

Managing Roads 4: Making Things Better

In this final article, some ideas are presented as to how the common weaknesses described in the previous articles can be overcome, in order that Nepal can manage its expensive road infrastructure as well as possible, and thereby enjoy the huge benefits that such good management can provide. Many of the ideas presented here have been applied in other countries. This is to be expected, as the underlying characteristics for managing roads are common to all countries. However, they have also met with varying degrees of success, which is also to be expected, as the political and cultural situation in each country is different. In addition, different countries have applied different combinations of ideas to varying levels, with different levels of success. In developing solutions for Nepal, it is important that they are realistic but also holistic, i.e. that (because of their interactive nature) the benefits from improvements in one area of reform are not undermined or diminished from weaknesses in other related areas.

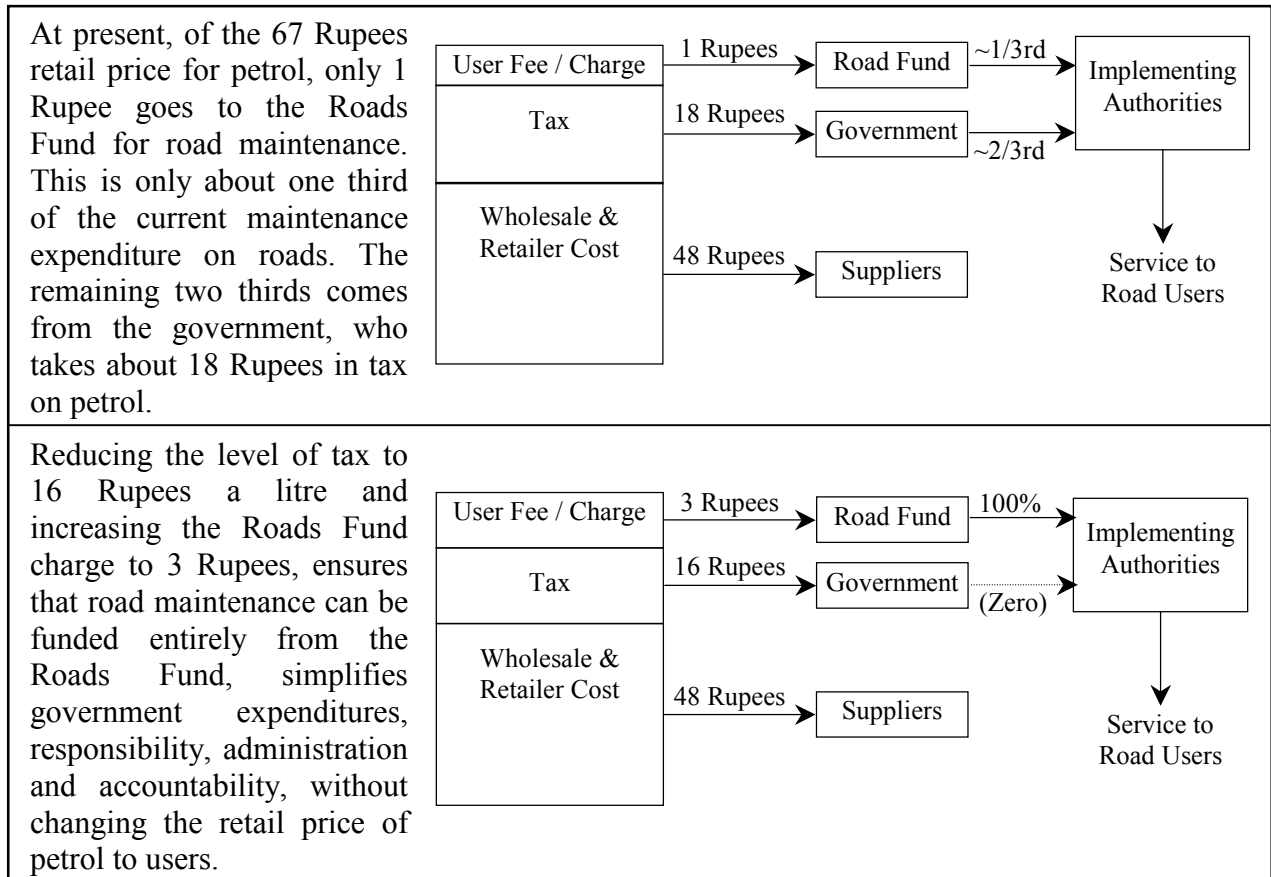
Although institutional reforms focus on the “big picture”, it is also important to promote good individual performance, because however big is an institution, it remains a collection of individuals, whose collective efforts are essential if the entire institution is to function well. Fortunately, many of the underlying principles that apply to institutions can also be applied within them, in order to encourage good individual performances.

