

**NAMIBIA-EC COUNTRY
STRATEGY PAPER AND
INDICATIVE PROGRAMME FOR
THE PERIOD 2002-2007**

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The Government of the Republic of Namibia and the European Commission hereby agree as follows:

- (1) The Government of the Republic of Namibia represented by the Hon. Ms. S. Kuugongelwa, Director-General of the National Planning Commission and National Authorising Officer, the European Community, represented by Mr. F.J. Ortiz de Zúñiga, Head of EC Delegation in Namibia, hereinafter referred to as the Parties, held discussions in Windhoek from January 2001 to October 2001 with a view to determining the general orientations for co-operation for the period 2002 – 2007. The European Investment Bank was represented at these discussions by Mr. Manfred Drechsler. During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of Namibia were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000. These discussions complete the programming process in Namibia.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

The Government of the Republic of Namibia has made comments, which have been reproduced in Annex I. The country analysis of the document reflects the opinion of the EC and does not represent the views of the Government of Namibia.

- (2) As regards the indicative programmable financial resources which the Community plans to make available to Namibia for the period 2002-2007, an amount of € 48 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 43 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The indicative programme under chapter VI concerns the resources of the A-allocation as well as uncommitted balances of former EDFs, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration other financing sources from which Namibia could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. With the exception of an amount of 25 million Euro which is destined to finance the development programme identified following a request for aid under the Sysmin programme of the Lomé Convention but for which no financing decision could be taken before 31 December 2000, the B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not constitute part of the indicative programme, at this stage. For the time being, only the programme to be financed under the Sysmin-allocation is included in the Work Programme.

- (5) Pending the entry into force of the Financial Protocol of the ACP-EC Partnership Agreement and within the framework of the present Country Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Republic of Namibia within the limits of the A- and B-allocations referred to in this document and under the condition that sufficient resources are available in the general reserve of the 8th EDF. The respective projects and programmes shall be implemented according to the rules and procedures of the eighth EDF until entry into force of the Financial Protocol for the Ninth European Development Fund.
- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 (a) and 4 of the Financial Protocol of the ACP-EC Partnership Agreement (see sections 4.1.2 and 5.2 for further details).
- (7) In accordance with article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance.
- The mid-term review shall be undertaken within two years and the end-of term review shall be undertaken within four years from the date of signature of the Country Strategy Paper and the National Indicative Programme. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within eight weeks of the date of signature, unless either party communicate the contrary before the end of this period.

Signatures

For the Government of the
Republic of Namibia

For the European Commission

PART A

COUNTRY STRATEGY

Executive Summary

The national policies for development are enshrined in the second National Development Plan 2001-6 and the National Poverty Reduction Action Programme identifies a number of strategic measures aimed at reducing poverty. The overarching objective of EC co-operation in Namibia is the reduction, and in due course the elimination of poverty. This conforms to the vision of NDP2 of sustainable and equitable improvement in the quality of life of all people in Namibia and in particular to reduce poverty. Namibia remains one of the more politically stable countries in Africa even though there has been growing concern about involvement in external conflict and more recently, strong pronouncements against minority groups, particularly the homosexual community. Namibia is a resource-based economy characterised by moderate growth between 1995-99 and an expanding government sector. It has adopted an active regional integration policy being a member of three regional groupings: Southern African Customs Union (SACU), Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA). The economy of the country shows a sharp dichotomy reflecting the legacy of apartheid years. Namibia is a lower middle-income country with exceptionally high levels of inequality and pockets of severe poverty. This has resulted in a very skewed distribution of income with the majority of poor households living in communal rural areas.

Sustainable development is centred on four themes: Poverty reduction, the HIV/AIDS pandemic, the environment and the mainstreaming of gender. The fundamental challenges facing Namibia are (i) the reduction of poverty and inequality, and more particularly the need to promote sustainable rural livelihoods (including land reform) and better levels of education and health, (ii) a governance agenda focusing on national priorities such as decentralisation, reducing government consumption and the establishment of a comprehensive land reform policy (iii) the restructuring of the economy particularly in terms of fiscal reform, the diversification of the export base and the need to prepare for greater world wide trade liberalisation.

The EC, Germany, USAID and Sweden are the largest donors and the EC is likely to gradually become a comparatively more important partner due to the phasing out of a number of donors.

Against this background and after extensive consultations among stakeholders it was reaffirmed that the focus of EC assistance will be poverty reduction and the EC has agreed with GRN on the following focal sectors: (i) Rural Development and (ii) Human Resources Development. The overall indicative allocation for the 9th EDF amounts to EURO 91 million.

Table 1: Snap-shot indicators of Namibia (World Development Indicators)

Selected Indicators	1999	1995
Population	1.7 million	1.5 million
Population Growth Rate	2.5%	3.0%
GNP per capita	US\$ 1.890	US\$ 2.160
Life expectancy at birth	54	57
Illiteracy adult (+ 15 years old)	19%	23%
Child malnutrition	26%	-
GDP	US\$ 3.1 billion	US\$ 3.2 billion
Total external debt GDP	5.8%	-
Annual change in prices	7.6%	7.0%

1. EU COOPERATION OBJECTIVES

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

These objectives have been confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, which puts a priority emphasis on reducing and eventually eradicating poverty. Co-operation between the Community and Namibia shall pursue these objectives, taking into account fundamental principles laid down in Article 2 of the Agreement – especially the principle of encouragement of ownership of the development strategies by the countries and populations concerned - and such essential and fundamental elements as defined in Article 9.

In their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the Community must continue its support to the social sectors (health and education), particularly in order to ensure equitable access to social services.

The Treaty establishing the European Community foresees that the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken of mainstreaming into all areas of co-operation the following cross-cutting themes: gender and environmental issues, institutional development and capacity building.

Despite the fact that Namibia is classified as a lower middle-income country in terms of its annual average per capita income, the UNDAF (United Nations Development Assistance Framework) 2001-5 has advocated continuation of the "as if LDC" status for Namibia since a considerable proportion of Namibia's people have been historically disadvantaged and are still in a very vulnerable situation today. Moreover, Namibia has only recently gained independence and the fundamental challenge facing a young democracy like Namibia is the need to overcome the legacy of ethnic division, poverty and inequity.

In its communication on conflict prevention (April 2001), the Commission has announced its intention to focus more clearly its co-operation programmes on addressing root causes of conflict in an integrated way. In this context, the Commission will seek to incorporate specific conflict prevention (or resolution) measures into its various sectoral programmes.

The above objectives and principles and the national policy agenda presented in the next chapter constitute the starting point for the formulation of the present Country Strategy Paper, in accordance with the principle of national ownership of development strategies.

2. NAMIBIAN POLICY AGENDA

Namibia has sought to establish a comprehensive development policy and strategy process within the framework of a five-year national development plan with the application of macroeconomic and sector specific measures. The **first National Development Plan** (NDP1) covered 1995-2000 and

set out the goals and strategies illustrated in Annex II and formed the basis for cooperation with Namibia under the 8th EDF. Achievements fell short of target mainly due to slower than expected economic growth and key problems such as the continued prevalence of poverty, the skewed income distribution and the limited capacity of the economy to create jobs.

The **second National Development Plan** covering the period 2001-6 was finalised in May 2001. The EC provided considerable support and was fully involved in the consultation process of NDP2. Poverty reduction was integrated in NDP2 through the **National Poverty Reduction Action Programme** (NPRAP). The NPRAP translates into concrete action the Poverty Reduction Strategy of 1998, which set out a broad analysis of the incidence and causes of poverty, and strategies to address it. On the basis of the NPRAP, NDP2 identifies the following strategic measures aimed at reducing poverty and unequal income distribution: (i) more equitable and efficient delivery of public services; (ii) accelerate equitable and sustainable agricultural expansion; (iii) develop options for non-agricultural income generating activities; and (iv) provide a safety net for vulnerable groups to prevent them from falling into poverty.

The CSP by focusing on Rural development and Human Resources Development revolves around key poverty reduction measures formulated in the NDP2/NPRAP and particular efforts are being made to further enhance the policy framework in these sectors.

Rural development in the NPRAP includes matters such as infrastructure and government services, employment and economic development, land tenure and private sector investment, in addition to agricultural development. The MAWRD (Ministry of Agriculture, Water and Rural Development) has a directorate which focuses on rural development and planning matters although there are a number of other ministries which engage with rural communities. GRN, supported by the EC, is developing a policy framework to guide the direction of rural development and establish a co-ordinated and synergistic process of action to improve the impact of poverty reduction in the rural areas.

With the *Toward education for all* policy Human Resource development has, since independence, been a fundamental development goal to reduce income disparities. The MBESC (Ministry of Basic Education, Sports and Culture) Strategic plan for 2001-6 has a clear policy framework which is incorporated in NDP2. The development of a policy for vocational training under a new structure, the Namibian Training Authority will be essential to help alleviate the existing critical skills shortage and create a more educated work force. This challenge is linked more broadly to the crucial importance of sustaining all levels of the economy with the necessary skills and technical and managerial training needed to allow Namibia to reach its full potential.

The National Development Plan 2 can generally be analysed as follows:

- i. For a country which emerged from independence only 10 years ago where Government accounts for 30% of GDP and where NSAs are relatively weak, the degree of consultation in the NDP2 exercise with NSAs and Namibian society at large is an example of true participation of all key stakeholders and ownership of the country's development policies. However, genuine ownership will only be ensured when a continuous consultation process is put in place.
- ii. Whereas NDP1 represented a reflection on development issues as perceived by line Ministries, NDP2 has made an improved effort to integrate cross-cutting issues which affect sustainable development in each chapter and has specific chapters dedicated to national developmental priorities such as regional development, poverty, HIV/AIDS, gender, income distribution, governance, food security, environment, Information technology, civil society and decentralisation.
- iii. The NPRAP should make it possible to identify complementarities between measures to be taken in different sectors. It offers the prospect of providing support towards key elements of the Poverty Reduction Strategy, whilst maintaining a dialogue with GRN on the broader NDP2 framework. It will also permit the monitoring of development assistance impact in terms of poverty reduction.

