AFRICAN DEVELOPMENT BANK

Namibia

Country Strategy Paper
2009-2013

REGIONAL DEPARTMENT

South Region A

March 2009

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This CSP was prepared by a Country Team comprising Mr. Andrew Mwaba, Lead Economist, ORSA; Mr. Maurice. Mubila, Chief Statistician, ESTA.1; Mr. Frank Boahene, Principal Education Specialist, OSHD; Mr. Boniface Aleobua, Principal Water and Sanitation Engineer, OWAS; Mr. Suwareh Darbo, Senior Country Economist, ORSA; Mr. Lewis Bangwe, Agricultural Expert, ZMFO/OSAN; and, Mr. Arfaoui Youssef, Senior Investment Officer, OPSM following a preparation mission to Namibia during the period 15-26 September 2008. The CSP was also discussed during the Dialogue Mission and Workshop held in Namibia during the period 11-18 February, 2009 in which Mr. Abdirahman Beileh, Director, ORSA; Mr. Geoffrey Manley, Principal Investment Officer, MZFO/OPSM; Ms. Eva Ruganzu, Principal Programme Officer, ORSA; Mr. Suwareh Darbo, Senior Country Economist, ORSA; Tape Sylvestre, Senior Financial Analyst, FTRY and Ms. Aisha Yahaya, intern, ORSA, participated.

ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
APPR	:	Annual Portfolio Performance Review
ART	:	Anti Retroviral Therapy
BON	:	Bank of Namibia
CEDAW	:	Convention on the Elimination of All Forms of Discrimination Against Women.
CER	:	Country Economic Review
CGP	:	Country Governance Profile
CIDA	:	Canadian International Development Agency
CMA	:	Common Monetary Area
COMESA	:	Common Market for Eastern and Southern Africa
CPI	:	Consumer Price Index
CPIA	:	Country Policy and Institutional Assessment
CSP	:	Country Strategy Paper
DFID	:	Department of Foreign International Development
DOTS	:	Directly Observed Treatment, Short-course
DP	:	Development Partners
DPG	:	Development Partners Group
EAC	:	East African Community
EAP	:	Environmental Assessment Policy
EMA	:	Environmental Management Act
EPA	:	Economic Partnership Agreement
EPSA	:	Enhancing Private Sector Assistance in Africa
EPZ	:	Economic Processing Zone
ESW	:	Economic and Sector Work
ETSIP	:	Education and Training Sector Improvement Programme
FAPA	:	Fund for African Private Sector Assistance
FDI	:	Foreign Direct Investment
FTA	:	Free Trade Area
GDP	:	Gross Domestic Product
GON	:	Government of Namibia
HIES	:	Household Income and Expenditure Survey
HIV/AIDS	:	Human Immuno Deficiency Virus/Acquired Immune Deficiency Syndrome
ICEMA	:	Integrated Community based Eco-System Management
ICT	:	Information and Communication Technology
IEPA	:	Interim Economic Partnership Agreement
IFMIS	:	Integrated Financial Management Information System
IMF	:	International Monetary Fund
KRA	:	Key Results Area
LDCs	:	Least Developed Countries
MDGs	:	Millennium Development Goals
MIC	:	Middle Income Country
ML TRMP	:	Medium to Long Term Transport Master Plan
MRLGH	:	Ministry of Regional and Local Government and Housing
MTEF	:	Medium Term Expenditure Framework
NAD	:	Namibian Dollar
NBFIs	:	Non Bank Financial Institutions
NCCI	:	Namibia Chamber of Commerce and Industry
NCSA	:	National Capacity Self Assessment

NDP	:	National Development Plan
NEPRU	:	Namibian Economic Policy Research Unit
NGP	:	National Gender Policy
NGPA	:	National Gender Plan of Action
NHIES	:	Namibia Household Income and Expenditure Survey
NIPP	:	National Integrity Promotion Programme
NLFS	:	Namibia Labour Force Survey
NPCS	:	National Planning Commission Secretariat
NPRAP	:	National Poverty Reduction Action Programme
NPS	:	National Payment System
NSAs	:	Non-State Actors
NTA	:	National Training Authority
NTF	:	Nigerian Trust Fund
NWPC	:	National Womenôs Parliamentary Caucus
PEP	:	Private Enterprise Partnership
PMTCT	:	Prevention of Mother-To-Child Transmission
PPP	:	Public Private Partnership
PRS	:	Poverty Reduction Strategy
SACU	:	Southern African Customs Union
SADC	:	Southern African Development Community
SMEs	:	Small and Medium Scale Enterprises
SSA	:	Sub-Saharan Africa
SWAPO	:	South West African Peopleôs Organization
TB	:	Tuberculosis
UA	:	Units of Account
UNDP	:	United Nations Development Programme
VET	:	Vocational Education and Training
WDI	:	World Development Indicators
WEF	:	World Economic Forum

FISCAL YEAR OF BUDGET
1 April to 31 March

CURRENCY EQUIVALENTS
(28 February 2009)

National Currency	=	Namibian Dollar (N$)
UA 1.0	=	N$ 15.2176
UA 1.0	=	US$ 1.57413
US$ 1.0	=	N$ 9.667308

WEIGHTS AND MEASURES
Metric System

EXECUTIVE SUMMARY

1. **Introduction:** The Country Strategy Paper (CSP) for Namibia, 2009-2013 is the Bankôs medium term strategy aimed at assisting the country to address its development challenges in a coordinated and consultative manner. The Bank Group priority areas in the CSP are aligned with the countryôs development agenda as enunciated in the Third National Development Plan (NDP3) which was approved by the Government in June 2008. The CSP has three major pillars: enhancing the competitiveness of the private sector through the development of capacity and infrastructure (rail and road transport, energy and water); investing in rural infrastructures and irrigation systems to increase agricultural productivity and enhance food security; and, trade and regional integration. In addition, the Bank will provide advisory services through economic and sector work and assist in developing appropriate institutional capacity.

2. **Country Context:** Post-colonial Namibia is largely stable and peaceful with a progressive constitution. Since Namibia gained independence in 1990, a major political achievement has been the smooth transfer of power from one President to another which bodes well for socio-economic development. However, the stability of the country can be threatened if the government fails to address the high levels of poverty, unemployment and inequality in income and land ownership.

3. Namibia continues to witness sustained economic stability characterized by high rates of investment as a percentage of GDP and real GDP growth averaging about 22% and 6.0% respectively during the period 2003-2007. This has been possible as a result of the implementation of sound macroeconomic policies and well functioning democratic institutions. However, given its small market size, openness and heavy dependence on international trade, the Namibian economy is still vulnerable to external shocks such as changes in terms of trade, external demand and climatic variations. The other challenges the country is facing include HIV/AIDS, inadequate capacity, draught, high cost of providing infrastructure, high levels of poverty, (28%) unemployment (36.7%) and inequality (0.6) as measured by the Gini Coefficient. High levels of poverty, unemployment and inequality are all rooted in the countryôs long history of colonialism and apartheid.

4. **Namibiaôs Development Agenda:** The National Development Plans (NDPs) are the main instruments for implementing the policies and programmes to achieve Vision 2030. They are designed to reverse the inherited colonial legacy of high income inequality and poverty through pro-active policies such as the Green Schemes and land reform. The Third National Development Plan (NDP3), (2007/08-2011/12) which was adopted by Parliament in June 2008 is an attempt to translate Vision 2030 objectives into concrete policies and actions. It is a medium-term strategic implementing tool for systematically achieving the objectives of Vision 2030 and its main theme is ñAccelerating Economic Growth and Deepening Rural Developmentò.

5 Like the previous two NDPs, NDP3 is poverty focused containing macroeconomic and structural benchmarks consistent with the countryôs Poverty Reduction Strategy (PRS) ï National Poverty Reduction Action Programme (NPRAP) which was formulated in 1998. The PRS focuses on increasing agricultural production and productivity; promoting community based tourism; promoting the development of small and medium scale enterprises; strengthening social safety nets; and labour intensive public works.

6. **Rationale for Bank Group Intervention**: Inadequate capacity in both the public and private sectors has been identified as one of the main bottlenecks for sustainable development in Namibia. The shortage of suitably-trained entrepreneurs in either vocational or business disciplines is a major disadvantage of the small business sector in Namibia. Not only are these businesses poorly managed, but the products or services they make or sell also leave much to be desired. In order to attain the objectives of Vision 2030 and NDP3, the capacities of the private sector, including small and medium scale enterprises (SMEs) must be developed. It is essential that the Bank supports vocational training for both the public and private sectors, including the provision of opportunities for entrepreneurship training to SMEs.

7. The Government of Namibia recognises that the development of adequate transport infrastructure is critical to improving

the competitiveness of the private sector, stimulating economic growth and reducing poverty. To this end, the Bankôs strategy is to contribute to the governmentôs drive to make the multi-modal transport facilities of the Walvis Bay Corridor the main instrument to integrate the industrial development of the north and west of the country and to link this industrial hub with the rest of Namibia and the Southern African sub-region. It will also assist in establishing and strengthening the feeder road and railway system which provides access to rural areas and development of a regional trunk road network in support of regional integration.

8. The Government of Namibia is also cognizant of the need to ensure regular and adequate supply of electricity, as any efforts to reduce poverty, inequality and unemployment will be futile without this essential ingredient. Ironically, there is an electricity crisis in Southern Africa, including Namibia**.** NamPower supplies Namibia predominantly with Hydro power from Ruacana at an average capacity of 120 MW which makes up 40-45% of Namibiaôs annual energy demand. NamPowerôs thermal stations, using even more expensive fossil fuels are dispatched in times of shortage and emergencies. About 50-60% of energy is imported annually from various utilities in SADC. Since the demand for electricity is increasing by 3% annually, it is important for the Bank to support the implementation of the governmentôs Action Plan for the development of the energy sector to ensure security of energy supply in support of the countryôs development agenda.

9. Drought and inadequate water infrastructure have contributed to the shortage of water in both the urban and rural areas thus impairing the competitiveness of the private sector. Scarce water resources are a substantial limitation for the socio-economic development of the country. The sustainable provision and management of water is, therefore, of critical importance to Namibiaôs sustainable economic success. It is, therefore, important for the Bank to provide support to the water and sanitation sector.

10. Namibia imports about 65% of its food requirements. Therefore, a considerable proportion of Namibiaôs population can be considered as vulnerable and food insecure with an estimated 23% of the population suffering from under-nourishment. At least 80% of the rural population are engaged in agricultural activities as subsistence farmers but the share of agriculture in GDP is about 6% reflecting low productivity in the sector. The Bankôs intervention in the agricultural sector will, therefore, seek to enhance productivity and the attainment of food security and diversification into production and exports of high value agricultural products through irrigation based agronomic production to mitigate the adverse effects of drought which has been cited as a development challenge. The intervention will also seek to attain sustainable livestock improvement through optimal and sustainable utilization of rangeland.

11. Namibia will continue to play a crucial role in regional integration by developing partnership with other SADC members in developing regional infrastructure, facilitating cross border trade and investment and building capacity in trade.

12. Factors Constraining the Bankôs Partnership with Namibia: These factors include competition from other multilateral and bilateral institutions, availability of financing from local institutions and cumbersome procedures of the Bank.

13. **The Bankôs Strategy for Enhanced Partnership with Namibia:** The Bank continues to intensify its efforts in improving its competitiveness in Namibia in the context of its MIC strategies, including the recently adopted Framework for Enhancing Support to MICs which envisages offering simplified business processes and competitive financing products, including better terms and lending rates more responsive to MIC needs. The Bank has also prepared a business plan to implement the new proposals. The Plan contains the Bankôs responses to some of the concerns of MICs such as Namibia. These responses include enhancing the quality of relationship and service; innovation in financial services; mainstreaming delivery of advisory services and blend resources; review country classification criteria; and enhance communication activities in MICs.

14. **Bank Group Strategy for the period 2009-2013:** In line with the objectives of NDP3, the new Bank Group Strategy will continue to address the challenges of poverty, inequality and unemployment in the country, which may deepen from the impacts of the

financial crisis. In this regard, the new strategy will focus on three major pillars: i) enhancing the competitiveness of the private sector through the development of capacity and infrastructure (including transport, energy and water), ii) investing in rural infrastructures and irrigation systems to increase agricultural productivity and enhance food security and iii) partnership for trade and regional integration. In addition, the Bank will provide advisory services through economic and sector work and build institutional capacity.

15. The first pillar, enhancing the competitiveness of the private sector, is expected to give an impetus to the growth of SMEs. It also offers a unique advantage for diversifying the economy away from minerals into areas such as tourism and financial services, given the countryĝs sound governance environment, low crime, solid infrastructure, beautiful landscape and scenery. The second pillar, investing in rural infrastructures and irrigation systems, is expected to contribute towards attaining the objectives of food security, increasing incomes of farmers and reducing poverty, as well as promoting exports of high value crops. It will also improve livestock production, investments in livestock infrastructure and value addition to livestock products. The third pillar, trade and regional integration, is expected to facilitate cross border investments and international business. Apart from being aligned to NDP 3, these pillars have also been chosen taking into account the Bankĝs comparative advantage, the need for selectivity and ensuring maximum impact of interventions as well as synergy and complementarity with the interventions of other development partners.

16. **Lending Potential**: As a middle income country, Namibiaĝs borrowing programme will be restricted to the ADB window. The country is, therefore, likely to focus on projects that offer a rate of return that more than covers the borrowing costs. In the specific case of Namibia, the potential for financing can be enhanced through co-financing and blending concessional resources with ADB resources. For example, the Accelerated Co-financing Facility for Africa (ACFA) can be blended with ADB resources. This is a sovereign lending facility geared towards private sector development. The government will also be encouraged to make use of the Technical Assistance Fund for MICs and the Fund for African Private Sector Assistance (FAPA) to finance projects in capacity building, skills development and economic and sector work. Finally, sensitization and consultation missions will be fielded to explain the Bankĝs new policies in MICs, including new lending terms, products, instruments and business processes. These measures are likely to enhance the Bankĝs partnership with Namibia.

17. **Sustainable Lending Limits:** The country risk assessment is based on five clusters measuring macroeconomic fundamentals, policy implementation and performance, the sustainability of external debt, socio-political outlook, conduciveness of the business environment for private sector development, and Bank Group portfolio performance as it relates to debt service record and project implementation. In 2009, Namibia is rated as a low risk country and adjudged to be performing above the African average in all 5 clusters. Namibiaĝs risk exposure ratios remain below the Bank Group critical threshold levels and the countryĝs debt profile, both internal and external, is sustainable. Namibia has a satisfactory record of meeting its debt obligations to the Bank and currently has no debt repayment arrears. Based on this assessment, Namibiaĝs annual lending envelope for 2009 will vary between UA 288 million and UA 412 million. Given the economic potential of the country, this envelop could be even larger in subsequent years.

18. Issues for Dialogue: Two issues have been identified for dialogue with the government and other stakeholders. These include high level of poverty among women and capacity building.

19. **Risks:** There are at least two risks that can affect the implementation of the strategy, including capacity constraints and the failure of the land reform programme. However, a number of measures have been put in place to mitigate these risks. As mitigation measures, the issue of capacity is being addressed in the context of the Education and Training Sector Improvement Programme (ETSIP) and the proposed human resource development plan while the land reform programme is being implemented within the context of governmentĝs annual budget.

20. **Conclusion:** Namibia has experienced a period of economic and political stability, peace and security. However, the country still faces a number of challenges. The Bank Group strategy seeks to address some of the challenges by providing support to the three pillars mentioned in paragraph 14.

21. **Recommendation:** The Board of Directors are invited to approve the CSP for Namibia covering the period 2009-2013 based on an annual lending envelope ranging from UA 288 million to UA 412 million.

I. INTRODUCTION

1.1 The Boards of Directors approved the 2001-2003 Country Strategy Paper for Namibia (Ref: ADB/BD/WP/2001/60) in August 2001. In May 2004 and October 2005, updates of the CSP (Ref ADB/BD/IF/2004/77 and ABD/BD/IF/2005/236 respectively) were prepared pending the finalization of the third National Development Plan (NDP3). These updates validated the continuation of the Bankôs 2001-2003 operations strategy. In approving the 2001-2003 CSP, the Board commended the Namibian authorities for the countryôs remarkable macroeconomic performance and its role in sub regional cooperation and economic integration. However, the Board expressed concerns over the economyôs dual nature, high levels of unemployment (36.7%), poverty (28%), inequality (0.6) as measured by the Gini Coefficient and HIV/AIDS (19.7%).

1.2 The 2009-2013 CSP is the Bankôs medium term strategy that seeks to assist the government in addressing the countryôs challenges in a coordinated and consultative manner. It defines broad strategic priorities for the CSP period within the context of NDP 3 (2007/08-2011/12) which was adopted by Parliament in June 2008. The strategy has been aligned with NDP3 and is based on an analysis of recent economic developments, an assessment of growth prospects and an identification of the major development constraints and challenges.

