



REPUBLIC OF NAMIBIA  
MINISTRY OF WORKS, TRANSPORT AND  
COMMUNICATION

## **Participatory Review and Evaluation of Co-operation between Namibia and Sweden in the Transport and Communications Sectors**

**- Resource Paper 1 -**

### **Co-operation between Namibia and Sweden in the Transport and Communications Sectors - Background, Contents and Issues -**

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## **Preface**

This is the first of three resource papers prepared as part of the closing of the Swedish support to transport and communications in Namibia in 2006. The support was originally initiated in 1988.

The paper provides a background to the support, an overview of its contents and identifies some issues. The emphasis is on support for policy, and institutional reform and restructuring in the two sectors.

The second paper covers the commercialisation of the operations in the two sectors and the third the reform of the road sector. These papers are stand-alone and it is not necessary to read paper 1 in order to read either paper 2 or paper 3.

The author is alone responsible for the contents of the paper, including presentation, analysis and possible recommendations. They do not necessarily represent the views of the Ministry of Works, Transport and Communication (MWTC) or the Swedish International Development Cooperation Agency (Sida).

## Glossary of terms

ANS	Air Navigation Services
CAA	Civil Aviation Authority
CCEDP	Cabinet Committee on Economic Development and Parastatals
CEO	Chief Executive Officer
COMESA	Common Market for Eastern and Southern Africa
DOACSS	Department of Administration and Centralized Support Services
DOPAT	Department of Posts and Telecommunications
DOT	Department of Transport
DOW	Department of Works
GRN	Government of the Republic of Namibia
ICTE	Inter-ministerial Committee of Experts
LFA	Logical Framework Analysis
MRLGH	Ministry of Regional and Local Government and Housing and Rural Development
MTI	Ministry of Trade and Industry
MWTC	Ministry of Works, Transport and Communication
NaTIS	Namibian Traffic Information System
NORAD	Norwegian Agency for Development Cooperation
NRSC	National Road Safety Council of Namibia
OPDA	Operators' and Professional Drivers' Association
PTA	Preferential Trade Area for Eastern and Southern African States
PMO	Office of the Prime Minister
PRE	Participatory Review and Evaluation
RA	Roads Authority
RCC	Roads Contractor Company
RFA	Road Fund Administration
SACU	Southern African Customs Union
SADC	Southern African Development Community
Sida	Swedish International Development Cooperation Agency
SOE	State-owned Enterprise
SOOE	State-owned Operational Entity
STCN	Study on Transport and Communications for Namibia

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# 1. Introduction

## 1.1 Background

The co-operation between Namibia and Sweden in the transport and communication sectors commenced already before Independence. A request by Swapo in September 1988 to the government of Sweden for assistance<sup>1</sup> was prompted by the then ongoing negotiations on a programme for achieving a regional settlement of the conflict in south-western Africa, the Brazzaville Accord, which was later signed by Angola, Cuba and South Africa on the 13 December 1988<sup>2</sup>.

Having responded positively to the request from Swapo, Sida<sup>3</sup> initiated preparatory work, with the help of a consultant, the output of which was discussed with representatives of Swapo at a seminar in Sweden on 4-7 December 1988. At that seminar agreement was reached on terms of reference for what later turned out to be an initial study on transport and communications in Namibia. It was concluded in early 1990 and became known as the 'Blue Book'.

The results of this effort resulted in discussions between the incoming government in early 1990, and following Independence in March 1990 with the new government, on continued support in the transport and communications sectors. It eventually came to cover the following areas:

- construction/re-construction of district roads as well as two postal offices and fiber-optics in previously deprived areas
- transport and communication policy development
- restructuring and institutional development of the two sectors
- secondments/topping-up of salaries of foreign experts engaged in line positions in the two sectors
- development of capacity for planning and implementation (including financing) of labour-based works
- implementation of a young professionals programme for the training of civil engineers.

The support was initiated already by mid-1990, but then operated in the form of agreements on a case by case basis between Sida, Stockholm and the Ministry of Works, Transport and Communication (MWTC)<sup>4</sup>. As from April 1991, the cooperation has been implemented in terms of 3 Specific Agreements for the following periods:

- April 1991 to the end of June 1994, subsequently extended to the end of June 1995.
- July 1995 to the end of March 2000, subsequently extended to the end of July 2000.

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<sup>1</sup> The original request referred to three areas of co-operation, viz. transport and communication, education and the establishment of a national bank following independence.

<sup>2</sup> It recommended that 1 April 1989 be established as the date for implementation of UN Security Council Resolution 435.

<sup>3</sup> The name of the Swedish bilateral donor agency was at that time the Swedish International Development Authority (SIDA), but it was later changed to the Swedish International Development Cooperation Agency (Sida). Sida is an agency under the Ministry of Foreign Affairs, and represents the Government of Sweden in bilateral donor affairs.

<sup>4</sup> MWTC was formed at Independence from a number of pre-independence administrations in Namibia, including the Department of Transport, Department of Works and the Department of Posts and Telecommunications.

- December 2000 to the end of March 2002, subsequently extended to mid-2006, but with all operational activities already ceasing in 2004.

The two first agreements comprised all the above-mentioned activities, whilst the last has been much more limited in scope. Direct Swedish support to policy, restructuring and institutional development took place only in the period from mid-1990 and until mid-2000, although the last Specific Agreement has also covered institutional development in the area of road safety<sup>5</sup>.

As from 1991, the support has been managed by the Swedish Embassy in Windhoek and in co-operation with the MWTC.

## 1.2 Purpose

The purpose of this paper is to give an overview of the co-operation, mainly then in the area of policy, restructuring and institutional development. The paper will aim at giving an account of the *contents of the co-operation*, including how activities under the support were defined, the method of co-operation used and the *implementation arrangements*, thereby also setting the scene for the reader of Resource Papers 2 and 3. The emphasis will be on the outputs (or lack of outputs), and the aim is to provide easy access to a major area of co-operation for Swedish development assistance, also when seen in the perspective of other co-operating countries in Africa, Asia and Europe. The paper has been written by persons who have been heavily involved in the support, and it should therefore not be viewed as an evaluation. Yet an attempt will be made to raise some issues of a more general nature related to the support in the areas being focused on<sup>6</sup>.

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<sup>5</sup> The last Agreement also covered continued support to labour-based works and the young professionals programme; see ref 53, 55.

<sup>6</sup> Neither this paper, nor the two companion papers are to be seen as 'evaluations' in the formal sense. An evaluation would have to be based on a more formal approach, taking the objectives of the co-operation and support as a starting point. It should be mentioned that the Swedish support has since 1995 been based on logical framework analysis (LFA) matrices. Matrices for various projects of the support have been amalgamated into an overall matrix that was used during the period 1995 to 2002 to gauge the support, and then not just support for policy, reform and restructuring but also other projects identified in the Specific Agreement, including labour-based works and the young professionals programme. The annex of this report contains the amalgamated LFA matrix as it stood in the year 2000.

## 2. Overall description

### 2.1 Main activities

This section identifies the main activities of the support, financed by Sida, to Swapo before independence and following Independence through the Ministry of Works, Transport and Communication (MWTC), for policy, restructuring and institutional development. Sida supported a host of other activities in the transport and communication sectors, which are not covered here. There have been additional support activities related to policy and institutional development to e.g. the communications sector through the Namibian Communications Commission, which are also not covered here.

The main activities in policy, restructuring and institutional development can to a large extent, but not fully, be seen to fall into different time phases of the support. These are:

1. October 1988 - April 1990: Preparation of the original document, *Study on Transport and Communications in Namibia* (STCN) (ref. 1, 2 and 3 in the list of references). The work included an overview of the transport and communications sectors, a review of issues related to South Africa's role in the two sectors before and after independence, some initial transport policy proposals and proposals for institutional reforms, as well as numerous proposals for projects, including investment projects, to be considered for donor assistance.
2. August 1990 until end of 1993: A main activity was the preparation of the draft White Paper on Transport Policy (and eventually its final version later in 1994/95); see further below (ref 13). A major review of road taxation was initiated during this period, undertaken by a team of officials from the Ministry, assisted by a consultant; ref. 7. Road taxation was seen as an important policy matter as Namibia at the time of Independence lost access to South African government transfers leaving a significant gap in the State Revenue Fund; the STCN had pointed out that the road taxes were low in relation to the costs caused by road traffic, thereby also generating low revenues for the Government. Another separate activity ongoing at this time was the transformation of the Department of Posts and Telecommunications (DOPAT) in the MWTC into commercial entities, which was the first major restructuring effort and institutional reform; ref 5, 65, 66, 67. The activity was fully financed by Sida, and carried out by consultants recruited by Sida.
3. August 1993 - March 1994: Reintegration of Walvis Bay; including assistance for taking-over the port in Walvis Bay. The work involved a number of activities including advice to the Government on the conditions for the take-over and all the preparatory work required for the actual starting up of the Namibian Ports Authority<sup>7</sup>. A main contribution related to the nature of the new institutional arrangements for operating Namibian ports. The 'authority' concept was introduced in order to allow for an organisation involved in both commercial and regulatory activities. A vision was also presented for how to operate ports in terms of the 'infrastructure model' and involving port users in the management and supervision of the port; ref. 68.
4. End of 1993 until end of 1994: The Inter-ministerial Committee of Technical Experts on the proposed System of Road User Charges (ICTE) carried out and concluded its work; ref 9. The ICTE took over from the afore-mentioned ministerial team, which had reviewed road taxation, with a view to prepare for a cabinet decision. It led to Cabinet's decision in mid-1995 to reform the road sector, including the funding of the road sector by way of a road

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<sup>7</sup> In terms of the Namibian Ports Authority Act, the port of Lüderitz was transferred from TransNamib Limited to the Namibian Ports Authority.

user charges to be paid into a road fund<sup>8</sup>. At the same meeting, Cabinet gave its support to the MWTC2000 Project (see below). The proposed road user charging system was until at this time still basically a policy matter, but with government's decision in to set up a road fund, the issue was starting to take on institutional dimensions as well.

5. March 1994 - end of 1995: Initiation of the MWTC2000 Project, which was inspired by the work done on establishing the Namibian Ports Authority and, later, a visit by a Namibian delegation (together with a delegation from Zimbabwe) to New Zealand to review public administration reform in that country (ref 10). The aim of the MWTC2000 Project was to transfer regulatory and operational activities in the Ministry to either state-owned companies, authorities, agencies<sup>9</sup> or the private sector. The Project rested on the premise that once the main work to rid MWTC of its operational units had been concluded, the Project would focus on the internal development of the Ministry. The MWTC2000 Project was envisaged as a comprehensive public administration reform programme, with emphasis on making a distinction between core and non-core activities in the Ministry, delegation and governance. It was financed by the two governments on a 50/50 basis. The work is still ongoing, but is since mid-2000 fully funded by MWTC; ref 12 and 44.
6. Beginning of 1996 until mid-2000. Support to the MWTC2000 Project. Numerous activities, involving several different consulting teams, all focusing on restructuring and institutional development. Work on reforms involved (i) public roads ref 16, (ii) the airports; ref 17, (iii) the air navigation services, and regulation of aviation safety; ref 58, (iv) meteorology; ref 40, (v) regulation of maritime safety; ref 46, (vii) government garage; ref 28, government printer, stores and auxiliary services; ref 33, and (viii) some functions performed by the Department of Works; ref 41. Only part of the reforms has been fully implemented, as discussed further below.
7. Beginning of 1996 until September 1998. National Transportation Master Plan Study, a major consultancy study which was fully financed by Sida. It focused on infrastructure development (roads and airports). As part of the Plan, work related to the computerisation of registers of vehicles and licences (the introduction of the Namibian Traffic Information System (NaTIS)), the development of road user charges, and a new draft Roads Act was also carried out; ref 31. The work on implementing NaTIS continued after the conclusion of the Master Plan, however with only limited support from Sida. The registers were subsequently introduced in 2000/01, and NaTIS is today a fully operational system, which is operated by the Roads Authority on behalf of MWTC; ref 20.
8. Mid-1996 until late 1998: Redrafting of the legislation for TransNamib Ltd, involving the implementation of a modified approach to the governance of SOEs, and also the separation of railway infrastructure from rail operations and its transfer to the State; ref 15, 18, 45, 70. This period was characterised by several other (policy) issues related to the operations of the railways and TransNamib, not least the financial performance of the company, including Air Namibia.
9. Early 1998 until June 2000: Governance and supervision of SOEs. The core of the work involved developing performance agreements for the SOEs in the transport and communications sectors, and the implementation and supervision of these agreements;

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<sup>8</sup> The road fund had not been recommended in the Cabinet memo on account of opposition from the Ministry of Finance. Cabinet nevertheless took a decision, in principle, to establish a road fund.

