ROAD SECTOR REFORM IN NAMIBIA


BACKGROUND

Of the estimated 940 000 km of designated rural roads in Sub-Saharan Africa, about 6% are in Namibia, with an estimated replacement value of about US$ 3 billion. The network is of special importance to the vast country as an integral part of sustainable socio-economic development. In order to uphold this network, Namibia has had to take and implement deliberate policy decisions aimed at far-reaching and positive consequences regarding institutional, management and road financing arrangements.

Namibia is one of the youngest economies having gained independence from South Africa in 1990. It has one of the lowest population densities; with an area of 825 000 km$^2$ (over three times that of UK) and a population of 1.8 million (3% that of UK) the population density is just above 2 persons per km$^2$ on average. It is also the most arid country south of the Sahara Desert. While the Southern African economy is dominated by South Africa, Namibia’s geographic location, its development objectives including provision of good basic economic infrastructure makes it a potentially significant contributor as a hub for trade and commerce, both regionally and internationally.

With a per capita income of US$ 1 900 (2001), about four times higher than the average Sub-Saharan African Countries, Namibia falls into the category of a lower-middle income country. It conforms to the classic picture of an African raw materials’ producer with the most active sectors as mining, fishing and agriculture. The economy is however characterised by extreme disparities in the distribution of income and access to public facilities. At independence, Namibia was bestowed not only with a good – albeit regionally imbalanced – road network. It also took over a very large – and centralised – state apparatus as reflected in the fact that about 40% of the state budget was spent on salaries and that public expenditure made up about 50% of GDP, a very high figure for developing country.

After independence, the Government set four broad national development goals: reviving and sustaining economic growth, creating employment, reducing inequalities in income distribution and eradicating poverty. One of the strategies was the provision of an enabling environment for sustainable socio-economic development. Under the strategy, it was considered necessary to pay special attention to physical infrastructure with the aim of equalising provision of basic infrastructure within the country and linking Namibia to Southern African region for promotion of regional trade, cooperation and greater integration.

Another important strategy was that of ensuring that Government machinery was responsive and worked efficiently. This was seen to be of primary importance since Government had a central role to play in the implementation of other strategies. Given the scarcity of resources and the small size of the economy, it was necessary to ensure that too high a burden was not placed on the productive sectors of the economy. For this reason, it was envisaged that restructuring and re-organisation of the public service would be undertaken to ensure that efficiency was maintained. This would include rationalisation of Government’s administrative apparatus and a careful review of Government’s role as a direct service provider.
It is also interesting to note that in order to ensure that development was sustainable, financial stability considerations included cautious approach to borrowing, especially external borrowing. Where borrowing would be found to be of necessity, this would be largely restricted to productive investments. Prudent policies had therefore to be formulated with a view to ensuring that cost of services could be contained as much as possible within the resources available to Government for allocation to the various sectoral needs.

Clearly, the reform scene had been set via these two strategies, which in turn necessitated a better definition of the roles of Government with regard to the transportation sector to ensure that services were provided in an effective and efficient manner as the new economy strived to provide both local and regional transportation linkages. Against this background, a transport policy review process was initiated, which included a policy study on road taxation which was launched immediately after independence.

Another relevant development was the signing by the Southern African Development Community (SADC) Heads of States, of the protocol on Transport Communications and Meteorology in August 1996. The protocol sets out a number of objectives, which include that member states would ensure and sustain the development of an adequate road network in support of regional socio-economic growth by providing and maintaining roads in order to *inter alia* minimise total transport costs. The protocol further states that such objectives would be achieved through the development of a harmonised regional road infrastructure policy aimed at *inter alia* introducing commercial management practices to foster institutional, economic and technical efficiency within the respective national road sub-sectors.

**TRANSPORT SECTOR OBJECTIVES**

The transport sector in Namibia covers the road, rail, air and maritime transportation modes. Due to its vastness and the sparsity of the population, road, rail and air transport infrastructure is of relatively greater economic importance than would be the case for a smaller, more density populated country. Namibian transport infrastructure comprises well-developed and well-maintained proclaimed road network of some 65 000 of which about 5 500 km is high quality bitumen surfaced roads; 2 400 km of rail track, connected to the South African rail system; the ports of Walvis Bay and Luderitz; and several airports capable of handling large jet aircraft. Government exercises a regulatory function with regard to transport services. This function encompasses economic and quality regulation of road transportation, civil aviation and merchant shipping.

