiv) Draw up terms of reference for the board and recommend what the relationship should be between the board and the Ministry of Finance. Also outline how the establishment of the road fund and its board might affect the responsibilities of MPWH (note: it is envisaged that the road fund would be a financing mechanism and not an executing agency). Also draw up terms of reference for the Executive Secretary and the secretariat and indicate what sort of technical qualifications they should possess.
- (xv) In case it proves difficult to appoint suitable staff within the existing civil service framework, propose arrangements under which the necessary secretarial services might be provided under contract by a local Bank or Accounting firm. Outline the training and other human resource development required to ensure that staff from MPWH and other ministries can take over some, or all, posts from the contractor after a designated period of time. The costs of the contract and any allied training of ministry staff would initially be financed under the proposed Fourth Transport Project.
- (xvi) Since the revenues to be deposited into the road fund will be collected under the government's tax-making powers – and will continue to be collected under present arrangements for collecting taxes – recommend the procedures to be followed in collecting the charges, depositing them into the consolidated fund and transferring them into the road fund. The procedures should be designed to facilitate prompt transfer and deposit of all funds due to the road fund.
- (xvii) Following consultation with MOF, recommend: (a) whether the road fund account should be held at the Central Bank or at one or more commercial banks; and (b) how the road fund should be reflected in the government's budget (i.e., as a line item in the budget, as an off-budget item recorded in the notes appended to the budget statement, or in some other way).
- (xviii) Recommend procedures under which the board can apply – through the MOF and Council of Ministers – for increases in the level of the road user charges to ensure that revenues can be raised over a period of 5 years to maintain the real value of the revenues

and to meet agreed revenue targets. Among other things, the procedures should include the board's outreach activities which should be designed to inform the public of the work of the road fund and the justification for any increases in charges.

- (xix) Recommend what role the board should play in deciding on the content of the annual road maintenance program (e.g., should the board require MPWH to operate an approved Maintenance Management System for preparing and prioritizing its maintenance needs and should they undertake regular audits to ensure MPWH is using the system correctly).
- (xx) Recommend whether the road fund should transfer funds to a designated maintenance account in the name of MPWH, or should pay for work directly after appropriate certification by MPWH (e.g., should funds be disbursed only for tendered work after certification that the work has been done according to specification, and should force account work be subject to inspection by an independent consultant)?
- (xxi) Recommend how the road fund should be managed on a day-to-day basis to ensure that funds are used effectively. The systems should include procedures for tracking funds collected by the tax authorities, the amounts transferred to the road fund, commitments made by the board or transferred to MPWH, and the remaining balance to be reconciled with the road fund's bank account.
- (xxii) Recommend the indicators to be used by the board to measure its effectiveness (e.g., administrative costs/total funds disbursed, average time taken for payment of invoices or transfer of funds, actual/required maintenance funding, etc.).
- (xxiii) Recommend suitable financial reporting arrangements for the road fund, together with appropriate internal and external auditing arrangements. Also propose the nature of the regular reports to be published for submission to MOF and Parliament, together with an indication of the scope of such reports.
- (xxiv) Draft the legal regulations for publication in the government Gazette setting down the rules and regulations governing management of the road fund.
- (xxv) Prepare a realistic transition plan covering establishment of the road fund (whether under the Finance Act of new legislation), publication of the legal regulations, appointment of the board, recruitment of the secretariat, and preparation and approval of the first annual maintenance program to be financed through the road fund.
- (xxvi) Finally, identify any training needs (other than those already identified under item (iv) above) required to implement the road fund.

## **Reporting Arrangements**

The consultant would be expected to work closely with MPWH and MOF for the duration of the study which is expected to last no more than 4 weeks. During this period, the consultant would prepare the following documents:

- (i) A draft notice establishing the road maintenance fund under the Finance Act, or draft Bill to establish it under new legislation.
- (ii) Draft legal regulations governing management of the road fund.

- (iii) A report of about 25 pages summarizing the operating modalities for the road fund.
- (iv) An Executive Summary of 2-3 pages summarizing the key features for consideration by Ministers.

# TECHNICAL ASSISTANCE FOR ASCERTAINING THE APPROPRIATENESS OF ESTABLISHING A ROAD FUND, INDONESIA

## 1. Introduction

### 1.1. Background

It has become apparent in recent years that the level and focus of investment in road and transport infrastructure in Indonesia has been insufficient. This is evidenced by inadequacies in service levels, high costs associated with urban congestion, lack of public funds for road investment and the reluctance of the private sector to invest. Such conditions only serve to impair the efficiency of the system and undermine effective planning, implementation and maintenance. Consequently, there is an urgent need to determine the appropriate level and direction of investment needed and to ensure that an adequate and stable source of funding is available to facilitate effective planning and delivery.

In the past, non-technical objectives influenced road investment decisions, which meant that the rates of return to the community were not necessarily maximised. It is the desire of this government to address this situation and to develop a system which:

- a. ensures that investment flows to projects which maximise returns to the community, and
- b. establishes an explicit link between costs of road use, revenue collected from road users, and investment in roads.

In support of this, it is the government's intention to give consideration to charging road users directly for the fixed and variable costs of road provision, management and maintenance. Ideally, road charges raised in this manner would provide enough revenue to fund the road programmes.

The establishment of a road fund is seen as a possible mechanism for achieving this, as it provides an institutional device through which a selected stream of revenues can be put at the disposal of a public sector entity without being subjected to general budget procedures and reviews.

Road funds have been employed by government's around the world for over forty years, to varying degrees of success. The "first generation" of road funds, popularised in the 1960's and 1970's, were designed to address asset deterioration and were usually characterised by earmarked taxation, which provided their main source of revenue. Although the earmarking of taxation promotes effective planning by providing a relatively stable source of funding, it has been criticised for reducing fiscal flexibility, which restricts central governments ability to manage resources in light of changing priorities.

The 1980's saw a new generation road funds emerge. These were characterised by both their source of funding and the way in which they were administered. Typically, revenues are in the form of user charges that are identified separately from general taxation. These are deposited into a Fund managed by a board that is responsible for determining the level of charges and the allocation of expenditures. To ensure that

community interests the protected, board members include representatives for the road user and business community.

Road funds, particularly the “second generation”, are increasingly gaining support as they compensate for short-term political responsiveness by ensuring that resources are directed to a low profile projects with particularly high rates of return. In addition, significant efficiency gains can be realised by ensuring certainty and sustainability in the level and timing of funding.

The appropriateness for establishing a Road Fund requires careful consideration of the likely micro and macro effects, which must be viewed in the context of the longer-term objectives for fiscal prudence and efficient asset management. Hence, the decision to introduce a Road Fund must be based on a practical and systematic assessment, that amongst other things takes account of the context and ability to minimise inherent distortions in the allocation of resources. Accordingly, the GOI wishes to engage consultancy services to determine the appropriateness of introducing a Road Fund in Indonesia.

## **2. Objectives**

The principal objective of these Terms of Reference is to conduct a comparative study of road fund development and to determine whether the establishment of a Road Fund in Indonesia would be appropriate at the present time. In determining this, the consultants will be required to establish criteria to determine whether:

- a. improvements will be realised for the allocation of resources to road projects.
- b. operational efficiency of asset management will be achieved, and
- c. a direct pricing relationship between road users and the service providers can be established.

As part of the comparative study, the Consultants will be required to report on the range of road user charges that constitute revenue streams for the road funds under consideration. It will be important when assessing their applicability for use in a possible Indonesian Road Fund to report on the scale of their contribution and any associated difficulties that have been encountered in their use, e.g. political and social acceptability, the setting and adjustment of tariffs and administering the revenue streams.

In this connection, the Consultants will be required to take account of the findings reported in the Implementation of Road User Taxation (IRUT) final report, dated April 1998, particularly in respect of potential revenue streams for the road fund. The IRUT focused on three charges levied on road users, which had been deemed to constitute Road User Taxation, i.e. PKB (annual registration fees), BBN-KB (vehicle transfer tax) and surplus revenue derived from the sales of automotive fuels.

In formulating their recommendations, the Consultants are to address the legal, regulatory, institutional and procedural requirements of establishing a Road Fund and report on all potential ramifications. Consideration must be given to the relationship of established systems that will directly interface with the functions of the Road Fund, such as the Integrated Road Management Systems (IRMSs) that will provide assistance with determining priorities for the allocation of expenditure.

Under the current arrangements for road delivery and maintenance, central government has the greatest revenue raising powers whilst the responsibility for expenditure will increasingly shift to local governments, as laws 22/99 and 25/99 concerning decentralisation are progressively implemented. This gives rise to a potential mismatch, as the uncertainty and lack of control over funds will inevitably reduce the ability of local government to develop and maintain road networks effectively. It is, therefore, considered to be essential that the future role of local government is adequately reflected in the formulation of the consultants' recommendations.

It is appreciated that the precise details on how local government is to fulfil its new function and responsibilities have yet to be formalised and that the implementation regulations are still in the process of being formulated. However, it is considered that these are sufficiently advanced to enable the Consultant's to reflect the 'most-likely' arrangements in their recommendations. In order to facilitate this, it is intended that the execution of this study will involve participation by a representative local government(s) and that a mechanism will be established to enable direct liaison between the Consultants and local government staff, both prior to and during the intended workshop.

It is the intention of GOI to subsequently conduct, under a separate initiative, a pilot project in a selected local government, given that implementation of a Road Fund is deemed appropriate. To facilitate this, it is proposed that the local government staff chosen to participate in this study will include personnel from the local government selected for the pilot project. In this way, GOI will ensure that the format and content of the consultant's recommendations will not only address legal, regulatory and institutional issues of a general nature but they will also account for any issues specific to that particular local administration. It will be important that the Consultants' final report be presented in a manner that will facilitate this subsequent objective.

During the course of this assignment, the consultants will be required to prepare material and arrange for the organisation of a workshop, the theme of which will be "Developing Road Fund Initiatives", which is to be held in Jakarta.

