



“FONDS D'ENTRETIEN ROUTIER”

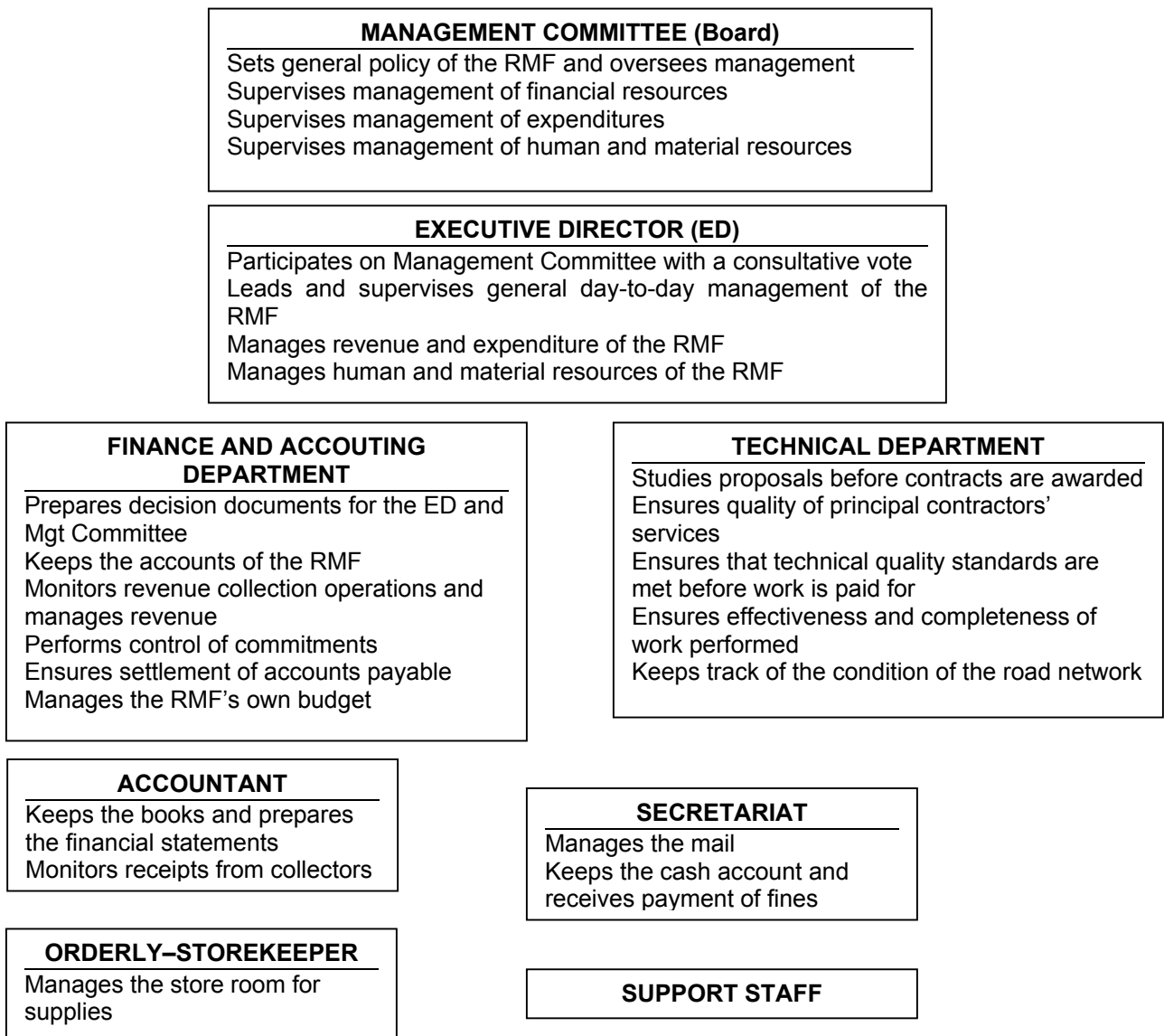
EXECUTIVE DIRECTION

ROAD MAINTENANCE FUND (RMF) OF CHAD

The organizational structure of the RMF is determined by its bylaws, which set forth the main responsibilities of each division.

The Executive Direction is headed by a manager who must be recruited in open competition and may not have civil servant status. The executive director and the head of the finance and accounting department are appointed for two-year terms that may be renewed depending on the institution's results.

RMF ORGANIZATION CHART



**The Revenue Collection Circuit:
The Main Strength of Chad's Road Maintenance Fund**

The RMF's strengths are proof that it is indeed a second-generation fund.

