

Support to the  
RESTRUCTURING OF  
AND THE MINISTRY OF WORKS, TRANSPORT  
COMMUNICATION  
(Support to MWTC2000)

Revised Project Document

Prepared by the Ministry of  
Works, Transport and  
Communication

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## ABBREVIATIONS

A	Activity
ADCOM	Advisory Committee on the Commercialization of Operational Activities in the GRN
ANS	Air Navigation Services
CEO	Chief Executive Officer
DCA	Director of Civil Aviation
DOACSS	Department of Administration and Centralized Support Services
DOPAT	Department of Posts and Telecommunications
DOT	Department of Transport
DOW	Department of Works
DWP	Draft White Paper on Transport Policy
FY	Financial Year
GRN	Government of the Republic of Namibia
HRD	Human Resources Development
I	Input
ICTE	Interministerial Committee of Technical Experts on Road User Charging
MWTC	Ministry of Works, Transport and Communication
NDP1	National Development Plan: Phase 1, 1995-2000
NORAD	Norwegian Administration for Development Assistance
NPC	National Planning Commission
O	Output
OC	Output Class
OPDA	Operators and Professional Drivers Association
PS	Permanent Secretary
PTA	Preferential Trade Area for Eastern and Southern African States
S	Stage
SACU	Southern African Customs Union
SIDA	Swedish International Development Authority
SOOE	State-Owned Operational Entity
TNL	TransNamib Ltd.
TOR	Terms of Reference
WTC	Works, Transport and Communication

## CURRENCY EQUIVALENTS

All costs have been estimated in Namibian Dollars (N\$); The following conversion factors were valid at about 1 April, 1995

1 N\$ = 2.05 SEK

1 US\$ = 7.50 SEK

1 US\$ = 3.65 N\$

## **1. INTRODUCTION**

### **1.1 Purpose of Project Document**

The purpose of this Project Document is to present a technical co-operation Project - proposed to be supported by the Swedish International Development Authority (SIDA) - to restructure the Ministry of Works, Transport and Communication (MWTC), in line with the basic policies of the Government of Namibia (GRN). The restructuring of the Ministry, envisaged to be completed by the end of this century, covers the transport and communications sectors, and state-owned operational entities (SOEs) under its auspices. The short title for the restructuring process is MWTC2000. The proposed Project will provide support to the Ministry until the completion of MWTC2000 on a cost sharing basis.

The immediate purpose of this Project Document is to allow the Governments of Namibia and Sweden to reach an agreement on the following aspects: (i) The objectives and outputs; (ii) the required inputs, costs and financing arrangements; and (iii) implementation arrangements. The agreements reached on these aspects are proposed to be incorporated into a Project Agreement (a specific agreement) to be signed by the two countries. The Project Agreement is proposed to cover the period 1 July 1995 to 31 December 1999.

The Project has been developed in response to the need identified by the GRN to continue and accelerate the restructuring process of the Ministry, which was originally initiated shortly after Independence in 1990. In a letter to the National Planning Commission (NPC), dated 28 March 1994, the Permanent Secretary of the MWTC outlined the Ministry's view on the continuation of the restructuring process, and requested the NPC to approach SIDA for technical assistance to prepare the above-mentioned Project Document. The request was subsequently forwarded by the NPC in a letter to SIDA dated 8 July 1994. On 8 August 1994 SIDA informed the NPC and the Ministry that the preparation of a detailed document for the proposed project could be made under the existing Swedish technical assistance to the Department of Transport (DOT) in the Ministry.

### **1.2 Structure of Document**

This Document provides initially a background description of the Ministry, the policy and institutional development processes which the MWTC has been involved with since Independence and the support provided by SIDA in this regard. The Background section of the Document also includes a broad analysis of the current shortcomings of the organizational structure and operational format of the Minis-

try, and describes those activities which the Ministry has initiated or is in the process of initiating aimed at restructuring its organization and mode of operation. The emphasis of the restructuring is placed on a clarification and focusing of the role to be played by the Ministry by separating the purely operational activities from the policy making and regulatory functions. The ultimate aim of the restructuring process is to enhance the Ministry's efficiency in performing its functions, but also to improve productivity in and the quality of the operational functions.

The need for a reorganization of the government structure by focusing on the core functions is not unique to the MWTC, but applies to other ministries as well. There is furthermore an urgent need for the GRN to develop unified policies with respect to not only new operational entities - SOOEs - to be established through the transferring out of operational functions from ministries, but also for already existing such entities. The Background section of the Document provides an overview of the general issues in this field, the policies being developed by the GRN in this regard, and also identifies further actions required to establish a coherent framework and instruments for enforcing accountability.

The Project *per se* is covered in 3 sections. The first, describes the objectives, outputs and inputs of the Project and presents a cost estimate and a proposal for the financing of the costs, which is based on a cost-sharing approach. The second, sets out the arrangements for implementation. Proper such arrangements are crucial to ensure consistency, proper phasing and adequate control by the GRN. The third, covers the expected effects of the Project, as well as the associated risks. Recommended risk mitigation measures are identical to those measures, on which the two governments should reach agreement in order to ensure successful Project implementation.

Details of project activities, i.e. cost estimates, implementation arrangements, etc. are provided in annexes.

## **2. BACKGROUND**

### **2.1 The Ministry of Works, Transport and Communication (MWTC)**

The MWTC was established at Independence on 21 March 1990, and at that time comprised three Departments, viz. (i) Works; (ii) Transport; and (iii) Posts and Telecommunications. The new Ministry was formed by taking over various units from the previous administration, which had been set up by South African Government in 1978, as part of the preparation for eventual Namibian independence, and by superimposing a new unified leadership structure comprising a minister, a deputy minister and a permanent secretary (PS), with the PS acting as the chief executive and accounting officer. The Department of Works (DOW), which was made responsible for the maintenance and construction of all government-owned buildings, was formed by condensing three directorates of the former Department of Civic Affairs and Manpower and the corresponding units which were part of the so-called second-tier administrations in pre-Independence Namibia. The Department of Transport (DOT) took over the operations of the previous administration with the same name, and also became responsible for the control and operations of the Government Garage, which previously had been under the Administration for Whites. The Traffic Police and Road Safety Secretariat which during pre-Independence had been a part of DOT was, however, transferred to the Ministry of Home Affairs. The Department of Posts and Telecommunications (DOPAT) did not change with its integration into the Ministry.

The new MWTC became the largest ministry in terms of employees, with a total establishment of about 10 500 persons, of which 3 800 in DOW, 4 200 in DOT and 2 500 in DOPAT. The operations were fully budget financed, with all revenues raised by the MWTC - e.g. landing charges collected at airports - accruing to the Central Revenue Fund.

At Independence there was only one parastatal under the auspices of the MWTC, i.e. TransNamib Ltd. (TNL), a statutory corporation established in 1988 to manage the railway, the country's major airline (Air Namibia), the Port of Lüderitz and a large road haulage operation. TNL is fully owned by the State, but autonomously operated, with the State's powers vested in Cabinet. The Board of Directors reports through the Minister to Cabinet.

The structure of MWTC has changed in several respects since Independence. Two decisions are of particular importance. Firstly, in 1991 the GRN decided to commercialize DOPAT, which resulted in the establishment of two new corporations, Telecom Namibia Ltd. and Namibia Post Ltd.,

registered under the Companies Act. These two companies are owned by a holding company, which in turn is fully owned by the State. The implications of this transformation were that the total establishment of the Ministry was reduced by about 2 500 positions, and that the financial affairs of DOPAT became completely separated from those of the GRN. Furthermore, as part of the separation, the new corporations took control of all the assets used in the postal and telecoms operations, including the buildings used for these operations, which formerly had been under the control of the DOW.

The other action was that the GRN in 1990 initiated a Rationalization Exercise of the Public Service. There were three main purposes. Firstly, to ensure that the government administration would be able to perform all the duties required of the public administration of an independent country. This was, of course, motivated by the condition that although South Africa as a rule had been trying to establish the administration in Windhoek on a stand-alone basis, there were several areas which remained under the direct control of Pretoria until Independence for several reasons. Secondly, a reorganization was seen as offering an opportunity for reducing the size of the public service, which was viewed as too large and too expensive for the country. And thirdly, the wish to enhance efficiency of the government service.

The Rationalization Exercise, which was completed in 1993, resulted in (i) the establishment in the MWTC of a new Department of Administration and Centralized Support Services (DOACSS), which took over (a) the Government Garage from DOT; (b) the Security Services and the Provision of Accommodation from the DOW; and (c) the administrative units from the said Departments concerned with finance and personnel; (ii) the reorganization of DOT into four directorates, viz. (a) Directorate: Transportation Infrastructure Maintenance and Construction; (b) Directorate: Planning and Transportation Management; (c) Directorate: Civil Aviation; and (d) Directorate: Maritime Affairs; and (iii) the reorganization of DOW into two directorates. The total establishment of MWTC was fixed at 8 409 posts, with 1 935 in DOW, 3 537 for DOT and 2 937 for DOACSS (see Annex 1). In comparison with the establishment immediately after Independence, the impact of the Rationalization Exercise was marginal, taking into account that DOPAT personnel were transferred out in 1992.

