

# RURAL TRANSPORT TRAINING MATERIALS

TRAINER'S NOTES

## TRAINING MODULE 3 FINANCE AND MANAGEMENT

### Part 1

General road management issues

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### Part 2

The Zambian experience of a road fund:  
case study

SESSION 3.2



The World Bank



**DFID**

Department for  
International  
Development



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<p><b>Session Objectives</b></p>	<p>This session enables participants to:</p> <p><b>Technical paper</b></p> <ul style="list-style-type: none"> <li>● Explain how to manage roads like a business, not like a bureaucracy</li> <li>● Describe the technical, policy and operational aspects of commercially managed road funds</li> </ul> <p><b>Case study</b></p> <ul style="list-style-type: none"> <li>● Examine the design, operation, and outcomes of a commercially managed road fund</li> <li>● Reflect on key lessons that can be drawn from this case study and applied to other countries and/or projects</li> </ul>
<p><b>Rural Transport Knowledge Base materials used with this session</b></p>	<p><b>General Road Management Issues. Managing roads like a business - not like a bureaucracy.</b> Based on: Ian G. Heggie, World Bank</p> <p><b>The Zambian Experience of a Road Fund: A case study</b> By: Nadarajah Gananadha, Executive Secretary, National Roads Board of Zambia</p>
<p><b>Training Materials</b></p>	<p><b><u>Presentations</u></b></p> <p>3.2a General Road Management Issues. Managing roads like a business - not like a bureaucracy</p> <p>3.2b The Zambian Experience of a Road Fund: A case study</p> <p><b><u>Activity Sheets</u></b></p> <p>41 Bureaucracy or business?</p> <p>42 Commercial road funding in developing country context</p> <p>43 Managing roads like a business</p>

Key Topics	Training Methods
<p><b>Part 1</b></p> <p><b>1. Introduction</b></p> <p><b>2. The concept of the commercially managed road fund</b></p> <p>2.1 Background</p> <p>2.2 The core concept</p> <p>2.3 Bureaucratic vs. market focus: benefits and drawbacks</p> <p><b>3. Key elements of successful commercially managed road funds</b></p> <p>3.1 Strategic</p> <p>3.2 Technical and policy</p> <p>3.3 Operational questions</p> <p><b>4. Reflections on the contextual issues and commercially managed roads funds</b></p> <p><b>Part 2</b></p> <p><b>5. Case Study</b></p> <p>5.1 Introduction</p> <p>5.2 Background to the issues</p> <p>5.3 The reform process</p> <p>5.4 Outcomes</p> <p>5.5 Reflections on lessons learnt: managing roads like a business</p>	<p><b>Presentation</b></p> <p><b>Presentation</b></p> <p><b>Presentation</b></p> <p><b>Group Activity</b></p> <p><b>Presentation with discussion</b></p> <p><b>Presentation with discussion</b></p> <p><b>Presentation with discussion</b></p> <p><b>Group discussion</b></p> <p><b>Presentation</b></p> <p><b>Presentation</b></p> <p><b>Presentation</b></p> <p><b>Presentation</b></p> <p><b>Case Study Activity</b></p>

## Trainers' Summary


**This session is divided into two parts:**

- Part 1** is based on the technical paper: General Road Management issues. Managing roads like a business - not like a bureaucracy
- Part 2** is based on the Case Study: The Zambian experience of a road fund


## Session 3.2 Trainers' Notes


**Part 1**


### 1. Introduction

<i>Training Methods</i>	<i>Content</i>	<i>Materials</i>
<p><b>Presentation</b></p> 	<p>Introduce the first part of session by explaining the learning objectives and session structure.</p> <p>The first part of this session focuses on developing commercially managed roads funds, and developing three key elements that are essential to the success of commercially managed road funds.</p> <p><b>Key Points:</b></p> <p><b>Session Overview Part 1</b></p> <ul style="list-style-type: none"> <li>🎯 The concept of the commercially managed road fund</li> <li>🎯 Key elements of successful commercially managed road funds                             <ul style="list-style-type: none"> <li>✓ strategic elements</li> <li>✓ technical and policy elements</li> <li>✓ operational questions</li> </ul> </li> </ul>	<p>Presentation 3.2a Slides 1 - 5</p>

