

Road Funds and Road User Charges in the CAREC Region

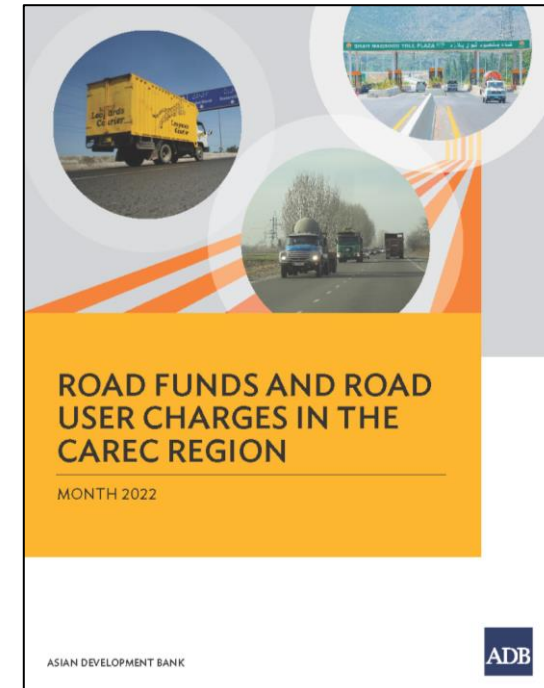
Transport Sector Coordination Committee, October 2022

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Road Funds in the CAREC region

- Road funds currently exist in 5 countries in the CAREC region
 - Azerbaijan Road Budget Trust Fund (2006)
 - Kyrgyz Republic Road Fund (1998-2018), new Road Fund (2021)
 - Mongolia State Road Fund (1998), new law (2017)
 - Pakistan Road Maintenance Account (2003)
 - Uzbekistan Republican Road Fund (2003-2019), Republican Trust Fund (2019)
- Review carried out by ADB in 2021-2022
- This presentation will look at the main findings
 - Eligible expenditures and allocation of funding
 - Sources of funding and revenue levels
 - Management structure of the road funds
 - Reporting and accounting requirements



Road Funds

- **First generation - earmark road user charge revenues to the road sector**
 - Dedicated non-lapsable treasury accounts under Ministry of Finance (part of budget)
 - Managed directly by department or agency responsible for roads
 - Use of government accounting procedures – limited auditing and reporting
 - Little to no participation of road users in setting priorities and monitoring progress
 - Establishment through simple legislation (decrees) linked to existing laws
- **Second generation - improve accountability and transparency of earmarked revenues**
 - External accounts with commercial banks (extra-budgetary)
 - Managed by separate entity: Secretariat + Board
 - Strengthened accounting, auditing and reporting procedures
 - Often with representation of road users
 - Establishment through a specific law with complementing regulations
- In practice, road funds tend to show a mix of first and second generation features

Eligible expenditures and allocation of funding

| Activity | AZE | KGZ | MON | PAK | UZB* |
|--|-----|-----|----------|-----------|------|
| Winter + summer maintenance | ++ | + | ++ | ++ | + |
| Routine maintenance / current repair | ++ | + | ++ | ++ | + |
| Emergency maintenance / emergency repair | ++ | + | ++ | ++ | + |
| Periodic maintenance / midterm repair | ++ | + | + | ++ | + |
| Rehabilitation / capital repair | ++ | + | + | + | + |
| Inspections and asset management | + | + | + | + | + |
| Operation of road fund secretariat | - | + | - | - | + |
| Operation of road agency | - | + | - | - | + |
| Toll plazas | - | + | + | + (<2.5%) | - |
| Equipment procurement | - | + | + (<10%) | - | + |
| Safety improvements | - | + | + | + (<5%) | + |
| Geometric improvements | - | + | - | + (<6%) | + |
| Roadside facilities and services | - | + | - | + (<1.5%) | + |
| Design | - | + | - | - | + |
| (Re)construction | - | + | - | - | + |
| Loan repayments | - | + | - | - | - |

