Roles and Organization of the Road Maintenance Funds

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A. 2nd Generation RMFs vs 1st Generation RMFs:

The 2 conceptual models

B. Risks, threats and precautions:

The 'pathology' of the RMFs

C. Texts for setting-up the RMFs:

An example of an extensive nomenclature

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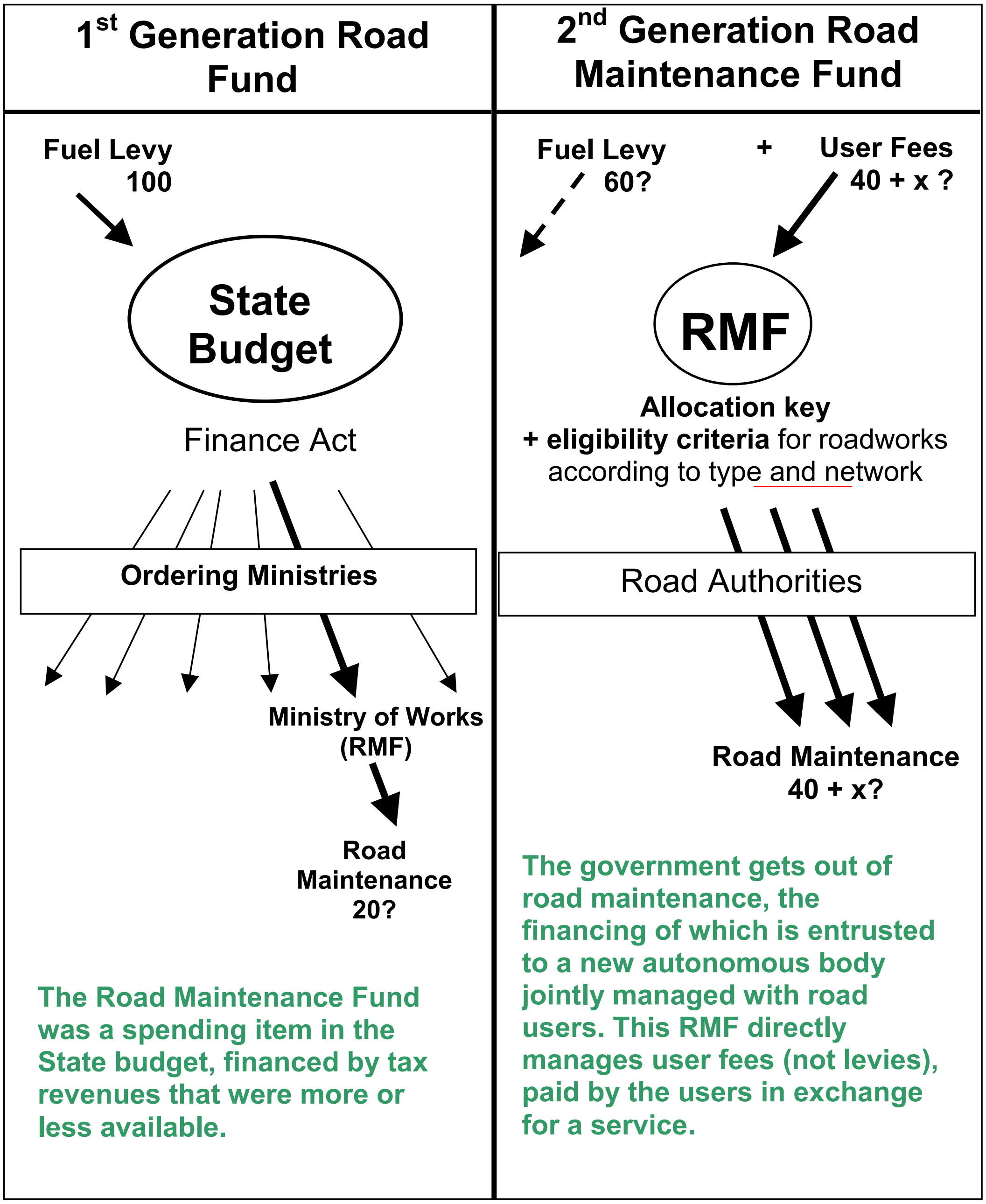
Solutions, innovations, lessons drawn from your experience

A. 2nd Generation RMFs vs 1st Generation RMFs:

The 2 conceptual models



Here the RMF is nothing but one of th spending items under the Ministry of Works.