It should also be mentioned that with the reintegration of Walvis Bay on 1 March 1994, the newly established Namibian Ports Authority (Namport), which is a statutory body resorting under the MWTC, took over the operations in the port, including navigation aids along the coast of Namibia. Namport will later also take over the Port of Lüderitz from TransNamib Ltd.

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## 2.2 Swedish Support to the Transport and Communications Sector

Swedish support to the transport and communications sector date back to 1988, i.e. before Independence. The first milestone of this support was the presentation of the report 'Transport and Communications in Namibia' to representatives of the incoming Government at a workshop held between 26-27 January 1990. Some of the issues discussed at this workshop were the need to (i) strengthen the policy-making capacity in the future MWTC; (ii) strengthen the capacity to handle regulatory affairs in the maritime and civil aviation sectors; (iii) convert DOPAT to a state-owned company; and (iv) review a number of transport policy matters.

Swedish support through SIDA to transport and communications since Independence has covered a number of fields, which stemmed directly from the conclusions reached at the afore-mentioned workshop. The commercialization of DOPAT was undertaken with technical assistance provided by SIDA, and support is still being provided in certain areas in order to see through the completion of the transformation process. Support to transport policy formulation resulted, *inter alia*, in the Draft White Paper on Transport Policy (DWP) completed in April 1992, and extensive preparatory work in the field of road taxation. The White Paper, including all its recommendations, was approved by Cabinet on 4 October 1994. Support to the DOT has also involved organizational aspects, including a pre-study of the commercialization of airports and air navigation services. Another area has been assistance concerning the future operations of the Port of Walvis Bay, after reintegration of the Walvis Bay enclave on 1 March 1994, an exercise which involved both organizational and policy formulation work, and which resulted in the creation of Namport.

In addition, since Independence advice of a more general nature has been provided on an ongoing basis concerning transport policy and the future organization of the Ministry, including the relationship between the Ministry and SOEs under its auspices. This advice has focused mainly on the implementation of transport policy, instruments for policy control, the need for personnel development, and the potential for further restructuring of the Ministry. A theme of these discussions between the leadership of the Ministry and the advisers provided under Swedish support has been the need to review organizational aspects related to the operational functions now being performed by MWTC, e.g. in the road sector and civil aviation, and the development of monitoring mechanisms and



regulatory policies to be applied on the existing and possible future SOEs in the transport sector. This need is also emphasised in the White Paper on Transport Policy.

### **2.3 Current Structure and Operational Format of the MWTC; the Main Issues**

Since Independence, a number of significant changes have taken place in the Ministry. In general, the Ministry is today capable of carrying out its obligations in an acceptable way, although efficiency is inadequate in several areas. There is therefore room for considerable improvements. There are also threats to the long-term sustainability of the organization, in view of the problems which the Ministry faces in recruiting adequately trained and competent staff.

The issues which the MWTC need to address in the near future in order to ensure efficiency in its operations and long-term sustainability include:

- (i) The size of its organization. The MWTC is even after the commercialization of DOPAT one of the largest employers in the country, making it a difficult entity to operate. The complexity of this task is magnified by the fact that the Ministry is involved in a multitude of diversified activities, many of which are not repetitive in nature;
- (ii) The mixture of operational and regulatory functions. Most MWTC employees are actually involved in straight forward operational functions such as road maintenance and air traffic control, while a minority is involved in public functions such as planning, regulatory activities and policy formulation. There are two problems associated with this arrangement: (a) Operational functions are undertaken under public sector employment and financial management conditions. (b) Effective control and accountability are undermined. For example, the Director of Civil Aviation (DCA) is both responsible for ensuring aviation safety and the operations of the air navigation services, and is thus charged with inspecting his own operations;
- (iii) The allocation of responsibilities and delegation of authority to managers in the Ministry. As mentioned, the MWTC is actually responsible for large scale operational activities, including the operations of airports, air navigation services (ANS) and the public road network. The resources required for the proper management of these activities are, however, often not

properly coordinated. As concerns the airports, for example, responsibility for the infrastructure vests with the Directorate: Transportation Infrastructure Maintenance and Construction, responsibility for the buildings with the DOW, and the remainder of the operations with the Directorate: Civil Aviation. In addition, many of the administrative matters are under the control of the DOACSS, while personnel matters are effectively controlled by the Public Service Commission and the Directorate: Human Resources Management and Development in the Office of the Prime Minister. The person actually responsible for the operations of the airports in the MWTC has thus virtually no effective power;

(iv) Hidden subsidies of operational activities. The fact that the finances of the MWTC are integral parts of the Central Revenue Fund, so that revenues generated from the Ministry's operational activities accrue to this Fund, implies that it is very difficult to make use of user charging systems and to implement proper cost-recovery policies. Again the civil aviation sector can be used as an example. Namibia today does not operate any system for collecting air navigation charges, thereby losing potential revenues amounting to several millions of Namibian dollars per year. In addition, the actual revenues generated at the airports constitute a small fraction of the actual cost incurred in operating these airports. Presently scarce government resources are therefore being diverted from important areas such as education and health to subsidise the air transport system, which is primarily used by the well-off part of the population and foreigners; and

(v) Inadequate capacity to handle vital policy and regulatory functions. While some improvements have been made in this area since Independence, increasing attention must be paid to the building up of capacity to handle the basic duties of a ministry in several areas. For example, important positions such as the Director of Maritime Affairs remains vacant. And the Ministry lacks competence in such areas as the monitoring and economic regulation of parastatals. It is difficult for the Ministry to build up these basic functions, which are absolutely essential in order to be able to protect the public interest, given the diverse nature of the present responsibilities.

These abovementioned areas of concern therefore identify the following as the main components of the restructuring process that the MWTC will have to undergo:

- (i) Reduction in staff to make it manageable;
- (ii) Clarification of the roles to be played and functions to be performed by various posts and entities in the Ministry;
- (iii) Delegation of authority and identification of responsibilities for clearly specified and logically coherent areas of activity;
- (iv) The provision of commercial services subject to cost-recovery requirements, and within an organizational format that allows for the imposition of user charges; and
- (v) Recruitment of competent staff and the development and implementation of human resources development (HRD) programmes to gradually fill posts in the Ministry required for policy formulation and the performance of regulatory and monitoring functions.

#### **2.4 Ongoing Activities in the MWTC**

The need for continued restructuring of the MWTC is fully recognised by the Ministry, and both its staff and leadership have initiated several exercises aimed at identifying new arrangements which would address the abovementioned issues and which would therefore enhance efficiency. A major strategy perceived as relevant is the continued separation of operational activities from the other activities of the Ministry, by transferring the former to separate entities, generally in the form of a State-Owned Operational Entity (SOOE). This would also be in line with government policy, which places increased emphasis on efficiency attainment in the public sector through the creation of self-sustained entities for operational purposes.

Such self-sustained SOOEs may consist of one of the following:

- (i) An authority, i.e. a corporate body that fulfils both public and operational functions;
- (ii) An administration, i.e. a corporate body for operational purposes, with political control of the financing and basic contents of the operations;
- (iii) A statutory corporation, i.e. a state-owned

commercial undertaking with the same powers as provided for under the Companies Act, but established through a separate legal instrument; and

- (iv) A private or a state-owned company established in terms of the Companies Act.

It must be emphasized that the envisaged restructuring process should be seen as closely linked to an increased emphasis on human resources development (HRD) as constructive human resources development programmes can best be carried out as part of a restructuring process.

To prepare for further reform, the Ministry has initiated or is planning to undertake the following actions which, except where stated, will become integral parts of MWTC2000:

- (i) In 1993 a preliminary study was carried out regarding commercialization of airport operations and air navigation services. The study, which was funded by SIDA, concluded that (a) the operations of the airports and air navigation services should be separated from the other civil aviation functions currently performed by the Ministry; and (b) that consultants should be appointed to undertake an in-depth investigation to determine the most effective organizational structure for the future operations of airports and air navigation services. Terms of reference (TOR) for this full-scale investigation has been prepared. The Ministry has recruited consultants to carry out part of the scope of work of the TOR (Stage 1, i.e. phases 1 to 7 of the TOR). Stage one is now expected to be concluded during the second half of 1995.

- (ii) In 1991, the heavy plant used mainly in road construction and maintenance was transferred to a separate division under Directorate: Transportation Infrastructure Maintenance and Construction, which was established with its own separate operational account. This division now sells machine and related services to other divisions in the Ministry, as a first step to set it up on an independent operational footing. On 29 March, 1994, Cabinet authorized that a full-scale study on the commercialization of this division be carried out. This study is divided into two phases, i.e. evaluation and implementation. Work on the first phase has been initiated, and it is expected that this phase will be concluded before the end of the first half of 1995.

