

FINANCING OF ROADS IN ZAMBIA

ARMFA GENERAL ASSEMBLY

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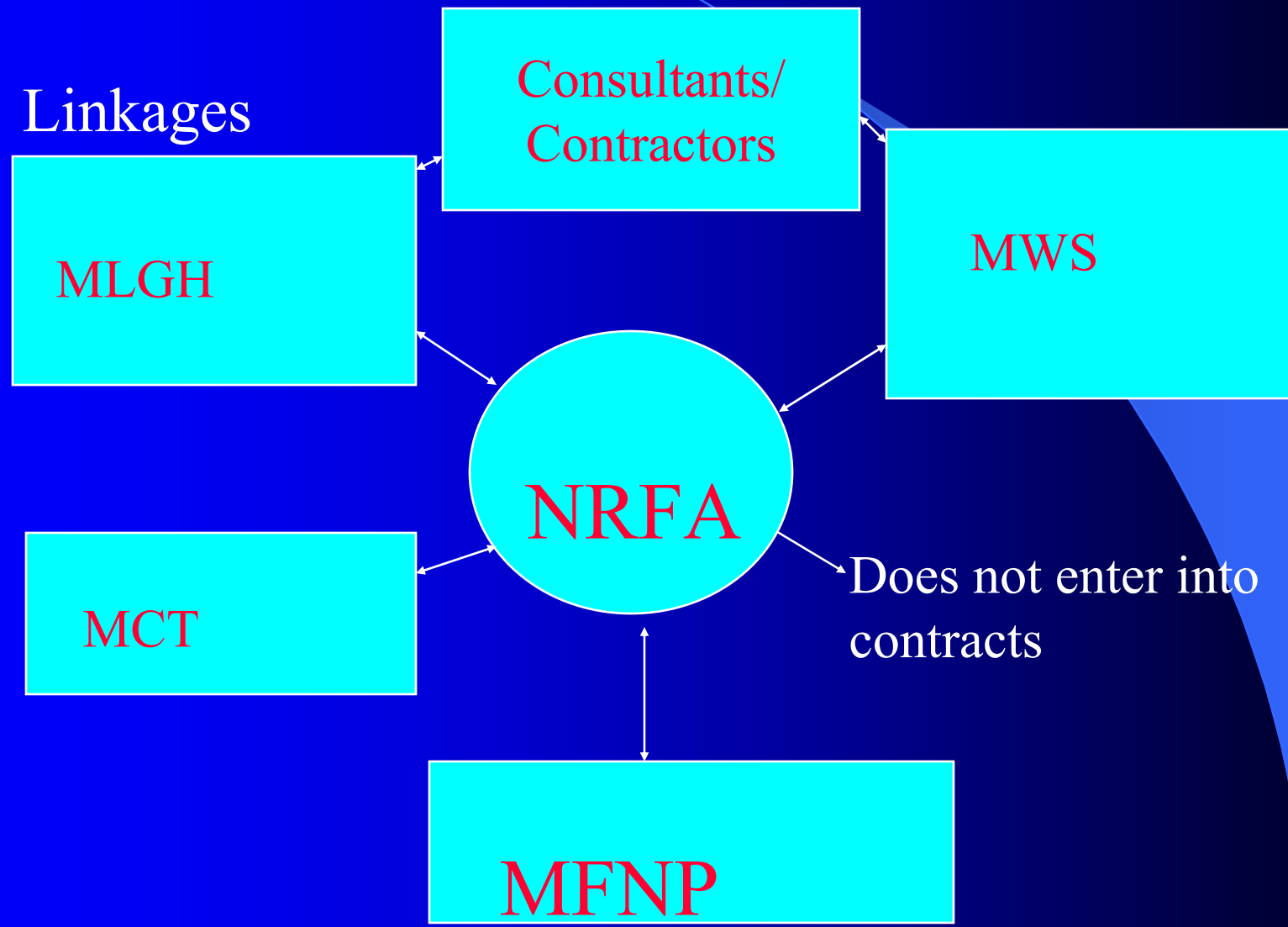
NATIONAL ROAD FUND AGENCY

Format of presentation

- Introduction
- Objectives of Road Sector Investment Programme (ROADSIP), phase II
- Sources of funding
- Collection of the Fuel Levy
- Other Road User charges
- Monitoring, evaluation and reporting
- Challenges and achievements
- Conclusion

Introduction -ROADSIP Coordination

- Linkages



Introduction (contd)

- RAODSIP I – 1998-2003 at a cost of US\$520 m
- ROADSIP II – 2004 –2013 at an estimated cost of US\$1.6 billion. Internal contribution will be about 60% in 10 years
- After 10 years Zambia should be on her “feet”
- Reforms have taken place – remaining with staffing in the 3 Agencies
- There is more money demanded for roads than supply
- Challenges in the road sector need to be resolved

Introduction (Contd)

- Projects should be socially feasible
 - Technically feasible
 - Economically feasible
 - Financially feasible
- Connectivity – Trunk to tertiary feeder roads
- Appropriate intervention at least cost
- Poverty – Politics symbiosis

Introduction (Contd) - Acts of Parliament

- In 2002, Parliament enacted 3 bills to split the former National Roads Board into three Agencies, namely Road Traffic Act of 11 ushered in the Road Transport and Safety Agency (took over functions of the National Road Safety Council and National Transport), Public Roads Act no. 12 established the Road Development agency (took over functions of the former Roads Department) and National Road Act no.13 that established the Road Fund.