<sup>9</sup> In present Namibian terminology legal entities under the government, whether of a commercial nature or serving a public interest (e.g. as a regulator), are referred to as a State-owned enterprise (SOE). In other countries this term is normally reserved for commercial entities which are at least 50% owned by the state. In this paper, the Namibian terminology will be used.

ref 26. The work also entailed amendments of laws, including the Namport Act and the Post and Telecommunications Companies Establishment Act; only the former was fully implemented; ref 36, 76, 77.

10. February 1998 - June 2000. Implementation of road sector reform. Additional assistance was provided to MWTC in order to launch the road sector reform. This followed from a crisis in the MWTC2000 Project on account of a shortage of capacity in the Project office, ref. 39, 42, 43, 72, 73, 74.

11. The above identifies main activities of the Swedish support. The following activities should also be mentioned involving support from Sida as from 1996<sup>10</sup>:

- The drafting of a new road traffic and transport act, including revision of the road traffic and transport regulations; 1996-2001. This work followed from the acceptance of Cabinet in 1994 of the White Paper on Transport Policy; see further below. The new Act was passed in 1999 and became effective in 2001, with promulgation of the Road Traffic and Transport Regulations; ref 22, 75, 78.
- Additional work on OPDA (Operators' and Professional Drivers' Association) in 1998; ref 32. The establishment of OPDA was proposed by the White Paper, a recommendation which was accepted but was never implemented<sup>11</sup>; see further below.
- Work on administrative adjudication of traffic offences in 1998-2002. This work followed from a recommendation in the White Paper on Transport Policy; ref 54. It has not been implemented to date; see below.
- Review and amendment of legislation for civil aviation and maritime affairs. Part of the work in civil aviation followed from recommendations in the White Paper; see below. The work was carried out from 1997 and was completed in 2000.
- Supervision of and policy issues involving TransNamib Ltd. Part of this is included in item 8 above, but TransNamib gave rise to a number of other issues over the years. One such issue, prompting a review by MWTC, was the decision taken by the board of TransNamib to convert its pension fund from a defined benefit to a defined contribution fund without consulting the owner, the MWTC; 1996-2000<sup>12</sup>.
- Work related to the performance, supervision and governance of SOEs. This was envisaged to be a component of the MWTC2000 Project. As discussed below, a study was launched in 1998 as part of this Project, which could not be finalised; ref 37<sup>13</sup>. However, other activities of a similar nature were subsequently undertaken by the Ministry, including support during 2000 to a committee established by the President to review issues related to performance and monitoring of SOEs.
- Telecommunications policy development; 1997-2000. One activity involved resolving the issue as to whether responsibility for communications policy should rest with MWTC or the Ministry of Information and Broadcasting<sup>14</sup>. Another issue related to the

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<sup>10</sup> Support to these activities by Sida stopped in mid-2000. The list is not exhaustive.

<sup>11</sup> Initial work was done as part of the drafting of the White Paper; see ref 8.

<sup>12</sup> A report was prepared and sent to the Auditor General and the Minister of Finance. It is unclear what followed, and if any further actions were taken.

<sup>13</sup> A similar study with a wider scope of work was subsequently carried out in 2001 for the Cabinet Committee on Economic Development and Parastatals: Governance of SOE's in Namibia Assessment; see ref 50.

<sup>14</sup> It is understood that it still has not been resolved.

remaining need for a holding company structure. When Namibia Post and Telecom Holdings Ltd was established in 1992 to own Namibia Post and Telecom Namibia it was seen as a temporary measure for a period of 5 years<sup>15</sup>, and in 1999 Cabinet decided to terminate the arrangement. The decision has as yet not been put into effect<sup>16</sup>. Finally, support was also provided to a review of the model SADC legislation in the field of telecommunications and its possible adaptation to Namibia<sup>17</sup>. This initiative eventually resulted in a proposal for a new communications legislation for Namibia, which has as yet not been implemented; ref 84.

- Shipping and port development policy. Shipping policy was originally dealt with in the White Paper; see below. In 1997 the Government launched a study to review how to best promote the development of the Port of Walvis Bay in order to improve access by shipping to and from Namibia; ref 6, 21.
- Accident investigation unit. A presidential enquiry resulted in an identification of issues related to the manner in which investigations of aircraft accidents were undertaken; 1999-2000. It was decided to carry out a study by an independent consultant on the establishment of an accident investigation branch in MWTC, which would be separate from the Directorate: Civil Aviation; ref 30, 51. A new unit (Directorate of Aircraft Accident Investigations), which reports directly to the Minister, was subsequently formed in 2002 to investigate aircraft accidents and incidents in or over Namibia.
- Reforming road safety by replacing the National Road Safety Council of Namibia with a Road Safety Agency. Support has been provided in two phases, the first in 1999-2001 and the second in 2003-04. The first phase included the development of a policy on road safety work, including the establishment of a Road Safety Agency to replace the current Council and draft legislation to effect the new policy; see ref. 49, 85. The second phase, which was never implemented, was envisaged to comprise the establishment of the new agency including the passing of the requisite legislation; ref 57. The origin of this activity is to be found in the White Paper on Transport Policy; see further below.

## 2.2 Objectives of the co-operation

The approach to the formulation of objectives has differed during the period of support. This to some extent also reflects the different methods used to implement the support during the different phases. The following can be mentioned:

1. During the period before Independence, the objectives were in effect formulated by Swapo and in output terms. The task involved analysing the transport and communications sectors “as a basis for planning an efficient running of the...services” (following independence). The task also involved the development of “contingency plans...for the possible disengagement of the transport and communications sectors from South African dependence” (ref 2, p. 1:2). It can be assumed that the support at that time was mainly guided by the desire to ensure that Namibia would gain full control over transport and communications after independence, presumably based on the perception on the part of Swapo that South Africa also following independence could exert influence over the country by way of the two sectors. It is understood that representatives of Swapo

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<sup>15</sup> This was done to allow for cross-subsidization of Namibia Post by Telecom Namibia until the former would be able to stand on its own feet. This was in fact accomplished within 5 years.

<sup>16</sup> The reason is unclear.

<sup>17</sup> The review was sponsored by the Ministry of Information and Broadcasting.

at that time assumed that South Africa would be able to retain partial control of the country not only by way of Walvis Bay, which South Africa intended to remain in control of even after the completion of the UN Resolution 435 process, but also via other transport and communications systems<sup>18</sup>.

2. The period immediately after Independence and until 1995 is initially characterised by that the co-operation takes on an *ad hoc* nature but that it subsequently, as from 1991, is guided by the first Specific Agreement, ref 4. A reading of documents<sup>19</sup> on the co-operation suggests that the overall, and primary, objective for the support to transport and communications was to strengthen Namibia's independence through support to policy making. Moreover support to planning in transport, which also played an important role in the support during the early 1990s, was viewed as an instrument for ensuring that Namibia would have adequate capacity to address matters which previously, it was believed, had been heavily driven by South Africa. At this time the support also involved the secondment/(partial) financing of expatriates who held line positions in MWTC and Telecom Namibia, a support which may also be seen as driven by the motive to reduce dependence on South Africa.
3. The South African dimension, of course, lost its relevance for the support provided during the period as from 1995. During the second half of the 1990s Sweden's assistance was implemented by way of a programme approach, characterized by an identification of areas ('projects') of co-operation, and that the actual support in the form of these projects had to be set out in a project document as well as annual plans of operations. The specific agreement for the period 1995 to 2000 (ref 11) thus states that the objectives of the programme is to "contribute to:
  - the provision and maintenance of socially and economically justified transport infrastructure; and
  - the operation of safe and efficient transport services.

The Programme and Project objectives shall be reflected in each of the Project Documents covered by this Agreement<sup>20</sup>.

One of the main projects under the programme as from 1995 was the MWTC2000 Project, the project document for which contained the following formulations for its objectives (ref 12):

**"Sector Objective:** The proposed Project forms part of a restructuring programme of the Namibian public sector, with the objective to enhance efficiency in the transport and communications sectors."

**"Project Objective:** The immediate objective of the Project is to strengthen accountability and enhance efficiency of the Ministry and the SOEs<sup>21</sup> under its auspices."

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<sup>18</sup> Some observers outside the country seemed to assume that e.g. the railway would remain under South African control after Independence, by way of the South African Transport Services (SATS). SATS had been the owner and operator of the system until 1985, when the railway and related assets were transferred to the administration in Windhoek and subsequently to the new National Transport Corporation. The significance of the establishment of TransNamib by way of the National Transport Corporation Act in 1997 was thus not well known abroad.

<sup>19</sup> Minutes from Annual Consultations between Sida and MWTC and internal Sida documents.

<sup>20</sup> Specific Agreement on Transport Sector Support 1995/96 – 2000, p.2.

<sup>21</sup> With SOOE is meant a State-owned operational entity. In terms of the terminology used by the MWTC2000 Project a distinction is made between commercial entities (called SOEs) and (partially) non-commercial entities referred to as agencies (or authorities). The term for all these entities is SOOE. As mentioned in footnote 8, the established terminology in Namibia has later become to use the term SOE (in lieu of SOOE) as a catch all for all types of legal bodies under the government.

The formulations in the Specific Agreement for 2000 to 2002 are similar to the ones in the preceding agreement (ref 47).

Whilst the formulations of the objectives have thus varied quite significantly over the period from 1988 to 2000, the nature of the support in the areas of policy, institutional development and restructuring has probably varied less. The likely explanation is that the relations between Namibia and South Africa turned out to be mostly cordial from the first day of independence, unlike what some had expected some years earlier.

### **2.3 Method of co-operation**

The actual contents of the support have largely been dictated by the priorities formulated by, originally, Swapo and subsequently the MWTC, including senior officials of that Ministry. It cannot be doubted that the consultants/advisers who have been engaged under the support have exerted influence as well; see further in this regard below.

On the other hand it should be mentioned that the work supported by Sida was of the type that is normally expected to be carried out by a ministry, including undertaking reforms of policies for operators and the institutional arrangements in the public sector. The scale of the work done during the period covered here has, however, been much larger than what is normal in any country, let alone one with an administration and political leadership emerging from a war situation. As will be discussed further below, the period after Independence offered a window of opportunity to review transport policies and structural issues in the transport and communications sectors.

This notwithstanding, Sida's role has primarily been to ensure that the support has been within the overall objectives and approach of Swedish development assistance, and to provide a platform, for its effective use. As mentioned, for most of the time, Sida has used a programme approach, which has enabled the MWTC to control the support within the limits of the Specific Agreements and supplementary project documents and plans of operations. The MWTC was encouraged to propose projects to be included in the programme and was in addition expected to prepare project documents and annual plans of operations. Effectively, the MWTC has therefore controlled both the nature of projects supported under the programmes as well as the details. Moreover, implementation has been controlled by the MWTC as Sida generally has made its finance available by way of annual transfers once an annual plan of operation was approved.

