



## Activity Sheet 41

# Bureaucracy or business?

### Purpose

The purpose of this activity is to reflect on the benefits and potential draw-backs, or weaknesses of bureaucratic road management and market based road management.

### Group Work

1. Read the key points from the Jordanian Finance Minister's speech (attached), and discuss the following questions:
  - A. *What are the benefits and weaknesses of bureaucratic road management?*
  - B. *What are the benefits of market based road management?*
  - C. *What might be the draw-backs of market based road management?*
2. Prepare your findings on flip chart and elect a person to present the findings.



## Extract from the speech of the Jordanian Minister of Finance

The re-evaluation of the role of the road fund, has been accompanied by a change in the way Ministries of Finance and the International Monetary Fund views these road funds (Pennant-Rea and Heggie, 1995). This new attitude was succinctly captured in a speech recently delivered by His Excellency Suleiman Hafez, Jordanian Minister of Finance, at a seminar on road maintenance financing held in Amman on 3 June 1997. The speech also mirrors current views expressed by staff from the International Monetary Fund (Potter, 1997).

### **The key points made by the Minister were as follows:**

1. The establishment of a road fund should be part of a longer term strategy to commercialize the road sector – it should not simply be a means of avoiding strict budget discipline;
2. The road fund should be dedicated to maintenance –we must maintain what we have, before starting to build anything new;
3. The road fund should be a purchaser, not a provider of services –it should be a separate agency with a clear mission statement, transparent objectives, physical output indicators and should ideally work within an envelope of total input costs;
4. Road fund revenues should come only from road user charges, not from any earmarked taxes – this would not prevent the government from topping up the road fund from the consolidated budget, but this would only be done on a discretionary basis;
5. The user charges going into the road fund must not take revenues away from other sectors – there should be a clean break between the tax revenues which belong to the consolidated budget, and the user charges which belong to the road fund, and the only existing revenues which should go into the road fund must be confined to what is already allocated for roads through the annual budgeting process;
6. The road fund should be managed by a strong and independent management board which should include private sector interests – both road users and the business community – and should be genuinely free from any vested interest groups;
7. Management of the road fund should be handled by a secretariat and they should employ commercial accounting systems and have annual performance targets;
8. There should be a fair degree of cost recovery through the user charges – in the long term we want to have a road public utility which does not receive any government subsidy;
9. We cannot escape from the fact that fuel is a convenient tax handle from the point of view of fiscal policy – that inevitably puts a burden on the road fund administration to explain to the public why all fuel price increases are not equal.

The minister concluded by saying that the ministry of finance was perfectly willing to actively help to get the above type of road fund established.