



**REPUBLIC OF NAMIBIA  
Ministry of Finance**

**Keynote Address**

**On the Occasion**

**of the Official Opening of the Africa Road Maintenance Funds  
Association (ARMFA) Annual General Assembly/Annual General  
Meeting**

*Calle Schlettwein, MP*

*Minister of Finance*

**Dome Centre, Swakopmund**

**09h00**

**11 March, 2019**

Director of Ceremonies, Mr Levy Lee Abrahams

Honourable John Mutorwa, Minister of Works and Transport

Honourable Cleopas Mutjavikua, Governor of Erongo Region

Her Worship Paulina Nashilundo, Mayor of Swakopmund

Mr. Souleyman Traore, President of ARMFA

Eng. Jacob Ruwa, Vice President of ARMFA

Mr. Ali Ipinge, 2<sup>nd</sup> Vice President of ARMFA and CEO of RFA

RFA Board of Directors and other Directors from various Road Funds in Africa

CEO's of Road Funds

Distinguished Invited Guest

Members of the Media

Ladies and Gentlemen

**Good morning,**

1. It is my distinguished honour to address this 17<sup>th</sup> Annual General Assembly of the Africa Road Maintenance Funds Association (ARMFA). I thank you for your invitation to officiate at this flagship event. I express my gratitude to the Southern African Road Maintenance Fund Focal Group and the Road Fund Administration of Namibia for excellent arrangements for this event. We are honoured to host this continental forum here and now in the Dome, a purely home grown investment, which shows confidence in our economy and its policies of long term sustainability. I welcome you all warmly to Namibia and Swakopmund in the Erongo Region.

2. It is pleasing to note that this annual event brings together Chief Executive Officers from about 34 African Road Maintenance Funds under the umbrella of the Africa Road Maintenance Funds Association (ARMFA). It brings together managers and experts from regional and continental bodies. It is taking place in this touristic town of Swakopmund, on the edges of the picturesque Namib desert sand dunes, adjacent to the shoreline of the majestic Atlantic Ocean and a mere 43 kilometres away from the historic Port of Walvis Bay, the anchor spike in Namibia's logistics hub corridor.
  
3. *Director of Ceremonies*, the formation of ARMFA brings with it cohesion in planning and developing funding solutions for road sector capital formation. Integrated planning of this form and scope lies at the heart of the global Sustainable Development Agenda and Agenda 2063 for unleashing Africa's continental socio-economic transformation. Financing constitutes the means of implementation of the global and continental development aspirations and domestic resources mobilization emerges as the central pillar for long-term sustainability of outcomes. Indeed, domestic resources mobilization is particularly important for a resurgent Africa as the continent and its membership devotes considerable attention to addressing infrastructure gaps to fuel economic transformation in its quest for shared prosperity for all. Improved macroeconomic management, governance, rule of law and improved productive capacity underpin Africa rising growth proposition with economies such as Ethiopia, Rwanda, Ghana, Côte d'Ivoire, Senegal, and Kenya among the fastest growing economies in the world. The Sub-Saharan African region has rebounded from the economic slump in 2016, with growth outlook estimated to reach about 3.5

percent in 2019, on par with global averages. Investment in efficient transport infrastructure is a critical input factor for the subsequent leap forward for the continent.

4. This occasion marks the 17th Annual General Assembly of ARFMA and demonstrates the commitment of member countries to come together for peer learning and strategic planning in road sector financing that is more aligned to the broader continental development agenda. The very object which justifies the existence of the Road Funds is the mandated role to raise optimal funding for the upkeep of the road infrastructure, both paved and unpaved road networks. Presumably, the raising of funds does not erode the road user's ability to pay and overall national competitiveness.
  
5. You are responsible for:-
  - collecting user fees and raising funds from domestic, bilateral and multilateral financial institutions for optimal funding for the needs in the road sector,
  - optimal allocation of the resources, ensuring value for money and quality of spending,
  - prudent fund management, enhancing fund liquidity, sustainable utilization and co-funding road network development in coordination with national development plan initiatives, and
  - building fund buffers to enhance resilience, responsiveness and agility in the event of unforeseen shocks.
  
6. Thus, Road Funds across the continent have a responsibility to ensure sustainable funding of maintenance and preservation of the road network.