- iv. Ultimately, the strategic value of NDP2 and particularly the setting of priorities will be measured against the linkage with the rolling MTEF (Medium term expenditure framework) covering the period 2001/02-2003/4.
- v. However, in terms of organisation structure, the National Development Plan still follows the functional organisation of the line-ministries responsible for the issues in question. This leads to difficulties in prioritising strategies and programmes and identifying potential trade-offs between different programme interventions.
- vi. Whereas NDP2 sets ambitious targets in terms of economic growth and poverty alleviation and new developments in the mining sector (Skorpion mine and Ongopolo mine) look promising, it recognises “mammoth challenges still lie ahead.” Namibia is indeed confronted by a number of constraints and challenges: regional conflicts, the impact of trade liberalisation, the HIV/AIDS Pandemic and unresolved issues such as land reform, the new fisheries policy and decentralisation. This raises questions about the realism of some of the indicators in NDP2 and may have an impact on the joint assessment of performance in the context of the 9th EDF.

3. ASSESSMENT OF THE POLITICAL, ECONOMIC, AND SOCIAL CONTEXT

3.1 THE POLITICAL SITUATION

Namibia gained independence in 1990 after a liberation struggle with South Africa lasting 23 years. Through its policy of reconciliation, Namibia has demonstrated that a peaceful path from conflict to co-operation is possible.

An important feature of Namibia’s first independence decade has been commitment to good governance, including a commitment to sound public administration and transparent accountability. Namibia is ranked 30th out of 90 countries in the Transparency International Corruption Index, which makes it the second best performing country in Africa after Botswana. Corruption in the public sector, while limited, has been on the increase and a committee to combat corruption has been formed and new anti-corruption measures are foreseen in 2001.

In the 1990s, with respect to human rights Namibia was among the most advanced in Africa. The Namibian Constitution incorporates the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and provides for an Ombudsman. The Constitution also makes provision for an independent judiciary, the principles of democracy, rule of law, an independent electoral commission as well as other checks and balances to ensure good governance. Namibia is party to most international treaties which protect human rights.

Against this positive background, there have been some developments since the late 1990s which the EC has noted with concern. These include:

- Pronouncements against minority groups such as, *inter alia*, the homosexual community.
- Criticism by Members of Government against the judiciary and foreigners.
- Namibia generally has shown commitment to media freedom and freedom of expression over the past years. However, recently the Government decided to ban Government purchase and advertisement in an independent newspaper.
- Namibia’s involvement in the conflicts in Angola and the DRC and with the secessionist movement in Caprivi have led to the disruption of civil life in Kavango and Caprivi, reports of human rights violations and increased budgetary allocation to military expenditure.

The Government of Namibia’s position on the above issues is presented in Annex I.

The important issue of land tenure has gained sensitivity since the events in Zimbabwe during the first half of 2000. More than 70% of Namibia’s population depends on agriculture and 85% of commercial land is white owned. The land reform debate focuses on two issues: (i) the redistribution of commercial farmland, which is mostly owned by white farmers, and (ii) the allocation of individual land rights and the establishment of an effective land administration in the Communal Areas.

Namibia is currently undergoing a complex process of economic, social and political transformation, which is pivotal to the future of the country. The challenge is how Namibia will respond to these pressures and its ability to pursue its path toward sustainable development in ways that deepen democracy and ensure high standards of governance.

Against this background, the political situation should not be seen in isolation but closely associated in economic recovery.

3.2 ECONOMIC SITUATION

Namibia is a lower middle-income country. Although the relative importance of mining has declined, it continues to play a critical role in the economy as a major source of foreign exchange and of government revenue (Diamonds alone accounted for 10.6% of GDP in 1999).

Economic performance since Independence has been characterised by two distinct periods. From 1990 to 1994 GDP growth was robust averaging 4.9% and allowing for modest increases in real GDP per head. In fact this was a considerable improvement compared to the average real growth rate of only 1.1 % achieved during the decade before independence. By contrast 1995-99 was a period of more modest real growth averaging 3.8 %, below the NDP1 projected annual growth of 5%. This slower than planned growth was one of the reasons which precluded achieving the economic development targets set out in the NDP1 as given in Annex III.

Part of the reduced growth is due to special circumstances such as drought, reduced fishing quotas, the closure of the largest copper mine and the fall in world demand and price of Uranium. However, the modest economic growth also reflects a worrisome underlying trend: productivity in Namibia's economy as measured by **Total Factor Productivity** (TFP) is falling; thus, for every unit of capital invested smaller increments of output are achieved in return. Fundamental issues underlying this productivity decline include: the large share of GDP consumed by Government; the inadequate skills level of the labour force, and the gradual shift to high-cost deposits in Namibia's mining industry. Added to this are labour costs which are increasing faster than the rate of inflation.

The consequence of these developments has been that for a greater part of the period after independence, internal investment has lagged behind domestic savings. At an annual average of 25% of GDP for the period 1991-9, the saving rate ranks amongst the highest in Sub-Sahara Africa, whereas gross fixed capital formation hovered around 21% for the period, causing a steady outflow of capital from Namibia, and a matching current account surplus. Compared to other low middle-income countries, whose average investment hovered around 27% in 1999, investment was on average almost 6 percentage points lower than its counterparts.

Unemployment has risen steadily since independence. It went from 32.9% in 1994 to 34.5% in 1997, according to the last Labour Force Survey of 1997. In all likelihood this is an underestimation of the extent of the problem.

Because the Namibian dollar is pegged to the South African rand, the inflation rate is almost identical to that of South Africa and in recent years has been influenced by the fall in the value of the rand on the international currency markets. **Namibia's inflation** has been decelerating progressively, from a peak of 18% in 1992 to an annual average of 8.3% during 1995-99. The average annual inflation rate rose to 9.3% in 2000 (Consumer Price Index).

3.3 FISCAL SITUATION

As a result of Namibia being a partner in the monetary union with South Africa, it cannot apply an independent monetary policy and has only very limited influence on monetary developments. Economic policy instruments are therefore limited to fiscal policy. The overall **fiscal performance** covering Government's revenue and expenditure has caused some concern over the last years.

In terms of public expenditure management, Namibia has a relatively sound system in place, compared to other developing countries. However, the weak implementation of budget guidelines and treasury instructions undermines the budgetary system. This is recognised by GRN and the introduction of the MTEF (Medium Term Expenditure Framework) in 2001 is designed to improve

allocation of resources to key priorities and the financial planning of line ministries by increasing predictability of resources.

A further problem regarding expenditure is related to the size of the civil service which has continued to increase from 57,500 in 1991 to 71,000 in 1999, representing about 1/6 of employment in the cash-sector. The wage bill over the period 1995 to 2000 accounted therefore for about 50% of total government expenditure and is considered to be economically unsustainable in the long term. Government is aware of the size of the civil service and the implementation of the key measures within NDP2 with regards to “commercialisation” of the public sector will be essential to introduce the required changes.

The level of public expenditure has led to an aggregate budget deficit of 3.7% between 1995-1999, a level over the 3% target under NDP1. Although Namibia enjoys an enviable external debt structure with foreign debts amounting to only 10% of GDP after Namibia was able to write off its historical debts vis-à-vis South Africa, its total debt stock has increased dramatically over the last years to about 23% of GDP.

Thus, considering Government’s fiscal policy and outlook, it is questionable whether Namibia will be in a position to remain below the ceiling of 2.9% budget deficit set for the years 2002/2003 and 2003/04 in order to keep total debt below a level of 25% of GDP. There is a risk the level of the deficit could become unsustainable in the longer term. Even to achieve the budget deficit target of 3.3 % set for the entire NDP2 period (2001-6), the Government would have to introduce tighter budgetary expenditure restrictions, implement public sector reform, pursue its privatisation efforts and review its tax system.

3.4 POVERTY ANALYSIS INCLUDING SOCIAL SITUATION

The Namibian social structure is strongly dualistic. This is both a consequence of the country’s colonial past and the dominant role of the mineral sector. It has resulted in a very skewed distribution of income as indicated by a Gini coefficient¹ of 0.67, the highest recorded value in the world. It is also reflected in Namibia’s ranking in other development indicators. Thus, while Namibia ranks 75th in terms of GDP measured at PPP (Purchasing Power Parity), it ranks 115th in terms of Human Development Index. This discrepancy in ranking between income and human development is a reflection of the country’s Apartheid past, when the education and health systems were not developed to the level one would expect in a country of ‘middle income’ status. This is characterised by the fact that 70% of GDP is generated by the 5% white population and the remaining 30% of GDP by the non-white population.

Thus, even more than other “dual” economies, Namibia is in reality two societies in one. A more equitable distribution of income, the elimination of rural-urban income disparities and variations between regions and racial groups remain among Namibia’s fundamental challenges.

This is exemplified by the agricultural sector: 4000 commercial farmers own about 6300 commercial farms representing 52% of the agricultural land. On the other hand, about 70% of the indigenous population (980,000 people), do not own land and occupy 48% of the agricultural land. A similar dualism occurs in education. Although the Afrikaans, German and English speaking population account for only 13% of the population of 15 years and above, the share of students with secondary and tertiary education is 30% and 64% respectively while the indigenous language speaking people make up 90% of the population and represent only 32% of students in tertiary education.