1.3 This CSP was formulated in consultation with the Government of Namibia, including representatives of the Ministry of Finance, sector departments and ministries, and other stakeholders in the private sector and civil society during the preparation mission undertaken during the period 15-26 September 2008. It was also discussed during the dialogue mission and workshop held in Namibia during the period 11-18 February, 2009.

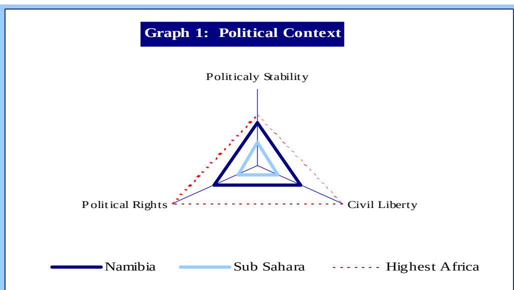
1.4 The report is organized as follows beginning with chapter 1, the introduction. Chapter two deals with the country context, including political, economic and social developments; Chapter three highlights the challenges faced by the Bank in doing business in Namibia, the Bankôs response to the challenges, the Bank Group medium term strategy and the pillars, and chapter four makes conclusions and recommendations.

II. COUNTRY CONTEXT AND PROSPECTS

2.1. Political, Economic and Social Context

Political Context

2.1.1 The Namibian Constitution, which came into force in March 1990, provides for a unitary state with a democratic multi-party system, executive power shared between the President and Cabinet, a limit to Presidential tenure of two five-year terms, an elected 72-member National Assembly with a five-year term, and a 26-member National Council, composed of 2 members from each of the 13 Regional Councils, with a six-year term.



Source: AfDB Statistics Department, African Economic Outlook 2008 and the WB Governance Indicators

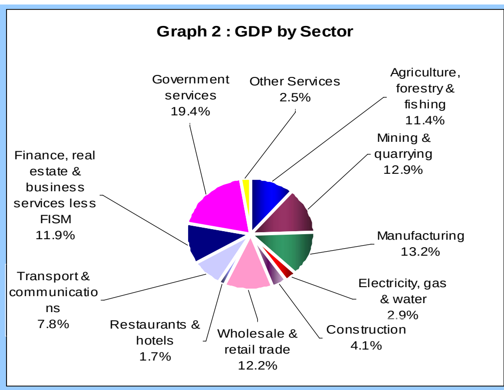
2.1.2 Since Namibia gained independence in 1990, a major political achievement has been the smooth transfer of power from one President to another. Following the expiration of the first Presidentôs term, National Assembly elections were held on 15 November 2004 in which the South West African Peopleôs Organization (SWAPO) won 76.1% of the votes while the five opposition parties got 23.9% of the votes. As SWAPOôs leader, Hifikepunye POHAMBA assumed power on 21 March 2005 as the second President reflecting the fact that multi party democracy is working in Namibia, which bodes well for the countryôs stability and progress. The country continues to enjoy rule of law, press freedom and observance of human rights resulting in political stability, peace, security and low level of crime. Graph 1 above compares Namibia with Sub-Saharan Africa (SSA) depicting that Namibia outperforms SSA in terms of political stability, political rights and civil liberties.

Economic Context

2.1.3 For historical and other reasons, the Namibian economy is dominated by South Africa, with (or through) which 80% of its trade is conducted. The bulk of its imports originate from South Africa, and the bulk of its exports are destined for the South African market or transit the country. However, Namibia is seeking to diversify its trading relationships away from South African dependence. For example, Europe has become a leading market for Namibian fish and meat products.

2.1.4 The structure of the Namibian economy has changed since independence though at a slow pace with the shares of the primary and tertiary sectors in GDP declining from 26.3% to 23.4% and 49.0% to 48.5% respectively during the period 1990-2007 while that of the secondary sector increased from 15.8% to 20.4% during the same period. This structural change reflects the increasing importance of manufacturing (whose share in GDP increased from 11.5% in 1990 to 14.3% in 2007) and the various incentive packages being offered in the sector. Despite this structural change in favour of the manufacturing sector, the Namibian economy continues to be dominated by mining contributing about 12.9% to GDP and providing over half of the country's exports. Diamonds are Namibia's most significant mineral resource accounting for 70% of total mineral exports. Paradoxically, mining employs less than 3% of the labour force because of its capital intensive nature and weak linkage with the other economic sectors. Economic growth has also been sustained by developments in the other export-oriented primary sectors of agriculture, forestry and fishing accounting for 11.4% of GDP. About 80% of the rural population depends on agricultural activities but the contribution of the sector to GDP is about 6%, reflecting low productivity in the sector. Within the tertiary sector, government services dominate contributing 19.4% to GDP reflecting the heavy government intervention in the economy. Graph 2 sheds light on the sectoral shares in GDP.

2.1.5 **Growth and Growth Drivers:** Namibia is a middle income country with a per capita income of about USD3,500 which is more than two times the average per capita income of Sub-Saharan



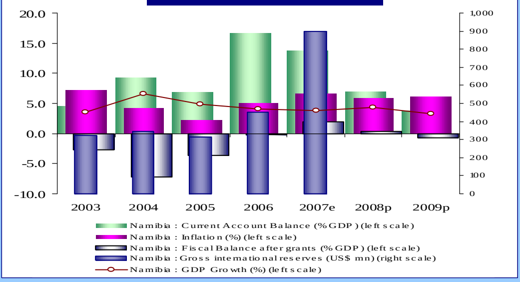
Source: AfDB Statistics Department, African Economic Outlook., 2008

Africa. The growth performance of the Namibian economy has, however, been mixed exhibiting considerable fluctuations. Having fallen short of the national development plan target of 5% per annum in the latter 1990s and early 2000s due to environmental factors such as drought, growth picked up in 2004 rising to 12.3%. Consistent growth was registered though at fluctuating rates for the period 2003-2007 and averaging 6.0% which is above the population growth rate of 2.5%. This growth could be attributed to increased revenue from diamonds, opening of a new Zinc mine and refinery and increased uranium mining. Real GDP is expected to grow by 3.2% in 2008 down from 4.1% in 2007 due to the decline in mineral prices in the last quarter of 2008.

2.1.6 Despite evidence of sustained growth, given its small domestic market, openness and heavy dependence on international trade, the Namibian economy is still vulnerable to external shocks such as changes in terms of trade, external demand and climatic variations. The current financial crisis, for example, has resulted in a depreciation of the currency, a decline in banking profits and an increase in non-performing loans in banks. (For further details of the impact of the financial crisis, refer to paragraph 2.2.3.4). There is, therefore, a need for diversifying the export market and putting in place a competition policy that will enhance efficiency in the production and allocation of resources, and generate employment and economic growth consistent with the conducive policy environment.

2.1.7 **Macroeconomic Management:** Since 1995, macroeconomic policy has been conducted in terms of the Medium Term Expenditure Framework. Notwithstanding the high levels of poverty and inequality, government has been successful in maintaining macroeconomic stability. The fiscal balance moved from a deficit of -7.3% of GDP in 2003 into a surplus of 4.9% of GDP in 2006 reflecting tight expenditure management and strong SACU receipts. However, the surplus declined to 1.1% of GDP in 2007. Inflation rose to 11.9% in July 2008 owing to the surge in oil and food prices; international reserves increased from 2.1

Graph 3: Macro Indicators



Source: AfDB Statistics Dept. AEO, 2008

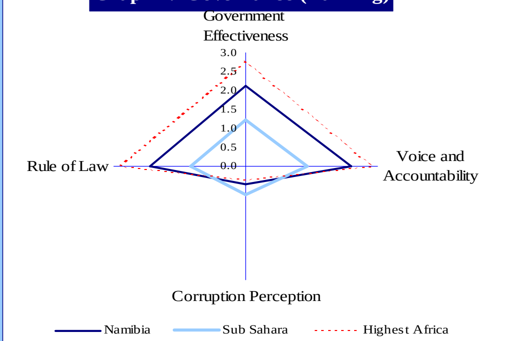
months of import cover in 2007 to about 3 months of import cover in 2008 while the current account balance stood at 10.6% of GDP at the end of 2008. The public debt as a percentage of GDP declined from 29.5% in 2003/04 to 21.8% in 2007/08 and the exchange rate has been stable. This is a significant achievement for the country and is consistent with the governmentǿs macroeconomic targets which prescribe an annual growth rate of at least 5%, an average budget deficit not exceeding 3% of GDP over three years, annual inflation not exceeding 6-7% and total debt stock not exceeding 25% of GDP. This achievement has been realised as a result of improved export performance, better than expected SACU receipts and the strong commitment of the authorities to fiscal consolidation. Graph 3 above depicts the countryǿs macroeconomic performance: GDP growth, inflation, current account balance and international reserves.

Governance

2.1.8 According to World Development Indicators published by the World Bank in 2008, Namibiaǿs performance in the governance front is much better than the average performance of SSA as depicted in graph 4. The report also shows that its performance is better than most countries in the world.

2.1.9 In the area of public financial management, the government has introduced the Integrated Financial Management Information System (IFMIS) and Medium Term Expenditure Framework (MTEF), among others. The IFMIS launched in 2006 has helped in promoting transparency and accountability in the use of public resources and enhancing the independence of supreme audit institutions. In contrast to the classical World Bank MTEF, which is donor driven, input based and covers only some sectors, Namibiaǿs MTEF introduced in 2001/2002 is government-driven, output focused and covers all the sectors. The MTEF has facilitated planning both for the Ministry of Finance (MOF) and line ministries. However, public financial management is being hampered by the difficulty in enforcing audit and accounting regulations as a result of inadequate capacity, especially in the fields of accounting and auditing as well as poor co-ordination between the Ministry of Finance and the other offices regarding accounting transactions.

Graph 4: Governance (Ranking)



Source: AfDB Statistics Department using data from the WDI , WB, 2008

2.1.10 Programmes and institutions have also been set up to promote integrity and fight corruption, including in particular a National Integrity Promotion Programme (NIPP) in the Office of the Ombudsman and an Anti-Corruption Commission both of which were established in 2003. According to Transparency Internationalǿs 2008 ranking of 180 countries out of the worldǿs 193 countries, Namibia scored 4.5 and ranked 57 confirming that it is one of the least corrupt countries in world.

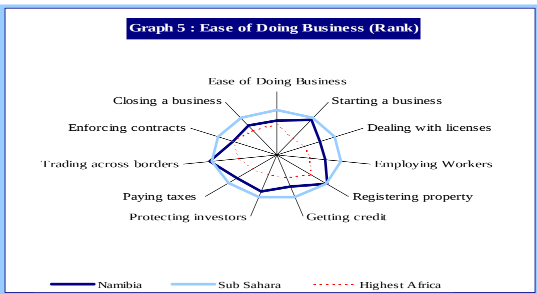
2.1.11 A Decentralization Policy was also introduced in 1997 to promote participatory democracy, empower local populations and improve public sector management. Despite the relative success in establishing systems and structures, progress in implementation has been slow due to a number of challenges, including inadequate capacity, insufficient political muscle of the Ministry of Regional and Local Government and Housing MRLGH) and fear of loss of power and control in the centre.

2.1.12 Constitutionally, and in practice, there is engagement by government of the communities, civil society, and the private sector in the formulation of national prorammes and policies. One good example is the participation of NANGOF Trust, the umbrella organization of NGOs in the preparation of national development plans.

Business Environment and Competitiveness

2.1.13 **Business Environment:** Namibia's Foreign Investment Act of 1993 provides investors with guarantees in respect of investment security, free repatriation of capital and profit, access to foreign currency and international arbitration in case of disputes. A range of highly competitive incentives are in place for investors. These include special incentives for manufacturers and exporters as well as the Export Processing Zone (EPZ) regime, which offers a total tax and duty-free environment for export-oriented manufacturing enterprises. In short, an investment-friendly legislative and regulatory framework, a competitive incentive regime and a low crime rate round off Namibia's attractiveness for business and investment.

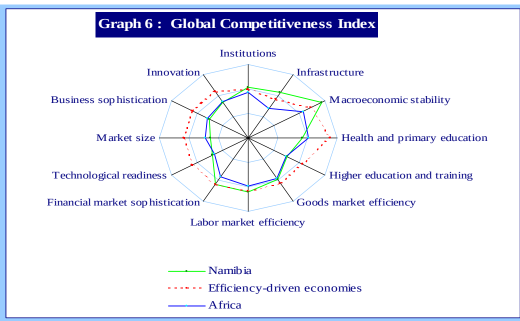
2.1.14 In terms of Ease of Doing Business, Namibia ranks 43 out of 178 countries studied in 2008 (graph 5). The marginal effective tax



Source: AfDB Statistics Department using data from Doing Business data base,, WB, 2008

rate in Namibia is 16% compared to 21% in South Africa. Though it is above the region's average in terms of the ease of doing business, there is scope for improvement in others. For example, it takes 99 days to start a business which does not compare favourably with the region's average of 56.3. Shortage of vocational and management skills is also a challenge in doing business in Namibia.

2.1.15 **Competitiveness:** According to the Global Competitiveness Report, Namibia's performance in terms of the Global Competitiveness Index is better than the average performance of Africa (graph 6). This

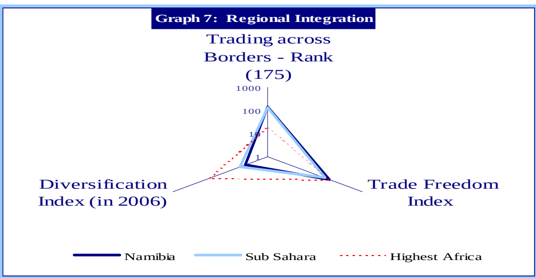


Source: AfDB Statistics Department using data from WEF, 2008

has also been confirmed by the Africa Competitiveness Report 2008, produced by the World Economic Forum which ranked Namibia fifth out of 25 countries on the Growth Competitiveness Index falling behind Botswana, Tunisia, South Africa and Mauritius which are numbers 1 to 4 respectively. Namibia ranked seventh out of 25 in the macroeconomic sub-index. Concerns regarding the macroeconomic sub-index include balance between government expenditure and revenue and lending-borrowing interest spread. In the performance of public institutions, Namibia ranked fifth. Concerns regarding the performance of public institutions include the independence of the judiciary, protection of individual property, and fairness in awarding public contracts. In the technology sub-index, Namibia ranked fifth too. Concerns regarding this sub index include absorption of new technology, spending on research and development and the use of telephone, mobile phones and computers.

Regional Integration and Trade

2.1.16 The Namibian economy is open with exports and imports accounting for an average of 45% and 60% of GDP respectively during the period 2000-2007. Exports and imports as a percentage of GDP increased by an average of 49.3% and 53.2% respectively during the same period. Fifty one percent of Namibia's exports are duty free and 82.7% of all exports involve trade with a free trade agreement (FTA) or customs union partner. Namibia's real growth in total trade of goods and services has accelerated since the early 2000s, from an average of 4.2% in the early 2000s to 5.7% in 2005-2006 and 11.1% in 2007 resulting in a ranking of 36 (out of 160) in trade outcome. At the same time, Namibia's trade share in GDP currently stands at 102.4% which surpasses the average SSA and lower middle income country openness ratio. Graph 7 sheds light on Namibia's trading across borders, diversification and trade freedom.



Source: AfDB Statistics Department using data from Doing Business database , WB 2008, AEO, 2008 and the Heritage Foundation 2008

2.1.17 The regional economic environment is critical to Namibia's drive towards sustained economic growth in view of its small market size. Membership in regional groups and trade agreements such as the Southern African Development Community (SADC), Southern African Customs Union (SACU) and Common Monetary Area (CMA) offers Namibia the opportunity to have easy access to a regional market of over 350 million consumers, offers prospects to expand and diversify its export markets and mitigate risks to external shocks. In terms of Namibia's performance under the SADC macroeconomic convergence, the country has as at 2008 satisfied all the criteria but one which is inflation currently standing at about 12%. The criteria include single digit inflation, budget deficit of 5% or less of GDP, government debt less than 60% of GDP and foreign reserves not less than three months of import cover. (See paragraph 2.1.7 for Namibia's macroeconomic performance).

2.1.18 A common external tariff under SACU (Botswana, Lesotho, Namibia, South Africa and Swaziland) guarantees free movement of goods and represents a significant source of revenue for Namibia. Namibia's SACU revenue accounted for 14% of its GDP in 2006/07 compared to 27% for Swaziland, 10% for Botswana, 1.4% for South Africa and over 35% for Lesotho.

2.1.19 Membership in CMA (Lesotho, Namibia, South Africa and Swaziland) has helped integrate Namibia into the South African money and capital markets. CMA serves as an appropriate framework for ensuring medium to long term price and interest rate stability thus enhancing investor confidence in the economy. CMA has also enabled Namibia to enjoy unrestricted transfer of funds without any transaction costs whether for current or capital transactions thus facilitating cross-border trade among the members. However, it limits the ability of the government to pursue independent monetary and exchange rates policies and adjust to external shocks.

