



**Road Fund Administration (RFA) Annual
Stakeholder Consultation
on its
Business Plan for the period 2017/2018-2021/2022**

Chairperson's Keynote Address

Date: Tuesday, 22 November 2016
Venue: Safari Court Hotel, Windhoek, Namibia

Director of Ceremonies

My colleagues from the RFA Board of Directors

Ms Hileni Kaifenua, Chairperson of the RA Board of Directors and Members of Board

Mr Ali Ipinge, Chief Executive Officers of RFA and Management

Mr Conrad Lutombi, Chief Executive Officer of RA and Management

CEOs and Chief Regional Officers of various Public Enterprises and Local Authorities and the Regional Councils;

Representatives of GIZ, KfW and other Development Partner agencies;

Executive Secretary of the National Road Safety Council;

Representatives of the Traffic Law Enforcement;

Esteemed Stakeholders,

Members of the media,

Ladies and Gentlemen,

1. On behalf of the Board of Directors of the Road Fund Administration (RFA), I am honoured to officiate at this RFA Business Plan Stakeholder Consultation forum.
2. This platform is an annual tradition at which the Draft RFA Business Plan is presented to the stakeholders for scrutiny and input.
3. The forum is participatory, engenders transparency and builds ownership of the Business Plan. In fact the RFA is only a financier and an Administrator of the Road User



Charging System (RUCs). And we are not just concerned about good bookkeeping per se. We cherish value for money, Fund financial soundness for intergenerational benefits, Fund financial sustainability and alignment of funding propositions to national priorities.

4. Of policy significance is that the envisaged FY2017/18 – 2021/22 Business Plan will come into operation barely a year after the launch of the **Harambee Prosperity Plan** which emphasizes, among others, infrastructure development as a key development pillar. It is also pleasing to note that this Business Plan overlaps with, and it is thus an integral of Namibia's Fifth National Development Plan (NDP5).
5. It Plan envisages to inject some N\$13 billion in the road sector over the five-year period, providing much needed capital in the economy at the time when Government fiscal policy assumes a consolidation phase.
6. The road users__ and all of us are such users__ are the payees of the various streams of revenue accruing to the Fund in the form of Road User Fees. From the benefit principle of taxation, it is necessary that you participate in the Bussiness Plan formulation, appraise the outcomes of the previous Plan and demand better targeting and for better use of your money.

Director of ceremonies,

Dear participants,

7. It is a year ago since we had the consultative workshop. Please allow me to share with you a few strides made and the hurdles we overcame since then as well as its strategic outlook

- In terms of revenue derived from RUCs, we have surpassed the N\$ 2 billion mark. Business revenue grew by 18% year-on-year from N\$1.797 billion in FY2014/15 to N\$2.122 billion by 2015/16.
- Over the same calendar, Business Plan revenue exceeded expenses to record a primary surplus of about above N\$270 million, on the back of strong economic activity in 2015, RUC tariff adjustments, as well as improvements in internal efficiencies deployed by the Fund. This includes opening up of new Cross Border Charge offices in various strategic entry and exit points and strengthening revenue administration capacity.
- Increased funding has contributed to reducing the bitumen road maintenance backlog, from the 17% in 2012 to 9% by 2016 as a result of a dedicated reseal program commenced about 4 years ago. However, this came at the expense of timely maintenance of the gravel road network whose backlog now stands at about 70%. A dedicated re-gravelling funding and maintenance program is therefore called for during the envisaged new Business Plan period.

- We have kept up pace with collaborative engagements with stakeholders, especially with the approved authorities some of whom are represented here today.
 - As a rule-based entity, we have to contend with some of legal challenges emanating from our ordinary course of business.
8. Continued better cooperation with the Roads Authority has resulted in better use of scarce resources, efficiencies in joint procurement of key services such as banking services and better planning in terms of project budgeting and execution.
9. Over the next business Plan period, we intend to continue with this sustainable planning and collaborative approach to optimize outcomes.
10. From the policy framework and governance perspective, we intend to realign our legislative framework in line with the changing environment in the sector and market developments. In particular, we will:
- Align the Strategic Plan to NDP 5 and Harambee Prosperity Plan to give greater effect to national development needs in the sector.
 - amend the RFA Act of 1999 to bring it in line with new developments in the road sector as well the

governance frameworks as contained in the Public Enterprises Governance Act of 2015;

- adopt and implement value for money principles to ensure that there is a maximum return on each dollar that the RFA spends in project financing
- leverage advances in ICT to improve business efficiencies, data management and assess further avenues of revenue base-broadening.