The transport sector’s overall goal is to ensure the availability of safe, effective and efficient transport services in the different transport modes. This was born out of an early appreciation of the fact that an efficient transport sector is a vital element in the achievement of Government’s overall economic objectives. This overall goal in turn required the achievement of other broad goals, namely to ensure that: transport infrastructure was provided effectively and efficiently; transport services were operated efficiently; and quality standards in transport were achieved and maintained. The Government also pronounced its commitment to redressing previous imbalances in the distribution of transport infrastructure and to give high priority when considering new road projects to areas previously underserved.

The overall policies of Government further dictated that the strategies employed to achieve the objectives promoted an environment which would not only make transport services available to
all members of society, but which would also encourage previously excluded entrepreneurs to provide transport services.

WHITE PAPER ON TRANSPORT POLICY

The transport policy review study of October 1990 had the objective of investigating a possible system of road user charging system which would be aimed at recovering the cost of providing and maintaining road infrastructure from the road users in relation to their “consumption of roads” and secondly to analyse the cost structure of providing and maintaining the road network. The study noted that Namibia did not operate a formal system of road user charging i.e. one where revenues were linked to expenditure on roads, and that the then existing taxes such as levies on petrol and diesel fuel and annual vehicle licence fees were specific to road users, and in that sense could be regarded as road taxes.

The study concluded that implementation of a system of road user charges for Namibia would be in line with and would promote the economic objectives of Government. The study further identified certain conditionalities regarding setting of such charges:

i) The charges had to be aimed at promoting economic efficiency and the efficient utilisation of resources

ii) Equity considerations had to be made to ensure that communities or road users did not subsidise each other

iii) Fair road/rail competition had to be maintained

iv) Foreign-based operators had to contribute their fair share while taking due cognisance of the road user charging systems in neighbouring countries.

v) Acceptance by affected parties had to be established

vi) Full recovery from road users the costs associated with the economically justifiable road provision and maintenance.

The results of this study were broadly encapsulated in the White Paper on Transport Policy, which was adopted by Government in 1995. While the emphasis on the White Paper was on road transport, the scope was wider in that it covered major policy issues facing all modes of transport. For instance the main instrument recommended for use in improving the performance in the transport sector was competition. This presented a clear break from the colonial past, when policies were often protectionist and therefore, in effect, benefited only a few.

ROAD TRANSPORT TAXATION IN NAMIBIA

The road network in Namibia can be broadly grouped into proclaimed roads, municipal streets and minor roads. Proclaimed network is further divided into four categories i.e. trunk roads (linking Namibia with neighbouring countries), main roads (connecting important centres in Namibia), district roads (carrying a reasonable amount of traffic) and farm roads (important links in farming areas). In the 1990’s the Department of Transport of the Ministry of Works, Transport and Communication was responsible for development and maintenance of all these roads except the farm roads, which were maintained on a 50/50 cost-sharing basis with the beneficiary communities. Funding was obtained from the Central Revenue Fund resorting under the Ministry
of Finance. The sources of income accruing to the Central Revenue Fund were and still are diverse and included customs and excise duties on imported goods, (including fuel, vehicles and spare parts), sales tax on goods (including new and used vehicles and spare parts), annual vehicle licence fees and fuel levies. Government departments would and still do receive their financial allocations on annual basis through a structured budgetary process via parliamentary debate and approval. Besides other considerations, the availability of funds had a primary role in determining how much each of the departments would receive from the Central Revenue Fund. In no way therefore was income from any of these sources earmarked for use in providing and maintaining roads. Furthermore, the taxes and duties applicable to road users were levied without consideration of the portion of the road network the road users travelled.

In carrying out their obligations, local authorities depended and continue to depend on diverse sources of revenue. These were among others, the so-called municipal rates and taxes, fees charged for licences, fees imposed for services and contributions received from Government. Local authorities did not have a structure for and did not therefore charge, fees related to the provision and use of roads.

