

FIRST AFRICAN CONFERENCE ON ROAD MAINTENANCE

LIBREVILLE – GABON
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PRESENTATION ON GHANA ROAD FUND

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OVERVIEW

- 1. GHANA - COUNTRY PROFILE**
- 2. THE ROAD NETWORK**
- 3. BACKGROUND OF THE GHANA ROAD FUND**
- 4. RESTRUCTURING PLAN**
 - LEGAL FRAMEWORK**
 - OVERSIGHT BOARD AND SECRETARIAT**
- 5. REVENUE GENERATION**
- 6. DISBURSEMENT OF FUNDS**
- 7. MANAGEMENT OF THE FUND**
- 8. KEY ISSUES AND CONCLUSIONS**

GHANA - COUNTRY PROFILE

Land area of 239,000 sq.. Km

- ◆ **Population of 18 million**
- ◆ **10 Regions (3 metro. & 7 municipal)**
- ◆ **110 Districts**
- ◆ **Natural resources include: cocoa, timber, minerals (gold, diamonds, bauxite, etc.**



GHANA - ROAD NETWORK

- ◆ Ghana was endowed with good road network at independence in 1957
- ◆ Current road network is as follows:

	<u>PAVED</u>	<u>UNPAVED</u>	<u>TOTAL</u>
	(km)	(km)	(km)
TRUNK (under GHA)	5,589	6,383	11,972
FEEDER (under DFR)	1,097	31,497	32,594
URBAN (under DUR)	1,935	2,128	4,063
	<u>8,621</u>	<u>40,008</u>	<u>48,629</u>

- ◆ Total investment about \$49,000 billion equivalent to \$7,000 million

ROAD CONDITION

- ◆ **After 1961 budget allocation for road maintenance were cut leading to severe deterioration**
- ◆ **94% of national freight tonnage and 97% of passenger traffic is handled by road traffic**
- ◆ **Road condition mix in 1996 was:**

Good	-	28%
Fair	-	33%
Poor	-	39%

EXPECTED ROAD CONDITION

◆ **Under the TRP II and HSIP, the network is expected to improve considerably**

◆ **Expected condition mix by 2005**

Good	-	70%
Fair	-	20%
Poor	-	NOT MORE THAN 10%

◆ **This requires regular and adequate flow of funds for ROUTINE and PERIODIC maintenance**

THE GHANA ROAD FUND

ITS ESTABLISHMENT :-

- ✦ **Established in 1985 under legislative instrument**
- ✦ **Aim was to build secure source of funding for road maintenance**
- ✦ **Revenue derived from-**
 - **Fuel levy on petrol, diesel & kerosene**
 - **Road, bridge and ferry tolls**
 - **Vehicle examination fees**

ITS MANAGEMENT :-

- ✦ **Managed jointly by Min. of Finance, Min. of Roads and Highways and Controller & Accountant-General**
- ✦ **Allocations were made by them to the Road Agencies**

DIFFICULTIES AND SHORTFALLS

- ✦ **Revenue into the Fund covered less than 35% of required funding**
- ✦ **Lacked any Financial Management System and effective oversight (simply a bank account)**
- ✦ **Releases to the road agencies were erratic and cumbersome**
 - **No feedback from agencies on use of funds. No monitoring.**
 - **No control over projects financed - possibility of diversion.**
- ✦ **Revenues collected in the regions were transferred to the Fund's account in Accra through local treasuries-**
 - **Delays in transfers, and lots of cash in transit.**
 - **Reconciliation was impossible**
 - **Some funds "lost their way" into consolidated fund.**