Of course, by way of its direct contacts with the staff of the Ministry, Sida may also have influenced the thinking of the MWTC, in particular as Sida's advisory support (for policy, reform and restructuring) was without cost to Namibia, as opposed to the MWTC2000 Project (see below), which involved co-financing.

By implication, Sida's main type of intervention into the actual activities was to decline requests for support to certain projects. For example, when the MWTC in 1998 requested continued support to the MWTC2000 Project until mid-2001, Sida (eventually) declined as its policy then was to phase out its bilateral support in the transport and communications sectors. The conscious decision was made by Sida to only continue those projects which were effectively still ongoing, and for which outputs and outcomes would have suffered from a discontinuation in mid-2000, albeit for a limited period of time<sup>22</sup>.

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<sup>22</sup> The continuation from December 2000 to March 2002 was also made possible by that the funds under the previous agreement had not been exhausted.

It should also be emphasised that the work made possible by the support was largely managed as it would have been done in any ministry even without the support. The procedures of the Government of Namibia, in general, and MWTC, in particular, were made use of. And there was no separate reporting to Sida. All reports were for the benefit of MWTC and the Government of Namibia, first and foremost, with specific reports to Sida only summarising what had been done under programmes and projects, and the financial consequences thereof. Sida's method of work thus therefore supported the normal operations of MWTC, as was intended.

## **2.4 Financing and procurement arrangements**

During the initial phase of the co-operation, Sida financed the full costs, including local expenses, of supported projects, a principle that continued to apply until 1995. The MWTC contributed to the co-operation in kind by making office space, etc., available. During this period the method of procurement changed, however. As long as the support was controlled from Sweden, Sida actually undertook procurement in terms of its procurement rules. With the first Specific Agreement being put in place and Sida management capacity built up in Windhoek, procurement procedures changed, and as from the end of 1992 it became a responsibility of MWTC to recruit consultants and in terms of Namibian procedures or such other procedures as agreed to by the two parties.

As from the period of the second Specific Agreement, the responsibility of MWTC expanded to also include the financing of 50% of the direct expenses related to the MWTC2000 Project to ensure appropriate ownership of this activity. As concerns the other activities under the Swedish support, the Specific Agreement stated that Namibia should gradually assume full responsibility for their financing. It is understood that this never materialised with the exception of the MWTC2000 Project. All procurement was to be done in terms of Guidelines set out in an appendix to the Specific Agreement (which emphasised procedures based on international competitive procedures), unless otherwise agreed to by Sweden and Namibia. For the MWTC2000 Project, which as mentioned was co-financed by Namibia, it was thus decided to apply the Namibian procurement rules<sup>23</sup>.

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<sup>23</sup> For an evaluation made by Sida, see ref 23.

### **3. The White Paper on Transport Policy**

#### **3.1 Introduction**

The core of the Swedish support related to policy and reform has been for (i) the White Paper, including follow-on activities to implement accepted transport policies, and (ii) the MWTC2000 Project. This section gives an account of the first of these two areas of co-operation.

The purpose of the White Paper was ultimately to set out the legislative agenda for the coming years in the transport sector. The different transport modes, namely road transport, rail transport, shipping and civil aviation were covered, but its focus was on the operators in the transport sector, and in particular then on the road transport industry (trucks, buses and taxis).

The White Paper proposed that the overall goal of Government in the transport sector should be to ensure that Namibia has safe, effective and efficient transport services in balance with the transport needs and capacity of the country. The aim of the new policies was therefore to improve efficiency in the provision of transport services by removing barriers to competition. A competition-oriented policy was also seen to represent a clear break with the colonial past, when policies were often protectionist and therefore, in effect, benefited the few.

The new transport policies were considered and approved by Cabinet on 4 October 1994<sup>24</sup>. The White Paper was subsequently introduced into the National Assembly in 1995.

#### **3.2 Regulation of road transport**

One of the main shortcomings in the transport sector was seen to relate to the regulation of road transport. The then law in this area was the Road Transportation Act, 1977, which originally was a South African law.

According to the White Paper, there were three main aspects of the Road Transportation Act, which should be viewed as unacceptable. Firstly, it tended to protect established operators from the period of colonial rule, when policies served to only foster whites as entrepreneurs. Secondly, the lack of competition would likely give rise to inefficiency. And thirdly, since the rules and regulations were impossible to comply with, they tended to make everyone a criminal. In addition, the law was virtually impossible to enforce.

#### **3.3 Regulation of road traffic**

According to the White Paper, the above situation was seriously aggravated by the approach then used to safeguard road safety, prevent overloading, and to exercise quality control in general in road traffic. The main instrument for exercising quality control was the Road Traffic Ordinance, 1967, and the Road Traffic Regulations issued in terms of that ordinance. Basically all contraventions against this law were viewed as a criminal offence, and had to be adjudicated in a criminal court. Such an approach was seen as not only objectionable on moral grounds, as it tended to taint ordinary citizens, having committed a minor offence, for life. It was also extremely cumbersome to operate and imposed a heavy demand on the legal

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<sup>24</sup> The work on the White Paper was concluded after extensive consultations with interested and affected parties and an in-depth review by the Namibian Transport Advisory Board, ref. 69.

system of the country. Furthermore, the types of penalties that could be invoked were ineffectual.

### **3.4 The new approach**

The White Paper recommended a thorough reform of the system for regulating road transport and traffic, including the replacement of the Road Transportation Act and the Road Traffic Ordinance with a single consolidated Act.

The main contents of the reforms to be reflected in the new Act were the following:

- Road transportation should be deregulated. One exception would be made. It would be possible for municipalities and the local authorities to regulate bus and taxi traffic, if they so desire;
- Quality control in road transport, including in respect of overloading, should be reformed to enable the road transport industry to regulate itself to a much larger degree than was then possible. It was proposed that this be accomplished by setting up an association for operators of transport services and professional drivers (referred to as OPDA), which could largely be run by the operators and professional drivers themselves;
- A distinction should be made between minor and major offences against rules and regulations in road traffic. Major offences would be subject to criminal procedure and minor offences to administrative adjudication, including the immediate imposition of fines, set to ensure that it would not pay to commit an offence;
- Provision would be made for a system whereby appeals could be made against sanctions imposed in terms of the process of administrative adjudication mentioned above. The provision for appeals would be finalised in consultation with the Office of the Attorney-General when the new Act was drafted; and
- It should be made possible to operate private roadworthiness testing and driver training centres.

The White Paper also stated that the implementation of the proposed association for operators and drivers might require further study and consultation with interested parties such as taxi and road haulage operators. To this end, and to not delay the other proposals regarding new road transport policies, the proposed new Act should be drafted so that it would facilitate the future implementation of the association. The MWTC was to initiate such further study as soon as possible.

Finally, the White Paper recommended that a separate study be initiated to focus on modifications required to also improve road safety aspects of private vehicle operations.

### **3.5 International road transport**

International road transport, i.e. road transport between Namibia and other countries, was also controlled by the Road Transportation Act. The Act was only applicable to the part of an international journey undertaken within Namibian territory and applied to both Namibian-registered truck operators as well as foreign registered truck operators. The White Paper stated that this gave rise to the same problems as already outlined for domestic operations, although they in several respects were even more serious. In addition, the system in use for

control of international road transport was very taxing from an administrative point of view, as two or more permits were required. Partly owing to obstacles in obtaining the necessary permits, only major companies at that time partook in the traffic to and from South Africa and other neighbouring countries on a regular basis.

However, already in the early 1990s efforts had been made to simplify international road transport within Southern Africa. Members of the Preferential Trade Area for Eastern and Southern African States (PTA) had proposed a "Transit Regime" which had as objective to facilitate international road transport between PTA member states. The four original members of the Southern African Customs Union (SACU), i.e. Botswana, Lesotho, South Africa and Swaziland, in 1990 signed a Memorandum of Understanding on Road Transportation in the Common Customs Area (MOU) which provided for a uniform approach within the SACU region. The MOU was a multilateral agreement, which is still in force, as the SACU members have opted for not becoming members of COMESA, the successor of PTA.

In terms of the MOU only a permit, issued by the competent authority or authorities in the country of registration of an operator of trucks and buses, was required to undertake transport to other member countries and back or through another member country to a third country. Quotas applied to road haulage and scheduled bus services, but were not rigid and were annually reviewed on the basis of the previous years' actual traffic and the division of the traffic between two countries' operators.

The White Paper fully endorsed the approach embodied in the above multilateral agreements to regulate international road traffic, and thus also supported the signing by Namibia of the SACU MOU.

### **3.6 Road taxation**

No specific recommendations in respect of road taxation were made in the White Paper, but the area was given extensive coverage in view of its implication for competition, in particular in land transport. It was expected that issues related to road taxes and road user charges would be taken forward by way of a separate stream, as they also were (see above under section 2.1), including by way of the road sector reform, covered below and in resource paper 3.

The White Paper noted that as part of the transport policy review process launched in October 1990, a policy study on road taxation had been initiated. The study resulted in the appointment of an Inter-ministerial Committee of Technical Experts, comprising representatives of the Ministry of Finance, the Ministry of Mines and Energy, the Ministry of Regional and Local Government and Housing, the Ministry of Trade and Industry and the Ministry of Works, Transport and Communication (ICTE), ref 9.

The work of the ICTE confirmed the previous study's recommendation concerning the desirability of introducing a system of road user charges. The Committee advocated that roads should be provided and maintained with the objective to minimise the total costs of road transport. It further supported the principle of full cost recovery.

Other recommendations of the ICTE were: that the system of subsidies to local authorities for urban street maintenance be reformed to in future form part of the road user charging system; that weight-distance charges for heavy vehicles be approved in principle but be implemented after further technical testing and institutional adjustments to administer such charges; and that a separate board be established to be responsible for managing the road user charging system, preferably through a road fund.

The system as proposed made provision that the costs of road projects which are constructed for social reasons, e.g. job creation, should not be fully carried by road users but be financed from general revenue sources for that part of the costs which do not benefit road users directly.

### **3.7 Road-rail competition**

In July 1991, Cabinet had decided to remove the so-called reserved goods scheme, which prevented additional road transport permits to be issued for the carriage of 14 commodities. These commodities constituted the railway's main market. The purpose of the scheme had been to protect the railway. The decision exposed the railway to increased competition.

Two of the recommendations made by the White Paper further served to put the railway under increasing competitive pressure. The first was the proposal to deregulate domestic road transport. The second was the recommendation that Namibia become a party to the MOU. The MOU did not provide for any protective measures for the railway. The new road user charges which would have to be introduced in the future would, on the other hand, make the railway more competitive, although the effects were likely to be limited. The reason was that road taxes only comprise a small portion of the total cost of operating trucks.

The financial position of the railway was at the time precarious. The railway, after losses in the preceding years, had only succeeded in 1993/94 to again make a small surplus. In addition, the capital costs of the railway were exceptionally low for historical reasons. Taking this into consideration, significant portions of the railway operations were deemed as probably unviable at the time.

Moreover, the White Paper noted that there were no signs of improvements for the railway, and no clear indications that the market situation would significantly improve in the future and that the railway would likely run into financial problems at some time in the future. That problems had not surfaced yet was due to the fact that the railway and all the equipment had been taken over from the South Africa free of charge when TransNamib was set up. However, once TransNamib would have to commence reinvesting in new locomotives and other equipment, the financial position would change.

The White Paper recommended against any action to protect the railway. The financial problems of the railway did not reflect that too little use was being made of the railway. The falling demand for rail services was a result of a changing transport market, making the railway uncompetitive in several market segments.