Government contribution to local authorities constituted a subsidy equivalent to 50% of the operating and maintenance expenses in respect of streets. Expenditure on construction was specifically excluded. The subsidy was deemed to include costs in respect of urban, main and trunk roads maintained by local authorities on behalf of the Government. In addition, Government also provided a separate contribution related to road traffic control within the urban network.

Based on records maintained by the Department of Transport, expenditure on proclaimed roads decreased drastically in both absolute and real terms from years 1980/81 (R 345 million or US$ 430 million then) to 1985/86 (R 143 million or US$ 77 million then), but stabilized at approximately R125 million (US$ 46 million) per annum up to 1990/91. This was a reduction in total expenditure of over 60% in absolute terms. The main reason for the reduction in spending could be ascribed mainly to alternative development priorities. It is worthy noting however that in absolute terms, expenditure on maintenance remained constant, a reflection of the fact that policies then emphasized preservation of existing infrastructure.

The total expenditure by local authorities on road and street maintenance in 1990/91 amounted to N$ 9 million (US$ 3.3 million then), while policing cost was N$ 5 million (US$ 2 million). Thus the Government spent approximately N$ 140 million (US$ 52 million) by 1990/91 on road infrastructure and related activities.

In determining the road network needs, it is necessary to take two factors into consideration, namely the current status of the facility and the future traffic needs. Due to low traffic volumes however, the influence of traffic growth factors on the design parameters is minimal. The pavement structure configuration for example remains the same over a traffic range between 0.75 million to 3 million Equivalent Standard Axles (ESAs) or from 3 million to 12 million ESAs over the same design life. The result is that many of the Namibian roads have an inbuilt factor of structural safety. Maintenance actions are generally therefore aimed at preventing pavement deterioration and not at strengthening. The effect of traffic growth on routine and periodic maintenance however cannot be ignored. Non-surfaced roads presented a special challenge in that more than half of them carried less than 12 vpd and only 1% carried more than 100 vpd. This low level of usage could not be coupled to drastically reduced level of maintenance due to the fact that other factors than traffic impact on maintenance needs.
Using various models (CSIR’s MDS and DOT’s PMS), a needs analysis for the network was carried out. Pavement rehabilitation, resealing, geometric improvements, other maintenance and new developments were taken into consideration. Taking also into account the needs of local authorities, the total annual road related activities in 1992 amounted to about N$ 172 million in absolute terms (or US$ 61 million).

Phase three of the Road Transport Taxation Study (1992) included the determination of the vehicle population in Namibia, their categorisation, characteristics, fuel consumption, fuel use for on-road purposes, distances travelled and the utilization of the road network by each vehicle type. The study revealed that light vehicles contributed some 85% of all Vehicle Kilometre Travelled (VKT) and heavy vehicles 9%. It could also be estimated that 1 025 million VKT, 255 million ESA-km, 2 310 million axle-km and 1 310 million Passenger Car Equivalent (PCE)-km were inflicted on the rural road network annually.

The study established that the total revenue derived from road users for the year 1990/91 was estimated at N$ 130 million (US$ 48 million) of which 76% was from fuel levy. While this revenue was not directly applied to road related activities, the following important conclusion could be arrived at: the Government allocation towards road related activities was definitely less than the total network needs and that the allocation nearly equalled the revenue raised from road users.

ROAD TAXATION POLICY

The Minister of Works, Transport and Communication, submitted a policy proposal on Road User Charging, which was approved by Cabinet in principle in March 1993. This was a major break-through towards the formalisation of a policy that would later see the de-linking of road financing from Central Revenue Fund. Due to the envisaged far reaching consequences of such a policy, Government appointed an Inter-ministerial Committee of Technical Experts (ICTE) to further investigate the technical, institutional and administrative matters related to road user charging and to make the final proposals to Government.

The principle recommended in the policy was that road users should carry the full cost of providing roads. The instruments proposed to be used to price “road services” were (i) levies on fuel (ii) weight-distance charges on heavy vehicles (these two charges represented the marginal costs of road use) and (iii) vehicle licence fees (representing the fixed cost associated with providing roads).