### **3. Scope of Works**

In view of resource limitations, it is expected that the appointed Consultants will already be conversant with the road development and maintenance in Indonesia. However, it will be essential that the Consultants familiarise themselves with all relevant legal, financial and regulatory requirements. They will also be required to consult with the Ministry of Finance, BAPPENAS, other agencies and local government.

More specifically, the Consultants will:

- 1) Conduct a comparative study of Road Fund development in both developing and developed countries. This should include a representative mix of "first generation" and "second generation" funds and should draw from the lessons learned and resulting efficiencies. In view of the limitations in time and resources, the Consultants will be required to utilise published and available material and to draw on



its own experiences and resources. In particular, the consultants should draw from similar comparative studies that reviewed the pros and cons of Road Funds implementation.

- 2) Develop criteria to assess the need for implementing a Road Fund in Indonesia. This is to include measures that will:
  - a. assess the adequacy of budget priorities and funding levels. This is to include the extent and rate of asset deterioration and increases in user costs.
  - b. assess the extent to which high rate of return projects and maintenance are being neglected. This is to include intra and inter-sector bias.
  - c. determine the extent to which the current budgetary process impairs the effective planning and implementation of works.
- 3) Prepare recommendations on the form of a potential Road Fund. This will describe the purpose of the fund and will contain details of expenditure categories and the proposed revenue streams. It will be important to describe the mechanisms required to protect against distortions and uncertainty arising from political influence, both in terms of revenue and expenditure. It should also highlight potential ramifications of introducing the Road Fund and recommended precautionary actions. For example, once a Road Fund has been established there will be a resistance to provide supplementary funding from the general budget – this could have severe consequences.
- 4) Prepare an institutional structure for the Road Fund that will ensure responsible governance, government and community representation and adequate regulatory control. The recommended entity to operate the Road Fund should be clearly defined in terms of its structure and institutional linkages. Staff compliments and composition of the governing Board should be discussed along with recommendations on how to finance operational expenditures, i.e. from the central budget and/or the revenue streams.
- 5) Recommend an operational strategy that will maintain the integrity of the Road Fund. In this respect, it will be important to identify ways of ensuring transparency in the collection of revenues and the allocation of funds so that road users can see how the money collected from them is being used. Consideration must be given to the options for disbursing funds, e.g. either directly to the responsible implementation agencies using an approval or a pre-described arrangement, or directly to the contractor. An important aspect of the operational strategy will be to ensure that suitable audit arrangements are established. The Consultant will be required to recommend an appropriate body to undertake the audit function, either by utilising an existing organisation or by the formation of a new private entity. The audit should embrace the collection and disbursement of revenue, check that the funds have been properly used for their intended purpose and ensure that audit reports are in the public domain.
- 6) Review existing laws and regulations and identify constraints and changes required to allow the Road Fund to be established and function properly.

Prepare recommendations on the content of the legal instruments required to establish the status of the Road Fund. This should include:

- a. protection from political interference by establishing full or partial autonomy.
  - b. guarantees for the revenue stream
  - c. clearly defined responsibilities for the setting of user charges
  - d. regulatory controls to ensure accountability
- 7) Prepare material and arrange for the organisation of a workshop, the theme of which will be “Developing Road Fund Initiatives”. The workshop is for central and local government officials and for key stakeholders such as road user groups., The consultants’ will be required to:
- prepare the agenda and selected subject material
  - prepare material to facilitate audience participation sessions
  - arrange for the timely distribution of material in advance of the workshop.
  - present selected topics.

It is important that road users and other stakeholders get an opportunity to comment on the appropriateness of establishing a Road Fund. The timing of the workshop must therefore be carefully planned in order to ensure that feedback from the participants can be reflected in the Consultants’ final recommendations.

- 8) If it is decided to proceed with establishing a Road Fund, prepare an Action Plan for the further planning, design and implementation of the Road Fund. This plan should indicate a list of key activities and the time frame and resources required to implement them.

#### **4. Institutional and Management Arrangements**

##### **4.1. General**

The proposed technical assistance will have duration of 4 months.

It is acknowledged that the subject matter and recommendations arising from a study of this nature will embrace the responsibilities of many public sector entities. In order to expedite this study, the Directorate of Infrastructure Investment, Directorate General of Regional Infrastructure Development within the Ministry of Settlement and Regional Development (KIMBANGWIL) has agreed to act as executing agency for the project.

Accordingly, during the execution of the Consultants services KIMBANGWIL will ensure that a suitable consultation mechanism is established with other public sector entities and will ensure the Consultants maintain close links with them in order that their views are adequately reflected.

The Directorate of Infrastructure Investment, Directorate General of Regional Infrastructure Development within the Ministry of Settlement and Regional Development (KIMBANGWIL) will be the executing agency for the project. The Consultants will be expected to maintain close links with KIMBANGWIL and other related public sector entities, such as Jasa Marga, in order to ensure that the views of the GOI are adequately reflected.

#### 4.2. Government Inputs

KIMBANGWIL will provide all necessary information, practical assistance and guidance to facilitate the execution of the Consultant services detailed in these Terms of Reference. This will include the timely supply of all key reports and base data necessary for the efficient execution of the assignment

The project will involve Government officials and Consultants working closely together. KIMBANGWIL will co-operate with the Consultants in ensuring that the appropriate professional Government personnel are available to facilitate the successful execution of the proposed Scope of Works.

KIMBANGWIL will also assist the Consultants in liaison with GOI officials from Ministry of Finance, BAPPENAS and other concerned agencies, such as the representative local government.

#### 4.3 Counterpart Assistance

KIMBANGWIL will assign staff to work with the Consultants on a day to day basis. The services of Counterpart staff will be provided at no cost to the Consultants. The Counterparts' principal function will be to participate in the execution of the services, thus enabling a sound understanding to be gained of the adopted approach and formulation of recommendations.

#### 4.4 Support Facilities

The GOI will provide furnished office space, office support, office utilities and other facilities to the Consultants for the duration of the services.

### **5. Consultant Services**

#### 5.1. Duration, Budget and Skills Required

It is expected that the services will be provided over a period of 4 months and that the Consultants' team will comprise both local and foreign specialists.

The Consultants' team will include a local specialist to act in the capacity of Team Leader for the duration of these services. The Team Leader will have a background in transport planning and policy. Familiarity

with policies, working practices and the current situation for road provision and maintenance in Indonesia will be an absolute prerequisite.

It is envisaged that the team leader will be supported by several specialists that will address the following:

- Transport Economics (foreign specialist with direct experience in Road Fund development).
- Legal and regulatory issues
- Institutional issues
- Highway/traffic engineering

## **6. Output Requirements**

### **6.1. Inception Report**

The consultant will prepare and submit a brief Inception Report within three weeks after the commencement of services. This report will review the availability of information and report on any factors that may affect the quality, content, or timing of the services to be provided. It should also contain recommendations on how best to overcome any perceived difficulties including, where appropriate, revisions to the work programme.

### **6.2. Technical Reports and Workshop Material**

Technical reporting and presentations for the workshop will take the form of material prepared in support of the Scope of Services outlined above.

### **6.3. Final Report**

A Draft Final Report is to be submitted by the Consultant three weeks prior to the completion of these services and will contain details of the findings, conclusions, and recommendations. In particular, the report will:

- discuss the findings of the comparative study and demonstrate the applicability of the options to Indonesian conditions.
- present the results of the workshop and document any issues raised. The rationale for incorporating the preferences of the participants into the final recommendations is to be described.
- present the recommended form and structure of the Road Fund. This is to include institutional and operational arrangements and supporting legal and regulatory aspects.

The Consultants will make a Draft Final Report Presentation within one-week following submission of the Draft Final Report. The Consultants will document the comments received.

A Final Report, to be submitted by the Consultant not later than one week following the presentation will update the draft Final Report taking account of comments arising from the Presentation. A brief Executive Summary Report highlighting the main findings and conclusions of the study, in a format suitable for high level government officials will also be prepared.

#### 6.4. Copies of Reports

The Consultants will submit copies of the required project documents in accordance with the details specified below.

<b>Document</b>	<b>Copies (English)</b>
Inception Report	20
Technical Reports	20
Draft Final Report	20
Final Report and Executive Summary	20

## **2: AUDITING A ROAD FUND ADMINISTRATION**

**There are two TORs in this section. The first one is the most comprehensive.**

### **TERMS OF REFERENCE FOR AN AUDIT OF THE ROAD FUND ADMINISTRATION, LESOTHO**

#### **Introduction**

The Government of Lesotho has created a Road Fund as a separate administrative body. The objectives of this fund are to ensure that i.) sufficient resources are available for the maintenance of all roads in Lesotho; ii.) road users participate in the management of the sector to improve decision making and consumer willingness to pay iii.) financial discipline is strengthened to ensure that the public gets value for money iv.) the fiscal burden on the government is reduced to manageable proportions; and v.) road users pay more equitably for the damage they inflict on roads. The Road Fund, hereafter the Fund, has been established by Legal Notice published in the Government Gazette. This specifies its purpose, sources of revenues, its management by a representative board and the manner of its auditing. A copy is attached.

At present, revenues come from four main sources: (i) road toll-gate fees collected on all vehicles leaving Lesotho, including government vehicles; (ii) border fees/short-term SACU permits charged on all foreign trucks entering Lesotho; (iii) annual license fees collected from all types of vehicles; (iv) a road maintenance levy *added* to the price of all transport fuels, including the fuel consumed by government. Total annual revenues of the Fund are in the region of US\$11 million and are being paid directly into a special account at the Central Bank.

The Government has given road users an active role in the road sector by creating a representative Road Board, hereafter the Board. The members of the Board come from relevant institutions in both the public and the private sectors. Their role is to advise on the management of the Fund and monitor the use of the resources. The Board reports to the Ministry of Finance and is an advisory body only with Government retaining ultimate decision-making powers. The Board reviews the annual expenditure programs put forward by the various road agencies and decides, in light of these requests and in consultation with Ministry of Finance (MOF), on the overall size of the road program to be financed through the Fund. Based on these revenue requirements, it then recommends to MOF the required levels of road user charges.