Here the RMF is an autonomous legal entity.

B. Risks, threats and precautions:

The ‘pathology’ of the RMFs

- **Risk # 1: Wrong or weak institutional design** = the RMFs that do not have the essential prerogatives: (especially: the “de-budgetisation” of most of their resources)… or those that have seen their prerogatives disputed or denied

Typically:

- their financial resources are to be voted upon or to have a ceiling put on or to be validated by the annual Spending Act, and must go through the circuits of the Public Treasury, etc…
- the financial administration imposes its prior control before any disbursement (transfers or direct payments to contractors).

…/…

…/…

This generally results in:

(a) a great opacity of collection process (impossibility to really know the receipts collected by the collecting administration),

(b) the non-respect of the principle of integral transfer of the receipts – even if expressly stipulated by the Law

(c) a calendar for the opening of credit lines by instalments which is uncertain and irregular,

(d) the non-respect of envelops as allocated by the Spending Act,

(e) intolerable slowness at payment step, sometimes worsened by the interference of a public accountant detached from the Finance Ministry in the chain of payment procedures..

In brief, here we fall back into the First Generation RMFs'old bad ways. In some cases, the system is clearly worse, due to multiple bottlenecks!

- **Risk # 2: Institutional rivalries**

= The legal texts are sometimes incoherent and create zones of litigation of who is responsible for what. However, they can also be misunderstood because of a lack of sensitisation and insufficient information (case of possible new comers who need to assimilate the philosophy and specific scheme). And finally, we are never safe from a pure power struggle or opportunist insincerity…

  - In any case, the visibility of the RMF (media, general public) is one of the best means of defence … especially if its efficiency is well-known and proven..
  - However, it must remain ‘modest’ and not go beyond its given role.
  - No matter what the quality or defects of the institutional structure, the permanent co-operation between the different partners is essential in order to assure a good synergy.

- **Risk # 3: Abuse of authority by the administrative supervisors**

= The Ministry in charge of administrative supervision systematically imposes its views against the opinions of the non-gov't-representative members of the Board.

Typically, this risk is great when the President of the Board is appointed by the Minister from outside the Council; for example, the Director of Roads or the Director of Road Maintenance… and when the administration is the majority of the Board.

Generally, this results (at best) in forcing to finance non-eligible roadworks or even non-road works (under the cover of emergency works) . This fraudulent use of funds imposed from the top can take on massive proportions

- **Risk # 4: Headlong overcommitments** = The road administration encourages the RMF to take a very risky position, since the existence of the RMF has removed some responsibility from the administration.

    Typically, this risk is great when <u>commitments</u> by the administration do not submit to prior RMF clearance or when they are not specially recorded into the RMF accounting …

    This could result in arrears accumulation and a grey accounting system.

- **Risk # 5: Pillaging, Version 1, “Hold-ups”** = Financial or political authorities draw on the coffers, sometimes visibly or in hidden ways.

Here the old parry, which consists in always being almost out of apparent cash funds (even by adding up repeated supplier-credits, etc), although sometimes criticized by auditors, continues to work.

There is always everywhere, at a given time, in every government in the world, someone who asks for a list of public entities who have fresh cash.

All the legal armours of the RMFs will never give them absolute security.

- **Risk # 6: Pillaging, Version 2,**
  Upstream and downstream embe-zzlements = Upstream: collection channels retain a part of the financial resources, or appropriate a tariff tool, + Downstream: some road agencies take their cut on the allocated funds (ghost roadworks, over-valuation, retrocommissions from the contractors, etc.)

Typically, the RMF "local donors" covering a sector of activity (the road) traditional prey to corruption (in all the countries of the world), finds that it is confronted with the same dilemma as all any donor in the world regarding its clients… but in addition, it is local, and therefore much more exposed.

- **Risk # 7: Internal facts of corruption**

= The members of the Board or the personnel of the RMF, eventually deliberately induced by their partners, misuse the funds and get organised in order to misuse the funds.

Typically, this risk is great and very specific if certain Board members from the private sector are also roadwork contractors, for example.

However, the RMFs are also victims of generic risks that affect any operator within the public works environment. For the new RMFs as for some new non-gov't work agencies, the pressure is often enormous (make the newcomer an accomplice, buy his silence or question his honesty in order to get rid of him…). An island of virtue in an ocean of vileness is not a comfortable position.