A majority of the members of the Board are from the private sector, and the committee has full autonomy. The supervising ministry is kept informed but does not interfere in voting on or administering the budget nor in the day-to-day management of the RMF. The RMF's autonomy is total as a matter of fact.

Moreover, the RMF's resources are not included in the Government's budget. The Board approves the RMF's budget after the Executive Direction has drawn up revenue forecasts and provided them to the Directorate of Roads, which can then go ahead with the technical planning of the maintenance work and related expenditures. Under this arrangement, three maintenance campaigns have been completed without the slightest financial problem relative to the schedule and budget approved by the Committee. The payment period for invoices has never exceeded ten days.

Although not all revenue is yet collected directly by the RMF, the Fund alone is responsible for collecting 70 percent of the total, and the balance passes through an intermediary, the BNF (National Freight Office, in French *Bureau National du Fret*).

Currently, 55 percent of revenue comes from the tax on petroleum products and is received directly through the medium of collection vouchers for petroleum tax. The system that is used involves the collaboration of the petroleum tax authority, BFP (Petroleum Tax Office, in French *Bureau de la Fiscalité Pétrolière*), the banks and the RMF. In order to clear imported fuel through customs, businesses must pay the RMF's share of the tax directly to the RMF's bank, where it is credited directly to the RMF's account. The calculated amount of tax, split between the BFP and the RMF, is shown on the customs document (D3). Only when the business presents the RMF collection voucher that it has bought from the bank can it take possession of the fuel.

Under Article 4 of Decree 419, RMF vouchers bought from the bank that holds the RMF's account are the only means of payment the BFP is authorized to accept in settlement of the RMF's share of petroleum tax.

The RMF and the BFP have consequently agreed on the following procedures for managing and auditing this system.

- a) The RMF issues petroleum tax collection vouchers that are numbered independently of those issued by the BFP. Importers buy these vouchers from the bank, paying the amount indicated on the D3. This allows them to buy the BFP's vouchers as well.
- b) The following day, the bank transmits records of importers' voucher purchases to the RMF and the BFP. These records include the stubs of each party's vouchers

along with a printout of the previous day's transactions or the relevant sheets of the D3 corresponding to each voucher.

- c) On the first business day of each month, the BFP sends the RMF a printout of all D3s during the previous month, and the RMF sends the BFP a copy of the accounting ledger entries for all voucher sales during the previous month.
- d) In the event of a discrepancy between the BFP's printout of D3s and the RMF's ledger entries, staff members of the two organizations get together to carry out a joint audit of the source records.
- e) The BFP and the RMF conduct joint audits of imports of petroleum products passing through customs at the various points of entry.

15 percent of revenue comes from bridge and ferry tolls and is collected by the SMEs (under contract with the RMF) that operate the crossing. This arrangement has improved revenue collection significantly compared with when public-sector enterprises were responsible for it. Toll revenue from the N'Guéli Bridge between Chad and Cameroon has increased by about 30 percent since collections of tolls was entrusted to the private sector. These funds are also paid directly into the RMF's accounts by the toll collectors.

For the tolls, the RMF has toll vouchers printed for a unit amount set by decree. The RMF is in charge of managing the voucher booklets. It places the order and is responsible for storing and distributing the vouchers to the concession holders. It keeps a record of all vouchers coming in and going out and accounts for them as inventory. The revenue collection procedure is set forth in clauses in the toll concession contracts.

- The concession holder receives payment of the toll from each user upon presentation of a toll voucher in the corresponding amount, date-stamped on the day of crossing.
- Within fifteen days from the end of each month, the concession holder deposits the total amount due from the previous month to a bank account designated by the RMF.
- For the main transport companies, the concession holder issues an invoice every two weeks. The carrier writes a check payable to the RMF and gives it to the concession holder.
- The concession holder sends the RMF the list of checks and/or cash received.

The RMF checks toll revenue against the source records and performs on-site inspections on an ongoing basis. An audit is conducted every six months.

Income from fines (at weighbridges and for other infractions) is received by the RMF

itself directly from the carrier. The fines are assessed on the basis of the citations written by highway patrol and weigh station officers.

Thirty percent of revenue is collected by a public body, the BNF (national freight bureau), and then paid directly to the RMF's accounts. Discussions are under way to find an arrangement under which the RMF could receive these funds more quickly, without having them pass through the BNF.