A senior public officer has been appointed to be the Secretary to the Board who is the chief executive and accounting officer of the Fund. She is supported by a secretariat composing of five staff from a local firm of chartered accountants. The Board is required to publish an annual report within six months of the end of each financial year, dealing generally with the policies and activities of the Board during the year. It must further include a copy of the audited accounts and the auditors' report on the accounts. The Auditor General's Office is now seeking a firm of chartered accountants/management consultants, hereafter referred to as the auditor, to audit the Fund by fulfilling the following terms of reference, the costs of which will be borne by the Fund.

#### **Audit Purpose**

The purpose of this audit is to ensure that the Lesotho Road Fund has been operated over the period FY1997/98 in accordance with Legal Notice No. 16 of 1996, Finance (Roads Fund) Regulations 1996.

## **Audit Objectives**

The objectives of the audit are as follows:

- (i.) to verify that income of the Fund from all sources is accurate and complete and that all disbursements made are properly supported and are in respect of expenditures allowed for by Legal Notice No.16 of 1996;
- (ii.) to review the road user charge collection, internal control and disbursement procedures of the Fund and make recommendations for improvements as necessary; and
- (iii.) to review the performance of the Board with respect to their obligations under Legal Notice No.16 of 1996.

## **Scope of the Audit**

To achieve these three objectives the auditor will be required, as a minimum, to carry out the specific tasks outlined below.

### ***Verification of the Road Fund's Financial Rectitude***

Having reviewed the Fund's balance sheet, statement of income and expenditure, statement of cash flow and all other supporting documentation, and using International Auditing Standards, the auditor will be required to verify that, for the FY 1997/98:

- (i.) the various sources of income of the Fund are accurate and complete, especially that the actual receipts from the four main sources of income represent a complete and proper calculation of the income which should accrue to the road fund based on legislation in force. This will require investigation of the volume of leakage between collection points and the Fund account;
- (ii.) the moneys paid into the Fund account reconcile with records maintained by third parties which are responsible for collecting user charges. Such third parties include oil companies, the Customs Department and the Vehicle Licensing Department;
- (iii.) the payments made are supported by adequate documentation and have been made in accordance with the relevant legislation in force;
- (iv.) the payments recorded as road works have indeed been disbursed against completed works or works in progress in the field. This will require a technical audit of 20% of finished civil works by value and at least 5% of all requests for payment, to be chosen at random by the auditor, to verify *visually* the satisfactory completion (or ongoing conduct for routine maintenance ) of works; and
- (v.) all transactions and balances of the various bank accounts maintained by the Fund reconcile with payment and receipt vouchers for the Fund.

### ***Appropriateness of Operating Procedures***

The review by the auditor of the operating procedures is to be tempered by the fact that the Fund and its secretariat have been in place for less than one year and are in the learning stage for this novel task as far as Lesotho is concerned. Nevertheless, in order to confirm that the Fund secretariat is progressing satisfactorily towards becoming an efficient and effective organization based on sound commercial principles, the auditor will be required to assess critically Fund operating procedures as at 31 March 1998. The areas for consideration are, as a minimum:

- (i.) the system of collecting, depositing and monitoring Fund revenues, against the following criteria: administrative simplicity, level of evasion, degree of accountability, speed of

deposit; and any other criterion deemed important by the auditor. The auditor is, as necessary, to make recommendations as to how to improve the collection system including: streamlining current procedures to reduce any delays; steps necessary to minimize evasion; and removal or addition of the imposition of returns.

- (ii.) the system of computer based financial control and management information against the following criteria: value for money, usefulness as a budgeting and planning tool, control mechanisms, quality of management information outputs, and disaster planning and recovery.
- (iii.) the system of disbursing moneys to both contractors and directly to road agencies, against the following criteria: administrative simplicity, degree of accountability, speed of payment; and any other criterion deemed important by the auditor.

### ***Performance of the Board***

Again, the evaluation of the performance of the Board must bear in mind that the Board has only been in place for one year. However, it is anticipated that the Board should be evaluated against the following suggested indicators:

- (i.) Objective of adequate funds for maintenance and road safety
  - Disbursed funds/estimated requirements
  - Road condition trends
  - Road safety statistics
- (ii.) Objective of value for money
  - Cost per km of maintenance and rehabilitation
- (iii.) Objective of transparency
  - Qualitative assessment of road users' awareness of the Board's activities in the sector
  - Qualitative assessment of public awareness campaign
- (iv.) Objective of efficiency
  - Administration cost/dispensed funds over the year
  - Average time for processing of certificates for work
  - Road user charge structure in relation to damage done by different types of vehicles
  - Integration and coordination in road planning
- (v.) Objective of participation of key stakeholders and road users in management
  - number of meetings held, attendance record and private sector members' subjective assessment of their role in the Board

### **Outputs and Timescale**

The auditor will produce the following two documents by no later than June 30 1998, providing copies to the Attorney General (5), Minister of Finance (5) and the Board Secretary (15):

- (i.) an audit report which will include, inter alia: (a.) a statement as to the auditing standards applied in the conduct of the audit; (b.) an opinion as to whether proper books of account have been maintained by the Board and whether the financial statements are in agreement therewith; (c.) an opinion as to whether the said financial statements give a true and fair view; and (d.) a statement as to whether the auditor has obtained all the information and explanations deemed necessary to enable him to fulfill his functions
- (ii.) a long form report detailing the following: (a.) a summary of matters which came to the auditors' attention during the course of the audit; (b.) a review of internal control procedures and the related accounting and financial management systems with recommendations for their improvement where appropriate; (c.) a review of the functions and responsibilities of the board as set out in paragraph



11 of Legal Notice No.16 of 1996, with recommendations for improvement where appropriate; (d.) the findings of the technical audit required; (e.) a review of the draft annual report on the activities of the Fund during the year to ensure consistency with the audited financial statements and the preceding year's civil works program; (f.) a review of the procedures for allocating funds between different road agencies; and (g.) a summary report included as a one page annex which is to be in such form as to be suitable for publication in the local press and which will state, inter alia, that the audit has been independently conducted and from where a full copy of the auditors' report can be obtained. The auditor is to arrange for publication of this report on two days as a one page statement in a national newspaper of the Auditor General's choice, including in their financial proposal the additional cost for this.

### **Documents and Support to be Made Available to the Auditor**

The secretariat will furnish the auditor by May 14 1998, a balance sheet, statement of income and expenditure, statement of cash flow and all other supporting documents and information necessary to ensure the successful conduct of the audit. The Board secretary, other member of the secretariat or senior officer from any appropriate road agency will make themselves available if required to attend any meetings or field visits deemed necessary by the auditor. No other logistical support will be provided by the Board or any government ministry.

### **Personnel Required and Qualifications**

It is anticipated that the fulfillment of these terms of reference will require at least one chartered accountant, a management consultant and other supporting staff for a period of one month, some of whom may be provided on a part time basis. The firm chosen will have demonstrated extensive experience in financial audit of large-scale organizations. Experience with work in other infrastructural services such as water supply, telecommunications, power and regional development will add weight to any proposal. For the partial technical audit and evaluation of the Board's performance, the auditor will be expected to sub-contract the works to a firm of consulting engineers and an experienced road fund specialist respectively. CVs are to be provided for all staff being put forward for the task.

Attachment: Legal Notice No.16, 1996

# **TERMS OF REFERENCE FOR AN AUDIT OF THE ROAD FUND ADMINISTRATION, MOZAMBIQUE**

## **Objective**

The main purpose of the audit is to ensure that the income of the road fund from all sources is accurate and complete, and that the payments made are properly supported and are in respect of expenditures allowed for by the relevant road fund legislation in force. A further purpose of the audit is to ensure that the accounting and internal control procedures, and the records and accounts of the road fund are adequate. The auditor will be expected to use International Auditing Standards as Mozambique has not adopted auditing standards.

## **Scope of the Audit**

The auditor will carry out an audit of the various sources of income of the road fund to determine their accuracy and completeness. The Administrative Council of the road fund is particularly interested to determine that the actual receipts of the road fund from the three main sources of income represent a complete and proper calculation of the income which should accrue to the road fund based on the relevant road fund legislation in force. It is envisaged that this audit work will include examining the records of third parties which are responsible for collecting monies at the many points of origin of the three main sources of income. Such third parties include Petromoc, Customs Authorities and Toll Bridge Officials.

The auditor will carry out an audit of the payments of the road fund to determine that the payments made are supported by adequate documentation and are in accordance with the purposes for expenditure as allowed for in the relevant road fund legislation in force. It is envisaged that this audit work will include examining the records of the road fund at provincial level. In this regard it is considered that field trips to the Provinces are essential.

The auditor will carry out an audit of transactions and balances of the various bank accounts maintained by the road fund.

The auditor will review the accounting and internal control procedures in operation at the road fund to determine their adequacy.

The auditor will undertake a review of the accounts, files, records and reports of the road fund to determine their adequacy.

## **Reports**

The auditor will prepare a short-form report for the Administrative Council of the road fund which will give an opinion of the accuracy of the financial records and on the completeness of income of the road fund, and will include brief comments on any shortcomings. The auditor will also include comments indicating the degree to which he was unable to follow the auditing standards which he had adopted for his work.

The auditor will also prepare a long-form report or management letter which will inform the Administrative Council of the road fund of (i) the standards and procedures which the auditor used in the

audit, and (ii) details of strengthening needed in accounting and financial management systems and practices and in internal control procedures.