The White Paper recommended that the National Transport Corporation Act, the founding act of TransNamib, be amended and/or that regulations in terms of the Act be promulgated to require that more information be made available to the owner, i.e. the state. The recommended changes were, firstly, that TransNamib's accounting practices be modified so that separate financial results were prepared for each major business activity, including for the travel bureau, the tour operations, the property section and the shipping operations. Secondly, it was recommended that TransNamib every 3 years would submit a medium to long term development and financial plan to the Government.

There were two major reasons for these proposals. The owner should be fully informed about the present and expected future financial performance of all the different parts of TransNamib's activities. And the Government must be apprised as early as possible of any financial difficulties which the company might run into in the future. In terms of the National Transport Corporation Act, TransNamib could thus demand compensation from the state for

loss-making activities. As this could have serious financial and political implications for the Government, it should be given the opportunity to plan well in advance.

In addition, more transparent financial statements would serve to reinforce a competitive market situation. In some markets TransNamib competed directly with private operators, e.g. in road haulage and tour operations. An open accounting system would satisfy the competitors that TransNamib was not competing on unfair terms by cross-subsidising from other activities.

### **3.8 Civil aviation**

At the time of Independence civil aviation was a thoroughly regulated trade. The legal instrument for control was the Air Services Act, which stipulated that air services could only be provided in terms of concessions granted by the Transportation Commission of Namibia or bilateral air services agreements with other countries.

Until the time of the White Paper, Namibia had pursued traditional air transport policies. This meant essentially that competition was not allowed to play a role in the provision of air services, neither to and from the country, nor within. To a large extent those policies had been put in place before Independence.

However, the Government had already acknowledged that there was a need for a reorientation. In 1991 Cabinet had accepted an interim policy with regard to international air services which provided for a phased transition to a more liberal approach to be adopted in future. The phasing-in period was at the time envisaged to expire in April 1994.

The background to Cabinet's earlier decision was the fast changing air transport policies of the world. A process towards deregulation in the world was gaining momentum. Namibia therefore had in reality little choice but to adapt to the changes taking place around the world.

In addition, the White Paper noted that the airline industry in Southern Africa would have to go through a process of restructuring over the next few years. The reason was that all SADC airlines were far too small for the future, even if they only were to operate within the Southern African region. The White Paper believed that this process could only be carried through by in the longer term allowing Air Namibia to determine its own future. The Government would therefore at some time have to consider a partial or full privatization of the airline.

The recommendations of the White Paper in respect of civil aviation were in summary as follows:

- The Air Services Act should be amended to reflect the competition policy advocated by the White Paper. The basic criterion for granting a concession for air services should be the demand for the proposed new services, including their implications for efficiency in the use of resources;
- Namibia should introduce a policy with the aim of promoting competition on intercontinental routes, including not applying constraints on capacity, introducing liberal fare approval regimes, and allowing for more than two airlines to serve routes between Namibia and another country; and
- The formulation of new air transport policies for the Southern African region should be done in collaboration with other SADC Member States, with the ultimate aim of ensuring that a new policy was put in place benefiting all countries.

In the shorter term Namibia should wait with a thorough reform of its regulatory system in the air transport sector until a coordinated approach could be initiated.

### **3.9 Shipping**

The shipping policies at the time already allowed for competition. In addition, international shipping was, and still is, a competitive industry, and indications were that competition would become even stronger on the trades to and from Southern Africa in the future. The major reason was the high supply of shipping services, but also that, *inter alia*, the European Union was actively supporting a policy of competition in international shipping. The White Paper saw no apparent shortcomings in the arrangements.

The White Paper recommended that the Government should encourage any Namibian interests to participate in shipping, but without providing support in the form of subsidies or applying restrictive measures against shipping lines of other nations.

### **3.10 Intermediaries and intermodal operators**

Intermediaries such as shipping agents, freight forwarding companies and travel bureaus are agents acting on behalf of sellers or buyers of transport services. The essential feature of an intermodal operator is that he accepts legal responsibility for the transport of, for instance, containers from door-to-door between Europe and Namibia. Intermodal operators were active in Namibia already before Independence, and the White Paper noted that the importance of intermodalism would continue to grow in Namibia and the world in the future.

The assessment of the White Paper was that the functions of the intermediaries and the intermodal operators were performed in a satisfactory manner. No recommendations were made for any changes, in addition to those which had already been made above and with a bearing on the operators in these two fields.

### 3.11 What has happened?

Recommendation	What has happened
<b>General</b>	
<i>The MWTC should review operational and organizational arrangements with respects to roads, airports and air navigation services, and formulate regulatory policies to be applied to parastatal companies in the transport sector.</i>	This has been done by way of the MWTC2000 Project. New policies for these parastatals are embodied in the legislation for these companies; see further paper 2 and 3.
<b>Road traffic and transport</b>	
<i>A New Road Traffic and Transport Act to replace the Road Transportation Act and Road Traffic Ordinance.</i>	Has been done by way of the Road Traffic and Transport Act, 1999 and Road Traffic and Transport Regulations, promulgated in 2001.
<i>A qualitative regulatory (as specified in the White Paper) system for road transport operators should be implemented.</i>	Has been done.
<i>The new law should allow local authorities to regulate taxis and public transport in their areas.</i>	New legislation allows for this.
<i>The new law should allow for regulating cross-border traffic by way of multilateral and bilateral agreements. Commercial road-traffic across borders to be regulated in terms of bilateral and multilateral agreements.</i>	This has been done.
<i>It should be possible to impose transit charges on foreign commercial vehicles.</i>	This is possible by way of the new Road Fund Administration Act, 1999.
<i>Namibia should sign the MOU in the SACU region.</i>	Has been done.
<i>A self-regulatory system for quality control to be implemented subject to further investigation and consultation.</i>	Further investigation has been carried out (see e.g. OPDA report; ref 32). The new law makes provision for a self-regulatory system to be implemented, but the new arrangement has not been introduced; indeed no plan for actual implementation has been prepared.
<i>Commercial vehicles to be subjected to regular road worthiness test.</i>	Required in terms of new law. Actual application is unclear.
<i>Private sector may operate private road worthiness testing as well centres for training and testing of all types of drivers' licences.</i>	Possible in terms of new law but not implemented as regulations are not yet in place.
<i>Drivers of commercial vehicles to hold a professional driver's licence pertaining to the vehicle used.</i>	Done.
<i>Minor offences to be decriminalised; these offences to be subjected to administrative adjudication. A simplified system for appeals against administrative adjudication to be implemented.</i>	Not reflected in the new law (Road Traffic and Transport Act, 1999). Progress slow on account of problems related to the introduction of administrative adjudication. A study has been carried out and was concluded in 2002 (ref 54), but no further action.

<i>A study to be carried out on road safety in view of new legislation, including appropriate affiliation of Government staff working on road safety matters.</i>	Has been done; ref 14. Based on this study, Cabinet in 1995 accepted new principles for road safety. An initial study was carried out to map out the legal implications (ref 22, 82), which in part was made invalid by the institutional developments in the road sector in late 90s. As a consequence a new policy study was initiated in 1999, as referred to above in Section 2.1, leading to the proposal for a Road Safety Agency (ref 49 and 57). No further action has then been taken.
<i>Law enforcement to be reviewed.</i>	Partly reflected in new arrangements for enforcement of overloading now partially under inspectors working in the Roads Authority.
<u>Road-Rail Competition</u>	
<i>Free competition between road and rail should be allowed.</i>	This is the case today.
<i>TransNamib to submit medium to long-term plans.</i>	This requirement is reflected in the new National Transport Services Holding Company Act, 1998; ref 70, and the (draft) performance agreement between its Board and the owner, the Ministry of Finance. As concerns actual implementation, see resource paper 2.
<u>Civil Aviation</u>	
<i>Air Services Act to be amended to reflect competition policy of White Paper.</i>	No action to date and the process is still at a consultative stage.
<i>Namibia should promote competition on intercontinental flights.</i>	Ongoing process. Namibia is legally bound to the Yamoussoukro Decision on the liberalisation of access to the air transport markets in Africa. Some liberalisation of bilateral air services agreements.
<i>Namibia should co-ordinate its policies wrt to regional air services with other SADC member states.</i>	Ongoing process. Liberalisation of bilateral air services agreements in the Region.
<u>Shipping</u>	
<i>No changes recommended to the then existing system.</i>	No changes have been made. However, a supplementary study was carried out in 1997 to once again review the matter, and the question as to whether the government should promote shipping by way of Namibian ownership of ships (ref 21).
<u>Intermediaries and intermodal operators</u>	
<i>TransNamib should maintain separate audited accounts for its different business activities. All group administration expenditure should be fully allocated to the separate accounts of the different businesses.</i>	Reflected in the new National Transport Services Holding Company Act, 1998, and in the (draft) performance agreement between its board and the owner, Ministry of Finance. See further resource paper 2.

### 3.12 Summary

In general, the recommendations of the White Paper have been implemented and its policies are being applied. There are some noteworthy exceptions including that the quality regulatory system for road transport proposed to be implemented by self-regulation and/or to be operated by the private sector has not been established. This may be seen to be linked to the following conditions:

- Preparation of the new Road Traffic and Transport Act took a long time, about 4 years
- The implementation of the new arrangements would have required substantial resources and efforts as from 1999. These resources and efforts could not then be mobilised for various reasons, partly on account of Swedish aid being phased out in mid-2000.

Another major recommendation, accepted by Cabinet, which has not been put into effect, is the introduction of a system of administrative adjudication. The proposed reform of the adjudication system could not be brought into the new Road Traffic and Transport Act of 1999 on account of a specific legal problem related to the Namibian constitution as identified by the Ministry of Justice. For that reason a separate investigation was initiated in 1998, which, it is understood, resulted in an identification of a solution to the legal dilemma, and proposals for how to have it implemented. The report on the investigation was submitted to MWTC in 2002 (ref 54), but thereafter nothing has happened.

One matter that has been pursued also after 2000, including with Swedish support, is the development of new arrangements for promotion of road safety including the establishment of the new Road Safety Agency to replace the current National Road Safety Council (NRSC). As mentioned above, a report and a bill were prepared in 2001 (ref 49), and funding from Sweden was made available to assist with the establishment of the new agency in 2003<sup>25</sup>. The MWTC has, however, decided to delay the matter referring to the need to await the new arrangements for monitoring of SOEs in terms of the proposed new SOE bill<sup>26</sup> (which when this is written has not yet been passed into law); see also below.

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<sup>25</sup> The Specific Agreement for December 2000 to March 2002 was amended to make this possible, and the duration of the validity of the Agreement extended. However, as the NRSC and MWTC did not implement the project as agreed, the support was effectively stopped as the validity of the Agreement came to an end.

<sup>26</sup> Latest draft 06-09-2004. This proposed new law will establish a new governance framework for agencies and enterprises owned by the state, including the Central Governance Agency to develop policies and to monitor these entities.

## **4. The MWTC2000 Project**

### **4.1 Background**

The MWTC2000 Project was launched by MWTC in 1995 in the wake of the successful creation and establishment of the Namibian Ports Authority. This notwithstanding, the forerunners of the Project are earlier, and the Project should actually be seen as a logical continuation of the commercialisation of the Department of Posts and Telecommunications (DOPAT), which was initiated already in 1990 and completed in 1992.

The driving force behind the commercialisation of DOPAT, as well as the subsequent initiation of the MWTC2000 Project, was the growing realisation of the urgent need to increase efficiency in the MWTC by allowing it to focus on core activities such as policy-making, monitoring, and overall regulation. This was envisaged to be accomplished by transferring all the MWTC operational (non-core) activities to state-owned companies, authorities and other agencies of the state.

The need for reviewing and reforming the institutional arrangements in the transport sector was also brought to attention by the White Paper on Transport Policy. Whilst the White Paper focused on policies for the operators in the transport sector, it also pointed out that there was a need to go further in the future by considering such aspects as the management of infrastructure and the overall institutional structure of the Government in the transport sector; see Section 3.11.