Acts of Parliament (contd)

- The Acts give powers to the Agencies to collect revenues and these will form part of the Other Road User Charges under the Road Fund.
- Agencies will collect funds and pass them over to the Road Fund.
- Monitoring systems will be put in place.

Objectives of ROADSIP II

- We have 67,000 km but concentration will be on 40,113 km due to funding constraints
- Improve road conditions
- Create employment opportunities
- Build capacity in the construction industry
- Improve road safety
- Improve rural transport mobility
- Improve environmental Management

Sources of funding - Intervention

- Donors – (EU, Germany, NORAD, DANIDA, JICA) fund periodic and rehabilitation
- Loans – (World Bank, NDF, OPEC, BADEA, KFAED) fund periodic and rehabilitation
- GRZ – fund periodic, rehabilitation, reconstruction and new roads
- Road Fund – First priority is routine maintenance, then periodic

10 Year funding plan

Internal Funding	Total first 5 years	Total in 10 Yrs
1. Government Funding	113,793,750	259,431,250
2. Fuel Levy	162,387,305	272,973,158
3. Donation of Excise Duty 5%	40,698,573	77,560,524
4. License Fees	186,473,335	272,686,669
5. Road Haulier tariff	53,104,238	77,656,238
6. International Transit charges	14,364,202	27,374,302
Subtotal	570,821,408	987,682,151
External Funding		
1. World Bank	53,900,000	130,900,000
2. NORAD Funding	17,500,000	42,500,000
3. European Union	80,500,000	195,500,000
4. JICA	21,000,000	51,000,000
5. B A D E A /Kuwait	17,500,000	42,500,000
6. KfW Germany	17,500,000	42,500,000
7. D A N I D A	38,080,000	106,480,000
8. A D B	25,000,000	35,000,000
Subtotal	270,980,000	646,380,000
Grand total	841,801,402	1,634,062,141
Internal contribution	67.81%	60.44%

Breakdown of sources of revenue

- Fuel Levy
- Registration of motor vehicles
- Road tax license
- Road service license
- Road worthiness motor vehicles
- Road traffic offenses
- Driving license
- Toll fees

Breakdown of sources of revenue(contd)

- Weigh bridges (8 permanent and 2 mobile)
- Quarries (9 owned by Government)
- Pontoons (17)

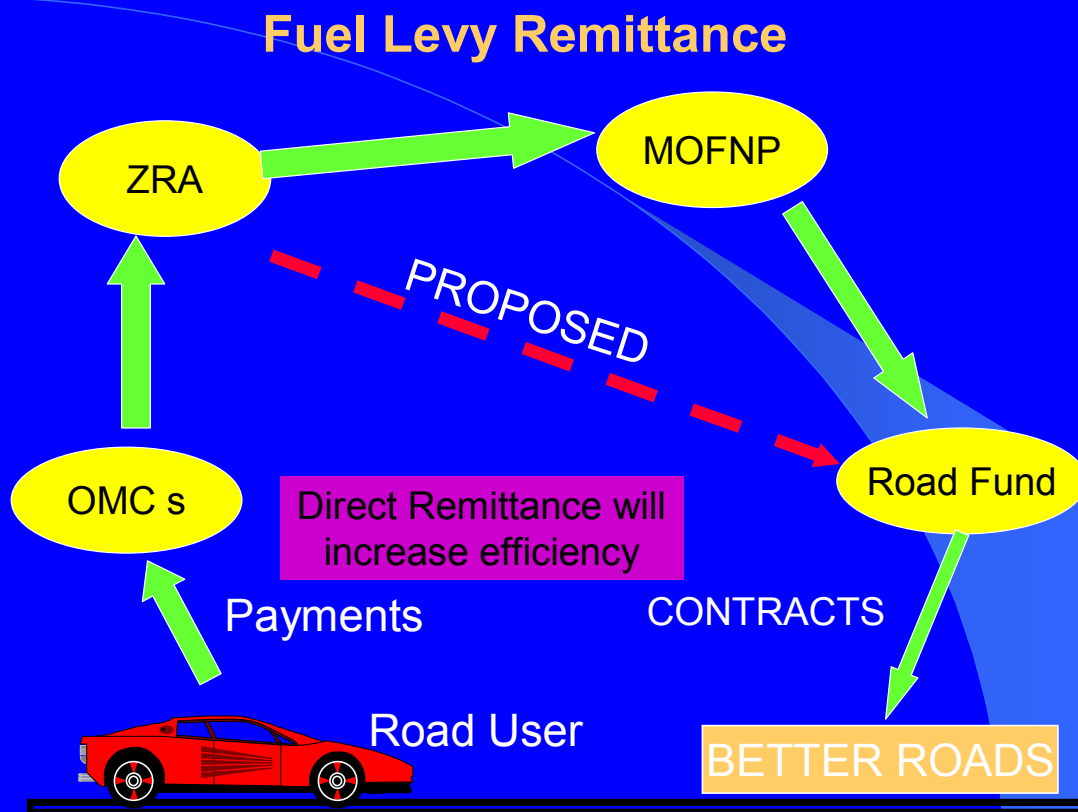
Sources of revenue (contd)