Due to the high proportion of the potential contribution of fuel levy towards road related revenue, and in view to the complexity surrounding fuel taxation, the ICTE conducted an in-depth analysis of the issues likely to emerge in the implementation of the road user charges specifically on fuel pricing. One of the outcomes of this study was that some of the already existing levies within the fuel price structure loosely described as ‘other taxes” (e.g. the Mother Vehicle Accident Fund) were in concept and practice not much different from the proposed road user charges proposed for inclusion into the fuel price in form of a levy. The proposed road user charges in the form of levies on fuel were based on the same principle, namely that fuel usage was a proxy for road use. Other considerations that strengthened the case for dedicated fuel levy were that: (i) it was economically equitable and efficient since it was specific to vehicles and not to other sectors of the community, (ii) it was a marginal type of cost to consumers (increasing size of vehicle and frequency of vehicle use correlated with increased full consumption and resulted in increased cost to the vehicle user and revenues), (iii) the levels of the levy were calculated to recover an amount
which would cover the costs associated with providing roads, (iv) revenues could be legislated and earmarked for a specific purpose.

Some of the issues arising from the possible introduction of road user charges were (i) the effect on fiscus revenue and (ii) introduction of an integrated fuel pricing policy. The recommendations of ICTE were *inter alia* that road user charging levies on petrol and diesel fuel used on roads be introduced with due consideration of the need to keep fuel price as low and as stable as possible. At the same time, it was recommended that the regulation of the basic price of fuel be a matter that continued to be dealt with by the Ministry of Mines and Energy in concurrence with the Ministry of Finance.

The White Paper on Transport identified the fundamental and long term policy objective with regard to road function as that roads should be provided and maintained with the objective to minimize the total costs of road transport – consisting mostly of the sum of infrastructure costs and vehicle operating costs – to society. For this to be achieved, there was an inextricable linkage to continued availability of funding at the required optimal levels as well as institutional capacity to expend such funds efficiently. In other words a road user charging system, which raised less than optimally required would continue to create dependency on discretionary annual budgetary support. Such dependence would not ensure the required availability of funds and thus also not the achievement of the fundamental objective stated above. For this reason, the White Paper supported the principle of full cost recovery. The White Paper supported the creation of a fund into which revenue from road user charges should be deposited and that such fund be legislated in order to secure its management and application.

**ROAD SECTOR REFORM PROCESS**

In 1995, the Department of Transport launched “the MWTC2000 Project” with the sole purpose to restructure the Department. The necessary preparatory work included the legislation drafting process, setting up of the future operational frameworks and systems for three entities and commencement of the initial separation and transfer of functions and resources from Government to the entities. On 01 April 2000, the Namibian road sector reform culminated in the long awaited fundamental changes. About 2 500 persons who previously had been employed in the Namibian civil service were transferred to their new work places in three new road sub-sector organisations, the Road Fund Administration (RFA), the Roads Authority (RA) and the Roads Contractor Company (RCC).

The Namibian Road Sector Reform is one of the most far-reaching reforms of its kind ever undertaken. The ultimate aim of the reform is to increase efficiency in the road sub-sector. The reform is based on the premise that the best way of accomplishing this is by delegating the responsibility for road management to an autonomous organisation, subject to the requirement that this organisation manage the road network in terms of the principle of economic efficiency. The assumption made is that the economic efficiency criterion is the operational objective that is best able to satisfy the demands of the road sub-sector community.

The norm in the road sector reform processes in many other countries in general is to vest all decisions in the organisation responsible for road management, i.e. also decisions related to road user charges, in the road management organisation. In the Namibian case, it was considered necessary to preclude the risk associated with too much power if not conflicting objectives in one organisation. The Namibian solution has therefore been to alongside the road manager, establish a separate fund administrator. The role of the administrator is to serve as a regulator. To ensure
that it is effective in this role, it has been given the power, subject to certain principles, to set the
road user charges and to approve all expenditures from road user charges deposited into the Road
Fund.

