

THE ZAMBIAN EXPERIENCE OF A ROAD FUND: A CASE STUDY

N. Gananadha, National Roads Board of Zambia

Objectives of the case study

Between 1987 and 1990 the primary road network of Zambia had deteriorated due mainly to inadequate funding, and poor institutional framework within which the roads had been managed. The problem of road maintenance is one of policies and management, rather than engineering.

An Inter-Ministerial committee was assigned to identify key issues where policy changes were necessary:

- (i) Collection and disbursement of road maintenance funds;
- (ii) Improving the operational efficiency of road maintenance;
- (iii) Development of organisation and management of roads;
- (iv) Improvement of staff retention, motivation and utilisation.

Following implementation of reforms there has been a significant improvement in paved road condition, up to 1999, with consequent reduction in vehicle operating costs. Government spending on road maintenance has increased, as has road user contribution to the budget by way of the fuel levy. Community participation and cost sharing initiatives to improve road condition are also increasing.

1. ROAD NETWORK IN ZAMBIA

In 1987 about 40% of the primary road network in Zambia was in good condition. By 1990 the percentage of the good roads had declined to 20%. The value of the Zambian road network was initially assessed at US\$2.3 billion. It has during recent years declined by more than US\$400million due to neglect of maintenance. Zambia has during the 30 years been living off its assets of road infrastructure. It is assumed that about US\$38 million will be required annually to avoid further loss.

The deterioration of our roads and the consequent loss of asset value have mainly been caused by inadequate funding and poor management. Road maintenance and other expenditures have been financed from general tax revenues in competition with several other and obviously much more pressing demands on the tax revenue. Maintenance allocations have during the latest years, declined to only about 15% of requirements. There has been no clear price for roads. Provision of roads was considered a social service.

Inadequate funding had been further complicated by the poor institutional framework within which roads have been managed. Poor conditions of service, lack of clearly defined responsibilities, ineffective and weak management structures and lack of managerial accountability have all contributed to poor use of the meagre funds

available. Consequently, the Roads Agencies suffer from lack of suitable qualified and experienced staff to plan, programme, organise, monitor and regulate work undertaken by own forces as well as by private Consultants and Contractors. It has thus long been clear that the problem of road maintenance is not one of engineering but of policies and management.

2. THE REFORM PROCESS

An Inter-Ministerial Committee was assigned to manage the Road Maintenance Initiative (RMI) after Zambia joined the RMI in 1991. It identified four key issues where major policy changes were necessary:

- (i) Collection and disbursement of road maintenance funds;
- (ii) Improving the operational efficiency of road maintenance;
- (iii) Development of organisation and management of roads;
- (iv) Improvement of staff retention, motivation and utilisation.

The recommendations endorsed by the Inter-Ministerial Committee may be summarised under four main headings as follows:

2.1 Financing Road Maintenance

A Road User Tariff should be introduced to provide adequate and dedicated funds for road maintenance, with the proceeds to be deposited in an Autonomous Road fund.

A Board of Management should be established for administration of the Road Fund with members from key Government Ministries, the Chamber of Commerce, and from private sector road organisations. The activities of the Road Fund should be audited by independent auditors.

2.2 Organisation and Management of Roads

An Autonomous Highway Authority should be established to take over responsibility for organisation and management of the nation's road network. The Authority shall be administered by a Board to be appointed by the President. One third of the members should represent Government Departments and local authorities, while the remaining shall comprise representatives of private sector stakeholders. The Board should report to the Ministry designated to be responsible for the Authority.

Sound Business Practices should be adopted by the Authority, including competitive tendering for required works and services, commercial accounting systems, and auditing by qualified external auditors.

2.3 Improving Operational Efficiency

Private Sector Involvement in maintenance should be increased by instituting an appropriate business environment for use of consultants and contractors, and for involving the private sector in efforts to attain better use of government plant and equipment.

Use of Labour Based Work Methods should be facilitated to the extent feasible by proactive Government policies and regulations.

2.4 Staff Incentives and Training

Terms and Conditions of employment to be established by the proposed autonomous Road Authority and Board, should be sufficiently competitive, and performance related to attract, motivate and retain Zambian staff with the necessary qualifications and competence, and facilitate dismissal of non-performing staff.

A Training Organisation should be developed that; with full use of available facilities and capacity, will be able to support adequate and sustainable training of managers and other personnel for the road sector.

3. OUTCOME

3.1 Road User Charge

As recommended by the Road Maintenance Initiative (RMI), a road user tariff was introduced in the form of fuel levy with effect from 1 May, 1993 with K10 (about US 1 cents) per litre of diesel and gasoline. This has been now increased to K70 per litre (about US 7 cents) per litre. As recommended by the Seminar the proceeds from fuel levy is being deposited in an autonomous road fund. The account for the road fund is maintained in Commercial Banks. These accounts were opened through a tender to ensure best terms and conditions were obtained and the money protected.

3.2 National Roads Board

A new institutional structure was established under the name of National Roads Board (NRB) to manage and administer the road fund. The NRB was established under the Roads and Roads Traffic Act Cap 464 in October 1994.

One of the notable and unique features of the Board is that it is private sector driven as seven Board members are from private sector and 4 are from public sector. The private sector members who are in the majority are nominees of road user non Governmental organisations. Whilst four members of the public sector represent relevant Ministries under the Government. No member of the Board is appointed by name and in his individual capacity. This feature is that the private sector members have the right to vote whereas the public sector members have the right to participate without the right to vote.