## 2. The concept of the commercially managed road fund


<i>Training Methods</i>	<i>Content</i>	<i>Materials</i>
<p><b>Presentation</b></p> 	<p><b>2.1 Background</b></p> <p>Provide an overview of the problems with bureaucratic road management systems.</p> <p><b>Key Points:</b></p> <ul style="list-style-type: none"> <li>③ Realisation that roads systems are too large to be managed through a consolidated fund</li> <li>③ Realisation that bureaucratic road management did not give road-using public value for money</li> <li>③ The proposal is to bring about the commercialisation of roads using the ‘fee-for-service’ concept.</li> </ul>	<p>Presentation 3.1a Slide 6</p>



<b>Training Methods</b>	<b>Content</b>	<b>Materials</b>
<p><b>Presentation</b></p> 	<p><b>2.2 The core concept</b></p> <p>Explain the rationale behind commercially managed road funds, including an account of the problems with the first generation of ‘user-pays’ road fund systems established.</p> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>◎ First generation ‘user-pays’ road funds set up in post-war era to ‘ring fence’ road sector from vagaries of government budget process</li> <li>◎ New generation of commercially managed road funds differed from first generation in 3 ways: <ul style="list-style-type: none"> <li>✓ drew on experience of operating conventional road funds</li> <li>✓ addressed concerns of Ministries of Finance and the IMF</li> <li>✓ combined new financing mechanisms with steps to ensure that the public gets value-for-money</li> </ul> </li> <li>◎ To bring road sector into the market place: <ul style="list-style-type: none"> <li>✓ roads run on fee-for-service basis</li> <li>✓ roads need to be managed like a business</li> </ul> </li> </ul>	<p>Presentation 3.1a Slides 7 - 10</p>



Training Methods	Content	Materials
<p><b>Group Activity</b></p> 	<p><b>2.3 Bureaucratic vs. market focus: benefits and drawbacks</b></p> <p>The purpose of this activity is to reflect on the benefits and potential drawbacks, or weaknesses of bureaucratic road management and market based road management.</p> <ul style="list-style-type: none"> <li>④ Divide participants into small groups of 4 or 5, and hand out Activity Sheet 41.</li> <li>④ Ask participants to read Key Points from the speech by the Jordanian Finance Minister and discuss: <ul style="list-style-type: none"> <li>A. <i>What are the benefits and weaknesses of bureaucratic road management?</i></li> <li>B. <i>What are the benefits of market-based road management?</i></li> <li>C. <i>What might be the drawbacks of market based road management?</i></li> </ul> </li> <li>④ Ask participants to write their findings on flip chart, elect a presenter and prepare to feedback to the plenary.</li> <li>④ Ask each group to present their findings to the plenary.</li> <li>④ Facilitate a discussion on the Key Points raised. See trainers' note below.</li> </ul> <p><b><u>Trainers' Note</u></b>  <i>Encourage participants to examine issues from a socio-economic perspective as well as technical ones. Participants should draw on what they have learnt so far in the session. The issues are further expanded in the following sections.</i></p>	<p>Presentation 3.2a Slide 11</p> <p>Activity Sheet 41</p> <p>Flip chart, pens</p>




## 3. Key elements of successful commercially managed road funds


Training Methods	Content	Materials
<p><b>Presentation with Discussion</b></p> 	<p><b>3.1 Strategic</b></p> <p>Describe the key strategic aspects of commercially managed roads funds that need to be considered to ensure the success of this approach. Draw on any experiences and ideas that participants may have. Ask questions like:            What are the legal aspects road funds that need to be considered?</p> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>☉ The scope of road fund               <ul style="list-style-type: none"> <li>✓ Only national roads (e.g. South Africa and USA)</li> <li>✓ All expenditure on all public roads (national <i>and</i> local government roads)</li> </ul> </li> <li>☉ Type of legal basis               <ul style="list-style-type: none"> <li>✓ Use existing legislation</li> <li>✓ Ministerial or presidential decree</li> <li>✓ New legislation is preferred as it provides a firmer legal basis</li> </ul> </li> <li>☉ Oversight boards and the characteristics of successful oversight boards</li> </ul> <p><b>Continued...</b></p>	<p>Presentation 3.2a            Slides 12 - 18</p>