The third new organisation, the gains-driven-, was not an intrinsic part of the new institutional
structure. The establishment of the contractor was seen as a stepping-stone towards allowing all
road works to be performed subject to competition, and was seen as necessary for two reasons,
viz. to secure (i) work for the about 2 200 persons previously employed by the Ministry of
Works, Transport and Communication’s force account units; and (ii) continuity in the road
maintenance activities, which previously were carried out almost exclusively by these force
account units.

The RFA and RA have to operate subject to a governance regime, which is set out in the two Acts
establishing these organisations, whilst the RCC is established in terms of the Companies Act.
Control of the RFA and RA is effected in three ways, i.e. by the relevant minister, by the Auditor
General, and by the road user community. The main instruments to be used by the ministers are
the Performance Statements and the annual Reports on the Performance Statement. The
Performance Statement sets out the strategies, principles and policies which the RFA and RA
intend to pursue in order to achieve the objectives and other provisions of the legislation.

The public, in general, and the road user community, in particular, are given a significant role in
the supervision of the RFA and RA. The legislation makes consultation by the RA and RFA
obligatory. In addition, all the main documents are public documents. Given that road users will
be paying for the roads, they will have a strong incentive to monitor performance, and the
legislation ensures that adequate information will be made available to allow them to act as
informed guardians of the system.

Namibia is a large country and a considerable part of the population lives in rural areas, which in
addition tend to be in the outlying areas of the country. It may be feared that the Road Sector
Reform could result in a deterioration of the maintenance of the existing rural roads and also
make it more difficult to provide better roads in rural areas on account of the vehicle traffic,
which can be expected to be thin in these areas. Good road maintenance and upgraded roads
might thus not be justified there in terms of the efficiency criterion to be applied by the RFA and
RA. This may be seen as a threat to the rural communities of Namibia, and ultimately as a
political threat to the whole system.

The legislation provides for safeguards in this regard. The Ministry responsible for transport may
thus issue regulations with regard to minimum maintenance standards of the road network, e.g. in
order to ensure that they are safe but also that adequate accessibility is provided for in and to all
parts of the country. Once such regulations have been published, they will have to be respected
by the RFA, i.e. it is obliged to make available the monies needed to ensure that maintenance can
be carried out so that the minimum standards are met.

As concerns the provision of new or upgraded roads, the legislation provides for a cost sharing
arrangement for those project which are not justified on economic grounds in that the RFA can
finance a part of such a project provided that the balance of the funds is made available under an
appropriation from the Government’s budget. An implication of the Road Sector Reform is that
Namibia has now put in place a sustainable arrangement for the operations of the road sub-sector
in that it can be adequately managed with the financial, industrial and human resources available
in the country. Donor assistance to the road sub-sector should therefore, and in line with the
increased attention being paid by donors to the poverty dimension, be directed towards supporting the development of roads in rural and outlying areas in Namibia.

Some of the notable aspects of the reform are:

i) The road sub-sector is now fully self-financed by way of road user charges. The self-financing system, which comprised the Road User Charging System and the Road Fund, is administered by the RFA, an autonomous state agency under the Ministry of Finance.

ii) The national road network is now managed by the RA, a state agency with considerable autonomy under the Ministry of Works, Transport and Communication.

iii) All road works will in the future be procured subject to competitive bidding procedures, but during a three-year period the State-owned RCC will have almost exclusive rights to do maintenance work on the national road network.

**FUNDING**

The Road Fund Administration is an organ of state, created by an Act of parliament (Road Fund Administration Act, Act 18 of 1999) to manage the road user charging system in such a manner as to secure and allocate sufficient funding for the payment of expenditure related *inter alia* to management of road network, with a view to achieving a safe and efficient road sub-sector. The same Act establishes a Road Fund which is a repository of all money accruing from road user charging system and which is managed by the Administration. The Administration is empowered to impose road user charges relating to road use including weight-distance charges, cross-border charges, registration and licence fees and fuel levies. Other charges that are directed to the Road Fund are the overloading fines and fees and abnormal vehicle charges. Determination of the levels of charges is governed by certain principles, which include the need for revenue levels that would result in minimum total transport costs, equitability, promotion of efficiency, and elimination of discrimination between local and foreign road users.