The rate of HIV infections is having a major impact on poverty with a considerable social cost to the poorest income groups. This cost comes from the loss of productivity of sections of the working population and the increasing number of children who are orphaned.

¹ The Gini-coefficient measures income inequality, a value of zero indicates absolute equality and a value of 1 absolute inequality.

Poverty in Namibia has a number of dimensions: The UNDP Human Poverty Index (HPI) measures the proportion of the population deprived of certain standards. According to this index 23% of the population still suffer from severe poverty with some regions reaching more than 35%. 47% of Namibian households were relatively poor and 13% were extremely poor in 1994 based on food consumption². However, consumption alone does not determine the quality of life. In 1998, 12% of children were deemed to be underweight and 29% of the population did not reach the age of 40 (health poor). Furthermore, 19% of adults (over 15 years old of age) were illiterate (education poor). These dimensions of poverty are often interlinked.

Government has devoted considerable resources since independence to the social sectors to tackle poverty. At the Copenhagen Summit for Social Development it was decided that 20% of the national budget should be devoted to social programmes. Since independence Namibia has allocated almost double this percentage to Education, Health and Social Services.

NDP2 considers a number of strategies for curbing inequality. In addition to its fundamental priorities of basic education and primary health, it is committed to strengthening the social safety net (e.g. social pensions and child maintenance), a balanced tax system and to address the critical issue of land tenure. However, it is difficult to find the public resources to expand these schemes and the PRS proposes that programmes should be better targeted and more efficiently managed.

Growth should also be made more inclusive of the poor and the political dimension of the fight against poverty should be addressed with a view to achieve greater equity by focusing not only on increasing income or access to social services, but also on the allocation of assets and wealth (including land) and the implications of tax policies for equity. The NPRAP points out public resources do not appear to be available for funding high level services across all regions. An alternative approach is needed through the definition and estimation of costs and budgets for a nationally applicable standard of services. Therefore identifying specific shortcomings in the delivery of public services is one of the key challenges.

3.5 EXTERNAL ENVIRONMENT

TRADE STRUCTURE

Namibia has been exporting raw products with low value added to economies with processing capacities and as a result the composition of Namibia's exports (1999) was as follows: Diamonds 29% of total exports, fish almost 24%, services 21%, uranium 9% and manufacturing 10%. Namibia's major export markets in 2000 remained the European Union, particularly Spain, the United Kingdom and France, who as a group accounted for about 60% of the total value of exports compared to 27% for South Africa.

The largest components in imports were food, beverages, machinery and transport equipment, with South Africa accounting for 85% of the total value. South Africa's share of Namibia's imports has exceeded 80% since 1993. Throughout the 1990s Namibia, in the framework of the Lomé Convention, has registered a growing positive trade balance (EURO 354 million in 1999) with the EU.

MULTILATERAL AND PREFERENTIAL TRADE ARRANGEMENTS

On the multilateral scene, Namibia has centred its attention on agricultural commodities where it is taking an ambitious approach of urging developed countries to provide greater market access to agricultural products, including reduction of tariff escalation and uniform standards and the elimination of anti-dumping and trade distortionary policies. On non-trade issues, Namibia is seeking application of the principle of transparency (measurable and quantified values) and is in need of capacity building support to deal with these matters.

² HPI components are: non-survival beyond 40 years of age, illiteracy, underweight children, no water supply, no health services of poor households. GRN classifies a household as being 'relatively poor' if it devotes over 60% of its expenditure to food and as being 'extremely poor' if such expenditure exceeds 80%.

GRN attaches great importance to regional integration for a small economy such as Namibia. Namibia is a member of three regional economic groupings, namely Southern African Customs Union (SACU), Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

SACU is an important vehicle for Namibia's regional integration and coupled with the CMA (Common Monetary Area), represents the deepest integration arrangement providing for duty free access, low transaction costs, significant contribution to the revenue and relief from having to operate an independent customs service. On the other hand, the customs union has led to polarisation of industries in South Africa and a "price escalation" effect due to the Common External Tariff fixed by South Africa³.

The fact that Namibia is also in COMESA illustrates the complexity of overlapping regional arrangements. Together with Swaziland, Namibia benefits from derogation due to the fact that it is in a common external regime under SACU⁴. In addition to the economic rationale, Namibia's position has reflected the Pan-African premise that the various regional trade blocs will subscribe to a trade regime that is continental in scope as evidenced in Namibia's active role in the launch of the African Union in May 2001. In terms of market potential the SADC market offers Namibia greater prospects with an estimated combined GDP of US\$ 176 billion and current imports from SADC representing 83% and exports 38%. (However, if one excludes South Africa, trade with SADC becomes more marginal).

Namibia is not only affected by the impact of liberalisation of Agreements of which it is part, but through its membership of SACU it will also feel the impact of the Trade, Development and Co-operation Agreement (TDCA) between the EU and South Africa. The TDCA has raised concerns about revenue loss⁵ from customs revenue channelled through SACU and increased competition and Namibia could be in need of trade support measures.

3.6 SUSTAINABILITY OF DEVELOPMENT POLICIES

3.6.1 GENDER

Since Independence in 1990, the Government has taken significant steps to promote gender equality and the empowerment of women. The Namibian Constitution includes a number of provisions which guarantee the status of women. However, these provisions remain untested against many of the outdated laws from the pre-independence period. Women's participation in decision-making has increased considerably since independence. A Ministry of Women Affairs and Child Welfare (MWACW) was established in the year 2000, and 19% of the Members of Parliament are currently women. Nevertheless, women remain under-represented in leadership positions, particularly in the private sector.

The gender-related development index for Namibia is 0.62 (ranking Namibia in 96th place among 174 countries, in the medium human development category). Compared to Sub-Saharan African countries, Namibia is above average (ranks 6).

3.6.2 ENVIRONMENT

In a country considered the driest south of the Sahara, there are severe environmental constraints to development. The overwhelming feature of Namibia's environment is the low fertility of the soil and the scarcity and unpredictability of rainfall. This is further aggravated by overgrazing, pressure on land and population growth; desertification continues to be a problem in Namibia.

Despite the fact that Namibia faces considerable environmental constraints to development, her clean environment allows production of high quality meat and fish and her biodiversity, wild

³ Fixed by the Boards of Tariffs and Trade (BTT) which is a South African statutory body

⁴ Under this derogation Namibia does not extend trade preference to its COMESA partners though enjoys preferential access into the COMESA market.

⁵ According to an IDS/BIDPA study the total losses on Government revenue for Namibia would be in the range of 8.6% to 14.1%.

habitats and unspoilt scenery are a good base for tourism. Indeed the sustainable use of natural resources offers one of the major ways to diversify economic activity.

The foundations of Namibia's environmental policy are included in NDP2, which explicitly recognises the constraint of promoting economic growth while ensuring the equitable and sustainable utilisation of resources and a number of strategies establish the institutional framework for sustainable renewable resource management.

3.6.3 HIV-AIDS

The proportions of the HIV/AIDS pandemic are one of the key challenges facing Namibian development. Due to the historic isolation of Namibia and South Africa during the eighties, the HIV/AIDS pandemic started later in these countries than in neighbouring Zambia, Zimbabwe and Botswana. It is estimated that overall life expectancy will dramatically decrease from 60 in 1991 to 40 by 2006 and more than 118,000 children will be orphans as a result of HIV/AIDS by 2006.

Table 2 Summary of the main HIV/AIDS indicators:

Indicator	1991	1995	2001	2006
Annual number of deaths from AIDS	390	1.440	13.880	23.220
Crude death rate	11.4	11.2	16.0	18.8
Total population (millions)	1.1	1.6	1.9	2.1
Population growth rate	3.6%	3.1%	2.1%	1.5%
Total fertility rate	5.8	5.2	4.7	4.5
Life expectancy at Birth (years)	60	58.3	43.8	40.2
Infant mortality rate (per 1000 births)	71.6	71.5	70.1	62.9
Under five mortality rate (per 1000 births)	104	98.0	106.2	100.9
Orphans due to AIDS (under 15 yrs)	50	1.630	31.290	118.050

Source: Ministry of Health Social Services, October 2000: Projected number based on census and HIV sero-surveys

HIV has become a major macroeconomic variable in Namibia, impacting on labour supply, human capital and savings as well as resulting in increased poverty. An IMF report estimates that 5% of GDP per capita will be lost by 2010 if HIV/AIDS infection is not contained.

The process of behavioural change has been slow and the HIV epidemic progresses at an alarming rate. Prejudice and stigmatisation within society make it problematical for people to seek support and it remains very difficult to address the pandemic.

The success of the multi-sectoral strategy embodied in the country's second Medium Plan will be essential to overcome these constraints.

3.7 MEDIUM TERM CHALLENGES

More than 10 years after the post independence transition and a policy of National Unity, Namibia finds itself at a crossroad. Although continued growth has been achieved, concerns have been growing about the deteriorating fiscal situation, rising unemployment, the legacy of poverty and a political system and institutions which are still maturing.

The resultant development challenges can therefore be grouped around three distinct themes: the need to reduce the high incidence of poverty and widespread inequality; the economic transformation of the country; the need for a governance reform agenda.

The negative consequences of not moving forward with such reforms can be expected to be severe in terms of poverty reduction, economic growth and the quality of public services and ultimately pose a severe strain on government and its democratic institutions.

3.7.1 POVERTY AND INEQUITY CHALLENGES

The economy remains dualistic and Namibia has not been able to address disparities inherited at independence. There is therefore a need, firstly, to reduce the high incidence of poverty and widespread inequality in the rural areas, secondly to foster more rapid human resource development across society and thirdly to improve the health status in Namibia.