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(iii)Based on initial work done by and recommendations made in the DWP, it was decided to prepare a document on road taxation. During March 1993, Cabinet considered and approved in principle the policy proposal submitted by the Minister entitled 'A Proposed Policy on Road User Charging'. Cabinet subsequently approved the appointment of an Interministerial Committee of Technical Experts on Road User Charging (ICTE), comprising representatives from the Ministries of Finance, Mines and Energy, Regional and Local Government and Housing, Trade and Industry, and Works, Transport and Communication, to further investigate technical, institutional and administrative matters related to road user charges and to make final recommendations in this regard. While the main focus of this work has been on the structure of taxation affecting road users and road use, the institutional aspect associated with road user charges was also reviewed. Initial studies have been made and discussions have been held by the ICTE on linking the payments for use of roads directly to expenditure on road maintenance and construction by means of a road fund. The final report by the ICTE was released in August 1994, and submitted to the five ministers concerned. It is expected that these ministers will now jointly review the document before making recommendations to Cabinet. Support to the work of the ICTE has been provided by SIDA.

(iv)Linked to the previous activity, the Ministry has approached SIDA for support on a National Roads Master Plan study. This study is primarily an institutional study, which would review (a) possible future institutional arrangements in the roads sector; (b) the introduction on a large scale of the execution of road maintenance through contracting (the Ministry has already started on a small scale to contract-out road maintenance rather than do it through force account); (c) the financing needs of the sector in the future; and (d) the potential for self-financed operations through a road fund through the implementation of road user charges. No action has been taken with respect to this study, but SIDA indicated its willingness to consider support to the study during the October 1993 annual sector review.

(v)During June 1993, Cabinet decided that an Investigating and Restructuring Technical Committee, should be established under the Chairmanship of the Deputy

Minister of WTC in order to develop policy recommendations for the restructuring of the Government Garage. The Committee, after having investigated the financial and operational problems of the Government Garage, identified two categories of problems in its report of 1 September 1994, i.e. 'domestic' and 'basic' problems. The solution envisaged for addressing the 'basic' problem is to carry out a study with a view to commercialize the Government Garage, as part of the MWTC2000. Cabinet approved the report and its recommendations at its meeting on 4 October 1994.

(vi) At the end of 1993, the Ministry approached SIDA with a request for assistance to recruit a Director of Civil Aviation (DCA) in terms of the Specific agreement between Sweden and Namibia on direct employment by Namibia of foreign personnel to fill posts of strategic importance in the public service. SIDA agreed to this request and the position was filled as from 1 January 1995. The recruited person will serve for a period of 3 years. It is expected that during this period the DCA will set up the Directorate: Civil Aviation on an operationally self-sustained basis. The emphasis of the DCA's work will be on the regulatory aspects, and to design and develop an appropriate organisational structure for the future civil aviation administration within the Ministry. As concerns the commercialization process of the operational parts of the present Directorate: Civil Aviation, the DCA's role will be primarily that of a facilitator.

(vii) During the review meeting between the Ministry and SIDA in October 1993, the two parties agreed to embark on a human resources development study. This study, which focuses on the needs of the entire transport and communications sector, including the private sector, has an emphasis on both the demand and supply of crucial skills for the sector in the country. The purpose is to identify the main issues with respect to the provision of adequately trained personnel for the sector. The study has a forward looking and long-term perspective and is seen as a prerequisite for the successful implementation of the restructuring of the Ministry. The study was carried out during mid-1994, and a report was released in September 1994. Its findings will be used as an input into the MWTC2000.

(viii) The GRN has expressed a desire to undertake a restructuring of TransNamib Ltd. (TNL), and on

22 November 1994 Cabinet decided that an independent Task Force should be appointed to undertake a review of TNL. This Task Force is expected to be appointed in the near future and will have to complete its work within one year. The main issues with respect to TNL are its inadequate financial performance, and the absence of appropriate instruments provided for in the present legal framework to effect accountability. The inadequacy of the present legislation has also given rise to constraints between the GRN and TNL, essentially as no ownership function is provided for. However, the relationship between a state-owned enterprise and the owner is a general problem, and not specific to TNL. The MWTC2000 will therefore contain a component which will address this specific and related issues such as the economic regulation of state-owned operational entities, and the restructuring exercise with respect to TNL will therefore partly be treated as an integral part of the MWTC2000 component. The work of the Task Force will otherwise be independent of MWTC2000.

(ix) A review of the maritime administration within the Ministry was recently undertaken by a consultant as part of the Norwegian support to the Ministry of Sea Fisheries and Marine Resources. The report released in August 1994 identified a number of shortcomings in the present Division: Maritime Affairs. The report recommended the provision of technical assistance services to strengthen the capacity and build up competence in the Division. Action on this proposal by the Norwegian Administration for Development Assistance (NORAD) is subject to further decisions taken by this Ministry on the need for and scope of assistance. Any possible support in this area will not become an integral part of the MWTC2000, but the results of the support will be utilised in the design of the future MWTC which will result from the restructuring exercise.

(x) One of the proposals of the White Paper on Transport Policy was to introduce a new approach to quality control in the road transport industry. The recommendation which has been accepted by Cabinet was to establish an Operators and Drivers Professional Association (OPDA), which would be run by the operators and the drivers themselves. It would be a self-regulatory body which would also

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be able to perform other public functions as delegated to it by the government. The Ministry has recently initiated work to establish OPDA. While OPDA will be a part of the new arrangements in the transport sector, further work to prepare for OPDA is not an integral part of the MWTC2000, but part of the ongoing transport policy work in the Ministry.

## **2.5 Government Policies on Restructuring and Commercialization**

While the Government has not yet formulated any overall policies with respect to the restructuring of the government, Cabinet has taken a number of decisions which clearly imply that it supports far-reaching reforms (see Section 2.4). Furthermore the White Paper identified the need for new institutional arrangements in the transport sector, and recommended that "The Ministry should initiate a study to review operational and organizational arrangements with respect to roads, airports and air navigation services and formulate regulatory policies to be applied on parastatal companies in the transport sector" (R1.1). This recommendation has been accepted by Cabinet.

The need to restructure the central government is also emphasised in the National Development Plan 1. The NDP1 envisages that (i) the Government will continue to withdraw from activities that can be more effectively undertaken by the private sector; (ii) the ownership, management structure and pricing policies of existing parastatals will be reviewed; (iii) parastatals will become increasingly self-financing or more open to competition, or will be privatised altogether; (iv) the number of civil servants will be reduced; and (v) increasing use will be made of user charging to attain cost recovery.

## **2.6 The Need for the Project**

The Ministry has recently started to review the process for restructuring of its organizational structure for several reasons. One is the sheer magnitude of the task, another is the relationship between the many different ongoing and planned activities and the need for coordination to ensure a proper future institutional structure and phasing of changes, a third is the need for adequate control on part of the management of the Ministry to ensure that the changes are in the interest of Namibia, and in accordance with the Government's policy, and a fourth is the need for adequate coordination with other ministries and initiatives of the GRN in the area of public sector and parastatal reform.



The conclusion of this review is that there is no alternative for the Ministry but to try to push through the restructuring process as an integrated and comprehensive exercise with respect to its transport and communications functions during the next five years. As already indicated, the Ministry is coming under considerable strain, and there is an apparent risk that functions could break down in the coming few years, as a result of the problem of recruiting and retaining competent staff. By formulating a vision, which offers a credible alternative for how to perform the required functions, it should be possible to engage the support of the ministerial staff and also to recruit new staff. Their full involvement is absolutely essential to the success of MWTC2000.

In view of the previous support to the Ministry, as well as the role already played by support from Sweden to the many proposed and ongoing activities related to the restructuring process, preliminary discussions have been held between SIDA and the Ministry on the possible support to achieve a coordinated and adequately controlled restructuring process. The proposed Project would offer a framework and the means for achieving the aims and objectives of the restructuring of the Ministry.

### **3. THE PROJECT**

#### **3.1 Sector and Project Objectives**

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. The means to be used to attain this objective are: (i) Clear definition of roles to be played by and delegation of authority to different actors in the sector. (ii) Robust mechanisms for enforcing accountability. (iii) Clear policies implemented for user-pay charges and cost-recovery with respect to goods and services supplied by SOEs. (iv) Appropriate regulatory mechanism in place aimed at promoting competition and non-dominant behaviour.

The attainment of the objective will be difficult to establish, both on account of measurement problems and the time required before the outputs of the Project yield visible results. It is therefore proposed that the means of verification to be used be in the form of a peer review during Project implementation with the aim of assessing the appropriateness and relevance of the proposed new legal and organisational framework.

Project Objective: The immediate objective of the Project is to strengthen accountability and enhance efficiency of the Ministry, including of the SOEs under its auspices. Some of the indicators that may be used to establish as to whether this objective is being attained are: (i) Significantly reduced appropriations under the transport vote. (ii) Lower costs for maintaining the road network at given standards. (iii) Full cost-recovery obtained in the road sector through the collection of road user charges. (iv) Improved profitability for TNL (or of various business areas of TNL). (v) Lower costs to the state or SOEs for hiring of plant and means of transport. (vi) Implementation of air navigation charges and full cost-recovery policies by a new entity to operate airports and the air navigation services (ANS).