In determining the amount of funding to the beneficiaries, the Administration is required to ensure that such funding would lead to an economically efficient road sub-sector and that the agency responsible for the management of the national road network complies with minimum road standards and measures prescribed by the Minister responsible for transport. The Administration is further required to frame rules and principles to be followed by all fund beneficiaries when preparing project and programme proposals.

At least four months before commencement of each financial year, each approved authority submits a budget for the ensuing year and each of the four financial years following thereafter. The Administration evaluates each budget and after consultations with the approved authorities, determines the amount of funding to be made available and the manner in which such funding would be allocated. It is a requirement that in the process of determining the implications of the funds requirements by the approved authorities, the Administration must ensure that any substantial increases in the road user charges is avoided.

The estimations of revenues and expenditure are contained in the Administration’s business plan, which is only finalized after extensive consultations with stakeholders and thereafter made available for public inspection.
Between 1993 and 2000, the actual funding by Government for upkeep of the proclaimed road network varied from year to year. An analysis of the funding reveals that it was generally lower than the required optimal levels, with a minimum level of 72% in 1997/98 and a maximum of 152% in 1993/94. In the year immediately preceding restructuring (1999), Government allocation for road works amounted to 82% of the optimal requirement.

Prior to restructuring, the average all-inclusive allocation for road construction, rehabilitation and maintenance averaged about N$ 250 million (US$ 50 million). The funds availed by the Road Fund Administration for the Roads Authority’s 1’s first year’s budget (2000/2001) for the same activities was N$ 405 million (US$ 57 million). While this allocation was 18% below optimum, it reflected over 60% increase in the resources available for road related activities in absolute terms. As a result of currency devaluation however, this is equivalent to 14% increase in real terms. This additional input has in fact been translated into increased output especially in Road maintenance activities. While this was funded from the road user charges and other external sources, a small component of the budget (about 4%) is Government contribution towards the non-economic component of pre-identified projects and other operations that the Authority performs as assigned or delegated functions.

THE ROADS AUTHORITY OF NAMIBIA

The Roads Authority of Namibia is the outcome of the road sub-sector reform process that aimed at ensuring that the road sub-sector was set up on a self-financing basis. The restructuring process, addressed the necessary institutional framework that would guarantee the achievement of this objective. This culminated inter alia in the drafting of the enabling legislation and the Roads Authority was finally established by an Act of Parliament (Act no. 17 of 1999) and started its operations on 01 April 2000. The object of the Authority is to manage the national road network, to ensure that it is safe and efficient. Currently the proclaimed road network falling under the RA comprises about 45 000 km, (all the proclaimed roads excluding the farm roads category), ownership of which continues to vest in the Government of Namibia.

According to the legislation, the Roads Authority may not itself carry out road maintenance, construction or rehabilitation work directly and must assign such work to other service providers. The Roads Contractor Company (RCC), another entity resulting from the restructuring, and which is empowered to carry out road construction, rehabilitation and maintenance work, is one of the service providers to RA. In line with the legislation, the Authority has given out to RCC all road maintenance work previously carried out on an in-house basis by the Department of Transport and will do so for a period of three years.

The Roads Authority is required to prepare a five-year budget in consultation with various stakeholders, based on justifiable, economically optimal operational levels in constructing, rehabilitating and maintaining the road network, together with rendering of other transport related activities. The budget is submitted to the Road Fund Administration (RFA), the third entity also formed out of the restructuring process. After further rationalisation of the optimal budget especially with due regard to the implications on the charging instruments, the RFA accepts and finances the budget with funds collected through the various road user levies, charges and fees.

According to the legislation, the Roads Authority manages the national road network, makes recommendations to the Minister responsible for Transport regarding the application of the Act, amendments to it and making of regulations. The Authority also advises and assists the Minister regarding the exercise of certain powers and duties. The bulk of the activities of the Authority...
therefore clearly pertain to the management of national road network. Under this function, the Authority is responsible for the planning, designing, construction and maintenance of those roads that are part of the proclaimed road network. Good road infrastructure, efficiency gains, enhancement of road safety and reduction of total road transport costs are some of the key performance indicators.

