

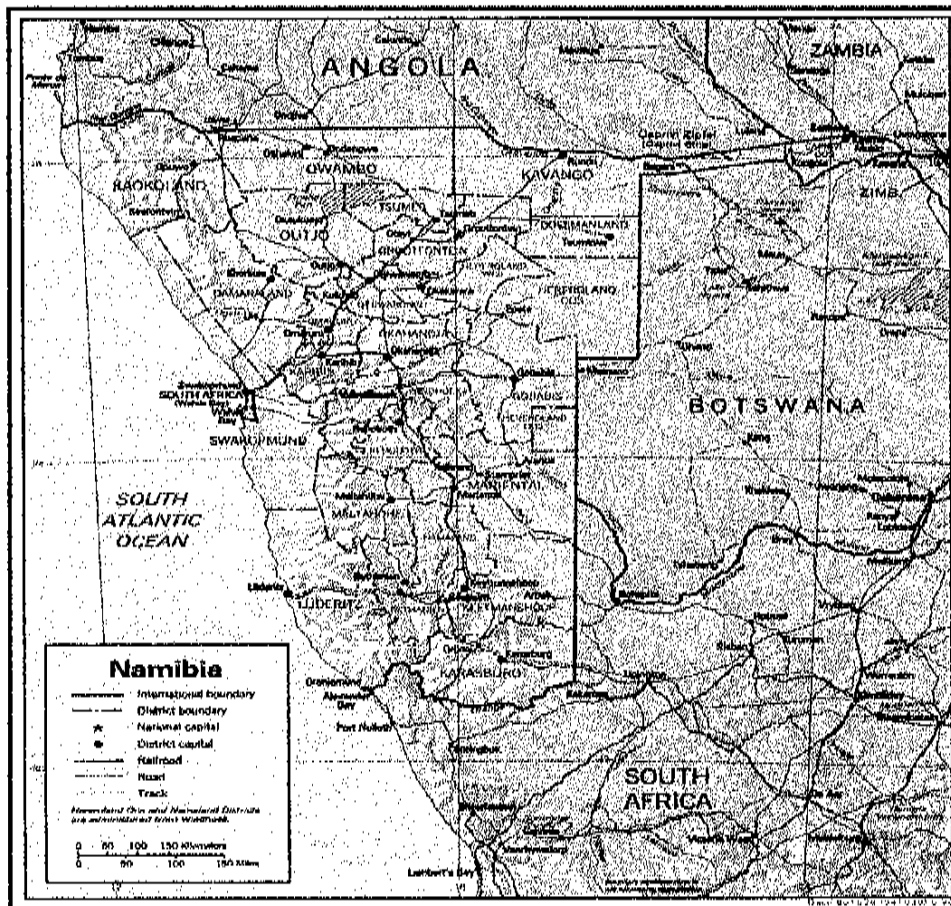


SWEDISH DEVELOPMENT
consulting partners ab

DRAFT

Transport in Namibia

How Much and for Whom?



For: The Swedish International Development
Cooperation Agency

By: Swedish Development
consulting partners ab

Gothenburg, June 1997

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Appendix 1 Parastatals: the African Experience

Currency equivalents:

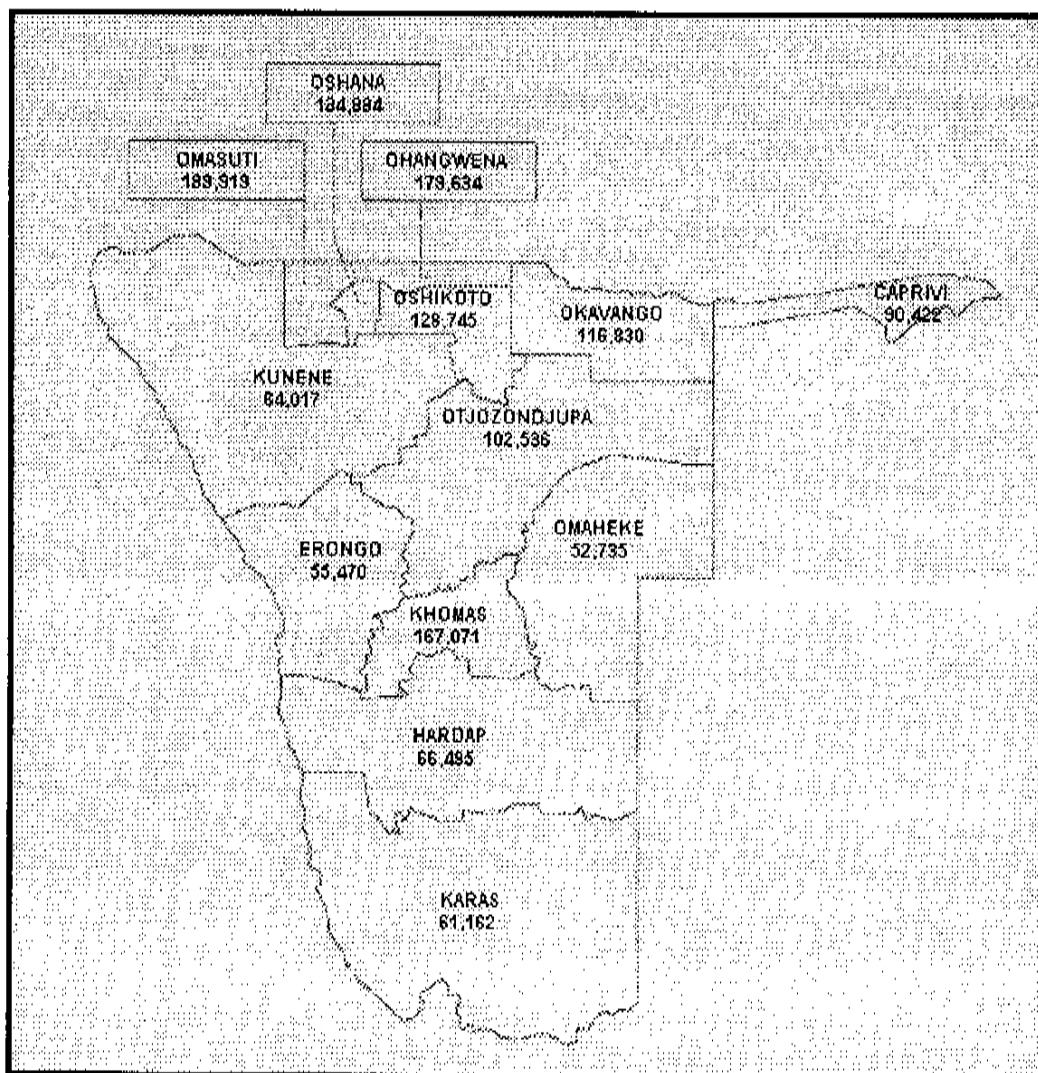
USD 1 = N\$ 4.33

N\$ 1 = SEK 1.77

Abbreviations:

| | |
|--------|--|
| ADCOM | Advisory Committee on the Commercialization of Operational Activities in the Government of Namibia |
| ANS | Air Navigation Services |
| CEO | Chief Executive Officer |
| DOACSS | Department of Administration and Centralized Support Services |
| DOPAT | Department of Post and Telecommunications |
| DTIMC | Directorate: Transport, Infrastructure, Maintenance and Construction |
| GDP | Gross Domestic Product |
| LFA | Logic Framework Approach |
| MWTC | Ministry of Works, Transport and Communication |
| NEPRU | The Namibian Economic Policy Research Unit |
| N\$ | Namibian Dollar |
| SEK | Swedish Kronor |
| SOE | State Owned Enterprise |

The Administrative Districts of Namibia and their Population



Summary

The Ministry of Works, Transport and Communication in Namibia is currently implementing an ambitious program to restructure the Department of Transports and increase efficiency in the transport sector. The so called MWTC2000 project includes

1. the separation of operational functions from the Department into parastatals,
2. a proposal for a new road financing system,
3. restructuring of regulatory functions and
4. development of policies for such functions.

The project has, however, run into problems. There is lack of support on the part of the civil service, low level of interest from the staff, no progress on non-controversial legislation and waning commitment on the part of the political stake holders. Some of the components of the Project have almost ground to a halt *without anyone knowing why*.

The project has largely been driven by external consultants and experts and stakeholders outside of the Government have not had an opportunity to participate. Experience of projects aiming at public sector reform show, however, that it is imperative that all relevant stakeholders be brought on board as early as possible and for the issues to be openly debated. Stakeholder participation also ensures that decisions are effectively made, understood, and complied with. The single-most important contribution experts can make to an evolving democratic process, is to generate options and to promote the weighing of choices. The role of the expert is therefore, at its best, when he or she assists a process of identifying and evaluation options.

The project group, is currently marketing the Project as the only solution. They have chosen a bus to represent the different stakeholders; the donors, the Ministry, the employees and the public, where the government would be at the wheel. *The time has now come for the experts to stop tinkering with the engine and for those who intend to use the vehicle to decide where to go.*



The lack of debate has meant that neither alternatives nor advantages and disadvantages of the chosen path have been discussed. There are a number of options available as to how to reform the public sector. But the one chosen for the Ministry, that of creating parastatals, has failed in other African countries. There are a number of other choices, which so far have been more successful, namely outsourcing, privatizing or so called yard stick competition resulting from unbundling. The proposed road financing system is a by-pass method which, like all such approaches can erode the government's capacity for exercising budget discipline. The proposed full cost recovery approach is generally frowned upon from the point of equity and social

justice responsibility, maintaining inefficiencies and be biased toward higher income groups.

1. Introduction

The Project: A Vital Part of a Nation Building Process

Since the early 1970s the overall objective of Swedish development cooperation in Sub-Saharan Africa has been to support nation-building.¹ This is even more pronounced for Namibia than for other African program countries, since it has recently achieved independence. Much of the challenge facing Namibia lies in how to deal with the legacies of its recent colonial past. Swedish assistance has been transformed from support to an independence movement to one of assisting in the creation of a viable and democratic national institutional framework.

The ongoing MWTC2000 project² represents both a major Namibian attempt to restructure an institutional framework inherited from apartheid colonization as well as a manifestation of Swedish assistance which has evolved out of pre-independence cooperation between Sweden and Namibia's liberation movement. As such, it is a bridge between a past when power was in the hands of the few and a democratic future where all Namibians should have a say in how their public sector is run, for whose benefit, and whether it should exist.

In Namibia, as with other African countries who have recently gained or who are trying to gain independence, the public sector makes up a large part of a country's national identity. The MWTC2000 Project deals with vital parts of Namibia's nation building process since it is a precursor to a more comprehensive attempt at public sector reform and taking place while Namibia is trying to shape the nature and form of its democratic processes. The domain of the Ministry of Works, Transport and Communications (hereinafter referred to as the Ministry) has, with extensive Swedish assistance, become an area where public sector restructuring is being tested in order to be subsequently pursued for other parts of government. 7

The Project is important beyond the reach of the transport and communications sector for two reasons.

1. Firstly, because of the manner in which it defines institutional solutions to the key issue of how to make the common functions serve the public interest, and
2. secondly, because the process which it uses for implementing reform in the public sector can have a profound influence on the country's capacity to pursue change while deepening the democratic processes.

The Need for Reform - Not an Issue for the Project

The project itself does not deal with the question of why the reform is needed. The following are two of the most salient features of the Project. 7

document

¹ Cedergren and Odén's 1971 study of the role and potential of Sida's assistance to the poorest countries in Africa.

² The project MWTC2000, hereafter called the Project, is that which is described in the Project Document first prepared in June 1995 and revised in October 1996.