#### **3.2 Project Outputs**

The Project will produce 11 different outputs, which can be grouped into 5 different classes of outputs as shown in Table 3.1; (see also Annex 2 which lists the Objectives, Outputs and Activities of the Project in the form of a Project Matrix, and Annex 3, which sets out the relationship between Outputs, Inputs, Activities and Stages).

**Table 3.1: Project Outputs**

<b>Classes of Outputs</b>	<b>Outputs</b>
Coordination	Coordination
Policies	Policies on the Objectives, Accountability and Monitoring of SOOEs Policies on the Regulation of SOOEs
SOOEs	Airports/ANS Heavy Plant State Roads Government Garage
Road Financing	Road User Charges Road Fund
MWTC	'New MWTC' DOW and DOACSS

The contents of the outputs are envisaged to comprise:

- (i) Coordination: This output, to be produced mainly internally by the Ministry, will ensure that all the other outputs are designed, developed, and implemented, in accordance with the policies of the Government and in line with the implementation schedule set out in this Document, and as modified on an annual basis in the Revised Plan of Operations (see Section 4.1).
- (ii) Development of policies for (a) the objectives, accountability and monitoring; and (b) the regulation of state-owned operational entities: The two outputs will be documented in basic policy documents, to be accepted by Cabinet, and in (draft) legislation, including new and/or amended acts. The documentation will cover the institutional implications of the new policies and will identify feasible approaches for the implementation of recommended new institutional arrangements. Before action is taken by Cabinet, draft policy recommendations will be subjected to a peer review.
- (iii) New State-Owned Operational Entities: The transformation of the following operational activities of the present MWTC to separate and independent

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operational entities, to be appropriately structured, including, where relevant, to be (partly) privatized: (a) airports and air navigation services (air navigation aids and air traffic control); (b) the heavy plant pool; (c) construction and maintenance of those roads which are the responsibility of the State (State Roads); and (d) the Government Garage. Each one of the four outputs includes the establishment of a functional new entity, including the enactment of relevant legislation, the development of a business plan, the establishment of a management structure, the establishment and implementation of management systems, the development and initial implementation of a programme for cost-recovery (not for roads; see below), and the formulation and initial implementation of a human resources development programme, including a plan to promote affirmative action. The output 'State Roads' will also include the design of a programme to train small contractors to undertake maintenance work.

(iv) Road financing: This output class comprises two outputs (a) road user charges; and (b) road fund. The latter is optional and the work on this output will only be undertaken with the consent of Cabinet. The first output will entail the full development and implementation of the policies contained in the report of the ICTE, including required legislative changes and appropriate steps in order to implement the road transit charges of the Preferential Trade Area for Eastern and Southern African States (PTA), and the similar charges currently being contemplated by the Southern African Customs Union (SACU). It is envisaged that the new road user charging policy will be implemented in two steps, an interim phase and a final phase. If a road fund will be considered by the GRN, this output will include all steps required to establish the new financing arrangements, including (a) detailed analysis of delegation, decision-making and accountability; (b) the policies and powers of the fund; (c) the administration of the fund; and (d) the links between the fund and the new organisation for managing the State roads, on the one hand, and the core government structure, on the other. Main policy recommendations with respect to both outputs will be subjected to a peer review before they are submitted to Government for consideration.

(v) Reorganization of the Ministry of Works, Transport and Communication: This class comprises two outputs.

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The first is the development and initial implementation of a new organizational structure for the MWTC ('New MWTC') to handle remaining functions in the transport and communication sectors, which will mainly comprise policy and monitoring work, and regulatory activities (An outline of a possible 'New MWTC' is presented in Annex 4). This Output will be limited to the actual development of an appropriate structure, including manning and job description, but will not include the training of staff, etc. The second Output is the initiation of the transformation of the Department of Works (DOW) and remaining parts of the Department of Administration and Centralized Support Services (DOACSS). This Output comprises proposals for a programme and an implementation framework for the appropriate transformation of the remaining operational activities of the Ministry. The Output is thus limited to the establishment of the initial framework to allow for the implementation of a similar process as for the transport and communication sectors.

### **3.3 Project Activities and Inputs**

In order to produce the Outputs, different types of activities will be required (see Annex 2). Each activity is produced by using various types of inputs, either professional services such as financial advisory, legal advisory, policy advisory and HRD advisory services, or staff inputs of the MWTC, such as the Chief Executive Officer (CEO; see Section 4.1) and other officers. One or several activities will be required to 'produce' a Project Output. Also, each Output will be 'produced' in stages; each stage comprises one or more activities.

The relationship between Inputs, Activities, Stages and Outputs is set out in further details in Annex 3. This Annex also illustrates which kinds of activities that are currently envisaged to be required for each Stage of and Output. It should be mentioned that most Outputs will comprise three Stages: (i) preparatory; (ii) implementation; and (iii) post-implementation, which will focus on HRD activities. It should also be noted that the actual combination of activities to produce an output may have to change due to specific circumstances that might occur during Project implementation. It will be the responsibility of the MWTC2000 Committee (see Section 4.1) to determine the best combination of Inputs to produce the required Outputs, as well as the phasing of various activities as required.

### **3.4 Cost Estimate and Financing Plan**

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The cost estimate for the Project is N\$ 16.0 million in total. This estimate includes technical and price contingencies, as well as a total of N\$0.4 million which are assumed to be disbursed during FY 1994/95, i.e. before the proposed official initiation of the Project on 1 July, 1995. Inflation in Namibian dollars has been assumed to be 8% per annum (For details see Table 3.1 and Annex 5).

It is proposed that Namibia and Sweden share this cost about equally, in that Sweden will make available SEK 16.0 million to the Project from 1 July 1995 to 31 December 1999, and that Namibia will undertake to contribute the balance. Namibia will also be responsible for funding any cost overruns incurred during the implementation process of the MWTC2000, and additional activities which the MWTC2000 Committee (see Section 4.1) may recommend as essential to the completion of the Project on schedule. It is furthermore proposed that the Swedish contribution during each year of the implementation of the Project will not amount to more than 50% of the estimated expenditure in Namibian dollars to be incurred during that year, up to an accumulated maximum level of SEK 16.0 million.

**Table 3.1 Cost Estimate in Thousand Namibian Dollars**

Output	(000 N\$)
Coordination	2 150
Policies (two outputs)	650
Airports and ANS	1 800
Heavy plant	1 300
State roads	2 200
Government Garage	1 000
Road fund and user charges	1 300
New MWTC	800
DOW and DOACSS	400
Total in 1994 prices:	11 600
Price contingencies	2 900
Technical contingencies	1 500
<b>Grand Total</b>	<b>16 000</b>

## **4. PROJECT IMPLEMENTATION**

### **4.1 Implementation Arrangements**

To direct and lead the implementation of the Project, the Ministry will establish a committee, to be known as the MWTC2000 Committee. This Committee will be chaired by the Permanent Secretary, and will have as members concerned senior officials of the Ministry. The Ministry will designate a person to be the secretary of the MWTC2000 Committee. The Minister will authorise the Committee to take all decisions for the finalisation of all the agreed Outputs of the Project. This will include the preparation of implementation schedules, comprising an Annual Plan of Operations and a (Revised) Indicative Plan of Operations until Project completion, the formulation of TOR for consultants, their recruitment, and the supervision and management of their work. The MWTC2000 Committee will come into operation not later than 1 July 1995. (The proposed TOR for the MWTC2000 Committee are in Annex 6).

The Ministry will recruit a Chief Executive Officer (CEO) for MWTC2000 to be responsible for the day-to-day work. The CEO, who will be appointed at least at director's level, will have full powers to execute all decisions of the MWTC2000 Committee. The CEO will act in terms of an authority and TOR issued by the Minister and will report on a day-to-day basis to the Permanent Secretary, and to the MWTC2000 Committee. The CEO will be appointed not later than 30 June, 1995. During the period from 1 May, 1995 until the CEO takes up his/her position, the Ministry will appoint an acting CEO. Outline TOR for the CEO are at Annex 6. The CEO will be assisted by an Administrative Officer; (see further Section 4.5). It is proposed that the MWTC may recruit the CEO and/or the Administrative Officer under the Specific Agreement between Namibia and Sweden on the direct employment by Namibia of foreign personnel to fill posts of strategic importance to the public service, and will consult with SIDA prior to the appointment of a person in these positions.

