

Rural Transport Training Materials

Module 3:

Management and Financing

The Zambian Experience of a Road Fund: A case study

Session 3.2

Part 2

Presentation 3.2b



1. Introduction

Learning Objectives

This session enables participants to:

- ③ Examine the design, operation, and outcomes of a commercially managed road fund
- ③ Reflect on key lessons that can be drawn from this case study and applied to other countries and/or projects

Session Overview

- © Background: mismanagement and underfunding of Zambia's road network
- © The reform process
- © Outcomes

2. Background: mismanagement and underfunding of Zambia's road network

⊙ Deterioration of Zambia's roads

- from 1987 to 1990 primary roads in good condition declined from 40% to 20 %
- value of Zambian road network declined by more than US\$ 400 million
- US\$ 38 million required annually to maintain status quo

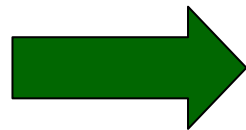
What has caused deterioration?

Inadequate funding

Poor institutional
framework & management

Inadequate funding

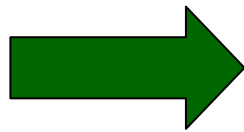
- ⊙ Road provision seen as social service
- ⊙ Road maintenance financed from general tax revenues
- ⊙ Road funding competes against other more pressing fiscal demands



**Maintenance allocations
declined to 15% of
requirements**

Poor institutional framework & management

- ⊙ Poor conditions of service
- ⊙ Ineffective and weak management structures
- ⊙ Lack of managerial accountability



Lack of suitably qualified and experienced staff to plan, organise, monitor and regulate work

Problem of road
maintenance is not one of
engineering but of policies
and management

3. The reform process

1991 Inter-Ministerial Committee recommended changes to:

Financing road
maintenance

Organisation &
management

Operational
efficiency

Staff incentives and
training

Financing road maintenance

- ③ Introduce road user tariff
- ③ Deposit funds in autonomous road fund
- ③ Create board of management for road fund

Organisation and management of roads

- ⊙ Establish autonomous highway authority
- ⊙ Administered by a board
- ⊙ Comprised of 1/3 government departments
2/3 private sector

Improving operational efficiency

- ③ Increase private sector maintenance
- ③ Institute business environment for consultants and contractors
- ③ Use labour based work methods

Staff incentives and training

- ③ Competitive and performance related terms and conditions of employment
- ③ Develop training organisation

4. Outcomes

Road user charge

- © Fuel levy enacted from May 1993
 - 1 US cent per litre at first rising to 7 US cents
- © Fuel levy deposited in autonomous road fund (in commercial banks)

National roads board (NRB)

© Established in October 1994

© Private sector driven

- 7 private sector members 4 public sector members
- only private sector members have right to vote

© Created task forces and committees involving stakeholders

Policy guidelines

- © To manage and administer Road Fund
- © To prevent road fund from being raided or diverted to uses other than road maintenance

Systems and procedures

- ◎ To ensure transparency and accountability
 - system for receipt of money
 - banking system
 - internal control system
 - financial audit system
 - technical audit system
 - reporting system
 - information dissemination system

National Programme of Road Maintenance

- ◎ To make up for years of neglect
- ◎ To rekindle road maintenance culture
- ◎ All 72 district councils and 9 provincial road engineers required to submit program of road maintenance
- ◎ Private sector consultants appointed to assist councils

Capacity building

- © Early 1990s only 4 road contractors in Zambia and they only worked in Lusaka
- © Develop **private sector contractors**
 - district bank accounts managed by district councils and consultants
 - encouraged donor road projects
- © Revamping **Roads Training School** in order to create 300 contractors over next 5 years

Roads 2001

- ◎ To access donor funding and launch a National Programme of Road Rehabilitation
 - established National Task Force
 - launched national workshop



Road Sector
Investment
Programme
(ROADSIP)

Results

- ◎ Paved roads in good condition improved from 20% in 1995 to 35% in 1999
- ◎ Paved roads in poor condition declined from 51% in 1995 to 29% in 1999
- ◎ Growth of private sector
 - 1996: 45 contractors
 - 1997: 120 contractors
 - 40% decline in price of road works

Results

- © Government **spending** on roads has increased
- © Road user **contribution** via fuel levy increased by 800% during past 5 years
- © **Government handing over** weigh bridges and other road user revenue sources to NRB
- © Increasing **community participation** and cost sharing

Managing roads like a business



Group Activity

- A. *What key lessons can we draw from this case study to apply to other countries & projects?*
- B. *What recommendations would you make for improving management of Zambia's roads?*