- The MWTC2000 project can best be understood as **the implementation of change that was designed and largely determined in an earlier process** which comprised a number of studies and policy deliberations that resulted in policy recommendations for most parts of the transport sector.
- The MWTC2000 project has been **formulated on the premise that these policy recommendations have gained acceptance by the Cabinet**. The main basis for this presumption is a number of policy wise non-committal Cabinet decisions and endorsements with respect to proposed appointments, i.e. further studies, etc.

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The task that then remained to be completed was the implementation of the policy recommendations. In mid-1995 this task became the MWTC2000 Project which is to be completed by year 2000. A special project management unit for the Project was established within the Ministry and Sida is assisting by providing half of the budget for the project implementation, SEK 13 million over five years.

The agreement between Sida and the Ministry provided for a number of checks and balances as regards to project direction and overriding policy implications. One of these was a Sida mid-term review by an independent consultant. The report at hand is the first result of this work for which Sida contracted Swedish Development consulting partners ab. It is to be followed by a second report subsequent to further analysis and discussion with the parties concerned in Namibia.

In Troubled Waters

The mid-term review has coincided with a troubled passage for the Project. The Terms of Reference noted that, while, the framework for the Project has been set out in the Project document (Support to the Restructuring of The Ministry of Works, Transport And Communication), it appears that it is becoming **“necessary to make adjustments to this framework, but the extent, thrust and implications of these changes are not known or fully understood at present”**.

Time
Cost

The fact that the implementation has proven complex and fraught with difficulties is also recognized by the fact that the objective set for mid-term evaluation is to **“identify a viable strategy for the continuation of the MWTC2000 project”**.

The Terms of Reference identify some of the key tasks of the consultant to be the following,

- to evaluate the priority which the Government of Namibia attached to restructuring of the public sector in general and the MWTC2000 project in particular,
- to make recommendations as to how to continue the Project, and
- assist the MWTC2000 staff to prepare a revised project document.

As the Project is inherently complex and since it is currently facing obstacles that have proven difficult to define and tackle, it was agreed that the review should be carried out in two stages. The first would be an open-ended inquiry into the possible reasons for the perceived impasse. This stage would seek to identifying some of the factors that may have contributed to the perceived slowing down of the implementation process

while the second would be devoted to finding solutions, i.e. defining a strategy that could allow the Project to progress. The second stage was perceived as being highly interactive, involving the project management, team and a number of other concerned parties in an effort that could both to build a consensus as to issues and problems and identification of possible courses of actions.

Work with the first stage of the assignment started with a one week field visit by Messrs. Lennart Königson and Gordon Tamm and Mrs. Åsa Königson in late April, 1997. A large part of the team's stay was devoted to in-depth analysis of implementation issues and problems with the Project's management and discussions with some of the Project's most extensively used consultants. The team also reviewed the large volume of reports that have been produced and interviewed representatives for some of the different interest groups within outside of the Ministry and representatives for some parastatal organizations.

This Report

The consulting team have deliberately chosen to make this report a critical and partly provocative account. There are four reasons for this.

- i. The first is that we stand a better chance of getting the reactions needed for defining the problems besetting the Project at present. While this report is not our final word this passage could be the last leg for the Project. It needs to be provoked to survive.
- ii. But another reason is that we do find some of the features of the Project deeply troubling. We believe criticism is justified. To advise a country on the manner in which it should reform vital parts of its public sector carries with it an awesome responsibility. To do so without inviting public debate and without displaying alternatives borders on arrogance.
- iii. The third reason is that we do not think that the prescribed outputs of the Project, in all cases, are the best, not even for the very limited economic objectives the Project has set for itself and definitely not when issues of social justice and equity are taken into account.

The report starts out by painting a picture of a project facing a crisis. We have taken a cue from the Terms of Reference but is it really this bad or is the Consultant dramatizing the situation?. There is, after all, business as usual in the office in Windhoek. The crisis lies in the fact that the slow and almost imperceptible erosion of interest and political momentum does not kindle a crisis awareness. Yet nobody knows when a project of this nature would pass the political point of no return. We believe that it is urgent, even very urgent, to stimulate the interest in the Project that it should have attracted by now on its own but which not even intensified marketing has evoked. There is a turning point and the project is heading towards it. Chapter two discusses the options that exist at the turning point.

The third chapter is a critical account of how the project has been defined. The definition only makes sense to us if one accepts that there can only be one solution to the issue of enhancing the efficiency of the functions of the Ministry. This we do not believe.

Subsequent to this, in Chapter four, the reader is taken through the achievements to date, the processes and procedures and the decision making structure for the Project.

The subsequent fifth chapter discusses possible options when it comes to the sub-projects road maintenance and construction, road financing and airport administration. This is also a critical assessment. There is an element of “for whom and for what purpose” as regards in particular the road sector that we find curiously absent from the deliberations. The Namibians living in the south and the central part of the countries are served by roads to the same extent as the average Swiss or Belgian but the many living in the north have roads at par with India and Ghana.

Chapter six is intended to lead towards the issues the Consultant believes should be the focus of the second phase. We also believe that this phase will call for a conscious choice between the three possible courses of action at the turning point:

- trying to save the Project with intensified marketing,
- questioning the Project through public consultations, and
- risk its slow demise by continuing as before.

2. Is the Project at a Turning Point?

A Stalled Project Owned by Whom?

The MWTC2000 project, barely halfway through, has encountered problems. There is lack of support on the part of the civil service, low level of interest from staff, no progress on non-controversial legislation and possibly also waning commitment on the part of the political stakeholders. In short, the Project's priority on the national reform agenda may be in jeopardy.

Implementation of some of the components of the Project have almost ground to a halt without anyone quite knowing why. Other components, such as that of the air navigation services and the Government Garage, have been delayed but may be resuscitated. This development appears to have taken place in spite of perceived project support and approval by the executive branch, and the Cabinet, in spite of strenuous PR efforts and an outpour of consultants' reports and documentation evidencing the need and feasibility of the Project.

- Why has the Project reached this critical turning point?
- Why is it that the Project appears to have moved beyond the point where the efforts of its managers and experts no longer suffices to keep it moving?

There could be number reasons for this. The Consultant believes the following four are among the most plausible.

1. The Cabinet's reaction to the Project to date does not, in the context of Namibia's evolving democratic processes, signify active approval.
2. There is no consensus as to what the Project is.
3. The Project is well defined but there is no constituency promoting it (it is not perceived as serving the interest of any particular stakeholder group).
4. Opposition to the Project is mounting as more work is implemented. (v)

Anyone of these reasons might, by itself, be able to explaining the impasse but they could also be a combination of these factors. This report seeks to examine all of them.

Who is Responsible?

The first reason relates to the question of who owns the Project. The immediate impression gained by the Consultant's team when reviewing the Project with both its management team, as well as with Sida and with some of the long-standing consultants, was a sense of frustration over the fact that the Project has been approved by the Cabinet and by the political hierarchy in the Ministry but that there was inadequate or no progress on a number of issues. This has raised the question of how to reestablish the political priorities (in favor of the Project). The Terms of Reference first state that "the Government's priorities are clear, in principle" and then instruct the Consultant to evaluate these priorities with respect to activities competing with the Project. This strongly suggests that the priorities are far from clear.

Should the Project make the Government's priorities its concern? The responsibility for making the Project a priority for the Government rests with whom? This report

takes the view that the apparent uncertainty as to the Government's priorities raises the question of who 'owns' the Project and what the 'owners' can do?

A related question is if Cabinet has in fact approved the Project as claimed, and if so what does such an approval mean in the context of the new institutions and processes that Namibia is forming. The Cabinet may have only acknowledged its existence, or lent support to its main aims, perhaps accepted further work. It is in the nature of democracy that questions of this nature are difficult to resolve. Their answers lie in a process of gradual acceptance of procedures and proceedings that are found to work through democratic consensus

There have been several government initiated reform measures³ but that of the Project itself has, at best, been accepted by Cabinet, rather than selected by it with implementation the joint responsibility of the Ministry and Sida. Sida is the other obvious 'owner' of the Project responsible for the Project and is 'part owner' by virtue of it being a major donor. Sida is also responsible through endorsement of the Project- the experts who have designed it and the management that is trying to implement it.

³ The first reform attempt was made already in 1990 and recent was the Cabinet's policy decision on June 4, 1996 to improve efficiency in Government. The Cabinet took responsibility for this initiative by having its Secretary chair a High Level Committee to oversee the implementation of large personnel cost reductions.

Possible Courses of Action

There are essentially three courses of action that the Ministry and Sida could pursue in order to achieve the goals of the Project. They are set out below.

Possible Courses of Action

Effect on Probable Causes of Impasse

Sell the Project for public acceptance

The premise would be that implementation requires public support that can be acquired by way of increased marketing and PR activities that promote the Project's benefits.

This could reduce possible opposition (item 4 above) and transfer vague Cabinet support into more tangible items such as (item 1). But neither lack of common project definition nor constituency would be achieved and the responsibility for implementation would rest with the current 'owners', the Ministry and Sida.

Open the Project for stakeholder consultation and public debate

The premise here would be to create constituencies by inviting stakeholder groups to define the Project so that it would serve their interests. Different stakeholders would strike compromises and thereby ensure the Project of support.

Could resolve items 2, 3 and 4 but expose the Project to the risk of a less rational solution or of failure if opposition proves too strong. If successful it would share the responsibility for the continuation between a larger number of stakeholders. Important stakeholder groups would be involved in defining the problems identifying the alternative solutions. The preferred solutions would thus be owned by many stakeholders.

Continue as at present

The project as it stands apparently lacks capacity to attract adequate support. It risks becoming the victim of disinterest and silent opposition because it belongs to no one. Tasks would be indefinitely postponed awaiting unpopular decisions by politicians.

Since there are few owners of the Project the responsibility for this scenario would not be apparent. Firstly, no one would want to assume the responsibility for failure and secondly, the actual owners of the Project, the instigators- the external consultants would be anonymous. The main issue would be to try to learn from the experience i.e. why the process slowed and stopped.

22 | The first course of action would not deal with the issue of who 'owns' the Project. It would implicitly assume that the Ministry, provided it can mobilize public support, can carry the Project through as it is. This is likely to be true for some of the smaller components, such as the airports and possibly also the Government Garage but not for road maintenance, road user charge and related aspects which involve the large number of employees and fundamental issues of how the Government should deal with its own responsibility for allocation of its financial resources. Can the Ministry and Sida successfully sell the Project so that the current inertia is changed into action?

The second option is one that is effectively precluded by the Project Document since it would make unavoidable a debate around the relevance of the parastatals, road charges, etc in relation to the objectives. The risk would be that public consultation would result in compromises that would produce a less efficient transport sector than that of the Project. The second option would be based on the premise that the issue facing the Project has less to do with *what* is the decision to make, but more with *how* to make the decision. It is also less a question of what should be done but rather for whom it should be done for.

There is a considerable risk that the third scenario is that which will be realized at least for the road maintenance and road user charge components of the Project. There are examples of other public sector reform projects in Namibia which have failed to move from sounds to things without being as contentious as the MWTC2000 project. The restructuring of the water supply authority on such case.

What kind of project is it then that faces a possible turning point? This is dealt with in the subsequent chapter.

3. What is the Project?

The Project is the 'Project Document'

The first task facing anybody trying to understand why there is a need to establish a viable strategy for a continuation is the nature of the Project. The answer is that the Project is the 'Project Document'. To try to extract the 'Project' from the 'Project Document' is, however, a daunting task. The 'Project Document' has acquired a status of a quasi legal instrument although it is a document authored by no one, couched in a language that gives it an aura of official impartiality yet delivering a number of unsubstantiated views and opinions, lofty and intangible objectives followed by detailed and precise prescriptions as to what should be done. Seemingly supported by an intimidating amount of expert studies.