Besides direct network development and maintenance activities, the Authority is responsible for the development and the application of a road management system as a key decision-making tool and which will form the basis of the budgeting process. The Authority is also charged with the responsibility of preventing excessive damage on roads. As an assigned function, the Roads Authority maintains the traffic management system including the Namibian Traffic Information System (NaTIS) and other road transportation functions.

About 2500 employees formerly employed by the Department of Transport were affected by the restructuring. Of these, nearly 200 were transferred to the Roads Authority, whose full staff complement is about 300. The responsibility for the policy, control and management of the Authority rests with the Board of non-executive Directors assisted by a Chief Executive Officer. The Board is appointed by and reports to the Minister responsible for Transport. The operational activities of the Authority are presently handled by a semi-decentralised organization, currently made up of four technical divisions namely: Network Planning and Consultation; Construction and Rehabilitation; Routine and Periodic Maintenance; and Transport Information and Agents. The administrative support functions are provided by the Division: Administration and Corporate Affairs. In addition to the Divisions there are three Sections: Road Management System; Transport Inspection Services; and Internal Audit. The work of RCC and other contractors is supervised by the RA personnel in the regions and districts and by consultants. There are four operational regions and eighteen districts that are manned by Regional Engineers and District Managers respectively. The recruitment and placement of personnel together with procurement of assets is well rationalised with emphasis on attainment of the strategic goals of the organisation.

In order to ensure that a system for performance monitoring exists, the RA is governed by two operational instruments, which are prescribed by the legislation. The Procedures Agreement between the Authority and the Road Fund Administration, which governs the operational relationship between the two entities. The document sets out firstly the particulars regarding the management and financial systems to be implemented by the Authority; secondly the principles to be applied in budgeting with regard to administrative expenditure and acquiring of immovable property for administrative purposes; thirdly the procedures to be followed in calling for, evaluation and awarding of tenders and in the negotiation of agreements. Finally, the document makes provision for any other matter that the RFA may require in relation to the performance of the Authority’s functions.

The other instrument is the Performance Statement that the Authority is required to submit to the Minister responsible for transport. It contains particulars necessary to enable the Minister assess the performance of the Roads Authority. The statement specifies the Authority’s short and medium term operational objectives; the general strategy in order to achieve the objectives of the Authority; the manner of implementation of standards and measures for the management of roads; principles in relation to policies of appointment and promotion of staff; and any other measure that the Minister may wish to include in relation to the performance of the Authority’s functions. The Procedures Agreement and the Performance Statement must be published and made freely accessible to the public.
Besides the “forward looking” Procedures Agreement and the Performance Statement, the Authority is required to submit an Annual Report to the Minister within six months after the end of a financial year covering *inter alia* particulars of projects and programmes related to the management of roads and a self assessment of the performance in relation to the Performance Statement. The Report must also contain audited financial statements.

The Roads Authority maintains an updated statistical and operational information on the performance of its service providers. While it may be too early to accurately assess and comment on the achievements following the road sector reform, the initial indicators are that there has been a general efficiency gain especially in road maintenance operations. The other consequences from a road management point of view are however the successful de-linking of the budgetary process from the normal public sector regime, the removal of the direct management responsibility from Government and commercialisation of the actual operations. Despite a slow start, RA’s operational requirements have been adequately met through the cost recovery principle. Investment programmes still carry a certain component of external funding.