* This refers to the Republican Road Fund that existed previously in Uzbekistan

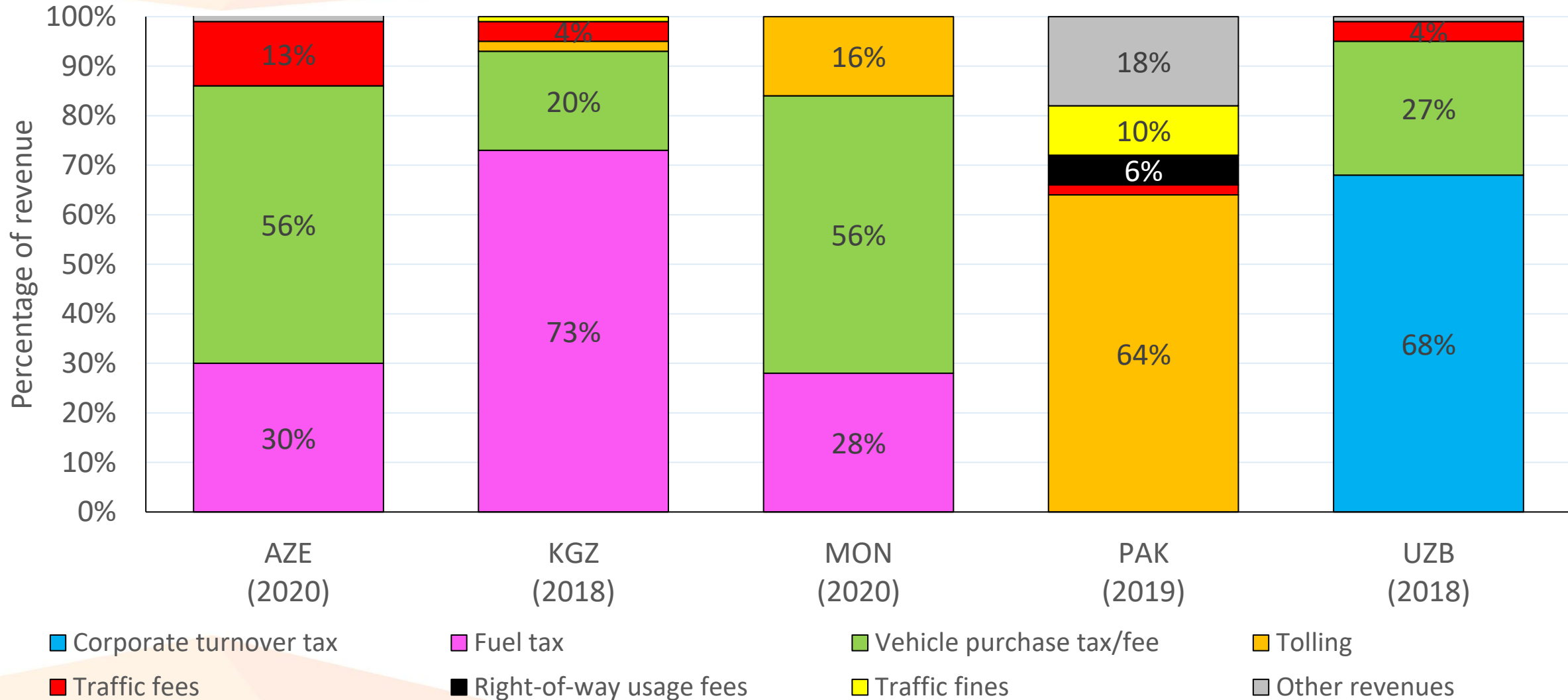
Sources of funding

3 main sources: ① Fuel tax, ② Vehicle import tax/duty/registration fee, ③ Tolling

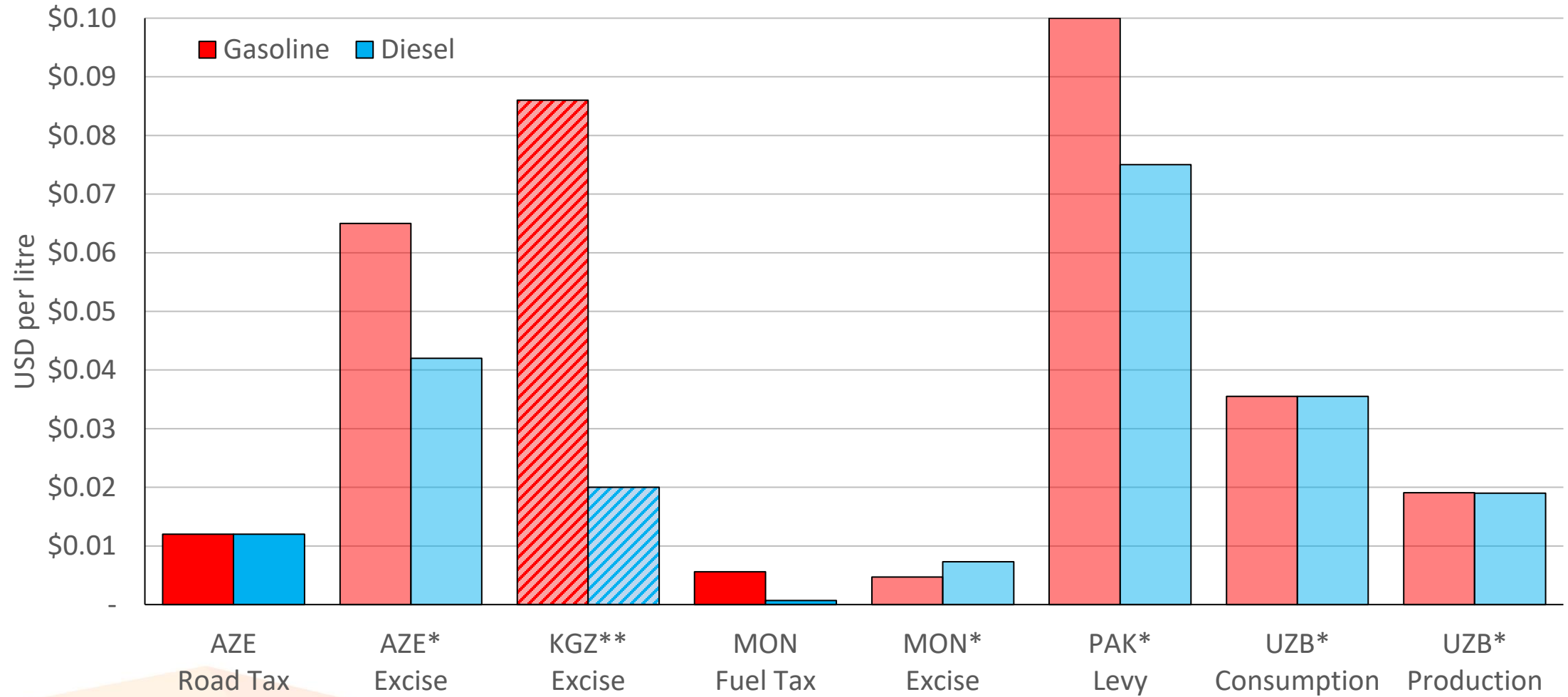
| Road User Charge | AZE (2020) | KGZ (2018) | MON (2020) | PAK (2019) | UZB* (2018) |
|---|---------------|---------------|---------------|---------------|----------------|
| Fuel tax | 30%** | 73% | 28%** | - | - |
| Vehicle purchase tax/fee/registration fee | 56% | 20% | 56%** | - | 27% |
| Tolling | - | 2% | 16% | 64% | - |
| Corporate turnover tax | - | - | - | - | 68% |
| Foreign vehicle entry fee | 3%** | - | - | - | 4% |
| International transport permit fee | 4% | - | - | - | - |
| Vehicle technical inspection fee | 6% | - | - | - | - |
| Load and dimension control fee | - | 3% | - | 2% | - |
| Indivisible load fee | - | 1% | - | - | - |
| Right-of-way usage fees | - | - | - | 6% | - |
| Compensation for damages fine | - | 1% | - | - | - |
| Traffic fines | - | - | - | 10% | - |
| Simplified tax for transporters | 2% | - | - | - | - |
| Other revenues | - | - | - | 18% | 1% |