The document's purpose was to present a Project to restructure the Ministry of Works, Transport and Communication in line with "the basic policies of the Government of Namibia"⁴ yet it recognizes that "the Government has not yet formulated any overall policies with respect to the restructuring of the government"⁵.

Before opening the discussion on this document we as consultants have a confession to make.

We have not been able to understand the logic of this document. Nor have we found anybody close to the Project who has been able to help us understand why the objectives must result in the outputs.



In fact we ask ourselves if anybody understands the document? What we fear is that if we don't understand the Project Document we do not understand the 'Project'. And if nobody else understands the 'Project Document' then who understands what the 'Project' is all about?

The following is an account of our efforts to identify the logic or carrying rationale of the Project through the Project Document.

Problems, Solutions and Tasks

The need for the Project was defined in the course of a review of the operations of the Ministry. The main problem areas identified and the tasks proposed to solve them are shown in the table below:

⁴ Project Document, revised version, p 1

⁵ Ibid, p 10

| Problems areas: | Proposed Solutions | Project tasks |
|---|---|---------------|
| Size of the organization | Reduction in staff | |
| Self regulation of operational functions within the Ministry | New division of responsibilities to keep regulatory and functional activities apart | |
| Division of responsibility for interrelated functions between different departments and the lack of coordination between them | New delegations of authority and identification of responsibilities | |
| Lack of cost control and analysis of costs and revenue for the different operations | To provide commercial services against cost recovery fees | |
| Lack of policy and regulatory capacity | Recruitment of staff and development of Human Resource Development programs | |

Personnel
Policy

The table above shows the problem areas, the proposed solutions and the tasks within the Project. The Project Document does not reveal how the problems have been translated into the solution and then into tasks. This leaves the reader with more questions than answers. The first problem, an organization of 9,000 people, was deemed unmanageable because of its size. Many organizations of this size are successfully managed. The difficulty must lie in finding the correct manner of management for a large authority such as a Ministry. Reducing staff is thus no solution, since the problem of management will probably still persist.

The lack of control and analysis of costs and revenue could alternatively be addressed by, firstly, reviewing existing financial monitoring systems and, if needed, install new systems. The proposed solution is to provide services on a cost recovery basis i.e. the users would pay the full cost of the services. Within the Ministry this would imply more frequent use of so called trade accounts (use of equipment from the Government Garage etc.). This would also imply that the full cost of using the roads and airports must be known, and how much to charge the individual users.

Project Parts and Objectives

The 'Project Document' says that a total of 10 actions "will become integral parts of the MWTC2000". These 'actions' are summarized as follows⁶:

- i. completion of re-commercialization study of airport operations and air navigation services,
- ii. full scale study of commercialization of the plant and equipment division,
- iii. further work for completing road user charge system,
- iv. support to further work re-road maintenance contracting financed by road fund,
- v. study re-commercialization of the Government Garage,
- vi. employment of a Director of Civil Aviation to, among other things, facilitate commercialization of operational parts of the Directorate,
- vii. pursuance of recommendations of human resource development study for the transport sector,
- viii. establishment of a structure for economic regulation of state-owned operational entities and the restructuring of TransNamib Ltd.,
- ix. utilization of the result of possible Norwegian assistance to Division Maritime Affairs in the design of the future Ministry of Works, Transport and Communication
- x. support to the establishment of an Operators and Drivers Professional Association

The 'Project Document' defines both the sector and the project objectives in a similar vein.

- The sector objective should be to enhance efficiency in the transport and communications sectors while the
- project objective is "to **strengthen accountability and enhance efficiency of the Ministry and the SOEs under its auspices**".

The attainment of these objectives should be measured by the following indicators⁷:

- i. reduced government budget allocations for the transport sector,
- ii. lower road maintenance costs,
- iii. full cost recovery through road user charges,
- iv. improved profitability for TransNamib Ltd.,
- v. reduced Government plant and vehicle rental cost, and
- vi. implementation of full cost recovery charges by a new air navigation services entity.

The list of indicators is thus entirely financial and measures primarily costs. While costs are relatively easy to measure and gains are hard, the latter are the most important. This applies in particular for a country with very uneven distribution of access to roads which may retard growth in areas with few roads.

⁶ Ibid pp 7-9

⁷ Ibid p 11

From Objectives to Outputs

The operational description of the Project is to be found under the heading 'Project Outputs'⁸. The Project is intended to produce 11 outputs grouped into five generic classes as follows:

1. Coordination to ensure consistency of other outputs
2. Policy documents on
 - a) the objectives, accountability and monitoring of SOEs
 - b) on regulation of SOEs
3. New SOEs for respectively airports and air navigation services
 - b) heavy plant hire
 - c) state roads, and
 - d) government vehicles (Government Garage)
4. Road financing by way of road user charges and road fund
5. Ministerial reorganization

The core of the Project is thus creation of four SOEs and the surrounding support and control structure that these were expected to require. These entities are the subject of seven of the outputs since the road fund would in effect be the client and provider of the state roads SOOE. It can be inferred from the context that this process of changing the organizational status of these functions from that of Government departments to Government owned enterprises, commonly called parastatals, is referred to as 'commercialization'. ?

The second class of outputs, being the two policy documents, should be for acceptance by Cabinet and legislature. The slimming of the Ministry would be the result of the transfer of functions (commercialization) to four new SOEs which should come complete with ownership structure, business plans, management structure and systems, HRD and affirmative action programs, etc. ?

The road financing outputs should consist of full development and implementation of recommendations of a previous expert study⁹ on road user charges. The road fund output was the only output requiring prior consent of the Cabinet before being commissioned. With such consent it should comprise a complete proposal on the establishment of a fund.

The last output consists of a new organizational structure for the Ministry which will be a necessity as large parts of it would disappear with the creation of SOEs. It would also comprise a program to restructure (presumably parastatalize) the remaining two service functions, namely the Department of Works and that of administration and centralized support services.

⁸ Ibid p 11

⁹ The report by the Interministerial Committee of Technical Experts on Road User Charging

Understanding the Project

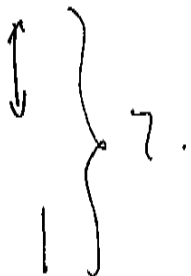
The Project and the Project Document can only be understood if one accepts the premise that four parastatals with associated policy framework and a road user charging system with a road fund, would constitute the only and the best alternatives of achieving the objectives. The Project, in this sense, has been defined as the preclusion of any further discussion as to choices and options. It offers two reasons why such discussions are superfluous.

- The first is that all the options have been explored by Swedish consultants and other experts, paid for and therefore approved (implicitly) by Sida. The evidence is a mountain of expert's reports.
- The other reason is that the "Cabinet has taken a number of decisions which clearly imply that it supports far-reaching reforms"¹⁰.



The second argument is in many ways a remarkable statement. It has been followed by a steady stream of mantra like assurances by project management, Sida staff and project consultants that the Project has been given all the political support (and implicitly the political legitimacy) it requires by the Cabinet. This gives rise to three questions.

- How and on what authority can a Project Document interpret the reform intentions of a Government which has hitherto refrained from formulating any overall policies with respect to restructuring of the government as a whole?
- If the Government has, indeed, approved far-reaching reforms, has it approved exactly the outputs defined in the Project Document? and
- Would a possible Government endorsement of the Project outputs place the Project beyond debate in Namibia?



A project conceived by the best expertise and approved by the highest authority, could it possibly be bad? Of course it can! It can be bad for some groups but serve others well. A public sector project which precludes public debate of its aims by defining the output risks creating affront rather than support..

There are numerous ways of achieving accountability in the public sector. To do so by creating parastatal organizations has seldom been successful.

Contradictions in the Definition of the Project

The most fundamental question as regards the definition is if it should be guided by its objectives or its output. If the outputs do not produce the result required under the objectives what is then the Project - the objectives or the output?

If parastatals do not enhance efficiency should the project still consist of the four parastatals? If, in the case of the road maintenance, many in Namibia would prefer other options than one large parastatal, should the Project still be one national road contractor? If many people would find road user charges unfair and discriminatory then what is the Project and should it involve road user charges anyway?

¹⁰ Project Document, p 10

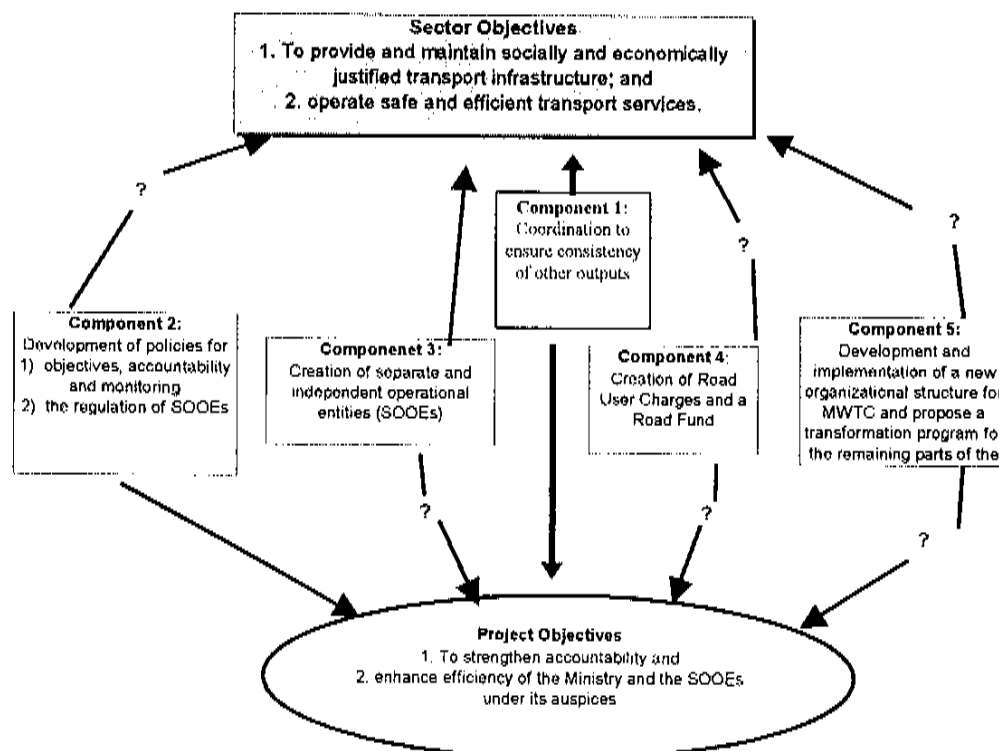
The public sector will not be accepted as public if its aims, structure and management is the subject of debate among only the experts, their civil service colleagues and the political elite. The agenda must be broadened to include those who use it and the issues that matter for them. Those are not only the economic concerns that permeate the Project Document.

The actions making up the project are weighted towards economic and financial issues. They concern commercialization, cost recovery and financing aspects as well as economic regulation but are remarkably devoid of measures relating to other values of society. Social and equity issues, which must be vital in a country with the large social and economic differences which exist in Namibia, are absent from the enumeration.

The same observation applies to the objectives. Aspects of social justice and of equal opportunity as well as the option of using the road infrastructure to promote better access to social services, markets and other amenities for different groups in society are often important ingredients in the objectives for public infrastructure sector. The question "roads for whom?" begs an answer and the poor may not contend with the answer that they do not generate full cost recovery.

