

# ***Financing of Road Maintenance and Management of the Road Maintenance Funds***

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## ***The Chadian Road Maintenance Fund: Presentation***

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# 1. Institutional profile of the Road Maintenance Fund (RMF)

The Road Maintenance Fund was created within the framework of the sectorial plan for Transportation (PST) in Chad, according to the Geneva Agreement, by Law 14 of August 14, 2000. A first decree N°418 defining the organization and functioning of the Road Maintenance Fund was signed on September 18, 2000, whereas Decree N°419 of the same day defined the rates and means for collecting resources. The Interior Rulings, statutes, status of the personnel, management manuals and procedures were reviewed and adopted in their final form in January, 2002.

It is a second-generation road fund; that is, its management must be controlled by an organism made up mostly by representatives of the road users and the private sector, and it must collect its own financial resources directly without going through the Public Treasury.

## ***1.1. The organs of the RMF***

Under the administrative supervision of the Ministry of Public Works, the Road Maintenance Fund is administered by a Management Committee (the Board) and an Executive Direction.

The Board is made up of thirteen members, five of whom represent the road users, three represent business executives and five represent the State – including therein a representative of the Association of Mayors of Chad. The Board is obligatorily presided over by a member from the

private sector, elected by all the members of the Board, for a renewable period of two years. The Board meets together once a quarter, and as often as is required for the effective management of the Road Management Fund.

Moreover, the Executive Direction is obligatorily directed by an officer recruited through a public bid offer, and who cannot have the status of civil servant. The Executive Director and the Head of the Financial and Accounting Department are appointed for a renewable period of two years, according to the results of the institution.

## **1.2. The role of the RMF**

In conformity with the law creating the Road Maintenance Fund and to Paragraph 1 of the Statutes adopted by the Board on January 31<sup>st</sup>, 2002, its role is as follows: The goal of the Road Maintenance Fund is to pay all services, including therein all taxes, accomplished by maintenance companies having signed contracts within the RMF rules and regulations concerning:

- the routine and periodic road maintenance of the priority road network: urban, classified inter-urban and rural network;
- the preventive roadworks and road safety;
- the protection of the national road assets;
- the non-programmed emergency roadworks, within the limits of the budget given to them;
- the control of road maintenance work;
- the surveillance of the road network, included therein axleload control stations;

- the establishment of work contracts for road maintenance.

The Road Maintenance Fund also gives a small part of its budget (8% of the amount directly paid into the road fund) to support the Sub-Direction of Road Maintenance of the Ministry of Public Works and Transportation.

Finally, the Road Maintenance Fund also serves to promote and finance all the activities for the improvement of road maintenance and the protection of the national road assets; notably, through training activities in the private companies within the framework of training budgets to be determined.

Expenses for the rehabilitation of roads are excluded from the Road Maintenance Fund activities.

Consequently, one of the essential objectives of the RMF is the collection of the necessary financial resources, that must be secured and used to the best advantage.

The RMF must try to guarantee its reception of funds, without replacing those responsible for collecting those resources, and then pay up in a timely way all the road maintenance work and the services done, based on payment schedules established by the Direction of Roads of the Ministry of Public Works and Transportation.

### **1.3. The financial resources of the RMF**

The financial resources of the Fund are composed of the following:

- a percentage of the fiscal receipts charged for gas and diesel sales, given by the State through a special exception to the general principles applicable in the area of public accounting;
- the funds coming from the fees charged for heavy road vehicles paid by any vehicle transporting freight weighing over one ton;
- the funds coming from the fees charged for heavy road vehicles paid by any foreign vehicles transporting freight weighing over 10 tons;
- the fees charged by toll booths on the N'Guéli Bridge between Chad and Cameroon and the ferries on the national road network;
- the funds coming from any other fee received or that will be received by road users that has been authorized by law;
- indemnities received for damages caused by users of the national road network after these people have been given legal notification duly transmitted;
- bank interest payments on savings accounts;
- exceptional contributions of international organizations through bilateral or multilateral assistance;
- other contributions, donations or legacies.

## **1.4. The expenditures of the RMF**

The financial resources are made available for the payment of the Fund's expenses under the following conditions :

- \* The Road Maintenance Fund's operating expenses : 3 %
- \* Priority Urban Road Network limited to : 15 %
- \* Road Maintenance Work of the priority road network: the remainder

The procedure for paying out funds is carefully controlled: the RMF pays the amounts due to the contractors only after having verified that the maintenance work has been done according to the technical specifications stated in the contracts, after having received the certification signed by the control inspection and the representatives of the Road Direction. The waiting period for full payment of roadworks rarely goes beyond two weeks after reception of these documents.

## **1.5. The general balance of the RMF budget**

The RMF legally began its activities on January 1, 2001. It is therefore in its third fiscal year.

