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SETTING UP AN OVERSIGHT BOARD

1. Introduction

Oversight arrangements are one of the most important design elements. Oversight is normally provided by appointing a board either to advise the minister on management of the road fund or to manage the road fund directly through an executive board. Although it is better to have an executive board, advisory boards have their place and can be highly effective provided they have the right membership. The configuration of the board is what makes it work.

2. Membership

The board should be made up of about 9 to 12 members. Larger boards tend to become unmanageable, while smaller ones are unlikely to capture all the key constituencies. The road fund can also be managed by a subcommittee of a larger road management board (as in Malawi and South Africa). The board should be able to appoint subcommittees to help with its work, and the subcommittees should be able to include people who are not members of the main board. Even the main board should be able to invite outsiders to advise on special topics.

The board should include representatives of the key constituencies with a vested interest in well managed and well financed roads. The central government members will normally include representatives from the ministries of works, transport, finance, agriculture and local government. The non-government members will include people representing the chamber of commerce, road transport industry, farmers (both commercial and small-holder) and the professions (e.g., Institute of Engineers). Local government should also be represented on the board if the road fund intends to channel funds to them. There may need to be separate members representing large (metropolitan) and small (municipal) governments. Ideally, half or more of the members should be nongovernment or local government representatives. The director of roads should not be a member of the board, but should attend board meetings (this avoids any conflict of interest, since the board may sometimes wish to criticize the Director of Roads). It is also advisable to provide for one ad hoc appointment to deal with any unexpected constituencies not otherwise represented on the board (i.e., someone to represent the “public interest”). Board members should be paid sitting allowances to ensure that they spend enough time and effort on the work of the board.

3. Nominations of Members

Members should be nominated by the constituencies they represent, rather than being selected by government officials or the responsible minister, and should be formally appointed by the minister, president, or cabinet. Government departments are usually represented by the Permanent Secretary, or someone deputed by the PS, and it is advisable to specify that the person nominated should not be below the level of Director. The names of board members should be published in the government gazette. Appointment should be for a period not exceeding three to four years, and members should generally be

eligible for re-appointment for at least one more term. It is wise to stagger retirements to ensure the entire board does not turn over every 3-4 years.

4. Chairperson

There should be an independent chairperson. The procedure in Zambia, where the board elects its own chairperson, is unusual, although it has worked well. Jordan is now proposing that board members elect the chairperson. Normally, the minister either appoints one of the existing board members as chairperson or appoints an outsider after consultation with the board. Avoid appointing the Director of Roads as chairperson. It compromises the independence of the board and makes it look like a pressure group, rather than an independent board working in the national interest. Also try to avoid having the Minister as chairperson. It is better to have the Minister nominally in the chair, but then to have him or her nominate someone else to act as chairperson in their place (this was done in South Africa — in their case, it was the Director General of Transport who was ex officio chairman). The vice chairperson is often elected by the board

5. Secretariat

The board needs a secretariat to assist with its work. It will generally consist of an Executive Secretary (the nominal CEO of the road fund) who should be appointed by the board, together with a limited number of staff appointed by the Executive Secretary. The Executive Secretary should attend board meetings, but should not be a member of the board. Not many staff are needed to manage the road fund. They collate the road programs prepared by the various road agencies, review and consolidate them into the approved national road program, define the financial procedures to be followed by the agencies receiving money from the road fund, allocate funds to support the approved programs, disburse funds to the road agencies, and then audit results ex post. The staff should also audit the systems and procedures used to prepare the road program and control expenditures—as in New Zealand and the United States—and should manage the day-to-day affairs of the road fund. Based on the figures for the Latvian, New Zealand, Russian, and South African road funds, it should not take more than about five staff to manage an annual turnover of about \$100 million, and 30 to 35 staff to manage an annual turnover of about \$500 million.

6. Terms of Reference

The board must have a clear (published) terms of reference spelling out its role concerning public support for more road spending (that is, its outreach program), which expenditures the road fund can finance, how it is expected to manage the road fund, its relationship with the minister, and the basis on which the minister can issue directives. As a minimum the terms of reference should spell out the board's role in relation to:

(i) winning public support for more road spending

To be effective, the board needs to carry out a certain amount of public relations. Individual members of the board play their part (by reporting back to their constituencies via newsletters, association meetings, etc.), but this usually has to be supplemented by a board driven outreach program. The board has to show the

public what it is doing, assure them that they are getting value-for-money from road spending, and persuade them to willingly pay for use of the road network and to have the road tariff periodically adjusted. The board is also the custodian of how much the public is willing to pay for roads and such judgments require feedback from constituents.

(ii) which types of expenditures the road fund can finance

see the section on setting up a road fund

(iii) how they are expected to manage the road fund

including the relationship with the parent ministry, how funds will be collected and disbursed, as well as auditing and reporting arrangements.