The Components

The following section analyses the inherent logic behind the design of the components and how the components would play a part in achieving the overall efficiency goal.



SOEs have in the past been created to provide a public service in a more efficient manner. An abundance of evidence on parastatals in Africa, however, suggests that the SOEs have neither achieved efficiency nor have they been able to provide the services the consumers want and need. The parastatals are therefore being liquidated or sold. Namibia, is however leaning against the wind, in that it is *creating* parastatals. The project postulates that efficiency would be a result of creating an SOE. The evidence points to the contrary, but could result from such a task if the proper measures are taken to ensure competition, managerial autonomy and responsibility for performance. The efficiency criteria, can thus not be fulfilled only by creating a parastatal.

The road financing component includes the creation of a system for Road User Charging and a Road Fund. Such a system would, in itself, not result in efficiency since there would be no incentives, (which always exist in a competitive environment), to improve efficiency. Nor would it result in complete cost recovery since it is not possible to determine how much individual car and truck owners use the roads. It would however, be one step in the direction towards cost recovery.

Three

- × Create parastatals
- × Cost recovery in road sector

4. Status of Project Implementation

Administrative Structure

Checks that balances have been built into the Project to ensure that the proposed changes are appropriate. The Steering Committee decides what needs to be done and the peer review is to look at, if what needs to be done is correct.

The Steering Committee

The Steering Committee is composed of the staff implementing the Project within the Ministry and other Ministries which have interests in the Project. Two members from one of the largest trade unions have also been invited to participate. The Steering Committee directs and leads the implementation of the Project within the Ministry and authorizes the CEO to execute what is decided. The Committee is thus similar to a board of directors.

The CEO, is to carry out the decisions made by the Steering Committee, administrate, manage and monitor the Project and prepare periodic progress reports to the Steering Committee and Sida on.

The Management Committee

This committee is composed of the supervisors of different departments within Ministry and representatives of the main trade unions. The consultant's established the coordination of the work which the Steering Committee authorizes. This committee has only met a few times since it was recently established.

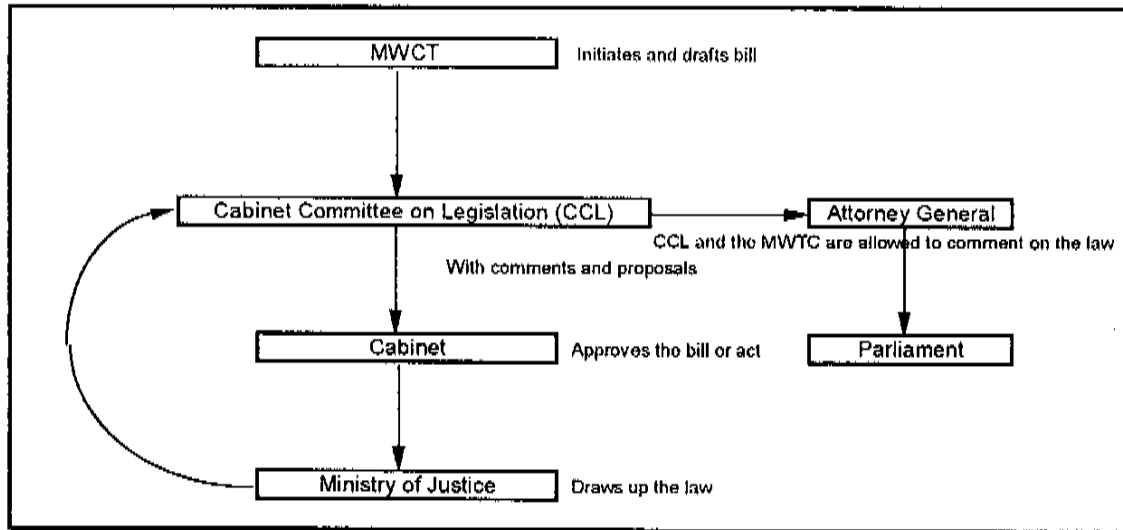
Implementation Procedures

The progress of the various sub-tasks depends on factors which are difficult for the MWTC2000 project coordinators to influence such as Cabinet decisions and involvement by other Ministries. Before implementation, approval from the Cabinet and legislature is needed on acts and laws drawn up to change existing structures or to introduce new procedures such as the Road User Charges etc.

The following steps need to be taken before a proposal is sent for approval by the Cabinet.

1. Drafting of Terms of Reference for a consulting contract for approval by the Steering Committee.
2. Contracting of consultants.
3. Consultants present options as to how to restructure the functions.
4. Steering Committee deciding on an option which is submitted to the Minister for his approval.
5. Once a decision is made, consultants are contracted to prepare a plan of operations and draft legislation for approval by Cabinet.

This is a slow process which has a tendency to be easily delayed. Once draft legislation is ready for approval by Cabinet, the following process is initiated.



The Progress

The approval of several components has been forthcoming, but some of the sub-projects have still not begun. The following is a summary of progress until April 1997, based on the progress reports, minutes from Steering Committee meetings and interviews with MWTC2000 staff and consultants.

A - Coordination

The basic administrative routines and procedures have been put in place. The CEO was appointed early on in the Project, and two assisting positions, a Human Resource Advisor and a secretary were filled in early 1996. The members of a Steering Committees have been chosen and the committee meets every month. The many different sub-projects, touching various areas within the Ministry, increase the need for involvement of Ministry staff. The attempt to set up task forces headed by Ministry staff has, however, failed. The lack of involvement by the Ministry staff is increasing the CEO's workload who therefore relies more and more on external consultants and experts. There is also a suggestion to bring in four additional members on the project management team, as Implementation Managers.

B - Policies for monitoring, accountability within the Ministry and for regulation of the SOEs

Progress has only been achieved in connection to the regulation of parastatals. The Office of the Prime Minister was initially responsible for creating an Advisory Committee on the Commercialization of Operational Activities in the Government of Namibia (ADCOM). A seminar was held in March 1996 on Efficiency in Government. During the seminar it was decided that the ADCOM project (i.e. the development of ADCOM into an entity which would control, monitor and regulate the parastatals), was to be handled by the Ministry of Trade and Industry which is acting as secretariat to the Cabinet Committee on Economic Development and Parastatals.

C - Creation of Parastatals:

The creation of parastatals is proceeding slowly. A number of consulting studies on different subjects have been prepared and approval on some of the issues has been forthcoming from the Cabinet.

Parastatalization of the Airports and Airport Navigation Services (ANS)

The Airport and ANS is the sub-project which has advanced the farthest. A team of consultants was contracted during the second quarter of 1995 to present the options available for the commercialization of the Airports and the ANS. The consultants held a workshop with the private sector to identify the issues and options available.

The options were presented to the Steering Committee and to the Cabinet, which decided to commercialize the Airports only with ANS recommended to remain a department of the Ministry.

In August 1996, the Ministry, on the basis of a report by an external consultant, submitted a recommendation to the Cabinet that the ANS be commercialized together with the Airports. The Cabinet has approached the Cabinet Committee on Defense and Security and the Ministry of Defense who are opposed to commercializing the ANS. This process has delayed the Project since the implementation of the Project has not been able to start, awaiting a government decision. Meanwhile the draft legislation and an operational plan for the commercialization has been prepared but is awaiting the decision of the government. 12

Restructuring of the DTIMC (also called the Road Contractor)

A pre-feasibility study was commissioned in June 1995. It recommended that the Division of Plant and Equipment be included in the parastatalization of the DTIMC, since it was found to be too small on its own to successfully commercialize.

The study was completed and the Steering Committee decided to create a parastatal body where the Plant and Equipment department would be included. The Cabinet approved this option and a consultant was contracted to prepare a draft business plan, and a layman's draft for the enabling legislation which was presented early in 1997. The draft legislation is still not finalized, and has thus not been presented for approval. 12

Restructuring of the Government Garage

In October 1994, the government decided to carry out a study to determine if commercialization of the Government Garage would increase efficiency. The Department of Administration and Centralized Support Services (DOACSS) is currently improving internal efficiency within the Garage and the MWTC2000 sub-project is therefore stopped until the improvements have been carried out.

D - Creation of a Road User Charging System and a Road Fund

The government has agreed in principle on the use of Road User Charges and a Road Fund. Proceeding on this decision, two tasks were identified and consultants

contracted to carry them out: the establishment of a computerized accounting system for the Road Fund and development of a model which Local Authorities would use to claim expenditure from the Fund.

The levels of the fuel tax and user charges were set and forwarded to the Cabinet for approval. The functions of the different authorities involved in the Road User Charge system were established by the Ministry, approved by the Steering Committee and sent to the Cabinet.

The legislation concerning the administration of the Road User Charges and the Road Fund were to be finished by April 1997, but have been delayed.

E - Reorganization of the Ministry

This project has been delayed until the government has approved legislation for the Road User Charge system and the Road Fund. | 2

Sub-projects which are severely delayed or otherwise not being implemented are thus the commercialization of the airports, the restructuring of the Government Garage, and the creation of policies for the monitoring of activities within the Ministry and the SOEs, which is the responsibility of the Ministry of Trade and Industries.

The lack of involvement of MWCT staff in the Project has also created delays and necessitated the use of external consultants. The appointment of task force managers from within the MWCT was not successful as the staff were not willing to take on additional responsibilities. To proceed with the Project, external experts and consultants have been incorporated into the Project. The types of consultants used within the Project are: firstly, consultants contracted to propose options and develop procedures for the implementation of projects such as the creation of a Road Contractor, and Air Ports Administrator etc. and secondly, the "in-house" consultants, contracted to give advice and work on a continuous basis on specific issues such as the Road User Charges.

The reason for why the staff lack interest in the Project has not been analyzed. Organizations that undergo large and severe changes are often forced to do so i.e. a crisis of some sort initiates the need for change. The organization currently receives enough funds from the state budget to cover its costs i.e. there is no shortage of funds and thus no incentive to cut costs or analyze the operations¹¹. | 2

Checks and Balances

A number of control mechanisms have been built into the Project in order to ensure that the legal and organizational changes proposed are appropriate. The main checks found are:

- the periodic evaluations by Sida and the Minister jointly and
- the Peer review.

¹¹ Vem Ravenscroft, MWTC Consultant and formerly Under Secretary of the Department of Transport.

The meetings between Sida and the Ministry would take place after the presentation of the quarterly and annual reports on the Project. The aim is give the two financiers the possibility to evaluate progress early in the process, discuss overall policy issues and if necessary, change the course of the Project.

This would ensure that the two main stakeholders have the opportunity and possibility to influence the progress of the Project. There has, however, only been one such meeting, the annual consultation in October 1996, when, Sida, the Ministry and MWTC2000 staff participated. During that meeting the progress was discussed and some minor changes to the Project were made, mainly to do with procurement rules, monitoring and reporting.

The major issue confronting any use of public funds is that of ensuring that scarce resources are allocated in the best possible manner and in the public interest. This issue is even more acute in development cooperation where there is always a risk that the donor assumes the leading policy responsibility by default. Sida is a major donor to Namibia and furthermore one which has a long track-record of supporting the pre-independence struggle. The credibility of Sida is therefore very high, both in terms of commitment and in terms of its priorities. Apart from the difficulty of balancing support to local priorities with support to the local capacity to set priorities, the history of friendship renders Sida both highly influential and deeply responsible.

The importance of Sida's role was recognized in the Project Document. It specified that every quarterly and annual report from the Project should be followed by a direct interaction and dialogue between Sida and the Ministry. However, such dialogues have not taken place, nor have Sida or the Ministry recorded their observations on the overall progress of the Project. As a result, the Project presents the picture of Sida effectively assuming the responsibility for Namibia's policy formulation in a very core area of nation-building. That this is done through expert consultants only makes matters worse.