Assurances for value for money in Fund management requires that we continuously develop capacity and invest in relevant research to establish benchmark cost prices and enforce them in road project costing. Prudent in Fund Management demands zero tolerance for any manifestations of graft, impropriety and corruption. In fact, this is as mandatory for Fund management as for the construction and operations side for road works for which the development of local capacity to execute the projects needs to be enabled competitively.

### **Road Infrastructure as growth and trade enabler**

7. *Director of ceremonies*, by virtue of the mandated role and the extent to which this function is fully exercised through operational efficiency and innovation, Road Funds become systematically important institutions in road infrastructure investment.
8. Quite evidently, transport infrastructure for which road networks are pivotal, play a catalytic role in enabling economic activity and the movement of goods and people.
9. Agenda 2063 for Africa's socio-economic transformation and the 2030 Global Agenda for sustainable development, aspire for a more inclusive growth where no one is left behind in the process of socio-economic advancement. In particular, goal 10 of the continental development agenda aspires for the development of world class infrastructure criss-crossing Africa as a key catalyst for intra-Africa trade, investment and mobility.

10. Not long ago, in March last year, African Heads of States and Government adopted the Agreement establishing the Continental Free Trade Area in Kigali, Rwanda. This continental integration configuration will span a market size of about 1.2 billion people, with a combined GDP of some US\$2.5 trillion. This opening up of a market, from millions and billions to trillions, presents real beneficial opportunity for small open economies such as Namibia and the respective regional economic community blocks. It presents immense opportunity for intra-regional and intra-Africa trade, creating differentiated opportunities across economies and participation in value shares for wealth creation along value chains. This tremendous economic opportunity will be realized only if Africa develops the required infrastructure, for which road and related transport infrastructure is only one important component. The needed innovation to keep pace with the fast changing consumer demands the world over and incubating productive capacity for tradable finished goods are the other important considerations.

11. This opportunity arises at the time when intra-African trade remains low, estimated at about 18 percent, compared to, for example, 59 and 69 percent for intra-Asia and intra-Europe trade, respectively. Efficient transport infrastructure is indispensable to unlocking the aspired continental integration agenda and the trade creation opportunities it engenders. In this increasingly integrated sphere of development, completion of the strategic transport corridors and efficient operation thereof, become a high priority for integrated planning by financiers and operators. Catalytic regional infrastructure requires a coordinated inter-regional funding compact. However, the potential economic returns and full capacity utilization only becomes manifest if the infrastructure pipeline is

completed across the region. This 17<sup>th</sup> General Assembly of ARMFA is timely to assimilate to this emerging priority area in the forward look plans.

12. Namibia, by virtue of its geographical position, has assumed its role to serve as the logistics hub for the sub-region, with the Port of Walvis Bay as the main utility spike for the logistics hub. In this respect, we have expanded the container terminal facility of the port for more cargo handling and turnaround time. We also offer dry port facility for the neighbouring landlocked countries. The Trans-Kalahari and Trans Zambezi road infrastructure corridor offer uninterrupted connectivity to the port facilities. Alongside this road infrastructure, we are also rehabilitating the rail transport infrastructure for a more diversified handling and delivery compact. In essence, these combined investments offer a gateway to the greater SADC and, in itself, an impactful investment to promote regional integration within SADC.

13. The Government of Namibia accords great significance to investment in efficient public infrastructure as an enabler for long-term growth and trade creation. Public spending on economic sectors is the second highest, after social sector investments, particularly those in the education and health sectors. At the time when our economy is rebalancing from recessionary and cyclical adjustments to a more sustainable growth trajectory, spending on economic infrastructure has been protected as means of enhancing long-term economic growth prospects.

### **Road Sector Financing Frameworks**

14. *Ladies and gentlemen*, investment in roads infrastructure requires significant resource outlay. As resources are not infinite, sustainable funding models must

be entrenched and the necessary priorities must be made to contain operations within the financial means at all times. The user pay principle, which underpins the funding framework for road maintenance brings forth the economic case for road users to contribute to the upkeep of the infrastructure and derive utility from the use of the assets. Nevertheless, affordability and sustainability concerns arise in the implementation of Road User Charges. Concomitant increases in user fees tend to reach upper affordability thresholds and rocketing out of affordability range, thus making a dent on national and regional competitiveness. High cost of doing business arising from a multiplicity of annual fees in an economy is not the most favourable to competitiveness at national and continental level.

