



ROAD FUND MANAGEMENT: (KENYA'S EXPERIENCE)

Presented by

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OVERVIEW

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KENYA

Kenya is a country on the Eastern Part of Africa, sitting astride the equator, bordered by the Indian Ocean, Somalia, Ethiopia, Sudan, Uganda, Tanzania.

Its area is about 580,000 sq. kilometers

It has a population of 34 million people.

Gained independence in 1963.

Has not had a major conflict or civil war.

Has a democratic Government

Will be electing the 10th parliament in 2007.

BACKGROUND

- Late 1980s studies indicated that lack of maintenance was eroding road asset value in developing countries.
- This was so particularly in Sub-Saharan Africa (SSA).
- The studies identified that:
 - Lack of maintenance was not rooted in technical matters but was political and institutional.
 - There was need for change, creating firm awareness at the highest level of government, of the importance of road maintenance.



The study recommended four basic building blocks of reforms to effect the changes.

- Create ownership by involving road users in managing road maintenance
- Secure a sustainable and secure source of financing.
- Clarify responsibility by identifying who is responsibility for what part of the network.
- Strengthen management of roads by providing effective systems, procedures and accountability.

The vehicle for change was the RMI

CREATING OWNERSHIP

The manner in which a Road Fund Board (RFB) is created is critical to its success.

Two methods have been adopted;

- Legislative.
- Non Legislative: a presidential or ministerial declaration.

Legislation is highly recommended as it entrenches the RFB within the government structure.

Declarations create weak RFBs that are easily infiltrated and whose decisions can be ignored.

FINANCING

The most appropriate and sustainable source of financing is the Road Levy Fund (RLF).

On adoption of RMI, most SSA countries legislated the setting up of RLFs almost immediately.

It is recommended that as many sources of financing be identified and tapped.

In Kenya, agricultural cess is part of the Kenya Roads Board Fund.

ANNUAL WORK PROGRAMMES (AWP)

RFBs are Funding Agencies (similar to WB, EU, AfDB, KfW, DANIDA, SIDA, BADEA, ADB, etc).

On that premise, they must endeavor to fund a multi-year work programme that is;

→ realistic, practical, and can be delivered efficiently, effectively and within the planned time frame.

In SSA, most of the multi-year time frames coincide with the Mid Term Expenditure Framework.

AWP PREPARATIONS cont...(3)

- The RFB MUST approve the AWP.
- The Government MUST adopt the AWP through the signature of the Minister for Finance.
- On approval, the AWP should change only once, during supplementary review.
- Procedures for change must be properly outlined, with very clear audit trails.
- This is important for auditing purposes.

RFB RECEIPTS

- Fund collection method is critical for success.
- The collecting agency is normally the revenue authority.
- Once collected, funds are either channelled directly to the RFB or through (MOF) exchequer issues.
- Direct channelling of funds to the RFB is most appropriate. KRBF receives funds directly.
- RFBs should fight to ensure this method prevails.

FUND DISBURSEMENTS

- RMLF receipts are collected continuously.
- Disbursements take place therefore, only when funds are available.
- Disbursements criteria to road agencies should be contained in the Act.
- In Kenya it is monthly.
- Preferably, it should be quarterly.
- Ensures RFB management can undertake core activities of following up on value for money

FUNDS RELEASE

- Annually, a disbursement schedule is developed and approved by the RFB.
- On approval of disbursements, releases can be effected.
- A key punitive measure that can be applied is withholding of release of funds.
- Road agencies that are not compliant should be aware of this punitive measure.

PERFORMANCE AGREEMENT

A Performance Agreement (PA) should be signed between the RFB and road agencies.

The PA outlines;

- the relationship between the RFB and the road agency,
- indicates the expectations of the RFB in terms of delivery of works by the road agency, for funds received,
- includes punitive measures that should be applied if the road agency is non-compliant.

The basic objective of the PA is to tie funding to delivery of the approved AWP.

TECHNICAL COMPLIANCE, PERFORMANCE AND FINANCIAL AUDITS

Shareholders require that value for money is achieved.

This can only be ascertained through;

- Technical Compliance (physical verifications) – TC,
- Performance (against agreed AWP) – P,
- Financial Audits (financial discipline) – FA.