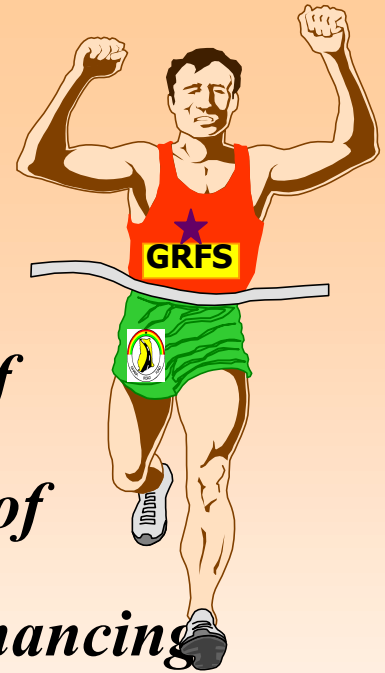
RESTRUCTURING PLAN

In 1995 Government of Ghana agreed (under the HSIP) to restructure the Road Fund. Key elements are :-

- ◆ **Providing a comprehensive legal framework**
- ◆ **Gradually increasing revenues through USER CHARGES.**
- ◆ **Establishing a Public-Private Board to manage the Fund.**
- ◆ **Establishing a Secretariat for day to day management of the fund on a “sound commercial Principles”**
- ◆ **Ensuring that first charge on the fund is the preservation of existing roads**

OUR VISION

"The vision of the Ghana Road Fund is to ensure the regular maintenance of Ghana's road network by the provision of adequate and sustainable resources for the financing of road projects, through efficient and effective management of the Fund, with the view to improving the quality of Ghana, road network"



GHANA ROAD FUND - NEW STRUCTURE

- ◆ **Road Fund law, Act 536 promulgated in 1997**
- ◆ **Provides for establishment of the Fund, Oversight board, its management and Financial framework**
- ◆ **Utilization of the Fund:**
 - **Routine and Periodic Maintenance of roads**
 - **Upgrading and rehabilitation of Roads**
 - **Road safety activities**
- ◆ **Funds are disbursed through:-**
 - **Ghana Highway Authority (GHA)**
 - **Department of feeder Roads (DFR)**
 - **Department of Urban Roads (DUR)**
 - **National Road safety Commission (NRSC)**

OVERSIGHT BOARD

- ◆ **Inaugurated on 31st January 1997 with 13 members (5 public, 8 private)**
- ◆ **Members are nominated by their organizations and confirmed by the President**
- ◆ **Members hold office for 3 years and are eligible for reappointment**
- ◆ **Board met once per month in 1997 - now meets every 2 months**
- ◆ **Chaired by the Minister of Roads and Transport.**

BOARD COMPOSITION

◆ PUBLIC SECTOR -

- **The Minister or his representative from roads & Transport, Finance, Mines and Energy and Local Government and Rural Development**
- **Controller and Accountant General**

◆ PRIVATE SECTOR -

- **Association of Road Contractors, Private Road Transport Union, Private Enterprise Foundation, Road Haulage Association, Institution of Engineers, Association of Farmers and Fishermen**
- **2 other Private sector persons nominated by the Minister of Roads and Highways**

BOARD FUNCTIONS

- ◆ **Arrange collection of all road fund revenues**
- ◆ **improve arrangements for collection of revenues to reduce evasion and avoidance**
- ◆ **Recommend level of fuel and other charges**
- ◆ **Review annual budgets of road agencies**
- ◆ **Determine how much of the fund should be released to each group of road agencies**
- ◆ **Establish certification procedures to ensure work is completed according to specification**

THE SECRETARIAT

- ◆ **Consists of a Director, Engineer, Accountant, and 9 support staff**
- ◆ **All recruited from the private sector**
- ◆ **Manages day-to-day affairs of the road fund -**
 - **coordinates, examines & reviews road maintenance programs**
 - **collects and banks revenues**
 - **apportions, disburses and monitors use of funds**
 - **provides sound and timely accounts and reports**
 - **arranges financial and technical audits**

REVENUE GENERATION

Sources of Revenue into the Road Fund:

- ◆ **Fuel Levy - collected by Customs & Excise and Preventive Service (CEPS) - constitutes 90% of revenues (95% in 1997)**
- ◆ **Vehicle registration Fees - Collected by DVLA**
- ◆ **Road Use fees - Collected by DVLA**
- ◆ **Road and Bridge Tolls - Collected by GHA and Private collectors**
- ◆ **International Transit Fees -Collected by Customs Excise and Preventive Service (CEPS)**