2.1.20 The dominance of imported inflation in the overall inflation of small open economies such as Namibia implies that exchange rate stability would be necessary for the achievement of price stability. This is because exchange rate volatility resulting from a free float would immediately be passed on to prices in such economies. In this regard, the fixed exchange rate is generally recommended as it will provide the necessary nominal anchor for inflation.

2.1.21 However, the peg to the rand precludes the use of the exchange rate as an instrument for the promotion of export competitiveness. In a floating exchange rate system, the nominal exchange rate would be adjusted if the real exchange rate is drifting away from its equilibrium position. The promotion of export competitiveness would increasingly become important as Namibia diversifies its export structure to non-resource based products. This is necessary because if the country has to achieve high rates of economic growth, given the limited size of its market, this growth will be driven by the export sector. A problem arises if this objective is no longer feasible with the present exchange rate arrangement.

2.1.22 Regarding its performance under the Africa Growth and Opportunity Act (AGOA), Namibian exports of apparel to the United States (US) plummeted from US$53 million in 2006 to US$28.5 million in 2007 following the removal of restrictions on apparel trade in 2005. This decline in exports of apparel was due to increased competition from countries such as India and China, calling for the need for Namibia to diversify its export markets.

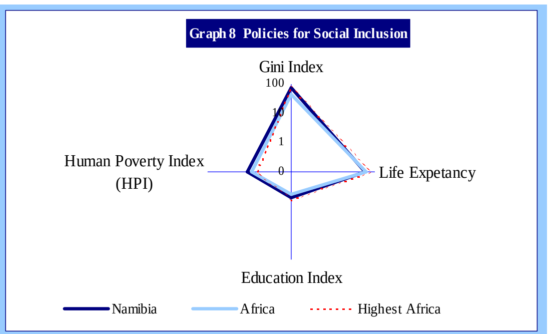
2.1.23 In anticipation of the expiration of the Cotonou Agreement in December 2007, Namibia initialled the Interim Economic Partnership Agreement (IEPA) in November 2007, with the intention of signing a full EPA at a later date. Under this interim agreement, Namibia gained duty free access to EU markets with transitional provisions for sugar and rice while the European Union (EU) obtained a commitment that 86% of Namibian imports will be liberalized with 44 tariff lines exempted until a later date.

2.1.24 Should Namibia sign the full EPA, it will have both negative and positive implications. On the negative side, it will bring about a reduction in revenue depending on the tariff cuts and increased competition for Namibian producers in their home market, given that EU imports, especially agricultural imports are subsidized. On the positive side, Namibian products will have duty-and quota-free access to the EU market which may encourage non-traditional Namibian exports into the EU market. In the domestic market, increased competition and, therefore competitive prices for consumers are expected.

Social Inclusion, Gender and Environment

Poverty, Social Inclusion and Equity

2.1.25 According to the 2003/04 Household Income and Expenditure Survey (HIES), the share of households living in poverty defined roughly by the National Planning Commission (NPC) as those spending more than 60% of their total income on food is 28% compared to 38% in 1993/94. Over this period, the level of poverty has thus been cut by one quarter. If this rate of progress continues, Namibia is likely to reduce poverty by half by 2015. Poverty remains a predominantly rural phenomenon: 42% of all households in the rural areas are classified as poor, compared to just 7% in the urban areas in 2003/04. The corresponding shares were 49% and 17% respectively in 1993/04. The incidence of poverty is also high among households headed by those with no formal education or only primary education. Households headed by those with tertiary education have the lowest poverty incidence. The poverty incidence is higher among female-headed households (30.1%) than among male-headed (26.4%) households. The average incomes in the households headed by women are 40% lower than incomes of households headed by men. On average, about 45% of households in Namibia are headed by women. HIV/AIDS, unemployment, lack of or inadequate access to social services and their poor quality and lack of or inadequate assets such as livestock and land (including poor soils) seem to be the major causes of poverty.



Source: AfDB Statistics Dept. using data from the UNDP databases, 2008

2.1.26 According to the HIES, the main measure of inequality, the Gini Coefficient has fallen from 0.7 in 1993/04 to 0.6 in 2003/04, as against an average of 0.43 for all MICs. The survey showed that the incomes of the poorest 25% of the population has increased three times as fast as the incomes of the richest 1%. Graph 8 shows that Namibiaô s human poverty, Gini, and life expectancy indices are as low as those in the rest of continent but that its education index which refers to the adult literacy rate and the combined primary, secondary and tertiary gross enrolment ratio is much better than the rest of the continent.

2.1.27 According to the 2004 Namibian Labour Force Survey, the overall unemployment rate rose from 33.0% in 2000 to 36.7% in 2004. The unemployment rate among youths (15-24 years old) is much higher at about 60%, which is one of the highest in Africa. A significant proportion (about 30%) of the unemployed depends on agriculture which accounts for about 6% of GDP. The employment in other sectors such as mining is less than 3% as compared to its contribution to GDP (12.9%). Thus there is a significant mismatch between the sectoral shares of employment and their contributions to GDP. Additionally, the pace of growth of the sectors with high concentrations of the employed is rather slow. A structural shift in employment requires a considerable shift in economic growth towards sectors that rapidly generate more remunerative jobs such as tourism, and the services sector in general. There is also a mismatch in the labour market between supply and demand for labour and this is one of the main reasons of rising unemployment in the country.

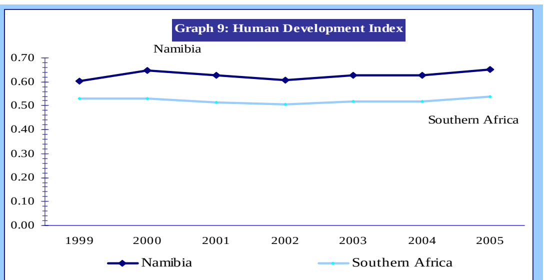
2.1.28 The above analysis indicates that the prevalence of poverty, inequality and unemployment in Namibia is high compared to other countries with similar GDP per capita.

The government has formulated a number of policies and programmes to address poverty, including the Poverty Reduction Strategy (PRS) formulated in 1998, rural and pro-agriculture development policies and strategies in NDP 3, the Green Schemes and land reform, among others.

Gender

2.1.29 The Government of Namibia has adopted a conscious policy to promote the welfare of women which culminated in, among other things, the formulation of a National Gender Policy in 1997**.** The government has also signed a number of international conventions and promulgated Acts, including the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW), Married Persons Equality Act, the Combating of Rape Act and Domestic Violence Act, among others. These policy measures have contributed significantly towards improving the lot of the female folks. For example, the ratio of girls to boys in primary, secondary and tertiary education is 1.0, 1.13 and 1.11 respectively implying that girls are better represented than boys in schools. The boys are being distracted by livestock rearing. Women represent 47.4% of total employment as against 52.6% for their male counterparts. In agriculture, health and social work, and manufacturing, women represent 44.8%, 77.2% and 50.4% respectively. The 2004 Namibia MDG Report showed that if the prevailing trends continue, the country could make good progress towards achieving the MDG relating to the promotion of gender equality and empowering women by 2015

2.1.30 Despite the progress so far, there are a number of gender-related issues which remain a challenge for Namibia. First is the gender imbalance in the political, economic and business decision-making levels. For example,



Source: AfDB Statistics Department using data from the UNDP databases

the proportion of women represented in parliament is only 27% as against a target of 50% by 2015. Second are the cultural and social attitudes and the persisting perceptions on the traditional roles of women in society. In some communities, women cannot own land nor can they inherit their husbandõs property as a result of traditional and cultural beliefs, which tends to exacerbate poverty. Yet, on average 45% of the households are headed by women. Third, the capacity of gender focal points is weak, especially in gender budgeting and gender disaggregated data analysis. The emerging problem of human trafficking poses a problem too. For further details, gender issues are presented in Annex V.

Environment and Climate Change

2.1.31 Namibia is a country well endowed with natural resources but highly fragile and vulnerable to environmental stresses arising from natural causes and human development interventions. The government is addressing major concerns through policies and strategies (Environmental Assessment Policy, 1994, Environmental Management Act, 1998) driven by the need for devolution of ownership and rights of indigenous communities in environmental and natural resources management. Human-wild life conflict is being mitigated through the establishment of 53 conservancies and government intends to develop and support 70 in the country as a way of empowering rural communities and allowing them to co-manage and benefit from fauna and floral resources. Efforts are being made to clean up old mines to allow for the protection and production of high value medicinal floral resources. Community based tourism is also being supported to diversify incomes. There are also concerns about the possible and visible effects of climate change on coastal marine and inland economic activities and livelihoods. Additional support is also required for supply of more water points through dams and boreholes in national parks and conservancies. Private sector based support to tourism resorts and hotels might be required to expand their capacity or improve their outlook.

2.1.32 The above analysis of social context issues shows a mixed picture of the performance of Namibia on the MDGs. Overall, Namibiaõs level of human development is higher than the average for Southern Africa (graph 9). The country seems to be on track to achieve the MDG targets on the proportion of population in extreme poverty and relative poverty, as defined in the NHIES. Achieving gender parity at all levels of education is also likely. However, achieving gender parity in representation in the Parliament would require concerted efforts. The picture on reducing infant, child and maternal mortality rates and attaining the MDG targets is discouraging, as a complex of factors including HIV/AIDS, tuberculosis (TB) and malaria, as well as inadequate nutrition need to be tackled simultaneously to make progress in the remaining period to the target year of 2015. It would be difficult to bring down the HIV prevalence rate to the 1990 level by 2015. On the environmental MDG, Namibia made considerable progress in managing biodiversity and protecting the environment, with the participation of communities. Unemployment in general and youth unemployment in particular are continuing causes for concern. Please refer to Annex IV for progress in attaining the MDGs.

2.2. Strategic Options

2.2.1. Country Strategic Framework

2.2.1.1 ***Government Development Agenda:*** The National Development Plans (NDPs) are the main instruments for implementing the policies and programmes to achieve Vision 2030. The Third National Development Plan (NDP3), (2007/08-2011/12) is an attempt to translate Vision 2030 objectives into concrete policies and actions. It is a medium-term strategic tool for systematically achieving Vision 2030[1] and its main theme is "Accelerating Economic Growth and Deepening Rural Development" (box 1). The broad thrusts and goals of NDP3 were derived from Vision 2030, the directions from the November 2005 Cabinet Retreat[2], the Millennium Declaration[3] including the MDGs, and the lessons[4] learnt from implementing the NDP 2. (The achievements of NDP 2 are available in annex VIII). NDP 3 seeks to reverse the inherited colonial legacy of high income inequality and poverty through pro-active policies such as the green schemes and land reform. It is the first development plan to be prepared with an integrated result-based management approach that links its goals to the eight main objectives of Vision 2030 (box 2).

Box 1: President Hifikepunye POHAMBA on the theme of NDP3

Rural development is one of the issues close to my heart. Available statistics indicate that over 60 percent of our people reside in rural areas. The majority of our citizens in rural areas depend on underdeveloped subsistence farming for their livelihoods. We cannot afford to continue to ignore these harsh realities. Therefore, it is only fitting that rural development takes center stage in our pursuit of economic emancipation. I am, therefore, pleased to learn that the **theme** of **NDP3** is *Accelerating Economic Growth and Deepening Rural Development*. The fact of the matter is that we cannot expect to achieve broad-based development if a significant section of our citizens remain poor. This is a challenge facing all of us, therefore, we should seek ways and means of uplifting the living conditions of all our people.

Excerpt from a speech delivered at the National Consultative Conference on NDP3, 26 October 2007.

Box 2: Objectives, Pillars and Targets of Namibia's Vision 2030

Strategic Objectives

i) A fair, gender responsive, caring and committed nation; ii) A democratic political system; iii) A competent and highly productive human resources; iv) An industrialized country; v) A healthy, food-secured nation; **(vi** Sustainable utilization of "natural capital"; vii) A knowledge based, highly competitive nation; and **(viii)** Stability and full regional integration.

Pillars

i) Good Governance, ii) Human Resource Development & Technological Innovation, iii) Agric, Nat. Res. and Env; iv) Infrastructure, v) Gender Equality, vi) Regional Integration.

Selected Performance Targets

i) Annual real GDP growth rate of 5.8%, ii) population growth of 2%, iii) inflation 6.6% and iv) investment rate of 33% of GDP.

Key Outcome Targets

i) 100% literacy rate by 2030, ii) increase in life expectancy from 40 yrs in 2006 to 69 yrs by 2030, iii) increase in water provision from 75% in 2000 to 100% by 2030, iv) reduction in infant mortality rate per 1000 live births from 38 in 2006 to 10 by 2030, v) reduction in maternal mortality rate per 100,000 from 271 in 2006 to 20 by 2030.

Source : Government of Namibia, Vision 2030

2.2.1.2 Like the previous two NDPs, NDP3 is poverty focused containing macroeconomic and structural benchmarks consistent with the country's Poverty Reduction Strategy (PRS) – National Poverty Reduction Action Programme (NPRAP) which was formulated in 1998. The PRS focuses on increasing agricultural production and productivity; promoting community based tourism; promoting the development of small and medium scale enterprises; strengthening the social safety net; and labour intensive public works.

2.2.2 Challenges and Weaknesses

2.2.2.1 **Inadequate Capacity** for service delivery and the implementation of pro-poor policies and programmes is one of the basic obstacles for economic growth and development in Namibia. It also constitutes a constraint, both to enterprise creation and to growth at all levels and sizes of firms. The number of trained workers and the profile of their skills do not match the requirements of the production structure that Namibiaœs development agenda envisages. The government is determined to address this challenge head on by implementing intensive capacity building programmes and vocational education courses as well as on-the-job training in the context of the Education and Training Sector Improvement Programme[5] (ETSIP).

2.2.2.2 **The recurrent droughts** which Namibia has been experiencing have wrecked havoc on the agricultural sector (food and water shortage and scarcity of grazing land for livestock) and exacerbated poverty in the country while simultaneously making the attainment of food security both at the household and national levels extremely difficult. As about 80% of the rural population are engaged in agricultural activities most of whom are subsistence farmers, recurrent droughts have meant that at least half of the food consumed in Namibia is imported which in turn has an adverse impact on the balance of payments. As a response, the government formulated a National Drought Policy and Strategy in 1997 aimed at, among other things, encouraging and supporting farmers to adopt self-reliant approaches to the risk of drought.

2.2.2.3 **High Cost of Providing Infrastructure due to vast size of country with a population thinly spread**: Though Namibia has developed good road and rail infrastructure compared to other Sub-Saharan African countries, expansion and maintenance of roads, electricity network and water supply in Namibia is very expensive because of the vast size of the country. The delivery of public services such as railways, roads, electricity and water to the population that is spread thin all over the country is a major challenge. The feeder roads to the production centres is poor while the Roads Fund Administration is finding it extremely difficult to maintain existing roads and construct new ones from user charges, including cross border charges and toll fees. As a result, the country requires additional resources to extend and maintain rail and road infrastructure. The demand for electricity is outstripping supply while ground water resources are limited with the situation being compounded by drought.

Box 3: Summary of Key Development Challenges

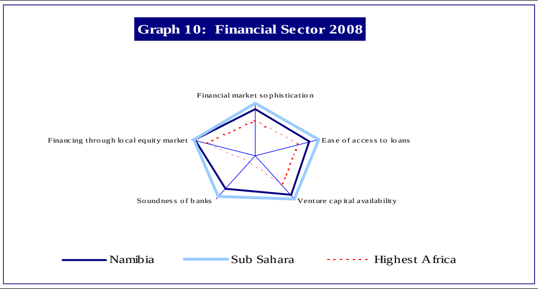
- Inadequate Capacity
- Recurrent Droughts resulting in low agricultural productivity
- High Cost of Providing Infrastructure (transport, energy & water) due to vast size of country with a population thinly spread

2.2.3 Strengths and Opportunities

2.2.3.1 **The country is endowed with natural resources**, including diamonds uranium, lead, gold, copper, zinc, fish and fish products, livestock natural gas, and some of the most spectacular and varied scenery and wildlife in the world. Availability of natural resources constitutes an asset for the country which offers a unique opportunity for the government to lay the foundations for sustainable economic growth and development and improve the lives of its citizens.

2.2.3.2 **Good Governance and Sound Macroeconomic Policies** are the hallmarks of Namibiaœs political stability. Well functioning democratic institutions, press freedom and respect for the rule of law have helped ensure peace, security, and low level of crime which bodes well for economic growth and development. Economic policies are sound, transparent and predictable thus facilitating business transactions. The pursuit of sound macroeconomic policies, including trade liberalization and a free-market economy have contributed to achieving moderate but steady economic growth, fiscal consolidation and external and internal balance.