* Based on the former RRF, ** These revenues are reported together, and the division is based on estimations.

Sources of funding



Fuel tax or levy



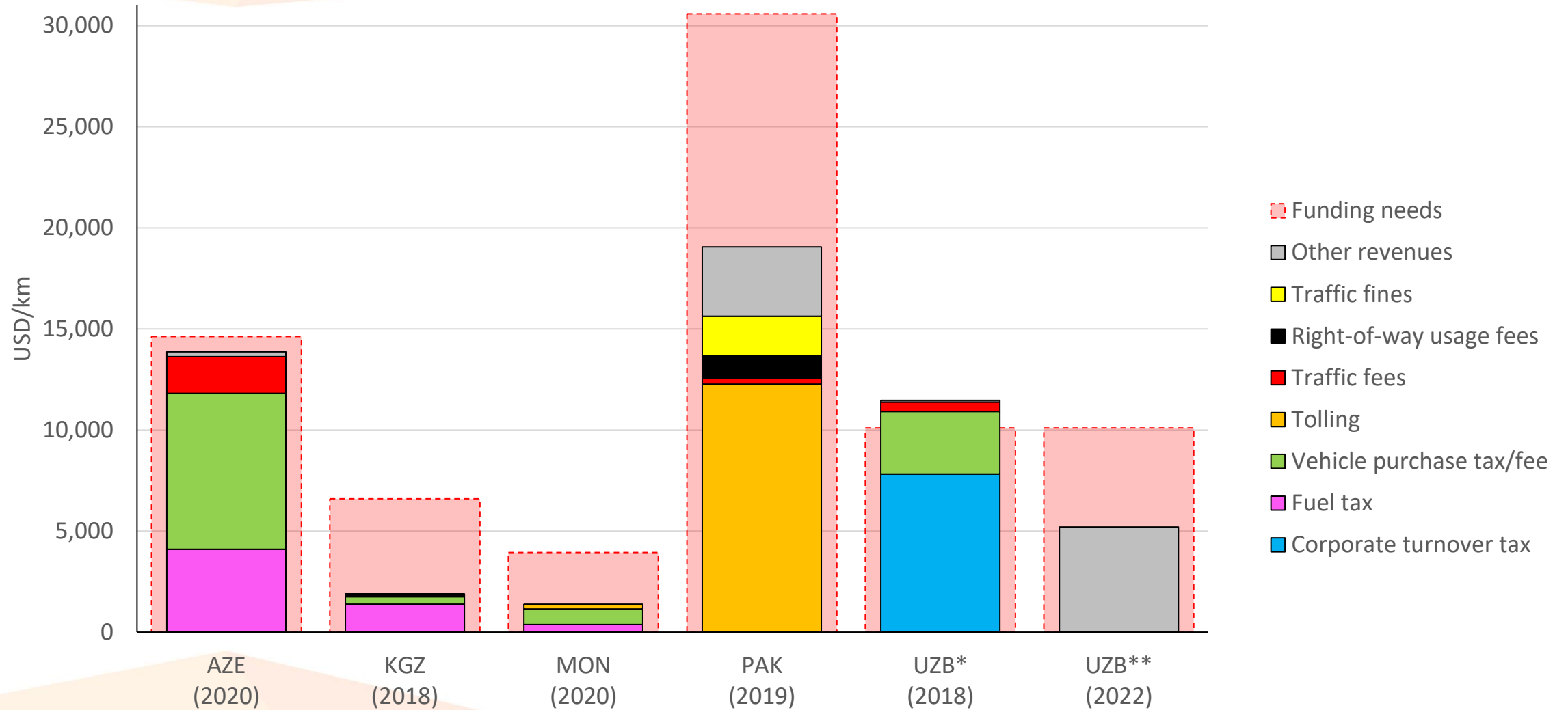
** Not earmarked to the road funds, ** Only 50% earmarked to the road fund*