Many of the issues to be dealt with as part of the restructuring process are of a general nature which do not affect the Ministry alone but also other ministries. To ensure uniformity in approach there is a need for coordination. It is therefore proposed that the Government establish an advisory committee, preliminarily called 'Advisory Committee on the Commercialization of Operational Activities in the GRN' (ADCOM), to be charged with this coordinating function. The ADCOM would have the role of overseeing the work of individual ministries, and would be responsible for ensuring a coherent and consistent policy with respect to (i) operational activities in the GRN; (ii) their transformation to SOEs (including, where

appropriate, privatisation); and (iii) the objectives, accountability, monitoring and regulation of SOEs. The need for the ADCOM reflects the condition that there is at present no department within the Government charged with the responsibility of overseeing and monitoring SOEs (as can be found in other countries). ADCOM could therefore be seen as the first step towards the establishment of such a function within the Government. This body will report to Cabinet and will consist of PS's or knowledgeable persons from key economic ministries, and also representatives from the private sector. It is envisaged that the Government will have to establish a small secretariat of professional staff to service the ADCOM. It is recommended that Government appoint all members of this Committee not later than 30 September 1995.

It is envisaged that the MWTC2000 Committee will relate to the ADCOM on a continuous basis. All issues of a policy nature, which affect not only the Ministry but also other ministries, will have to be submitted to the ADCOM for clearance before they can be submitted to Cabinet for final decision.

For the final preparation of the establishment of a new SOE, an interim board will normally be appointed. The MWTC2000 Committee will be responsible for determining at what time such interim boards should be established, and will, after consultation with the ADCOM, submit proposals to the Minister for their appointment, including proposals on suitable members and TOR. The MWTC2000 Committee will also make proposals to the Minister for the establishment of similar executive committees for the final implementation of other approved restructuring actions.

Officials from DOW and DOACSS will at all times be members of the MWTC2000 Committee, and will be expected to submit issues and position papers concerning the future restructuring of their departments for consideration by the Committee.

#### **4.2 Implementation Schedule**

Implementation of the Project commences with the establishment of the MWTC2000 Committee by 1 July, 1995, with the final completion set for 30 December 1999, when it is expected that all new organisational arrangements will have been put in place, including the restructured MWTC with respect to transport and communication. At this stage the restructuring of DOW and the remaining parts of DOACSS will also have commenced.

Below follows an Indicative Plan of Operation until Project Completion; further details are in Annex 7. In terms of this Plan, the activities of the MWTC2000 will include the following stages during the first year of



operation (until March 1996):

1. Take over the overall management of the Study of Commercialization of Airports and ANS, including completion of the first stage of the study (Phases 1 to 7 of the TOR for the Study), and the initiation of the second stage of the Study (These two stages are identical to the two first stages of the Airport/ANS Output).
2. Take over the overall management of the Study of the Heavy Plant Pool, including the completion of the first phase and the initiation of the second phase of this Output (These two phases are identical to the two first stages of the Output Heavy Plant).
3. Recruit the CEO, appoint the Administrative Officer, and establish the MWTC2000 Committee (Coordination Output).
4. Recruit consultants to prepare policy documents on the objectives, monitoring and regulation of state-owned operational entities. Initiate amendment to or the drafting of new legislation. Submit to ADCOM and Cabinet for approval (Stage one of Policies Output.)
5. Work out and implement an interim road user charging policy (stage one of the Road Financing Output).
6. Draw up an overall strategy for the restructuring of the roads sector, including the implementation of road user charges and possibly of a road fund. The purpose of the strategy is to identify how the restructuring shall be accomplished (Stage 1 of the State Roads Output).

During the second year (FY 1996/97), the following stages are envisaged to be under implementation:

7. Implementation of new arrangements for airports and ANS (completion of the second stage and initiation of the third stage of Airports/ANS Output).
8. Implementation of new arrangements for the heavy plant pool (completion of the second stage and initiation of the third stage of the Heavy Plant Output).
9. Finalisation of approval of new legislation for state-owned operational entities (end of the second stage of Policies Output).
10. Detailed Study for the implementation of new arrangements in Roads Sector completed (end of second stage of State Roads Output).

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11. Detailed study for the future of the Government Garage completed (end of first stage of the Government Garage Output).

During the third year (FY 1997/98), the following stages are envisaged to be under implementation:

12. Study on the new organization of the MWTC (first stage of 'New MWTC' Output)

13. Implementation of new arrangements for airports and ANS (third and final stage completed);

14. Implementation of new arrangements for heavy plant pool (third and final stage completed).

15. Implementation of new arrangements for the Government Garage (second stage of Output).

16. Implementation of new arrangements in the road sector (third stage of Output State Roads completed).

17. Preparatory study for the implementation of road user charges and a road fund (second stage of Road Financing Output).

18. Preparatory study with respect to DOW and DOACSS (first stage of Output DOW & DOACSS).

During the fourth year (FY 1998/99), the following stages are envisaged to be under implementation:

19. Implementation of new arrangements in the road sector (fourth and final stage)

20. Implementation of road user charges and road fund (completion of third stage)

21. Implementation of new arrangements for the Government Garage (third and final stage).

22. Implementation of new arrangement for MWTC; (completion of second stage).

23. Policy and strategy formulation for DOW and DOACSS (completion of stage two).

During the fifth and final year (FY 1999/00), the following stages are expected to be under implementation:

24. Implementation of road user charges and a road fund (fourth and final stage)

25. Implementation of new arrangement for MWTC (third and final stage).

26. Initiation of implementation of new arrangements for DOW and DOACSS (third stage).

### 4.3 Procurement Rules and Disbursement

The recruitment of the CEO and the Administrative Officer will be done in terms of the Specific agreement between Namibia and Sweden on direct employment by Namibia of foreign personnel to fill posts of strategic importance in the public service, unless Namibia decides to recruit locally on terms and conditions of the Namibian public service.

Procurement of consultancy services will be done by the MWTC2000 Committee in terms of Namibian government procurement rules, subject to the conditions set out in the General Agreement on Terms and Procedures of Development Cooperation dated 19 October, 1990. All contracts will be signed and managed by the Ministry. Disbursements of funds made available by Sweden shall be made in accordance with the Agreements on Development Cooperation between Sweden and Namibia in force during the period of the proposed Project.

The expected disbursement schedule for the project is set out in Table 4.1. It is assumed that Sweden will be prepared to also finance part of the cost of the activities which are already in the process of being initiated and which will result in costs before the official initiation of MWTC on 1 July, 1995.

**Table 4.1: Disbursement of Total Funds and Swedish Funds during the Period of Implementation (M N\$ or M SEK)**

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Year	Total Funds (M N\$)	Swedish Funds (M SEK)
1994/95	0.4	0.4
1995/96	2.5	2.5
1996/97	3.5	3.5
1997/98	4.1	4.1
1998/99	3.7	3.7
1999/00	1.8	1.8
<b>Total</b>	<b>16.0</b>	<b>16.0</b>

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### 4.4 Budgeting, Accounting and Auditing

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The Ministry will budget annually for the entire cost of the Project, including the proposed Swedish contribution. The budgets will be prepared on the basis of an agreement reached between Namibia and Sweden during the Annual Sector Review for the Transport Sector, which will take place during the month of November. During this Review the two parties will agree on an Annual Plan of Operations for the following FY, including main activities to be undertaken, and the estimated costs for both countries. They will also agree on a Revised Indicative Plan of Operations until Project Completion (as illustrated by Annex 7). The preparation of the Annual Plan of Action and the Revised Indicative Plan of Operations will be the responsibility of the MWTC2000 Committee.

Separate accounts will be maintained for the Project by the Ministry. As provided for in the General Agreement on Terms and Procedures of Development Cooperation dated 19 October, 1990, SIDA will at any time have the right to undertake an audit of the Project accounts.

#### **4.4 Performance Indicators**

A complete list of the performance indicators, and the means of verification to be used, are in Annex 2. The performance indicators as spelled out for the Sector Objective and the Project Objective are also set out in Section 3.1

Some of the indicators are related to the completion of various actions by the Ministry and the Government under the project. Critical such completion dates are listed and considered further in Section 5.3.

#### **4.5 Project Monitoring and Reporting**

The MWTC2000 Committee will prepare quarterly and annual reports on the progress of the Project, to be submitted to the Minister and SIDA, not later than 45 days after the end of the quarter or year. The report will contain information on, *inter alia*, progress of Project implementation, disbursements, achievements in terms of relevant performance indicators and problems encountered. Within 30 days of receipt of such Reports, the Minister and SIDA will meet to evaluate the report, and will after all such meetings submit their comments in writing to the MWTC2000 Committee.

At the completion of the Project at the end of 1999, the MWTC2000 Committee will submit an extensive Project completion document, with financial statements and a service performance statement with respect to relevant performance indicators of the Project.

To assist with compiling the required information and to

ensure its integrity, the Ministry will provide an adequately proficient Administrative Officer to work on a regular basis for the CEO. This Administrative Officer will also be responsible for the day-to-day management of all contracts entered into for the implementation of the Project. He/She will take up position not later than 1 July, 1995.