### **4.2 The Project Document**

To provide a framework and a guide for the continued reform efforts, a Project Document entitled *MWTC2000; Project for the Restructuring of the Ministry of Works, Transport and Communication* (final version dated 12 June 1995; ref 12) was prepared in 1994-95. It was also used as a basis for discussions with Sida, which was envisaged to become an important contributor to the financing of the costs for the implementation of the Project.

The immediate objective of the Project was - and still is as it formally is still in operation - to strengthen accountability and enhance efficiency in the Ministry and State-Owned Operational Entities (SOOEs)<sup>27</sup> under its auspices.

In its initial design, the Project was expected to comprise the following outputs:

1. New policies on the objectives, accountability and monitoring of SOOEs as well as new regulatory policies with respect to SOOEs.
2. Commercialisation of (larger) airports and the air navigation services (ANS).
3. Reform of the Government Garage<sup>28</sup>.
4. Road sector reform including the introduction of road user charges, the establishment of a road fund, the establishment of a road authority for the state roads and the

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<sup>27</sup> As mentioned in a previous footnote under the MWTC2000 Project, SOOEs include SOEs (i.e. commercial entities) and agencies (i.e. non-commercial entities).

<sup>28</sup> A review of the Government Garage had been initiated already in 1993 and on 4<sup>th</sup> of October 1994 Cabinet approved the recommendations of the Investigation and Restructuring Technical Committee of the Government Garage Operations.

commercialisation of all road maintenance and construction activities undertaken by the Department of Transport

5. Development of the new MWTC following restructuring.
6. Restructuring of the Department of Works (DOW) and the Department of Administration and Centralised Support Services (DOACSS). (DOACSS was established in 1992 and formed from units in the DOT and DOW.)

As concerns outputs 1, 2, 3 and 4, the Project Document envisaged a complete set of activities resulting e.g. in road user charges actually being implemented. As concerns items 5 and 6, the Project Document only envisaged that a process towards restructuring would be initiated.

The Project Document proposed that the Project be managed by a Chief Executive Officer (CEO) on a day-day-basis, and that responsibility for overall co-ordination and guidance as well as control of the work of the CEO, be vested in a Steering Committee.

The MWTC2000 Project was presented to Cabinet on 25 July 1995. Cabinet approved in principle that the Project proceed according to the guidelines of the Project Document. Sida also approved supporting the Project by in principle financing 50% of its cost during the period up to the year 2000. The total cost of the Project was at that time estimated at N\$ 18 million, and the Swedish contribution was estimated at SEK 13 million.

### **4.3 The Expanded Project Document**

The original Project Document had a heavy emphasis on the Department of Transport, in general, and the road sector, in particular<sup>29</sup>. With the successful coming into operation of the MWTC2000 Project, this focus was later seen as a limitation, and as a result an Expanded Project Document was worked out in 1997 and approved by the Steering Committee in early 1998 (ref 27).

The Expanded Project Document provided for the following:

7. Transformation of the Directorates of Maritime Affairs and Civil Aviation into authorities; in addition the air navigation services were envisaged to become part of a proposed new civil aviation authority.
8. Restructuring of the Meteorological Services.
9. Completion of the restructuring of the non-core operational components of DOW and DOACSS.

In terms of the Expanded Project Document, the implementation period would be prolonged by about 15 months, i.e. until mid-2001, and the total costs would increase by N\$ 6.2 million to a total of N\$ 24.2 million. The Expanded Project Document was submitted to Sida with a request for further co-financing of the Project until the new termination date, i.e. mid-2001, and based on the same 50/50 cost-sharing principles as had been applied hitherto.

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<sup>29</sup> A revised Project Document for the MWTC2000 Project was prepared in 1996; ref 19.

In the event, Sida decided not to continue its support to the MWTC2000 Project, after mid-2000. As mentioned, the decision was based on a Sida policy decision to gradually phase out all bilateral assistance to transport and communications in Namibia<sup>30</sup>.

#### **4.4 What has been achieved? Development up to end of 1998**

Developments of the Project until mid-1998 by and large followed the steps, plans and schedules originally envisaged in 1995 when the Project was launched. The following should be mentioned in particular:

1. MWTC2000 Project: A CEO and a Steering Committee was appointed. The CEO was recruited from within the Ministry. The Steering Committee comprised senior staff of MWTC as well as representatives of the Prime Minister's Office, the Ministry of Trade and Industry, and the Ministry of Finance, and a representative of the labour union<sup>31</sup>.
2. Governance of SOEs: A study was launched to work out new policies and arrangements for the governance of SOEs. This study, also referred to in Section 2.1 item 11, was carried out under the control of a separate steering committee under the auspices of the Ministry of Trade and Industry (ref 37).
3. Airports: Studies were launched for commercialising the airports, ultimately resulting in the new Airports Company coming into being in early 1999 (ref 17, 71). The new company operates the 8 largest Namibian airports, however not the air navigation services; see below.
4. Government Garage: A restructuring study of the Government Garage was carried out suggesting an urgent need for reform (ref 28)<sup>32</sup>.
5. Road Sector: A host of studies were launched to prepare and implement the road sector reform package.
6. The Future MWTC: Efforts made to prepare plans for the future MWTC following implementation of the MWTC2000 Project were limited during this period.
7. DOW and DOACSS: During 1998, two studies on the restructuring of DOW and DOACSS (with the exception of the Government Garage and the Directorate: Administration in DOACSS) were initiated and completed, and a programme of reforms was presented (ref 33, 41)<sup>33</sup>.

The following 'set-backs' were registered during this period:

1. It proved not possible to include the commercialisation of the air navigation services (i.e. air traffic control and air navigation equipment) as part of the establishment of the new Airports Company, on account of Cabinet's concerns related to security. New efforts were subsequently made to commercialise the air navigation services, see below.

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<sup>30</sup> A number of evaluations were carried out before making the final decision; see ref 24, 29, 34, 38 and 48.

<sup>31</sup> NAPWU (Namibian Public Workers Union) representing the blue collar workers in the public sector.

<sup>32</sup> In effect, this study followed from the decision of Cabinet referred to in footnote 28.

<sup>33</sup> An earlier study had resulted in a decision by Cabinet in 1997 to approve in principle restructuring of certain functions in the DOW.

2. Progress on the restructuring of the Government Garage was stalled, on account of other more urgent concerns being raised vis-à-vis this entity<sup>34</sup>.
3. Progress on the study carried under the auspices of the Ministry of Trade and Industry with money from the MWTC2000 Project regarding the governance of SOEs was slow, although a draft report was prepared; ref. 37. Ultimately, it was decided by Sida and MWTC to discontinue this study. A similar study was subsequently resumed under the auspices of the Cabinet Committee on Economic Development and Parastatals<sup>35</sup>.
4. A review of the regulation of state-owned operational entities was never initiated. As part of the work on the legal framework for the Airports Company, a new approach to economic regulation was implemented, essentially based on regulation by way of countervailing power<sup>36</sup>. A full scale study was never launched apparently in view of what is stated under point 3 above, but also that it was understood that Government was launching a much wider approach to the matter, including drafting a competition act<sup>37</sup>.

#### 4.5 Development up to mid-2000

1. Road Sector: The road sector reform was implemented with effect from April 2000. The road sector reform comprised the establishment of three new entities, namely the Roads Contractor Company (RCC), the Roads Authority (RA) and the Road Fund Administration (RFA). It also entailed the introduction of a self-financing system for the Namibian road sector by way of road user charges. The three laws, which made up the basis for the road sector reform, were voted on by Parliament in October 1999, and signed into law on 25 October 1999; see further resource paper 3.

The establishment of RCC and RA was a massive undertaking involving the transfer of up to 2400 persons who had previously been employed in the Ministry, about 2200 thereof to the RCC and about 200 to the RA. This staff transfer resulted in a reduction of the total establishment of the Ministry from about 5 500 to 3 100 persons.

2. Civil Aviation: A first study of the transformation of the Directorate: Civil Aviation was carried out proposing the establishment of a Civil Aviation Authority (CAA). The envisaged CAA would include not only safety and security regulation but also the air navigation services and was anticipated to be self-financing by way of primarily en route and terminal charges<sup>38</sup>. Economic regulation of air transport and airport security would remain with the government. These proposals received the support of Cabinet in October 1999.
3. Meteorology: The Meteorological Services, which was part of the Directorate: Civil Aviation, was not envisaged to become part of the proposed CAA. Based on an in-house review, the Ministry took a decision in principle in early 2000 to restructure the Meteorological Services into the Namibian Meteorological Agency. The further

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<sup>34</sup> In June 1998, Cabinet appointed an interministerial committee to carry out a separate investigation into alleged irregularities at the Government Garage.

<sup>35</sup> This did not involve Sida Support. The new study resulted, *inter alia*, in the proposed SOE Bill; ref 50, 86.

<sup>36</sup> The Airports Company Act, 1998, states that the Company may not abuse its market power, imposes extensive requirements by way of a Statement of Intent to provide information to the public about the Company's plans, enables users to complain to the Minister responsible for Transport and also enables this Minister to direct the Company to cease abusing market power if an investigation would establish that the Company was in fact doing so.

<sup>37</sup> A Competition Act was subsequently passed in 2003, but has as yet not come into effect.

<sup>38</sup> The proposed CAA would not handle air transport economic regulatory matters, aviation accident/incident investigations and aviation security functions, which would rest with the government.

development of this part of MWTC was envisaged to comprise two steps. The first step was to involve the recruitment on an international basis of a Director of Meteorological Services. In the second step the actual restructuring would take place under the leadership of the new director.

4. Maritime Affairs: During 1999-2000, a study was carried out reviewing the future of the Directorate: Maritime Affairs (ref 46); it was funded with the assistance of NORAD (Norway). The study recommended the establishment of a partially self-financing Maritime Authority.
5. DOW and DOACSS: A Committee of Senior Officials initiated in late 1999 work on a strategy for how to take forward the reform and restructuring of the Department of Works and the Directorate of Centralised Support Services in the Department of Administration and Centralised Support Services (including cleaning services, the Government Stores, printing, and security services; the security services were subsequently transferred to the Ministry of Home Affairs on 1 April 1999). The establishment of the Committee was prompted by the new decentralisation policies being formulated by the GRN, which had not been taken into account in the previous work on the restructuring of DOW and DOACSS<sup>39</sup>. The Committee ceased functioning in July 2000, (partly) as funding for the secretariat to assist the Committee, which was made available by Sida came to an end; however, see also below.
6. Government Garage: Following extensive consultations within the GRN, a new strategy was formulated for the transformation of the Government Garage. It was accepted by Cabinet on 4 July 2000, and an implementation committee was subsequently established to manage and oversee the restructuring efforts.
7. The Future MWTC: As from 1 April 2000, the functions of the Department of Transport were changed substantially on account of the road sector reform. The then envisaged transformation of the Directorates of Civil Aviation and Maritime Affairs would have further implications for the DOT. In addition, through other reforms, the Ministry had taken on responsibility for the ownership of Namibia's railway infrastructure, and was furthermore required to strengthen its capacity and competence in the field of communications.

Some very preliminary work had been done on the future 'looks' of the Ministry as part of the drafting of the original project document, but it was not until towards the end of the 1990s that it was realised that there was a need to make much more concerted efforts in this area. A first step in this direction was a study undertaken by the DOT in 1999 mapping out the appropriate manning and structure of the Department following the road sector reform. This study also comprised a number of other specific proposals, taking into account some other issues facing the Department at that time (ref 35). The report was reviewed by the Prime Minister's Office, and then served as a basis for detailed discussions between the Public Service Commission and the Ministry regarding the organisation and establishment of the DOT as from 1 April 2000.