Vehicle import tax/duty/registration fee

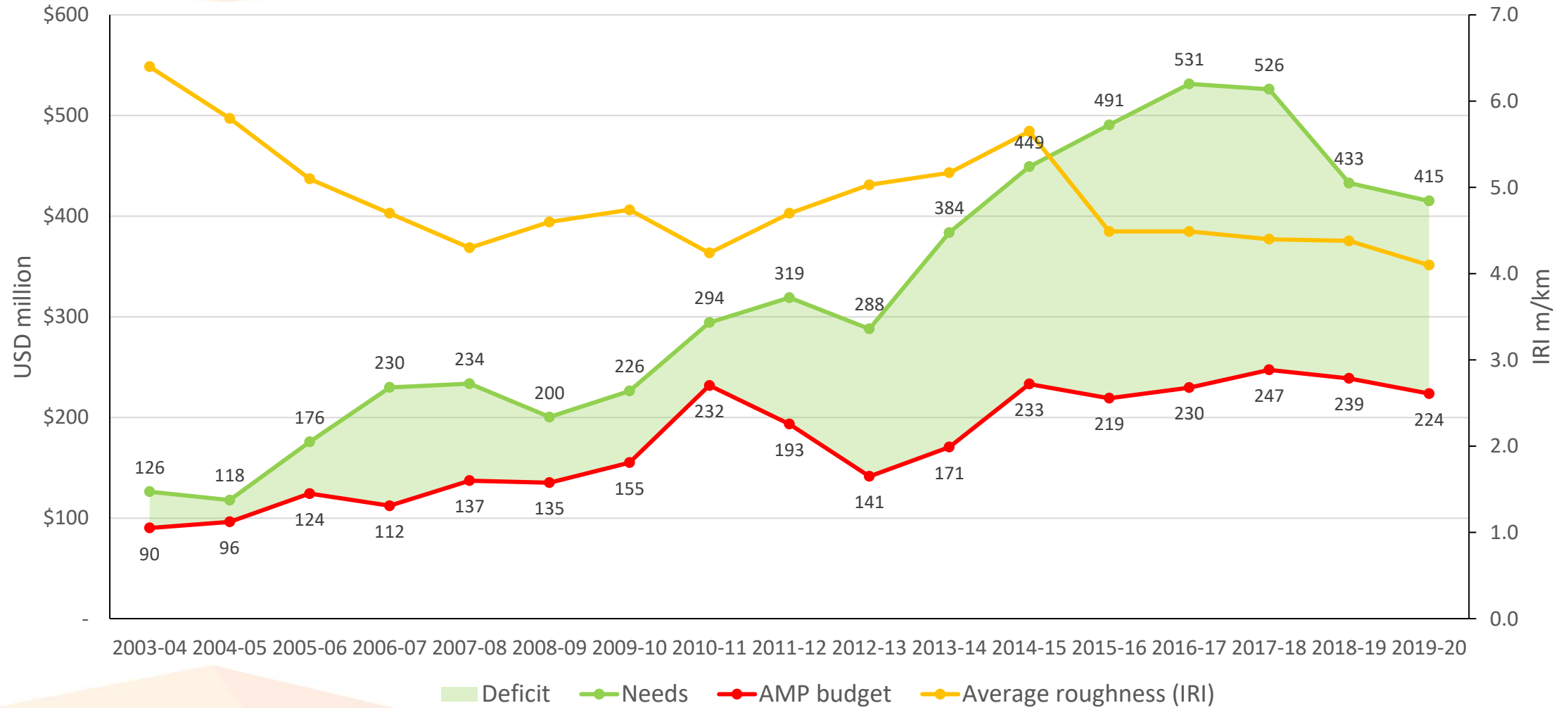
| Fuel type | AZE Excise Tax | AZE Customs Duty | KGZ Registration fee Inside EAEU | KGZ Registration fee Outside EAEU | MON Excise Tax | PAK* Registration fee | UZB* Registration fee | UZB* Customs Duty |
|----------------------------------|----------------------|------------------------|--|---|----------------------|-----------------------------|-----------------------------|-------------------------|
| Motorcycle 250cc (\$5,000) | - | - | \$230 | \$230 | - | \$100** | - | \$20 |
| Car 1,500 cc (\$25,000) | \$265 | \$600 | \$195 | \$500 | \$285 | \$500** | \$750** | \$3,000 |
| Electric car 70KWh (\$40,000) | - | \$600** | \$180 | \$180 | \$145 | - | \$1,200** | - |
| Bus 6,000 cc (\$100,000) | \$9,400 | \$4,200 | \$435 | \$810 | \$5,425 | \$1,000** | \$3,000** | \$12,000 |
| Truck 10,000 cc (\$100,000) | - | - | \$565 | \$910 | \$5,425 | \$1,000** | \$3,000** | \$12,000 |

* Not earmarked to road funds, ** Based on percentage of import value

Coverage of funding needs



Coverage over time



Management structure of the road funds

Road Agency/Ministry (responsible for road sector)

- Monitoring of the road network and identification of the maintenance and repair needs
- Preparation of the (draft) annual workplan and cost estimate (budget request)
- Implementation of the approved workplan

Ministry of Finance (responsible for financial control)

- Traditionally responsible for approving the budget allocation (with Parliament)
- Monitoring the proper use of funds