RURAL DEVELOPMENT

GRN-EC produced a report in April 2001 that shows the majority of people in rural areas are poor, have difficulties to achieve food security, encounter major obstacles to improve their well being and struggle to adapt in a changing environment. Government can be expected to come under increasing pressure to demonstrate progress in stimulating additional employment, and in improving the quality of life in the communal areas. Given the limited potential and absorption capacity of agriculture, new income opportunities will have to be created in the rural economy.

The land reform process should improve the living conditions of households in both communal and commercial areas and be part of a broad, medium term poverty reduction strategy which includes efficient land use and where possible feasible production targets.

However, there is still no integrated policy framework to guide the direction of rural development. In the light of this concern, GRN, supported through the RDSF study by the EC has involved a number of Government ministries as well as civil society, regional councils and local authorities to look at rural livelihoods and establish a sustainable rural development strategy.

HUMAN RESOURCE DEVELOPMENT

Since independence, the Namibian Government has declared education a prime development priority, allocating over 25% of the national budget to it. With 95.2% of the children aged 7-13 now attending school, the quantity battle has been won. However two challenges remain: to improve the quality of education (school drop out rates are high with only 5% of the population completing grades 11-12 and repetition is 25%) and to expand access to higher levels of education and training.

If primary education is not addressed satisfactorily, progress cannot be made in expanding access and achievement at higher levels of education and training. The probability of falling back into illiteracy is high for those who drop out. Inadequate policy linkages between basic education and vocational training systems mean that only a limited number of school leavers have the option of formal vocational training. Vocational training is the backbone of socio-economic transformation and development. However, the current training system remains fragmented and uncoordinated. Government is in the process of developing sector strategies based on the Presidential Commission report. These concern Basic Education's strategic plan and the setting-up of a Namibian Training Authority. The move towards a Sector Wide Approach should further facilitate the development of an integrated framework.

HEALTH VULNERABILITY

The Government recognised at independence that the majority of Namibians were living without access to modern health care and adopted a framework to make health services more equitable, accessible, cost-effective and comprehensive. In spite of positive achievements since independence particularly in primary health care, health status has been slow to improve and in some important areas is showing a decline. Life expectancy and mortality rates for children and mothers have deteriorated, primarily as a result of AIDS (life expectancy as dropped from 60 in 1991 to 50 in 2000). It is estimated that over 20% of the health budget currently is currently directed towards the management of AIDS. Thus the management of disease control programmes and the effective tackling of poverty is expected to suffer. In addition, the incidence rates of both tuberculosis and malaria can be expected to rise further.

The leading causes of illness and death in the country are diseases that are preventable through behavioural changes and require a multisectoral approach and a better understanding of social and cultural factors.

3.7.2 ECONOMIC CHALLENGES

Namibia will face significant challenges in sustaining economic growth and in ensuring fiscal sustainability.

FISCAL REFORM

Implementation of the MTEF (Medium Expenditure Framework) from 2001 will be an important challenge since it should improve allocation of resources to priorities, thereby minimising the cost of misallocation of resources and linking budgeting with the strategic objectives of government planning so as to achieve the national objectives set out in NDP2.

However, the MTEF only concerns budget formulation. A reform exercise of the whole budget process in Namibia needs to be undertaken in order to address issues such as budget implementation and control (improvements and enforcement of existing rules and procedures), thus ensuring a credible fiscal policy.

Furthermore, on the revenue side GRN has indicated in NDP2 that whilst the introduction of VAT has been an important step in providing a broader tax base, its intention is to undertake a comprehensive review of the overall tax system, including tax incentives, burden and distribution. This is all the more important since the reformulation of the SACU revenue formula and the general trend towards greater trade liberalisation will entail a decrease of revenue from traditional sources.

PRIVATE SECTOR DEVELOPMENT

The constraints for the private sector are three fold: (i) the limited size of the Namibian market; (ii) the low productivity of labour combined with the high unit costs of unskilled labour (highest in Sub-Saharan Africa with the exclusion of South Africa); (iii) lack of technological know-how, access to credit and financial and technical management skills.

Namibia is attempting to jump-start a real industrial transformation in order to attract investment by establishing vital infrastructure, credit facilities and incentive programmes. In 2000 Government launched a Special Industrialisation Programme to increase productive activities particularly in the manufacturing sector. Moreover, GRN also needs to enhance opportunities in the non-formal sector and strengthen interaction between the education system and key players in the labour market by further developing the vocational training system, skills development programmes and credit guarantee schemes. A more conducive environment will also have a direct impact on investment. The establishment of the Namibian Standards Institute and the consolidation of the Export Processing Zone are important steps in this direction.

TRADE LIBERALISATION

Namibia will need to start preparing to exploit the opportunities for greater trade liberalisation in the context of the new WTO round and closer regional integration with SACU, SADC and COMESA. Furthermore, preparations for an EPA with the EU will begin prior to most other ACP countries given the fact that the TDCA Agreement between the EU and South Africa implies that while negotiating for an EPA, the BLNS will have to consider the time frame of the TDCA. The change in relative prices resulting from greater liberalisation is expected to encourage economic growth and investment. However, Namibia will need to restructure its more vulnerable sectors and will experience a reduction in tariff revenue. Hence, it will be essential for Namibia to make strategic choices in the regional economic integration process and introduce provisions to minimise the impact of adjustment and diversify the revenue base.

3.7.3 GOVERNANCE CHALLENGES

Namibia is a young democracy and its democratic traditions and institutions are still evolving. Governance in the strict sense, related to standards of administration and corruption has not been of major concern in Namibia. However, Namibia does face wider governance challenges in particular with regard to such key issues as the public administration agenda and land reform. Furthermore, in Namibia's case, democratisation implies not only enhancing national level democratic institutions, but also reinforcing the role of the newly democratically elected regional and local governments.

DECENTRALISATION

Government decentralisation and a greater emphasis on local accountability can be expected to play a critical role in diffusing pressures and in bringing responsibility for delivery of public services

closer to the people. However, there is a real risk it might result in declining services and standards of public administration, unless the many constraints hampering decentralisation are addressed. At the central level, the Decentralised Policy Implementation Committee has still to become functional and there is an absence of human and material capacity in regional offices. Although a policy is in place with regard to decentralisation and some Ministries have adopted the Ministerial Action Plans, the absence of an integrated action plan on decentralisation has hampered overall progress.

For effective implementation of these prospects, there will need to be considerable institutional change at the national, regional and local levels.

PUBLIC SECTOR REFORM

Namibia faces considerable challenges in cutting back the role of the state. NDP2 has considered the need to review Government involvement in parastatals and GRN has adopted a position of partial privatisation, favouring outsourcing and some forms of private sector equity and/or operational participation in parastatals. This approach could alleviate some of the short-term costs of privatisation, but ultimately, a more long-term privatisation strategy should be developed to achieve gains in efficiency for the private sector, facilitate the economic empowerment of Namibians and provide revenue to finance NDP2. The Privatisation Task Team set-up by GRN will have the important role to develop a privatisation strategy and accompanying legislation and to put in place a strong programme of state divestiture. Such a programme would need to be put into the context of private sector development and the need to open up investment and create new employment opportunities.

Public service employment has expanded by 50 % since independence, which is significant particularly in view of the country's population and the dimensions of the economy. Without public service reform, and more effective control over the wage bill, it is probable that maintenance spending and public investment will be increasingly squeezed. Public administration reform will need to address the issues of the overall size of public service and the reform of public pay structures. Despite recognition of the problem and expressed commitment, a reduction in the number of civil servants in the near future will not be a simple goal to achieve. GRN is, in fact, likely to face increasing pressure from particular groups, such as the demobilised former soldiers, to recruit more (unskilled) staff.

LAND ISSUE

An important issue dictated not only by economic considerations but also social and political pressures, is land reform. As a result, it is considered as one of the fundamental issues on the Government's agenda. The impact of the resettlement programme through the willing seller/willing buyer principle has been limited thus far. Government has generally under spent the N\$ 20 million allocated annually to this endeavour and resettlement programmes have so far proven too costly. However, in December 2000, GRN decided to acquire about 10 million hectares of land for N\$ 1 billion for redistribution and resettlement within the next five years, to establish a National Land Use Policy for Namibia, and to introduce a land tax to finance the acquisition of land. These initiatives could provide renewed impetus to land reform. Land reform in the more fertile communal lands in northern Namibia is being addressed in the Communal Land Reform bill, including the question of illegal fencing. Despite these decisions, no action aimed at formulating a coherent Land Use Policy is as yet discernible. This can be attributed to two key factors:

- i. Government capacity in terms of financial and human resources is limited.
- ii. The need to pursue the efforts by the Ministries concerned to coordinate action plans and expertise to cope with this highly complex issue.

It will be essential for Government, supported by the donor community, to address these issues and implement the recommendations of the National Land Conference of 1991.

4. OVERVIEW OF PAST AND ONGOING EU COOPERATION (LESSONS AND EXPERIENCE)

4.1.1 COOPERATION ADMINISTERED BY THE EC

Prior to independence, EC assistance to Namibia was funded from various budget lines and mainly channelled through NGOs. In the period immediately following independence, Namibia received assistance amounting to € 32 million from two exceptional budget lines. Namibia acceded to the Lomé Convention in December 1990, becoming the 69th ACP State and has benefited from a National Indicative Programme under the 7th and 8th EDF amounting respectively to € 50 and € 52 million. Under the 7th EDF co-operation concentrated on three focal sectors (Agriculture, Health and Education) while under the 8th EDF, the EC has supported the following sectors:

Education	28%
Agriculture and rural development	28%
Productive sectors (tourism + trade and investment)	28%
Outside focal sectors	16%

The EC has also provided € 40 million Sysmin resources under the 7th EDF.