### **3: TECHNICAL ASSISTANCE TO SET UP/STRENGTHEN A ROAD FUND ADMINISTRATION**

**These three ToRs each take a different approach to assisting with the setting up of a road fund. The first provides support to a Secretariat that is already in place, the second creates a team to manage the road fund on an interim basis and draw up job descriptions for the staff to be recruited to form the Secretariat, while the third provides assistance to implement the road fund and develop local capacity to manage it effectively.**

## **TERMS OF REFERENCE FOR TECHNICAL ASSISTANCE TO SUPPORT IMPLEMENTATION OF THE ROAD MAINTENANCE FUND, JORDAN**

### **1. Background**

In early 1997 a brief report was prepared entitled “Operating Modalities for the Proposed Road Fund in the Hashemite Kingdom of Jordan”. This was followed by a workshop in June 1997 which reviewed the recommendations of the report and also reviewed experience of road funds in Latvia, New Zealand and South Africa. The participants in the workshop, which included representatives of road users and the business community, strongly supported the idea of establishing a commercially managed road fund and offered suggestions as to how the fund might function. The outcome of the workshop was communicated to the Cabinet in a memo signed by the Minister of Public Works and Housing (MPWH). The Cabinet reviewed the memo and approved in principle the establishment of a road maintenance fund to finance road maintenance and road safety works, and also approved the idea of having the fund managed by a representative oversight board attached to the Minister of MPWH.

An interim board was appointed almost immediately to start preparing the detailed operating modalities for the road fund and the basic legislation needed to put it on a sound legal basis. The board has six members representing government, five representing road users (road transport, agriculture, commerce, industry and the Jordan Roads Society) and two appointed by the Minister following consultation with the Secretary General of MPWH. It was intended that the interim board should evolve into the executive board of the road fund. An Executive Secretary was also appointed to assist the board in its work.

The required legislation has now been drafted and is currently being reviewed with a view to submitting it to Parliament by the end of 1998. By the beginning of the next fiscal year (January 1 1999) it is expected that the board according to the legislation will be functional and existing allocations for maintenance from the consolidated fund will start to be deposited into the road fund.

The purpose of this Technical Assistance is to provide assistance to the board and to the secretariat to put in place arrangements for managing the road fund. The consultants are expected to work as assistants/advisers to the secretariat, to transfer skills and know-how to them and to recommend any needed training.

### **2. Objectives**

The objectives of the Technical Assistance are to assist the board and the secretariat to:

- (i) establish, organize and manage the road fund during an initial two-year period;

- (ii) develop suitable systems and procedures for managing the road fund (on both the revenue and expenditure sides) and tracking expenditures to ensure the road fund gets value for money from any funds disbursed from the road fund;
- (iii) train the staff in the secretariat in the use of these systems and procedures and recommend any required staff training;
- (iv) prepare manuals setting down the recommended operating systems and procedures for use by the secretariat; and
- (iv) provide ongoing support on a part-time basis to resolve queries, amend operating systems and procedures and generally assist the secretariat with its work.

### **3. Scope**

The consulting services described in this terms of reference shall include the following tasks:

- (1) Review the responsibilities of the board as laid down in the draft legislation, which day-to-day responsibilities should be delegated to the secretariat, and the relationship between the head of the secretariat and the board.
- (2) Define the relationship between the board, the parent ministry (MPWH) and other concerned ministries, and how these relationships might change once the municipalities become entitled to receive some money from the RMF.
- (3) Recommend what role the board might play in advising the Minister on control of overloaded vehicles and implementing vehicle weights and dimensions regulations.
- (4) Recommend the staffing of the secretariat, bearing in mind that the secretariat should not consist of more than about 4-5 technical staff and should have knowledge of highway engineering, transport planning and accounting. Prepare job descriptions for these staff.
- (5) Develop procedures for collecting and depositing the revenues assigned to the RMF into the road fund bank account. In consultation with ministry of finance, agree on whether the revenues can be deposited directly into the road fund account, or need to transit through the consolidated fund. Also agree on whether the funds can be deposited into a commercial bank account, or need to be deposited into an account with the Central Bank of Jordan.
- (6) In the case of commercial banks, recommend whether separate sources of revenues should be deposited into separate bank accounts (at the same or different banks) and how the commercial banks should be selected.
- (7) Recommend procedures to be followed by MPWH in preparing the Annual Road Program and the manner in which it should be reviewed and endorsed by the board. Since the RMF will only finance items forming part of the Annual Road Program, recommend the procedures to be followed when amending the Program to take account of unexpected changes in road maintenance requirements. Also suggest the procedures which might be followed by the municipalities when they become entitled to receive money from the RMF.
- (8) In consultation with ministry of finance, agree on procedures to be followed by the board when considering the desirability of raising the level of the road tariff. Also specify what information needs to be submitted to ministry of finance to support requests to raise the road tariff.

- (9) Recommend the type of out-reach program which should be adopted by the board to win public support for more road funding and to assure the public that the revenues from the RMF are producing value-for-money. In this context, consider the use of press releases and press conferences, regular news letters and signs posted at work sites.
- (10) Develop and introduce appropriate financial accounting and control procedures which conform with acceptable international accounting principles. The systems should be capable of tracking changes in the RMF's revenue base, the revenues it should generate and reconcile this estimate with deposits made into the road fund bank accounts. The systems should also be able to project future revenues, expected disbursements and the RMF's overall cash balance.
- (11) Since revenues will not always match disbursements, recommend how short term borrowing should be handled and also what might be done with any cash surpluses, bearing in mind that they should only be invested in short-term, low-risk financial instruments.
- (12) Recommend how funds should be disbursed to MPWH to finance the Annual Road Program and whether this should be done: (i) in advance, based on MPWH estimates, and justified ex post before the next deposit was due (i.e., the RMF would operate a revolving fund); (ii) reimburse MPWH ex post after work has been completed; or (iii) at least for certain works, pay contractors directly after certification that work has been completed according to specification. In the case of force account work, recommend what steps might be taken to ensure that the work has been carried out to an acceptable standard.
- (13) Since it is expected that the municipalities will eventually become entitled to receive money from the RMF, recommend how these funds should be divided between the various municipalities. Also recommend whether the funds should be transferred to finance selected projects on a cost-share basis, or whether the municipalities should have freedom to use the funds on any road works. In the case of cost-sharing, recommend how this should be done to reflect, to the extent possible, the needs of each municipality and their ability to finance the counterpart contributions.
- (14) Recommend the type of internal audit procedures (both technical and financial) which might be used by the RMF to ensure, on an ongoing basis, that all work financed through the RMF conforms to the Annual Road Program and has been carried out according to the contract conditions and specifications.
- (15) In consultation with the Auditor General's Office, agree on the procedures to be followed in auditing the RMF, whether this should be done on a quarterly and annual basis and whether private sector auditors would have to be used to complete the audit within 3 months after the end of the fiscal year. Also prepare the terms of reference to be used for the audit.
- (16) Recommend the format for regular reports to be prepared by the secretariat, including the Annual Report and prepare sample layouts for use by the RMF staff.
- (17) Recommend and procure under this contract any equipment and other bought out services required to make the RMF operational. It is expected that this might include: (i) three computers; (ii) one printer; (iii) one photocopier; (iv) one fax machine, and (v) connection to a recognized email carrier compatible with that used by the Government of Jordan. MPWH for the time being will provide office space and furnishings for the secretariat.

The above tasks should be undertaken in close cooperation with the staff of the RMF. Since this is an evolving institution, the consultants are not expected to slavishly follow the above terms of reference. The Executive Secretary of the RMF may request the consultant to reduce the effort on some

items, to increase it on others, or to study new issues as they arise. In other words, the consultants are expected to work as advisers to the RMF and are not simply being recruited to write a report.

The consultants are also expected to recommend training for RMF staff required to fill any identified skill gaps noted during the course of the assignment. It is expected that at least four persons from the RMF and the board would attend the one-week course on “Road Financing and Road Fund Management” offered by Birmingham University, UK. The course is held in April each year and one group could attend in 1999 and the other in 2000.

#### **4. Staffing**

It is expected that the consultants team would include persons with experience in road fund management, accountancy and financial analysis, and transport planning and economics. It is a specific requirement of this terms of reference that the consultant includes in the team one person with a detailed knowledge of road fund management, either by virtue of having worked for a (second generation) road fund, or by virtue of having studied and visited such road funds. It is expected that the consultants would work intensively with the RMF staff for about 3 months and then provide intermittent support, at the request of the Executive Secretary of the RMF, over the next 21 months.

#### **5. Timing**

The services described in this terms of reference are expected to start within 4 weeks of signing the contract for this assignment. The major inputs to the assignment are expected to be made early on during the assignment which will stretch over a period of 2 years from the starting date.

#### **6. Reporting**

A brief inception report should be presented 4 weeks after starting the assignment, listing any additional comments on the terms of reference, problems encountered and steps taken to overcome these problems. Thereafter, the consultant will be expected to submit operating manuals for use by RMF staff. The titles of the manuals and their proposed dates of submission should be listed in the inception report.

In addition, the consultant should submit an Action Plan for implementing the procedures covered in the operating manuals prepared under this assignment. The consultant may also be required to submit other reports, or draft regulations, etc., at the request of the Executive Secretary of the RMF.

#### **7. Resource Requirements**

It is proposed to let this contract on a fixed fee basis of \$300,000, including a contingency of \$30,000 to cover unforeseen items not included in the consultants proposal. The net sum, \$270,000 should cover the following items:

- (i) Fees, service travel and allowances for the consultant’s staff, plus a small budget for literature, training equipment (if any), preparation of reports/manuals and any other documentation.
- (ii) Costs of equipment and other bought out services required to support the RMF secretariat.
- (iii) The costs of 4 persons attending the Birmingham University training course on road fund management. Course fees during 1998 were \$3,000 and covered accommodation, lectures, reception and course materials. Travel is additional.