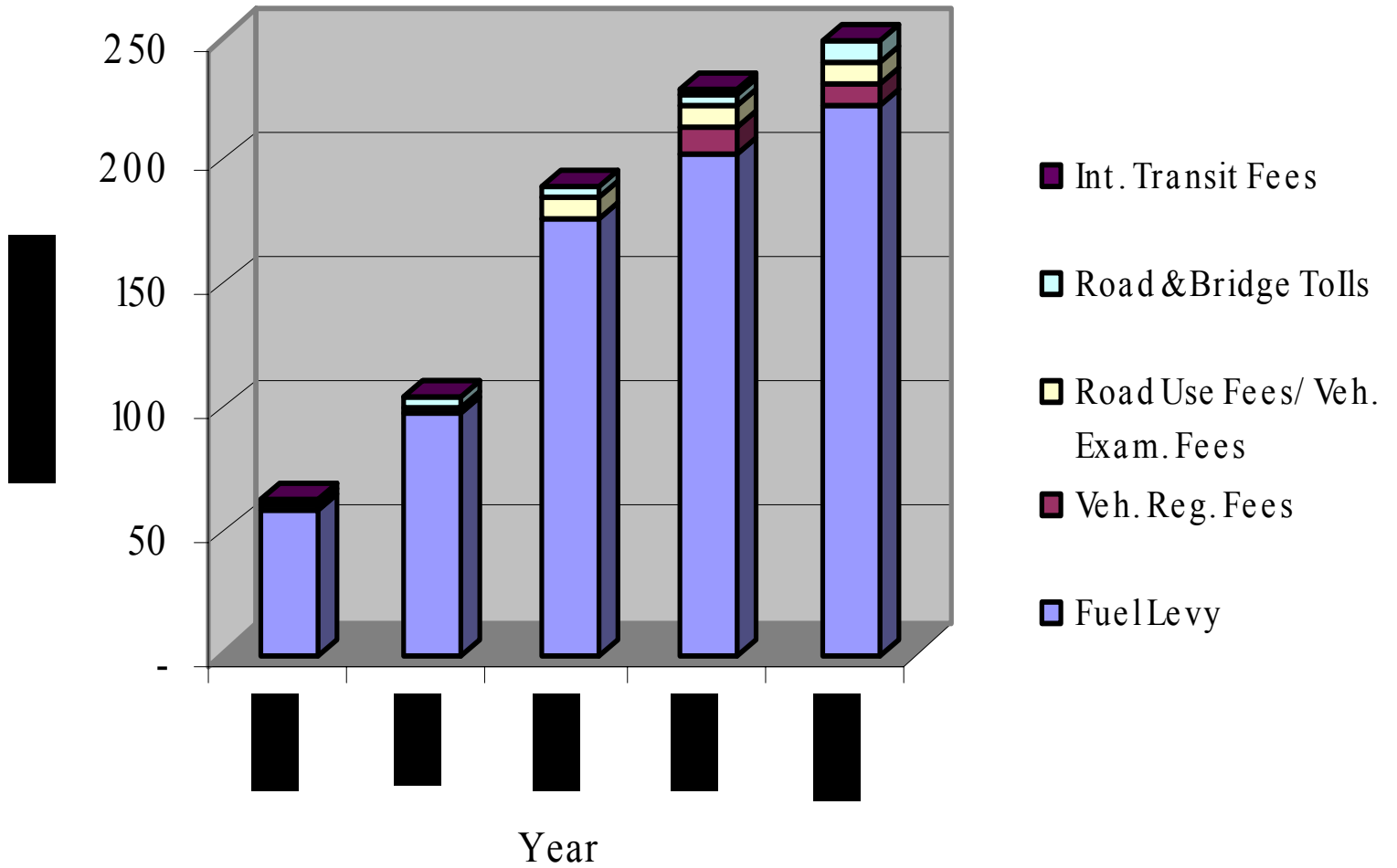
ROAD FUND REVENUES (1996-2000)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
REVENUE	¢'bn	¢'bn	¢'bn	¢'bn	¢'bn
Fuel Levy	58.78	98.65	177.00	201.69	221.80
Veh. Reg. Fees	-	-	-	11.89	8.51
Road Use Fees/ Veh. Exam. Fees	1.85	2.10	7.80	7.89	8.53
Road & Bridge Tolls	1.66	3.49	5.22	6.15	9.00
Int. Transit Fees	<u>-</u>	<u>-</u>	<u>0.02</u>	<u>0.59</u>	<u>0.63</u>
TOTAL REVENUE	<u>62.29</u>	<u>104.24</u>	<u>190.04</u>	<u>228.21</u>	<u>248.47</u>
REVENUE IN US \$ mil	36.20	46.67	78.30	79.00	47.61