15. This becomes evident if we consider the evolution of fees rate changes over time. At the same time, increasing economic activity and the need for connectivity have occasioned the expansion of the road network. Without loss of generality, this raises the need for commensurate road maintenance function and road user fees adjustment becomes inadequate to provide for the expansive network, given affordability constraints. Commensurate upward adjustments in user fees generates affordability tightness and competitiveness concerns. The case of Road User Charges progression in Namibia may be illustrative:-

- Vehicle license fee for a light passenger vehicle has increased by more than half over the past 10 years,
- Fuel levy due to the road Fund has risen by a cumulative 40 percent over the same calendar. Other levies on the same base affects the consumer
- Cross-border charges for light passenger vehicles have almost doubled



16. While these cumulative adjustments lag the consumer price index in some instances such as the above, the economy wide impact of the assortment of fees and levies, ranging from utilities and administrative fees for the use of goods and services wield pressure on consumers and producers to the extent that the ease of doing business is burdened. At the same time, lagging cost recovery directly contribute to the growing road infrastructure maintenance backlog.

17. The widening wedge between the growing road maintenance funding gap on the one hand, and demands for new road development on the other hand, must be of particular concern to development planning, road works and financing:-

- we need to strike a fine balance between the most critical and strategic road infrastructure from economic and social point of view,
- optimality is of paramount importance. Overinvestment in road infrastructure tend to crowd out other alternative public investments,
- a combination of alternative forms of financing, gap funding measures and operational efficiencies through service modernisation and a more aligned new road development program is a necessary intervention to manage the growth and quality of national road network, and
- efficiency gains in operations of State Owned Enterprises in the transport sector have the potential to offer great value adds. Unfortunately, public entities often show below optimal returns, particularly in air and rail transport sub-sectors, rendering these entities insolvent. Therefore, instead of calling for perpetual expensive bail outs these entities should contribute to increasing net economic gains.

18. Namibia road infrastructure development and maintenance have historically benefitted from the combination of the main traditional forms of financing, reflecting consistent funding from both the national and sub-national budgets as well as the Road User Charges. Government spending on roads infrastructure is predominantly aligned to new road development, preservation and co-funding of road maintenance activity, while road user charges are largely deployed to maintenance of the infrastructure for which between N\$1.2 to N\$1.5 billion is raised annually for this function.
19. Today Namibia has a total road network of about 50,000 km, with a vehicle population just below 400,000 units. The majority of this growth has been on the bitumen sealed roads. The continuous investment in the upkeep of our road network has resulted in Namibia's roads being ranked among the best in Africa as reported in the latest 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.
20. We have 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 the Port of Walvis Bay.
21. 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 further in the northwest. The conclusion of these projects will greatly improve traffic mobility, improve road safety and free mobility.

22. Last, but not least, *ladies and gentlemen*, we note that we are poised on the cutting edge of the fourth industrial revolution; with the digital economy, technological innovation and the new sets of skills being the main driving force. Accordingly, we should not fail to invest in road infrastructure for the future, the future of work and modes of doing business. Africa is not exempted from the demand for the emerging new automotive industry, which demands on us to embrace smart technologies in road infrastructure development and usage, a new era when weighbridges *per se* become irrelevant. It is by now an envious proposition that roads for the future are expected to integrate technological innovations compatible with smart vehicles, operating on the basis of electronic signals for incidents or events occurring along the road.

### **Conclusion**

23. To conclude, *ladies and gentlemen*, your deliberations this week should bring about innovative ideas and implementable plans for a more robust mobilization of resources, and more innovative financing solutions if Africa is to realize its aspiration for strategic road infrastructure to spur domestic and continental development agenda. As the road sector does not operate in isolation, but in complementarity with other modes of transport such as port, rail and air transport, a more integrated funding compact for the logistics sector must benefit from cross-sectoral collaboration.

24. I wish you a successful conference. While in the country, enjoy the natural beauty of Namibia and the friendliness of our people.

**I thank you**

**-End-**