The Project Document has clearly identified both the importance of options and alternatives being considered, and the need to continuously expose the analysis and solutions arrived to other viewpoints. The peer review is maybe the most important control mechanism available within the Project. A peer review, in this context, is a review of the proposals for institutional and legal changes by two independent and internationally recognized experts. It is to ensure that other opinions are taken into account. The three main issues the experts would analyze are:

1. proposals on how to monitor, and regulate the parastatals
2. the proposals for the financing of road maintenance and construction i.e. the system for Road User Charges and the Road Fund
3. the future organization of the Ministry.

During the Annual Consultations in October 1996, it was decided that a peer review be carried out shortly to clarify the validity of the original MWTC2000 policy. A study by an Independent Task Force on the TransNamib Ltd. was being prepared with Sida wondering what implications their conclusions would have on the Project. There have,

however, not been any peer reviews yet. As a consequence, the Project appears to be even more closed and expert-driven now than when it was implemented. The point is that options never seem to be put forward, choices never made, and priorities never considered by people outside the fold of experts or departmental officers. In the end it is a moot point whether roads will be more efficiently operated, but the price for this is that of withdrawing them from the nation-building agenda - financially, functionally, and policy-wise.



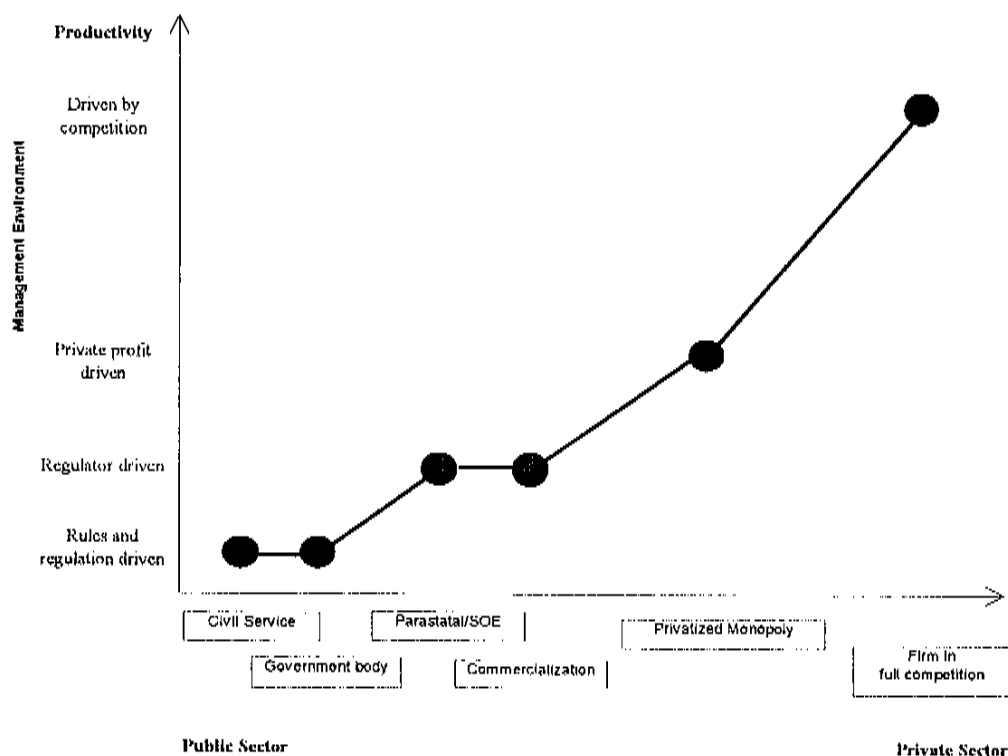
5. Are the Outputs the Best Options?

A democratic process yields identification of alternatives, a debate and process of choosing the preferred option. The chosen alternative may not necessarily be the best technical choice but it is that which has the best support or meets the least opposition. Of the different sub-projects, several have already advanced to the stage of pre-implementation i.e. the legal framework is being established. There are, however, other options available, which some might consider more relevant for Namibia. Based on the impressive array of studies and analyses which have been produced within the context of the Project, the task of presenting alternatives to the preferred outputs is made all the more easy. It is, however, also made all the more urgent if the efforts made so far are to bear fruit. This chapter presents some of these options which exist and which could be used to fuel the debate along with a critical review of the chosen output.

Public Sector Reform

Both economic theory and empirical evidence from various countries give evidence to the fact that the private sector is more efficient at certain tasks than the public sector¹². The public sector tends to pursue more complex and less tangible goals, than those that the private sector cannot tackle because they can often not be paid for, measured and wrapped. This brings with it a certain lack of transparency and autonomy and it requires management of staff to be normative. The civil service, for instance is a rule driven environment and civil servants are managed by directives. For the private sector productivity is a matter of survival because of competition. The manner to reach it would thus be to create organizations driven by commercial principles which has been translated to the establishment of publicly owned corporations, i.e. so called parastatals.

¹² World Bank, 1994, Adjustment in Africa.



The first step has been to create a government body and increase management autonomy. A government body can be a board, a regulator, a public utility or any other non corporate entity. The next step is *corporatization* or the creation of a parastatal or an SOE. The enterprise is given independent status, and is made subject to corporate and commercial laws. But the change in organizational status carries no magic wand to automatically make the system work much better. The essence of the change is one of moving from a rule driven normative system. Where the manner in which work is carried out is governed to an environment to where the objective of the work provides the guidance, an objective driven system. This change will only have effect if the objectives are enforced by either competition and threat of loss or by a regulator. In the absence of government functions that are transformed into companies, (i.e. parastatalized), they tend not to achieve productivity improvements. In fact the opposite may happen. The economic theory describing is referred to as the theory of regulation and the theory of capture. The creation of a parastatal does therefore not automatically mean that management would start striving for maximum profit and behave like a private business. This is why most parastatals in Africa are still subject to government rules and audits¹³.

A government department turned into a parastatal would not be commercialized until it was made accountable to both its customers and to its financiers. Accountability to customers presupposes competition of some sort. It need not be direct but can be indirect, e.g. train versus bus, or so called contestable competition. Means of making parastatals commercial vis-à-vis their financiers can include explicitly stated performance contracts with the government or banks, donors etc. and management contracts.

¹³ World Bank, 1995, Bureaucrats in Business.

The fourth step is that of privatization or sale of the assets or shares. In several countries privatization has implied that the SOE, as a monopoly, is sold to a private firm. Either a financial partner is invited or a so called strategic partner, who brings new management and new ideas in addition to buying part of the company. The last step is often combined with opening up the sector for competition. This is the step which entails the largest increase in productivity and the greatest benefits to the consumers as prices decrease and the firms are made more efficient.

Commercialization, Parastatalization, Regionalization or...

The goals of parastatals are often multiple and sometimes not fully consistent. They should foster social justice, generate a profit, raise managerial standards, create employment opportunities, improve quality and quantity of products, etc. Their multiple goals in combination with a lack of autonomy has often resulted in poor performance. Since managers have no control over the operations, they cannot control output, prices, revenue, or costs. The financial problems often arise from government price fixing which denies the organization the chance to achieve a surplus when price increases lag behind cost increases and inflation.

Unbundling of large organizations, i.e. separating different activities either by function (vertically) or by market (horizontally, which is also referred to as regionalization) has proven successful for increasing efficiency and reducing the need for government subsidies. An even simpler, and often very cost effective manner of increasing efficiency is outsourcing, i.e. contracting out the work. In West Africa, the entire process of executing public works is contracted out to a consulting firm, AGETIP, which in its turn contracts out everything from the design and preparation of bidding documents to the execution. In Brazil, contracting out maintenance has reduced costs for the same services by as much as 25 percent¹⁴. In Afghanistan, before 1980, all road maintenance was carried out locally. Each local authority was responsible for maintenance and collection of revenue for the upkeep of the roads in its region.

Creating parastatals has, in several cases, turned out to have worsened a situation of very low productivity. There is ample evidence of poor performance of parastatals and few examples of the contrary. The larger the parastatals, the larger the political constituencies they represent and the more staying power they have. To create a large parastatal as a transitional instrument (i.e. as a step towards privatization) can therefore create problems because the organization typically uses all its resources to prevent further changes and if it has operations over the entire country it can often mobilize very strong political support for the new status quo. The option of decentralization or creating several regional parastatals can therefore serve to avoid tackling the large parastatal once privatization is to take place.

The following table shows the options which have been used to promote efficiency the public sector and the level of success achieved.

¹⁴ World Bank, 1994, World Development Report.

| Reform manner | Explanation | Results |
|--|---|---|
| Reform of the SOEs | Down-scaling, increasing productivity and cost efficiency. | This method has not been very successful. Governments have faced strong opposition from public sector employees and have not been able to push through the necessary restructuring. |
| Liquidation | This includes mainly the liquidation of already obsolete companies. | |
| Performance contracts between owners and a parastatal | The contracts establish the responsibilities of each party and a number of quantified targets which the SOE is required to fulfill. | In most cases this has not resulted in any productivity or efficiency gains, mainly due to lack of government commitment and incentives to perform i.e. no penalties and bonuses of good/poor performance. |
| Management contracts between the owner and a private company, contracted to operate the company. | Management contracts granted to a private firm after open tender. The fee can be fixed or based on performance. | This method has been used sparingly, mainly within the hotel business. The results have varied, but the contracts where the management fee has been based on performance has generally been positive i.e. productivity has increased and the SOEs have generated a profit. |
| Reducing barriers to competition | Eroding the monopoly position of the SOEs. | This has been done to a very limited extent in Africa. The results from other regions such as Asia and Latin America, have, however, been very positive, showing large increases in efficiency and benefits to the consumers. |
| Privatization | Sale of assets or of shares in SOEs. | The privatization of the public sector through sale of SOEs has, in most cases, increased productivity and performance, especially when a so called strategic partner, bringing new management, has been introduced. A large number of small and medium sized SOEs have been sold, but the large ones, where the constituents are the most powerful, often remain in state owned. |

Source: World Bank, Adjustment in Africa, 1994,
World Bank, Bureaucrats in Business, 1995.

The table illustrates that reducing barriers to entry and privatization are the methods which have had the best effect on efficiency and productivity in the public sector. Reforming the public sector has proven to be difficult because of strong constituencies

and opposition, Performance contracts have also met with limited success. Further discussion on parastatals and public enterprises can be found in Appendix 1.

Does Earmarking Road User Tax Make Sense in Namibia?

The Project comprises a so called Road User Charge component linked to a Road Fund to finance maintenance of State roads via a Roads Authority. There would be both a fixed and a variable charge in the form of respectively vehicle and/or license registration fees and a fuel surcharge. In the case of heavy vehicles the Road User Charge is planned to be levied on the basis of weight and distance to correspond to the wear and tear caused by the vehicle.

The Project Documents places heavy emphasis on the full cost recovery aspect of the system. The main benefit as compared to the current system when the Ministry is allocated funds through the budget is claimed to be easier to predict. For the Ministry of Finance, unpredictability would obviously increase correspondingly. The road user charges would be credited a special fund, the Road Fund, which would finance a Road Authority that would in turn manage the road network on behalf of the Ministry and procure maintenance and road construction services on the eventually of the open market but initially from the newly created parastatal the Roads Contractor. The Ministry, responsible for overall network planning, would instruct the Road Authority on how and where to develop the national network.

The Roads Contractor would carry out maintenance of the road network and be awarded all maintenance contracts during an interim period of between two to five years. After this period, private road maintenance firms would also be able to compete for such contracts.