The budget for the 2002-2003 fiscal year comes up to 4.610 Million Cfa Francs for receipts and 4.443 Million Cfa Francs for expenses. More than half of the receipts come from the RMF's share of taxes charged for gas and diesel sales. Expenses are divided up as follows: 3.9 billion Cfa Francs for road maintenance, 2.7 billion Cfa Francs of which is for programmed maintenance work;

the payment for services tied to the collection of the financial resources by small private collectors, comes to 383 million Cfa Francs, whereas the RMF investment and operations budget comes to 165 million Cfa Francs.

## **2. Problems met by the Chad RMF and the solutions applied**

Knowing that the financial resources that the RMF can collect, despite the fact that they are regular and stable, are notoriously insufficient to cover the road maintenance of the priority road network of 6,200 km over an overall road network of 40,000 km (the resources now allow maintenance work over only 2,500 km), and the problems of the RMF, are situated mainly at three levels: first at the general level of road maintenance, secondly, at the level of financial resources, and finally, at the level of the management of public expenditure.

### ***2.1. The execution of the roadworks***

Concerning road maintenance works, at present, Chad does not have small firms capable of carrying out road maintenance work. This work is given to foreign companies, except for the SNER, whereas the real activity of these companies concerns the construction of new roads and road rehabilitation works. A second idea now is to motivate small firms to become competent and organized in order to do such work, and the last idea, is to obtain from donors the support necessary to train these small firms, as written into the RMF statutes.

## ***2.2. Accounting standards***

The legislation and texts defining the RMF, impose certain specific rules for the RMF management; that is, rules concerning the methods used for the accounting and obligations imposed for the strict management of the Fund. As for all Road Maintenance Funds, the accounting must follow along the lines of commercial standards; that is, double accounting entries, and for the RMF in Chad – this means the OHADA standards. Whereas the OHADA standards provide for the setting up of a specific accounting plan, notably, for financial establishments, since this plan has not yet been defined, the RMF must now present its accounting according to any industrial and commercial business. Moreover, the operations budget, which includes the depreciation, although this is controversial, since this concerns no paying out of funds, but rather is only the registering of the depreciation of the value of investments made in the past, is defined by the financial resources collected.

## ***2.3. Financial resources***

Concerning financial resources, the RMF was created in order to manage petroleum resources evaluated at 6 billion Cfa Francs, coming from the Farcha Refinery. Whereas for reasons independent of the RMF's management, the beginning production of this refinery has been postponed for several years in the future, and this requires the finding of other financial resources.



Moreover, receipts concerning the obligatory car circulation authorization, and fees coming from the weighing stations – that is, 37% of the RMF's receipts, go through yet another public service. However, a study has just been carried out to improve the collection of these receipts, or else to establish new receipts. The first conclusions propose an increase in the tax rate on petroleum revenues, the paying over of the car registration fee directly to the RMF, the replacing of the obligatory car circulation papers by an international car circulation authorization. Although the arrival of petroleum revenues can be a source of receipts for the RMF, this possibility should not be retained, if we want to insist upon the financial independence of the RMF as related to the State budget.

## ***2.4. Management of public expenditures***

On the level of the management of public expenditure, the RMF is confronted with certain problems.

On the one hand, considering the hopes based on the receipts of the Farcha Refinery, the Ministry of Public Works and Transportation signed three-year contracts which did not take into consideration the real capacity for financing. This question is partially resolved by the limiting of the payment orders for annual services established by the Road Direction. The solution obviously goes through the setting up of contracts signed for over several years with optional activities.

## ***2.5. Work dialog with the Roads Direction***

The last difficulty is the confrontation of the follow-up of the work and controls of road maintenance operations between the RMF and the Road Direction. To solve this problem, we have just signed a collaboration agreement between these two entities, specifying the roles and responsibilities of each one, as well as their reciprocal duties. One of the essential elements of this agreement is the recognition of the RMF's right of non-objection, which is the equivalent to the right of the international donors over the operations that they have financed.

The Road Maintenance Fund and the Road Direction have finalized acceptable procedures for signing contracts. These procedures are applicable systematically. They are based on models of bid offers including in particular, procedures for attribution and model work contracts.

The Road Direction is responsible for the signing of contracts. To do so, it is the Road Direction that finalizes the consultation file (based on model contracts), including eventually, the establishment of limited listings.

The Road Direction submits to the Road Maintenance Fund for their examination, the procedures for signing contracts, the file of the bid offer, the evaluation of the offers received, the recommendations for the attribution of maintenance work, and the work contract itself, so that the RMF can verify that all suitable procedure has been applied.

The RMF gives its non-objection to the signing of the contracts, according to standards generally retained by the various donors.

This temporary attribution becomes final only after the Road Maintenance Fund has verified the availability of the funds (treasury) according to the real amount of the offer of the contractor or service provider. For this purpose, the Road Direction sends to the Road Maintenance Fund a file composed of the draft contract, with the report on the attribution. Except if the amount to be paid out goes beyond the funds available, as soon as the RMF has received the file, they deliver to the Road Direction an “Authorization for Payment” in order to begin the contract work with eventually a ceiling amount that will be necessary for the work or services to be done during the first year.