2.2.3.3 **Highly profitable and well capitalized financial sector** which is healthy, well-run and resilient to plausible macroeconomic shocks. The banking system is mature, profitable, and well capitalized. The non-bank financial institutions (NBFI) sector



Source: AfDB Statistics Dept. using data from the WEF, 2008

is also well developed. Close ties with South Africa have significantly benefited financial institutions and are able to diversify their risks while strong ownership and common good practices with reputable financial institutions in South Africa help mitigate weaknesses in domestic supervision and regulation as well as limited domestic skills. Graph 10 sheds light on Namibiaõs financial sector asserting that it is more developed than that of the average Sub-Saharan African country.

2.2.3.4 The impact of the global financial crisis on Namibiaõs financial sector has been felt through indirect channels: exchange rate, inflation and interest rates. The Namibian Dollar (NAD) depreciated against major currencies during the first three quarters of

to the global credit crisis but domestic conditions could deteriorate due to tighter monetary policy and especially rising energy costs and food prices. However, there is no cause for alarm with the capital adequacy ratio above 15%, the regulatory minimum being 10%. The overall operation of the insurance industry is deemed sustainable and does not pose any sizable financial stability threats. With respect to financial infrastructure, the Bank of Namibia (BON) has undertaken a host of supervisory activities in the first half of 2008. The principal objective of the undertakings was to ascertain the safety, efficiency and timeliness of the National Payment System (NPS) in Namibia.

CPIA Rating

2.2.3.5 Namibiaõs economic performance, especially in the recent past has been remarkable reflecting its underlying country strength. It has consistently scored at least 4 out of 5 in all the categories of the Bankõs Country Policy and Institutional Assessment (CPIA) except in property rights and rule based governance (Table 1). It has also shown improvements in fiscal and debt policies during the period 2005-2006.

Table 1:Namibiaõs CPIA Rating

Year	A. Economic Management			B. Structural Policies			C. Policies for Social Inclusion / Equity					D. Public Sector Management and Institutions					Overall Rating
	1 Macro	2 Fisca l	3 Debt	4 Regional Int./Trade	5 Fin. Sec.	6 Business Reg. Frame	7 Gende r Equalit y	8 Equity Pub. Resource	9 Human Resources	10 Social Protection	11 Environmt.	12 Property Rights	13 Budget Managemt.	14 Revenue Mobilizatio n	15 Public Admin.	16 Corruptio n Pub. Sector	
2005	4.0	5.0	5.0	4.0	4.0	4.0	4.5	4.0	4.0	4.0	4.0	3.0	4.0	4.0	4.0	4.0	4.26
2006	4.0	5.0	5.0	4.0	4.0	4.0	5.0	4.0	4.0	4.0	4.0	3.0	4.0	4.0	4.0	4.0	4.17
2007	4.0	4.0	4.0	4.0	4.0	4.0	5.0	4.0	4.0	4.0	4.0	3.0	4.0	4.0	4.0	4.0	4.0

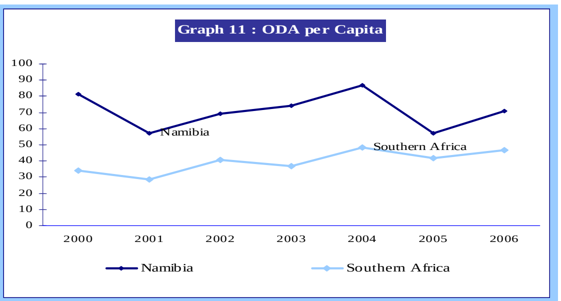
2008, which led to high import prices and inflation and consequently high interest rates. Both results stretched consumer budgets. High net interest expenses and high consumer price inflation are likely to lead to slower growth in household disposable income. The banking system remains sound although profits have declined by 14.6% in the third quarter of 20082.3. and debts are rising as borrowing costs increase. In the six-months to June 2008, non-performing loans in the banking sector increased by 9.7%. Furthermore, lower global economic growth may erode export companiesõ revenues in 2008 all of which may have an adverse impact on banking institutions and financial stability. Local banking institutions, which are mostly subsidiaries of South African Banks have no direct exposure

2.3. Recent Developments in Aid Coordination/Harmonisation and ADB Positioning in Namibia

2.3.1 Developments in Aid Coordination and Harmonisation

2.3.1.1 The Development Partners Group (DPG) was established in February 2006 as a consultative body for coordinating the strategy and operational development activities of development partners in support of the governmentõs development priorities. The DPG seeks to contribute to strengthening coherence among development partners in Namibia; consult and share information both on substantive and administrative matters; facilitate donor coordination and assist the

Government of Namibia in the integrated follow-up to international conferences, among others.



Source: AfDB Statistics Dept. using data from the OECD database, 2008

2.3.1.2 The establishment of the DPG has encouraged the development partners (DPs) to align their country assistance strategies and interventions to the priorities identified in NDP 3 thus ensuring the bridging of the resource gap for implementation of the Plan. They are also beginning to utilize government institutions, systems and procedures in such areas as procurement and financial reporting (suggesting improvements where necessary) rather than soliciting for new institutions and procedures to be established for aid disbursement and management. This has enhanced national capacities and the governmentós leadership and ownership of the development process.

2.3.1.3 In terms of integrating donor assistance into the treasury system and strengthening the donor coordinating role of the National Planning Commission, the commission is in the process of developing an aid tracking database. This will allow a better tracking and targeting of aid resources and their usage.

2.3.1.4 Generally, there is a commitment on the part of donors and the government to better harmonise aid in accordance with the Paris Declaration. The government has participated in the preparatory meetings of the High Level Forum on Aid Effectiveness in Ghana and declared its interest in participating in the Paris Declaration Survey in 2009.

2.3.1.5 Since the reclassification of Namibia as a middle income country, donor activities have initially declined and then increased. Official Development Assistance (ODA) as a percentage of GDP declined from 2.8% in 2001/02 to 2.3% in 2004/05 before increasing to 7.2% in 2006/07 due to the availability of new sources of funding such as the Global Fund, Global Environmental Facility (GEF), Presidentós Emergency Programme for AIDS Relief (PEPFAR) and Millennium Challenge Account. In per capita terms, Namibia gets more ODA than Sub-Saharan Africa (graph 11). The European Union is Namibiaós largest donor, followed by Germany, and the United States. The biggest recipient has been the education sector with over 20% of ODA since 1990. The IMF has no programmes or projects in Namibia. In May 2007, the World Bank developed the first ever Interim Strategy Note (ISN) for the period 2007-2009. Under this interim strategy, two development policy loans amounting to US$ 7.5 million each were approved in May 2007 and in July 2008 respectively in support of ETSIP. The World Bank has also provided some assistance to HIV/AIDS through an Institutional Development Fund (IDF) grant. In addition, the World Bank supported some activities, which are mostly indirect financial contributions to UNDP. These include Integrated Community-based Ecosystem Management Project (ICEMA) - GEF grant; Namibian Coast Conservation and Management Project (GEF grant) and Public Private Partnership Against HIV/AIDS - IDF grant. The other development partners in Namibia include the UN system, international development cooperation agencies and bilaterals. Annexes VIA, VIB and VIC shed light on the DPs present in Namibia, their areas of intervention and the respective resource envelops.

2.3.2 ADB Positioning in the Country

2.3.2.1 The Bank Group commenced operations in Namibia in 1991. Since then, it has committed a total amount of about UA 139 million, net of cancellations, for financing eleven projects and four studies. Of the fifteen operations, thirteen have been completed while two are ongoing. These fifteen operations have registered an average disbursement rate of 82.6% as against 50.9% for the two ongoing operations. The ongoing operations consist of one project in the agricultural sector and one project in the transport sector. Annex II (A) presents a summary of total Bank Group operations in Namibia while Annex II (B) presents ongoing operations.

2.3.2.2 According to the last portfolio review conducted in 2006, the performance of the portfolio was rated at 2.53 which is satisfactory. This performance was almost the same as the one conducted in 2003 (2.4) and was largely due to improvements in procurement, financial management and development impact. The 2006 portfolio review revealed that there are no projects at risk, which is consistent with the 2006 Bank-wide Annual Portfolio Performance Review (APPR). The satisfactory performance of the portfolio implies that the projects have a high probability of achieving their development objectives. Both the performance of the government and the Bank have been judged satisfactory. Namibiaôs portfolio performance is presented in Annex II (C).

2.3.3 Results of Previous CSP

2.3.3.1 The volume of overall lending under the CSP 2001-2003 was set at UA 50 million, which was far below the maximum sustainable lending level for the country, estimated between UA160 million and UA 325 million annually. The judgment on the overall lending of UA 50 million was sound as the total amount actually lent out was UA52.77 million during the CSP period 2001-2003. This amount was deployed in the sectors as follows: UA 44.78 million (transport sector-northern railway and Aush Rosh Pinah projects), and UA7.99 million ((agricultural sector- Line of credit to Agri Bank). The implementation experience of the operations strategy revealed that the objectives have been partially met since lending operations were undertaken in the transport and agro-industry sectors while none was undertaken in the energy sector. Thus during the CSP period 2001-2003, only two of the three sectors identified received support from the Bank.

2.3.3.2 However, following the expiry of the CSP in 2003, two CSP updates were prepared in May 2004 and October 2005. In line with the strategy for the period 2001-2003, three additional projects were approved in 2004: third line of credit to Agri Bank (UA13.33 million), Kamanjab-Omakange road (UA26.32 million) and Tanjieskoppe green scheme (UA22.37 million).

2.3.4 Lessons Learned from Previous CSP

2.3.4.1 At least two lessons have been learnt from the implementation of the CSP 2001-2003 and updates.

2.3.4.2 The first lesson relates to the need for continuous coordination of Bank Group interventions with other development partners which has created synergy in terms of leveraging additional resources for Namibia. This coordination has resulted from the co-financing of some of the operations with other partners. This can be further enhanced in the form of a harmonized country-led system of coordination of assistance.

2.3.4.3 The second lesson relates to the classification of Namibia as a òLow Middle Income Countryó. This has tended to deprive the country of much needed resources which could have been used for institutional strengthening and capacity development. While the Bankôs MIC Trust Fund grant is helping to fill capacity gaps mainly in project preparation and its related activities, Namibiaôs requirements for concessional resources exceed these types of activities. For this reason, it is important to explore possibilities of accessing bilateral resources for non-project specific related activities.

III. BANK GROUP STRATEGY FOR NAMIBIA

3.1 Factors Constraining the Bankôs Partnership with Namibia

3.1.1 There are a number of factors constraining the Bankôs partnership with Namibia. These include competition from other multilateral and bilateral institutions, availability of local resources and cumbersome procedures of the Bank.

3.1.2 Competition with multilateral and bilateral institutions limits lending operations in Namibia. The Bankôs lending rates are perceived as expensive compared to other development finance institutions (DFIs) such as EIB. In addition, donors such as the European Union (EU), DFID, USAID, GTZ, Finland, France, Sweden, China, Netherlands, Japan and Luxembourg also provide some grant resources which reduces the countryôs borrowing, especially if perceived as expensive compared to others.

3.1.3 Financing from local resources tends to limit the Bankôs operations in Namibia. In addition to the availability of domestic resources, parastatal entities such as NAMPOWER and development bank of Namibia, which are internationally rated can easily access international capital markets at relatively competitive prices. The challenge for the Bank, therefore, is how to be relevant operationally and institutionally in Namibia in terms of lending and advisory services.

3.1.4 Cumbersome procedures of the Bank: These relate to cumbersome procurement, disbursement, loan processing and legal procedures and requirements which tend to increase transaction costs and serves as a disincentive to borrow from the Bank. The situation is often compounded by inadequate institutional capacity in the country to implement such procedures. Under such circumstances, the government is compelled to turn to donors whose procedures are simple and streamlined.

3.1.5 Despite these challenges, it is expected that Namibia will now borrow more from the Bank as the Bankôs current market positioning is competitive in the midst of the financial crisis which is still unfolding. The Bank has regained relevance in MICs, including Namibia as a result of the credit crunch triggered by the financial crisis.

3.2 The Bankôs Strategy for Enhanced Partnership with Namibia

3.2.1 The Bank has taken a series of measures within the context of the MIC strategy, including introduction of new lending products (development budget support loan, non-sovereign guaranteed loan and local currency lending); the establishment of the MIC Trust Fund; intensification of economic and sector work; policy and strategy revisions; enhancing competitiveness of Bankôs lending products; and policy and procedural improvements. More recently, the Bank has introduced a Strategic Framework for Enhancing Support to MICs approved by the Board in 2008. The strategy seeks to enhance competitiveness, deepen private sector investment, promote regional integration and trade expansion and build capacity and knowledge. It focuses on four key areas of action: the range and pricing of the Bankôs financial products, improved delivery of services through efficient business processes, limited provision of concessional resources and advisory services from its comparative advantage in country knowledge and experience.

3.2.2 The Bank has also prepared a business plan to implement the new proposals. The Plan contains the Bankôs responses to some of the queries by MICs as well as a Plan of Action. These responses include enhancing the quality of relationship and service; innovation in financial services; mainstreaming delivery of advisory services and blend resources; review country classification criteria; and enhance communication with MICs.

3.3. Rationale for Bank Group Intervention

3.3.1 Inadequate capacity in both the public and private sectors has been identified as one of the main bottlenecks for sustainable development in Namibia (see National Development Plan 2 mid-term review and National Capacity Self Assessment (NCSA) reports). The shortage of suitably-trained entrepreneurs in either vocational or business disciplines is a major disadvantage of the small business sector in Namibia. Not only are these businesses poorly managed, but the products or services they make or sell also leave much to be desired. In order to attain the objectives of Vision 2030 and NDP3, the capacities of the private sector, including SMEs must be developed. Improving the capacities of the private sector, including SMEs will generate additional livelihood opportunities while simultaneously addressing the issue of youth unemployment. It is, therefore, essential that vocational training opportunities be provided to SMEs.

3.3.2 The Government of Namibia recognises that the development of rail and road transport infrastructure is critical to improving the competitiveness of the private sector, stimulating economic growth and reducing poverty. It can enhance the business environment and facilitate access to both local and international markets.

3.3.3 The Government of Namibia is also cognizant of the need to ensure regular and adequate supply of electricity by developing its own internal capacity. By the same token, it recognizes that electricity is an important ingredient in economic growth and overall development of the country and that efforts to reduce poverty, inequality and unemployment will be futile without this essential ingredient. Ironically, there is an electricity crisis in Southern Africa, including Namibia**.** NamPower supplies Namibia predominantly with Hydro power from Ruacana at an average capacity of 120 MW which makes up 40-45% of Namibia's annual energy demand. NamPower's thermal stations, using even more expensive fossil fuels are dispatched in times of shortage and emergencies. About 55-60% of energy is imported annually from various utilities in SADC. Projections show that the demand for electricity is increasing by 3% yearly. It is important for the Bank to support the implementation of the government's Action Plan for the development of the energy sector to ensure security of energy supply in support of the country's development agenda.

3.3.4 Drought and inadequate water infrastructure have contributed to the shortage of water in both the urban and rural areas thus impairing the competitiveness of the private sector. Scarce water resources are a substantial limitation for the socio-economic development of the country. The sustainable provision and management of water is, therefore, of critical importance to Namibia's sustainable economic success. It is, therefore, important for the Bank to provide support to the water and sanitation sector.

3.3.5 Namibia imports about 65% of its food requirements. Therefore, a considerable proportion of Namibia's population can be considered as vulnerable and food insecure with an estimated 23% of the population suffering from under-nourishment. About 80% of the rural population are engaged in agricultural activities as subsistence farmers but the share of agriculture in GDP is about 6% reflecting low productivity in the sector. The Bank's intervention in the agricultural sector will, therefore, help to enhance productivity and the attainment of food security, as well as diversify into production and exports of high value crops. It will also focus on improving sustainable livestock improvement, including optimal utilization of rangeland.

3.3.6 Namibia enjoys a unique advantage in regional integration given the potential for developing the Walvis Bay corridor (WB), the trans Kalahari corridor, the trans Caprivi corridor and the trans Cunene corridor. The development of these corridors has the potential of turning Namibia into a gateway location leading to the evolution of the western corridor concept and the development it portends for the whole SADC region. It thus offers a unique opportunity for regional integration and promotion of international business.

3.3.7 Given the above analysis, the strategy will focus on 3 pillars. These pillars include: i) enhancing the competitiveness of the private sector as the engine of growth through the development of capacity and infrastructure (transport,, energy and water); ii) increasing agricultural productivity to enhance food security through irrigation based agronomic production; and iii) partnership for trade and regional integration. In addition to these three pillars, the Bank will provide advisory services through economic and sector work. Apart from being aligned to NDP 3, these pillars have also been chosen taking into account the Bank's comparative advantage, the need for selectivity and ensuring maximum impact of interventions as well as synergy and complementarity with the interventions of other development partners.