## **5. PROJECT EVALUATION**

### **5.1 Main Benefits of Project**

The economic benefits of the Project are primarily to be found in (i) reduced costs for maintaining the road network of Namibia; (ii) better utilization of the assets used by the railway, air transport operators and road transport operators; (iii) better utilization of the assets under the control of Division: Plant and Equipment (the Heavy Plant) and the Government Garage; (iv) increased revenues to Namibia from the imposition on foreign operators of user charges for flying through Namibian air space or for making use of Namibian roads; and (v) higher quality services being produced by the MWTC. It is not possible to quantify the value of these benefits. However, considering the potential for cost savings in road maintenance activities and revenues generated through the imposition of air navigation charges alone, the Project should be able to generate benefits already in the year 2000 which are larger than the total estimated cost of the Project.

The burden on the Central Revenue Fund will be reduced significantly through the Project. This will be accomplished through (i) a reduction of hidden subsidies to airports and ANS; (ii) reduced costs for making use of heavy plant and means of transport; (iii) reduced costs for maintaining roads; (iv) increased revenues through the imposition of road user charges; and (v) reduced costs for operating the MWTC, also after taking into account the transferring of staff to SOOEs. If a road fund is established, the revenues from the road user charges will not accrue to the Central Revenue Fund, but (almost) all the expenditure on maintenance and construction of roads will then also not burden the Central Revenue Fund.

### **5.2 Other Impacts of Project**

The Project will likely lead to a need to reduce the employment of staff in the public sector (including in SOOEs). It cannot be ruled out that it may become necessary to undertake retrenchments.

The Project is essentially a large-scale institution building exercise. It will entail the establishment of new structures which will be more client oriented, and which will therefore have to place greater emphasis on the development of their staff. It is expected that the Project thus will speed up the implementation of creative affirmative action programmes, which will be in the interest of the less advantaged groups in Namibia.

The implementation of new arrangements in the road sector will likely have an important impact on the structure of

the contracting industry, and its method of work. It is thus envisaged that (almost) all work after the reform of the State road sector will be contracted out, which will offer numerous opportunities for small-scale contractors. These contractors will find it advantageous to employ more labour-intensive techniques than normally used to date, both on account of the smaller capital needs when undertaking work in this way, but primarily as it will often prove cost-effective.

### 5.3 Risks and Risk Mitigation Measures

Two types of risks are associated with the Project, those which can be managed and controlled as part of Project preparation and implementation, and those which are genuine risks, and essentially beyond control. The latter type of risks are referred to as external factors in this Document Relevant such factors are identified in Annex 2.

The following risks of the first type can be identified. The proposed risk mitigation actions are set out after each factor has been indicated:

1. Inadequate funds made available for the full completion of the Project. **Risk Mitigation Measure:** A Specific Agreement to be signed for the Project, requiring Sweden to finance SEK 16.0 million and Namibia the balance between N\$ 16.0 million and SEK 16.0 million. The Specific Agreement will also require Namibia to finance possible cost overruns, on account of activities which are deemed essential for the timely completion of the Project. The Specific Agreement will furthermore require that the Ministry and SIDA each year agree on a Plan of Operations and associated estimated financial requirements for the following financial year during SIDA's Annual Sector Review.
2. Delays in the appointment of (i) the MWTC Committee (1 July, 1995); (ii) the Acting CEO (1 May, 1995); and (iii) the Administrative Officer to work for the MWTC2000 Committee (1 July, 1995). **Risk Mitigation Measure:** Initiation of Swedish disbursements under the Project (with the exception of activities initiated during FY 1994/95) will be conditional on that appropriate action will be taken on all these matters.
3. Delays in the appointment of (i) the CEO (1 July, 1995); and (ii) the Advisory Committee on the Commercialization of Operational Activities in the GRN (ADCOM) (30 September, 1995);. **Risk Mitigation Measure:** Sweden will not disburse any money during the second year of the Project, except for Project activities already underway, until the CEO has taken up his/her position and the ADCOM has been established and come into operation.

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4. Appointment of an adequately competent CEO and Administrative Officer. **Risk Mitigation Measure:** SIDA will be appropriately consulted before the recruitment of the CEO and the Administrative Officer. The CEO will be appointed at least at director's level.
5. Inadequate powers given to the MWTC2000 Committee and the CEO. **Risk Mitigation Measure:** The TOR for the Committee and the CEO will form integral parts of the Specific Agreement.
6. Misunderstanding regarding the objectives, outputs, activities and inputs of the Project. **Risk Mitigation Measure:** The Project Matrix in Annex 2 shall be an integral part of the Specific Agreement.
7. Inappropriate policies and institutional arrangements proposed. **Risk Mitigation Measure:** A peer review mechanism will be part of the Project. One or two internationally recognized experts will be recruited to review proposals made with respect to policies and draft legislation for (i) the objectives, accountability, monitoring and regulation of State-owned operational entities; (ii) the future institutional arrangement in the road sector, including road user charging and the possible establishment of a road fund; and (iii) the future organizational arrangements in the MWTC.



## Annex 1: Current Structure and Manning of MWTC

<u>Vacancies</u>	<u>Positions</u>
<b>1. DEPARTMENT OF TRANSPORT</b>	
<b>Directorate Planning &amp; Transport Management</b>	<b>187</b>
- Division Road Transport and Regulatory Services	57
- Division Transport Management	19
- Division Transport Infrastructure Planning and Design	33
- Division Construction Materials and Road Management Systems	80
<b>Directorate Transport Infrastructure Maintenance and Construction</b>	<b>2789</b>
- Division Maintenance Roads and Aerodromes - North	
- Division Maintenance Roads and Aerodromes Central/South }	2239
- Division Construction and Rehabilitation	242
- Division Plant and Equipment	308
- Division Administrative Support	
<b>Directorate Civil Aviation</b>	<b>538</b>
- Division Aviation Safety and Security	
- Division Aviation Administration and Navigation Facilities }	493
- Division Meteorological Services	45
<b>Directorate Maritime Affairs</b>	<b>23</b>
- Division Policy and Standards	
<b>TOTAL DEPARTMENT</b>	<b>3537</b>
<b>2. DEPARTMENT OF WORKS</b>	
<b>TOTAL DEPARTMENT</b>	<b>1935</b>

**3. DEPARTMENT OF ADMINISTRATION AND  
CENTRALIZED SUPPORT SERVICES**

<b>Directorate Administration</b>	<b>332</b>	<b>135</b>
- Division Finance	121	48
- Division Personnel	64	23
- Division Management Support and Auxiliary Services	146	64
<b>Directorate Centralized Support Services</b>	<b>2604</b>	<b>813</b>
- Division Air Transport Services	11	5
- Division Government Garage	516	226
- Division Centralized Services	2076	582
<b>TOTAL DEPARTMENT</b>	<b>2937</b>	<b>948</b>

## Annex 2: Project Matrix

**Sector Objective:** To enhance the efficiency of the transport and communication sectors. **Indicators:** (i) Clear definition of roles to be played by and delegation of authority to different actors in the sector. (ii) Robust mechanisms for enforcing accountability. (iii) Clear policies implemented for user-pay and cost-recovery with respect to services and goods supplied by state-owned operational entities. (iv) Appropriate regulatory mechanism in place promoting competition and non-dominant behaviour. **Means of verification:** Evaluation of appropriateness of new legal and organisational framework by external and independent experts (peer review). **External factors:** Appropriate decisions by Cabinet and National Assembly on basic policy issues, taking into account impact on other sectors of the economy.

**Project objective:** To strengthen accountability and efficiency of the MWTC, including of operational entities under its auspices. **Indicators:** (i) Significantly reduced appropriations under the transport (and communication) vote. (ii) Lower costs for maintaining the road network at given standards. (iii) Full cost-recovery obtained in the road sector through the collection of road user charges. (iv) Improved profitability for TransNamib Ltd. (TNL). (v) Lower costs to state or SOOEs for hiring of plant and transport means. (vi) Implementation of air navigation charges and full cost recovery policies by new SOOE to operate airports and the air navigation services (ANS). **Means of verification:** (i) Annual budgets and reports by the Auditor General. (ii) Road Maintenance Management System. (iii) Financial statements for new agency to operate the state road network. (iv) Financial statements for TNL or new entities formed from TNL. (v) A comparison of prices of hiring plant and means of transport before and after change. (vi) Annual report and financial statements from new SOOE to operate airports and air navigation system. **External factors:** Adequate capacity in other departments of the GRN to take timely action, including to process and implement policy decisions.

### Outputs:

1. Coordination. **Indicators:** Timely production of the Outputs of the Project. **Means of verification:** Comparison of actual dates of completion of Outputs with target dates indicated in Implementation Schedule in this Document, and (Revised) Plans of Operation. **External factors:** Acceptance of other concerned government departments of the timely appointment of selected candidates as CEO and administrative officers.
2. Policies with respect to (a) the objectives, account-

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ability and monitoring; and (b) the regulation of state-owned operational entities; (two outputs). **Indicators:** Acceptance by Cabinet of new policies. **Means of verification:** Assessment of appropriateness and relevance of new policy and legal framework through peer review, and enactment of new legal instruments. **External factors:** Coordination with and action by other ministries and ADCOM.