The road user charges would be determined by a panel of experts within the Road Fund, in accordance with the perceived maintenance and investment. The Road Authority would apply for funds with the Road Fund, which would award it based on efficiency criteria established with the aid of a computer model. The amount the Road Authority receives would be used to employ a road contractor to perform the work needed.

The Road User Charging system and the Road Fund would constitute a closed loop for road financing. The flow of funds directly from the road users via the Road Fund and the Roads Authority to road maintenance and construction contractors would thus be a separate and integral system designed as far as possible to be untouchable by other parts of Government.

What are the implications of such a system and would it be a good system for Namibia?

A Road User Charge is a Tax

There are essentially three issues that should be considered in relation to earmarking systems in general and this system in particular. The first and most important issue is that of earmarking. The second would that of cost recovery, if it makes sense and if so for whom. The third is particular to the case of Namibia at present.

Prior to discussing the earmarking issue, it is important to note that within the Project Document, a road user charge of the type that the Project provides for is a tax and not a charge for a service rendered. It is a proxy for utilization but it contains nothing of the information that prices transmit from buyers to seller. In many types of public utilities it is possible to price the services: telecommunication, post, electricity and water. In others, such as roads, it is impossible to measure individual use, and any charging system would be able to convey the fundamental information about consumer preferences that guides the allocation of resources. By creating taxes to be earmarked for use within the road sector, the revenue would be more closely linked to it, but it would not give any indication of which services are needed and where, thus not linking services delivered to revenue. 102

Economic Theory and Earmarking

A road user charge is therefore by definition derived from the state's power to tax its citizens. Economic theory says that if economic growth is the objective of the government, the marginal unity of public revenue should be allocated to finance items that yield the highest economic rate of return. In the light of this principle ear marking would not be an efficient expenditure allocation policy. In practice, however, earmarking can serve a purpose under two specific conditions. They are: 12.

- firstly, that the expenditure (in this case on roads) would yield a very high economic rate of return with risk curtailed in cases of a budget crisis, and
- secondly, the country's resource allocating system (the budget process) incorrectly allocates funds to other purposes would yield a lower return than the function to benefit from earmarking.

• None of these conditions apply in the case of Namibia. On the contrary, Namibia has an excellent road network, at least in the southern and central part of the country, and expenditure on this very well maintained asset is not likely to yield a particularly high return¹⁵. In the short term the opposite probably applies.

Namibia's budget process is likely to be the envy of most other African countries. With a budget deficit in the order of 3 percent Namibia has better financial discipline than most developed countries. There are no economic reasons for earmarking funds in the case of Namibia as there were, for instance, some five years ago when Tanzania created an earmarking system for its road maintenance. Tanzania's road maintenance had collapsed and the budget process was essentially out of control due to the Government's inability to institute a hard budget constraint.

¹⁵ World Bank, 1994, World Development Report.

In other countries, improving financial accountability and transparency and linking budgetary transfers to performance has improved efficiency. In the case of Namibia, where transfers function relatively well, this could be an option.

The other danger with earmarking that is illustrated by the Tanzanian example is that of by-pass operations in general. They weaken the need to enforce financial discipline where it matters most, namely in the budget and the Treasury. If such discipline does not exist a by-pass system is not likely to help in the long run. Tanzania's Road Fund system collapsed a few weeks ago because it was raided by the Government!

Earmarking is dangerous since it is contagious. If roads can justify having their own source of financing then other areas can do the same. The end result would be a by-pass system that leaves the sectors such as health and education to carry the whole brunt of possible budget cutbacks.

Is a Full Cost Recovery for Road Usage Equitable in Namibia?

In any user charge system, the aim would be to charge the customers with the marginal cost for usage including both variable and fixed costs. In order to cover both fixed and variable costs, a two-part is usually applied, a license fee, a tax on fuel and a weight-distance charge for heavier vehicles in commercial traffic. Such a system should, however, take into account two potential problems which can arise:

- such a system could cause social problems since the fixed part of the tariff is regressive and would in essence be a head tax which may not be affordable to lower income groups and
- the allocation is efficient only if the fixed charge does not cause any consumers to drop out on account of the level of the charges.¹⁶

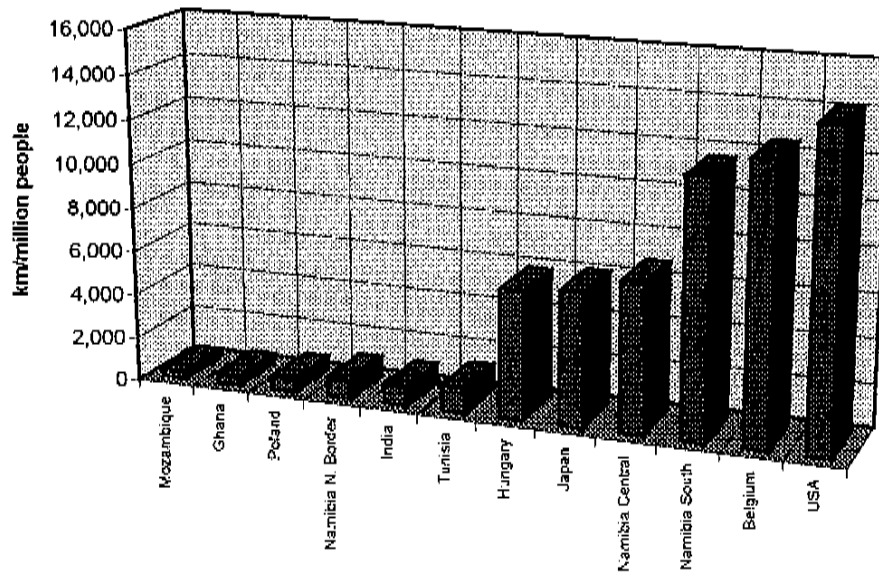
In Namibia, a relatively rich country, but with large differences in living standard and income between different groups the distributional aspects of such a charge would need to be taken into consideration. About seven percent of the population are white¹⁷ and live in the south or central parts of the country.

The road network of Namibia, a heritage from the colonial past, is in essence an inequitable network, designed to facilitate the connections with the colonizer, South Africa and apartheid rules. The roads are primarily concentrated to within the southern and central parts of the country. The majority of the population (primarily black Namibians), however, live in the northern parts. The central and southern regions have a paved road density of more than 10,000 km per million people, equivalent to northern European standards, while the northern parts, (the districts of Omusati, Oshana, Ohangwena, Oskikoto, Okavango and Caprivi) where 60 percent of the population live, have a density of about 900 km per million inhabitants. This is equivalent to road networks in countries such as India and Mexico. The following table shows the Road Network Density in different parts of Namibia and in other countries.

¹⁶ World Bank, 1996, Infrastructure Delivery.

¹⁷ CIA World Factbook, 1997.

Road Network Density, Paved Roads

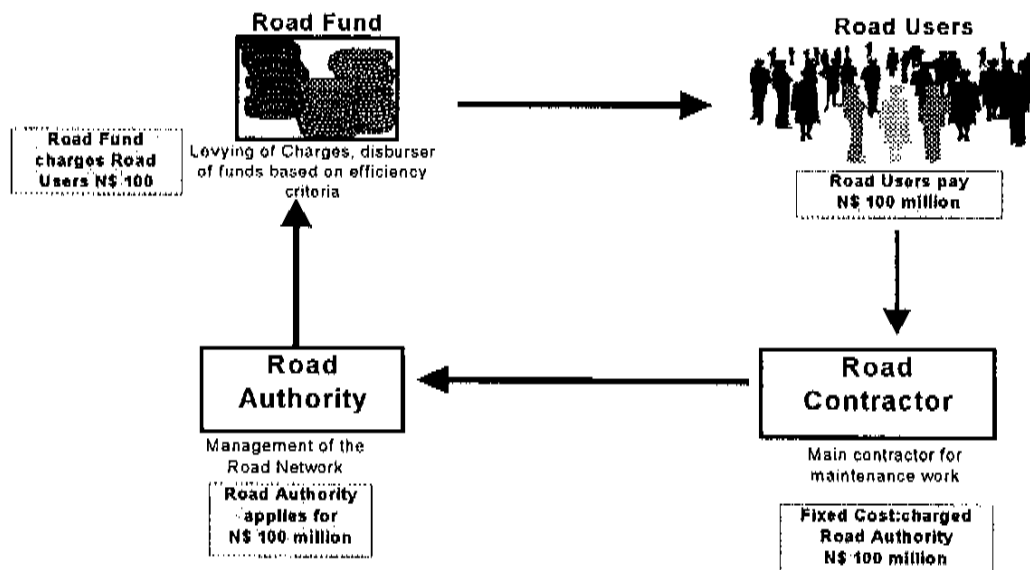


Source: 1991 Population and Housing Census, December 1994 and Transport and Communications in Namibia, March 1990, World Development Report 1994 (the data on roads is from 1988).

The main issue is if the Road Fund would be able to contribute to a more equitable road network? Is it feasible to ensure that one of the worlds best road networks be maintained for a relatively small number of Namibians able to afford it?

Would a Road Fund System be a Proxy for Inefficient Road Maintenance?

The Project in it's current form is likely to grant the employees at least a three years' reprieve on lay-offs. The Road Contractor might therefore be required to retain all workers currently engaged in road maintenance (of which one third are estimated to be redundant at present). A key objective of the Project would then be postponed for at least three years. The funds needed to sustain the Road contractor would, in such an event, become a fixed amount irrespective of much maintenance would be required or how efficient other contractors would become. The Roads Authority would thus need to apply for that fixed cost with the Road Fund, which in turn would need to charge the road users what the Road Contractor needs. The other alternative would be to subsidize the inefficient Road Constructor directly. The incentives to reduce costs and increase productivity would however, not exist in any of the two cases. The following diagram illustrates the closed loop dilemma.



If the Road Authority, on the other hand, contracted out the work to different maintenance and construction firms, the ensuing competition for contracts would promote the efficient use of resources, and the road users money.

(2.

Leases and Concessions of Airports

Airports and ports are frequently in competition with another, both nationally and internationally. Through concessions or leases, the public sector could maintain ownership of the facilities, but let the operation to private concessionaires. A competitive tendering process could ensure cost efficient operation. If the airports were subjected to competition from other traffic modes or from other airports close by, the prices could be deregulated.

Under a lease, the operator would normally only be responsible for maintenance of the facilities while the owner would have to cover the cost of all investments. Leasing arrangements are mostly used when responsibility for operation and investments can be separated. In the case of Namibian airports, an option to the Project's approach could be to out source the operation of each airport, thereby creating competition between the different operators.

A concessionaire is normally responsible not only for the operation but also for overall maintenance and investments. The main concern when it comes to concessions and leases is that the contractors would have little incentives to maintain the standard of the facilities. This can, however, be written into the contracts and evaluated before contract renewal.

An arrangement where the efficiency criteria is fulfilled, i.e. cost efficient use of resources, without the creation of a parastatal or a regulatory body could be possible through the leases or concessions. Since the contractors are controlled by way of the lease/concession contract, the need for a regulator to oversee the performance of the private operators would be less pressing.

6. The Case for Public Consultation

The Need to Involve Stakeholders

The institutional reforms pursued by the Project runs two risks:

- either they will never pass the approval of parliament as it has few 'carriers' and active promoters outside the fold of the Project itself,
- or their implementation will be hampered by stakeholders never allowed to articulate their interest.