Pillar 1: Enhancing the competitiveness of the private sector through the development of capacity and infrastructure (transport, energy and water)

3.3.8 The first pillar will focus on enhancing the competitiveness of the private sector aimed at developing private sector capacity and the country's infrastructure, including transport, energy and water. It will seek to promote the role of the private sector in raising productive capacity, promoting economic growth, increasing income levels and reducing poverty while simultaneously integrating the Namibian economy into the global economy. In addition, it is expected to give an impetus to the government's diversification programme and thus avoid undue dependence on the mineral sector. It is also supposed to serve as a catalyst for the growth of SMEs and stimulate development in various sectors of the local and regional economy.

3.3.9 Capacity Building: This will aim at supporting the development of critical capacity in the private sector, especially SMEs with special emphasis on vocational education and training, home economics, computer studies, diamond cutting, agro-processing, food processing, mineral processing, textile and leather processing, wood and metal processing and construction and maintenance, among others.

3.3.10 **Transport**: In the transport sector, the Bankôs interventions will be in the context of the governmentôs medium to long term Transport Master Plan (ML TRMP) from a Public Private Partnership (PPP) perspective. Investments within this sector will focus on the extension of the transport infrastructure to rural areas by upgrading and rehabilitating the railway system and rural roads to open up rural areas for development through linkages with urban centres. An efficient transportation system will facilitate the movement of farmersô produce from the production to the marketing centres. The Bankôs strategy will also contribute to the governmentôs drive to make the multi-modal transport facilities of the Walvis Bay Corridor the main instrument to integrate the industrial development of the north and west of the country and to link this industrial hub with the rest of Namibia and the Southern African sub-region.

3.3.11 **Energy:** Interventions in this sector will respond to the acute shortage of power supply in the country. The strategy will contribute to the governmentôs Action Plan to ensure security of energy supply with a view to enhancing competitiveness and efficiency in economic activities. The strategy will support governmentôs objective of extending access to energy supply through rural electrification and the extension of links with neighbouring countries.

3.3.12 **Water and Sanitation:** Assistance in this area will focus on increasing access to safe water and sanitation services ï achieve 100% coverage for urban and more than 95% for rural areas. The strategy will contribute to the governmentôs objectives to ensure improved water supply and sanitation services through support to NamWater (for urban) and the Directorate of Water Supply (for rural areas).

3.3.13 The first pillar which is enhancing the competitiveness of the private sector will have the following outcomes: **Outcome 1-** Improved capacity in the private sector. The objective is to use grant resources to contribute to the improvement of the competence of personnel in parastatals and SMEs. In this regard, the Bank will undertake capacity building and exchange programmes for these institutions during the CSP period.

3.3.14 Outcome 2: **Provision of infrastructure (energy, transport, and water) to improve the business environment** i) reducing transportation costs and enhancing trade competitiveness by upgrading and rehabilitating rail and road infrastructure networks, including feeder roads which provide access to rural areas; ii) improving accessibility to industrial and agricultural settings; iii) addressing the energy crisis, and iv) increasing access to safe potable water supply and sanitation services.

3.3.15 Outcome 3: **Promoting the growth of SMEs-** i) enhancing access to finance for SMEs by supporting government to develop micro finance programmes, ii) reducing transaction costs by simplifying the procedures and reducing the time for establishing SMEs; and iii) updating legislation to facilitate the growth of SMEs.

Pillar 2: Investing in Rural Infrastructures and Irrigation systems to increase agricultural productivity and enhance food security

3.3.16 This pillar seeks to assist in implementing the governmentôs Green Scheme Programme[6] aimed at enhancing agricultural production, food security and access to safe drinking water. Since Namibia experiences recurrent droughts, this pillar will focus on the development of irrigation based agronomic production, irrigation infrastructure, crop development, fisheries and aquaculture and construction of farm and social infrastructure in the irrigated areas in Namibia as well as the provision of finance to small holders and SMEs in agriculture, including those owned by women. The intervention will also seek to attain sustainable livestock improvement through optimal and sustainable utilization of rangeland, investments in livestock marketing infrastructure and value addition to livestock products. This intervention will assist communal farmers to graduate into commercial and emergent farmers, upgrade cultivation and stock raising practices and promote marketing strategies and processing methods. It will also help diversify agricultural production, expand the rural economic base, increase household incomes of the disadvantaged rural population, create jobs and enhance food security thus contributing to the achievement of MDG1 which focuses on poverty and hunger.

3.3.17 **Pillar 2 pillar will have the following outcomes:** (i) increase in production of crops such as grapes, dates, and vegetables; (ii) increase in incomes of small scale farmers; (iii) creation of jobs in production, sorting and marketing of the crops; (iv) increase in the number of farmers graduating from subsistence farming into commercial farming; (v) increase in irrigated area from the current 9,000 hectares to the Government of Namibia (GON) target of 27,000 hectares by 2012, against a total potential irrigable area of 47,000 hectares countrywide vi) increased off-take of slaughter-ready animals through formal markets in communal areas; and, vii) increased productivity of livestock in communal areas.

Pillar 3: Partnership for trade and regional integration

3.3.18 The objective of the government under this pillar is to increase the volume of trade and investment with the rest of the continent. In this regard, the Bankôs strategy under this pillar will be to engage Namibia in partnership to foster regional integration and development in SADC economic space as well as in the rest of Africa. The pillar will focus on three broad areas: i) support for regional infrastructure, ii) facilitating cross-border trade and investment and iii) capacity building in trade and regional integration.

3.3.19 Support for regional infrastructure: In order to strengthen connectivity and cross border investment and trade, the Bank will continue to provide support for physical infrastructure in transportation, telecommunications, and energy, especially in infrastructure projects along economic and development corridors (spatial development initiatives[7]) within the SADC region. This will be done through financing of multinational projects under the NEPAD initiative and the Regional Assistance Strategy for Southern Africa (RAS) with a view to enhancing the regionôs competitiveness and promoting greater sense of community. In this respect, the Bank will develop a trilateral partnership with SADC and Namibia in identifying and packaging regional projects. The role of the private sector as financial participants through PPP in regional infrastructure development would also be encouraged and supported by the Bank not only because of their financial contribution but also because of other efficiencies which private sector brings.

3.3.20 Facilitation of cross-border investment and trade: Given its conducive business environment coupled with a well developed financial sector, Namibia is increasing becoming a viable investment location. The Bank will play a facilitating role for Namibian cross-border investment and trade through the provision of financial resources in support of the countryôs initiatives to reach out to its neighbours both within SADC and in the rest of Africa.

3.3.21 Capacity Building in trade and regional integration: The Bank will assist Namibia and other countries in SADC in building capacity in the following areas: i) core competency training, knowledge and institutional and managerial skills transfer for those involved in trade and regional integration negotiation; ii) developing trade information documentation; and, iii) improving response capacity of existing and/or future exporters to meet the challenges and take advantage of the opportunities created by trade and regional integration agreements through improved information (awareness) and direct export development support. The tentative results expected from the proposed Bank interventions, key objectives for each new intervention and their expected overall contribution to Namibiaôs development agenda, are given in Thematic Results Matrix in Annex I.

3.3.22 There is a considerable amount of synergy between the three pillars. Infrastructure such as roads, electricity and water will bring about efficiency gains and help boost agricultural production and productivity while tax revenues from the agricultural sector can be deployed in rail and road maintenance and further provision of electricity and water. The capacity built in the private sector can be utilized in the transport and agricultural sectors, while efforts at promoting regional integration will boost private sector activities.

3.4. Context and Justification for the Proposed Areas of focus for Namibia

3.4.1 The Bankôs interventions have been proposed within the context of the Framework for Enhancing the Banks Operations in MICs and the Bankôs Private Sector Development Business Plan. Both these Frameworks emphasize thematic priorities focusing on enhancing the competitiveness of the economy and the private sector; deepening private sector through direct investment as well as catalytic transactions; promoting regional integration through infrastructural development; and capacity building.

3.4.2 Regarding enhancing private sector competitiveness, the Bank will invest in ñhardò infrastructure (power, transport and water) and soft components designed to strengthen capacity and the business environment. In this regard, the Bank will collaborate closely with private corporations, financial institutions and state owned enterprises using a variety of instruments, including direct investments, equity participation, lines of credit and PPP operations.

3.4.3 Namibia as an active member of SACU, SADC and CMA endorses regional integration and regional operations as a potential area of collaboration with the Bank. The objective of Namibia is to increase its level of trade with the rest of the continent. Therefore, the Bank will, in partnership with other development partners assist in resource mobilization in support of cross-border investments and regional projects that foster regional integration and development in the SADC economic space. This will involve the development of regional physical infrastructure in transport and energy.

3.4.4 The Bank will engage in knowledge management and capacity building aimed at supporting the lending programme and policy dialogue through improved knowledge as well as support for development of critical capacity in government, private sector and civil society. It will focus on training in vocational and technical skills for policy dialogue and enterprise development.

3.5. Deliverables and Targets

Lending activities

3.5.1 The Business Plan for 2009-2013: As an ADB country, Namibia is likely to borrow to finance projects that offer a rate of return that more than covers the borrowing costs. Such projects will include energy, transport and water projects for which external funding will be required. ADB will be approached to finance these projects as it implements its new strategic framework in Namibia. Hence the expected increase in borrowing by the government through PPP operations in infrastructure. Moreover, some of the parastatals NAMPOWER and Development Bank of Namibia are internationally rated and can borrow funds from the Bank on the strength of their balance sheets, without government guarantees. Table 3 presents the indicative lending programme for Namibia for the period 2009-2013. This indicative lending programme is comfortably within the sustainable lending limit for Namibia.

3.5.2. The business plan for the short to medium term will include lines of credit to banks with a view to promoting SME development in particular and private sector development in general. A number of pipeline projects have been identified, including the proposed line of credit to Agribank and possible equity participation in the Development Bank of Namibia. In the short to medium term too, the Bank will focus on ESW as a means of building its knowledge of the country and informing policy accordingly. In the longer term, beyond 2010, there could be more operations especially in agricultural, energy, transport and water sectors which will enhance access to markets for farmers and transportation of goods thus facilitating trade and supporting a favourable investment climate.

3.5.3 In order to expand its operations and take full advantage of the potentials in Namibia, the Bank will continue to explore various options including the possibility of issuing debt instruments in local currency. The Bank will also leverage its position as the interface between the public and private sectors using a variety of non-sovereign guarantee instruments such as direct investments, including through PPP, and equity participation.

3.5.4. Possibilities of co-financing and blending ADB resources with concessionary resources will also be explored so as to soften the ADB window. In this respect, the Government of Namibia can combine ADB resources with the Accelerated Co-financing Facility for Africa (ACFA) which is a sovereign lending facility geared towards promoting private sector development and is cheaper than the ADB window. It can be used to finance road, power and telecommunication operations. Finally, sensitization and consultation missions will be fielded to explain the Bankôs new policies in MICs, including new lending terms, products,

Table 3: The Bank Groupôs 2009-2013 Indicative Lending Programme for Namibia			
Project Title	**Planned Board Approval**	**Indicative Amount (UA)**	**Region Covered**
Pillar 1: Enhancing the competitiveness of the private sector- Public Sector Window (UA million)			
1.1 Transport			
1.1.1 Second Phase of the Northern Railway Extension Project	2010	20.00	Ohangwena Oshikoto & Oshana
1.1.2 Tsumeb-Tsintsabis-Katwitwi (200km)	2010	20.00	Oshikoto & Kavango
1.1.3 Swakopmund-Henties Bay-Kamanjab (450km)	2010	25.00	Erongo & Kunene
1.1.4 Gobabis-Otjinene-Grootfontein (360km)	2011	25.00	Omaheke & Otjozondjupa
1.1.5 Omakange-Ruacana (85km)	2011	20.00	Kunene & Omusapi
1.1.6 Swakopmund Walvis Bay Slippers Rail Rehabilitation (50km)	2012	20.00	Erongo
1.1.7 Kranzberg-Tsumeb Rail (392 km)	2012	25.00	Erongo, Otjozondjupa & Oshikoto
Sub-Total		**155.00**	
1.2 Energy			
1.2.1 Kudu Gas Project	2010	20.00	Karas
1.2.2 Ruacana Fourth Turbine	2010	20.00	Omusati
1.2.3 Orange River hydro	2010	20.00	Karas
1.2.4 Baynes	2011	25.00	Kunene
Sub-total		**85.00**	
1.3 Financial Sector			
1.3.1 First Line of Credit to Development Bank of Namibia	2010	15.00	Nationwide
1.3.2 A Fourth Line of Credit to Agribank	2010	15.00	Nationwide
Sub-Total		**30.00**	
Pillar 2: Investing in rural infrastructures and irrigation systems			
2.1. Agriculture			
2.1.1 Brukkaros Green Scheme	2010	20.00	Karas Province
2.1.2 Caprivi Agricultural Development Project	2012	20.00	Caprivi Province
2.1.3 Agricultural financing schemes	2012	15.00	nationwide
Sub-Total		**55.00**	
Pillar 3: Partnership for Regional Integration and Trade			
3.1 Walvis Bay Ndola Lumumbasi Corridor	2012	30.00	Nam/Zam/DCR
3.2 Kazungula bridge	2010	20.00	Nam/Zam/Bots
3.3 Upper Okavango Basin Agriculture , Water and Food Security Programme	2010	25.00	Namibia/Angola
Sub-total		**75.00**	
Grand Total		400.00	

instruments and business processes.

3.5.5 Sustainable Lending Limits: The country risk assessment is based on five clusters measuring macroeconomic fundamentals, policy implementation and performance, the sustainability of external debt, socio-political outlook, conduciveness of the business environment for private sector development, and Bank Group portfolio performance as it relates to debt service record and project implementation. In 2009, Namibia is rated as a low risk country and adjudged to be performing above the African average in all 5 clusters. Namibiaôs risk exposure ratios remain below the Bank Group critical threshold levels and the countryôs debt profile, both internal and external, is sustainable. The countryôs portfolio, though relatively small, is amongst the leading portfolios within the Bank. Namibia has a satisfactory record of meeting its debt obligations to the Bank and currently has no debt repayment arrears. Based on this assessment, Namibiaôs annual lending envelope will vary between UA 288 million and UA 412 million compared to UA160 million and UA 325 million during the period 2001-2003. The funds available under this sustainable lending limit are more than sufficient to cover the countryôs borrowing requirements from the Bank.

3.5.6 The Bankôs Private Sector Operations Strategy*:* The Bankôs private sector operations strategy will focus on three areas, including the following:

3.5.6.1 Financial Intermediation: Lines of credit will be provided to development finance institutions for on-lending to SMES as a means of reducing poverty and unemployment. The SMEs in Namibia have great potential in reducing poverty and creating employment given that they are labour intensive and are predominantly owned by citizens with links to their communities and therefore involves the economic empowerment of citizens. So far**,** the Bank has financed three private sector operations in Namibia all of which are Lines of Credit to Agribank.

3.5.6.2 Capital Market Development: During the CSP period, the Bank will assist Namibia to develop the capital market by floating long-term ADB bonds in the local market. This should be feasible in Namibia given the convertibility of its currency and availability of a sizable amount of loanable long term funds. The floating of a longï term Namibian bond will further assist in establishing benchmarks for future bond issues thus helping to deepen the local capital market. It will also facilitate the launching of a Namibian Dollar denominated loan product which will afford potential clients the opportunity to borrow in the local currency.

3.5.6.3 Publicï Private Partnerships (PPP*)*: It is envisaged that the PPP policy will be finalized in 2009. Thereafter, the Bank will explore the use of PPPs in infrastructure with the long term objective of improving the efficiency and quality of public services and improving the environment for the domestic private sector. As a start, the Bank can organize a PPP forum in Namibia to discuss prospects for PPP and its potential development impact.

Non-lending Operations

3.5.7 This will consist of advisory services through economic and sector work (ESW) and development of appropriate institutional capacity in response to the needs of the country and in collaboration with other development partners. To this end, the government will be encouraged to make use of the MIC Trust Fund grant and the South Korean Technical Cooperation Fund. The Fund for African Private Sector Assistance (FAPA) which is a trust fund for technical assistance is also a suitable candidate for capacity building related to the private sector.

3.5.8 **Economic and Sector Work**: ESW aims at supporting the lending programme through policy dialogue. In order to enhance capacity, the Bank will engage the services of local research institutions in ESW. Studies identified during the CSP preparation mission in September 2008 are in table 2.

3.5.9 **Capacity Building**: The Bankôs assistance will focus on strategic interventions to (a) improve critical functions of the public sector, including budget planning, finance, auditing, accounting and other technical fields; (b) training for gender focal points in gender budgeting and gender disaggregated data analysis.