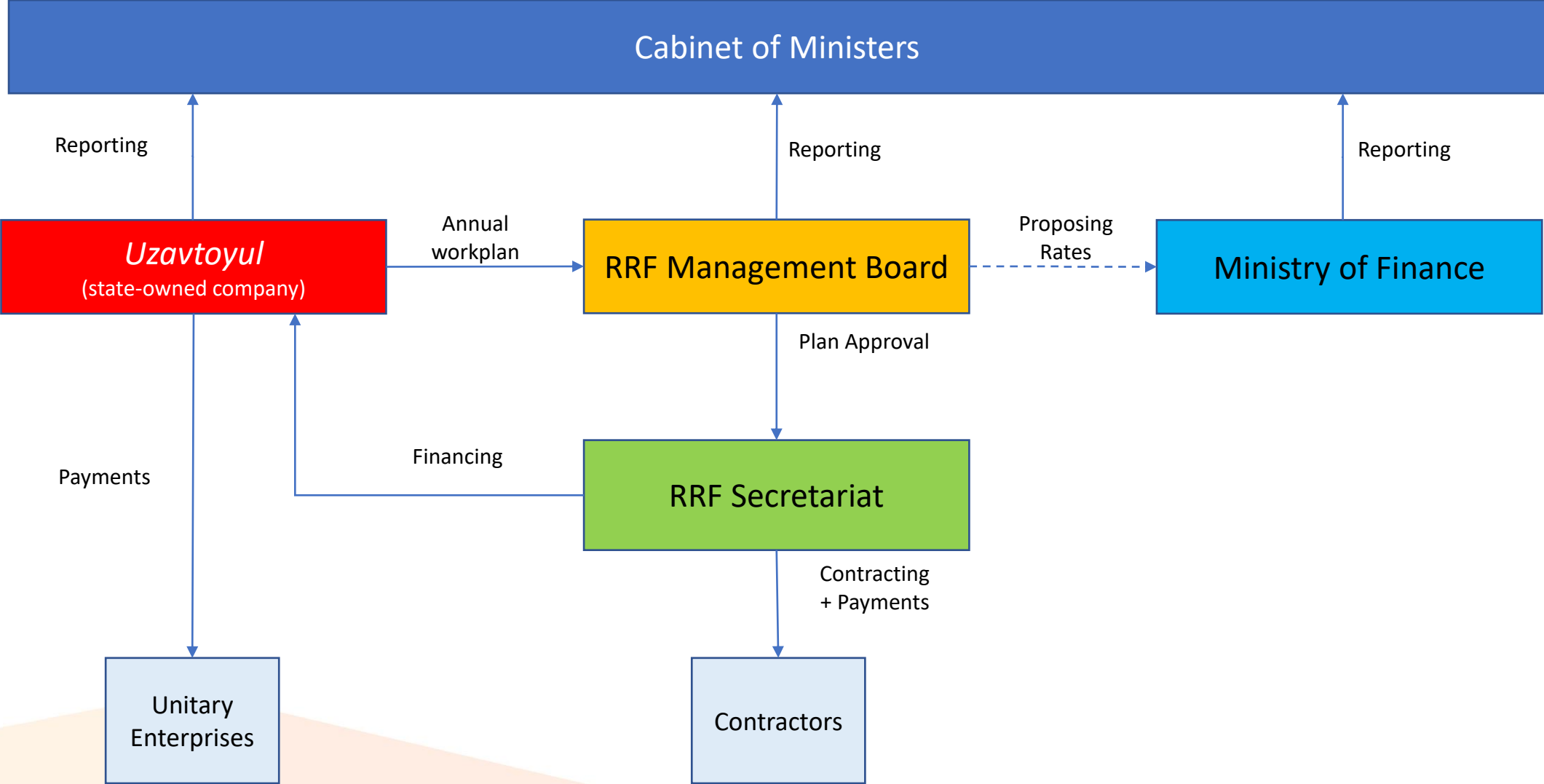
Road Fund Secretariat

- Day-to-day (financial) management of the road fund
- Preparation of reports and accounts