# **TECHNICAL ASSISTANCE TO SET UP A ROAD FUND SECRETARIAT, PAKISTAN**

## **1. Introduction**

The Road Fund Cell will be the precursor to the Road Board and its Secretariat. It will initially be staffed by a 3 person team of advisors led by the Team Leader, and including a Financial Management Expert and a Technical Expert:

The team will be expected to oversee the development and putting in place of all financial and technical systems needed to manage the Fund according to sound commercial principles, including the following main objectives:

- i.) Ensure all user charges due to the Fund have been collected and deposited into the designated bank account.
- ii.) Maintain proper accounts and records of all transactions through the Fund and provide reports as required by law and as otherwise requested by the Board.
- iii.) Ensure that all disbursements made by the Fund are to finance those civil works and administrative costs which form part of the approved program and that work is done to an acceptable standard

## **2. Objectives**

The objectives of the Road Fund Cell are to assist the MO Communications, Roads Board and the Secretariat to:

- (i) champion and coordinate the development and adoption of legislation for establishment of the Road Fund and the Road Fund Board (based on background work already completed through the 1997 Road Fund Country Workshop and subsequent NHA managed Road Fund Study).
- (ii) establish a mechanism for revenue collection and distribution through the Board.
- (iii) establish, organize and manage the road fund during the initial period;
- (iv) develop suitable systems and procedures for managing the road fund (on both the revenue and expenditure sides) and tracking expenditures to ensure the road fund gets value for money from any funds disbursed from the road fund;
- (v) prepare manuals setting down the recommended operating systems and procedures for use by the secretariat;
- (vi) train staff in the secretariat in the use of these systems and procedures and recommend any required staff training;

## **3. Scope**

The Cell's Scope of Work shall include the following tasks:

- (1) Review the responsibilities of the board as proposed in the draft legislation (which day-to-day responsibilities should be delegated to the secretariat, and the relationship between the head of the secretariat and the board).
- (2) Define the relationship between the board, the parent ministry and other concerned ministries, and how these relationships might change over time, when provincial road agencies become entitled to receive some money from the RMF.
- (3) Review the proposed staffing of the secretariat, bearing in mind that the secretariat should not consist of more than about 4-5 technical staff and should have knowledge of highway engineering, transport planning and accounting. Prepare/update job descriptions for these staff.
- (4) Develop procedures for collecting and depositing the revenues assigned to the RMF into the road fund bank account. In consultation with ministry of finance, agree on whether the revenues can be deposited directly into the road fund account, (without transit through the consolidated fund). Also agree on whether the funds can be deposited into a commercial bank account, or need to be deposited into an account with the Central Bank .
- (5) Recommend procedures to be followed by Road Agencies in preparing their Annual Road Programs and the manner in which these should be reviewed and endorsed by the board. Since the RMF will only finance items forming part of the Annual Road Program, recommend the procedures to be followed when amending the Program to take account of unexpected changes in road maintenance requirements. Also suggest the procedures which might be followed by the provinces when they become entitled to receive money from the RMF.
- (6) In consultation with ministry of finance, agree on procedures to be followed by the board when considering the desirability of raising the level of the road tariff. Also specify what information needs to be submitted to ministry of finance to support requests to raise the road tariff.
- (7) Recommend the type of out-reach program which should be adopted by the board to win public support for more road funding and to assure the public that the revenues from the RMF are producing value-for-money. In this context, consider the use of press releases and press conferences, regular news letters and signs posted at work sites.
- (8) Develop and introduce appropriate financial accounting and control procedures which conform with acceptable international accounting principles. The systems should be capable of tracking changes in the RMF's revenue base, the revenues it should generate and reconcile this estimate with deposits made into the road fund bank accounts. The systems should also be able to project future revenues, expected disbursements and the RMF's overall cash balance.
- (9) Since revenues will not always match disbursements, recommend how short term borrowing should be handled and also what might be done with any cash surpluses, bearing in mind that they should only be invested in short-term, low-risk financial instruments.
- (10) Recommend how funds should be disbursed to the Road Agencies to finance their Annual Road Programs and whether this should be done: (i) in advance, based on agency estimates, and justified ex post before the next deposit was due (i.e., the RMF would operate a revolving fund); (ii) reimburse road agencies ex post after work has been completed; or (iii) at least for certain works, pay contractors directly after certification that work has been completed according to specification. In the case of force account work, recommend what safeguards and steps might be taken to ensure that the work has been carried out to an acceptable standard.

- (11) Since it is expected that the provincial road agencies will eventually become entitled to receive money from the RMF, recommend how these funds should be divided between the various agencies.
- (12) Recommend the type of internal audit procedures (both technical and financial) which might be used by the RMF to ensure, on an ongoing basis, that all work financed through the RMF conforms to the approved Annual Road Programs and has been carried out according to the contract conditions and specifications.
- (13) In consultation with the Auditor General's Office, agree on the procedures to be followed in auditing the RMF, whether this should be done on a quarterly and annual basis and whether private sector auditors would have to be used to complete the audit within 3 months after the end of the fiscal year. Also prepare the terms of reference to be used for the audit.
- (14) Recommend the format for regular reports to be prepared by the secretariat, including the Annual Report and prepare sample layouts for use by the RMF staff.
- (15) Recommend and help procure any equipment and other bought out services required to make the RMF operational. This might include: computers; printer; photocopier; fax machine, and connection to a recognized email carrier compatible with that used by the Government. MoComm for the time being will provide office space and furnishings for the secretariat.

The above tasks will be undertaken in close cooperation with the RMF staff. As a matter of policy, the selected advisors will, subject to their interest and availability, be given first preference in the future staffing of the Roads Board Secretariat.

#### 4. Staffing:

The 3 person advisory team is expected to include:

- a Team Leader [**Position to be advertised internationally**] (graduate with technical, legal or financial background, with excellent interpersonal and communications skills, 10-15 years management and professional experience – demonstrated commitment to/ standing in, the transport sector; familiarity with key stakeholders and road user groups e.g. Chambers of Commerce and Industry, Truckers and Bus Transport Associations, Freight forwarders, Agricultural growers, Industrial interests, concerned ministries/departments, etc.; detailed knowledge of road fund management, either by virtue of having worked for a modern commercially managed road fund, or by virtue of having studied and visited such road funds and familiarity with the government internal procedures would be a distinct advantage )
- one Financial Management Expert (Chartered Accountant, with at least 10 years professional experience in accountancy and financial analysis), past exposure to government revenue collection and allocation mechanisms, technical and financial audits, and fuel pricing/road user taxation would be an advantage;
- one Technical Expert (graduate Civil Engineer, with at least ten years professional experience, including exposure to transport planning and economics). Previous experience working in or with public (preferably road) sector institutions, and exposure to vehicle operating cost analysis and road maintenance issues would be an advantage.

It is expected that the advisors would work intensively with the RMF staff for about 3-4 months and then provide intermittent support, at the request of the Executive Secretary of the RMF, over the next 12 months.

## **5. Timing**

The services described in this terms of reference are expected to start within 4 weeks of the formal engagement of these experts. The major inputs to the assignment are expected to be made early on during the assignment which will stretch over a period of 15 months from the starting date.

## **6. Reporting**

A brief inception report should be presented by the team 2 weeks after starting the assignment, listing any suggested modifications to the terms of reference, problems encountered and steps taken to overcome these problems. Thereafter, the team will be expected to submit operating manuals for use by RMF staff. The titles of the manuals and their proposed dates of submission should be listed in the inception report.

In addition, the team should submit an Action Plan for implementing the procedures covered in the operating manuals prepared under this assignment. The team may also be required to submit other reports, or draft regulations, etc., at the request of the MoComm or the RMF Board.

# **TECHNICAL ASSISTANCE FOR THE ESTABLISHMENT OF A ROAD MAINTENANCE FUND, LAOS**

## **1 Introduction and background**

Transport sector development in Lao PDR has been a high priority of the Government to facilitate national and regional integration and overall development of the country. Considerable investments have been made to improve the road network. To ensure the preservation of these investments, the Government of Lao PDR has started to change the focus from road investments to road maintenance.

The change of focus started in February 1998 when a seminar was arranged on road management and financing. Following on from this, a review team from the World Bank carried out a study in Lao of the issues involved during May and June 1998. The Government confirmed its commitment to the process, based on this study, and increased its expenditures on road maintenance. A second World Bank team then carried out a study of the required long-term funding needs, in November 1998, during the supervision mission for the on-going Second and Third Highway Improvement Projects. A draft action plan for introducing a road maintenance fund was drafted by the Ministry of Communications Transport Post and Construction (MCTPC). A study tour was undertaken in Zambia and Ghana in February 1999 by a team of Lao Government representatives to familiarise themselves with the establishment and activities of their road funds. Representatives from MCTPC participated in the international course on 'Innovations in road management and financing' at the University of Birmingham in the United Kingdom in 1999 and 2000.

In 1999, a consultancy was undertaken financed by the Government of Japan and administered by the International Development Association. This assisted the Government in establishing a formal policy for establishing a Road Maintenance Fund, and recommended administrative and financial management arrangements for a Fund. The consultancy also drafted a Ministerial Decree, identified risks, and put forward an outline action plan and capacity building programme required to establish a fund. Further work was undertaken under this consultancy in June 2000, when draft operational procedures for the Road Maintenance Fund were prepared. A Prime Ministerial Decree was issued in [??] 2000 to establish a Road Maintenance Fund.

## **2 Objectives of the proposed assistance**

Technical assistance is now required to assist with the implementation of the Road Maintenance Fund in Lao PDR. The objectives of the assistance are to:

- (i) Assist MCTPC to implement the Road Maintenance Fund
- (ii) Undertake capacity building within MCTPC

## **3 Scope of work**

The nature of the assignment means that a flexible approach will need to be taken to identify and meet the needs surrounding the implementation of the Road Maintenance Fund, recognising that these may change as the assignment proceeds. The key to success depends on the competence of the team put forward, since they are expected to adopt a 'process consultancy' approach. However, to meet the project objectives, it is envisaged that the following activities will need to be undertaken.

- (i) Undertake a detailed financial analysis of the funding requirements to determine an equitable road user charging mechanism between different types of charges and vehicle types, and cash-flow forecasts for the proposed fund over the first five years of its operation. Recommend changes to the initial levels of charging that reflects the results of the analysis.
- (ii) Assist MCTPC to finalise the supporting regulations for the establishment of a Road Maintenance Fund.
- (iii) Review the proposed structure of the Road Maintenance Fund Board and Secretariat in the light of the Road Maintenance Fund Decree, recommend any changes, and assist MCTPC in appointing members of the Board and Secretariat.
- (iv) Assist the Secretariat to update the draft Road Maintenance Fund operational procedures in the light of any changes that have taken place since they were drafted and of any other relevant factors.
- (v) Assist the Secretariat to specify and procure systems to support the management of the Fund
- (vi) Assist the Secretariat in trialling the procedures and systems proposed to implement and manage the Fund, recommending improvements where these are necessary.
- (vii) Assist the Board and Secretariat in formulating and undertaking a public awareness campaign related to the Fund.
- (viii) Undertake an institutional appraisal and training needs assessment of those parts of MCTPC involved in administering the fund, and of road administrations receiving money from the Fund. Recommend training and capacity building programmes for these bodies to meet the needs identified.
- (ix) Undertake capacity building and training of MCTPC and road administrations, based on the above, as agreed with MCTPC.