This road user dominated Board represent a major change of policy in the institutional structure for the road sector. It is also a deliberate attempt by the Government to hand over ownership of the roads to the private sector as well as to create a partnership between the private and public sector for the management of roads.

3.3 Task Force or Committees

Another innovative institutional structure was to set up the following Task Forces and Committees, which provide opportunities for participation by various stakeholders and key players and thus involve interested groups in the management of roads.

- Main Roads Technical Committee
- Feeder Roads Technical Committee
- Inter-Ministerial Finance Committee
- Committee on Weigh bridges
- Committee on Traffic Fines
- Committee on International Transit Tolls
- Donor Consultative Meeting
- Steering Committee on Transport Engineering and Technical Assistance (TETAP)
- A National Task Force on Road Sector Investment Programme (ROADSIP)

3.4 Policy Guidelines

The first task of the Board was to institute policy guidelines to manage and administer the Road Fund and seek the approval of the Board and the Committee of Ministers on Road Maintenance Initiative. This helped the Board in ensuring the Road Fund was not raided or diverted to any other use other than for road maintenance. The policy guideline sought the consensus of the stakeholders and key players in the management of the Road Fund.

3.5 Systems and Procedures

The next step for the Board was to establish systems and procedures to ensure total transparency and accountability in the management of the road fund. This included the following: -

- System for receipt of money
- Banking system
- Internal control system
- Auditing system - financial audit
- Technical audit system - appointment of Consultants at every level of disbursement of
- fund.
- Reporting system
- Information dissemination system

3.6 Programme

Another step taken by the Board was to establish a National Programme of Road Maintenance to make an impact throughout the country. This was necessary in view of almost three decades of deferred maintenance of roads. This meant unless we were able to maintain the roads throughout the country, the Board was not going to make any impact in the country. Consequently for the first time in the history, a National

Programme of Road Maintenance was launched immediately. Under this four phased programme, all the 72 District councils and 9 Provincial Road Engineers were required to submit the programme of road maintenance including the selection criteria for roads and the type of maintenance intervention recommended for the consideration of the Board. Private Sector Consultants were appointed to assist the Councils and Provincial Road Engineers in drawing up, implementing, auditing, as well as certifying the payments to the Board. The Board paid Contractors and the Consultants directly for work done. Road maintenance works were commissioned throughout the country after several decades of neglect and thereby rekindled road maintenance culture in the country.

3.7 Capacity Building

The Board adopted a deliberate policy to encourage contract account as against force account. However, as there was no regular and periodical maintenance of roads in the country, there were only four contractors who preferred to undertake road maintenance contracts in the capital city only. The cost of mobilisation for them to carry out works in outlying urban and rural areas was prohibitive. The Board had to open Bank accounts in every district. These accounts are managed by consultant and councils to carry out road works by force account through community participation and emerging small-scale contractors. In addition we encouraged the Donor projects on road contracts and also the Provincial Road Engineer under the Roads Department to undertake road works supervised by consultant and councils.

The number of Contractors increased from 4 in 1994 to about 45 by the end of 1996 and to 120 by end of 1997. Consequently, the pricing for some road works also declined by about 40%. Payment to contractors was certified by consultant and implementing agency i.e. Council or Provincial Road Engineer.

The vision of the Board is to develop three hundred contractors over the next 5-year period to introduce programmed and contracted maintenance through the introduction of the lengthman system. For this purpose the Road Training school is being revamped and reorganised to train and develop contractor capacity with greater thrust on labour based road works.

3.8 Roads 2001

As 80% of the road network is not in a maintainable condition, the Board initiated a process to access Donor funding to launch a National Programme of Road Rehabilitation. The Government mandated the Board to set up and provide leadership to a National Task Force with private sector and public sector participation to prepare a Bankable Document to access Donor funding to launch a medium term Road Sector Investment Programme (ROADSIP). Within 6 months the National Roads Board was able to provide the leadership to the National Task Force to prepare and sell the document to the Government, the Donor Community, and thereafter launch a National Workshop to seek the mandate of the key players and stakeholders for this Road Sector Investment Programme (ROADSIP). The National Roads Board has now been given the responsibility to manage the project. An action plan has been formulated and put in place with dead lines to ensure the project is implemented to achieve set goals.

4. CONCLUSION

In view of the reforms undertaken to finance Maintenance of roads through road user fees, Donor support to the ROADSIP has been on the upswing. Paved road network in good condition improved from 20% in 1995 to 35% in 1999. The paved roads in poor condition declined from 51% in 1995 to 29% in 1999. In view of the demonstrated and perceivable improvement in road conditions resulting in reduction in vehicle operating cost and its impact on development through improved cost effective accessibility and mobility, Government spending on roads has been on the increase and in 1999 it even exceeded the budgeted amount for road maintenance. In addition the road user contribution by way of fuel levy has increased by over 800% during the past five years. Government is in the process of channelling other road user charges to road fund and also handing over the management of weigh bridges to the Board to prevent damage to road network through effective axle load control.

The Board has constituted and provided leadership to another National Task Force and has finalised a Bankable document to secure additional funding to launch phase II of ROADSIP. This will enable the Board to achieve its vision of bringing the core road network to maintainable condition and maintaining it on a sustainable basis through road fund contributed and managed by road users with public sector partnership. Community participation and cost sharing initiatives to improve road conditions through timely and cost effective road maintenance culture is on the increase.

This phenomenon will eventually result in road users taking ownership of roads as an essential input and a prerequisite to individual and community development as the foundation to national development.