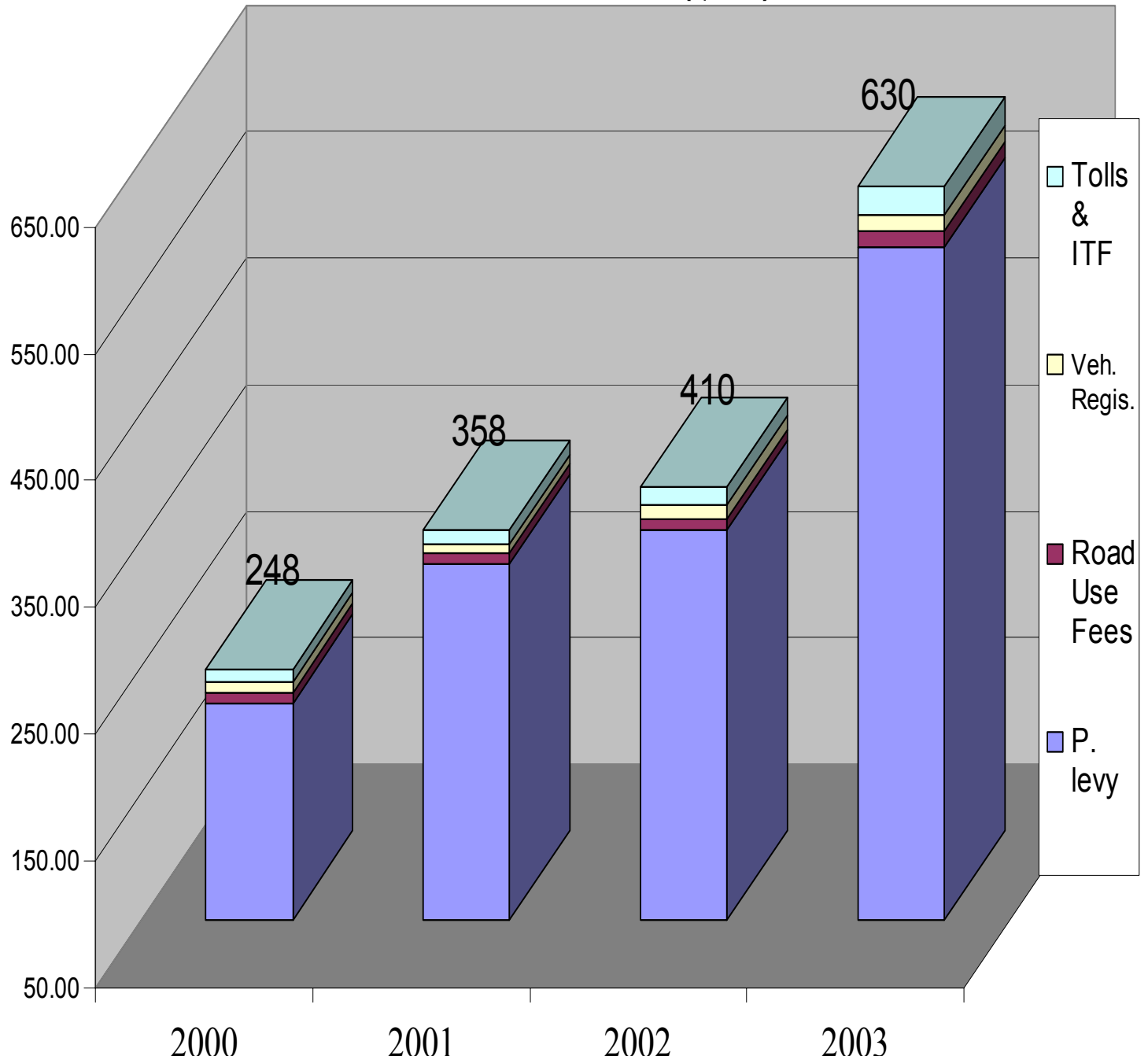
ROAD FUND REVENUES (2000-2003)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	
REVENUE	¢'bn	¢'bn	¢'bn	¢'bn	
Fuel Levy	221.80	331.77	372.49	582.03	
Veh. Reg. Fees	8.51	6.75	12.20	13.30	
Road Use Fees/ Veh. Exam. Fees	8.53	8.79	9.72	12.00	
Road & Bridge Tools	9.00	9.75	10.20	15.10	
Int. Transit Fees	<u>0.63</u>	<u>0.97</u>	<u>5.33</u>	<u>7.80</u>	
TOTAL REVENUE	<u>248.47</u>	<u>358.03</u>	<u>409.94</u>	<u>630.23</u>	
REVENUE IN US \$ mil	47.61	50.60	48.22	71.62	