3. State-owned operational entities established for roads, airports, air navigation services, the heavy plant pool and the Government Garage; (four outputs). Where relevant and appropriate, part of operations privatised. **Indicators:** Decisions taken by Cabinet and/or National Assembly. **Means of verification:** Boards and managing directors or general managers appointed. Sales effected. Peer review of appropriateness and relevance of new institutional arrangement for State Roads. **External factors:** Political preparedness to accept (i) appropriate arrangements to handle the operations of roads and airports motivated on social grounds; (ii) the adoption of a policy to privatise operations for which there is a competitive market; and (iii) necessary retrenchments.

4. Road user charges. **Indicators:** Decision taken by Cabinet and National Assembly to implement first interim road user charges for charging for road use, and subsequently a full new system of road user charges. **Means of verification:** New charges for use of vehicles implemented through a new structure of levies on fuel, and/or the introduction of a weight-distance tax/charge for heavy vehicles and/or a new structure of vehicle licence fees. **External factors:** The possibility of implementing a cost-effective road user charging system for heavy vehicles, from an administrative and technical point of view. The integration of a Namibian road user charging system with the PTA road transit charges, and the equivalent charges currently being studied within SACU.

5. Road fund. **Indicators:** Decision taken by Cabinet and National Assembly to establish a road fund for financing the road network. **Means of verification:** Assessment of appropriateness and relevance of new policy and legal framework through peer review, and enactment of new legal instruments. Establishment of road fund administration. **External factors:** Political preparedness to accept financing of roads by a dedicated road fund and to implement appropriate measures to safeguard the integrity of the fund.

6. New organisational structure for MWTC ('new MWTC'). **Indicators:** Decision taken by Cabinet on slimmed down

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MWTC. **Means of verification:** Peer review of appropriateness and relevance of proposed new organisation structure. Decision taken to appoint new staff in key positions. **External factors:** The recruitment of adequately competent staff for MWTC on terms and conditions of the public service

7. Initiation of the Transformation of the Department of Works and remaining part of the Department of Administration and Centralized Support Services. **Indicators:** Decision taken to formulate a programme for the restructuring of these parts of MWTC, with the aim of commercializing and privatising operational functions. **Means of verification:** The appropriation of funds to finance required studies, etc. **External factors:** Political preparedness to consider a full-scale reform of primarily the DOW.

**Main activities:**

1. Coordination, TOR, Direction and Information. **Input:** MWTC staff time (MWTC2000 Committee, Chief Executive Officer and Administrative Officer) and consultancy services. **External factors:** The effective functioning of ADCOM.
2. Preparatory Studies. **Input:** Consultancy services. **External factors:** Availability of adequately competent consultants.
3. Interim Board and their activities. **Input:** Time of individuals serving on the interim boards. **External factors:** The identification of a sufficient number of willing and adequately experienced and connected persons in Namibia.
4. Legal Documents. **Input:** MWTC staff time and consultancy services. **External factors:** Proper coordination with existing legal framework, including amendments of other acts. Adequate support from other government departments.
5. Opening balance sheets for new SOOE. **Input:** Consultancy services. **External factors:** Relevant method for evaluating assets and adequate data for undertaking the valuation.
6. Recruitment and retrenchment of staff. **Input:** Consultancy services. **External factors:** Government policies on recruitment and retrenchment.
7. Appointment of management and boards. **Input:** Consultancy services. **External factors:** Availability of suitably qualified persons in Namibia.

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8. Formulation of human resources development programmes.  
**Input:** Consultancy services. **External factors:** Government policies on affirmative action.
9. Execution of sales. **Input:** Consultancy services. **External factors:** Market demand for assets to be sold.
10. Systems Development. **Input:** Consultancy services and management systems. **External factors:** Availability of appropriate systems (primarily as concerns a new SOOE for State Roads, new road user charges and a possible road fund).
11. Peer review. **Input:** Time of individuals and/or consultancy services. **External factors:** The identification of suitably qualified persons to serve as peers.

### **Annex 3: Relationship between Outputs, Stages, Inputs and Activities**

#### **A. Inputs**

There are four types of inputs:

- I1 MWTC Staff Time
- I2 Consultancy Services (including financial advisory, legal advisory, policy advisory and HRD advisory services)
- I3 Time of Other Individuals (including from the private sector)
- I4 Management Systems

#### **B. Activities**

Inputs are required to 'produce' activities. The following activities can be identified:

<b>Activities</b>	<b>Inputs required</b>
A1 Coordination, TOR, Direction & Information	I1, I2
A2 Preparatory Studies	I2
A3 Interim Boards	I1, I2, I3
A4 Legal Documents	I1, I2
A5 Opening Balance	I2
A6 Recruitment & Retrenchment	I2
A7 Appointment of Management & Boards	I1, I2
A8 HRD Programmes	I2
A9 Execution of Sales	I2
A10 Systems Development	I2, I4
A11 Peer Review	I2, I3

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C. Outputs and Stages

Outputs group into Classes of Outputs. To produce an Output requires several stages. In each stage one or more activities will be required as illustrated by the table below.

Classes of Outputs	No of Stages	Activities required in each Stage				
		S1	S2	S3	S4	
OC1 Coordination	01 Coordination	Ongoing	A1 (ongoing)			
OC2 Policies	02 SOOEs-policy	2	A2	A2,A4,A11		
	03 SOOEs-regulation	2	A2	A2,A4,A11		
OC3 SOOEs	04 Airports/ANS	3	A2	A2-A8,A10	A6-A8,A10	
	05 Heavy Plant	3	A2	A2-A10	A6-A10	
	06 State Roads	3	A2	A2	A2-A8,A10,A11	A6-A8,A10
	07 Gov't Garage	3	A2	A2-A10	A6-A10	
OC4 Road Financing	08 Road User Charges	3	A2	A2,A4,A10,A11	A2,A4,A10	
	09 Road Fund	3	A2	A2-A11	A6-A8,A10	
OC5 MWTC	010 'New MWTC'	3	A2	A6,A8,A10,A11	A6,A8,A10	
	011 DOW & DOACSS	3	A2	A2	A2-A9(?)	?

**Error! Unknown switch argument.**

#### **Annex 4: Envisaged Future Structure and Manning of MWTC**

The attached Figure A4.1 shows one possible future structure for MWTC, once the MWTC2000 Project has been completed. It should be seen as an example for illustrative purposes and not as a recommendation. This organisational structure envisages that also DOW and DOACSS have been reformed. (In the event that these two Departments still exist, these will report separately to the Permanent Secretary.) The total professional staff of MWTC is expected to be less than 100 persons, and the total establishment of MWTC would be less than 150 positions.

The 'New MWTC' would consist of one Staff Function (the Corporate Function) and three Departments. The Staff function would mainly be concerned with the development and operations of the MWTC itself, but would also contain 'Information', i.e. contacts with the public, and public relations. The Regulations Department would be concerned with the administration of the existing legislation pertaining to safety and the environment; the Contracts and Monitoring Department would be responsible for negotiating and monitoring agreements with the administrations under the auspices of the Ministry (see below), and also contracts for the provision of possible subsidies to e.g. airports, sea navigation facilities and the railways, as well as self-regulatory bodies under the supervision of the Ministry, for example the Operators and Professional Drivers Association (OPDA). This Department would also collect and collate data and statistics of relevance to the transport, communications and works sectors in general and its functions in particular. The Policy Department would be responsible for all bilateral and multilateral negotiations concerning economic regulatory regimes, and would have the overall responsibility for providing policy advice and drawing up new legislation.

There would be three types of independent bodies under the Ministry, viz. administrations, commercial entities (including authorities) and self-regulatory organisations. Administrations would be characterized by not being self-financing. The new entity to be made responsible for state roads is envisaged to be an administration. It would obtain its resources either from the Central Revenue Fund or from a dedicated Road Fund. The envisaged Namibian Road Administration would be a planning and executing organisation, and would not, in principle, have any powers of a public nature (authority powers). It would have to negotiate an agreement every year with the Ministry. It is possible that it may be necessary to create an administration also for meteorology.