7. Examples of Some Oversight Boards

7.1 *Latvia: State Road Fund.*

The State Road Fund was established under a cabinet decree in 1994. Management of the Fund is overseen by the State Road Fund Advisory Board. The Board has 13 members: six represent the central government (Minister of Transport, Director of Roads, Manager of State Road Fund Division, Director General of Road Administration, Director of Road Safety Administration, and Ministry of Environment and Regional Development); two represent local governments (Riga City and union of local governments and municipalities); and six represent civil society (public transport association, automobile society, road builders, automobile dealers association, and Riga Technical University). The six members representing the central government are de facto ex officio members; the remainder are nominated by the organizations they represent. The Minister of Transport acts as chairperson, and the manager of the State Road Fund Division acts as secretary of the board. The Fund is managed by the State Road Fund Division within the Road Administration, which has a staff of three.

The detailed functions of the board are to:

- Review general strategies for revenues and expenditures, together with the proposed annual expenditure program.
- Periodically review collection of revenues for the Road Fund.
- Review the planning and use of funds allocated to municipalities.
- Inform the public about the work of the Road Fund.
- Report all matters reviewed by the board to the responsible minister.

7.2 *Malawi: National Road Fund.*

The National Road Fund was established under the National Roads Authority Act in 1997 and is managed by a subcommittee of the main National Roads Authority Board. The main Board has 13 members: seven drawn from organizations representing road users, farming interests, the business community, local government, and the National Road Safety Council; three representing the public interest; and three ex officio members representing the Ministries of Works, Local Government, and Transport. Members are appointed by the Minister of Works. The seven members representing organizations of road users are nominated by those organizations. The ex officio members are the respective permanent secretaries or their designated representatives, while the three people representing the

public interest are nominated by the Permanent Secretary of Works. The chairperson is appointed by the Minister of Transport from among the members of the board. The deputy chairperson is elected by the board from among its members. The board can establish subcommittees and co-opt nonvoting advisers to assist with the work of the Authority. The Road Fund is managed by one of these subcommittees. The board designates one of the employees of the National Roads Authority to act as secretary to the Board. The National Roads Authority employs a small staff of three to five people to manage the Road Fund.

The main functions of the road fund subcommittee are to raise funds to ensure that public roads are fully maintained and rehabilitated. The detailed functions of the subcommittee are to:

- Review the annual road programs prepared by the road agencies and consolidate them into a national program, submitted to the minister for approval.
- Determine the allocation of financial resources required by road agencies for maintenance, rehabilitation, and development of public roads.
- Recommend to the minister appropriate road-user charges, fines, penalties, levies, or any other sums to be collected under the act and paid into the road fund.
- Disburse funds or authorize payment of funds to contractors only after it has been certified in writing that the work has been carried out to the required standard.
- Prepare, publish, and submit to the minister audited annual accounts for the fund and also submit, at such intervals as the minister shall provide in writing, reports and financial statements regarding operations of the Authority, the board, and the Fund.

7.3 *New Zealand: National Roads Fund.*

The National Roads Fund was established initially under the National Roads Act, 1953 and amended in 1989 and then in 1995. It is managed by the board of Transfund, which was set up under the Transit New Zealand Amendment Act, 1995. The board consists of five people: two representing Transit New Zealand (either employees or members of the Roads Authority), one representing local government, one representing road users, and one representing an aspect of the public interest not represented by the other members of the board. The members are appointed by the governor-general on the recommendation of the responsible minister following consultation with people from the land transport industry and elsewhere. The chairperson and deputy chairperson are appointed by the minister from the existing board members. The current chairperson is the representative for local government and the deputy chairperson is from academia. The remaining three members are the former chairperson of the New Zealand Road Transport Association, chairperson of Transit New Zealand Authority, and a further member of the Transit New Zealand Authority who is also a director of the Port of Marlborough. The board has a full-time secretary. Transfund currently has 35 staff, including a CEO appointed by the board. The CEO appoints all other staff.

The principal task of the board is to allocate resources to maintain a safe and efficient roading system. The detailed functions of the board include:

- Approve and purchase a national roading program that prioritizes funding consistently on the basis of expected national benefits for a given cost.
- Pursue efficiency in delivering roading and alternatives to roading through contestability and through promoting enhanced administrative and technical systems and processes.
- Establish contracts with road-controlling authorities and regional councils for the delivery of their respective programs.
- Audit all road-controlling authorities and regional councils on a timely basis to provide assurance as to the efficient and effective use of resources.

- Establish the process for evaluating and funding efficient alternatives to the provision or maintenance of roading.

7.4 South Africa: National Road Fund.

The Road Fund was set up under the National Roads Act, 1935, and is currently managed by a subcommittee of the South African Roads Board. The subcommittee consists of one member of the main Board who acts as chairperson, the chief director (roads), the director of financial planning and administration, the departmental accountant, and a co-opted accountant from the private sector. The main Board member always acts as chairperson of the subcommittee. The road fund is managed by staff in the office of the chief director (roads). Management of the road fund currently absorbs the equivalent of about 10–12 full-time staff per year.

The Finance Committee advises the board on:

- How to spend the available funds in the most cost-effective manner.
- The annual budget, the five-year road expenditure program, and the overall financing strategies of the board.
- The financing of toll roads, including the timing, amount, and rates on new bond issues.

Since the fuel levy was reinstated in 1998, the road fund has been managed by a new audit committee that advises the board on all financing issues and undertakes performance audits of all activities financed by the road fund.