

*IN THE THIRD SESSION OF THE  
FOURTH PARLIAMENT OF THE FOURTH  
REPUBLIC OF GHANA*

**REPORT OF THE COMMITTEE ON  
ROADS & TRANSPORT**

*ON THE*

**GHANA ROAD FUND ANNUAL  
REPORT AND ACCOUNTS  
FOR YEAR 2005**

JULY 2007

## **1.0 INTRODUCTION**

1.1 The Annual Report and Accounts of the Ghana Road Fund for the year ended 31<sup>st</sup> December 2005 was laid before Parliament on Tuesday, 3<sup>rd</sup> July 2007 pursuant to Section 18(2) of the Road Fund Act, 1997 (Act 536).

The Report and Accounts was consequently referred to the Committee on Roads and Transport for consideration and report in accordance with Article 103(3) of the 1992 Constitution of the Republic of Ghana and Order 189 of the Standing Orders of the House.

1.2 The Committee subsequently met on Wednesday, 18<sup>th</sup> July 2007 and deliberated on the referral.

## **2.0 ACKNOWLEDGEMENT**

2.1 The Committee wishes to express its sincere appreciation to the Deputy Minister for Transportation, Hon. Magnus Opare Asamoah and his officials, the Acting Director and Deputy Director of the Ghana Road Fund Secretariat, representatives from Messrs Deloitte and Touchè (Financial Auditors of the Ghana Road Fund) and Sterling Engineers (Technical Auditors of the beneficiary Agencies) as well as officials from the underlisted Agencies:

- (a) Ghana Highway Authority (GHA)
- (b) Department of Feeder Roads (DFR)
- (c) Department of Urban Roads (DUR)

### **3.0 REFERENCE DOCUMENTS**

The Committee made reference to the following documents during its deliberations:

- (i.) The 1992 Constitution of the Republic of Ghana.
- (ii.) The Standing Orders of the House.
- (iii.) The Road Fund Act, 1997 (Act 536).
- (iv.) Report of the Select Committee on Roads and Transport on the Annual Report and Accounts of the Ghana Road Fund for the years 2003 and 2004.

### **4.0 MISSION STATEMENT**

The Mission of the Ghana Road Fund is to provide adequate and sustainable financial resources and ensure the regular maintenance of Ghana's road network through efficient and effective management of the Fund.

### **5.0 ACTIVITIES OF THE FUND**

The activities and operation of the Ghana Road Fund for the year under review were guided by the objectives of the Fund as stated in the Road Fund Act, 1997 (Act 536). These objectives are as follows:

- i. To finance routine, periodic maintenance and rehabilitation of public roads in the country.
- ii. To assist Metropolitan, Municipal and District Assemblies in the exercise of their functions relevant to public roads under any enactment.

- iii. To assist in road safety activities and other relevant matters as may be determined by the Board.

Pursuant to the above objectives therefore, the Fund made disbursements to its beneficiary Agencies namely, GHA, DFR, DUR, National Road Safety Commission (NRSC), Driver and Vehicle Licensing Authority (DVLA) and the Ministry of Transportation (MOT).

## 6.0 OBSERVATIONS AND RECOMMENDATIONS

### 6.1 Revenue Generation

Fuel Levy, Vehicle Registration Fee, Road Use Fee, Road & Bridge Tolls and International Transit Fees continued to be the sources of revenue generation into the Fund for year 2005. Revenue generated by each source for year 2005 in comparison with year 2004 is shown in the table below:

**Table 1**

**Revenue Inflow into the Fund for Years 2004 & 2005**

Source	Year 2004 Amount	Year 2005 Amount	%
Fuel Levy	¢710,368,000,000 GH¢71,036,800	¢989,569,000,000 GH¢98,956,900	94.35
Road Use Fee	¢ 12,615,000,000 GH¢1,261,500	¢13,236,000,000 GH¢1,323,600	1.26
Vehicle Reg. Fee	¢17,678,000,000 GH¢1,767,800	¢19,525,000,000 GH¢1,952,500	1.86
Road & Bridge Tolls	¢15,575,000,000 GH¢1,557,500	¢16,436,000,000 GH¢1,643,600	1.57
Int. Transit Fee	¢9,139,000,000 GH¢913,900	¢10,021,000,000 GH¢1,002,100	0.96
<b>Total</b>	¢765,375,000,000 <b>GH¢76,537,500</b>	¢1,048,787,000,000 <b>GH¢104,878,700</b>	<b>100</b>