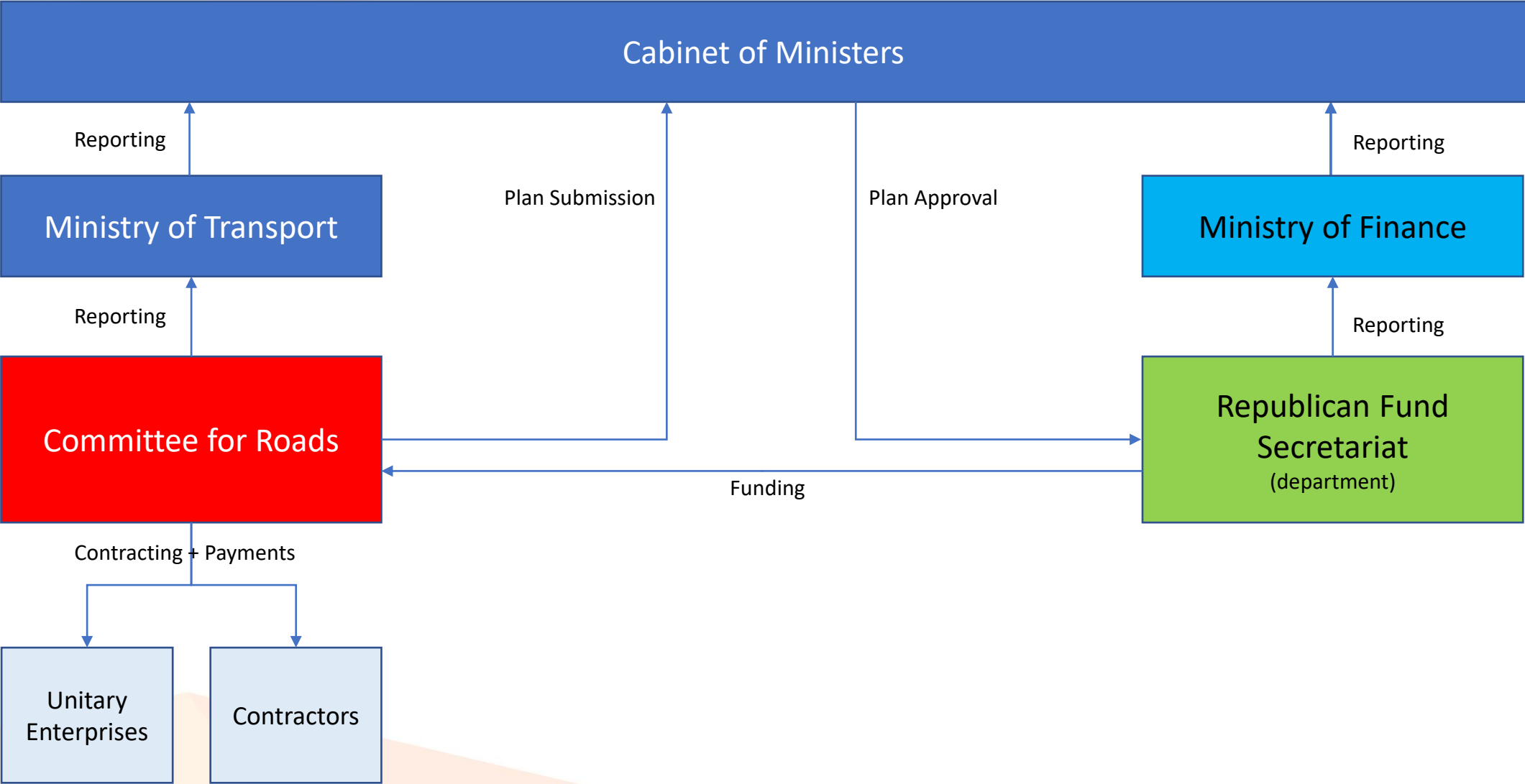
Road Fund Board

- Approval of the annual workplan and proposing road user charge rates
- Members include road agency/ministry, often ministry of finance, and preferably also other ministries
- Members should also include road user associations (e.g. goods and passenger transport associations)

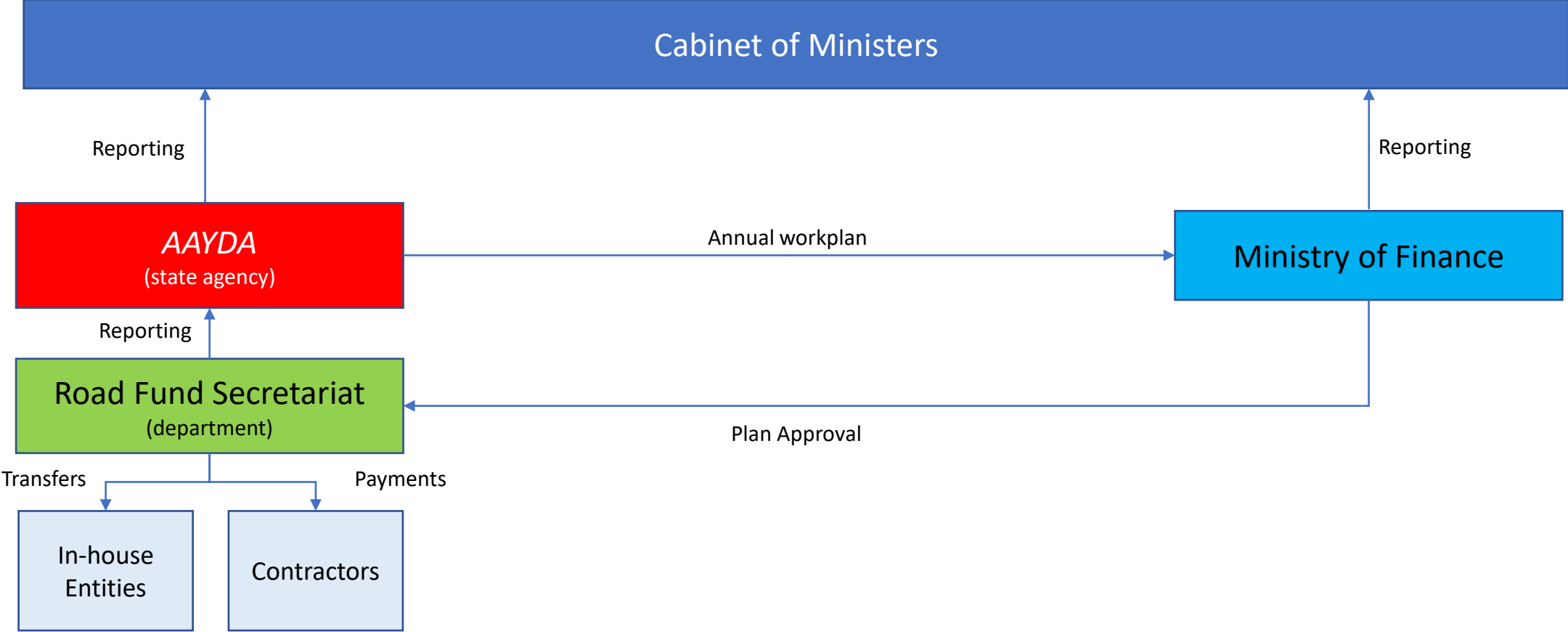
Management structure – Uzbekistan (RRF <2019)