**CHALLENGES**

Probably the most formidable challenge facing road sector reform in Namibia is that of bridging the gab between the projected revenues and expenditure in the short to medium term scenarios. The single most important source of revenue in the last two years has been the fuel levy component of the charging system, raising nearly 80% of the total income. While this is intended to cover the marginal cost of road usage i.e maintenance, the funds required for all road maintenance (including rehabilitation, routine and periodic maintenance activities) is still at least 20% more than this amount. Of the charges for capital expenditure, vehicle licence is the most significant source of funding, raising about 17% of the total income. Cross border and abnormal loads fees bring in only 3% of the revenue. The weight-distance charges have not yet been introduced due to inherent initial complexities but the Administration intends to have it operational in 2003. The current draft business plan of the Administration projects revenue of about US$ 355 million against an estimated expenditure of US$ 419 million. This implies a shortfall of US$ 64 million over the next five years (2002 – 2006). It has been shown through economic analysis of benefits and costs arising from not closing the financial gap that the economy would pay a lot higher through increased vehicle operating cost. The Administration proposes therefore to bridge this gap through mainly domestic borrowing and adjustments to the current road user charges. It is imperative that further hurdles must be overcome to ensure full success of these novel initiatives.

The Roads Authority is in the process of preparing the Medium to Long Term Road Master Plan for the development and preservation of the national road network, which will assist in the determination of the optimum long term levels of expenditure. Evidently, the age of the road network will present a unique challenge because nearly half of the paved road network is older than 20 years and will results in high financial demand peaks in the short to medium term scenarios.

There are other immediate challenges that RA faces which include the success in hiring competent personnel especially in the technical fields, the full establishment of customised operational policies and guidelines, and the entrenchment of corporate culture in the workforce. The issue of the proper role of politics and hence corporate governance could also present a special challenge.
The Namibian Roads Authority will continuously be required to demonstrate in measurable terms, to its client, the road user that indeed the reform process has real and achievable benefits to the economy. Such expectations will have a strong influence on the way the Authority performs its business, including the continuous effort to justify its policies regarding the management of the road network.

In the medium to long term, as the effects of globalisation set in, the RA may be expected to rationalize the network’s level of service in an effort to meet more internationally driven standards and needs. Structural adjustment within the local economy, in response to a more competitive international market could place special demands on road transportation infrastructure. In addition, RA’s investment choice considerations may place special emphasis on socio-economic areas, which are currently only of marginal importance.

It could be argued that as justifiable demands for better service at higher efficiency mount, the road user will have ‘to be able to afford’ higher costs arising from these very demands. For the road user to meet this self-imposed price in a sustainable manner, economic growth combined with sound wealth re-distribution process will be an essential factor, albeit indirect, in the success of the reform process.

CONCLUSION

Namibia, like many other developing countries, must ensure that road transport infrastructure is provided and maintained to optimal levels if the road transport sub-sector is to play its respective role in socio-economic development effectively and efficiently. The two most important determinants of a successful road sub-sector are adequate financing and proper network management principles. Prior to independence, the then South West African Administration financed and managed the road infrastructure with obviously diverse motives least of which was equitability in distribution and efficiency in operation. The lopsidedness in placement of priorities and therefore allocation of resources could have contributed towards a seemingly better funds allocation to the roads sub-sector which started to dwindle in the years proceeding independence. The new Government inherited a reasonably good network albeit skewed in distribution. The demands on the Government cut heavily across all sectors and the scarcity of resources was reflected in further reduction in real terms of funds available for road provisioning and upkeep.

It was apparent that drastic and sustainable measures had to be put into place in order to mitigate the eminent deterioration of the all-important road network. There was the already existing advantage that Namibia had a road taxation regime in place although the resulting revenues were not directed to road upkeep. Studies carried out showed indeed that a well structured road user charging system and road management were the two prongs on which the Namibian road network could be upheld. It was important that these be properly underpinned with sound principles of equity, efficiency and effectiveness together with the necessary legislation. Over the years since independence, the process of road sector reform has been implemented through extensive consultation and rationalization. This culminated in the establishment of the three entities, the Road Fund Administration, the Roads Authority and the Roads Contractor Company. The Road Fund Administration manages the road user charging system, the Roads Authority is the manager of the road network on behalf of the Government and the Roads Contractor Company is a wholly Government owned organisation that operates purely on commercial principles. These entities are now operational and the indications are that the objectives are being met.
It can be concluded that Namibia’s road sector reform has been subjected to one of the most comprehensive processes that could lead to far reaching and decisive consequences in so far as the provision and maintenance of the proclaimed road network is concerned. This is expected to place Namibia on the forefront of international roads management best practices.

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