- **Risk # 8: Strangulation by over-growing needs** = The RMF suffers the pressure of uncontrolled requests (the extension of the priority road network, the growing demands of the “side networks” (urban and rural), relaxing of eligibility criteria) without being able to negotiate the corresponding increase in receipts.

Typically, this risk is great when there is no mechanism for a systematic, periodic and “public” dialog with the government on the issue of needs / revenue balancing

- **Risk # 9: Manifest failure of the maintenance policy** = For various internal or external reasons (inefficiency within the work line, chronic under-funding, strategic errors, etc.), it becomes obvious for road users representatives in the Board, or for the general public, that good results cannot be seen in the quality of the road network.

  Be careful! An autonomous RMF could be used as a fuse!

  The Board members, and especially the President, who all have short-term mandates (3-year in general), are expected to achieve good results very quickly, whereas good results in this area of work, can only appear on a medium or long-term basis anyway. A President from the road users' side could therefore be wrong-footed by his own constituents.

Etc.

C. Texts for setting-up the RMFs

An example of an extensive nomenclature

1. The RMF ACT	• **Principle of road "commercialization":** "debudgetization" of road maintenance, autonomy of the RMF, joint management with the road users (transfer of responsibilities from State to RMF) • **Setting up the RMF (if derogatory status). Scope of intervention** • **Creation of road tariff** for the benefit of RMF, tariff make-up, method of fixing/revising scales • **Compulsory audits** • Initial conversion of part of the fuel levy into fuel fees • Status of contracts financed by the RMF • Transitional provisions
2. THE DECREE OF APPLICATION	• **Road tariff rates** • **Allocation key** between road authorities / eligible networks / methods of financing and types of eligible works per sub-network • **Collection channels** for road tariff • **Transit channels** for donor funding and possible compensation funding • Fixing a ceiling on operating budget of RMF • Penal responsibility of payers • Adjusted indicators of tax yield • Transitional provisions
3. A SPECIFIC DECREE	• **Creation of the RMF (if its status is common law). Field of intervention** • **Composition of the Board** • **Approval of the Statutes** (appended to the decree itself)

4. THE RMF BYLAWS	• Organization of RMF, RMF internal authorities • Board and Committee: structure, method of appointment, responsibilities, remuneration • Services of RMF: structure, missions and responsibilities, method of selection of Director, etc. • Audit system, etc...
5. THE RMF IN-HOUSE RULES	• Internal personnel policy • Reference timetable (annual cycle) • Programming rules: maintenance standards and range of reference prices ; financing of follow-up/programming/design/control costs • Programming process: draft pre-allocation; 3-year rolling programs for information only and annual program for authorization • Procedure for granting funds by installments; payment circuits • Accountancy specifications and financial management tools • Supervision rules and procedures • <u>If needed</u>: Contractor certification and rating system • <u>If needed</u>: Procurement guidelines and standard bidding documents for RMF-financed contracts
6. THE RMF PROCEDURE HANDBOOK	***The Manual is basically just a collection of practical texts <u>which cannot establish new rules by itself</u> (unless it is specifically approved by decree).*** It brings together the practical provisions resulting from the above texts or other relevant texts. It states the financial management methods, arrangements and tools, routing protocols, standard documents, etc.

D. The five themes of the technical seminar

Solutions, innovations, lessons drawn from your experience

1. Channels for revenue collection

How to collect and channel user fees, without delay, smoothly, while avoiding losses and any other risk?

MALI, CHAD

2. Management methods and accountancy tools

How to reconcile contradictory obligations: "business management" by a public payer?

GABON

3. Oversight on roadworks programs

How the RMF, "local donor" but not a road authority, can make sure of the sound use of its funds and the technical quality (without interfering in contractual relationship of the road agencies) …but efficiently?

In case of proven drifts, what lever to use?

GHANA, CAMEROUN

4. Fair revenue distribution to the Road Authorities

What logical system should prevail for distributing the funds: based on the generation of resources? Based on need? Based on capacity?

How to "serve" other road networks without destroying the efficiency of the structuring road network?

CAMEROON

5. Performance monitoring tools

Appraising the operations in real time…

Accounting for financial management…

Proving the final efficiency…

Sizing and justifying tariff adjustments?

SSATP, ISTED (Benin, Togo, Ghana)