8. Road Safety: As already mentioned, a study on road safety was initiated in 1999. Whilst this effort was prompted by the White Paper (and was not part of the MWTC2000 Project), its focus became primarily institutional. The work was concluded in 2001 and comprised the recommendation for establishing a road safety agency in order to strengthen accountability. The report also included a layman's draft of the needed law to effect the changes; ref 49, 85.

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<sup>39</sup> There were other concerns as well, including the procurement policy of the government that would have to be considered.

## 4.6 Development up to late 2005

In addition to becoming a fully-MWTC funded activity, the working method of the MWTC2000 project changed as from about mid-2000. Having failed to identify a suitable full time CEO for the Project - what was then viewed as - an interim solution was implemented in that responsibility for restructuring activities was placed at the level of each separate affected entity. The official in charge, normally a head of division/directorate, was called a project implementation manager. Whilst the approach based on implementation managers had been introduced already in 1998/99 to push forward the implementation of the road sector reform, it was now given a more significant role as the person appointed to head the MWTC2000 Project office was renamed as 'project co-ordinator'. This also meant that the driving force moved from the Project Office to the project implementation managers.

These arrangements have, in effect, become permanent and have thus been in place since then. The Steering Committee has continued in operation but has met more rarely than during the first five years, about once a year during the last 3 years. Outputs during the last five year period have also been more limited than during the end of the previous decade. A main reason for this, it is understood, is the proposed new SOE Bill (ref 86), which is to be passed by the National Assembly before new agencies and companies are launched. Effectively, new agencies and companies can therefore not be established at the time of writing of this report.

The following may be noted:

1. Civil Aviation: A full-scale study preparing for the introduction of the CAA was initiated in 2000 and concluded in late 2002 (ref 58). At a meeting in March 2003 Cabinet granted approval, in principle, to draft a bill for the establishment of CAA, and a draft was later sent to Cabinet in July 2003, ref 83.
2. Maritime Affairs: Following the conclusion of the feasibility study, a pre-implementation study was launched in early 2004 and concluded in November 2004 (ref. 63). The study contains, *inter alia*, a draft of an act to establish the authority and of related legislative changes. The MWTC Steering Committee was, at the time of writing, still assessing the report and whether or not to decide on the establishment of the proposed Namibian Maritime Authority.
3. Meteorology: After consultations with the Office of the Prime Minister in 2000, it was decided to change the approach to restructuring. Instead of appointing a director to head a new division, an international expert was recruited to plan and implement the restructuring of the Meteorological Services. The expert worked for a period of two years until November 2003. Since then no further actions have been taken, and it is understood that Meteorology is still part of the Directorate: Civil Aviation.
4. Government Garage: As mentioned, a project implementation committee was set up, which was subsequently strengthened by a consultant to (in effect) serve as project implementation manager. A tender was launched to recruit a consultant to implement Cabinet's decision of July 2000, and it is understood that the evaluations of the proposals were concluded in 2002, but that no contract was ever signed. The project implementation manager implemented a number of efficiency improvements in the Government Garage, but no further actions on restructuring have been taken subsequently.
5. Other operational entities of DOACSS and DOW: With the Committee of Senior Officials ceasing to function in 2000, there have been limited restructuring actions.

Focus in the case of DOW has in lieu been overtaken by the need to attend to the new policies on decentralisation of operations (by delegation) to the regions, and it is understood that specific decentralisation proposals have been made but that there have been no concrete actions so far. The actual contents of the decentralisation effort will determine the future scope for restructuring<sup>40</sup>. It should also be mentioned that the Government Stores of DOACSS, based on the previous feasibility study (ref 33), has followed-up on restructuring options, eventually coming to the conclusion that the *status quo* is to be preferred. The Reproduction Services have come to the same conclusion. The cleaning services were 'decentralised' (i.e. became a responsibility of each ministry) in terms of a decision by Cabinet in April 2001.

6. The future MWTC: Following, the change in 1999 to establish a new Directorate: Communication, which in effect changed the name of the Department of Transport to the Department of Transport and Communication, this department have been subjected to several other changes of its organisational structure. In 2000, the DOT contained the following directorates in addition to Civil Aviation, Maritime Affairs and Communication:

- Transportation Infrastructure Maintenance and Construction
- Transportation Planning and Transportation Management

In 2005, these two directorates had been replaced with the following

- Transport Infrastructure
- Transport Policy and Regulation
- Railway Infrastructure Management.

7. Road Safety: In 2003, Sida decided to support the launching of the proposed new road safety agency by allocating funds for this purpose, and as a consequence the validity of the Specific Agreement was extended until the end of 2004. The MWTC decided, however, during 2004 not to continue with this reform for the time being, and Sida subsequently decided to cancel the support in view of that the Specific Agreement had expired.

## 4.7 Summary

The MWTC2000 Project is still alive but not moving at the present time. The major outputs envisaged in terms of the original Project Document have been delivered. One exception is the Government Garage where there have been limited restructuring developments to date in spite of a Cabinet decision in July 2000. As concerns Civil Aviation, covered under the Expanded Project Document, most preparatory work has been concluded, but further progress is not possible as the bill establishing the CAA is still under review by the legal drafters.

The MWTC2000 Project was originally expected to also cover governance. It may be stated that whilst this was not achieved, the Project contributed to prompt a process in the

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<sup>40</sup> A number of other developments have contributed to making the restructuring of DOW a complicated affair. In 2000, Cabinet directed that the Efficiency and Charter Unit of the OPM should establish a "Valuation and Estate Management Unit", which was bound to have implications, albeit unclear, for the Department. In addition, the records as concerns the property under the control and management of DOW have not been adequate, making it necessary to attend to this matter.

government to review this matter as reflected in the SOE Bill<sup>41</sup>. The slow action on this Bill by the government is, in principle, also hampering the restructuring of some of the operational functions in MWTC, identified in the Expanded Project Document. In this regard see also below Section 5.3. But the slower action as concerns restructuring during the last 5 years may also be explained by a number of further factors including:

- The new MWTC2000 Project organisation in place delegates responsibility for driving the restructuring process to a lower staff level in MWTC. Whilst participation is important, change is not easily accomplished unless action is taken at and from the top (the minister and permanent secretary).
- The lack of funds from and involvement of an external financier/partner.
- Whilst the official policy has not changed (see further below), a reassessment of the appropriateness of restructuring of many of the remaining operational functions in the MWTC is being made by officials of the Ministry. Two arguments are made for why it would not be correct to undertake restructuring of those entities which were listed in the Expanded Project Document. Firstly, unlike the original Project Document, this document was never sanctioned by Cabinet. And secondly, the remaining entities can normally not be established on a self-financing basis; only potentially fully self-financing entities, it is argued, should be recommended for transfer out from the Ministry.
- Officials in the Ministry also refer to a Cabinet action letter in a decision from 1997<sup>42</sup> as a motive for moving slowly on reform and restructuring. In this decision, Cabinet expressed the view that commercialization should be accomplished by a step-by-step approach. This point was made against the background that:
  - i. A number of commercialization initiatives agreed to by Cabinet had not taken off the ground.
  - ii. Commercialized entities were mushrooming at an alarming rate resulting in difficulties in capacity on part of the Government to effectively exercise control, primarily because of a lack of competent staff.

In view of this, it seems likely that even if the SOE Bill is enacted and the related governance infrastructure put fully in place, this in itself will not rejuvenate the MWTC2000 Project.

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<sup>41</sup> As mentioned above, the SOE governance initiative launched by the MWTC2000 Project was discontinued in 1999. However, a similar project was launched by Cabinet in 2000, by the appointment of a cabinet committee to review governance issues related to SOEs. The consultant that had been recruited under the MWTC2000 Project was again recruited to assist the Cabinet Committee. The report of the Committee (ref 50), which was submitted in November 2001, contains recommendations, some of which are now reflected in the draft SOE Bill.

<sup>42</sup> In Government Decision No: 25<sup>th</sup>/23.09.97/002

## **5. Issues**

### **5.1 Introduction**

This penultimate section will briefly cover some issues directly related to the Swedish support to policy, restructuring and institutional development. The issues raised are of a nature that makes it very difficult to give any clear answers to them<sup>43</sup>. What can be offered are some comments that could assist with putting the issues in their proper perspective. All the main issues are touched upon here, but for some of them additional commentary is to be found in the other two resource papers.

The starting point for an identification of the issues covered is the observation that with the ending of the Swedish support to policy, restructuring and institutional development in mid-2000, many of the activities related to the implementation of the White Paper or under the MWTC2000 Project appear to have slowed down and even come to a halt. Outputs envisaged in terms of the White Paper and the MWTC2000 Project were produced up to about 2000 to 2002. An issue that needs to be considered is therefore to what extent the support was the driving force *per se*. Indeed, it may be asked if the reform work in some sense even gave rise to a development which was contrary to what the Government desired. But before doing that, there is a need to briefly put the reform work in an international perspective and compare what has been done or was planned to be done in the transport and communications sectors with reform work elsewhere in the world.

The fact that reform work appears to have come to a standstill, or at least has slowed down, also leads to the question: Did Sweden exit too early? Should the support have continued and would that have been necessary in order to continue the process and complete it? And would that have improved the likelihood of sustainability<sup>44</sup> being achieved? If the exit was early, has that undermined sustainability?

### **5.2 The nature of the reforms**

The main gist of the White Paper was deregulation of long-distance (i.e. not within urban areas) transport, including liberalisation of international transport operations. This reform was and is very much in tune with developments elsewhere. Whilst deregulation of international transport operations is still to be accomplished in road transport and aviation in many markets around the world, the trend is clear, and there is no indication of a turning back either.

The proposal for decriminalisation of minor offences must also be viewed as 'standard' in a world-wide perspective. In addition, the reform was pushed immediately after Independence by the black taxi operators. That it has been stalled and therefore not implemented must be seen as detrimental to independent Namibia.

A more radical idea of the White Paper was the proposal for OPDA (i.e. partial self-regulation of quality), which has never been realised. That OPDA was not implemented is likely to be explained by that it would have been a major undertaking requiring a rather long implementation period as well. The resources required to drive that concept was never available to the Ministry.

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<sup>43</sup> The issues brought up here are the ones identified in the Terms of Reference prepared by Sida for the Participatory Review and Evaluation (PRE).

<sup>44</sup> Here to be interpreted as implying that the reforms will not be significantly reversed and that future changes will be built on what has been done hitherto.

The idea of OPDA actually also emanated from discussions with black operators at the beginning of the work on the White Paper. It was argued by them that the only way of establishing credibility amongst the operators for regulatory measures was to have them engaged in the system. The White Paper proposed self-regulation not only based on these views as expressed by the operators, but also against the background of that regulatory systems of road traffic, when operated by the authorities, tend to be afflicted by performance problems. Regulatory systems sometimes even tend to invite graft and corruption. In addition it was noted that professions in many countries are self-regulated, including lawyers, physicians and parts of the financial sector. Why not try it for road transport operators and drivers as well could against this background seem like a reasonable question.

A reform related to the thrust of the White Paper (but brought up separately) was the division of the railway into an operating arm and infrastructure, and the transfer of the latter to the state, which was effected by way of the new National Transport Services Holding Company Act in 1998 (ref 70). Similar reforms have been implemented by EU member states and a few other countries. The reform is not without controversy. In Namibia it essentially served to accomplish two things, viz.

- It allowed the use of the infrastructure to be priced in a similar way as for roads as set out by the Road Fund Administration Act.
- It facilitated the introduction of a scheme whereby investments in infrastructure will be paid for by the operator as long as it makes commercial sense, whilst non-commercial investments would be financed by the state. This arrangement is also applied to the road sector and by way of the Road Fund Administration Act.