#### **4 Consultants**

The consultants selected for this assignment will be engineering/management consultants with a proven track record of managing the implementation of a road fund within a road administration. Representatives of a road administration that operates a 'second generation' road fund will be members of the consultant's team.

The consultants should appoint a team leader who will be expected to co-ordinate the consultancy and training work. Specialists will support the team leader in making specific consultancy or training inputs. The key to the selection of the consultants will be the qualities and experience of the personnel assigned to the project team.

The consultants will report to the Ministry of Communication Transport Post and Construction, and will work closely with the Project Monitoring Division.

#### **5 Budget and timing**

It is estimated that the consultancy will require 48 staff-months over a three-year period. The team leader should be based full-time in Lao PDR for the first two years and be supported by short-term inputs from other team members. During the third year, the team leader should expect to make two visits to Lao, each for two to three weeks to monitor progress and to offer continuing advice.

## **6 Data, services and facilities to be provided to the consultants**

It is considered important the consultant's staff are accommodated within the offices of the Department of Roads to facilitate the process consultancy approach. As such, office accommodation will be provided.

The consultants should identify in their proposal any other data, services and facilities that should be provided by the recipient organisation.

## **7 Reporting**

As a technical assistance project adopting a process consultancy approach, reporting is not a major output from the assignment. However, a key deliverable will be a project inception report to be provided after one month. In this, the consultant will provide a detailed programme of work to be undertaken over the course of the assignment, based on an initial appraisal of project needs. The proposals in this report will be discussed at a project review meeting between the consultants and MCTPC. The outcome of this review will be an agreed programme of work that will then form the contractual scope of work for the remainder of the project.

There may be a need to produce technical reports to support specific activities or decisions that need to be taken. A final report should also be produced, summarising the activities undertaken, and making any recommendations for the future.

The consultant should also provide brief monthly progress reports.

Reports should be presented in five copies, plus a loose original hard copy and a copy on computer diskette in appropriate format to be defined by MCTPC. All reports should be prepared in both Lao and English.

#### **4: MISCELLANEOUS TORs DEALING WITH ROAD FINANCING AND ROAD FUNDS**

**This section includes four examples dealing with different aspects of road financing. The first looks at how funds might be effectively channeled to local government road agencies; the second examines various ways of dividing revenues between local government road agencies (urban and rural district councils); the third examines ways of paying vehicle license fees and international transit fees directly into the fund's bank account (instead of having them transit via the ministry of finance); while the final one deals with a study tour to examine selected examples of independent road fund administrations.**

### **DEFINING WAYS TO CHANNEL FUNDS TO SUPPORT MAINTENANCE OF LOCAL GOVERNMENT ROADS, MOZAMBIQUE**

#### **1. Introduction**

The government has decided that up to 10 percent of the Road Maintenance Fund established under Decreto No. 45/89 should in future be channeled to selected municipalities to help them maintain the municipal roads under their jurisdiction. Maintenance supported by the Fund will include routine, periodic and emergency maintenance. This transfer is not designed for expenditure on road rehabilitation and construction, which is expected to be financed separately under one or more donor-financed rehabilitation programs.

The initial number of municipalities to be supported under this arrangement is still to be decided. It is expected that once a system to channel funds to the municipalities is well established the mechanism will be increasingly extended to include rural district councils.

There are at least four ways of channeling funds for road maintenance:

- (i) Responsibility for maintaining municipal roads could be vested in the National Directorate of Roads and Bridges (DNEP) until such time as the local authorities attained sufficient capacity to carry out the work themselves. This option would not build local capacity and would work against the stated intention to decentralize more responsibilities to local government.
- (ii) The funds could simply be transferred into the bank account of each municipality which would then be left to decide what to do with the funds. This option is unlikely to improve maintenance of municipal roads, since it would not be possible to ensure that the funds were spent on road maintenance (rather than being spent on other programs or on paying salaries).
- (iii) Each municipality could be requested to submit an annual maintenance program, funds could be transferred to the municipalities to finance the program, the outcome could be audited, and the results of the audit could be used to decide on any future allocation of funds. This is unlikely to succeed at the present time, since the municipalities do not currently have the technical capacity to prepare acceptable maintenance programs.
- (iv) The proposed National Roads Board could specify how the municipal maintenance programs are to be prepared, it could review and approve the programs prepared by (or



for) the municipalities, and could disburse funds to finance the approved expenditure programs.

## **2. Purpose**

The purpose of this study is to devise and help implement an effective, efficient and equitable mechanism for disbursing a portion of the Road Fund to selected municipalities with a view to improving the maintenance of all Mozambique's local government roads.

## **3. Objectives**

It has been decided that option (iv) is most likely to produce satisfactory results and consultants are now being recruited to:

- (a) advise on how the available funds should be allocated between the various municipalities;
- (b) work out the detailed procedures to be used to prepare the annual road maintenance programs;
- (c) prepare an implementation program to implement the procedures in two pilot municipalities (probably Maputo and Nampula) to be decided by the National Road Board, based on recommendations submitted by the Ministry of State Administration (MAE);
- (d) monitor implementation of the program in the two pilot municipalities;
- (e) use the results of the pilot program to revise and finalize the procedures to be used by the municipalities;
- (f) organize a workshop to explain the procedures to all qualifying municipalities prior to introducing the procedures throughout the country; and
- (g) advise on the application of the methodology to support the maintenance of rural district roads.

The study will be managed by the National Directorate of Roads and Bridges (DNEP) and will be financed under ROCs II. DNEP will nominate a responsible officer to liaise with the consultant.

## **4. Scope of Work**

The World Bank funded Local Government Reform and Engineering Project (PROL) managed by the MAE is likely to be able to provide a great deal of background information for the study. The consultant will be expected to carry out the following tasks:

### **For all Municipalities**

- (i) Review to what extent central government is transferring funds from the consolidated budget to municipal authorities and what formula, if any, determines the level of support to each authority.
- (ii) Review the current nominal and actual role of municipal authorities in providing infrastructure services to their constituents, including their sources of revenue,

expenditure patterns, methods of prioritizing expenditure between and within sectors and their accountability to the public. Advise on the scope for municipalities to share the costs of road maintenance with the road fund. Suggest ways in which cost sharing with the private sector or community organizations might be achieved for road improvement and construction.

- (iii) Estimate the length of classified and unclassified roads under the jurisdiction of all municipal authorities. By using the actual condition of municipal roads identified in the pilot authorities, estimate the broad order of magnitude of the rehabilitation and maintenance needs for all municipal roads in Mozambique.
- (iv) Establish whether municipal authorities are currently undertaking any road maintenance. If so, identify what kind and how much is being done, by whom and what supervisory mechanisms exist.
- (v) Devise a simple formula [taking into account any existing mechanism identified in (i) above] for allocating that money set aside for local roads between the selected municipalities and the level of matching funds, and how the level of matching funds might be estimated for each municipality. The formula should endeavor to reconcile the needs of a locality with the capacity of that same locality to spend the funds effectively. Minimizing data requirements is to be a key consideration. Reference should be made to methods of allocating funds to local authorities currently in use in other SSA countries, such as South Africa and Tanzania. Recommend a mechanism for reviewing and changing this formula in the light of experience, whereby actual need rather than other more general criteria becomes the dominating factor.
- (vi) Advise on how the proposed National Roads Board should oversee the municipal authorities, consultants and contractors and what technical and financial auditing procedures should be used.

#### **For the pilot municipalities**

- (i) Collect data on the length and condition of all roads under the nominal jurisdiction of the selected local authorities, traffic use and engineering costs of routine, periodic and emergency maintenance.
- (ii) Assess the technical and professional capacities of the municipal authorities to prepare and manage the maintenance of roads for which they are responsible. Advise on whether it would be feasible and cost-effective to strengthen their capacity to prepare and manage their road maintenance programs.
- (iii) Evaluate the technical and professional capacities of existing locally based consulting firms in relation to their ability to manage municipal roads on behalf of the selected local authorities. Suggest ways in which such consultants might be strengthened to act on behalf of the selected municipalities, particularly in terms of broadening their professional skills outside the purely engineering field.
- (iv) In the light of (ii) and (iii), recommend whether the management of the road maintenance in each of the two pilot authorities should be conducted by the authority itself or by a firm of consultants

- (v) Suggest procedures for disbursing funds to finance the approved road maintenance program. Should the road fund pay contractors directly after certification by the municipality and/or consultant that the work had been completed satisfactorily, or should funds be placed in a municipal bank account from which it can only be drawn when cheques have been signed by both the municipality and the consultant.
- (vi) Evaluate the technical and professional capacities of existing locally based contracting organizations. Contractors might be parastatals (ECMEP and CETA), or private enterprises already dealing in roads or from the building industry in general. The ability of such organizations to provide labor based works for routine and recurrent maintenance should be examined. How might the role of contractors be strengthened in terms of training or improving access to resources? Comment on the suitability of the standard contract document devised under ROCS I for use on the maintenance of municipal roads.
- (vii) Advise on the possibility of applying a similar model for the road fund to support rural district councils to effect maintenance of rural roads.

#### **For Rural District Roads**

- (i) By examining three to five rural districts as examples (location and exact number to be decided by the MAE), evaluate the scope for employing the same methodology to support rural road maintenance.
- (ii) Identify any additional constraints to ensuring that funds are used efficiently and effectively and suggest how the mechanism recommended for use in the municipalities might be adapted to overcome these additional constraints.
- (iii) Comment on the extent of unclassified network in the chosen districts and the scope for cost sharing for construction and maintenance with community based organizations.