REVENUE 1996 - 2000 (€bn)



REVENUE FOR 2000-2003 (¢bn)



DISBURSEMENTS

✦ **The Old disbursements procedure -**

- **Procedure was cumbersome**
- **Amount allocated was only based on balance at Bank of Ghana**
- **Releases were irregular and inadequate**
- **No feedback from agencies**
- **Agencies were never happy with allocation procedure**

✦ **The New system of disbursements**

- **Road Fund now in charge of Disbursements**
- **Disbursement is strictly for projects allowed under Act 536**
- **Procedure for withdrawing funds stipulates in Act 536 (14)**

DISBURSEMENT PROCEDURE

ROUTINE MAINTENANCE -

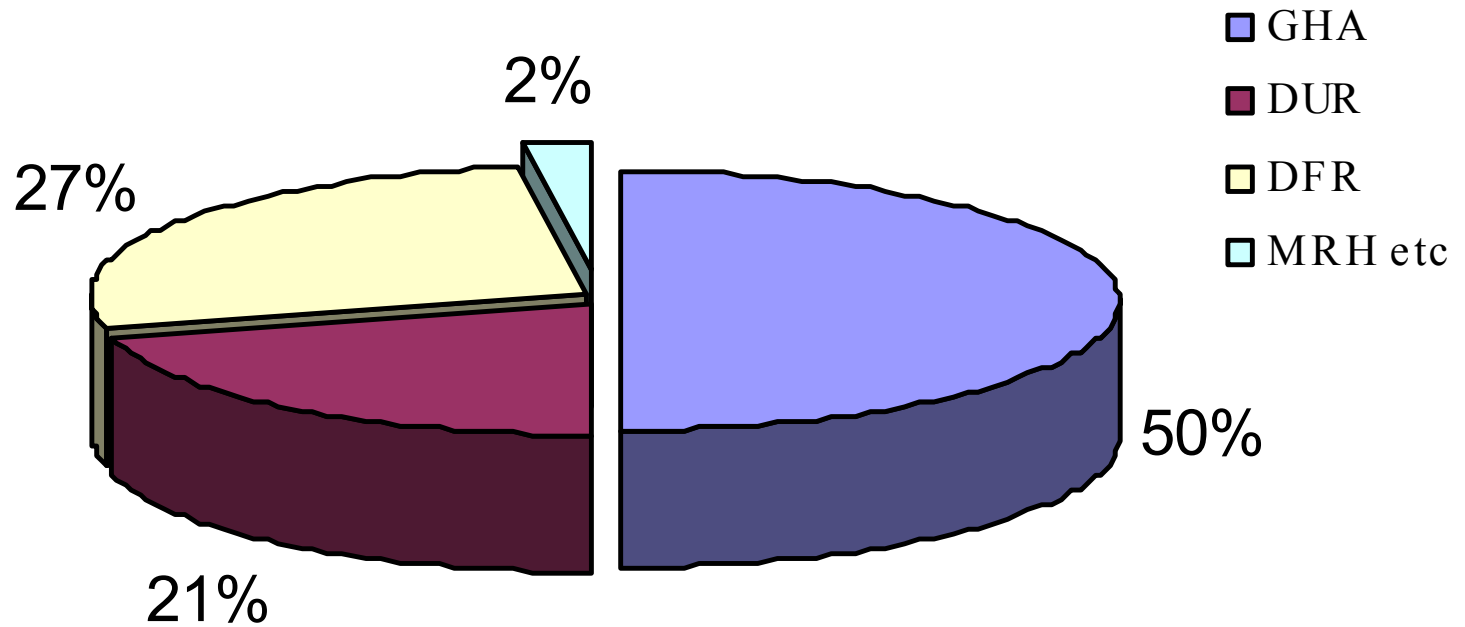
- ◆ **Agencies submit programme and approved by the Board**
- ◆ **Agency gives out jobs and approves certificates**
- ◆ **Funds released - formerly in advance, now in arrears**
- ◆ **Agencies report back how funds were used**