The importance of stakeholder participation in planning and execution is not only a question of strengthening the democratic decision-making through public consultations. It is also a question of efficiency: to ensure that decisions are effectively made, understood, and complied with. Unless efforts are made to bring stakeholders onboard before decisions are made, the Project will have little chance of creating a viable institutional framework for the road and transport sector

The basic task which the Project has been given is that of creating a viable institutional framework for parts of the transport sector, namely, roads, airports and the government's fleet of vehicles and heavy construction equipment. This framework should both ensure efficiency in operation and maintenance and make possible a reduction of government liabilities in terms of staff as well as management responsibilities. This will confront the Project with several challenges: staff reduction or retrenchments, fiscal rearrangements, legal reforms, upgrading of professional profiles and roles, mobilization of the private sector - all touching and even depending upon the active involvement and support of a large number of stakeholders.

Available public sector reform experience underline the importance of involving as many as possible of the relevant stakeholders as early as possible and that the issues are debated openly. If this is not done and if the stakeholders are faced with a process to which they can only react or adapt, there is every likelihood that the reform will be informally co-opted and nullified by sectarian interests.

The way by which stakeholders can be involved varies considerably, from information and publicity drives in highly transparent and democratically advanced countries to active public consultations in societies with a weak institutional framework for public discourse. Namibia falls very much in the latter category. It is still in the process of breaking in a political system of parliamentary democracy, with weak media, a vast majority of its population living under conditions of a harsh subsistence economy, and still with an oligopolistic market economy only with respect to the limited urban and export-oriented industry.

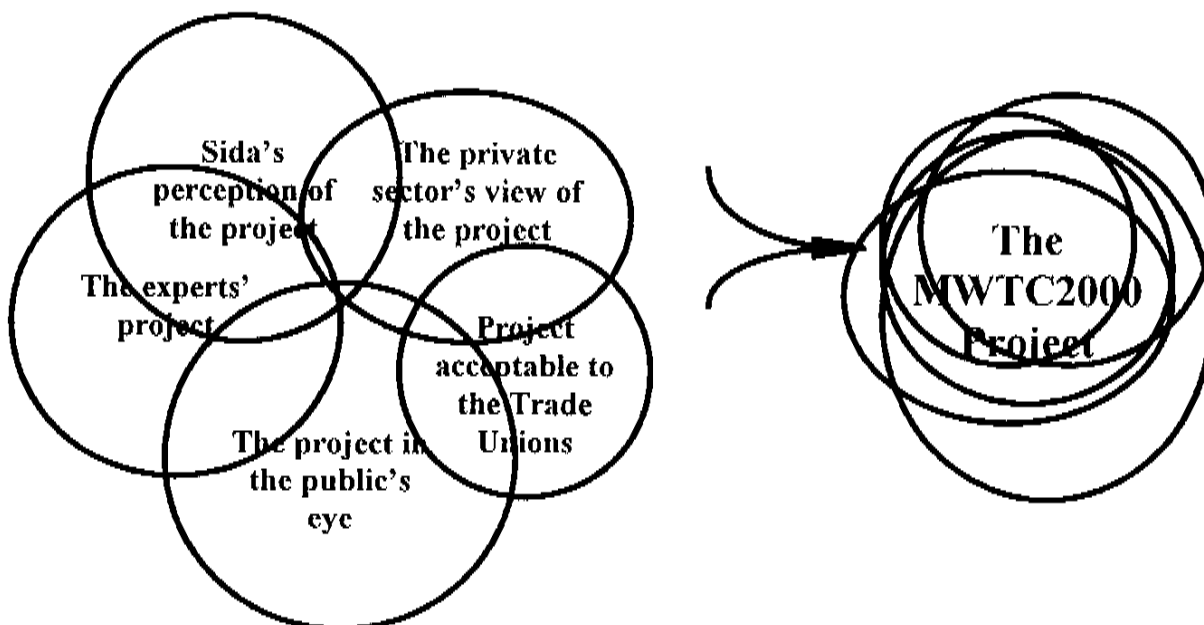
The Project currently views stakeholder involvement as primarily an issue for marketing and information. This is born out by the recently issued Newsletters that aims to publicize what the Project is all about (rather than solicit views and inputs as to what it should be) and by the seminars and workshops that have been organized. Interviews with officials as well as private sector representatives outside the fold of Department of Transport revealed that the process has been one of providing

information rather than soliciting views, even in case of participants in workshops organized by MWTC2000.

The Many Images of A Project

The Consultant's first brief visit to Windhoek quickly revealed that key stakeholders hold completely different views of the Project. Even within the Ministry there are apparently substantial differences in opinion as to what the project should or should not be. Should it involve reduction of staff or the opposite, guarantees that no one will lose his job and if so how would the issue of improved maintenance efficiency be tackled. Should there be one large road contracting parastatal or should it be broken up into several units. A prerequisite for an harmonious implementation would be that these differences are as small as possible but who will decide which solution is the best and for whom it is the best?

A challenge for the Project is to define and manage the process whereby such differences are reduced.



The trade unions, the private construction companies, the workers and the public all have different views as regards the Project's aims. The task at hand is to conform all the different views into one project concept in such a manner as to increase the current low level of support for the project. This common project concept would not necessarily be the one with which the MWTC2000 project team is working but if a consensus is reached it will be the one which has the best prospects for being implemented. This would require debate and consultation.

How to Identify the Options

The debate around the options to the outputs has also been very limited outside the narrow circle of experts and civil servants. The Consultant has not found any sign of any of the many reports employing even a relatively simple process of structured identification of problem characteristics and alternatives for any of the sub-projects. The picture overleaf shows such a structure.

Problem Definition

Solution

What is the problem?

Identify and quantify the difference between the situation which is aimed at and the current situation

Where does the problem lie?

Identify the factors which influence the result

Why is there a problem?

Analyze each factor to determine if it does influence the result

Which are the measures that could be taken?

Identify the alternatives which could affect the problem

Which is the solution?

Compare and evaluate the alternatives and propose the changes which has the best effect

The Project Document provided a problem identification for some of the sub-project (see Chapter 3, Problems, Solutions and Tasks) after which it moved straight to the solution and on to the task. There is little attempt at identification of problem characteristics and no search for alternative solutions to that of the output.

The importance of carefully preparing the scene for the debate cannot be understated. There are a number of examples of projects which were designed as solutions to incorrectly defined problems. Examples of such are the renowned "White Elephants" of Africa. Once the problem has been identified and carefully analyzed, the available measures which could be taken and which would result in the objective should be identified. These measures often result in a number of alternative manners of achieving the objectives. Then the debate commences, and eventually the solution is produced.

An Expert Driven Process

This review of the Project suggests that experts have dominated the process since its inception. The experts have not only diagnosed the problems but also proposed solutions.

From the narrow viewpoint of creating and maintaining an efficient road management function this may indeed be the better option. The considerable capital investments made in the past and to be made in the future might be better safeguarded by those who understand best how to finance, build and maintain roads. But if the object is to create a national capacity to manage change, an ability to balance the diverse interests of different sectors and groups and to wisely allocate resources from a national viewpoint, the primary responsibility of experts should be to present the government and other relevant stakeholders with options rather than ready-made solutions. After all, the single-most important contribution experts can make to an evolving democratic process is to hold up the choices and to promote the analysis and comparison of their consequences. To do so, the experts must avoid setting priorities themselves. Whether they want to or not, they lack one critical qualification, namely that of assuming responsibility for the consequences of their advice.

The short history of public sector reform in Europe and the US is full of examples of failed expert driven projects that ignored the prerogatives of the public sector itself, namely that it is public and therefore by its nature political. The greatest example of political naivety was Hillary Clinton's attempt to reform America's health care system. To help her Mrs Clinton hired the head of leading management consultancy who acted like a parody of a consultant, intent on producing a perfect plan and blind to the demands of democratic politics. He set up giant committees, composed of hundreds of experts from around the world, to consider the problem. He assembled documents and reports from around the country to produce a gigantic blueprint for an entirely new health care system. The legislature threw it out with contempt.

Other examples can be found in England where, Derek Lewis, a former Marks & Spencer CEO was sacked after less than a year as head of Britain's prison service and in France which has consumed a large number of similar management heroes from the private sector in its attempts to reform airlines, car companies and state owned banks.

Government efficiency and private sector efficiency are not necessarily interchangeable concepts. There are those that argue that there are such fundamental differences between the public sector and the private sector that theory from one will never be applicable to the other.¹⁸ When it comes to the public sector people are not customers but citizens that cannot opt out of the social contract in the same way he might a commercial one.

The record of expert-driven development throughout Africa is tinged with trauma, frustration and bad conscience. The issue was not whether the experts' advice turned out to have been right or wrong. It was the disastrous effect of a total absence of real responsibility in combination with aid financed power of the purse that local decision makers could not resist that created some of the aid industries worst misfits. Expert opinions frequently become distortive if not tempered by policy considerations and priorities beyond that of the expert. The role of the expert is therefore at its best when he or she assists a process of identification and evaluation of options. In the case of the MWCT2000 project, the formulation of the sub-projects is singularly lacking in

¹⁸ H Mintzber, 1989, Mintzberg on Management

options, in consideration of alternative views based on different issues and alternative priorities. This partly reflects the lack of consultation with stakeholders referred to above, but it also reflects the lack of exposure to other professional viewpoints and experiences.

The irony is that the need for this exposure and tempering was anticipated in the Project Document but never implemented. It remains to be seen whether there is still time to recover the ground that was lost as result.

Appendix 1

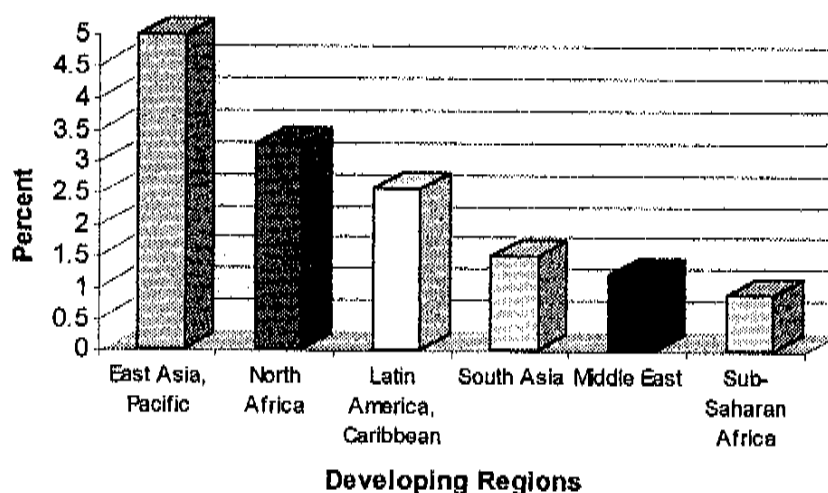
Parastatals, the African Experience

Public Sector Reform - What has it Achieved?

The African countries, have, after some 30 years of protectionist policies, realized that they are now far behind other developing regions and that something needs to be done.

In the 1950s and 60s, many African countries were at par with Asian countries in terms of growth and GDP per capita. Since then, developing countries in other regions have achieved better growth as shown in the table below:

Average Annual GDP per Capita Growth, 1965-1985



Source: World Bank, 1994.

A number of African countries thus began reform programs in the 1980s, which aimed at improving the poor performance. One of the main tasks included in the reform programs was the restructuring of the public sector composed of a number of State Owned Enterprises (SOEs). The SOEs were created with the purpose of supplying services which the small domestic markets were not able to provide, and at a lower cost. A number of studies has shown, however, that the SOEs have not been able to provide the services needed, that they are highly inefficient and that they rely heavily on support from the government, funds which could have been put to better use. On average, in Africa, SOEs account for 14 percent of GDP and 23 percent of the work force. In comparison, SOEs accounted for less than 10 percent of GDP in Asia and in Latin America¹.