The reform of the railway therefore served to establish a system promoting efficient use of resources and competition between road and rail on equal terms. It should be added that the way in which this was achieved was by making the state the owner of the rail infrastructure, whilst making TransNamib the manager and operator of the infrastructure on behalf of the state. The arrangement was supported by an agreement ('the Management Agreement') as provided for in the afore-mentioned law.

Also the MWTC2000 Project is essentially a mainstream project, albeit a large one, with many parallels in Africa and elsewhere. Commercialisation of airports, telecoms, postal services, road contractors and ports is commonplace. In addition, there are many examples of similar arrangements as provided for in the Namport Act, which enables Namport to perform a mixture of commercial operations and regulations. It is also common for governments, anywhere, to contract for security services, cleaning, stores and printing. And many governments, including in Africa, have already dispensed with having its own fleet of vehicles and with providing houses for its staff, still major activities of the DOACSS and DOW today. In addition, the trend has been strong towards relying on state agencies to manage regulatory matters in civil aviation, the maritime sector and with respect to road traffic, also in Africa. Some countries have been moving at a slower pace than Namibia, whilst other countries pursue reform even more aggressively, e.g. in that commercial entities have also either been partially or fully privatised.

The contents of the MWTC2000 Project have thus not been radical. The approach used has also been standard when seen in an international perspective. In addition, it should be noted that the Project has been managed by a steering committee with members also appointed by the PMO, MTI, MRLGH and MOF, and that the original project documents was considered and approved by Cabinet before the Project was initiated<sup>45</sup>. This notwithstanding, one issue

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<sup>45</sup> The main labour union concerned was also represented.

related to the Project is that it may not have been adequately linked in with the government, a matter to which we will return below.

At the same time, it should be mentioned that the MWTC2000 Project has contained some elements of reform which are not standard. The comprehensiveness of the road sector reform is one such element. This reform goes further than anything tried elsewhere in the world. And the two main aspects that differ are that politicians are required to abstain from (direct) control of

- the charges on the road users (i.e. those charges imposed to finance the road sector)
- the regular investments in the sector.

As discussed in resource paper 3, these two aspects have also been the main areas of controversy since the launching of the road sector reform, in effect resulting in a reduction of the powers envisaged for the board of the RFA in these areas.

### **5.3 Reform, restructuring and the government**

When compared to other parts of the Namibian government, the ambitions for reform have probably been higher in transport and communications, although it may be argued that the needs have not been of a similar magnitude in other sectors. Yet, it is intimated here that the fact that the reform process came to a near standstill in 2000/02 is likely to reflect that it never was fully in tune with the actual agenda<sup>46</sup> of the government and/or the machinery of the government. Further support to this interpretation will be given in the next section when discussing the driving forces behind the reform process in the Ministry.

The statements made in the previous paragraph should not be construed to suggest that the recommendations of the White Paper and the actions promoted under the MWTC2000 Project did not have the support of the Government; they certainly had. Indeed this support has been restated more recently in the Namibia Vision 2030 document<sup>47</sup> which identifies the following as the first two strategies of the development of the transport sector (p. 70)

- “implementing the policies contained in the White Paper on Transport Policy;
- restructuring the Ministry as provided for in the MWTC2000 Project.”

To this can be added that the leadership of the Ministry officially has been promoting reform until recently, urging staff to continue with the implementation of the MWTC2000 Project<sup>48</sup>.

The promotion of reform in Namibia whether in transport or in other sectors has, however, normally been approached in a decentralised fashion in the Government. Policy documents are therefore not formulated based on conscious actions taken by the party in power, and as part of its agreed policy agenda, but as a result of initiatives taken by individual ministers, officials in ministries or even as a consequence of donor support. Policies are there, but the actual ownership of them by the Government is less clear.

To this should be added that there was no indication of that transport policies and institutional development was high on the agenda before independence. When the original

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<sup>46</sup> The word agenda is used in a loose sense, i.e. as the sum of the various driving forces in Government resulting in decisions or non-action on part of Cabinet.

<sup>47</sup> Namibia Vision 2030; Policy Framework for Long-term National Development, Office of the President, September 2003.

<sup>48</sup> See e.g. speech by the Minister of Works, Transport and Communication given during the MWTC2000 Project Road Show during February 2003.

terms of reference for Sida's support was discussed in 1988, Swapo clearly communicated that polices should not be given prominence in the scope of work. They were seen as a secondary issue; the important dimensions related to how to establish full control over the sectors following independence and how to disengage from South Africa<sup>49</sup>.

Since Independence, the situation changed, but it must be recognised that the development of the White Paper and the MWTC2000 Project was very much based on initiatives from within the Ministry, although they built on principles which are generic and not specific to transport and communications, and therefore, ideally, should link in with other more general policy documents. However, during the period since independence, the government, for example, never pursued actively the formulation of a – general, formal - policy on reform of public administration and privatisation, and even less adopted such a policy.

Although there were various initiatives to look more broadly at the efficiency of the government and SOEs following Independence, it appears that these initiatives were mainly caused by a number of circumstances, e.g. the heavy wage burden of the Namibian civil service, the disastrous financial performance of TransNamib<sup>50</sup> and conflicts – sometimes even at a personal level - between boards of directors of SOEs and Cabinet. It is noted that the main gist of the SOE Bill<sup>51</sup> currently being considered by the Government is to strengthen control by the Cabinet over the SOEs and their boards<sup>52</sup>. Accountability is apparently seen as mainly coming from the top, and less by of process whereby performance is widely examined and evaluated by engaging the public through a process of transparency. This is maybe a faulty interpretation, but it is difficult to tell since there is no document setting out the principles to be reflected in the SOE Bill.

It is therefore intimated here that the reason why the MWTC2000 Project started to come to a halt in 2000/02 was that the Ministry before that time in a sense was not in step with the rest of the Government and/or government machinery. The year 2000 saw a number of changes – to be considered further below - which eroded this difference in the importance given by the Ministry to reform and restructuring in comparison with other parts of the government. And these changes later paved the way for a revised view on reform and restructuring as set out above in Section 4.7.

## 5.4 The driving forces

It is maintained here that there were three factors contributing to the building up of a platform enabling reform of the MWTC during the 1990s. These were that the Ministry

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<sup>49</sup> The perspective in the 1980s, of the active supporters of Swapo and the liberation of Namibia from South Africa, on the role of transport is well caught by the following title of a paper written by David Simon, viz. "Transport and Development in Independent Namibia – Noose or Lifeline?" It was published in Third World Planning Review in 1989.

<sup>50</sup> Including Air Namibia

<sup>51</sup> As mentioned in an earlier footnote, one of the origins of this bill is the report of the Cabinet Committee on SOE governance framework. That Committee was originally established to review remuneration practices in the SOEs, but its scope was later widened.

<sup>52</sup> The Bill would, *inter alia*, establish a State-Owned Enterprises Governance Council, comprising 5 members of Cabinet, appointed by the President. The role to be played by the Council is close to that of a Holding Company, owning many different companies, including setting policies for governance and performance, vetting board members and their remuneration and effectively approving annual budgets. The Bill also implies that it will likely become more complicated to run SOEs in the future (as so much information will have to be channelled by way of the Council), that it will probably contribute to reducing the propensity to create additional SOEs.

- had a competent cadre of senior officials many of whom had been taken over from the pre-Independence administration, and which was reinforced by recruitment of additional officials during the 1990s, often from foreign countries
- had a leadership which in general was open and prepared to consider the future development of the Ministry and which, in addition, communicated well with both the senior officials and the advisors financed by Sida
- was influenced and supported by international advisors financed by Sida.<sup>53</sup>

To this should be added that the preparatory work that had been done between 1988 and 1990 resulted in extensive discussions at the time of Independence, in which the Sida-financed advisors played an important role. Some of the messages conveyed already at that time were that

- MWTC was unmanageable on account of its large establishment and diverse nature of operations and therefore needed to be reformed. The situation was aggravated by that before Independence the responsibilities of the then Department of Transport to a large extent centred around the roads, and that in the new environment (Namibia being a sovereign independent state) the international aspects as well as other modes of transport (civil aviation, maritime affairs, cross-border road transport, etc.) suddenly devolved on officials with no experience in these fields.
- Competition in road transport was weak; established operators were protected
- Governance (ownership control) of TransNamib was weak. The financial structure of TransNamib was in addition lopsided (with no loans on its balance sheets and hence no debt charges and large funds being built up, also fuelled by no taxes being paid), which could have very damaging financial consequences.
- Road taxes were low; increased taxes would ensure better use of roads and a better financial position for the State Revenue Fund.

In retrospect it seems clear that this analysis came to have quite some influence on MWTC, and would later provide the basis for the White Paper and the MWTC2000 Project. With hindsight, it may, however, also be stated that the early analysis was later largely vindicated. Whilst the method may be discussed, observers of the scene in MWTC have tended to agree on the overall need for policy reform and restructuring.

As mentioned Sida did not play an active role in the work of the MWTC, but of course the fact that it funded (in part) the White Paper and MWTC2000 Project was evidence of a belief on part of the representatives of Sida that those actions were required. All this changed around the year 2000, and quite dramatically at that.

In that year the advisory services were discontinued as part of the phasing out of the Swedish support. In addition, as from August 2001, the sector specialist position at the Sida office in Windhoek which managed the Swedish support to transport and communications was terminated. In 2002 the role of the cadre of senior officials was reduced significantly on account of retirement and a transfer of a large number of them from the Ministry to the new road sector organisations which came into operation in that year. In that year, the Ministry also saw the appointment of a new minister, a new deputy minister and a new deputy permanent secretary.

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<sup>53</sup> The same consultant who had worked on the original study before independence continued providing advisory services on an intermittent basis until mid-2000.

## 5.5 The Swedish exit

The slowing-down/halting of the reform process of the transport and communications sectors in Namibia is nothing unusual. Change processes in government are time consuming, complicated and unsystematic. That the reforms and restructuring efforts have slowed down and perhaps even stopped during the early 2000s does not imply a definitive halt for ever; they may be resumed again when the agenda of the government changes. There is of course also a risk that the process will be reversed.

From a development assistance perspective one lesson learnt is that these change processes can/must be very long, and much longer than the normal perspective of a donor. Donors tend to think and engage in terms of 2 to 5 years for a project and perhaps 10 years for a programme. To have a longer perspective than that is not really possible in most circumstances as donors access to financing is limited in time, so that the conditions for engagement change. Processes of non-physical change are also difficult to gauge in a e.g. a poverty perspective and donors want to see and need to demonstrate tangible results. It is possible that Swedish assistance would have been more effective in terms of the outputs envisaged as part of the MWTC2000 Project if it had continued for a post-reform period to ensure sustainability (another 5 to 10 years of low level engagement). But it is also possible that the same performance may be attained by what did in fact happen. If the government and MWTC were to decide to actively resume the restructuring of the Ministry, then a new donor may fill the now existing vacancy and provide the possibly required support.

It must thus be remembered that the reform and restructuring process, regardless of how much external support there is, is ultimately a responsibility of the Government. If the interpretation presented here is appropriate, then it is clear that the Government must be given time to review the situation, and make up its mind about if and how it wants to proceed. In this perspective it may be argued that the Swedish exit came at an appropriate time.

To this should be added that the overall interest/attention paid by the Swedish Embassy and Sida in the reform work in the Ministry seem to have waned over time. In the early 1990s, Sida played an active role as a development partner in promoting its assistance, not by direct interference, but by demonstrating, interest and involvement, and promoting exchange of ideas and views in the sectors. At the end of the decade, the official attitude seemed quite different, and Sida started to show signs of donor fatigue<sup>54</sup>. Perhaps it was just a question of personalities, or perhaps it did reflect the intuition or even clear vision that it was time for reflection by Sida as well as the Namibian government. Under any circumstances, the lack of drive evident in Sida to continue to support the reform work may have been interpreted by Namibia as a signal that the need for reforms was over, but also indicated that it was time for Sida to discontinue its support. A passive, and even indifferent donor/external financier, is of limited use in the process of undertaking reform and restructuring of the state<sup>55</sup>.