Table 2: Bankôs Indicative Non-Lending Activities (ESW) for 2009-2013	
2009	
1.	Small and medium scale enterprise study
2.	Preparation of an aquaculture master plan
3.	Human Resources Development Plan
4.	Review of existing agricultural finaning schemes and propose new ones.
2010	
1.	Country Governance Profile
2.	A National Monitoring and Evaluation System
2011	
1.	Country Economic Review

3.6. Monitoring and Evaluation of Bank Group Assistance

The indicators for monitoring outcomes are spelt out in the Results Based CSP matrix in Annex I. As regards the poverty reduction and social sector indicators, the targets of the MDGs which are congruent with the targets set in NDP3 and Vision 2030 would guide the monitoring of outcomes. In terms of post evaluation, the indicator of relevance would be the extent to which the strategy addresses the challenges of the country while that of efficacy could be judged by the relevance and efficacy of the projects undertaken in the specified sectors. In addition, a mid-term review will be undertaken to take stock of progress made and constraints and challenges encountered during the first half of the implementation of the strategy. Finally, a CSP completion report will also be prepared with a view to teasing out lessons for the implementation of subsequent CSPs.

3.7 Country Dialogue Issues

3.7.1 Two issues have been identified during the CSP preparation mission in September 2008 which require further dialogue with the stakeholders:

3.7.2 **High level of poverty among women:** The 2003/04 Household Income and Expenditure Survey revealed that poverty incidence is higher among female-headed households (30.1%) than among male-headed (26.4%) households. The average incomes in households headed by women are 40% lower than incomes of households headed by men. Since 45% of households in Namibia are headed by women, it is important to engender the Bankọs interventions and engage the government in dialogue on this important issue so as to reverse the trend.

3.7.3 **Capacity Building**: In order to ensure a successful implementation of the strategy, there is need to engage the government in dialogue on capacity building. Since the capacity development problem is not limited to Namibia within the SADC region, both the Bank and the government could examine the issue regionally. For example, developing an administrative college in Lesotho and the proposed Centre of Excellence for executive training in Mauritius would serve the whole SADC region, including ADB-only countries. The Bank can also assist under its Private Enterprise Partnership (PEP) programme to address capacity constraints in state-owned enterprises and SMEs.

3.8 Potential Risks and Mitigation Measures

3.8.1 There are at least two risks that can affect the implementation of the strategy, including capacity constraints and the failure of the land reform programme.

3.8.2 Unless the issue of capacity is addressed head on at national level as a conscious development policy, there will be considerable delays in the implementation of programmes and policies, including the proposed strategy. As a mitigation measure, the government is addressing the issue of capacity through the ETSIP, among others.

3.8.3 In order to ensure the success of the land reform programme, the government is enhancing co-ordination among ministries, increasing extension services for beneficiaries, more involvement of non-state actors, and a sound monitoring system to oversee implementation. As a mitigation measure, there is a dedicated government policy for budgeting for land reform annually; it is integrated in the budget.

IV. CONCLUSIONS AND RECOMMENDATIONS

4.1 **Conclusions:** Namibia has experienced a period of economic and political stability, peace and security. As a result, the country has made progress towards meeting some of the (MDGs). Notwithstanding this progress, there are daunting challenges, including poverty, unemployment and inequality.

4.2 **Recommendation:** The Boards of Directors are invited to approve the strategy proposed for Namibia covering the period 2009-2013 based on an annual lending envelope ranging between UA 288 million and UA 412 million for financing the three pillars outlined in section 3.3.

ANNEX I Namibia: CSP Results-Based Framework (2009-2013)

Country Development Goals (NDP3)	Issues hindering the achievement of Country Development Goals (sector issues)	FINAL OUTCOME (expected by the end of the CSP in 2013)	FINAL OUTPUTS (expected by the end of the CSP in 2013)	MID-TERM OUTCOMES (expected at CSP Mid-Term by 2011)	MID-TERM OUTPUTS (expected at CSP Mid-Term by 2011)	ADB Interventions expected to be ongoing during the CSP period (new and ongoing)
PILLAR I: ENHANCING THE COMPETITIVENESS OF THE PRIVATE SECTOR						
Capacity Building						
Strengthening the capacity of the private sector, including SMEs to provide good quality services and products	Inadequate access to credit and training in business management, accounting, book keeping, ICT & vocational fields.	Reducing transaction costs by simplifying the procedures and time for establishing SMEs Improvement in the performance of SMEs and quality of their products. SMEs graduating into large enterprises Contribution of SMEs to GDP and overall economic development increased. Number of people employed by SMEs increased.	Increased access to credit and training in business management, accounting book keeping, ICT & vocational fields etc. Support to governmentôs plan to develop micro finance programmes Development of local entrepreneurship especially for SMEs Assistance to government to foster public-private partnerships (PPPs)	Increased efficiency in the operations of SMEs	A number of SMEs graduating into big enterprises	Line of credit to Development Bank of Namibia which will include a training/capacity building component.
Energy						
Adequate, secure and efficient supply of energy that is environmentally friendly and leads to a reduction in the countryôs reliance on energy imports.	High per capita energy usage Heavy dependence on imports Regional shortage of energy supply Disparity in access between rural and urban areas Lack of diverse energy pool High regulation and lack of competition	Increased local production of electricity Increased supply of electricity from local plants Renewable energy use increased with increased economic and environmental benefits Improved electricity supply to a large number of consumers Diversified energy pool through exploration and exploitation of energy resources	N$9.5billion budgeted in next 5 years for In-country electricity generation Electricity tariff reflect 100% of generation and distribution Transmission lines extended and regional links established Efficient distribution of electricity arising from private sector participation Renewable energy such as wind, wave, solar and biomass in greater use	Increased rural electrification	Rural electrification enhanced Increase local generation using renewable and conventional energy sources Improved regional transmission network	Rural electrification support Extension of distribution lines with neighbouring countries Kudu gas power project Ruacana fourth turbine Orange river hydro Baynes

		Energy supply and environment improved	Increased supply of gas and electricity Use of bio gas, wind and solar energy increased and constituting 10% of total energy Rural electrification expanded to cover 20% of rural population 5 Regional Electricity Distributors (REDS) established			
Transport						
Provide safe, secure and efficient rail and road infrastructure	Desert conditions and terrain makes road access difficult Rail network old and worn out Shortage of rail wagons Vast size of country makes provision of infrastructure expensive	Regional road infrastructure disparities reduced and access to social services and economic opportunities increased A safe and efficient national road network Road safety improved Upgraded, expanded, reliable and efficient Rail Network	1937 KM of rural gravel roads constructed 298 KM of rural roads upgraded to bitumen-paved 1154 KM upgraded of Trunk Roads. 720 km of Trunk and Main Roads rehabilitated Increased freight and passenger carrying capacity Enhanced SADC inter-regional rail connectivity 185km rail link between Okahandja and Otjiwarongo A 520 km rail connection between Grootfontein/Tsumeb via Katima Mulilo to Livingstone in Zambia	Percent of paved roads in acceptable condition Average vehicle operation cost reduced from 13.8 to 10.35 N$/km Average fatalities per 100,000 reduced Accidents per 1 million vehicle ï km reduced from 6.4.5 to 4.5	KM of rural roads rehabilitated/constructed Rail coverage ï km increased Enhanced SADC inter-regional rail connectivity	Second Phase of the Northern Railway Extension Project Tsumeb-Tsintsabis-Katwitwi Swakopmund-Henties Bay-Kamanjab Gobabis-Otjinene-Grootfontein Omakanje ï Ruacana Swakopmund Walvis Bay Slippers Rail Rehabilitation Kranzberg-Tsumeb rail
Water and Sanitation						
Increase access to safe water and sanitation services	Low allocation and utilization of surface and underground water resources Disparity in access between urban and rural areas Limited capacity to	Increased access to water and sanitation services for the population Water Resources Management Act, 2004, regulations, and some of the recommended	Increased national availability of water to 750 m3 million. Increased national water supply to 150.4 m3 million Increased irrigation water	Increase access to water supply and sanitation services in urban and rural areas	More than 95% of urban and rural population, especially women have access to clean and safe water by 2010. More than 95% of urban and rural population, especially women have	

	desalinate ocean water High evapo transpiration and runoff	institutions as well as appropriate policies are in place Improved and increased bulk water of a suitable quality supplied in sufficient quantity to all consumers Improved knowledge on water resources More reliable water supply infrastructure with increased access to safe water for the rural communities Contribution of water to GDP raised to 1.5% Economy wise average	supply to 63.5 m3 million Potable water supplied to villages, settlements and communities for human use increased to 27 m3 million to cover 92% Total length of pipelines rehabilitated increased to 19km Noordoewer dam constructed		access to appropriate sanitation services by 2010.	
AR II: INVESTING IN RURAL INFRASTRUCTURES AND IRRIGATION SYSTEMS TO INCREASE AGRICULTURAL PRODUCTIVITY AND ENHANCE FOOD SECURITY						
Sustainable crop and horticultural improvements through the optimal and sustainable Utilization of soils	Frequent droughts and floods Small domestic market Lack of farming skills and risk aversion	Increased crop production, increased exports and reduced imports of agricultural products Increase in production of export crops such as grapes, dates and vegetables including those grown by women Increase in number of smallholder farmers including women graduating to commercial farmer status Increased agriculture (crop, horticulture and livestock) production and marketing	Increased production and export of high value crops through support to Green Schemes policy and decrease imports to 60% of national requirement. At full project development, the Tandjieskoppe project will raise grape production from 5,900 to 12,400 tons; dates from 15 tons to 4,700 tons; vegetables from 11,000 tons to about 15,000 tons. Income for targeted small-scale farmers, especially women will rise from US$1,200 to about US$ 24,000 per household annually by the 15th year of the project. An additional 4,800 jobs will be created in production, sorting and marketing of the crops to be grown at full project development. Target 9,750 ha under irrigation through green schemes	Increase in area planted of export crops such as grapes, dates and vegetables to 27,000 ha Creation of jobs for men and women in production and value addition Rising agricultural productivity and yield : irrigated maize (9750kg/ha); irrigated wheat (6,246kg/ha)	Increase in irrigated area by 2000 ha through support to Green Schemes policy. At full project development, the Tandjieskoppe project will raise grape production from 5,900 to 12,400 tons; dates from 15 tons to 4,700 tons; vegetables from 11,000 tons to about 15,000 tons. Income for targeted small-scale farmers, especially women will rise from US$1,200 to about US$ 24,000 per household annually by the 15th year of the project. An additional 4,800 jobs will be created in production, sorting and marketing of the crops to be grown at full project development. Provision of finance and credit facilities Farm and social infrastructure constructed in irrigated areas to facilitate equal participation of	Fourth lien of credit to Agri bank Brukkaros green scheme Caprivi agricultural development Agricultural financing schemes

			Increase fertilizer use to 25kg/ha Four fresh produce markets in operation. Role of women enhanced in marketing and value addition Veterinary Cordon Fence (VCF) shifted to Angolan Border Area encroached by invader bush reduced to 22.1 million hectares		women. Improved linkages and interaction between smallholders and commercial farmers Improved farming skills through better extension for men and women farmers	
Sustainable livestock improvement through optimal and sustainable utilization of rangeland	Existence of veterinary cordon fence and segregation of livestock market Bush encroachment	Increase in the contribution of the livestock sub sector to GDP and overall economic development. Increase in the number of people employed in the livestock sub-sector.	Increased production of livestock fodder (kg of edible plant biomass/ha) from 200 in 2008 to 240 in 2013 Increased off-take in slaughter-ready animals through formal markets in northern communal areas from 2.4% in 2008 to 6% in 2013 Improved animal health status in communal areas through: -Vaccination against disease (%) from 95 in 2008 to 99 in 2013 -Increased disease surveillance (%) from 80 in 2008 to 85 in 2013 Improved animal movement control (%) from 30 in 2008 to 85 in 2013 Improved productivity of livestock in communal areas: -Increase in cattle calving percentage from 45 in 2008 to 50 in 2013	Increase in the exports of livestock and livestock products Improved animal health due to a decline in the incidence of diseases.	Increase in production of livestock and livestock products	

			-Decrease in pre-weaning mortality rate of calves from (%) 25 in 2008 to 15 in 2013 -Decrease in post-weaning mortality rate of weaners (%) from 12 in 2008 to 6 in 2013 -Decrease in mortality rate of small stock (lamb/kids) of communal farmers) (%) from 60 in 2008 to 50 in 2013			
Living aquatic resources utilized sustainably and aquaculture developed	Unknown water resources for aquaculture production	Aquaculture production increased contributing to increased employment and improved incomes for both men and women Licensing, zoning and aqua parks increased	Aquaculture production expanded with increased community participation, especially women and youths Contribution of inland fisheries to food security increased to 5000 tons			ESW study on aquaculture water resources and the enhanced participation of women
PILLAR III: PARTNERSHIP FOR TRADE AND REGIONAL INTEGRATION						
Increase regional trade and investment	Poor infrastructure in some SADC countries Weak capacity in trade and regional integration issues Poor access to information relating to trade and regional integration	Increased trade and investment across the region arising from the development of infrastructure and the enhancement of capacity Enhanced capacity in and knowledge in trade and regional integration issues.	Increase in the number and volume of investment projects financed by the Bank in SADC. Increases participation by Namibian companies in regional projects	Increased contribution of trade to GDP and overall economic development Reduction in transaction costs in trade	Improved harmonization of trade policies Improved access to trade related information	Kazungula bridge (Namibia, Zambia, Botswana) Upper Okavango Basin Agriculture , Water and Food Security Programme (Namibia, Angola) Walvis Bay Ndola Lumumbasi Corridor

ANNEX IIA: SUMMARY OF TOTAL BANK GROUP OPERATIONS- AS OF 28 FEBRUARY 2009										
Year Approved	**Project**	**Source of Funds**	**Date Signed**	**Approved Amount (Million UA)**	**Amount Cancelled (Million UA)**	**Net Loan Amount (Million UA)**	**Disbursed Amount (Million UA)**	**Un-disbursed Amount (Million UA)**	**Percentage Disbursed**	**Status of Project**
Agriculture										
1991	Northern Commercial Area Rural Development Study	TAF	18/12/1992	0.63092	0.03642	0.5945	0.59455	0	100	Completed
1999	1st Line of Credit to Agribank	ADB	9/5/2000	6.04758	0	6.04758	6.04758	0	100	Completed
2001	2nd Line of Credit to Agribank	ADB	6/8/2002	7.55948	0	7.55948	7.55948	0	100	Completed
2004	3rd Line of Credit to Agribank	ADB	NA	12.59913	0	12.59913	12.59913	0	100	Completed
2004	Tandjieskoppe Green Scheme	ADB	NA	21.14235	0	21.14235	0	21.14235	0	No Disbursement
Sub-Total				47.97946	0.03642	47.94304	26.80074	21.14235	55.90	
Transport										
1992	Trans-Caprivi Road Study	TAF	NA	0.974	0	0.974	0.974	0	100	Completed
1992	Trans-Khalagadi Road Study	ADB	30/9/1992	8.28947	4.82172	3.46775	3.46775	0	100	Completed
2001	Northern Railway Extension	ADB	16/10/2001	21.71687	0	21.71687	21.71687	0	100	Completed
2002	Aus-Rosh Pinah Road	ADB	3/6/2003	20.67568	0	20.67568	20.67568	0	100	Completed
2004	Kamanjab-Omakange Road	ADF	26/5/2004	24.87169	0	24.87169	23.84856	1.02313	93.08	Ongoing
Sub-Total				76.52771	4.82172	72.45663	70.68286	1.77377	97.55	

Power										
1998	400 KV Interconnector(Electricity I)	ADB	28/5/1998	18.87854	12.52448	6.35406	6.35405	0	100	Completed
Sub-Total				18.87854	12.52448	6.35406	6.35405	0	100	
Multisector										
1992	Trade Reform	TAF	29/4/1992	0.78289	0.01179	0.7711	0.7711	0	100	Completed
Sub-Total				0.78289	0.01179	0.7711	0.7711	0	100	
Water and Sanitation										
1992	Ground Water Investment Study for Western Owambo	TAF	30/9/1992	2.11842	1.35729	0.76113	0.76113	0	100	Completed
Sub-Total				2.11842	1.35729	0.76113	0.76113	0	100	
Social										
1993	Basic Teacher Education	ADF	9/7/1993	9.21052	0.19109	9.01943	9.01943	0	100	Completed
	Human Resources Development	NTF	23/5/1995	3.86	0.80971	3.05029	3.05029	0	100	Completed
2004	Entrepreneurship and Skills Development	NTF	NA	5	5	0	0	0	0	Cancelled
Sub-Total				18.07052	6.0008	12.06972	12.06972	0	100	
Grand Total				164.3575	25.8644	139.000	115.9273	24.4279	82.6	

ANNEX IIB: SUMMARY OF ONGOING BANK GROUP OPERATIONS- AS OF 28 FEBRUARY 2009										
Year Approved	**Project**	**Source of Funds**	**Date Signed**	**Amount Approved (Million UA)**	**Amount Cancelled (MillionUA)**	**Net Loan Amount (Million UA)**	**Disbursed Amount (Million UA)**	**Un-disbursed Amount (Million UA)**	**Percent Disbursed**	**Status of Project**
Agriculture										
2004	*Tandjieskoppe Green Scheme	ADB	NA	21.14235	0	21.14235	0	21.14235	0	No Disbursement.
Sub-Total				21.14235	0	21.14235	0	21.14235	0	
Transport										
2004	Kamanjab-Omakange Road	ADF	26/5/2004	25.62233	0	25.62233	23.84856	1.77377	93.08	Ongoing
Sub-Total				25.62233	0	25.62233	23.84856	1.77377	93.08	
Grand Total				46.76469	0	46.76469	23.84856	22.91612	50.9	

* No disbursement; it took the govt. a long time to decide whether or not to finance the cost overrun, hence the delay in disbursement.

