Annex 7: Proceedings of the Workshop on the 9th of March

The Workshop was attended by about 40-45 persons. During the open discussion the following matters were considered or pointed out:

1. Overall framework. The question was asked as to whether the RFA and RA should be combined into one entity. The response by the participants suggested, however, that the general view was that the basic policies and principles of government for road funding resulting from the Reform should not be changed. One participant stated that in his view "there is no going back". In particular it was argued that there was a need for a road fund to serve as the regulator of the funding of the road network, and that experience from other countries show that there is a need for checks and balances on an autonomous roads authority by way of a road fund.

2. Planning. Three issues identified during discussion concerned the planning of future interventions in the road network. One related to the concept of 'optimal' plans as a basis for determining 'optimal' road user charges, on which the view was expressed that what is optimal is based on a host of assumptions, which to some extent cannot be seen as necessarily unique. Other assumptions could be considered, and would therefore yield other results and therefore other levels of road user charges. The other issue related to which extent the planning performed by RA could be viewed as comprehensive or not, i.e. whether the planning and plans also considered minor roads and the overall spatial development plans of the government. The answer given was that the planning to be performed by RA should be comprehensive (although this hitherto might not always have been the case). Roads which turned out to be non-economic as part of evaluation (i.e. would have a low rate of return), would, however, have to be given low priority and would therefore effectively have to be put on hold. Medium to long term road development plans should thus be integrated in the sense that all road funding (also for "social roads"; see below) should be included in one master plan and that both the RFA and the Government should have their respective and integrated medium to longer term "business plans". The third issue related to the type of road standards to be considered in the planning work. It was stated that road standards are sometimes too ambitious. Indeed, the point was made that sometimes it might be justified to consider lowering the standards of existing roads.

3. "Thin roads" It was recognised that the current planning system is not good for so called thin roads, and it was also acknowledged that their benefits might be underestimated by using conventional appraisal techniques (using tools such as HDM developed by the World Bank). It was noted that some other countries (e.g. Tanzania) were therefore introducing alternative appraisal techniques of thin roads. It was also noted that a conventional national road authority may not be an appropriate framework for the development and management of thin roads. Some countries were for example delegating these functions to different arrangements at the local level, including road associations, also involving the transfer of funds from the central level (e.g. a road fund) to this local level.

4. "Social roads". It was argued that the use of the term social roads is confusing. This term gives the impression that roads which primarily serve needs related to health and education (and similar) might not be warranted on economic

grounds. It was pointed out that this interpretation is erroneous. The term social roads, as used by the RFA, refers to a road project which would not result in an adequate economic rate of return if implemented now, in terms of current forecasts and requirements, and which therefore would require co-financing by the State Revenue Fund to be implemented. Proposed new roads serving commercial traffic could well be uneconomic whilst proposed roads mainly helping people to get to work, school or hospital could turn out to be economic. (It should be mentioned that the term ‘social’ is used by neither the RA nor the RFA Act.) Another issue related to roads with limited traffic concerned the standard of their maintenance. It was noted that the Minister responsible for transport had not yet formulated minimum standards for the maintenance of such roads (to ensure adequate accessibility), but that RA essentially still planned and executed maintenance in accordance with principles established pre-road sector reform, and that RFA was providing the necessary funding.

5. Financial reporting. It was noted that the RFA and RA are agencies of the state, and that this has important implications for the form of the financial reporting. It was therefore argued that the system of accounting (or financial reporting) for the RFA should be changed from the income statement and balance sheet approach presently adopted to something which will also indicate how the RFA is succeeding or not succeeding in achieving the type of funding necessary for an economically efficient road sector. This boils down to financial statements which will report on the purely fiduciary aspects of Fund management (referred to in the legislation as "managing the Fund in accordance with sound principles of financial management”) and another set of statements (basically based on the business plan) which will comply with the requirement in the legislation that the financial statements should "fairly reflect the state of affairs and business of the Fund". The present reporting style of the RFA does not actually try to bring the message across that the Fund might be heading for problems if road user charges are not increased. Questions not addressed at present include: Do we know how much of the revenue in future will have to be diverted to pay back loans?

6. Better public relations. The resource paper acknowledged that little has been done to establish the credibility of the RA and RFA in the Namibian society. The vast majority of even so-called informed Namibians thus do not know about the road user charging system, let alone its details. The criticism sometimes directed at the RA and RFA could therefore be seen as reflecting a lack of understanding by the RA and RFA of how important it is to establish credibility with people in general, and the road user, in particular. It was acknowledged, however, that organised road users are consulted on some matters, but that other efforts to explain the raison d’être had so far been limited.

6. Consultation with Government on budget. It was noted that the RFA’s budget cycle was not ideal from the point of view of ensuring adequate co-ordination with the budgeting done by the GRN. It was, on the other hand, noted that the Minister of Finance may, in terms of the legislation, prescribe the parties to be consulted. It was also noted that extensive consultations were, in effect, taking place between the Ministry of Finance and the RFA on the budget of the road sector.

7. Governance. There was limited discussion on several issues related to governance; most of them are mentioned in the Resource Paper, including. the poor compliance with legislative requirements. Examples are: 1) the RFA's lateness in finalising business plans and even operating without such plans (in contradiction of the legislation that no expenditure may be incurred without such), 2) no approved Procedures Agreement (for the RA) and Performance Statement (for the RFA) after several years (should have been three months after commencement), 3) lateness or lack of Annual Reports, and Business Plans and Annual Reports not always published as required by the legislation. On a different note, it was pointed out that the RA and RFA will be part of the new governance arrangements in the country, as proposed in the State-owned Enterprises Bill, currently making its way through parliament, although the road sector organisations are agencies of the state and therefore are not commercially operating enterprises.

8. Road user charges. The affordability of the current level of charges was discussed as reflected in the written comments made on the Resource Paper. It was pointed out that road users were not paying twice for roads, as adjustments had been made in the taxation system when the new levy, being part of the road user charging system, had been introduced in 2000. It was mentioned that mass distance charges were being introduced in 2006. As may be seen in the comment by Willie du Toit, the organised road hauling industry is strongly opposed to these new charges. It was also stated that RFA needs to prepare carefully before introducing this new type of charges, thus raising doubts about the feasibility of their introduction already during the current year. Another point made was that road user charges at present should pay for both maintenance and development, a requirement normally not found in other countries with road funds. In response, it was pointed out that the development portion in Namibia is relatively small.

9. Labour-based works. A question was asked as to whether labour-intensive methods, as introduced under donor funding from Sweden and Germany, were still employed. It was stated that this was the case for road works involving gravel roads. Labour-intensive methods were also being employed for certain types of routine road maintenance works, ideally suitable for small scale contractors.

10. The RCC. The development of RCC was referred to in the Resource Paper, and its improved performance was confirmed by observers of the scene. The question was asked why the RCC had not been dismantled and replaced by smaller contractors (as had been contemplated when planning for the road sector reform). The response given was that the Attorney General had been opposed to this approach by pointing out that it would be contrary to the intention of legal action to first set up a new company in terms of legislation, in order to later have it dismantled through its own action. A final issue related to RCC concerned the amount of subsidies it received; the response given was that the RCC was not receiving any direct subsidies, but enjoyed preferential treatment (and therefore non-transparent subsidies) in that the company was being contracted directly for the bulk of the routine maintenance works. It was noted that the RCC's rates for this kind of work were improving, and also that an increasing share of its total revenues derived from competitively won contracts. It was also noted that the local road construction industry is not necessarily functioning more efficiently than the RCC.