A Country Strategy Evaluation (CSE) was undertaken in November 2000 to look at the relevance, effectiveness and impact of EC assistance under the 8th EDF and to make recommendations for the preparation of the new strategy.

The CSE has provided an indicative assessment of the experience in each sector against five criteria:

Analysis of EC Sector Experience				
	Agriculture	Private sector	Education	Minerals
Relevance to EC objectives	++	+	++	-
EC Track record in the sector	+ ⁶	-	++	+/-
Relationship with relevant Government department	++	+/-	++	+
Scope for additional donor support	+	+/-	+	+/-
Extent to which EC is the lead donor	++	-	+	+
Ratings: ++ very high, + high, +/- medium, - Low, -- very Low				

The main conclusions of the study are that the sector programmes in agriculture, education and health (7th EDF) were highly relevant for poverty reduction, while the creation of an appropriate policy environment in the productive sectors was substantially relevant. Assistance to policy development in agriculture, as related to trade, policy support to the Ministry of Trade and Industry and support to tourism development were relevant to integrating Namibia in the regional and world economy. The study also highlighted the need to stimulate economic activities outside the traditional (agriculture and mining) sectors.

The programme⁷ registered considerable success in three of the four focal sectors (agriculture and rural development, education and health). Aspects of assistance to the productive sectors would need improvement. A key conclusion of the evaluation is that the single most important factor contributing to the success of EC assistance to Namibia has been the relatively high quality of Namibia's public administration. This has allowed assistance provided by the EC to be fully integrated into the Government's own programme and has ensured a high degree of accountability of EC technical assistance to the ministries to which they are attached. A well-resourced public service has also meant that recurrent financing has been available to sustain initiatives supported by the EC.

⁶ Further to this positive assessment made by consultants, Commission services consider that the EC has a 'very high track record' concerning the support provided to the agricultural sector; and that, in order to sustain this level of performance, it will be necessary to ensure a continued strong staff capacity in the EC Delegation to follow this sector and the closely related complex land reform issues.

⁷ Performance is measured against the global objectives of EC assistance namely poverty alleviation good governance, gender equality and environmental sustainability.

4.1.2 COOPERATION ADMINISTERED BY THE EUROPEAN INVESTMENT BANK (EIB)

Under the two Financial Protocols of the Lomé IV Convention the Bank has signed commitments for a total of EUR 138.2 million, a figure largely exceeding the indicative amounts envisaged at the time, comprising EUR 127.3 million on the Bank's own resources and EUR 10.9 million on Risk Capital Resources.

The large majority of the above resources were made available for the financing of basic infrastructure projects in the water, power, telecoms, port and municipal infrastructure sectors.

Besides the infrastructure sector EIB's other main pole of support in Namibia has been the financial sector. In addition to its direct lending possibilities the Bank has developed the "Global Loan" mechanism to cover those companies and promoters which are too small to be handled directly by EIB. Funds are thereby channelled via Bank of Namibia to four private sector commercial banks providing under the title of "Private Sector Global Loan" a source of medium to long term finance at fixed interest rates in Namibian Dollars as well as (under the PSGI II scheme) in foreign currencies. This type of funding is still not readily available in Namibia and thus assists private sector companies to further develop productive activities, thus contributing to the creation of employment and foreign exchange earnings. Subprojects supported under the PSGI scheme so far largely concerned the tourism sector which is considered as one of the success stories of the country.

Finally the Bank has also funded the productive sector directly through two loans for the establishment and expansion of the Okapuka Tannery. This has allowed the promoter Meatco to substantially deepen its production process and to develop a high standard leather industry thereby favourably comparing to the previous exports of largely untreated hides.

4.2 COMPLEMENTARITY

On a per capita basis Namibia has been the largest recipient of donor support among the countries of Sub-Sahara Africa (SSA). ODA was US\$ 108 per person in 1998 compared with an average of US\$ 21 for SSA as a whole. In relation to national income, this difference is less marked. Aid to Namibia, at 5.8% of GNP, compares with an average of 4.1% for SSA, but is significantly below levels of assistance to a number of lower middle-income countries. The NPC (National Planning Commission) has a central role in donor co-ordination and its capacity to optimise the flow of aid at central level should be strengthened.

Namibia has a large number of co-operating partners comprising 16 multilateral agencies and 26 bilateral donors. During 1998 approximately 50% of development assistance flows financed the social sectors, about 17% natural resources and agriculture and 16% communication and transport⁸.

A number of instruments are used to enhance donor co-ordination from a NPC data base on donor financed programmes to the exchange of Country Strategies, evaluations and project documents. Government-led sector co-ordination has varied from full consultation in the case of education and training to more limited co-ordination in other areas. The EU AID co-ordination group has been active in discussing ways and means to enhance operational co-ordination

Donor sectoral division of labour is undertaken on an ad hoc basis and to the extent possible through existing sector working groups (education and health). Annex IV shows the range of sectors supported by the main donors according to the Development Strategies set out in the Cotonou Agreement. In the social sectors, the lion's share is taken by Human Resource Development where all key donors including the EC are involved in Basic Education support. A number of donors are however planning to phase out. For Higher Education and Vocational Training the EC is the lead donor. For Health, whilst Finland is the only donor involved in health sector policy dialogue (EC has phased out after the 7th EDF), there is a disparate and at times uncoordinated number of donors involved in the HIV/AIDS sub-sector.

⁸ UNDP Cooperation Report 1993-98

In the area of private sector support Germany, the EC and USAID are the most important donors. A number of donors (EC, UK, France and Germany are the main ones) have been funding projects in support of agricultural research and extension. The EC is the lead donor and is orienting donor support towards developing rural livelihoods. Spain is the only donor currently involved with land reform. Compared to other countries in Sub-Saharan Africa the transport and communication network is relatively efficient and the main players in this area are Germany and Sweden. The EC has also contributed to this sector through SADC regional funding. In important crosscutting issues such as public sector reform, good governance and decentralisation, the Scandinavian countries (Finland and Sweden) and the Netherlands have taken the lead.

There are visible signs that important members of the donor community are presently reconsidering the extent of their future involvement in Namibia. Some donors (Denmark, Norway and the UNDP) have already downscaled their involvement. Others (USAID, Finland, UK, Netherlands and Sida) have indicated that they have similar plans for the future. With the expected fall in assistance levels over the next five years, overall EC support will remain at similar levels and is hence likely to assume greater importance, despite restricting the sectors of co-operation.

4.3 COHERENCE / CONSISTENCY WITH OTHER EU POLICIES

In Namibia, linkages between Development policy and other Community policies occur primarily in the field of trade, agriculture and fisheries. Trade aspects are covered in sections 3.5 (External environment) and 3.7.2 (Economic challenges) whereas this section takes into account agriculture and fisheries.

4.3.1 AGRICULTURE

The current process of CAP reform across a number of sectors, involves moving away from a system of price support to a system of direct aid to farmers. EU beef prices are set to decline by 20% in 2003. The CAP reform may hence reduce the income earned on Namibian beef exports to the EU under the Cotonou beef protocol. The agriculture sector in Namibia will have to develop a strategy to take into account these developments in EU beef prices.

Namibia benefits currently from specific provisions in the Cotonou Agreement for the import into the EU of beef and grapes from Namibia. For beef, Namibia has been allocated a quota of 13 000 tonnes per year. Protocol 4 to Annex V of the Cotonou Agreement, which deals with beef and veal specifies that duties be reduced by 92% for qualifying quantities of beef and veal from the ACP.

Under Article 1 of Annex V of the Cotonou Agreement a duty free quota of 900 tonnes per annum for seedless grapes will continue to be extended to the ACP countries (only utilised by Namibia so far). Namibia currently exports over 5 000 tonnes per annum, a number that is likely to increase considerably in the next five years.

4.3.2 FISHERIES

After five years of negotiations (1995-2000) between the EC and Namibia, and extensive consultations with its interested industry, GRN decided not to pursue further discussions on the EC proposals for a EC/Namibia fisheries agreement. However, Namibia benefits considerably particularly when compared to South Africa from duty free access granted under the Lomé Convention. The value of exports to the EU was 1.5 billion N\$ in 2000, which represents approximately 61% of total fisheries exports.

Namibia has agreements based on its own national requirements and has managed to increase the contribution of the fisheries sector to economic and social development. The sector contribution to GDP has increased from 5.4% in 1990 to 11% in 2000. EU private sector investment in the area has made a significant contribution to the growth of the sector. The outlook is for a further phase of expansion in the Namibian industry, with scope for roughly doubling the value of the sector's output in the medium term.

However, a new "Namibianisation" policy in 2000 has raised concerns particularly with regard to the linkage between exploitation rights and the need to have Namibian joint venture partners, which

might threaten continuity in the fisheries sector and reduce overseas private investment significantly.

The above analysis of trade, agriculture and fishery trends shows that Namibia will have to be prepared for further liberalisation, a more conducive environment for investment and an open, outward development path in order to acquire better access to global markets. The proposed response strategy (Rural development, Human resources development and trade and regional integration) reinforces the integration of other Community policies with the development co-operation policy.