<i>Training Methods</i>	<i>Content</i>	<i>Materials</i>
	<p><b><i>...Continued</i></b></p> <ul style="list-style-type: none"> <li>  Managing the road fund         </li> <li>  The road fund finances:           <ul style="list-style-type: none"> <li>✓ routine and periodic maintenance</li> <li>✓ legislation often requires this is priority</li> <li>✓ road safety</li> <li>✓ administration</li> <li>✓ road rehabilitation</li> </ul> </li> </ul>	

<b>Training Methods</b>	<b>Content</b>	<b>Materials</b>
<p><b>Presentation with Discussion</b></p> 	<p><b>3.2 Technical and policy</b></p> <p>Describe the key aspects of the technical and policy element of commercially managed road funds. Draw on participants' experiences and ideas. Ask questions like: How should funds be sourced?</p> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>③ Funds are allocate to local government roads by formula and by need</li> <li>③ Sources of revenues are confined to road user charges</li> <li>③ Adjusting the road tariff</li> <li>③ How non-road users are exempted from paying the fuel levy</li> <li>③ How funds are disbursed to each road agency</li> </ul>	<p>Presentation 3.2a Slides 19 - 27</p>
<p><b>Presentation with Discussion</b></p> 	<p><b>1.3 Operational questions</b></p> <p>Describe the key aspects of the technical and policy element of commercially managed road funds. Draw on participants experiences and ideas. Ask questions like: What are the day-to-day management issues that need to be considered?</p> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>③ Day-to-day management</li> <li>③ Financial rules and regulations</li> <li>③ Auditing arrangements</li> </ul>	<p>Presentation 3.2a Slides 28 - 31</p>


## 4. Reflections on the contextual issues and commercially managed roads funds


Training Methods	Content	Materials
<p><b>Group Discussion</b></p> 	<p>The purpose of this activity is to provide participants with the opportunity to reflect on issues affecting the commercial management of roads within the country contexts in which they are working. The role of commercial road funding may also be explored.</p> <ul style="list-style-type: none"> <li>④ Divide participants into groups of 3 or 4, give them Activity Sheet 42, and ask participants to discuss: <ul style="list-style-type: none"> <li>A. <i>What are the technical, financial and political constraints to rural transport for developing / in transition countries?</i></li> <li>B. <i>What aspects of commercially managed road funds enable them to address these constraints?</i></li> </ul> </li> <li>④ Ask the groups to prepare their findings on flip chart and to elect a person to present the findings.</li> <li>④ Each group presents their findings to the plenary.</li> <li>④ Facilitate a discussion on the findings and draw out the key learning points. See trainers' note below.</li> </ul> <p><b><u>Trainers' Note</u></b>  <i>Encourage participants to draw on what they have learnt so far in the session, to apply to their areas of work. Ensure they cover all aspects including legal, institutional, sourcing funds and management issues.</i></p>	<p>Presentation 3.2 a  Slide 32</p> <p>Activity sheet 42</p>


<b>Training Methods</b>	<b>Content</b>	<b>Materials</b>
<p><b>Presentation</b></p> 	<p><b>Conclusions</b></p> <p>Summarise the first part of the session by highlighting the key issues and ways forward for addressing problems with local management of rural roads.</p>	<p>□ Presentation 3.2a Slide 33</p>

**Part 2**


## 5. Case Study: Zambia


<b>Training Methods</b>	<b>Content</b>	<b>Materials</b>
<p><b>Presentation</b></p> 	<p><b>5.1 Introduction</b></p> <p>Introduce the second part of this session explaining the objectives with a brief overview of the topics to be covered.</p> <p>During this part of the session, a case study from Zambia will be examined.</p> <p><b>Key Points:</b></p> <p><b>Session Overview Part 2</b></p> <ul style="list-style-type: none"> <li>◎ Background to the issues</li> <li>◎ The reform process</li> <li>◎ Outcomes</li> <li>◎ Reflections on lessons learnt: managing roads like a business</li> </ul>	<p>Presentation 3.2b Slides 1 - 3</p>

