

**REPORT OF THE SELECT COMMITTEE ON ROADS AND TRANSPORT ON
THE 1998 ANNUAL REPORT OF THE ROAD FUND**

1.0 INTRODUCTION

The Ghana Road Fund 1998 Annual Report and Accounts was laid in the House on November 9, 1999 in accordance with Section 18 (2) of the Road Fund Act 1997, Act 536. The Report was referred to the Committee for consideration and report in accordance with Article 103 (3) of the 1992 Constitution and Order 188 of the Standing Orders of the House.

2.0 REFERENCES

2.1 The Committee's main reference documents were:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. Standing Orders of the House;
- iii. The Road Fund Act, 1997 Act 536.

2.2 The Committee benefitted from further clarifications from the underlisted:

- i. Officials of the Ministry of Finance, along with the Controller and Accountant-General;
- ii. The Chief Director of the Ministry of Roads & Transport who is also Secretary to the Road Fund Board;
- iii. The Head of Banking Department at the Bank of Ghana;
- iv. National Executives of the Association of Road Contractors (ASROC); and
- v. The Director of the Ghana Road Fund Secretariat.

3.0 BACKGROUND INFORMATION

The Ghana Road Fund was until 1997 managed by the Ministry of finance as part of government revenue. With the enactment of The Road Fund Act 1997, Act 536, in July 1997, the Fund was hived off and given legal identity.

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Under Act 536 "the object of the Fund is to finance routine, periodic maintenance and rehabilitation of public roads in the country and to assist the Metropolitan, Municipal and District Assemblies in the exercise of their functions relevant to public roads".

The Fund has a thirteen (13) member Board made up of five (5) members from the public sector and eight (8) members from the private sector. The Board is assisted in its functions by a Secretariat that implements policies and provides effective professional management of the Fund.

Currently, the Fund derives its revenue from five main sources namely:

- i. fuel levy on Petrol and Diesel;
- ii. vehicle licensing fees;
- iii. road use fees;
- iv. road, bridge and ferry tolls; and
- v. international transit fees.

Fuel levy constitute 94% of the Fund's revenue.

Beneficiary agencies of the Fund are:

- i. Ghana Highway Authority (GHA);
- ii. Department of Feeder Roads;
- iii. Department of Urban Roads; and
- iv. National Road Safety Committee.

4.0 OBSERVATIONS

4.1 Commencement of Operation

The Committee observed that 1998 was the first full year of effective operation of the Fund. The prescribed structures and staffing were established. The Fund took full control of all aspects of its operations

including revenue collection and disbursements to the road agencies as approved by the Board.

4.2 Revenue Generation

The Board collected a net revenue of ₵188.8 billion in 1998. This showed a positive variance of ₵8.9 billion over the budgeted target of ₵179.9 billion. The favourable variance was a result of higher fuel levy and higher demand for diesel due to the energy crises.

4.3 Arrears of Maintenance Works

An outstanding bill of ₵31.7 billion owed to road contractors for maintenance works executed and certified in 1997, which was brought forward into 1998, was settled by June 1998. This had been outstanding for periods ranging from six to twelve months.

4.4 Disbursement of Funds

Based on the Annual Road Programme and Annual Expenditure Programme approved by the Road Fund Board for 1998, the Secretariat disbursed a sum of ₵180,007,540,000.00 to beneficiary agencies in respect of their programmes as follows:

Ghana Highway Authority	-	₵ 93,602,943,000
Department of Urban Roads	-	₵ 48,173,379,000
Department of Feeder Roads	-	₵ 36,431,218,000
Ministry of Roads and Transport (for road safety activities and emergency road maintenance works)	-	₵ <u>1,800,000,000</u>
Total	-	₵ <u>180,007,540,000</u>

4.5 Road Condition Mix

The Fund considerably improved the performance of road contractors and thereby the quality of the country's road network. Maintenance activities were accelerated resulting in a better road condition mix as shown in Table 1 below.