### 6.1.1 Fuel Levy

A comparative analysis of the total revenue generated in years 2004 and 2005 as shown in Table 1 indicates that fuel levy is the largest contributor to the Fund. For years 2004 and 2005, fuel levy generated more than 90% revenue into the Fund.

However, volume of fuel lifted in year 2005 was 1,740.14 million litres as against 1,775.9 million litres in 2004 – showing a 2% decrease in fuel lifted in year 2005. The Committee noted from the referral that the 2% shortfall in fuel lifted was attributed to the increasing use of Liquid Petroleum Gas (LPG) by vehicles instead of the conventional petrol or diesel. Despite this shortfall, fuel levy generated more revenue due to an upward revision of fuel levy from ₱400.00(4Gp) to ₱600.00(6Gp) in February 2005.

Upon a critical analysis of the situation, it was apparent that the Fund would have experienced a decrease in revenue generated if fuel levy had not been revised.

### 6.1.2 Road Use and Vehicle Registration Fees

The Committee further noted that Road Use and Vehicle Registration Fees have not been revised upward since 1998 and 2001 respectively thereby contributing to the unimpressive performance of these two revenue generating instruments (*see Table 1*). The Committee again noted that while there was about 10% increase in revenue generated from Vehicle Registration Fees

in year 2005 in relation to year 2004, Road Use Fees increased by only 5% over the previous year.

The Committee observed from the Annual Report and Accounts that the 10% increase in revenue generated from Vehicle Registration Fees purports that vehicles imported into the country was on the increase. Regrettably, the increase in vehicle importation did not reflect in a corresponding increase in Road Use Fees as it increased by only 5%. This gives an indication that not all registered vehicles are presented for annual inspection and subsequent payment of Road Use Fees.

In the opinion of the Committee, a realistic upward revision of the sources of revenue into the Ghana Road Fund especially road use and vehicle registration fees, road and bridge tolls, is long overdue. The Committee therefore appeals to MOT to collaborate with the Ministry of Finance and Economic Planning (MOFEP) to ensure that a Proposal sent to Cabinet for an upward revision of toll rates by MOT is approved for consideration by Parliament.

The Committee also urges MOT to collaborate with DVLA to carry out studies to determine the extent to which vehicles are powered by LPG to guide the management of the Fund in its budgeting. The Committee again implores DVLA to collaborate with the Motor Transport and Traffic Unit of the Ghana Police Service to put in place an efficient and effective mechanism throughout the country to ensure that all registered vehicles

are presented for annual vehicle examination to boost the revenue base of the Fund.

## 6.2 Disbursement of Funds

Based on the Annual Road Programme and Annual Expenditure approved by the Road Fund Board for the year under review, the Secretariat disbursed an amount of ₵987.22 billion (GH₵98,722,000) to the beneficiary Agencies.

Disbursement made to the Road Agencies (GHA, DUR, and DFR) was for the payment of routine and periodic maintenance works. Releases to DVLA and NRSC were for road safety activities while that of MOT were for payments for emergency road works and the operational expenses of the Ghana Road Fund Secretariat (GRFS). Disbursement made to beneficiary Agencies is shown in Table 2 below:

**Table 2**  
**Disbursement in Year 2005 to Beneficiary Agencies**

<b>AGENCY</b>	<b>ROUTINE</b>	<b>PERIODIC</b>	<b>TOTAL</b>	<b>%</b>
GHA	₵118,490,000,000 GH₵11,849,000	₵225,830,000,000 GH₵22,583,000	₵344,320,000,000 GH₵34,432,000	34.88
DFR	₵74,850,000,000 GH₵7,485,000	₵100,010,000,000 GH₵10,001,000	₵174,860,000,000 GH₵17,486,000	17.71
DUR	₵79,440,000,000 GH₵7,944,000	₵200,170,000,000 GH₵20,017,000	₵279,610,000,000 GH₵27,961,000	28.32
NRSC	0	₵4,500,000,000 GH₵450,000	₵4,500,000,000 GH₵450,000	0.46
DVLA	0	₵1,300,000,000 GH₵130,000	₵1,300,000,000 GH₵130,000	0.13
MRT	0	₵182,630,000,000 GH₵18,263,000	₵182,630,000,000 GH₵18,263,000	18.50
<b>TOTAL</b>	₵272,780,000,000 <b>GH₵27,278,000</b>	₵714,440,000,000 <b>GH₵71,444,000</b>	₵987,220,000,000 <b>GH₵98,722,000</b>	<b>100</b>

The Committee reinforces its recommendations made in its Report on the Annual Report and Accounts of the Ghana Road Fund for the years 2003 and 2004 that, the Ghana Road Fund Board should ensure that GRFS is disaggregated from MOT in respect of Funds disbursed to it. This will ensure transparency and accountability of Funds disbursed to MOT and GRFS.

### 6.3 Payment Request by Road Agencies

The Committee noted from the referral that request for payment of works submitted by the Road Agencies exceeded the total disbursement of ₵798.79 billion (GH₵79,879,000.00) made by the Ghana Road Fund to the Road Agencies by ₵74.25 billion (GH₵ 7,425,000.00). This is shown in Table 3 below:

**Table 3**  
**Payment Request and Disbursement**

<b>Agency</b>	<b>Budgetary Allocation</b>	<b>Payment Request</b>	<b>Disbursement</b>	<b>Outstanding Request</b>
GHA	₵307,500,000,000 GH₵30,750,000	₵355,880,000,000 GH₵35,588,000	₵344,320,000,000 GH₵34,432,000	₵11,560,000,000 GH₵1,156,000
DFR	₵249,800,000,000 GH₵24,980,000	₵182,750,000,000 GH₵18,275,000	₵174,860,000,000 GH₵17,486,000	₵7,890,000,000 GH₵789,000
DUR	₵209,200,000,000 GH₵20,920,000	₵334,410,000,000 GH₵33,441,000	₵279,610,000,000 GH₵27,961,000	₵54,800,000,000 GH₵5,480,000
<b>Total</b>	₵766,500,000,000 <b>GH₵76,650,000</b>	₵873,040,000,000 <b>GH₵87,304,000</b>	₵798,790,000,000 <b>GH₵79,879,000</b>	₵74,250,000,000 <b>GH₵7,425,000</b>

As observed in the Annual Report, the over expenditure by GHA was due to the award of too many projects on contract as well as variation orders.



The over expenditure by DUR on the other hand was attributed to the execution of too many projects without reference to the approved budget. In the case of DFR, certificates submitted for payments fell below its budgetary allocation to the tune of ₵67.05 billion (GH₵ 6,705,000.00). This situation, according to the Technical Audit Report, was as a result of delay in project execution by contractors.

It is evident from the above that the Road Agencies (GHA and DUR) did not operate within the approved budget. Thus, GRFS was compelled to make payments beyond the budgetary allocation to the Agencies. This was possible because of additional inflow into the Fund due to the upward revision of fuel levy.

The Committee is of the opinion that if the over commitment from the Road Agencies goes unchecked, the stability of the Fund is likely to be undermined with the potential of creating a distressing situation. The Committee therefore recommends to the Road Agencies to draw up realistic programmes to enable them operate within the budget allocated to them.

#### 6.4 Enforcement of Contract Provisions

The Committee noted from the Technical Audit Report that most GHA and DUR projects were unduly delayed in the year under review. These projects according to the Annual Report, were either recommended for termination, terminated or re-awarded.