Many of the weaknesses identified in the previous article are common throughout the entire public sector in many countries (including in Nepal). And unfortunately, whilst the institutions managing roads are within the public sector, employing civil servants, they are required to comply with various requirements which severely restrict their ability to operate either effectively or efficiently. Although reform of the entire public sector is therefore probably desirable (resulting in significant improvements throughout all sectors of government involvement), this is a colossal and lengthy process, requiring substantial and strong political leadership. Fortunately, for the roads sub-sector, a less radical approach is possible, which should also result in substantial benefits in this specific area.

Firstly, consider the **funding arrangements for roads**. The second article discussed the advantages from establishing a road fund (overseen by a Roads Board), with the expressed purpose of funding the maintenance of roads. This approach has been adopted in Nepal, but with very limited success, due to fundamental flaws in how it has been established and run. If it is to operate properly, then it must be able to raise adequate funds from road users to pay for the services that they demand. At present, they are only able to raise approximately 40% of their estimated needs, with about two thirds of this coming from the government’s coffers (via the Ministry of Finance). The consequences of this are that the underlying benefits from a stable, predictable and timely provision of funds is not achieved, the Roads Board is unable to fulfil its responsibilities and hence, it can not be held properly accountable for its performance. This leads to weak decision making, and means that those providing the service (e.g. the Department of Roads) now has to submit two cumbersome budget requests each year (one to the Roads Board and one to the Ministry of Finance), instead of one, adding to bureaucracy, waste and inefficiency.

So, strengthen the Roads Board is a necessity, so that it can raise adequate funds directly from road users to provide the service that road users want. And importantly, make it properly accountable to road users. In turn, no funding should come from the government for road management activities. Even without raising the retail price for fuel, this is entirely affordable (the country is already paying for the roads it has got, one way or another), by redirecting the tax that is currently collected by the government, to an equivalent charge on fuel instead. This is shown diagrammatically in the figure below.

Figure 2: Alternatives to Funding Roads in Nepal from Petrol.



What about the actual **implementation of road infrastructure services**? Here again, substantial improvements should be possible by instigating arrangements that reflect the realities of road management and overcome the current problems discussed in the third article. This is centred around the use of an authority that is wholly funded from the road fund, rather than from government (thereby avoiding many of the current public sector constraints), and run on a commercial basis. This means that those it employs are paid competitively, but equally importantly, the organisation’s management are required to account properly and transparently for its performance. As a commercial entity (but wholly publicly owned), the organisation would be required to establish commercial style accounting and management information systems, and these would be required in order that it is properly monitored and audited by those who fund it (i.e. the Roads Board). This will be far more objective and meaningful than at present due to the presence of a Performance Agreement.

To encourage competition, efficiency and innovation, the **private sector** would be encouraged to participate in as many areas as possible, on a transparent and level basis. The road authority would therefore procure as many services from the private sector as possible. This should also clarify responsibility, objective accountability and flexibility. It would also mean that the road authority can remain a relatively small professional outfit, retaining flexibility to meet changing needs.

In some countries, the **road funding and implementation are combined** into a single organisation, and this is a possibility in Nepal. However, the Roads Board is responsible for representing the views and interests of road users (who are paying for this), who naturally enough, wish to pay as little as possible. The road authority is responsible for providing a road network that is as good as possible. It would therefore wish to receive as

much income as possible. This balance between what users are prepared to pay, and the level of service that they want, is best struck transparently between separate organisations, neither of whom face this conflict of interest.

Roads are important to the whole of society. The **government** would therefore continue to reflect the wider interests of the community and protect their interests, through overall government policy and oversight of the sector. Its Ministry would monitor the performance of the Roads Board, the Road Authority and the overall development of the private sector, but in an “eyes on, hands off” basis. The Ministry (and especially the Ministry of Finance, who do not have the appropriate technical qualifications) would not get involved with any operational decisions, as this would detract from clear responsibility and hence effective accountability. Instead, its focus would be on the strategic “big picture”.

However, the most important role needs to be played by the **general public and road users** in particular. These concepts might appear to be rather esoteric and remote to the everyday person in the street. But this is not the case at all! We all suffer the expensive consequences of inadequate and poor roads, and we have an essential role to play in improving the situation too. By their very nature (and enormous cost), governments will always have an important role to play in their construction, maintenance and oversight. Unfortunately, experience elsewhere shows that however well the institutional arrangements are structured, they can be undermined by politicians if they wish and are not controlled. In a sovereign country, it is right for governments to retain such powers, but the “government” only exists to serve our collective interests, and that it must be accountable to every person in the street as its paymaster. We have the right to demand better performance and accountability from our public institutions, to ensure that they serve our needs efficiently and effectively. But with that right comes the responsibility to understand better the implications of the decisions that we (and politicians on our behalf) make in running our society. Roads are just one (important) element of that process.

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