### **5. Timing and Reporting Arrangements**

The study is expected to begin as soon as possible. The duration of the pilot project is to be decided in consultation with the proposed National Roads Board and the municipalities themselves. It is thought likely that the pilot phase will last for a year as other municipalities will rightly feel aggrieved if funding is not made more widespread as soon as possible. Work on the examination of rural district roads is to begin during the monitoring of pilot municipalities phase only.

The following outputs are required :

- (i) hard copies of a draft report on the recommended procedures for disbursing and accounting for the transfer of roads user charges to the municipalities together with a detailed implementation plan for the pilot studies within 45 days after commencement of work. The report is to have an executive summary. The client will review and return the document within 14 days.
- (ii) hard copies and diskettes (MS word) of six monthly and draft final monitoring reports for the pilot municipality projects. The draft final report is to make recommendations for the incremental scaling up of the system and a proposed program for the workshop. The client will review and return the final report and workshop program only within 14 days.

- (iii) hard copy workshop programs to be disseminated to participants at least one week prior to workshop.
- (iv) Production and dissemination of minutes of the workshop to participants within one month.
- (v) hard copies of a separate draft report on the recommended procedures for disbursing and accounting for the transfer of roads user charges to rural district councils by the time of the workshop. The report is to have an executive summary. The client will review and return the document within 14 days.

## **6. Staff Skills and Resources Required for the Assignment**

Included within the consultant's proposal is to be the number and type of personnel to be used on the study, together with their curricula vitae. The provision of the same personnel throughout the study period is to be guaranteed. If the consultant is foreign, he is strongly urged to associate with a local consulting firm for purposes of doing the work. The consultants' expertise will include local government planning, road sector reform and a thorough understanding of the institutional framework for the provision of infrastructure in Mozambique.

The objectives identified for the study in para 3 above are expected to require the following inputs:

- |       |                        |                   |
|-------|------------------------|-------------------|
| (i)   | objectives (a) and (b) | 8 to 10 man weeks |
| (ii)  | objective (c)          | 4 man week        |
| (iii) | objective (d)          | 4 man weeks       |
| (iv)  | objective (e)          | 2 man week        |
| (v)   | objective (f)          | 2 to 4 man weeks  |
| (vi)  | objective (g)          | 2 to 4 man weeks  |

## **7. Services to be Provided by DNEP**

DNEP will provide all relevant reports and data to the consultant but the consultant will remain responsible for the interpretation of that information.

Further, DNEP will provide introductions to, and liaise with, other relevant central and local government departments to facilitate the consultant's work.

# **DIVIDING REVENUES BETWEEN URBAN AND RURAL DISTRICT COUNCILS, TANZANIA**

## **Background**

1. By the mid-1980s, Tanzania's severely deteriorated road network emerged as one of the most critical constraints to the sustainability of the Government's economic recovery program. In response the Government formulated a comprehensive strategy designed to rehabilitate and improve priority trunk and rural roads; strengthen their administration and management in order to maintain the rehabilitated roads in good condition; enhance road maintenance capacity in the country through promotion and use of local contractors; and improve resource mobilization and allocation in order to increase the overall size of the road budget and allocate adequate funds for road maintenance. To implement this strategy, the Government of Tanzania formulated a ten-year integrated roads program, which clearly defined physical and financial targets for rehabilitation and upgrading of roads and for Government funding of maintenance.

2. To improve resource mobilization and allocate adequate funds for rehabilitation and maintenance of trunk and regional roads, the Government created a Roads Fund, with effect from July 1, 1991, funded by fuel taxes. Subsequently, in 1992, a second, Local Government Roads Fund was established to finance the rehabilitation and maintenance of town and district roads. In October 1993 a third fund was established specifically for roads in Dar es Salaam. As of now, of the TSh 30 per liter fuel toll, TSh 20 go to trunk and regional roads, TSh 5 to roads in Dar es Salaam, and Tsh 5 to other urban council and rural district and feeder roads. This study is concerned with the methodology for the allocation and use of the funds for the last category. It will-focus in particular on the criteria for evaluating and prioritizing investments in low volume rural roads in Tanzania.

## **Objectives of Proposed Study**

3. Agreement is to be reached during negotiations with IDA on the Second Integrated Roads Project (IRP II) that the allocation of funds from the Local Government Roads Fund to the districts will be based on needs and capacity criteria. This study will provide the information necessary to implement such an agreement. It will review how funds are presently allocated; suggest objective criteria for allocation based on need and capacity and for which reasonable data are available; examine the capacity of and training and field assistance needs for district planners and engineers to administer a new system; and develop a system of monitoring that can feed back into the allocation process in subsequent years.

## **Scope of the Study**

4. The study will begin by reviewing the allocations that have been made so far from the Local Government Roads Fund. It will describe (with copies of relevant documents) the system for inviting requests, the criteria used for selecting among the requests, and the existing audit and control mechanisms. The study should also seek to determine the capacity of the districts to request and use funds, i.e. what staff are available, with what training; and the extent to which private contractors are already being used in rural districts.

5. In order to allocate funds appropriately, the districts need a method of ranking their roads according to criteria which reflect their priorities, as well as those of the national government. The ranking could result in district road network plans, which could then be used in determining the allocations from the Local Government Roads Fund. The study will review criteria already in use in Tanzania and evaluate their usefulness. It will also explore various other criteria that could be used and

review the availability of the data their use would require. Based on these considerations, the study will recommend a set of criteria to be used for allocations under the Local Government Roads Fund (as well as for other investments).

6. In FY1992/1993 one-quarter of the Local Government Road Fund went to rural districts, and three-quarters to towns, including Dar es Salaam. The latter now has its own fund. Given the difficulty of identifying criteria that would permit the ranking of urban and rural roads on the same scale, this study should make a recommendation as to the advisability of splitting the Local Government Roads Fund into two parts, urban and rural.

7. The rest of these terms of reference refer largely to rural roads, although the same process of finding criteria for ranking roads, developing a road network, and establishing procedures should be applied to town council roads as well.

8. Criteria already developed for ranking road projects in Tanzania include those already in use for trunk and regional roads (which, however, while based on readily available data, rely heavily on traffic counts, which may not be relevant for low volume roads); the methodology presented in Annex 4-4 of the appraisal report for IRP; the method used to develop the road network plan in Makete district; and methods used by other donors active in the roads sector in Tanzania, particularly NORAD, DANIDA, FINNIDA, SDC, the Irish Bilateral Aid Program and GTZ, as well as by the ILO. Of particular interest is how they deal with the potential impact of the road on agricultural output and whether they make an effort to involve the local community in setting priorities. This study should describe how the other methods set priorities, indicate how they differ from the Economic Index already in use by MWCT ( $EI = [ADT * \text{expected change in roughness}]/\text{cost}$ ) for determining regional road rehabilitation and upgrading priorities, and comment on whether they are simple and robust enough to be used at the district level.

9. The study will also review, on a selective basis, methods used successfully in other parts of the world (e.g., in Colombia, Philippines and Indonesia) and examine how they deal with the impact of the roads on agricultural productivity, as well as ways in which they attempt to involve local communities in setting priorities.

10. An overriding consideration in choosing criteria is to keep them simple, in terms of both data requirements and ease of understanding their meaning. Different criteria will be needed for urban and rural roads. Criteria to be considered could include the following:

(i) Extent of the road network:

- ◆ No. of km of district roads.
- ◆ No. of km of district roads per square km (road density).
- ◆ Links to the rest of the road network.

(ii) Accessibility constraints:

- ◆ No. of structures (culverts, bridges) at bottleneck points.
- ◆ Condition of roads (e.g. no. of months during which road is passable).

(iii) Measures of use:

- ◆ Vehicle km (trucks, cars)
  - ◆ Marketable agricultural output and potential output.
  - ◆ Area of cultivated land.
- (iv) Engineering costs of rehabilitation.
- (v) Socio-economic factors:
- ◆ Population.
  - ◆ Population density.
  - ◆ Importance of road for links to education, health and administrative services.
- (vi) Capacity of districts:
- ◆ to raise revenue for possible cost sharing, as an incentive for self reliance (what are sources and collection rates?).
  - ◆ to apply for, use and account for funds.
  - ◆ to undertake maintenance by contract (number of firms available to bid).
  - ◆ to provide appropriately priced labor for labor intensive maintenance.

The study will recommend a feasible set of criteria and a point system or formula for weighting them, in consultation with PMO and MWCT.

11. The study should also investigate ways in which local communities could be involved in the setting of rural road priorities. This involvement could take the form of locally established priorities, as an index, or as one of several considerations set out in the form of a multi-criteria impact table.

12. Next the study will suggest detailed procedures to be used in allocating the Local Government Roads Fund, including the preparation of road network inventories, call for proposals, the review process, the allocation process (based on the criteria selected, as well as the quality of the proposals), and the monitoring and audit process (including the role of the Regional Roads Boards). Samples should be prepared of any new forms or tables to be required. The study should also identify any legislation which must be passed or other actions that would be needed to implement its recommendations.

13. The study should specify the training needs in order for the recommended program to be carried out in the field. It should also estimate the need for support in the field once the system is implemented.

14. The study should also make a recommendation on whether a fixed amount of the Local Government Roads Fund allocations should be used to carry out the initial road network inventory once the districts have the capacity to undertake this work.

## **Conduct and Timing of the Study**

15. The consultant should seek advice from people knowledgeable about the condition and financing of Tanzania's transport sector, as suggested by the Prime Minister's office and Ministry of Works, Communications, and Transport. He or she should also visit some representative districts in order to obtain the views of local government councils, citizens' groups and district engineers and planners. Contact should also be made with regional engineers and planners. The recommended methodology should be discussed with the PMO and the MWCT, as well as with a selection of regional and district engineers to confirm that it is feasible in the framework of existing data availability and staffing constraints. The findings of the study should be presented in detail and summarized in a short report with an executive summary.

16. An interim report, listing the main recommendations, should be ready by mid-December, 1993. The final draft report with diskette (WP5.1) should be submitted by January 14, 1994.