RFB are not audit firms.

RFB must continuously review funds expenditure progress of works on a sampling basis.

TC, P and FA cont...(2)

Results of the review must be communicated to shareholders.

Due to complexity of the AWP and its size, RFB should utilize services of consultants.

TC, P and FA are recent services introduced into 'conventional engineering consultancy services'
TOR for these services must be very clear.

TC, P and FA cont...(3)

A register of complaints must be developed.

It records observations on poor workmanship or fund misuse from road users/shareholders.

This should be encouraged for ad-hoc audits to be undertaken.

The RFB must make every effort to address as many complaints as possible.

FOLLOW UP ON FINDINGS

Findings obtained from TC, P and FAs should be followed to logical conclusions.

Road agencies must realize that the RFB is determined to ensure value for money is obtained.

It is the constitutional responsibility of the Controller and Auditor General (CAG) to undertake audits.

Their responsibility covers the entire Government activities, is widespread and not very thorough.

CHALLENGES

- What is in place? A Road Fund Board or a Road Fund?
- If a Road Fund, then its purpose can be reduced to being a conduit for funds.
- Which is the most appropriate arrangements?
- It is preferable that there be a Road Fund Board, with similar mandates to any funding agency.
- In most cases, this arrangement depends on the champions of change. What their experience are and the model they have adopted?

CHALLENGES cont...(2)

- What are the mandates contained in the instrument of establishment?
- These mandates can be quite challenging.
- Acceptability: A RFB is a new introduction to most SSA Governments that interferes with the status quo.
- Road agencies tend to fight a RFB span of control.

CHALLENGES cont...(3)

- There are no clear guidelines on the size of a RFB in terms of management staffing.
- If the RFB mandates have to be realised, then for effectiveness, RFB management can be large.
- Road Fund Board members must be fully conversant with the RFB mandates and their roles. It is important that they be inducted into their roles.

CHALLENGES cont...(4)

Management must also be well versed with the RFB mandates and limitations.

Rules, Regulations, Procedures and Guidelines for road agencies should be developed.

Stakeholders must deliberate on this adequately and once adopted, the rules must be gazetted.

The RFB must enforce the gazetted rules.

Continuous communication with shareholders through the media is crucial for success and acceptability.

CHALLENGES cont...(5)

Funds for maintenance in SSA are still in short supply.

To continue receiving support, the shareholder needs to be assured that value for money is being achieved.

Every effort must be made to finalize reforms in the four basic building blocks.

The most difficult being the establishment of autonomous road agencies.

CHALLENGES cont...(6)

Ensuring provision of clear enforceable PAs between RFBs and implementing agencies.

Lack of adequate capacities of middle level management personnel.

Lack of adequate capacities at managerial levels in districts and at HQs.

Lack of adequate capacities within Local Authorities (supervision and undertaking of works).

Lack of adequate capacities of Consultants and Contractors (both large and small).

IMPROVING SHAREHOLDER CONFIDENCE

For most SSA countries, backlog maintenance is still a big challenge.

For the next 5 – 10 years, funds for maintenance will continue to be in short supply.

An elaborate multiyear (5 years) RSIP is crucial in tackling the backlog maintenance and prioritizing road entry into the AWP.

Raising bonds or use of other instruments of financing can be investigated and if appropriate adopted.

IMP. SHAREHOLDER CONFIDENCE cont..(2)

An elaborate multiyear (5 years) RSIP is crucial in prioritizing road entry into the AWP.

Stakeholders such as Development Partners need to be brought on board in all matters.

The RSIP is appropriate for seeking extra funding for the roads contained in the AWP.

Continuous exposure of expenditures and achievements create confidence in shareholders.

Informing shareholders of punitive measures taken against road agencies that are not compliant is also important.

IMP. SHAREHOLDER CONFIDENCE cont(3)

With confident shareholders, it is possible to raise extra financing.

The funding arrangements must be clearly outlined in establishment documents between RFB, Road agencies and Ministries of Finance.

A clear difference between Exchequer issues and RMLF as direct funding to RFB must be established to avoid overlap and grey areas.

The RMLF is a road user charge and must be treated as such.



Thank you for your attention