5. RESPONSE STRATEGY

5.1 PRIORITIES FOR COOPERATION

The priorities for co-operation have been jointly defined on the basis of the following criteria:

- Response to the medium term challenges
- Clear complementarity with other donors and with EU Member States in particular
- Relevance to poverty reduction and employment creation
- Convergence with key priorities under NDP2
- Existence of a structured sector policy dialogue and sufficient capacity within the relevant line Ministries
- Lessons derived from past experience as reflected in mid-term reviews and evaluations
- Potential spill-over of support to the regional level in particular in the context of the EPA.
- EC and NAO capacity to manage and monitor programmes.
- Potential capacity of NSAs to participate in the areas of cooperation

Taking into account these aspects, the fundamental priority of EU-Namibia co-operation will be support to rural development. The rural development clearly extends well beyond agriculture and takes into account relevant economic and social sectors which have a bearing on rural areas. Directly linked to this approach, the Community's second focal area will be sustaining Human Resources Development. HIV-AIDS will be addressed through both focal sectors as the main cross cutting issue. These sectors of support have also been identified in the Country Strategy Evaluation (CSE) as areas in which EC assistance has performed better and where there is a strong case for continued support. Together with interested EU Member States, the EC and GRN have launched two ongoing studies for a Rural Development Strategic Framework (RDSF) and for a SWAP (Sector Wide Approach) in education and training.

Crosscutting and complementary issues to the focal sectors are related to trade and regional integration and the enhancement of institutional capacities of GRN.

9th EDF resources for the 2001-7 horizon are in line with 7th and 8th EDF support, though there has been an attempt to enhance the focus of EC aid by limiting core support to two sectors and limited support to complementary issues (compared to more than 10 financing agreements covering 5 sectors under the 8th EDF).

5.1.1 RURAL DEVELOPMENT RESPONSE STRATEGY

In order to contribute to poverty reduction, the EC's primary focus under the 9th EDF shall be rural development. The key considerations for this choice are that:

- Poverty in Namibia is primarily a rural phenomenon with 85% of consumption-poor households located in rural areas.
- Decentralisation and land reform are central challenges for rural development and Government requires donor assistance to implement the necessary reforms.
- Previous successful EC support has been focused on the rural areas and there are opportunities to extend and build on this support. Since Namibia's independence the EC has been the largest donor providing support to the Ministry of Agriculture, Water and Rural Development and in the context of the rural development strategic framework is the lead donor in the policy dialogue.

- The Namibia-EC Rural Development Strategic Framework focuses on rural livelihoods and while the development of agriculture is emphasised, the wider range of rural income opportunities will be addressed, streamlining the national policies of NDP2 and catalysing donor support in an integrated framework. This includes supporting economic diversification, new income generating capacities and SME development.
- There is complementarity with the priorities of the NPRAP for the development and diversification of the agricultural sector towards other areas. It takes into account of the need to treat the land issue in the context of the wider rural development constraints.
- The rural development response strategy will be complementary to the activities identified by other donors including support to the land issue. The EC will associate relevant donors in the design of its support programme and its implementation.

The key requirements to foster rural livelihoods include improvement of productive and rural social services, economic diversification of poor rural households, the land issue and support to the decentralisation process in rural areas.

Land will be a central issue to social-economic development because of the rural base of the majority of households. The issue will be addressed as a critical determinant for the ability of the poor to accumulate assets, sustainable resource use, land agricultural productivity, financing of local government and the development of financial markets.

Non-state actors such as the private sector, trade unions, NGOs and CBOs may provide value added in the rural development focal sector, especially where governmental structures are not represented or only weakly present.

It will be essential to mitigate the impact of HIV/AIDS on rural livelihoods since death and migration will reduce the total population in rural areas. The knock-on effects in terms of a reduced labour force, increased household expenditure on health and a consequent higher dependency ratio will have to be taken into account.

5.1.2 HUMAN RESOURCE DEVELOPMENT RESPONSE STRATEGY

The choice of support to Human Resources Development is based on the following considerations:

- Since the Transitional National Development Plan and in subsequent development plans (NDP 1 and 2) education has been stressed as central to Namibia's economic development. Poverty reduction, employability, the strengthening of the democratic process and greater equity in income distribution remain a major rationale for investment in education.
- The movement towards a Sector Wide Approach is motivated by the conviction that it would provide greater and more sustainable benefits. The SWAP should support the development of services, which are responsive to the need of the poor.
- This sector offers the best opportunities for sector support. A strategic plan 2001-2006 is in place for basic education and a MTEF has been established during 2001. The EC can benefit from lessons learnt from the ongoing sector programme of Sida, UK and the Netherlands.
- The EC is the main donor working with both Ministries of education and is playing a key role in emphasising the need to move towards a SWAP. With GRN and other interested donors (Sida, DFID, Netherlands) the EC is launching a study which should provide an overall framework for donors to jointly support the sector. The leverage of EC aid could catalyse support from other EU donors who were planning to phase out.
- The EC is the lead donor regarding the Ministry of Higher Education, Employment Creation and Technology and one of the main donors with regard to basic education. The expected withdrawal of three significant donors from basic education (the Netherlands, the United Kingdom and USAID) increases the relative importance of EC sector assistance and reinforces the justification for continued assistance. EC and Sida shall be the lead donors in the SWAP.
- The Ministry's Basic Education's Strategic Planning Advisory Group (SPAG) where the key donors and relevant Ministries ensure sector co-ordination is the most effective Government led co-ordination process in Namibia.

- There has been positive experience with previous EC assistance in education and training as evidenced by the 2001 Mid-term review of the ongoing programme. The challenge will be to move from a 'project approach' to a SWAP.

The SWAP will consider the entire sector (pre-primary, primary/basic, secondary, tertiary, technical and vocational training) and its necessary interaction with the private sector. It should take into account the issues of accessibility (access, enrolment and equality of opportunity, especially gender issues), effectiveness (quality plus relevance), efficiency (results in relation to inputs), financial and institutional sustainability. The Community will support priorities within an overall sector framework as set out in such Government policy intentions as the Strategic Plan 2001-6 and the future Namibian Training Authority. Targeted budgetary support under the conditions of Article 61.3 of the Cotonou Agreement will be considered wherever possible.

SWAP will take into account key crosscutting issues such as the impact of HIV-AIDS on learner and teachers, the role and linkages with the private sector and other NSAs (University, Vocational Training Centres, Community Skills Development Centres etc.), girls education (access, retention and enrolment) and the decentralisation of the education system. In the perspective of a growing convergence of education and training, vocational training and skills development are a central part of core cross-sectoral strategies for pro-poor growth rather than a sub-sectoral activity, particularly in the light of broader economic trends. The SWAP process should involve all social partners at all levels of the system.

5.1.3 COMPLEMENTARITY AND COHERENCE IN THE RESPONSE STRATEGY

COMPLEMENTARITY WITH TRADE AND REGIONAL INTEGRATION

A middle-income country like Namibia faces considerable constraints to meet the challenges of globalisation in particular capacity gaps in trade policymaking, the complexities of its regional integration arrangements and a weak link between public and private sector. Therefore, complementary to the two focal sectors, the EC will provide limited support to Trade and Regional integration and will sustain the initiatives of DG Trade, the EIB, the EU private sector decentralised instruments, and where possible the complementary initiatives of EU MS taking the lead in this sector. This type of assistance needs to be considered in view of the following factors:

- The Namibian Government will have to prepare itself for decreasing revenue and create an enabling environment for regional and international trade, particularly in the context of the EPA with the EU. Trade policy support is an area where the Community has a unique comparative advantage vis-à-vis the EU Member States and is currently the only donor supporting this area. Possible areas of support are provided in the indicative work programme attached hereto (section 3). Existing funds for regional integration (RIP, TDCA funds) and all ACP funds for trade policy promotion may be complemented by national funds.
- GRN and the EC recognised through the DIAGNOS private sector development identification mission that the private sector will need to become more competitive and diversify its export basket by enhancing the manufacturing base. The EU-ACP Partnership Agreement through its emphasis on the role of non-state actors and the resources available under the Investment Facility provides new opportunities for the private sector to access resources in order to enhance the private sector's capacity to adapt to a changing economic environment. The EC will provide resources on a limited scale for targeted technical assistance that will facilitate utilisation of the new private sector horizontal instruments (Investment facility, CDE, Proinvest, EBAS, ESIP) and support initiatives of EU Member States.

COMPLEMENTARITY WITH INSTITUTIONAL CAPACITY BUILDING

The EC will provide capacity building support to the National Planning Commission and other key ministries in four pivotal areas: Development planning, donor co-ordination and management of aid as well as the planning capacities of line ministries, including the Ministry of Finance. This is a cross-sectoral programme which should step up the efficiency and impact of EC aid by strengthening the partners' institutional capacities in line with the EC's Development policy. Areas that will be considered for support are indicated in section 4 of the indicative work programme.

COMPLEMENTARITY WITH EC BUDGET LINES

In accordance with applicable procedures and subject to the availability of funds, Namibia may also be considered for funding under EC budget lines including in particular the following :

- B7-7020 Democracy and Human Rights: Namibia is still a young country and it is essential to monitor elections, engage in civic and voters' education, and respect of human and rights and democratic principles need further encouragement
- B7-6200 Environment – To support vulnerable communities such as the San and the Himba ethnical minorities, protect the environment and promote sustainable development in rural areas in close co-ordination with EDF assistance in the rural development focal sector.
- B7-661 Anti-personnel Mines – Mainly to support demining activities (mines awareness, surveying, mapping, mine clearance) in Kavango and Caprivi.
- B7-6000 NGO Cofinancing – Demand led capacity building and support to NGO initiatives both within and outside the areas of co-operation. Synergies with EDF programmes will be sought wherever possible and due consideration will be given to the value added of NGO initiatives.
- B7-6212 HIV/AIDS and Population related operations – Considering the high incidence of HIV/AIDS in Namibia, it is of utmost importance that the country benefit from the budget line to enhance public-private partnerships.