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<sup>54</sup> This was perhaps prompted or accelerated by two evaluation reports/reviews prepared in 1997, one related to the MWTC2000 Project and the other to reform of telecoms (ref. 24 and 25). In particular the former report was controversial, and was never completed as it digressed from the TORs.

<sup>55</sup> Whilst, as noted, Sweden had decided to phase out support to transport and communication, the year 2000 was not seen as definitive end date, as also witnessed by that a new Specific Agreement was signed towards the end of that year. However, continued support would have to be directed towards 'unfinished business'. There was apparently some debate in Sida whether continued support to the MWTC2000 Project could be justified in terms of unfinished business. The will to continue support to the MWTC2000 Project was, however, undermined by what the Swedes saw as a politisation of the appointment of board members and senior executives of the new road sector organisations in early 2000.

## **5.6 Sustainability**

A final issue to be touched upon is that of sustainability. The following points will be made here:

- The structure of MWTC at Independence was not conducive to efficiency in the longer term.
- The framework for effecting accountability of SOEs like originally TransNamib and – later on - Telecom Namibia and Nampost was inadequate
- The regulatory policies in the transport sector were rapidly becoming defunct at Independence and were in addition causing tensions between operators and the public sector

In the view of the author(s) of this paper, the situation in the transport and communications sectors at and following Independence was essentially one characterised by unsustainability; something had to be done.

The arrangement now in place is not functioning adequately either; that is one of the messages coming out of the two other companion papers to this one. That poses a challenge for the future, and will by necessity sooner or later result in further actions. Returning back to the heritage taken over at Independence is, however, not an option.

## **6. The two other papers**

### **6.1 Paper 2: Commercialisation of Namibian transport and communications operations**

The resource paper on the commercialisation on transport operations focuses on the operators established under the co-operation, including:

- Namibia Post Ltd
- Telecom Namibia Ltd
- Namibia Post and Telecom Holdings Ltd
- Namibian Ports Authority
- Namibian Airports Company Ltd

TransNamib and Air Namibia are also covered but with less emphasis. The Roads Contractor Company is covered in the third paper.

The paper does not cover the details of the circumstances leading up to the establishment of these commercial entities and how they were created. The emphasis is rather on performance (financial and economic) and factors affecting performance.

The paper contains

1. a review of financial performance
2. a review of economic performance, to the extent this is possible (prices, quality, internal efficiency, the incidence of any benefits)
3. a review of governance issues, including of performance monitoring
4. review and analysis of the economic regulatory system, where applicable
5. suggestions in general terms for how to improve performance, including of regulation, if warranted.

### **6.2 Road sector reform**

The last resource paper, on the road sector reform, focuses on

- Roads Authority (RA)
- Road Fund Administration (RFA)
- Roads Contractor Company Ltd

The paper does not cover the details of the circumstances leading up to the establishment of these entities and how they were created. The emphasis is on performance, factors affecting performance, governance issues and other issue related to the actual implementation of the system envisaged by the legislation.

The paper contains the following:

1. a review of performance of the organisations
2. a review of performance of the road sector (with emphasis on road preservation)
3. a review of governance and regulatory issues, including of performance monitoring
4. an analysis of the financing arrangements
5. a review of RA subsidiary activities (inspection, registers)
6. suggestions for how to improve performance, if warranted

7. experience to date, in the perspective of road reforms in other countries

## References and other documents<sup>56</sup>

### Reports

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## **Annex: Further information about the Swedish support to transport and communications, including the LFA matrix for Specific Agreement 1995-2000**

Broadly, the Specific Agreement signed by the Governments of Sweden and Namibia in April 1991 provided for development co-operation in:

- Policy and human resources development in transport and communications;
- Commercialization of the Department of Post and Telecommunications;
- Upgrading of the rural road network in the central northern regions, including the preparation of a Roads Master Plan for these regions; and
- Introduction of labour-based methods of road construction and maintenance in the central northern regions.

By 1995, the objectives for the communications sector were deemed essentially achieved, while in the transport sector new policies had been developed and adopted by Government, facilitating the further development work required in this sector (White Paper on Transport Policy). The new Specific Agreement for the period from 1995 – 2000 therefore focussed on further development in the transport sector, and in particular:

- Support to the reorganisation of the MWTC through the transferring of operational functions to state-owned enterprises (SOEs);
- Capacity building and human resource development directed both to the new SOEs and the restructured MWTC;
- Building capacity within Government and the private sector for regulating and auditing the performance of SOEs in the transport sector;
- Continuation and expansion of labour-based road construction and maintenance projects, but also broadening the base for labour-based works to extend into other sectors of the economy;
- Capacity and human resource development in a broader context, including fostering small entrepreneurs, particularly labour-based, in road maintenance and construction;
- Further development and implementation of road user charging proposals and other transportation related issues, particularly quality and safety aspects, contained in the recommendations on transport policy accepted by Government;
- Preparation of a transportation master plan for the whole of Namibia.

Under the second Specific Agreement, which was concluded on 15 June 1995, Sweden pledged to avail a grant of SEK100 million to the Namibian Government as co-funding for the specified transport sector developments over the duration of the Agreement. It was envisaged that the Namibian Government would match these funds about equally. The funds were mainly (app. 40%) intended for funding labour-based road works projects of the Ministry of Works, Transport and Communication for improving rural roads accessibility in the densely populated, but previously neglected, northern regions of Namibia. About 40% of the funding was availed to the MWTC2000 Project for the restructuring of the Ministry of Works, Transport and Communication and related supporting professional services. The remaining 20% of funds were intended to cover the project overrun from the previous Specific Agreement.

Although it had been the intention of the Government of Sweden to phase out its support to the Namibian transport and communication sector by the end of June 2000, by this expiry date a substantial amount of funds pledged under the Agreement had remained unspent. A new Specific Agreement was subsequently concluded for the period from 1 December 2000 to 31 March 2002, which essentially availed to Namibia the balance of Swedish grant funds pledged under the previous Agreement but which had not been disbursed by then. With the aims of the MWTC2000 Project having been substantially achieved by June 2000, Swedish

support to this project expired then, and the only projects enjoying continued support with the funds carried forward from the previous Agreement were the Labour-based Works and Labour-based Forum projects, and the Young Professionals Programme for funding bursaries for engineering students.

The aforementioned transport sector development co-operation objectives for the Specific Agreement period beginning in 1995 were translated into a LFA matrix that essentially summarised the joint agreed expectations of the Namibian and Swedish Governments with respect to the development co-operation agreement. The LFA matrix presented hereafter represents a collation of the original matrix as well as amendments and extensions agreed upon over the period of the development co-operation agreement.

## LFA for Specific Agreement 1995-2000.

<p><b><u>Sector Objectives:</u></b></p> <ul style="list-style-type: none"> <li>• To ensure the provision and maintenance of economically justified transport infrastructure and the operation of safe, effective transport services in the different transport modes</li> </ul>	<p><b><u>Indicators:</u></b></p> <ul style="list-style-type: none"> <li>• Condition of rural and urban road networks</li> <li>• Balance of infrastructure expenditure and costs recovered from users</li> <li>• Status of road safety and driver and operators licensing</li> </ul>	<p><b><u>Means of verification:</u></b></p> <ul style="list-style-type: none"> <li>• Road management system</li> <li>• Audit by independent body representing road users</li> <li>• Traffic policing</li> <li>• Road safety database</li> </ul>	<p><b><u>External factors:</u></b></p> <ul style="list-style-type: none"> <li>• Appropriate decisions by Cabinet and National Assembly on basic policy issues, taking into account the impact on other sectors of the economy</li> <li>• Capacity (especially managerial) and initiative of private sector to play the role envisaged in Government policy</li> </ul>
<p><b><u>Overall Purpose of Projects:</u></b></p> <ul style="list-style-type: none"> <li>• To enhance the efficiency and effectiveness of the operations of the Ministry of Works, Transport and Communication and State-owned Enterprises under its auspices. An appropriate enabling environment for the provision of efficient private operator services in the sector will be created through a restructuring of Government intervention and participation in the Transport and Communication Sector. Open competition among service suppliers in the sector will be promoted.</li> </ul>	<p><b><u>Indicators:</u></b></p> <ul style="list-style-type: none"> <li>• Clear definitions of roles to be played by and delegation of authority to the different actors in the sector</li> <li>• Robust mechanisms for enforcing accountability</li> <li>• Clear policies for cost recovery on services and goods supplied by SOEs</li> <li>• Appropriate regulatory mechanisms for promoting competition and non-dominant behaviour</li> </ul>	<p><b><u>Means of verification:</u></b></p> <ul style="list-style-type: none"> <li>• Evaluation of appropriateness of new legal and organisational framework by peer review of external, independent experts</li> </ul>	<p><b><u>External factors:</u></b></p> <ul style="list-style-type: none"> <li>• Commitment of the Government to the success of the projects, as expressed through policy and fiscal decisions to allocate the necessary resources and create an environment conducive to the project execution</li> </ul>
<p><b><u>Outputs:</u></b></p> <ul style="list-style-type: none"> <li>• Strengthened accountability, efficiency and administrative capacity of the MWTC, including of SOEs under its auspices</li> <li>• Enhanced capacity of the public and private sector in labour-based road construction and maintenance</li> </ul>	<p><b><u>Indicators:</u></b></p> <ul style="list-style-type: none"> <li>• Significantly reduced appropriations under the transport vote</li> <li>• Lower costs for maintaining the road network at given standards</li> <li>• Full cost recovery in the road sector through road user charges</li> </ul>	<p><b><u>Means of verification:</u></b></p> <ul style="list-style-type: none"> <li>• Annual budgets and reports by the Auditor-General</li> <li>• Road Maintenance Management System</li> <li>• Financial statements of new agency to operate the state road network</li> </ul>	<p><b><u>External factors:</u></b></p> <ul style="list-style-type: none"> <li>• Adequate capacity in other Departments of the GRN to take timely action, including processing and implementing policy decisions</li> <li>• Availability of suitably motivated individuals to establish themselves as labour-based work contractors</li> </ul>

<ul style="list-style-type: none"> <li>• Forum for labour-based work, as a non-governmental body active across all sectors</li> <li>• Reform of system of road transport regulation to promote road safety and competition</li> <li>• International cooperation, and accordingly formulated legislation, in civil aviation</li> </ul>	<ul style="list-style-type: none"> <li>• Improved profitability for TransNamib Ltd (TNL)</li> <li>• Lower costs to state or SOEs for hiring plant and transport means</li> <li>• Implementation of cost recovery policies by SOE to operate airports</li> <li>• Favourable costs of labour-based construction and maintenance achieved</li> <li>• Labour-based Work Forum operative and meeting its objectives</li> <li>• Restructuring process progressing without significant setbacks due to unresolved marginal factors</li> </ul>	<ul style="list-style-type: none"> <li>• Financial statement for TNL or new entities formed from TNL</li> <li>• A comparison of prices for hiring plant and means of transport before and after change</li> <li>• Annual report and financial statements from new SOE to operate airports and ANS</li> <li>• Departmental construction and maintenance costing systems</li> <li>• Contract costs</li> <li>• Published information on employment indicators</li> <li>• Project progress reports and reviews</li> <li>• Reports and reviews of current projects</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of sufficient labour prepared to work at rates which allow labour-based work to be cost-effective</li> <li>• Willingness and capability of especially small labour-based contractors to sustain the forum</li> <li>• Drastic changes in the MWTC's current technical and managerial capacity</li> </ul>
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