

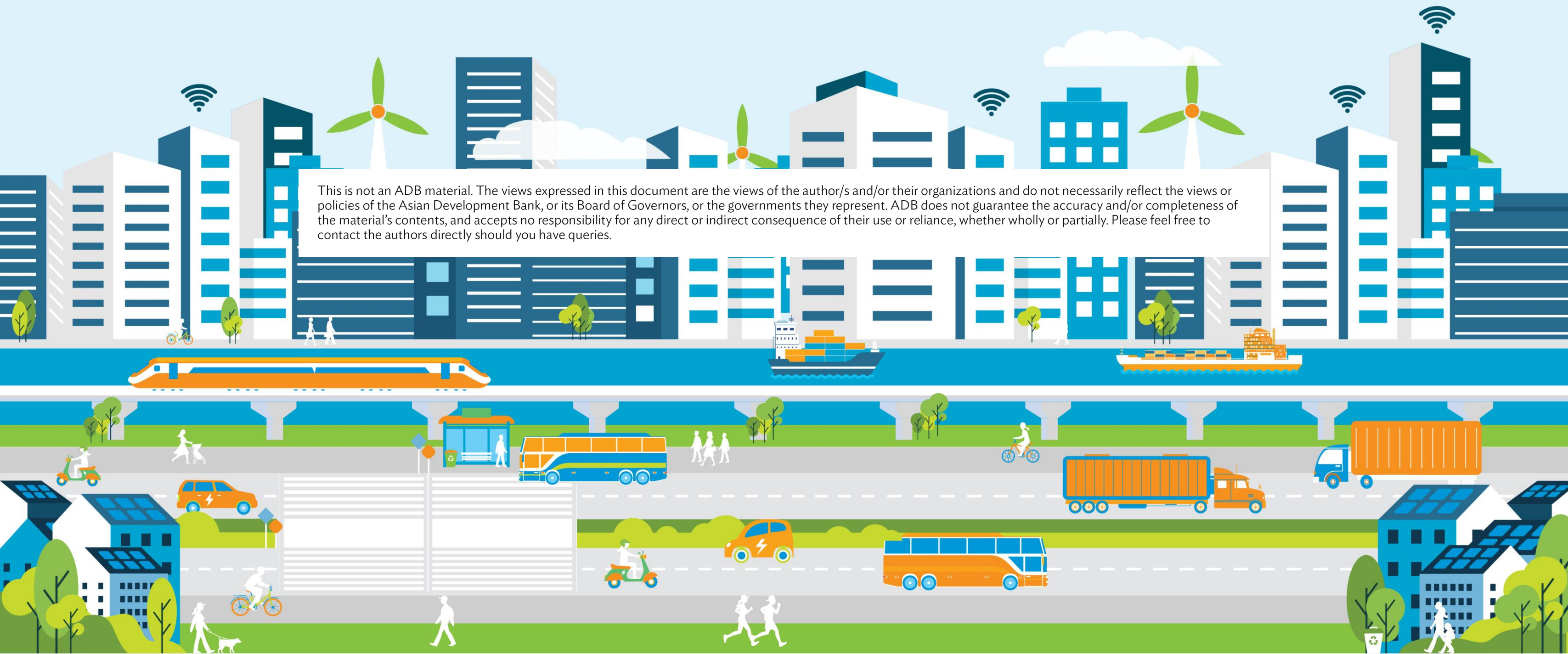
# ASIA AND THE PACIFIC TRANSPORT FORUM 2024

## CLEAN TRANSPORT FOR ALL

14–17 May 2024 | ADB Headquarters, Manila, Philippines



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# Road Funds - Country case studies

Practical examples and Challenges





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# Road Funds and Road Financing – a political issue

- Kyrgyzstan : a long history and positive trend
- Uzbekistan : going forwards and backwards
- Serbia : No Road Fund
- Laos : functioning Road Maintenance Fund with Challenges



The aim of a Road Fund is to ensure stable funding for Road Maintenance.  
This can be achieved without a Road Fund, in countries with stable budgets supporting the socio-economic importance of roads



IMF does not support Road Funds generally,  
MoF usually does not support earmarking of revenue.