COMPLEMENTARITY WITH NON-STATE ACTORS (NSAs)

NSAs were consulted for the elaboration of both NDP2 and the CSP, for the programming of the focal sectors in the context of regional workshops, and will be involved in the implementation of projects in the focal sectors in areas that concern them and where they have a comparative advantage. A maximum of 1 million € will be provided to reinforce their capabilities with regard to organisation and representation, and for the establishment of consultation mechanisms both among NSAs and with GRN. The eligibility criteria for NSAs to benefit from 9th EDF resources are mentioned in Article 6 of the Cotonou Agreement and an ongoing study and a series of workshops will refine the specific criteria for eligibility of non-state actors to EDF resources.

Annex Va outlines the role of NSAs in sustainable development and the manner they were consulted throughout the CSS process. Annex Vb illustrates areas where NSA involvement is foreseen based on the NPRAP.

5.2 SUPPORT THROUGH THE EUROPEAN INVESTMENT BANK

The contribution of the EIB to development finance co-operation will be the provision of long-term financial resources other than grants, to assist in promoting growth in the private sector and in helping to mobilise domestic and foreign capital for this purpose. The support will be in the form of risk capital from the Investment Facility (IF) or as loans from EIB's own resources.

The objective of enhancing private sector development can be achieved by financing investment initiated by the business sector, including small and medium size enterprises; and by intervening in favour of commercially viable public or privately owned infrastructure projects, which are a *sine qua non* to establish an economic framework conducive to the expansion of the private sector. However, within this broad framework and the general development strategy for Namibia, interventions by the Investment Facility will be essentially responding to market opportunities. This implies that the scope for programming of IF resources is very limited.

Considering the specificities of Namibia's economic situation as well as EIB's past experience in the country, EIB will continue to focus on three main areas of intervention. First, financing of infrastructure projects in the water, power, transport, telecommunications and municipal infrastructure sectors. The emphasis will be to help to support projects which are not only financially and technically feasible and environmentally acceptable but also economically viable, the latter being the main criterion for long term sustainability. As in the past the Bank will take a particular interest in the promoter and the sector concerned being organised in a sustainable manner with appropriate participation of the private sector. Second, close co-operation with Namibian

financial institutions to support small and medium scale enterprises through global loans. Subject to the usual banking criteria it will be an aim to increase the number of financial instruments and widen the range of intermediaries. Third, direct funding of large individual projects, where the Bank can contribute value added in the technical and/or financial structuring of the investment. These projects will be carefully selected in areas where Namibia has comparative advantages.

The approach of the EIB in supporting investments in Namibia will be demand driven. Therefore, the extent to which EIB will be able to commit resources to the Namibian economy will largely depend on the macroeconomic framework and on the business environment, itself largely determined by the economic policy of the Government of Namibia.

PART B
INDICATIVE PROGRAMME

6. PRESENTATION OF THE INDICATIVE PROGRAMME

6.1 INTRODUCTION

Based on the cooperation strategy presented in Part A and in accordance with the provisions of Article 4 of Annex IV of the Cotonou Agreement, the indicative programme has been drawn up in a series of tables and comments presenting the intervention framework for the focal sectors, the indicative commitments and expenditure schedules and a detailed activity-based schedule (chronogramme) for all identified programmes or projects during a two year rolling period.

6.2 FINANCIAL INSTRUMENTS

Several financial instruments will be used to finance the implementation of the EC-Namibia cooperation strategy. The following is an indication of their mobilisation as presently envisaged.

1. EDF 9, envelope A (€48 million)

This envelope is to cover long term development operations within the Country Strategy. The indicative allocation of this envelope to the elements of the strategy is proposed as follows:

- Rural Development: up to a maximum of 60% (plus funds available under the Sysmin allocation - see below)
- Human Resources Development: up to 30%
- Other programmes (capacity building for development planning and support for non-state actors, contributions to trade and regional integration, etc.): up to a maximum of 10%.

2. EDF 9, envelope B (€43 million)

This envelope includes €25 million available under the SYSMIN allocation (pending request under the 8th EDF) for the financing of a programme presently being prepared. It is presently envisaged that these funds may be used in support of the rural development focal sector strategy, as recently requested by the Government.

The remainder of this envelope will be used to cover unforeseen needs as indicated in the Cotonou Agreement, Annex IV, Article 3,2 (b).

Apart from the above-mentioned financial instruments, of which the A-envelope is the main programmable basis for the Indicative Programme, the 9th EDF includes also the “Investment Facility” as a financing instrument managed by the European Investment Bank (see details in Part A, chapter 5). The Investment Facility does not form part of the Indicative Programme.

3. EC budget lines could be used to finance specific operations, in particular for environmental and natural resources conservation, support to democracy and human rights initiatives, demining activities and HIV/AIDS related operations. Finance from this instrument will, however, be decided in accordance with the Commission's procedures for the budget line concerned and will depend on availability of funds.

6.3 FOCAL SECTORS

6.3.1 RURAL DEVELOPMENT

The following framework objective shall be pursued: reduction of rural poverty and of unequal income distribution.

The major interventions foreseen (with the objective to foster rural livelihoods) are support to agriculture and livestock productivity improvement, diversification of on and off farm income generating activities, strengthening of community social safety nets, mitigating of HIV/AIDS, contributing to an appropriate framework for sustainable land use through land tenure arrangements and support to the decentralisation process.

The major policy measures to be taken by the Government to ensure a successful implementation of the response strategy in this sector are the finalisation and approval of a Rural Development policy and the setting up of a structure to manage rural development, including the land issue.

6.3.2 HUMAN RESOURCES DEVELOPMENT

The following framework objectives shall be pursued: to improve primary and basic education as a whole (literacy, informal training) with priority given to girls' education and enhance the effectiveness of the Vocational training system, linked to both informal and formal employment.

The major interventions foreseen will enhance access to and quality of education, provide opportunities for lifelong learning, improve the knowledge and skills of teachers and trainers, develop appropriate infrastructure, reduce the spread of HIV/AIDS among stakeholders and develop a comprehensive system of skill development and technical competence.

The major policy measures to be taken by the Government to ensure the successful implementation of the response strategy in this sector are the costing and prioritising of the strategic plan and the setting up of the Namibian Training Authority.

6.4 MACROECONOMIC SUPPORT

The indicative programme does not foresee macroeconomic support. However, in the light of current needs, it may be decided to reallocate funds from other headings in the indicative programme to this type of support. Such a decision may be taken by specific agreement between the Chief Authorising Officer and the National Authorising Officer or in the context of an operational, performance or ad hoc review.

6.5 OTHER PROGRAMMES

An indicative percentage of maximum 10% will be reserved for the following purposes:

- Capacity building for development planning;
- Institutional capacity building support for non-state actors;
- Contributions to trade and regional integration;

A reserve for insurance against possible claims and to cover cost increases and contingencies

6.6 INTERVENTION FRAMEWORKS

6.6.1 RURAL DEVELOPMENT	Performance indicators	Sources of verification	Assumptions
<p>Overall objective:</p> <p>To reduce poverty and unequal income distribution in the rural areas.</p>	<p>Reduce the proportion of poor and severely poor rural households by 5% by 2006.</p>	<ul style="list-style-type: none"> • MTR of the NDP 2 and NPRAP Bi-annual National Poverty Report. • Reports of the Poverty Reduction Co-ordinating Committee (PRCC). • Reports of the NPCPS Division for Poverty Reduction (DPR). • Operational review. 	<ul style="list-style-type: none"> • Approval of the National Rural Development Policy based on the RDSF approach • Establishment of the mechanisms and structures for the implementation of the National Poverty Reduction Action Programme.
<p>Intervention Objectives:</p> <p>1. Diversification of income generating opportunities on and off-farm.</p> <p>2. Enhancing the policy framework and supporting the implementation of GRN measures with regards the land issue including natural resource management.</p> <p>3. To strengthen community social safety nets and mitigate the</p>	<p>1. On farm and off farm diversification and employment creation. New SMEs.</p> <p>2. Formulation and implementation of an effective Land use and Tenure System with special attention to the specific needs of the poorest.</p> <p>2. Clear guidelines on land reform and resettlement and support measures, including training and infrastructures.</p> <p>3. Improved access to social services, food security</p>	<p>1. MTR of the relevant NDP2 chapters, and evaluation of the selected pilots projects Agriculture productivity indicators</p> <p>1. Food security indicators</p> <p>1. Consumption indicators</p> <p>1. Market surveys</p> <p>Regional employment data</p> <p>2. Surveys by MLRR</p> <p>3. Data from MoHSS, MBESC, UN reports</p>	<p>1. Minimal levels of nutrition are maintained</p> <p>1. Legal, administrative, and technical framework in place</p> <p>1. Establishment of the NPCPS Division for Poverty Reduction and the Poverty Reduction Coordinating Committee.</p> <p>2. Approval of a land reform policy and commitment of central and local authorities.</p>