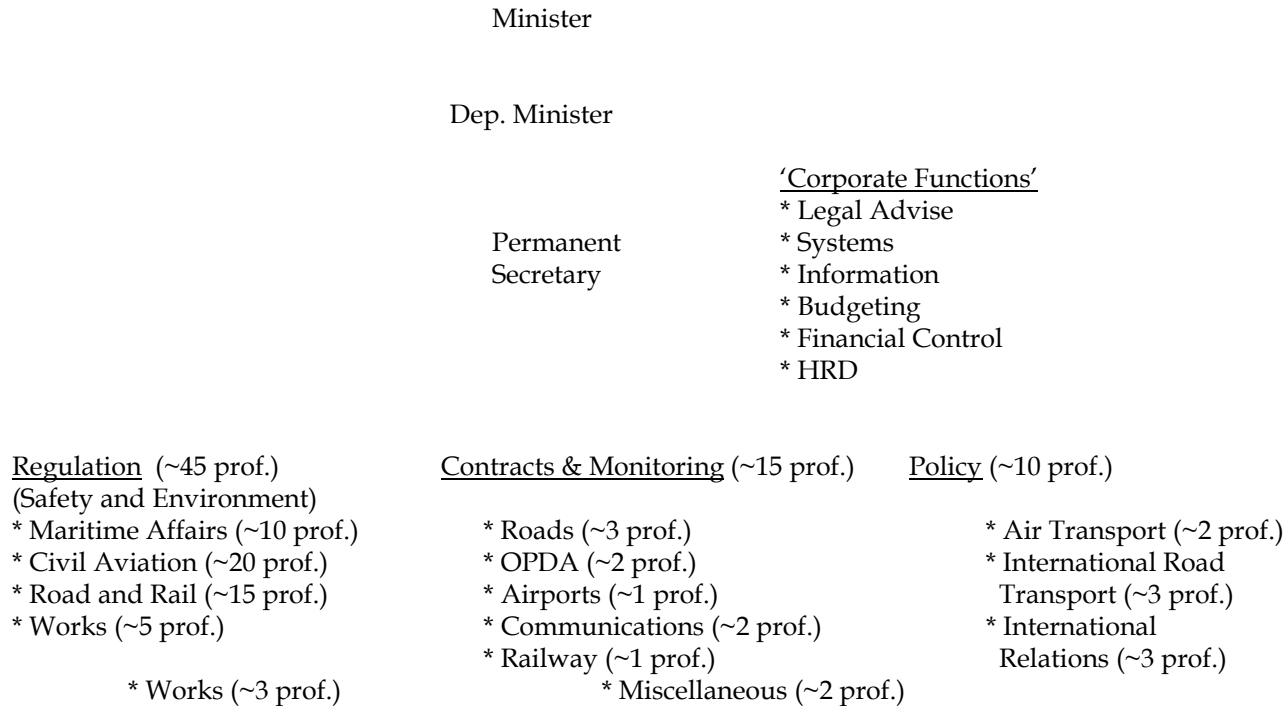
It would likely also be necessary to establish an administration for operating a road fund. However, this administration would then be under the supervision of the

Ministry of Finance.

The commercial entities have four types of interface with the government: (i) the ownership function; (ii) safety and environmental control; (iii) subsidies; and (iv) economic regulation. Functions (ii) and (iii) will be performed by respectively the Regulations Department and the Contracts and Monitoring Department of the Ministry. The two other functions, and the role to be played by the Ministry in the performance of these functions will be studied as part of the Policies Output of the Project. The listed commercial entities should, of course, be seen as tentative.

The third type of organisation are the self-regulatory bodies. Cabinet has already taken a decision on the establishment of OPDA. It is possible that it may also be necessary to transfer certain powers to a similar body for non-commercial road traffic (a Road Safety Board), in order to stimulate community involvement in road safety work. The self-regulatory bodies will be supervised by the Regulation Department as concerns safety and environmental aspects. The Contracts and Monitoring Department will have to negotiate agreements with such organisations in order to agree on certain standards of performance and possibly for the provision of subsidies.

**Figure A4:1: Envisaged Future Structure and Manning of MWTC**



1. Administrations: Namibian Road Administration (A possible Namibian Road Fund Administration would report to the Ministry of Finance. Possibly a Namibian Meteorological Administration)

2. Commercial Entities: TNL, Telecom Namibia, Namibia Post, Namport, Airports and ANS, Heavy Plant, Government Garage, (Following interface with core government: (i) Financial performance monitoring ('ownership function'); unclear; (ii) subsidies via 'Contracts & Monitoring'; and (iii) safety and environmental regulation via 'Regulations')

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3. Self-regulatory bodies: Operators and Professional Drivers Association; possibly a Road Safety Board of Namibia.

**Error! Unknown switch argument.**

Annex 5: Details of Cost Estimate (thousand Namibian dollars)

Output/Financial Year	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	Total	Comments
1. Coordination	400	500	500	500	250	2150		Continuous
2. Policies		350	300				650	Two Stages
3. Airports/ANS	200	700	600	300			1800	Three Stages
4. Heavy Plant	200	400	400	300			1300	Three Stages
5. State Roads		100	500	800	800		2200	Four Stages
6. Government Garage			400	300	300	1000		Three Stages
7. Road Financing			100		300	500	400 1300	Four Stages
8. 'New MWTC'					300	300	200 800	Three Stages
9. DOW & DOACSS						100	100 200	400 Indicative
Total Base Cost*	400	2050	2700	2900	2500	1050	11600	
Price Contingencies☼		200	500	800	900	500	2900	
Technical Contingencies#			250	300	400	300	250	1500
Grand Total	400	2500	3500	4100	3700	1800	16000	

\* Estimated in 1994 prices

☼ Namibian inflation is assumed to be 8% p.a.

# On average 10% of base cost plus price contingencies

**Error! Unknown switch argument.**

## **Annex 6: Outline TOR for the MWTC2000 Steering Committee and the CEO**

### **1. MWTC2000 Steering Committee**

Members: The Permanent Secretary, MWTC, Chairperson, Dep. Permanent Secretary, MWTC, Heads of Departments, Director Policy & Planning, CEO

Duties:

- \* Approves TOR for consultants and peers
- \* Approves recruitment of consultants and peers
- \* Directs consultants
- \* Approves consultancy reports (except reports by peers)
- \* Approves the (Revised) Plan of Operations, including budgets, as well the (Revised) Indicative Plan of Operations until Project Completion
- \* Approves quarterly, annual and Project Completion reports
- \* Decides on how to process policy matters through consultation with ADCOM and the Minister of WTC
- \* Formulate TOR and recruit members of interim boards and other executive committees required for implementation of approved arrangements
- \* Monitors progress of work and take appropriate action if warranted
- \* Monitors project financing and take appropriate action if warranted
- \* Monitors the work of the CEO

### **2. Chief Executive Officer**

Reporting relationship: The CEO report to the MWTC2000 Committee, and on a day-to-day basis to the Permanent Secretary, MWTC. The Administrative Officer reports to the CEO.

Duties:

- \* Prepares TOR for consultants and peers
- \* Recruits consultants and peers, and manages the contracts
- \* Supervises the work of consultants

**Error! Unknown switch argument.**

\* Reviews reports prepared by consultants

\*Prepares required documentation for consideration by the MWTC2000 Committee with respect to the conclusion of consultancy studies, quarterly reports, annual reports and Project Completion report.

\*Drafts Annual Plans of operation and (Revised) Indicative Plans of Operation until Project Completion

\*Monitors Project implementation in terms of Annual Plans of Operation and (Revised) Indicative Plans of Operation until Project Completion.

\* Prepares issues and position papers for consideration by the MWTC Committee as required

\* Undertakes other assignments as required by the Permanent Secretary and/or the MWTC Committee.

\*Liaise with ADCOM and other government departments to facilitate decision-making and action.



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## Annex 7: Indicative Plan of Operations until Project Completion

Output/Financial Year	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
Coordination						
* CEO		xx				
□ MWTC Committee		xx				
□ Admin. Officer		xx				
# ADCOM		xx				
2. Policies	TOR	S1	S2			
	Ixx	xxxxxxxxI	xxxxxxxxI			
3. Airports/ANS&	S1	S2	S3			
	IxxxxxI	xxxxxxxxI	xxxxxxxxI			
4. Heavy Plant&	S1	S2	S3			
	IxxxxxI	xxxxxxxxI	xxxxxxxxI			
5. State Roads	S1§	S2	S3	S4		
	IxxxxxI	xxxxxxxxI	xxxxxxxxI	xxxxxxxxI		
6. Government Garage	TOR	S1	S2	S3		
	IxxxI	xxxxxxxxI	xxxxxxxxI	xxxxxxxxI		
7. Road Financing	S1%		S2	S3	S4	
	IxxxxxxI		xxxxxxI	xxxxxxxxI	xxxxxxI	
8. 'New MWTC'			TOR	S1	S2	S3
			IxxxI	xxxxxxxxI	xxxxxxxxI	xxxxxI
9. DOW & DOACSS				S1§	S2	S3
				IxxxxxI	xxxxxxxxI	xxxxxxI

- \* The CEO will take up position not later than 1 July 1995. From 1 May till that date an acting CEO will be in place.
- The MWTC Committee and the Administrative. Officer will start on 1 July 1995 and will be in place until the end of MWTC2000.
- # The ADCOM will come into operation on 1 October 1995 and will be in place for most of the period of MWTC 2000.
- & TOR for stages 1 and 2 have been prepared.
- § Strategy study plus TOR for stages 1 and 2 plus TOR for stages 2 and 3 of the Output Road Financing.
- % Interim road user charges. TOR for other stages of Road Financing Output prepared in Stage 1 of State Road Output.
- § Stage 1 is envisaged to comprise a strategy study plus the preparation of TOR for Stages 2 and 3.

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Note: TOR for the last stage (normally S3 but sometimes S4), will be prepared as part of the previous Stage.

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