<b>Training Methods</b>	<b>Content</b>	<b>Materials</b>
<p><b>Presentation</b></p> 	<p><b>5.2 Background to the issues</b></p> <p>Explain the contextual issues relating to the management of the Zambian road network, emphasising the cause of the problems.</p> <p><b>Key Points:</b></p> <ul style="list-style-type: none"> <li>③ Deterioration of Zambia’s roads: from 1987 to 1990 primary roads in good condition declined from 40% to 20%</li> <li>③ Causes of the deterioration: <ul style="list-style-type: none"> <li>✓ inadequate funding</li> <li>✓ poor institutional framework and management</li> </ul> </li> <li>③ The problem of road maintenance is not one of engineering but of policies and management</li> </ul>	<p>Presentation 3.2b Slides 4 - 8</p>

<b>Training Methods</b>	<b>Content</b>	<b>Materials</b>
<p><b>Presentation</b></p> 	<p><b>5.3 The reform process</b></p> <p>Describe the reform process undertaken in Zambia, based on the 1991 Inter-Ministerial Committee recommendations.</p> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>③ Financing road maintenance</li> <li>③ Organization and management</li> <li>③ Operational efficiency</li> <li>③ Staff incentives and training</li> </ul>	<p>Presentation 3.2b Slides 9 - 13</p>



Training Methods	Content	Materials
<p><b>Presentation</b></p> 	<p><b>5.4 Outcomes</b></p> <p>Describe the outcomes of the process, highlighting the results that were achieved.</p> <p><b>Key Points</b></p> <p><b>Outcomes</b></p> <ul style="list-style-type: none"> <li>☉ Road user charges were set in place</li> <li>☉ National Roads Board (NRB) established</li> <li>☉ Policy guidelines were drawn up to manage and administer the Road Fund</li> <li>☉ Systems and procedures were established to ensure transparency and accountability</li> <li>☉ National Programme of Road Maintenance</li> <li>☉ Capacity building including private sector contractors and revamping the roads training school</li> <li>☉ Roads 2001 allowed for access to donor funding and launch a National Programme of Road Rehabilitation</li> </ul> <p><b>Results</b></p> <ul style="list-style-type: none"> <li>✓ paved roads in good condition improved</li> <li>✓ paved roads in poor condition declined</li> <li>✓ growth of private sector</li> <li>✓ government spending on roads increased</li> <li>✓ road user contribution via fuel levy increased by 800% during past 5 years</li> <li>✓ government handing over weigh bridges and other road user revenue sources to NRB</li> <li>✓ increasing community participation and cost sharing</li> </ul>	<p>Presentation 3.2b Slides 14 - 22</p>

Training Methods	Content	Materials
<p><b>Case Study activity in groups</b></p> 	<p><b>5.5 Reflections on lessons learnt: managing roads like a business</b></p> <p>The purpose of this activity is to draw on the lessons from the Zambia experience and consider how these may be applied to other countries. Based on these reflections, recommendations should be made for building on the outcomes achieved and making further improvements to the way roads are managed in Zambia.</p> <ul style="list-style-type: none"> <li>④ Divide the participants into groups of 4 or 5 people.</li> <li>④ Give each group Activity Sheet 43 and a copy of the full text of the Zambia case study.</li> <li>④ Ask participants to discuss the following points: <ul style="list-style-type: none"> <li>A. <i>What key lessons can we draw from this case study to apply to other countries and projects?</i></li> <li>B. <i>What recommendations would you make for improving management of Zambia’s roads?</i></li> </ul> </li> <li>④ Ask the groups to prepare their findings on a flip chart and to elect a person to present.</li> <li>④ Each group presents their findings to the plenary.</li> <li>④ Facilitate a discussion on the findings and draw out the key learning points. See trainers’ note.</li> </ul> <p><b><u>Trainers’ Note</u></b></p> <p><i>There are no right and wrong answers to these questions. Encourage participants to examine how institutional issues may contribute to the failure of the road sector to deliver an effective transport service, especially for the rural poor.</i></p>	<p>Presentation 3.2b Slide 23</p> <p>Flip chart, pens</p> <p>Activity sheet 43</p>

<i>Training Methods</i>	<i>Content</i>	<i>Materials</i>
	<p><b>Summary of session 3.2</b></p> <p>Conclude this session by reviewing the issues explored and the key lessons learnt, highlighting areas that may need further investigation or discussion.</p>	