PERIODIC MAINTENANCE

- ◆ **Agencies submit their programmes for approval by the Board**
- ◆ **Agencies gives out jobs and approves certificates**
- ◆ **Agencies submit scheduled of approved certificates**
- ◆ **Road fund releases funds to pay the certificates**
- ◆ **Agencies report back on payments made**

DISBURSEMENT						
	2002 - ACTUAL			2003 - FORECAST		
	ROUTINE ¢'bn	PERIODIC ¢'bn	TOTAL ¢'bn	ROUTINE ¢'bn	PERIODIC ¢'bn	TOTAL ¢'bn
GHA	44.2	99.7	143.9	60.3	149.7	210.0
DUR	40.3	67.0	107.3	59.7	140.3	200.0
DFR	21.1	116.6	137.7	50.0	110.2	160.2
MRT etc	0.0	20.7	20.7	0.0	53.1	53.1
TOTAL	105.6	304.0	409.6	170.0	453.3	623.3
US \$'000	13.7	39.5	53.2	19.3	51.5	70.8

YEAR 2000 ACTUAL DISBURSEMENT



FUNDING GAPS

YEAR	2003	2004	2005	2006	2007	TOTAL
	\$'mn	\$'mn	\$'mn	\$'mn	\$'mn	\$'mn
ROAD FUND FORECAST	71.6	78.2	98.8	116.1	131.0	495.7
REQUIRED FUNDING	179.2	186.8	153.5	167.9	127.7	815.1
FUNDING GAP	107.6	108.6	54.7	51.8	- 3.3	319.4
SECURED DONOR FUNDS	57.8	32.8	9.5	1.6	0.8	102.5
NET FUNDING GAP	49.8	75.8	45.2	50.2	- 4.1	216.9

MANAGEMENT OF THE FUND

- ◆ **Secretariat now responsible for revenue collection and disbursements**
- ◆ **Reconciliation now possible and regular-lower cash in transit**
- ◆ **Monthly financial Statements and Reports - goes to Board Members, Agencies, Ministries, Donors**
- ◆ **Board meets regularly - for policy and direction**
- ◆ **Annual Report sent to Parliament through Minister**
- ◆ **Extract of Annual Report published in local papers**
- ◆ **Outreach programmes to educate the Public – Public Fora, Press Publications, Radio & T.V. discussions etc.**

MONITORING

- ◆ **Monthly accounting and reporting**
- ◆ **Field Inspection visits -**
 - **By Road Fund Board**
 - **Secretariat Staff**
 - **Ministry of Roads and Highways Staff**
- ◆ **Payment approval procedure**
- ◆ **Payment and Performance reports from agencies**
- ◆ **Year end External Financial and technical audits**