Director of Ceremonies,

11. While we are on matters of policy, policy strategy and fundamental elements of Fund financial operations, let me emphasize four key financial management and policy provisions which we should strive to safeguard as we formulate and execute the Business Plan. In executing this mandate, we need to take an integrated planning approach and prioritize among the competing needs.
12. First, and deriving from the mandate of being a statutory manager of the RUC System and prime financier of road maintenance, is the need to maintain the financial soundness of the Fund. This is the basis of financial sustainability of the Fund and the basis of sustainability of outcomes supported by the Fund.
13. As a sparsely populated and low density country, we need to be increasingly strategic and granular with project prioritization for especially new project development which will eventually attract maintenance cost. Operations Research would argue that for a country with the

geographical spread and economic activity such as ours, we should be in search for fewer strategic roads whose choice optimizes between distance and connectivity to multiple points from whatever perspective; — economic or social, than having too many alternative routes, which are slowly but surely becoming an Achilles heel to maintain.

14. Second, and by corollary, is the need to adhere to the budgetary framework at any point in time; but also taking cognisance of the fact that while a multi-year budgetary framework such as the one contemplated in the Business Plan allows us to plan ahead, it only provides estimates which may change depending on the economic conditions, hence the need to recalibrate spending according to available revenue.
15. Today, at the Central Government level, and we should not lose the overall picture that the Fund is an integral part of the General Government; we find ourselves at a junction where instances of over-commitments and budget overruns have been made, because of spreading ourselves too thinly and not living within our means. This kind of practice is now threatening to erode the hard-won fiscal buffers which we realized in recent years and tear apart the budgetary framework. For the Draft Business Plan before you, Business Plan expenditure is projected to be within a realistic projected revenue to which we should align expenditure as an anchor for future sustainability of the Fund.

16. Third, our project appraisal and procurement systems should seamlessly aim to contain excess escalation in project cost prices above economic fundamentals, which is often associated with procurement practices in the public sphere. Of course, while encouraging local participation, we should not compromise on quality. And we should be seen to plan for the next 100 years to come, if not longer.
17. Fourth, we should not, in our quest for optimal funding for the road sector, lose sight of the competitiveness of our economy. The fee structure underpinning Fund revenue should balance between keeping Business Plan revenue in synch with project cost prices and retaining competitiveness and the ease of doing business.
18. Let me also emphasize the need to give effect to the promotion of road safety, because accidents on our roads have nowadays become too many to bear. At least the main causal factors do not appear to be bad road conditions but, perhaps, other factors.

Conclusion

19. To conclude, Director of Ceremonies, the objective of the Business Plan consultation we are about to engage in is to consider all the relevant factors and adopt a realistic Plan which continues to addressing the developmental needs in the road sector, while giving effective meaning to the national development agenda.

20. Indeed, this consultation also offers an opportunity to innovate, build on existing strengths and learn from best regional and international experiences, while managing risks.
21. As part of the holistic national development agenda, this Plan will not be implemented in isolation. It is part of the overall interventions in the logistics sector. I therefore encourage that we look at synergy with other related plans and intervention strategies and for coordination purposes, not least excluding the national budget and MTEF which are currently in formulation stage.
22. Your input will no doubt contribute to making this Plan more relevant to the needs in the sector and the country at large.
23. It is the expressed intention of the RFA Board and Management to have the Plan ceded to the shareholder during the coming month in line with the statutory requirements.
24. I therefore invite you to make your inputs unreservedly.
25. With these remarks, ladies and gentlemen, I wish you fruitful deliberations and this declare this workshop officially open.

I thank you