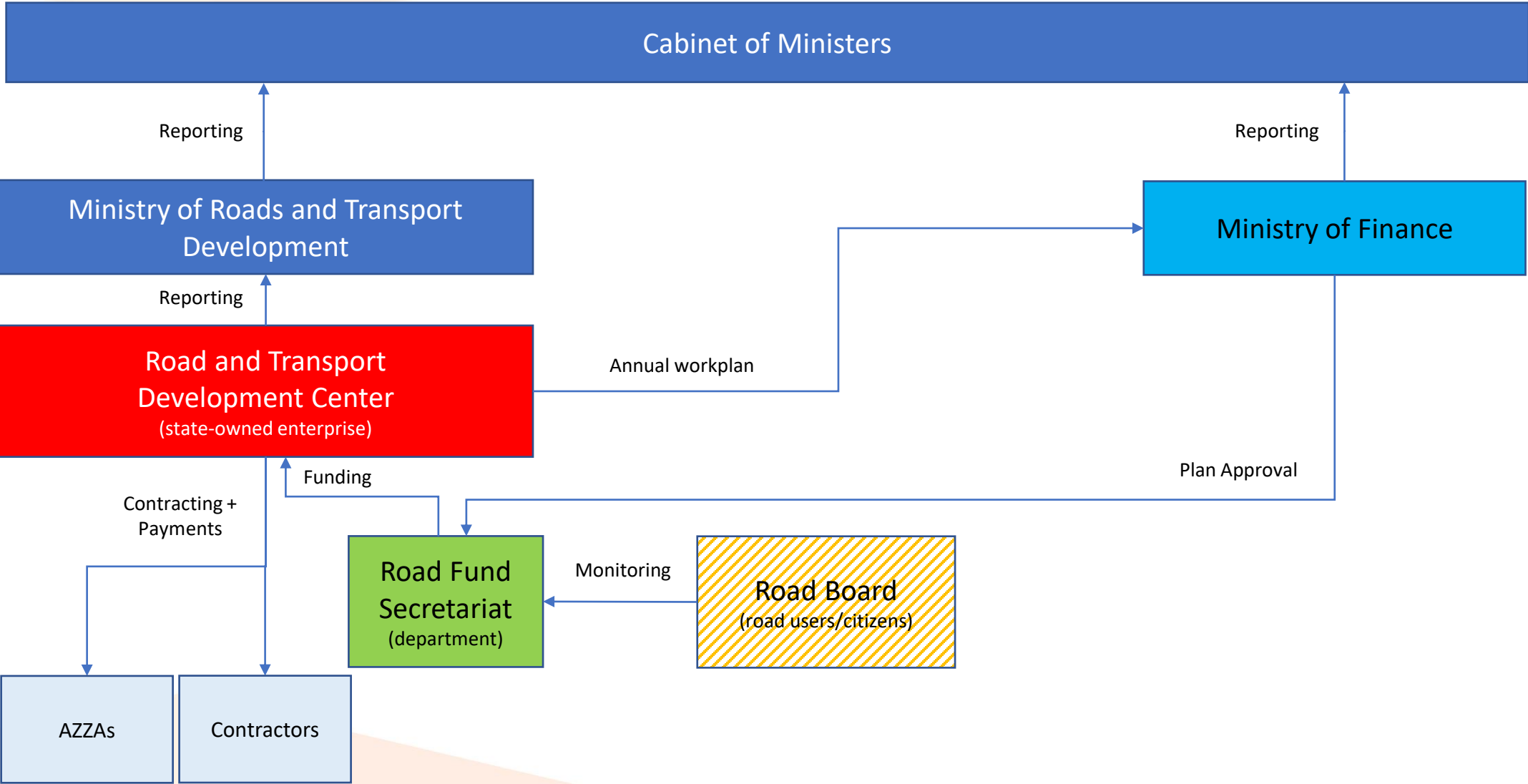
Management structure – Uzbekistan (Trust Fund)