- The only source of income at the moment is fuel levy. The Agency does not collect collect the Fuel Levy on its own but receives it from Government on monthly basis. The collection fee is 3% and is payable to Zambia Revenue Authority.

Collection of Fuel Levy

- Fuel Levy is paid in advance by Oil Marketing Company (OMC) at 15% of the whole sale price
- It is then remitted to Zambia Revenue Authority (ZRA)
- Since it is being collected as a tax, funds go through the Ministry of Finance and National Planning
- Apart from the past 1.5 years, there were problems in getting the fuel levy in full

Flow of the Road Fund



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Other Road User Charges

- Other Road User Charges are being collected by Government as part of its revenue. In 2006, Government is committed to give part, if not all incomes mentioned earlier to the road sector.

Income in US\$ m

Road sector local income

Description	2005	2006	2007
1. Road license, road tax, transit fees, etc	10.3	1.3	11.0
2. Quarries, weighbridge, Pontoons	3.5	3.6	3.9
3. Road Fund	29.7	44.2 (VAT arrears US \$6 m)	38.6
Total	43.5	47.1	52.5

Income in US\$ m (contd)

- Sources of income in 2005 is only Fuel Levy
- The figure for the Road Fund in 2006 is higher than 2007 because of Value Added Tax refund (US \$6 m) which is expected to be reimbursed in 2006
- The figures do not include Government direct funding

Collections systems

- Collections of motor vehicle registration, road tax/ road service/driving licenses, toll fees and road worthiness motor vehicles and traffic offenses are being done in each City/town through Government systems
- In 2006, these fees will be collected by Road Transport and Safety Agency by either its staff or employ agents who will not touch cash but prepare bills and customers will pay through commercial banks.
- Remote areas will continue with manual collection, receipting and banking, until new systems are in place.

Collections systems (contd)

- Collection of weighbridge (17 number) fines, lease of quarries (9 number) to contractors and charges for use of pontoons will be done by the Road Development Agency (RDA).
- Weighbridge fines are being collected through Government system but will be computerised once RDA commercialises them.

Collections systems (contd)

- Royalties from quarries are US \$2.00 per tonne if stone is to be used by the lessee or US \$1.5 per tonne if sold to members of the public
- In future, these quarries will be commercialised
- The Fuel Levy and other road user charges will be channeled directly to the Road Fund after amending the relevant legislation

Monitoring/ Evaluation

- Each Agency will put in place systems for monitoring and evaluation of revenue collections
- The Funding Agency will also put in systems to monitor revenues that will be collected by RDA and RTSA
- Government will not fund the Agencies but will provide policy directions only and execution of services by private sector participation

Reporting

- Quarterly and Annual reports will be submitted to the Committee of Ministers on Road Management Initiative
- Annual reports will also be submitted to Parliament for information
- Quarterly and Annual reports will be submitted to cooperating partners since they are also funding rehabilitation and periodic maintenance

Challenges

- Maintenance funding is still a major issue
- Collection of funds must be intensified and systems should be put in place to avoid revenue losses
- Management capacity should be strengthened to meet challenges
- Politicians should be carried on board so that they take ownership

Achievements

- Transport Policy was approved in May 2000
- Three Agencies established through Acts of Parliament
 - Road Traffic Act NO.11 of 2002
 - Public Roads Act NO. 12 of 2002
 - National Road Fund Act NO. 13 of 2002
- Institutional study is ongoing
- Reforms to be completed in 2006

Conclusion

- **Reforms in Zambia are working and Agencies should be fully operational in 2006**
- **Political will is high**
- **Resources mobilization plan is being implemented**
- **The 10 year road sector investment programme is on course at a cost of US \$1.6 bilion**
- **We need old friends to help us grow and new friends to keep us young (Letty Rayhobis)**

Thank you