## Example of Kyrgyz Republic



Initial Law on Road Fund was issued in 1998

New Road Fund Law in 2022, amended 3 times, up to January 2024

According to Law, almost all activities on the road network can be financed (including new roads)

According to Law, the Road Fund receives a large income, including 50% of fuel tax. Budget has increased for 2024 with 4,4 bill KGS (USD 51 mln) from which USD 21mln for maintenance which is more than the 50% of fuel tax.

KR is considering adding a fuel tax for the RF (“1 som/l”) or install truck tolling



The law was not enacted / not used for 20 years

New Road Fund is located under MoTC, budget is approved by Cabinet of Ministers

It is not a Road *Maintenance* Fund

In practice, currently, the Road Fund still receives an allocation from Republican Budget

Decision making on such matter is difficult







## Example of Uzbekistan



Road Fund establish as early as 1993, and reformed in 2003 under the Ministry of Finance and Cabinet of Ministers

Uzbekistan created a Ministry of Transport in 2019

The Road “trust fund” remains with a separate account and collects funds for the road sector from remaining earmarked funds.

Budget transfer amounts to about USD 500 mln, from which about USD 200 mln for maintenance and repair.

UZB is active in developing PPPs for road sector



Road Fund revenues were mainly Corporate tax on businesses, not directly linked to Road User.

With the abolition of the corporate tax in 2018, the RRF lost its main earmarked income and was integrated within Committee of Roads (CoR) in December 2018. Corporate tax was over 60% of RRF income.

In 2019, the Road Fund was transformed into Avtoynulinvest, dealing with implementation of IFI-funded Projects

Unbundling of the Road Sector remains required, where responsibilities are concentrated in CoR





### *Example of Serbia*



Road Agency (PERS) established in 2005 as a JSC under the Ministry of Construction, Transport and Infrastructure.

The Road Law of 2005 earmarked 10% of the fuel excise tax and various levies for Roads of Serbia. 10% of fuel excise would be equivalent to **USD 46,7 mln** (value 2022)

PERS has own revenues, mainly from toll. Unlike other countries, toll collection is a direct revenue to PERS.

PERS has signed a SLA with the MCTI, including minimum funding for maintenance.