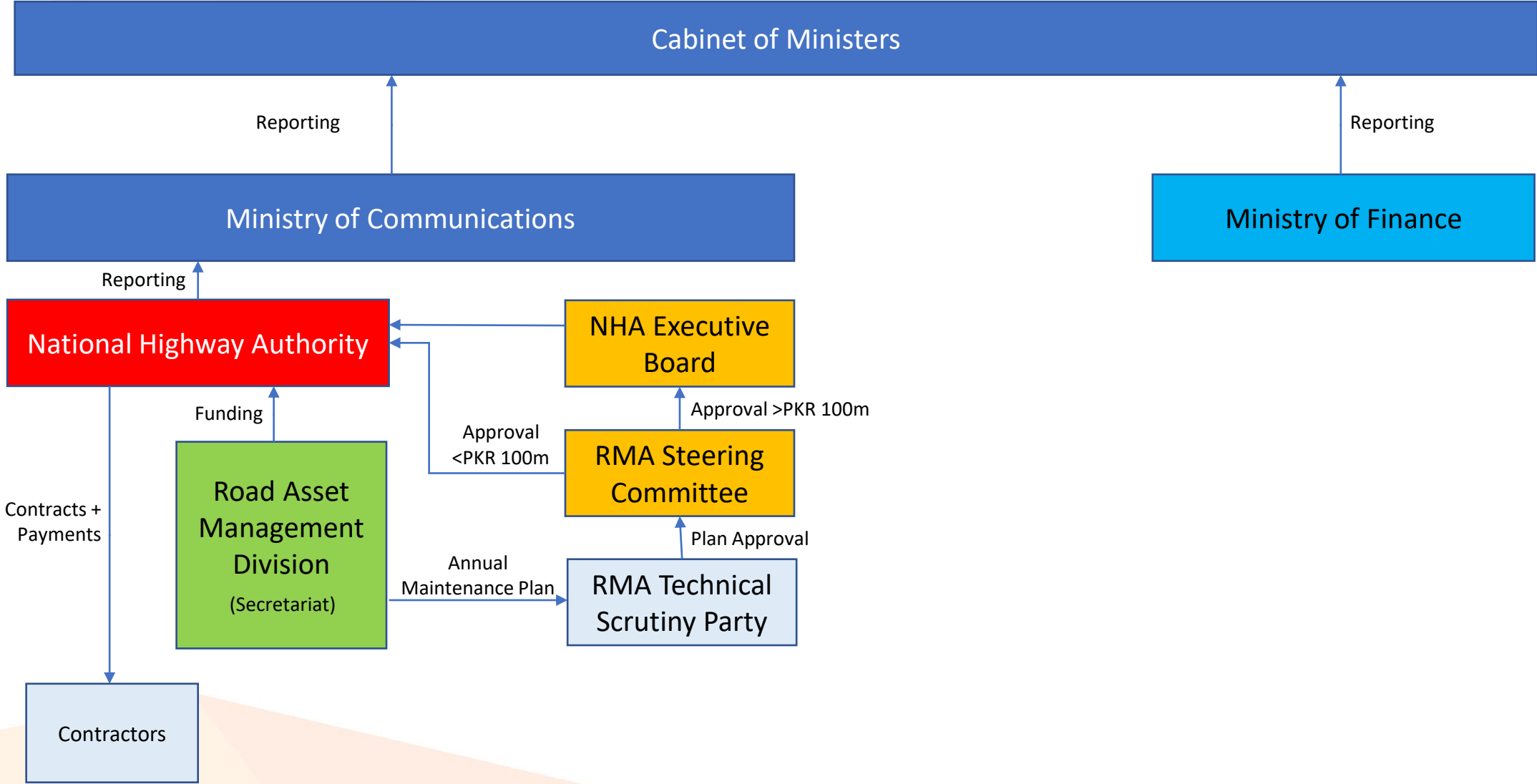
Management structure – Azerbaijan



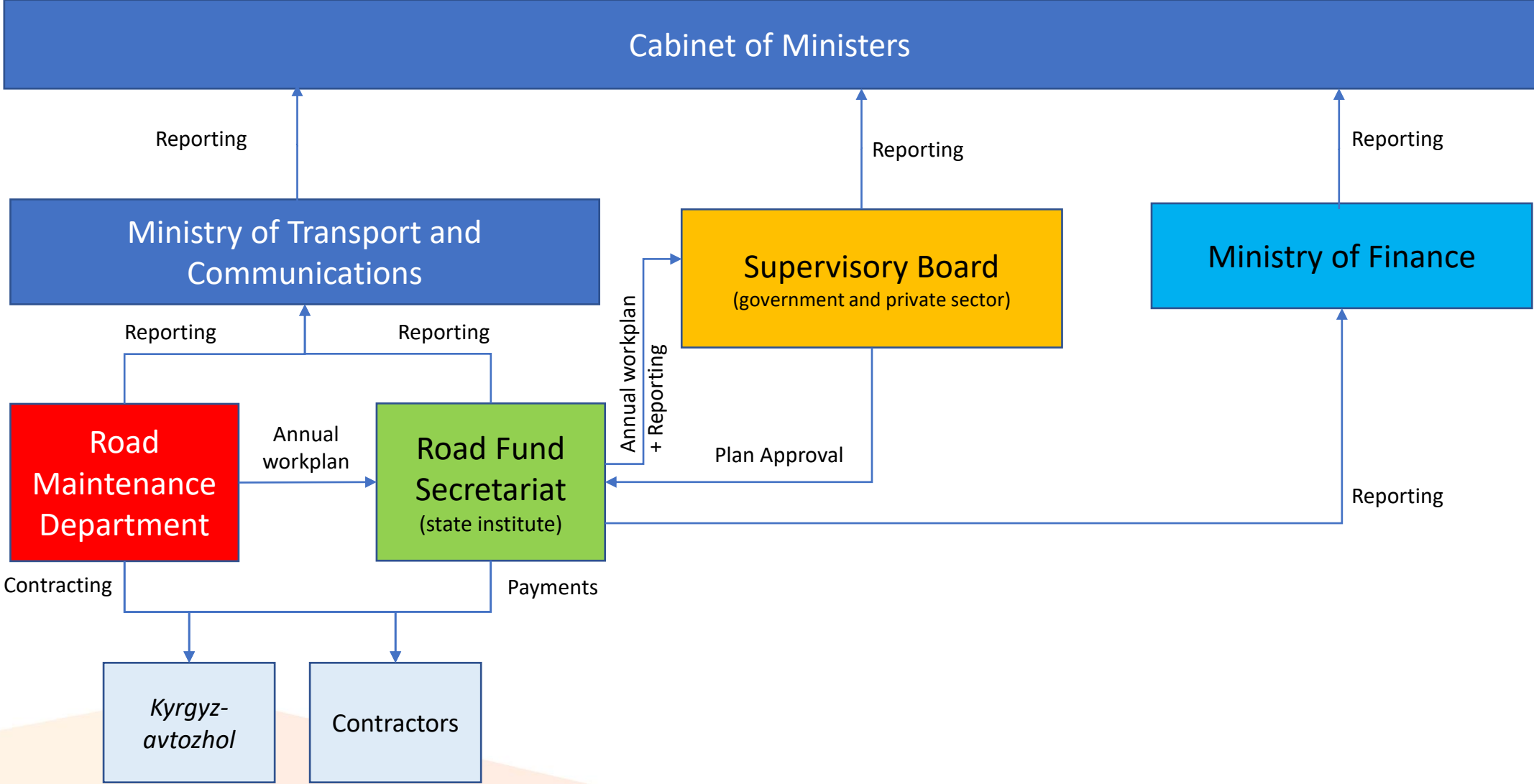
Management structure – Mongolia



Management structure – Pakistan



Management structure – Kyrgyz Republic



Reporting and auditing

| Auditing and reporting | AZE | KGZ | MON | PAK | UZB* | UZB** |
|--------------------------------|-----|-----|-----|-----|------|-------|
| Financial audits | | | | | | |
| Internal audits | + | + | + | + | + | + |
| Government audit | + | - | + | + | + | - |
| Independent third-party audits | - | - | + | + | - | - |
| Publication on website | + | - | + | + | - | - |
| Technical audits | | | | | | |
| Technical audits | - | - | - | + | + | - |
| Publication on website | - | - | - | - | - | - |
| Annual reports | | | | | | |
| Accounting reports | + | + | + | + | + | + |
| Detailed annual reports | - | - | - | +/- | - | - |
| Publication on website | - | - | - | - | - | - |