ANNEX IIC: Summary of Performance Rating by Sector and Ongoing Projects

Projects	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and Works	Development Objective	Overall Assessment
Agriculture Sector						
*Tandjieskoppe Green Scheme	1.0					
Average	1.0					1.0
Transport Sector						
Kamanjab-Omakange Road	2.67	3	2.75	2.5	3	2.76
Average	2.67	3	2.75	2.5	3	2.76
Overall Average	1.84	2.5	2.71	2.5	3.0	2.49

* No disbursement yet.

ANNEX III (A): NAMIBIA: KEY ECONOMIC AND FINANCIAL INDICATORS, 2003-2007

Indicators	Unit	2003	2004	2005	2006	2007
National Accounts						
GDP at Current Prices	Million NS $	38014	42679	43758	46886	48789
GDP per Capita	NS$	20103	22194	22360	23537	24058
GDP Growth Rate	%	4.2	12.3	2.5	7.1	4.1
Real per Capita GDP Growth Rate	%	2.5	10.4	0.7	5.3	2.2
Gross Domestic Investment	% GDP	18.7	18.6	19.6	25.5	26.0
Public Investment	% GDP	2.8	2.7	3.4	4.3	6.3
Private Investment	% GDP	15.9	15.9	16.2	21.2	19.7
Gross National Savings	% GDP	15.5	20.3	21.4	31.1	24.8
Prices and Money						
Inflation (CPI)	%	7.1	4.2	2.3	5.1	6.7
Exchange Rate (Annual Average)	local currency/US$	6.5	5.73	6.35	9.2	6.8
Exchange Rate (End of Period)	local currency/US$	6.6	5.6	6.3	7.3	6.7
Monetary Growth (M2)	%	3.29	12.3	29.8	19.9	18.7
Money and Quasi Money as % of GDP	%	75.2	86.6	89.6	113.8	120.9
Government Finance						
Total Revenue and Grants	% GDP	28.9	31.3	33	37.5	37.7
Total Expenditure and Net Lending	% GDP	36.2	35.0	33.2	32.5	36.6
Overall Deficit (-) / Surplus (+)	% GDP	-7.3	0	-0.2	4.9	1.1
External Sector						
Exports Volume Growth (Goods and Services)	%	2.3	-4.1	-4.3	13.4	5.4
Imports Volume Growth (Goods)	%	5.7	0.4	1.7	13.4	16.8
Terms of Trade Growth	%	0.2	8.5	4.8	11.1	20.5
Current Account Balance	Million N $	1810	3875	3610	8175	5173
Current Account Balance	% GDP	4.7	9.1	8.2	17.4	10.6
Gross Official Reserves	months of imports	1.9	1.7	1.4	2.1	2.8
Debt and Financial Flows						
Debt Service	% exports	7.8	8.9	5.8	15	11.7
External Debt	% GDP	4.6	5.6	4.9	5.6	5.3
Net Official Development Assistance	% GDP	2.7	3.6	2.3	2.6	7.2
Net Foreign Direct Investment	% GDP	3.6	4.4	6.4	5.7	9.9

Source: ADB Statistics Department, Bank of Namibia, National Planning Commission, Namibia and IMF

ANNEX III(B) CENTRAL GOVERNMENT FINANCIAL OPERATIONS(N$MILLION)

	Actual				Estimates	
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue						
Taxes on income and profits	3,618.50	4,025.00	4,575.70	5,676.00	5,201.00	6,637.40
Taxes on property	75.2	85.9	110.1	142.1	134	165.9
Domestic taxes on goods and services	1,950.80	2,057.30	3,272.40	3,196.80	3,487.60	3,932.60
Taxes on international trade	3,035.60	4,206.80	3,891.90	6,697.90	8,085.00	8,501.80
Other taxes	82.80	94.10	113.40	130.40	134.00	145.50
Total tax revenue	8,762.90	10,469.00	11,963.40	15,843.20	17,041.60	19,383.20
Entrepreneurial and property income	488.80	490.00	542.90	1,264.00	662.80	815.60
Fines and forfeitures	18.90	17.00	17.60	18.70	23.50	24.00
Administration tees and charges	449.30	342.10	511.20	400.50	431.70	475.50
Total non-tax revenue	970.50	885.90	1,104.10	1,700.60	1,141.70	1,348.60
Total revenue (own sources)	9,733.40	11,354.20	13,067.50	17,543.80	18,183.30	20,731.80
Grants	34.20	70.40	39.00	49.60	204.00	141.00
Loans earmarked for on-lending	0.00	0.00	0.00	0.00	0.00	0.00
Total revenue and grants	9,767.60	11,424.60	13,106.50	17,593.40	18,387.30	20,872.80
Expenditure						
Current Expenditure						
Personnel expenditure	5,117.00	5,527.10	5,888.30	6,213.70	6,725.00	7,708.60
Expenditure on goods and other services	2,079.40	1,921.90	1,922.40	2,164.80	2,995.30	3,731.20
Statutory	996	1,040.20	23.9	1,475.20	1,201.70	1,330.80
Subsidies and other current transfers	2,255.90	2,296.90	2,544.60	2,749.30	3,067.00	4,629.70
Total current expenditure	10,448.30	10,786.10	11,541.60	12,603.00	13,989.00	17,400.30
Capital Expenditure						
Capital expenditure	1,293.40	1,401.10	1,337.40	1,763.90	2,277.40	3,775.40
Capital transfer	103.60	217.40	106.00	261.80	341.80	159.40
Total lending and equity participation	400.00	365.90	207.50	650.60	1,219.20	1,129.30
Total Capital Expenditure	1,796.90	1,984.50	1,650.90	2,676.30	3,838.30	5,064.10
Total expenditure	12,245.20	12,770.60	13,192.50	15,279.30	17,827.30	22,464.40
Overall deficit (-y surplus(+)	-2,477.60	-1,346.00	-84.90	2,314.10	560.00	-1,591.60
Total financing						
Net borrowing	1,788.30	2,441.50	67.10	926.50	-1,942.70	3,091.70
Decease(+)/increase(-) in cash balance	689.30	-1,095.50	17.80	-2,381.30	-1,486.50	3,534.20
Total financing	2,477.60	1,346.00	84.9	-2,314.20	-560.00	1,591.50

ANNEX IV: PROGRESS TOWARDS ATTAINING THE MILLENNIUM DEVELOPMENT GOALS

Goals and Indicators	1990	2001	2006	2012 Target	2015 Target
Goal 1. Eradicate extreme poverty and hunger	**Target:** 1. Reduce by half the proportion of people living on less than a dollar a day **Target:** 2. Reduce by half the proportion of people who suffer from hunger				
% Population in relative poverty (devoting 60% or more of total expenditure to food)	38 (1993/94)	28 (2003/04)		20	19
% Population in extreme poverty (devoting 80% or more of total expenditure to food)	9 (1993/94)	4 (2003/04)		2	4.5
Note: Namibia does not yet have poverty estimates based on the proportion of people living on less than a US dollar a day. As Namibia is classified as a middle income country, it is necessary to use the proportion of people living on less than two US dollars a day as the benchmark. The estimates presented above are based on the NHIES in 1993/94 and 2003/04, which are not strictly comparable due to significant methodological differences between the two surveys.					
% Children malnourished/stunted		23.6 (2000)	29.9	18	
Remarks: Likely to be achieved. However, attaining the target on hunger as measured through reducing the percentage of children malnourished or stunted will be a challenge.					
Goal 2. Achieve universal primary education	**Target:** Ensure that all boys and girls complete a full course of primary schooling				
Net primary enrolment ratio (% of relevant age group)	83.2	78.1	92 (2005)	99.1	100
% of cohort reaching Grade 5	63.9	94.7			
Youth literacy Rate (%)		92.3			100
Remarks: Likely to be achieved					
Goal 3. Promote gender equality	**Target:** Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015				
Ratio of girls to boys in primary and secondary education (%)	111.4	103.7	100+	100+	100
Ratio of young literate females to males (% ages 15-24)		102.8			100
Share of women employed in the non-agricultural sector (%)	39.2	49.0			50
Proportion of seats held by women in national parliament (%)	7	25	27	50	50
Remarks: Likely to be achieved. However, achieving gender parity in representation in the Parliament would require concerted efforts.					
Goal 4. Reduce child mortality	**Target:** Reduce by two thirds the mortality rate among children under five				
Under 5 mortality (per 1,000)	87 (1992)	62 (2000)	69	45	29
Infant mortality (per 1,000 live births)	67 (1992)	38 (2000)	46	38	22
Immunization, measles (% of children		58	64.8	84	

ANNEX IV: PROGRESS TOWARDS ATTAINING THE MILLENNIUM DEVELOPMENT GOALS					
Goals and Indicators	**1990**	**2001**	**2006**	**2012 Target**	**2015 Target**
under 12 months)					
Remarks: Unlikely to be achieved					
Goal 5. Improve maternal health	**Target:** Reduce by three quarters the maternal mortality ratio				
Maternal mortality (per 100,000 live births)	227 (1992)	271 (2000)	450	337	57
Births attended by skilled health staff (% of total)			80	95	
Remarks: Unlikely to be achieved					
Goal 6. Combat HIV/AIDS, malaria and other diseases	**Target** 1. Halt and begin to reverse the spread of HIV/AIDS by 2015 **Target 2**. Halt and begin to reverse the incidence of malaria and other major diseases by 2015				
% Prevalence of HIV among females ages 15-19	6 (1994)	12 (2000)	10.2	8	
% Prevalence of HIV among females ages 20-24	11 (1994)	20 (2000)	16.4	12	
% Contraceptive prevalence among married women		38 (2000)	47		
Number of children orphaned by HIV/AIDS		33,000			
Malaria mortality (per 100,000 persons)			428	210	
Incidence of tuberculosis (per 100,000 persons)	251	658	765		
Remarks: Unlikely to be achieved					
Goal 7. Ensure environmental sustainability	**Target 1**. Integrate the principles of sustainable development into country policies and programmes **Target 2**. Reverse loss of environmental resources **Target 3**. Reduce by half the proportion of people without sustainable access to safe drinking water **Target 4**. Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020				
Forest area (% of total land area)	10.7				
Nationally protected areas (% of total land area)	9.4 (1995)	10.4	18	20	
GDP per unit of energy use (PPP $ per kg oil equivalent)					
CO_2 emissions (metric tons per capita)					
Access to an improved water source (% of population)	58	80 (2002)	88.5	95	
Access to improved sanitation (% of population)	24	30 (2002)	41	65	
Access to secure tenure (% of					

ANNEX IV: PROGRESS TOWARDS ATTAINING THE MILLENNIUM DEVELOPMENT GOALS					
Goals and Indicators	**1990**	**2001**	**2006**	**2012 Target**	**2015 Target**
population)					
Remarks: Likely to be achieved					
Goal 8. Develop a Global Partnership for Development	**Target** 1. Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reductionð nationally and internationally **Target 2**. In cooperation with the developing countries, develop decent and productive work for youth In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries **Target 3**. In cooperation with the private sector, make available the benefits of new technologiesð especially information and communications technologies				
Youth employment rate (% of total labor force ages 15-24)		37 (2000)	39 (2004)		
Fixed line and mobile telephones (per 1,000 people)	39	119			
Personal computers (per 1,000 people)		55			
ODA per capita (US Dollars)	130 (1992)	70	90 (2005)	90	
Remarks: Unlikely to be achieved as unemployment in general and youth unemployment in particular are continuing causes for concern					
Other Indicators	No specific targets mentioned in the MDGs				
Adult literacy rate (%)		81.9 (2000)	83.9 (2005)	91.8	
Life expectancy at birth (number of years)	62		49	51	

Sources: The information presented is drawn from a wide range of national sources, including the Population and Housing Censuses, Namibia Household Income and Expenditure Surveys (NHIES), and the Namibia Demographic and Health Surveys, as well as the targets in NDP3 and international sources including the UNDP and the World Bank.

ANNEX V: SOCIAL SECTOR CHALLENGES FACING NAMIBIA

Education

1. At independence in 1990, Namibia inherited a highly segmented labour market, with a labour force whose skills were meagre. This was the result of systematic discrimination of the majority of the population under apartheid which either denied or provided only limited access to education. Even in areas where education was available, it was of poor quality and limited quantity. As a result, the majority of the population was marginalised and compelled to cater for menial jobs, often earning a pittance that barely enabled survival. Thus the huge skills deficit has been a major impediment to the countryôs economic growth and overall development.

2. While Namibia has been able to increase access to education country-wide, it is still facing the daunting challenges at primary, secondary, tertiary and vocational levels. Primary education does not adequately provide students with the necessary skills to continue with secondary or to successfully complete secondary education which has spill over effects on tertiary education. At senior secondary level, a pressing challenge for Namibia is to break the bottleneck of inadequate outputs while at tertiary level, there seems to be a mismatch between the requirements (demand) of the labour market and supply. The key challenges facing vocational education and training (VET) system include weak management capacity to respond to employersô needs and involving employers in policy decisions and directing the system to make it more demand driven; weak capacity of training; over reliance on government for financing and provision of skills development and limited coverage and unequal distribution of outputs.

3. The most important means to address the skills shortage is to improve the quantity and quality of the throughput of the general education system. In addition, the initial development and constant upgrading of market relevant skills through vocational training and skills development are critical for accelerated economic growth.

4. This would require actions not only on the supply side in terms of improving the calibre of teachers, the quality and volume of teaching materials, and other school facilities to improve the internal efficiency of the education system, but also actions by the parents and society in sending children to school regularly, creating conducive homes and community environment for learning and participating in the efficient management of the education system.

5. The government has responded to this challenge by embarking on the Education and Training Sector Improvement Programme (ETSIP) with a view to improving service delivery in the education and training systems. In addition, the formulation of the Human Resources Development Plan will identify the existing and emerging skills gaps in the labour market.

Health

1. HIV/AIDS remains one of the biggest challenges in the country, followed by malaria and TB. In relation to TB, the infection rates are among the highest in the world. High rates of domestic violence, sexual behaviour and illegal drug use are some reasons for the high HIV infection rates, with TB being one of the major opportunistic infections that also stems from the high rates of poverty in the country.

2. Another health issue arising from poverty are the poor levels of nutrition to be found in Namibia. For those who have developed AIDS, this compounds problems in relation to sustaining ART

programmes.

3. These issues together account for different health challenges, from high child mortality to low life expectancy rates (currently 39 years). Civil Society plays a major role in response to these challenges, in support of the formal government services. For example, a high proportion of home based care for those suffering from AIDS and care of orphans is provided by Civil Society Organisations. Pioneering work has been done by Civil Society Organisations in achieving and sustaining high levels of Directly Observed Treatment, Short-course (DOTS) treatment for TB. Civil Society organisations are in the forefront of the distribution of bed nets to reduce the incidence of malaria.

Gender

1. Since independence the country has made significant progress in promoting gender equality and empowering women. To this end, the government has established the Ministry of Gender Equality and Child Welfare to coordinate, implement, and monitor activities and programmes to ensure equitable socio-economic development of women, men and children. In order to ensure that gender issues are integrated into all policies and programmes, the government has formulated a National Gender Policy (NGP) and National Gender Plan of Action (NGPA). Both the NGP and NGPA) seek to promote and facilitate equal representation of women and men at all levels of decision making structures by building the capacity of women in management and leadership, changing negative attitudes towards gender equality and increasing awareness of negative cultural practices that inhibit womenôs greater participation in power sharing at all levels of society. In a bid to put in motion the objectives of the NGPA, the Namibian Women Parliamentary Caucus (NWPC) was established by Women Parliamentarians in 1996 with the objective of promoting gender sensitive legislation and a greater role for women in the Namibian Parliament. This has provided an opportunity for elected women from all parties and all levels of government to share their experiences and overcome the diverse problems that they experience individually, collectively and at electoral level. A number of NGOs are also active in promoting womenôs participation in power sharing and decision-making, especially within the political arena. One such initiative is the global campaign which began in 1999 as a global effort aimed at achieving gender equality in political representation and was spearheaded by Sister Namibia. The Namibian Womenôs Network also provides advocacy, lobbying, and voter education while the Womenôs Solidarity provides counselling, advice and other forms of assistance to any woman who might have been raped and or sexually, physically and emotionally abused.