OVERALL ROAD CONDITION MIX						
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	km	%	km	%	km	%
Good	8,176.20	21.30	8,650.90	22.30	11,910.80	29.50
Fair	7,968.80	20.70	7,493.40	19.40	11,134.60	27.60
Poor	22,231.00	58.00	22,571.80	58.30	17,296.70	42.90
Total	38,376.00	100.00	38,716.10	100.00	40,342.10	100.00

Table I **1999 shows the impact of the Fund on overall road condition mix in 1998*

4.6 Failure to meet Targets

The Board admitted that actual Road Programme for 1998 fell short of target for reasons, which among others included:

- i. deferment of some projects to accommodate arrears from 1997;
- ii. slower rate of payment from the Road Fund due to "teething problems of establishing autonomy"

The Committee viewed the latter reason with great concern and found out that the following factors were accountable:

- i. the process of reconciliation of monthly revenue receipts in respect of fuel levy is slow and thus delays transfer to the Road Fund account at the Bank;
- ii. there is lack of coordination between the Controller and Accountant-General's Department, Bank of Ghana and the Road Fund Secretariat on the reconciliation of revenue receipts;

- iii. after reconciliation, the Bank of Ghana does not always fully credit the Fund's account with the total revenue collected during the month.

The Committee observed that if these irregularities are not urgently addressed, the object of Act 536 could be severely undermined.

4.7 Accounts

The Annual accounts of the Fund were carefully examined. The Committee observed that the irregular and/or shortfalls in releases to the Fund by the Bank of Ghana, resulted in the Bank's accumulation of approximately ₵61.8 billion which was not credited to the Fund's account as at December 31, 1998.

The Committee took a serious view of this development given that some road contractors could not be paid for works executed and duly certified.

This notwithstanding, the reports of both the financial auditors (Messrs. Bening, Anang & Partners) and technical auditors, (Messrs. Associated Consultants) expressed the opinion that the financial statements and expenditures effected by the Ghana Road Fund for maintenance works in 1998 were in conformity with accepted principles and standards.

5.0 RECOMMENDATIONS

- 5.1 In order to curtail the difficulties encountered by the Board in getting its revenue transferred by the Bank of Ghana, the Committee strongly recommends that the Board takes the necessary action to open an account at another Bank specifically for the receipt of revenue from fuel levy from the oil marketing companies. In recommending this action, the Committee was mindful of Section 4 of Act 536 which states that:

"monies for the Fund shall be paid into Bank account opened for the purpose by the Roads Fund Management Board"

- 5.2 The Committee recommends that The Ministry of Roads and Transport convenes a meeting of all collaborating agencies who play various roles in the transfer of monies to the Fund (such as Bank of Ghana, Controller and Accountant-General, Customs, Excise & Preventive Service, Road Fund Board and Ministry of Finance), to resolve the issues of reconciliation of revenue receipts, unnecessary delays in transferring monies to the Fund, delays in releasing funds to beneficiary agencies etc. The meeting should also work out a mechanism for timely transfer of monies into the Fund by the Bank of Ghana.
- 5.3 As a long term measure, it is recommended that the Financial Administration Decree 1979, SMCD 221 and LI 1234 should be amended to reflect recent structural reforms in the national economy and to give due recognition to autonomous agencies such as the Road Fund Board, which have been established by Acts of Parliament. This would help streamline the number of agencies, which are currently involved in getting monies transferred into the Fund. Happily, the Committee was informed that this is being done under the Public Financial Management Reform Programme (PUFMARP). SMCD 221 and LI 1234 charges the Controller and Accountant-General with the receipt, custody and proper disbursement of all monies received into the Consolidated Fund

6.0 CONCLUSION

Research has shown that 97% of freight haulage and about 94% of passenger traffic in Ghana is moved by road transport. The Committee therefore hopes that subject to the recommendations made, the Fund will grow to clear the backlog of maintenance of the country's road network in the foreseeable future.

This will enable targets set out for the road sector in Vision 2020 to be met and thereby create opportunities for other vital sectors as agriculture, trade, tourism, which are critically dependent on road transportation to equally achieve their targets.

The Committee commends the achievements of the Board and Management in their first effective year of operation and invites the House to adopt the Annual Report.

Respectfully submitted.



HON. DOMINIC A. AZUMAH
CHAIRMAN



FREDERICK NUTSUGAH
CLERK

13th December, 1999