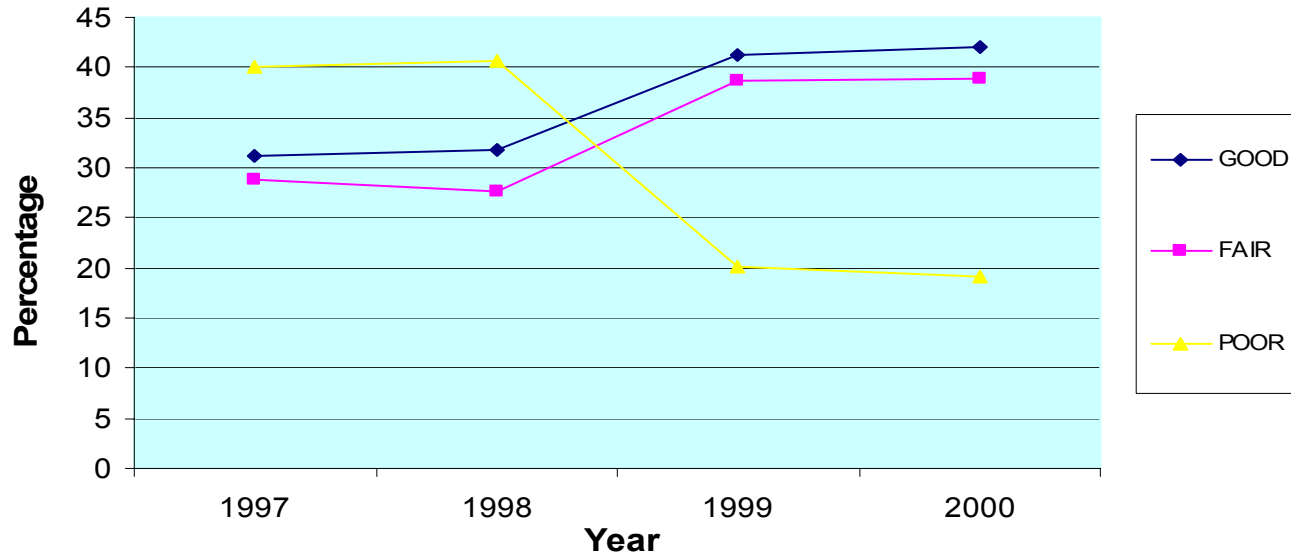
KEY ISSUES

- ◆ **Need to mobilize more revenues - current revenues cover only 60% of requirements**
 - **Increase in Fuel levy - early approvals needed**
 - **Government policy under consideration.**
 - **New Revenue Sources – tolls roads, bonds etc.**
 - **Bridging the Funding gap**
- ◆ **Need for more public education/awareness**
- ◆ **Improved banking autonomy**
- ◆ **Need to improve revenue collection**
 - **Privatization of toll collection**
 - **Automation of toll collection.**
- ◆ **Large non-maintainable feeder roads**

CONCLUSIONS

- ✦ **Restructuring of Ghana Road Fund has been positive**
- ✦ **Improved condition of roads through timely maintenance**
 - **result of regular flow of funds**
- ✦ **Cooperation and acceptance of usefulness of Road Funds -**
 - **Among the General Public**
 - **Contractors and road Construction industry**
 - **Parliament and Government (old and new)**
- ✦ **Acceptance of commercialization of roads**

ROAD NETWORK CONDITON MIXES : 1997-2000



CONDITION MIX

CONDITION	PERCENTAGE (%)			
	1997	1998	1999	2000
GOOD	31.11	31.79	41.31	41.95
FAIR	28.75	27.53	38.62	38.95
POOR	40.13	40.68	20.07	19.09
TOTAL	100.00	100.00	100.00	100.00

OUR AIM

**GHANA ROAD FUND !
TO BE NO. *1* IN AFRICA !!!**