2. The establishment of these institutions and formulation of policies have registered some success. For example, the enrolment ratio of girls to boys in primary, secondary and tertiary is more than 100% (NPC 2004). With regard to womenôs representation and participation in bodies of power and decision making, a lot has been achieved over the past 17 years of independence, exceeding the SADC Gender Declaration of 30% by 2005. For example, a significant number of women representatives are working in the following sectors: public service (33%), private companies (33%), local authority (45%). However, womenôs representation in Parliament and parastatals lag behind at 27% and 22% respectively (Electoral Commission of Namibia, National Assembly and National Council, 2005).

3. Despite the progress so far, two genderïrelated issues remain a challenge for Namibia. First is the gender imbalance in economic and business decision making levels. Within the economic sector, women constitute 52% of the rural population and contribute about 90% of labour for agricultural

production, especially in subsistence farming. Yet most female-headed households (43% in rural areas) and their income levels are half that of their male counterparts. In addition to agricultural production, the majority of women (83%) are employed in private household (domestic work), however, this work is not recognised and calculated in GDP of the country. Women in health and social work account for 75% and education 60%. These findings imply that women are mostly in gender stereotype jobs whereas few women are in sectors such as construction (7%), and transport, storage, and communication (20%) Second are the cultural and social attitudes and the pressing perceptions on the traditional roles of women in society. Namibia is still a patriarchal society with persistent negative cultural and traditional practices that reinforce the subordinate role of women and hampers their full and equal participation in all spheres of life. Formal sector employment still tends to favour men over women in high paying/high profile positions while womenôs employment is concentrated in low or unpaid positions.

4. The survival rate for girls is much lower at upper primary school 76% compared to boys 82% and junior secondary 56% compared to boys 59% reflecting the fact that teenage pregnancy and family demands affect female learners. Although the incidence of teenage pregnancies has stabilised, there is still a lack of support and negative attitudes towards girls who fall pregnant. A girl who becomes pregnant is by law supposed to be allowed back to the same public school after one yearôs absence. However, they will have to give proof that they have someone looking after their baby, a criterion many girls cannot meet. Although the one-year absent rule applies to school boys who impregnate girls, they are hardly identified and older men seldom face any consequences, although a few schools have taken action.

5. Other disparities in education are regionally and ethnically based. These disparities range from relative remoteness or lifestyle such as the children of the Himba and San ethnic groups who lead nomadic lifestyles or are relatively less integrated into the development processes. Other disparities concern vulnerabilities such as being affected by HIV/AIDS, being orphaned or being disabled. The survival rate for both boys and girls at senior secondary education is 30%.

6. The government is deploying efforts to ensure equitable distribution of resources with particular emphasis on disadvantaged groups. The Ministry of Finance budgets for gender-sensitive activities in other ministries. The Ministry of Trade and Industry supported by GTZ helps disadvantaged people in self-sustainable economic enterprises through a credit guarantee scheme to assist them to begin their own SMEs as well as providing training to all ministerial staff. The Ministry of Labour and Social welfare is tasked to ensure womenôs equal participation in the work force through its monitoring and enforcement of the Affirmative Action (Employment) Act.

7. The 2004 Namibia MDG report showed that if prevailing progress in gender equality continues, the country could achieve the MDG relating to the promotion of gender and empowering women by 2015.

ANNEX VI(A):GRANTS (N$)

Donor	Sectors/ Programmes		Outside State Revenue Fund			Inside State Revenue Fund		
		2007/2008	2008/2009	2009/2010	2010/2011	2008/2009	2009/2010	2010/2011
Germany	National Parks		5,336,712	-	-	-		-
	Community Forest		37,395,425	-	-	-		-
	Land Reform		53,395,425	-	-	-		-
	Water Resource Management	16,006,297	16,006,297	-	-	-	-	-
	Environment and tourism		16,006,296	-	-	-		-
	Capacity Building		19,954,849	-	-	-		-
	Roads		22,398,893	-	-	-		-
	Transport	10,600,000	-	-	-	320,129,857		-
	Partnership for Economic growth	42,400,000	-	-	-	-	-	-
	Public Finance Management	53,336,242	53,336,242	-	-	-	-	-
	HIV/Aids		21,351,385	-	-	-		-
	Special Initiative			-	-	-		-
	TOTAL			**-**	**-**	**320,129,857**		**-**
Finland	Fund for Local Cooperation		21,351,385			-		-
	Decentralization		64,054,155	0	0	-		-
	Education		711,713			-		-
	Water		7,117,128			-		-
	TOTAL		**93,234,381**			**-**		**-**
France: Cooperation Framework	Social Development Fund	4,325,000	4,325,000	-	-	-	-	-
	Decentralization		2,300,000	-	-	-		
	Others		21,043,740			-		
	TOTAL		**27,668,740**			**-**		**-**
Luxembourg	Infrastructure		533,784			-		-
	Water		13,344,616			-		-
	Green Scheme		8,006,769			-		-
	Education		2,668,923			-		
	Others		17,668,272			-		-
	TOTAL		**42,222,364**			**-**		**-**
Netherlands	Education (ETSIP)	0	-	-	-	42,702,770		42,702,770
	Emerging markets	0	5,300,000		-			
	TOTAL	**0**	**5,300,000**		**-**	**42,702,770**		**42,702,770**

Iceland	Fisheries, Education & Social projects	1,598,582	2,652,000	-	-	-	-	-
TOTAL		**1,598,582**	**2,652,000**	**-**	**-**	**-**		**-**
Egypt	Emergency support (food donation)	750,000	-	-	-	-	-	-
TOTAL		**750,000**	**-**	**-**	**-**	**-**		**-**
China	Kavango and Omusati Regional Councils construction	1,443,000	-	-	-	-	-	-
	New State House	11,544,000	9,677,866			-		-
	Human Resource Training	3,848,000	3,848,000	3,848,000	3,848,000	-		-
	Experts Unam	6,734,000	3,848,000			-		-
	Aquaculture equipments	577,200	-	-	-	-		-
	Green Scheme and	-	9,961,781			-		-
	Education	-	10,000,000			-		-
	National Youth Centre		33,260,000					
	Omuthiya Hospital		22,190,133					
	Eiseb block - Farm units development	-	10,200,406	10,200,406	10,200,406			
	Military Academy		54,304,900					
TOTAL						**-**		**-**
Spain	Resettlement, Fishery, Health	57,403,453	31,599,342	31,599,342	31,599,342	-	-	-
	Rural water supply	0	-	-	-	10,600,000		-
	Education (ETSIP)	0	-	-	-	10,532,307		10,532,307
TOTAL		**57,403,453**	**31,599,342**			**21,132,307**		**10,532,307**
Sweden	Development cooperation	16,500,000	16,500,000	0	0	-		-
TOTAL		**16,500,000**	**16,500,000**	**-**	**-**	**-**		**-**
United States of America	HIV/AIDS - PEPFAR	766,800,000	766,800,000	766,800,000	766,800,000	-	-	-
	Basic Education support	17,608,710	-	-	-	-		-
	Child Survival and Health	8,378,000	13,731,400		-	-		-
	Millennium Challenge Account	-	460,000,000	460,000,000	460,000,000	-	-	-
	Democracy and Governance	5,440,020	-	-	-	-	-	-
	Natural Resources	14,065,100	-	-				
TOTAL		**812,291,830**				**-**		**-**
TOTAL						**383,964,934**		**53,235,077**

Exchange Rates used: US$ - N$ 7.100 Euro - N$10.60 RMBY - N$0.9620 SEK - N$1.1

Donor	Sectors/Programmes		Outside State Revenue Fund			Inside State Revenue Fund		
		2007/2008	2008/2009	2009/2010	2010/2011	2008/2009	2009/2010	2010/2011
Japan	Transport (Rundu - Elundu road)	53,596,738	140,667,884	-	-	-	-	-
TOTAL		**53,596,738**	**140,667,884**	**0**	**0**	**0**	**0**	**0**
Federal Republic of Germany	Energy	427,027,700	-	-	-	-	-	-
TOTAL		**427,027,700**	**0**	**0**	**0**	**0**	**0**	**0**
Finland	Health	53,378,463	53,378,463	53,378,463	53,378,463	-	-	-
TOTAL		**53,378,463**	**53,378,463**	**53,378,463**	**53,378,463**	**-**	**-**	**-**
France:		258,543,537	258,543,537	258,543,537	258,543,537	-	-	-
TOTAL		**258,543,537**	**258,543,537**	**258,543,537**	**258,543,537**	**0**	**0**	**0**
Peoples Republic of China	Railway line projects	0	72,150,000	72,150,000	72,150,000			
	Electronic Documents and Records Management System (EDRMS)	0	9,620,000	9,620,000	9,620,000			
	Oshakati Hospital Renovations	0	49,302,500	49,302,500	49,302,500			
	NIP laboratories	0	2,405,000	2,405,000	2,405,000			
	NBC equipemnt	0	24,050,000	24,050,000	24,050,000			
	Container scanners	0	82,972,500	82,972,500	82,972,500			
	Buyers Credit	0	177,500,000	177,500,000	177,500,000			
TOTAL		**0**	**418,000,000**	**418,000,000**	**418,000,000**	**0**	**0**	**0**
Spain	Education (ETSIP)	14,836,050	0					
	Rural water supply	5,300,000	0	-	-	-	-	-
TOTAL		**20,136,050**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL		**812,682,488**	**870,589,884**	**729,922,000**	**729,922,000**	**-**	**-**	**-**

Exchange Rates used: US$ - N$ 7.100 Euro - N$10.60 RMBY - N$0.9620 SEK - N$1.1

ANNEX VI(B): DONOR MATRIX ï LOANS (N$)

Donor	Sectors/ Programmes	Outside State Revenue Fund			Inside State Revenue Fund		
		2008/2009	**2009/2010**	**2010/2011**	**2008/ 2009**	**2009/ 2010**	**2010/ 2011**
Finland	Health	53,378,463	53,378,463	53,378,463	-	-	-
SUB-TOTAL		**53,378,463**	**53,378,463**	**53,378,463**	**-**	**-**	**-**
France: Cooperation Framework		258,543,537	258,543,537	258,543,537	-	-	-
SUB-TOTAL		**258,543,537**	**258,543,537**	**258,543,537**	**-**	**-**	**-**
Peoples Republic of China	Agriculture	9,803,922	9,803,922	9,803,922	-	-	-
	Information and Communication	48,692,810	48,692,810	48,692,810			
	Transport	98,039,216	98,039,216	98,039,216			
	Health and Sanitation	3,267,974	3,267,974	3,267,974			
	Government Services and Public Administration	176,797,386	176,797,386	176,797,386			
	Buyers Credit	236,666,667	236,666,667	236,666,667			
SUB-TOTAL		**573,267,974**	**573,267,974**	**573,267,974**	**-**	**-**	**-**
World Bank	**ETSIP**				**53,250,000**		
SUB-TOTAL					**53,250,000**		
TOTAL		**885,189,973**	**885,189,973**	**885,189,973**	**53,250,000-**	**-**	**-**

Exchange Rates used: US$ - N$ 7.100 Euro - N$10.60 RMBY - N$0.9620 SEK - N$1.1

<u>ANNEX VI (C): Multilateral Development Assistance, 2006/07</u>

Development Partner	Sector	2006/2007(N$)
Multilateral Non-UN		
European Union	Human Resources Development	48, 000, 000.00
	Rural Development	149, 035, 075.00
	Public Finance Management	24, 685, 520.92
	Health and HIV/AIDS	18, 363, 059.00
	Capacity Building	1, 900, 000.00
World Bank	Environment	16, 834, 878.14
	HIV/AIDS	1, 781, 146.79
Total Non-UN		26, 599, 679.86
Multilateral UN		
UNFPA	Health	1, 490, 810.12
UNICEF		1, 047, 772.80
UNDP	Environment and Tourism	21, 908, 574.78
UNDP	HIV/AIDS	2, 865, 244.48
UNFPA		1, 218, 926.40
UNFPA	Human Resources	1,212,519.00
UNFPA	(Education, Training, Capacity Building)	3, 162, 432.00
UNICEF		181, 000.00
UNICEF	Good Governance, Democracy and Human Rights	173, 760.00
UNDP		362, 000.00
UNDP	Poverty Reduction	941, 200.00
Total-UN		34, 564, 239.58
Grand Total Multilateral		295, 163, 919.44
Source: National Planning Commission Annual Report, 2006/07		

ANNEX VII:
List of documents/sources used for the preparation of the CSP

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Annex VIII: NDP2 Targets and Achievements

Item	NDP1 Actual	NDP2 Target (2001-2006)	NDP2 Achievement (2001-2006)
1.GDP growth (% per annum)	3.6	4.3	4.7
Primary Industries	3.2	6.7	4.5
Secondary Industries	1.3	*5.5*	4.8
Tertiary Industries	4.0	4.0	*5.4*
2. Investment or GFCF growth (%p.a)	6.4	4.1	11.9
3. Share of private investment in total	78% in 2000	90% in 2006,	86% (2006)
4.Ratio of private investment to GDP	14.6% (2000)	20% (2006)	23.6% (2006)
5. Share of primary commodities in total exports	82% (1999)	41% (2006)	*44%* (2006)
6.Budget deficit as % of GDP	1.9	3.0 (2005)	0.2 *(2005/06)*
7. Increase contribution of SMEs to GDP	1.3	12% by 2006	4.9% by 2006
8. Reduce Gini coefficient	0.701	0.67 to less than 0.6 at end 2006	0.604 in 2003/04
9. Increase Contribution of SMEs to GDP	*5%* in 2000	10 % by 2006	NA
10. Employment growth (%p.a.)		2.6 (1999-2006)	ð 2.7 (2000-2004)
11. Share of manufacturing employment in total	6.4% in 2000	20% in 2006	6.2% in 2004
12. Womenôs representation in Parliament	19% in 2000	*35%* (2006)	28% (2004)
13. Exports growth (%p.a)	2.1	6.7	6.6
14. Imports growth (%p.a)	4.4	4.8	5.7
15. Growth in total consumption expenditure (%p.a)	2.7	3.6	2.2
16. Growth in private consumption expenditure (%p.a)	5.4	4.7	2.6
17. Growth in Govt. expenditure (%p.a)	2.9	2.4	*1.5*
18.Inflation (%p.a)	*8.5*	6.1/	*6.5*
19. Ratio of total public debt to GDP (%)	21.3	23.7	28.8 (2006)

N/A- Not available

Sources: National Accounts 2006 and Namibia Labour Force Survey 2004

ANNEX IX: MAP OF THE NAMIBIA

This map has been drawn by African Development Bank Group exclusively for the use of the readers of the report to which it is attached. The names used and borders shown do not imply on the part of the Bank and its members any judgment concerning the legal status of a territory not any approval or acceptation of these borders.

[1] Vision 2020 is the long term national planning framework that seeks to transform Namibia into a prosperous, industrialized country developed by her human resources, enjoying peace , harmony and political stability

[2] This retreat directed that strategies to stimulate economic growth in the NDP3 should include: (i) encouraging domestic and foreign investment, (ii) improving productivity and innovation, (iii) enhancing technological development; (iv) developing quality human resources; (v) accelerating the transition to a knowledge-based economy; and (vi) intensifying rural development to reduce urban-rural discrepancies;

[3] The Millennium Declaration which was made in September 2000 in New York has been signed by Namibia. It emphasizes sustainable development, good governance, peace, security and human rights; and the constituent Millennium Development Goals or MDGs that underscore the commitment of both developing and developed countries to reduce poverty in its different manifestations through stronger partnerships.

[4] The lessons learned in implementing the NDP2, which include the need for: (i) accelerated productivity increases in agriculture, particularly in subsistence agriculture; (ii) diversification of the rural economy from reliance on subsistence agriculture; (iii) rapid rural development; (iv) expansion of remunerative employment; (v) improved coordination between Government entities and between them and non-government stakeholders; (vi) better (strengthened) human resources and institutional capacities; (vii) a stronger monitoring, reporting and evaluation system; and (viii) a focus on results in addition to expenditures and activities

[5] ETSIP is a capacity development programme designed to ensure improvement in all aspects of institutional development, including leadership, strategy and planning, human resource management and development, partnership development, and change management.

[6] The Green Scheme has its roots in India's Green, White and Yellow revolutions of the 1960s and '70s, which boosted milk and grain production, turning the country into a major food basket. It is Namibiaôs blue print for attaining food self sufficiency. The government intends to increase the contribution of agriculture to the country's gross domestic product (GDP), which is dominated by diamonds and beef. A number of projects have been initiated since the Green Scheme was launched last year: dates and grapes are being produced in the south, freshwater fish in the northern and north eastern regions, and various horticultural initiatives as well as livestock farming in other parts of the country.

[7] An economic or development corridor or spatial development initiative is a geographical area in which infrastructure investments are linked directly with trade, investment, production and tourism potentials.