### **3. The strengths of the Chad RMF**

Most of the strengths of the Chadian RMF lie in typical second-generation RMF’s features and prerogatives.

#### ***3.1. The real autonomy of the RMF***

On the one hand, the Board is mostly private and the managerial autonomy is complete. The supporting Ministry is always kept informed, but does not interfere either in the voting of the budget, in the follow-up, or in the daily management of the RMF. Twice already there was an attempt to interfere on the part of the supporting Ministry; once when they asked the RMF to be responsible for the maintenance of non-priority roads, and again when the Ministry asked for the

transfer of the bank accounts to a bank of their choice. In both cases, the Board refused to follow these instructions.

### ***3.2. Budgetary procedure***

On the other hand, the financial resources of the RMF are considered to be outside the State budget. It is the Board who votes upon the budget, after the Executive Direction has proceeded to the establishment of anticipated receipts, has communicated them to the Road Direction, who can then proceed to the technical programming of the everyday road maintenance, without the least financial problem concerning the programming of the budget approved by the Committee.

Although all the financial resources may not yet have been collected directly by the RMF, 60% of them are under its complete responsibility and the balance goes through an intermediary organism – the National Freight Office.

In order to ensure the continuity of the RMF organization from its creation, an agreement was signed between the national Coordinator and the Delegation of the European Union, making available for the RMF some 1.570 million Cfa Francs. An amendment was signed in 2002, in order to specify the conditions for using these funds; that is, one billion in capital expenditure, and 500 million Cfa Francs to be used to be advances on work contracts, funds that are to be reconstituted when the amortization of these advance payments is taken into account.

It should, in fact, be mentioned that the donors and the Finance Ministry agreed to the granting of a part of the PPTTE funds for road maintenance, and this part should be managed by the RMF. However, it is obvious that these funds shall not be permanently given.

### ***3.3. Short circuits for the revenue collection***

The main force of the RMF in Chad is the collection of receipts, which first of all, according to the texts, and secondly and even more so, according to the very idea of a second-generation road fund, is usually carried out directly. No receipt shall go through the Public Treasury. The percentages follow concern the 2001-2001 fiscal year.

51% of the receipts concerning the taxes applied to fuel purchase, are directly received by the intermediary of collecting services of the petroleum receipts. The system that has been set up implies the collaboration of the Office of Petroleum Taxation, the banks and the RMF. In order to pay the customs taxes on the imported fuel, businesses must pay to the bank an specific amount to the Office of Petroleum Taxation and to the RMF, and this is marked down on the customs documents (D3). It is only in exchange of the Tax Collection Receipt established by the RMF concerning its share, and given to the bank, that the company can then take possession of the imported fuel.

9% of receipts come from the toll booths on bridges and ferries, and collected through the intermediary services of small firms, which have substantially improved the reception of the receipts compared to the preceding period when these receipts were collected by public entities. In

this way, the receipts of the toll booth of the N'Guéli Bridge, separating Chad from Cameroon, have been increased by about 30% since their collection has been confided to a private group.

It should be pointed out that since the creation of the RMF, the receipts collected have been higher than the budgeted projections that had been adopted by the Board.

### ***3.4. The role of the RMF technical department***

Finally, one of the strong points of the RMF is the role of its technical department which is found at various levels of road maintenance.

This department does not replace the Road Direction, but it serves rather to guarantee the regularity of operations at all levels. In the beginning stages, it participates in the studies of the programs submitted by the Road Direction in their evaluation of the eligibility requirements. After the adoption of the budget, they study the files to be submitted to the Executive Director for his signature on the non-objection of the contracts. While the maintenance works are being carried out, they can follow-up on the road works, without being in direct contact with the service providers; they verify the documents and invoices concerning and testifying to the level of work site advancement, notably, in terms of the conformity of technical specifications with the contractual terms. Finally, they intervene when the maintenance works are finished.

### **3.5. Transparency and information**

The transparency of the RMF management is an absolutely necessary condition. In addition to the outside biannual financial audits carried out by an international accounting office, financial as well as technical information is constantly being covered in the meetings of the Board to which many outside observers are invited and attend, plus the Commissary of the Government, donors..., and can include any authority in the country, including therein the Presidency of the Republic.

In addition, for the general public, the RMF publishes a magazine “The Road” which, so far, comes out once a year, and in which in addition to articles and interviews concerning road problems in Chad, there is not only the financial report of the preceding year, but also a report on all the activities, giving the detail of the execution of the road repair program – contract by contract, and insisting on the effectiveness of the maintenance work, the quality and information concerning the contractor and the difficulties confronting it has confronted in carrying out his work.

Finally, it should be mentioned, as a form of congratulations, the willingness of the government, who up to the present, have put road maintenance at the center of their concerns, and have always supported the deciding bodies of the RMF against the attempts to usurp their authority by the supporting Ministry.

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