It is interesting to note that contractors who were served with notice of termination for unduly delaying their projects remobilised to site and made good progress. In some instances, contractors were able to complete their projects. This situation suggests that the performance of contractors will improve if contract provisions are strictly adhered to by the Road Agencies.

The Committee therefore urges the Road Agencies to strictly adhere to conditions of contracts by ensuring the following:

- a. prompt call on bid bonds
- b. call on advance mobilization guarantee
- c. call on performance guarantee
- d. issue variation promptly and within limits
- e. timely payment to contractors
- f. time extension on contracts requested by contractors
- g. termination of contracts

The Committee is of the opinion that, when the above conditions are strictly adhered to, recalcitrant contractors would endeavour to execute their projects on time.

#### 6.5 Quality of Work Executed by Contractors

The Committee noted from the referral that the quality of road projects executed in most cases fell short of the contract specification. Many reasons were advanced by officials of the Road Agencies to this problem. Inadequate supervisory staff, inexperienced technical staff and

inadequate logistics were identified as the major factors that contributed to poor quality of work executed by road contractors.

The Technical Audit Report for instance indicates that regional supervisory officers available to GHA and DFR were grossly inadequate. This created a situation whereby few officers were responsible for the supervision of too many projects.

Deliberating on the issue of inadequate capacity, officials of the Road Agencies indicated to the Committee that MOT has put measures in place to recruit more staff to augment the technical strength of the Agencies. The unfortunate situation however is that, graduate engineers recruited from the Polytechnics are found to be trained in Building Engineering and not Civil Engineering. Thus, the Agencies have to retrain them into Civil Engineers and this takes a longer time for them to qualify as technical supervisors.

The Committee considered the augmentation of technical supervisors as critical if the country is to have quality road network. To this end, the Committee implores the Ministry of Education, Science and Sports to review the engineering courses at the Polytechnics in order to produce the needed manpower for the road construction industry in Ghana. The Committee also urges MOT to ensure that project supervisors are well remunerated to motivate the few supervisory officers available to the Road Agencies.

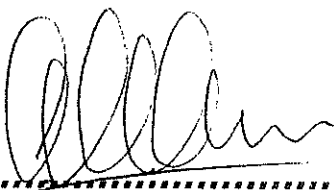
## 7.0 CONCLUSION

To ensure that the country's road network received the requisite level of regular maintenance in the year 2005, the Ghana Road Fund provided the necessary financial resources to beneficiary Agencies for their operational activities.

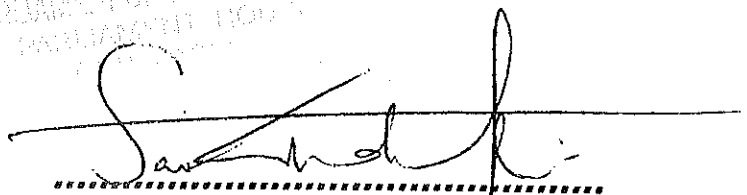
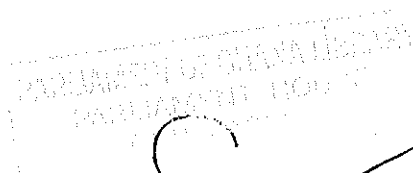
It is however evident that, if more roads are to be constructed and rehabilitated, an upward revision of the sources of revenue generation into the Fund would have to be addressed by MOT and MOFEP as a matter of urgency. This would undoubtedly increase the number of accessible roads in the country.

The Committee, having thoroughly examined the referral, accordingly recommends to the House, the adoption of its Report on the Ghana Road Fund Annual Report and Accounts for the year 2005.

Respectfully submitted.



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**ABIGAIL ABA ANSO (Ms.)**  
**(CLERK TO THE COMMITTEE)**



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**HON. SAMUEL K. OBODAI**  
**(CHAIRMAN, COMMITTEE ON**  
**ROADS AND TRANSPORT)**

JULY 2007