Reforming the public sector has proven to be one of the most difficult of the adjustment programs to carry out. The large public sectors have created powerful constituencies concerned with maintaining their positions. To privatize, increase competition and reform the management of SOEs has met strong opposition in most

¹ World Bank, 1995, *Bureaucrats in Business*.

A number of manners of reforming the public sector have been tried in Africa, among them, reforming the SOEs, liquidation, performance contracts between the SOEs and the government, management contracts, deregulation of monopoly markets and privatization.

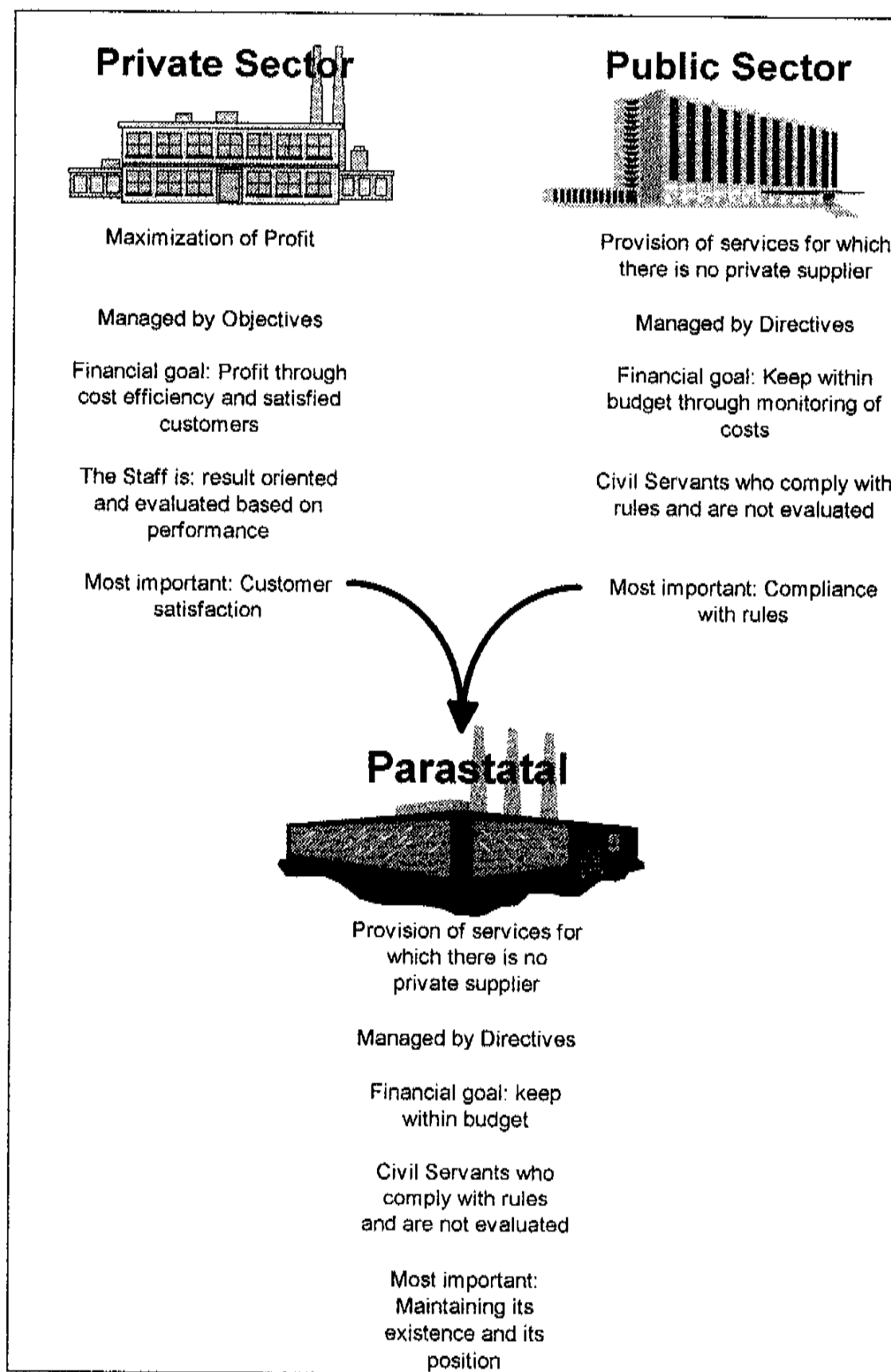
Of the number of countries which have reformed their public sectors in Sub-Saharan Africa, few have succeeded in reducing their public sectors and increase efficiency of the SOEs. The options which have met with the most success in terms of increased efficiency and benefits to the customers were the use of management contracts, the liberalization of monopolies and outright privatization.

Creating Parastatals

During the 1950 and 1960, state intervention in the economy, was seen as necessary in order correct for market failures of various kinds. In developing countries the private sectors were weak, capital markets did not exists and there was little provision of public goods. SOEs were thus created, to fulfill social goals applying business principles. The SOEs created were typically public utilities such as telecommunication and post operators and suppliers of water, electricity and transports.

To ensure the efficiency, new rules were on government intervention, financial and legal autonomy, employment policies and state borrowings were established.

These new “hybrid” organizations, state owned and staffed by civil servants, were to operate using business principles i.e. maximization of profit. They were still, however, subject to control by the government which used other types of monitoring tools. The following table shows the main characteristics of the two different type of organizations.



Merging these two organizational opposites was no easy task and proved unsuccessful in a number of cases countries. The SOEs were given the overall

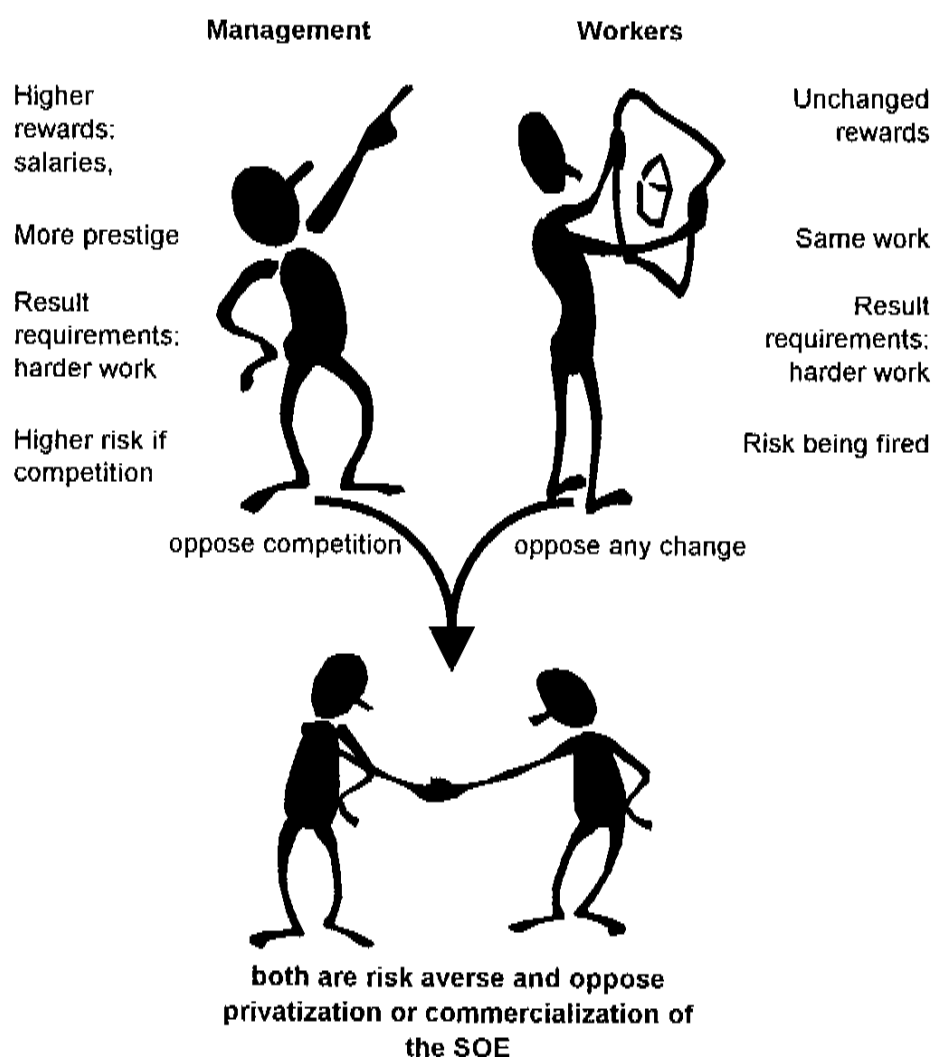
objective to be businesses without profit maximization as its main goal. The entities were managed by rules and regulations instead of by directives and the staff was composed of civil servants. Most parastatals were also created as legal monopolies thus ignoring the only incentive which can ensure productivity and efficiency; competition. The efficiency objective was not fulfilled since there were few quantifiable goals, no incentives to increase performance, efficiency or productivity and no need for profit since the government covered losses, subsidized the operations and granted credits on concessionary terms.² The effect was an over-staffed, inefficient organization which continued to need and receive support from the government.

Parastatals are Strong Constituencies

In 1991, parastatals, employed, on average, 23 percent of the workforce in Sub-Saharan Africa, an increase from 19 percent in 1981³. These civil servants represent considerable constituencies, who are opposed to changing their work situation to one which would be more insecure (in the case of privatization). Both workers and management are confronted with the risk of being judged according to performance and thus retrenched if they fail and are therefore opposed privatization or management contracts etc.

² World Bank, 1995, *Bureaucrats in Business*.

³ World Bank, 1995, *Bureaucrats in Business*.



The constituencies created, thus comprise workers and management alike and constitute a strong group, on average about ¼ of the workforce. Other constituents include the governing ministries and the government itself, who may be reluctant to relinquish control of certain sectors or markets.

Parastatals in Namibia

The parastatals in Namibia were created shortly before or at independence. In 1996 there were about 33 public enterprises and parastatal bodies in Namibia⁴. In 1993 these parastatals had about 10,000 employees which corresponded to approximately two percent of the labor force and 14 percent of all government employees⁵.

Some of the parastatals are monopolies: Telecom Namibia, Namibia Post, Namibia Press Agency, SWAWEK (the only distributor of electricity in urban areas) and the various produce boards. Many of the parastatals that are competing with private and foreign firms are very large and dominate the national market. The proximity to South Africa has, in a number of sectors, reduced the tendencies of the parastatals to use their dominant positions, and increased competition.

⁴ NEPRU, Review of Public Enterprises and Parastatal Bodies in Namibia, September 1996.

⁵ 1991 Population and Housing Census.

Financial data from the period 1989 to 1993, suggests that a number of the Parastatals are improving performance. The financial data is, however, global, i.e. it does not show to what extent the parastatals are receiving support from the government since the full extent of the direct and indirect transfers from government is not known. Data does show that direct subsidies to the SOEs doubled during the period 1989 to 1993. Subsidies cover mainly net deficits i.e. costs which the parastatals cannot cover with revenue. The parastatals would thus have little incentives to ensure cost efficiency. In 1993, some 18 percent of total government subsidies were granted the public enterprises and bodies.

The parastatals also have access to unsecured loans at interest rates below the market rate and the government has also contributed equity in a few cases. The amount of indirect transfers (tax rebates, failure by the government to collect fees, taxes or dividends, lower customs duties etc.) is not known.