



Keynote address by Honourable Calle Schlettwein, Minister of Finance, at the occasion of the official Opening of the African Road Maintenance Funds Association (ARMFA) - Southern Africa Focal Group (ASAFG) Meeting.

Date: Wednesday, 30 January 2019

Hilton Hotel, Windhoek

Director of Ceremonies

Chairperson of the ARMFA Southern African Focal Group, Eng. Wallece Mumba

Chief Executive Officer of Road Fund Administration and Vice- President of ARMFA,
Mr Ali Ipinge

Chief Executive Officers of various Road Funds from SADC Focal Group

Government officials present

Chief Executive Officer of Roads Authority, Mr Conrad Lutombi

Chief Executive Officer of Motor Vehicle Accident Fund, Ms Rosalia Martins-Hausiku

Distinguished Invited Guests

Members of the Media

Ladies and Gentlemen

Good Morning,

1. I take this grand opportunity to welcome you all to Namibia. I extend my sincere gratitude to the organizers of this event for your kind invitation. It is a great pleasure for me to address you at this annual occasion at which African Road Maintenance Fund Focal Group converges to define cutting-edge strategy for optimal funding for road sector capital formation.
2. The road infrastructure is a growth enabler, enabling trade, integration and the movement of people. In the spirit of sustainable development goals, connectivity and integration underpin the five Ps of people, planet, peace, prosperity and partnerships. The pursuit of shared prosperity presupposes inclusive growth and economic opportunity which are often facilitated through

trade such that efficient road infrastructure is one of the key pillars in the logistics chain.

3. Economic development and social transformation cannot be fostered efficiently in the absence of well-developed and well maintained roads. This is especially true for the developing economies and Africa in particular, an economy with high potential growth, which needs to be unlocked through a concerted investment compact in skills, technology and infrastructure development.
4. Over the past two decades or so, the world has witnessed the rebirth of Africa, the African Renaissance that is anchored on its demographic dividend, growing consumer market, the improved governance index and macroeconomic management. African economies such as Ethiopia, Cote Ivoire, Tanzania, Kenya, Rwanda and Ghana are among the world's fastest growing economies.
5. However, the intra-African trade has not mushroomed by much and still remains low. In March last year, the continent launched its Free Trade Area, that is envisaged to span a market of about 1.2 billion people, with a combined GDP of some US\$2.5 trillion. Trade corridor infrastructure is destined to play a pivotal role in enabling the expansion of intra-Africa trade in this expanded market. As financiers, we should strengthen partnership and rise to this occasion to bring about investment in strategic road infrastructure to enhance continental integration and facilitate intra-African trade.
6. But there are key perennial issues meriting the attention of Road Fund Administrators. These material aspects are worth putting upfront for best practices and tackling by Road Fund Administrators:-
 - cost efficiency and funding for research, noting that benchmark cost prices for road projects are on escalation path and increase above inflation,
 - value for money, ensuring that the quality of outcomes is commensurate with expenditure outlay ,

- domestic expenditure multipliers through local participation in infrastructure projects and local procurement spend, and
 - alternative means of financing, given that the traditional sources such as fuel levy are inflationary and get eroded by emerging alternative means of energy
7. Namibia being sparsely populated, the extensive road network is stretched over long distances, balancing between economic and social needs. Additionally, the low population density also means the fixed costs of road maintenance are spread over fewer road users and hence the user costs tend to be high.
 8. Climate change, has also an impact on road development not only in Namibia but to the rest of the sub-region and Africa at large. Roads of today have to be ecologically responsive, using materials that align to challenges posed by global warming, but at the same time, they need to withstand increasingly extreme weather patterns as a direct result of climate change.
 9. Further, the development of sustainable conducive roads should be responsive to the needs of modernization, aspiration of younger generations and the ever advancing technologies. Terms such as smart technology with the drive towards implementation of artificial intelligence in the automotive industry, has a bearing on the needs to develop smart roads that are responsive to the needs of the motor vehicle of tomorrow.
 10. As officials and experts in the road sector, you are called upon to find solutions, both financial and technical, that will ensure that the countries of the Southern Africa and Africa at large, become better interconnected, that our people should be able to travel across borders and move goods needed for improved services, efficiently and cost effectively. This, in essence, promotes trade and economic growth.

11. In response to these needs, Namibia has in particular invested heavily in improving the various transport corridors including Trans Zambezi; Trans Kunene and Trans Kalahari Road corridors as well as the expansion and deepening of our major Port of Walvis Bay, so as to ensure efficient intermodal transport to and from the region. Formerly land locked countries have become land linked countries, via improved road networks and dry ports.
12. We serve as a logistics hub for the sub-region, enabling traders and investor community to reach out to and from the greater SADC and international markets.
13. Amongst some of the flagship road projects that Namibia is currently undertaking are: the construction of dual carriageway between Windhoek to Okahandja; Windhoek to Hosea Kutako International Airport; Swakopmund to Walvis Bay (behind the dunes) and Swakopmund to Hentis Bay eventually linking to Kamandjab. The completion of these projects will greatly improve traffic mobility, improve road safety and movements of goods.
14. Over the years, total investment in the road sector have increased Namibia's road network from 42,000 km in 1990 to 48,000 km by 2018. The major of this growth has been on the bitumen sealed roads. These and the continuous investment in the upkeep of our road network enabled Namibia incubate quality road infrastructure that is ranked at 28th globally out of the 140 countries assessed in the 2018 Global Competitiveness Report. However, maintaining this road network is not cheap. With N\$1.2 billion programmed for road maintenance alone in the 2018/19 financial year, this roughly translates to maintenance expenditure of N\$76,000 per kilometre of bitumen road and N\$11,000 per kilometre of gravel road.
15. *Ladies and Gentlemen*, we anticipate the year 2019 to be a year of meaningful economic activity, which will form the foundation for sustainable economic

growth and social progression. However, sustainable economic growth and social progression, requires concerted efforts from multiple economic sectors, and prudent economic discipline, which require public sector entities to adopt a culture of doing more with limited resources. Funding for road maintenance and rehabilitation under the mandate of the Road Fund Administration of Namibia is dependent on the road user charges and fuel levies, which has so far remained effective at national levels. However, to advance good road networks at the continental level, alternative revenue streams, cost efficiency and sustainable funding models should be identified and developed.

16. *Ladies and Gentlemen*, in your deliberations this week, I urge you to take into consideration the aspects I have highlighted, and to increasingly align the road sector developmental themes to the AU Agenda 2063 strategic framework for the socio-economic transformation of the continent over the next 50 years. This aims to build on, and seeks to accelerate the implementation of the continental initiatives for growth and sustainable development, and to take into account the 2030 Global Agenda. These developmental agendas are domesticated in our respective countries National Development Plans for which the Road Fund Administrations have to meaningfully contribute.
17. As I conclude, I would like to applaud the Namibian Road Fund Administration for having accepted the opportunity to host the 17th ARFMA Annual General Assembly and the Annual General Meeting in March 2019 here in Namibia. Namibia is open for business and look forward to welcoming all ARMFA member countries to this important gathering and find common solutions to the advancement of sustainable road infrastructure and the promotion of Free Trade in Africa.
18. Given the above, *Ladies and Gentlemen*, it is my pleasure and singular honour declare the ASAFG Meeting officially open.

I THANK YOU