It should be noted that the RMF has a degree of authority over that body, in the sense that the RMF can conduct inspections at BNF stations at any moment and without prior notice.

The BNF's revenue collection procedure is set forth in an agreement between the RMF and the BNF.

The BNF collects amounts owed for vehicular transport contract documents (mandatory waybills, in French *lettres de voiture obligatoires*, LVOs) and the axle tax from the parties responsible within at most one month. The BNF pays the amounts collected directly to the RMF's account. To monitor the cash receipts, the BNF prepares a monthly statement by province and by type (LVO or axleload tax) showing the amount collected for each type of levy, the amount of payments to the RMF, and the amount to be collected month by month for the current year.

The RMF then compares the BNF's monthly statement against the bank's records.

The RMF performs on-site checks of the number of LVOs and axle tax payments. It also surveys local carriers and checks on any payment arrears.

The RMF thus has a firm grip on and uncontested authority over the revenue collection circuit.

Since the RMF was established, revenue collections have been demonstrably greater than the budget projections adopted by the Board.

To ensure the RMF's long-term survival, at the time of its formation an agreement was signed between the national transport regulator and the delegation of the European Union under which CFAF 1,570 million was made available to the RMF. A supplementary agreement was signed in 2002 to specify how those funds were to be used, namely CFAF 1 billion as a capital endowment and CFAF 500 million to cover settlement of startup advances, which sum is to be reconstituted when those advances are amortized. It should also be mentioned that the donors and Chad's Ministry of Finance have agreed to allocate a portion of HIPC funds (debt forgiveness for heavily indebted poor countries) to road maintenance, and that portion is to be managed by the RMF. Obviously, that allocation does not represent an ongoing source of funds.

The main strength of Chad's RMF is the revenue collection system, which conforms to

the written requirements and, more broadly, to the very notion of a second-generation fund. For the most part, revenue is collected directly; not only does no revenue pass through the national Treasury, but as noted above, the RMF has direct and exclusive responsibility for collecting 70 percent of it.

Our problem is unfortunately an insufficiency of resources coupled with a lack of Chadian SMEs in the road maintenance business. Eighty percent of the roadwork is done by foreign companies whose activity is oriented mainly toward new construction and rehabilitation.

To grow and flourish, the RMF needs to have the sustained interest and active commitment of Chad's private sector in road maintenance work. The RMF already has the key elements needed to enable our small businesses to group together to constitute a force that can deal effectively with the current challenges.

Our ambition is to foster the emergence and professionalization of Chadian small businesses in road maintenance.

Setting aside the general macroeconomic issues, there are fundamental questions that could be the subject of fruitful exchanges between the RMF and small businesses. How can small and/or medium-size enterprises be helped to reorient their activities? Why are such enterprises lagging behind, despite the advantages that they have? How can the problem of the banking system be alleviated to ensure efficient, profitable financing of such SMEs?

It should be noted especially that good governance, which is central to the development mission, must occupy a prominent position among the criteria for examining these fundamental questions. However, clarification is required regarding the advantages and obstacles of the private sector's role in performing road maintenance and in relations with the RMF.

There is also good reason to draw attention to the absolute transparency of management at the RMF. In addition to semi-annual audits performed by an international audit firm, both financial and technical information is provided on an ongoing basis at the Board meetings, which are attended by outside observers, the representative of the Chadian Government, donors and others, as well as to all of the country's authorities, including the president's office. For the general public, the RMF puts out a magazine, "The Road" (in French "*La Route*"), up till now published once a year. In addition to articles and interviews about Chad's road problems, this magazine contains not only the financial report on the past year's campaign but also a report on all the activities, setting forth in detail, step by step, how the program was carried out. The report goes into the quality and effectiveness of the work done and provides information on the enterprises themselves and the difficulties for which they were responsible.

Another strong point of the RMF is its technical department, which plays a role at all the different levels of road maintenance. Before work begins, it studies the contract

proposals with a view to submitting its opinion and notice of acceptability to the Executive Director. When work is under way, it may monitor activities at the jobsites and check the bills presented for payment against the supporting documents. Lastly, it may intervene at the time work is completed and ready for acceptance. In this case as well, the RMF's authority is uncontested.

To avoid any confusion between the RMF and the Directorate of Roads regarding supervision of road maintenance operations, the two entities have signed a collaboration agreement that sets forth the roles and responsibilities of each and their duties to each other.

Lastly, there is also reason to point out and applaud the good will of the Chadian Government, which has made road maintenance one of its central concerns and has always supported the various bodies of the RMF in carrying out their mission.