17. Once approved, the recommended methodology will be prepared by MWCT (in conjunction with PMO) in the form of "guidelines" or "directives" to be used for soliciting funds.

## **Qualifications of Consultant**

18. The consultant selected to carry out this study should have a background in transport economics, with an understanding of finance and engineering issues as relevant to the management of the Local Government Roads Fund and the measurement of road conditions. The consultant should be familiar with the local government system in Tanzania and with the duties and responsibilities of the various actors involved.



# **PAYING VEHICLE LICENSE FEES AND INTERNATIONAL TRANSIT FEES DIRECTLY INTO THE ROAD FUND ADMINISTRATION ACCOUNT, TANZANIA**

## **Introduction**

The Parliamentary Resolution which established the Road Fund, stated that the revenues of the Fund should include “various levies and duties from motor vehicles such as licenses, registration and transferring of vehicles, ...” None of these charges are currently being paid into the Fund and the sole source of Road Fund revenue remains the road toll which is administered as a surcharge added to the price of diesel and gasoline. Following consultations with the Ministry of Finance, it has now been agreed that a supplementary heavy vehicle license fee and international transit fees should in future be paid into the Fund. The purpose of the present consulting assignment is therefore to: (i) propose an appropriate fee structure for the heavy vehicle license fees, based on GVW or axle-weight; (ii) work out the administrative arrangements which need to be put in place to enable the heavy vehicle license fee and international transit fees to be paid into the Road Fund account; and (iii) suggest ways in which collection of the fees might be improved to reduce evasion, avoidance and leakage.

## **Scope of Work**

The consultant is expected to carry out the following tasks:

- (ii) Review existing arrangements for collecting both license fees and international transit fees and transferring the proceeds into the MOF Bank account in Dar es Salaam.
- (iii) Propose an appropriate structure for the heavy vehicle license fees which would only be paid by trucks with GVWs over 3.0 tons.
- (iv) Evasion and avoidance of license fee payments is known to be high. The consultant should therefore propose ways of administering the new fees. To improve revenue administration, the consultant should also consider ways of strengthening the existing collection system, having the fees collected on a contractual basis, or taking other steps to minimize evasion and avoidance.
- (v) Propose how the proceeds from the heavy vehicle license fees should be transferred to the MOF account in Dar es Salaam and from there to the Road Fund account.
- (vi) Review the fees collected from international vehicles entering Tanzania and comment on:
  - (a) their consistency with the harmonized fee structure laid down by PTA/SATCC; and
  - (b) whether there is scope for reducing/simplifying the number of fees payable in the context of the PTA/SATCC agreements.
- (vii) It is also known that the revenue collected from international transit fees is well below the levels suggested by current traffic levels. The consultant should therefore attempt to identify the main reasons for loss of revenue and should examine the effectiveness of arrangements used in Zambia, Zimbabwe, Malawi and other countries to improve revenue collection (until 1992 Zambia used BP to collect these fees, the Confederation of Industries collects them in Zimbabwe and the Chamber of Commerce does so in Malawi).

- (viii) Based on (vi) above, bearing in mind the proposals put forward by the recent PTA/SATCC study group on international transit fees, recommend practical arrangements for collecting international transit fees and transferring the proceeds to the MOF account in Dar es Salaam and from there into the Road Fund account.

## **Work Methods**

The study will be carried out by a team of three persons. There will be a lead consultant who will be an individual consultant recruited in Tanzania. The lead consultant would be responsible for preparing the final report for presentation to government. The other two members of the team would include one person seconded from the Revenue Division of MOF and another supplied by Fedhaul in Zambia and conversant with transit fee arrangements throughout the PTA region. The lead consultant would be responsible for preparing the detailed work program.

The study is expected to take two months and could start within four weeks. The study would be financed by the RMI program which would also be responsible for supervising the work of the consultants.

# **STUDY TOUR TO VISIT THE GHANA AND ZAMBIA ROAD FUNDS**

## **Introduction**

The Directorate of Roads (DOR), which forms part of the Ministry of Public Works (MoW) in Lebanon, has been examining various ways of improving the management and financing of the classified road network as part of the ongoing World Bank financed National Roads Project. Among other things it has been examining ways of: (a) strengthening the institutional performance of DOR; (b) improving the way in which maintenance works are procured; and (c) financing the road network, including use of tolled maintenance concessions and second generation road funds.

Since the above developments are relatively new, and little is known about them in Lebanon, MoW has decided to send a small team to review experience with these options in other countries. Topics to be studied include:

**[The ToR also covered Autonomous Highway Authorities and Tolled Maintenance Concessions, but these have been omitted.]**

- (i)
- (ii)
- (iii) Second generation road funds (Ghana Road Fund and Zambia National Roads Board).
- (iv)

Much of this experience has already been summarized in Commercial Management and Financing of Roads, World Bank Technical paper 409 (particularly chapters 8 and 9), which is available from the PIU. It is also available on the World Bank's web page ([www.worldbank.org/transport](http://www.worldbank.org/transport)) under Road Financing and Road Funds, and Institutional Road Management. All members of the study tour are expected to read these summaries before participating in the study tour.

A consultant will accompany the study tour and will prepare a report on "lessons learned" during the study tour. On return, the group will report back to a wider audience through a small workshop to discuss whether any of the examples studied might apply to Lebanon and, if so, how they might be implemented. The participants at the workshop will include DOR staff from headquarters and the Regions, road user organizations, business interests and concerned government ministries (e.g., Ministry of Finance, Ministry of Municipalities, etc.).

## **Focus of Visits**

The visits to each country should include, but not be limited to, studying the following issues:

## **Ghana Road Fund.**

- (i) What problems were experienced by the original “first generation” road fund set up in 1984? In particular, what was the legal basis of the road fund, what were the oversight arrangements, how were road user charges adjusted (fuel levy, plus vehicle inspection fees), did the road fund get all the revenues assigned to it, did revenues meet requirements, how were funds divided between the different road agencies entitled to draw from the fund (Ghana Highway Authority, Department of Urban Roads and Department of Feeder Roads), how was the road fund managed, how were funds controlled, how were funds withdrawn from the road fund, and what auditing procedures applied.
- (ii) What persuaded the government to restructure the road fund in the mid 1990s?
- (iii) What were the guiding principles behind the restructuring? In particular, why did they decide to set up the road fund under legislation (get a copy of their road fund Act), have an oversight board, a commercial Secretariat with a manager recruited on the open market, and instruct the Secretariat to set up clear rules and regulations for management of funds.
- (iv) Who sits on their board, how are the members nominated and appointed, how does the board function, who chairs the board (are there any thoughts to appoint someone other than the Minister), what is the relationship between the board and the Cabinet/Parliamentarians, and does the board operate an outreach (public relations) program?
- (v) What kind of Secretariat does the road fund have, how many staff and are they paid market based wages? Who pays the salaries (i.e., do the funds come from the road fund)?
- (vi) Where do the revenues come from, how are they adjusted, how are funds divided between the various road agencies entitled to draw from the fund, what procurement procedures are used on work financed from the road fund, how are funds controlled, how are payments processed and how is the resulting work audited?
- (vii) Are any exemptions offered for off road usage of diesel and what has been the general experience of operating exemption schemes?

## **National Roads Board (NRB), Zambia.**

The NRB manages the road fund in Zambia and also executes the road rehabilitation program known as RoadSIP (Road Sector Investment Program). In 1999, the NRB was one of six organizations and individuals nominated by the World Bank for the International Road Federation “Man of the Year” award.

- (i) Why was the board created in the first place and was it set up on the basis of special legislation?
- (ii) How are members of the board nominated and appointed and how is the chairman selected? How does the board function and are some members more active than others?
- (iii) How was the road fund set up and how were the functions of the board defined in relation to the management of the road fund?
- (iv) How was the Secretariat established, how many staff does it have, are they paid market based wages and who pays their salaries (i.e., are they paid from the road fund)?

- (v) Where do the revenues come from (a fuel levy) and are there any plans to expand the revenue base of the road fund?
- (vi) Are there any exemptions for off road usage of diesel (e.g., by farmers) and, if not, why not?
- (vii) How are funds divided between the different agencies entitled to draw from the road fund?
- (viii) Are there any cost-share arrangements which are applied generally, or which apply to specific programs financed by NRB?
- (ix) How are road works planned, are they reviewed by the NRB and how is payment made for work financed through the road fund? What procedures were used to ensure that small district councils, with limited technical capacity, were able to prepare acceptable maintenance programs?
- (x) What auditing procedures are used for work financed from the road fund?
- (xi) What lessons were learned during the 18 months when there was a road fund, but before the NRB was appointed to manage the road fund?

### **Consultant Services**

The consultant appointed to assist with the study tour will:

- (i) Select the itinerary (probably Beirut, Accra, Lusaka, .....
- (ii) Handle all hotel reservations, purchase of tickets, airport transfers (where possible);
- (iii) Prepare a detailed estimate of travel costs (including daily subsistence allowances);
- (iv) Contact the agencies to be visited and arrange the program of visits;
- (v) Accompany the participants on their visits, help to animate the discussions by covering the ground listed in this terms of reference, and keep a record of lessons learned during the visits;
- (vi) On return, prepare a report summarizing the outcome of the study tour and main lessons learned;
- (vii) Organize a workshop for staff from DOR (including Regional staff), selected staff from other concerned ministries, and representatives of the road transport industry, business community, engineering community, etc.
- (viii) Animate the workshop and facilitate all the discussions that take place.
- (ix) Finally, prepare a brief summary of the outcome of the workshop, including any agreement to pursue any of the options identified during the study tour as potentially applicable to Lebanon.

### **Proposed Participants**

It is proposed that the following persons participate in the study tour:

Eng. Fady Nammar, Director General (Roads & Buildings), Study Tour Leader

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### **Cost Estimate**

Costs are estimated as follows:

Consultant services (6 wks @ ??)

Air fares (11\*\$??)

Hotels (11 persons \* 12 [nights @??](#))

Per diems (11 persons \* 12 days @??)

Local travel, including airport transfers ??

Contingency

TOTAL