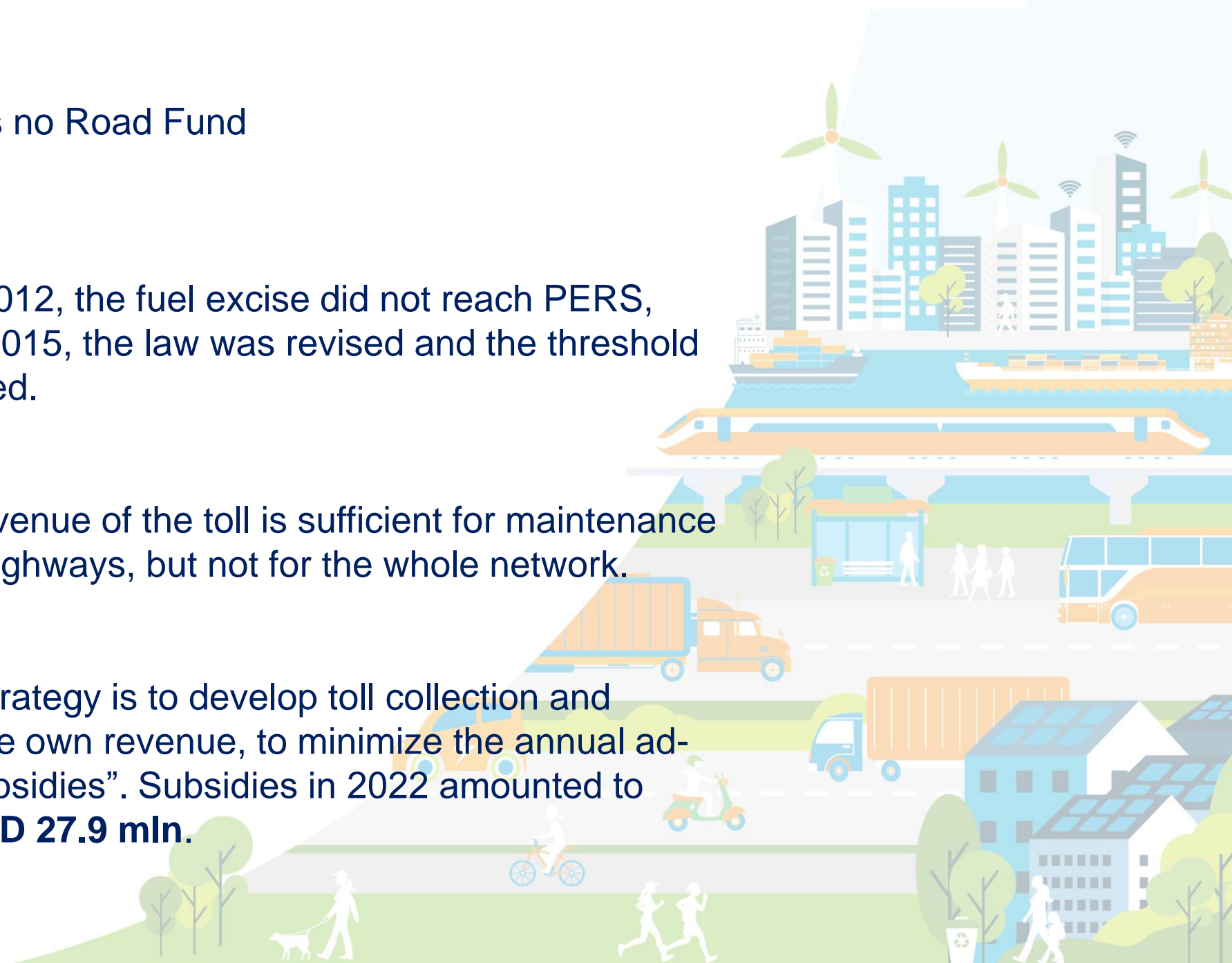


There is no Road Fund

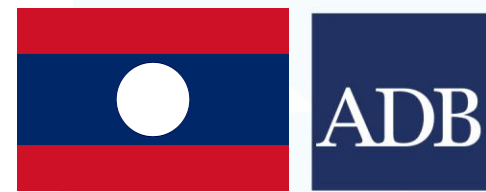
Since 2012, the fuel excise did not reach PERS, and in 2015, the law was revised and the threshold abolished.

The Revenue of the toll is sufficient for maintenance of the highways, but not for the whole network.

MCTI strategy is to develop toll collection and generate own revenue, to minimize the annual ad-hoc “subsidies”. Subsidies in 2022 amounted to only **USD 27.9 mln**.







### Example of Laos



Road Maintenance Fund (RMF) was set up in 2001

The fuel levy, currently LAK 520/litre (currently 2 US cents).

The Fund is managed and administered by the Minister of Public Works and Transport. Under the 2001 decree, the Minister was assisted by an Advisory Board.

The revenue of the Road Fund was steadily raising in local currency, 97% from fuel levy, amounting to 686 bill LAK



The fund was revised in 2016 and no longer dedicated to maintenance only.

The fuel levy has not been increased for many years despite the Lao Kip being devaluated by almost 100% in 2020.

Under the 2016 decree the Advisory Board was abolished and its place taken by a Management Committee.

Road maintenance is seriously underfunded, and the Road Fund income has been falling in USD (to 32 mln USD in 2023).

Road maintenance financing decisions are not all made on objective criteria and Road Fund revenues used for various activities, due to budget shortage.





# Road Funds and Maintenance Financing – how to keep the momentum

1. *Sustainable increase of road maintenance funding requires national commitment and self-reliance*
2. *Ministry of Finance has to understand the Challenge and Promote the Road Maintenance (with Fund or without).*

➡ **Lenders can play a supporting role here**

1. *Maintain National Commitment and Self-regulation*
2. *Long-term steps to Sustainable Funding of Maintenance through policy dialogue*
3. *Monitoring*

➡ **Lenders can only play a marginal role**



# THANK YOU!

Any Questions?