6.6.1 RURAL DEVELOPMENT	Performance indicators	Sources of verification	Assumptions
<p>impact of HIV/AIDS</p> <p>4. Foster rural livelihoods by strengthening the decentralisation process in rural areas.</p>	<p>4. Improved capacity of local, regional institutions and NSAs.</p>	<p>4. Socio-economic survey.</p>	<p>4. Decentralisation process is accompanied by appropriate resource allocation (human, financial and physical)</p> <p>4. Commitment to co-ordinate by all relevant organisations</p>
<p>Results</p> <p>1. Productivity of existing farm activities increased, non-farming activities (diversification) and additional off farm activities developed including provisional training and rural support infrastructure in areas where low income groups live</p> <p>2. Land reform leading to improved access to land and to reduced poverty of rural households.</p> <p>2. Farmers resettled and able to use land efficiently.</p> <p>3. Health and HIV/AIDS issues are mainstreamed in rural development planning and Social net is in place for the poorest.</p> <p>4. Decentralised system effective to enhance rural livelihoods.</p>	<p>1. Increased agriculture and agro-processing productivity.</p> <p>1. Reduction of dependency on traditional agriculture (tourism, SMEs and other activities increase).</p> <p>1. Enhancement of farmers livelihoods.</p> <p>1. Improved access to water and social services, improved market access.</p> <p>2. Local / regional plans to improve natural resource management.</p> <p>2. Land tenure is addressed to improve access to agricultural land.</p> <p>2. Increased revenue of rural households in areas subject to new land use systems</p> <p>3. Reduce HIV prevalence in rural areas. To increase rural access to adequate sanitation.</p> <p>4. Quantity/Quality of capacity building organisations.</p>	<p>1. Market surveys on product supply</p> <p>1. Local authorities' and relevant Ministries' reports.</p> <p>1. Project reports and surveys.</p> <p>2. MLRR policy document. Farmer Association Group</p> <p>2. MLRR and MAWRD reports.</p> <p>3. Surveys, sector reports from social institutions.</p> <p>4. Survey: Effectiveness of regional and local authorities and Data from regional councils</p>	<p>1. Government puts appropriate structures in place to ensure sound use of natural resources.</p> <p>2. Land issue and land reform legal texts are completed and implemented.</p>

6.6.2 Human Resource Development	Performance indicators	Sources of verification	Assumptions
<p>Medium term national sector targets</p> <p>1. Strengthening Human Resources Development with a view to meet sustainable development needs of the poorest, create employment and reduce inequity.</p> <p>2. Increased equitable access to higher quality education and training, with priority given to primary and girls' education</p>	<p>10% increase of the HDI by 2006.</p> <p>Accommodate all learners in the primary-school age group seeking admission to school, and enable them to progress and complete Grade 7 by the time they are 15 years old, by 2006.</p> <p>Ensure that all six-year-olds have sufficient skills to allow them to succeed in lower primary school, by 2003.</p> <p>Put an effective teacher demand-and supply system in place, by 2006.</p> <p>To set up a Management Information System, by 2006.</p> <p>Minimise the spread of HIV/AIDS and address the demographic impact it has on the education sector.</p> <p>Enhance lifelong learning opportunities, by 2006.</p> <p>Literacy rate increased.</p>	<p>Results of Surveys (population census, labour force survey, survey of living conditions of households).</p>	<p>Costing of the strategic plan.</p> <p>Formulation of a VET policy and setting of Namibia Training Authority.</p>
<p>Intervention Objectives:</p> <p>Improve primary education and basic education as a whole (literacy, informal training) with priority given to girls' education and enhance the effectiveness of the Vocational training system, linked to both informal and formal employment.</p>	<p>More equitable access to quality education and training and Increased output of competent personnel for employment from higher education and vocational training</p>	<p>NDP2 reporting, annual reviews, MBESC and MHETEC reporting and Evaluations</p>	

6.6.2 Human Resource Development	Performance indicators	Sources of verification	Assumptions
<p>Results</p> <p>1. Provide equitable access to education, particularly to children at primary school age and marginalised groups and address gender imbalance.</p> <p>2. Enhance education quality, particularly that learners achieve basic competencies in key subjects.</p> <p>3. Provision of opportunities for lifelong learning to adults to acquire knowledge and skills</p> <p>4. To enhance the knowledge and skills of teachers and trainers.</p> <p>5. Provide and maintain the appropriate infrastructure and environment that support teaching, learning and the development of skills.</p> <p>6. Establish an integrated and effective Human Resources Development strategy</p> <p>7. Reduce the spread of HIV/AIDS among learners, trainers and other stakeholders.</p>	<p>1. Maintain net enrolment of 7 to 13 year olds at 93%. Expand access to secondary school for the target group by 2006.</p> <p>2. Achieve a 70% survival rate for junior secondary by 2006. Improve teaching and learning of English, mathematics, science and skills related subjects at all levels, and improve the teaching and learning of entrepreneurial skills by 2006.</p> <p>3. Increase adult literacy to 84% by 2006.</p> <p>4. Put in place and effective teacher demand and supply system. By 2006. Establish a system for teacher planning and management system by 2002.</p> <p>5. Provide by 2006 of class rooms, pit latrines and support infrastructure (water, electricity) estimated in Strategic Plan</p> <p>6. Finalise the human resources development plan and implement the SWAP including MHETEC and NSAs. Decentralisation progresses as planned.</p> <p>7. 80% of learners in all education institutions receive formal education on reproductive health,</p>	<p>Programme monitoring reports, sector reviews, poverty impact assessments, school and VTC surveys, site visits, work shops and steering committee reports.</p>	<p>6. MHETEC develops a strategic plan</p> <p>7. MBESC, MHETEC integrate HIV in their plans of action as indicated in MTPII</p>

6.6.2 Human Resource Development	Performance indicators	Sources of verification	Assumptions
8. To develop an integrated and comprehensive system of skill development and technical competence that is able to meet the socio-economic development needs	sexuality, HIV/AIDS by 2004. 8. Increase of persons benefiting from training broken down by sex, age, region etc and employment rate.		

*For Basic Education performance indicators will be the same as in the Ministry's Strategic Plan.

6.6.3 OTHER PROGRAMMES

(1) TRADE AND REGIONAL INTEGRATION SUPPORT PROGRAMME

The following areas will be considered for support:

- Assistance to deal with the fiscal impact of the TDCA and the EPA. This may include support GRN policies of fiscal and public sector reform, customs training etc.
- Supporting trade policy development through providing a facility for studies and targeted technical assistance through support, *inter alia*, of the International Trade Directorate in MTI. This should include enhancing the capacity of Namibia to adopt domestic policy stances and implementing WTO Agreements – reform of the tariff structure, legislation for standards, licensing and sanitary and phytosanitary facilities and TRIPS (Trade Related Intellectual Property Rights), take into account the new trading environment e.g. Investment, competition and trade facilitation and enhance Namibia’s capacity to comply with international standards.
- Preparing the necessary structural changes for the EPA. These will focus on trade specific areas (tariffs, customs, TRIPs, labour standards, competition, environment etc.) and macroeconomic reform (exchange rate, finance, social policies, etc.).
- TA to co-ordinate and render more effective EC horizontal instruments for private sector support and sustain the initiatives of EU MS.

Assistance shall be complementary and coherent with the Intra-ACP “Capacity building in support of Economic Partnerships” amounting to EURO 20 million and the “Economic integration programme to the BLNS - Phase I” amounting to EURO 6 million.

(2) INSTITUTIONAL CAPACITY BUILDING

The following areas are being considered:

- a) Training of the newly recruited staff of the National Planning Commission, the Bank of Namibia and the Ministry of Finance and planning staff of line Ministries as well as from Non-State Actors.
- b) Strengthening the link between planning and budgeting, in particular the Public Sector Investment Programme and the annual budget.
- c) Enhancement of NPC’s efforts in donor co-ordination and the (sectoral) monitoring of donor support programmes.
- d) Continuous support to the NDP2 exercise particularly to monitor its implementation and linkages with regional planning, the PSIP (Public Sector Investment Programme), the PRAP (Poverty Reduction Action Programme) and Vision 2030. This should also enable to monitor progress under the 9th EDF CSP.
- e) Effective management of EDF resources in the context of the 9th EDF. The 9th EDF will entail new tasks such as the follow-up of the rolling programming mechanisms, the relationship with NSAs (Non-state actors) and the need to develop the NPC’s capacity in project planning, implementation and evaluation as well as budget management should be considered.
- f) Facility to develop the programming and policy functions of line Ministries and capacity of NAO and line Ministries to prepare 9th and 10th EDF projects.

g) Facility that will contribute through seminars, work shops, cultural initiative and publicity / information activities to increased understanding and awareness of development issues, opportunities and areas of mutual interest as defined in the CSS of EDF 9.

h) Enhancing the capacities of NSAs.

6.7 INDICATIVE COMMITMENT AND EXPENDITURE SCHEDULE

	M.EURO	2002/1	2002/2	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1	2006/2
COMMITMENTS											
RD	28.0 + 25.0 *			28.0							
HRD	15.0		15.0								
TSS	2.0		2.0								
CBS	3.0 **	3.0									
TOTAL	48.0	3.0	17.0	28.0							
CUMULATED CONSUMPTION OF DISBURSEMENTS											
RD	28.0					1.0	4.0	7.0	12.0	16.0	21.0
HRD	15.0				1.0	2.0	4.0	6.0	8.0	10.0	12.0
RIT	2.0				0.1	0.3	0.6	0.8	1.1	1.3	1.5
CBS	3.0			0.2	0.5	0.8	1.2	1.6	1.9	2.1	2.2
TOTAL	48.0			0.2	1.6	4.1	9.8	15.4	22.0	29.4	36.7

The figures are only an estimate and are based on the A envelope.

* Funds available under the Sysmin allocation (pending request under the 8th EDF) may be also used in support of rural development.

** This also includes capacity building support to NSAs.

RD Rural Development
TSS Trade Sector Support
HRD Human Resources Development
RIT Regional integration and trade
CBS Capacity building support

6.8 INDICATIVE CHRONOGRAMME OF ACTIVITIES

Title	2001				2002				2003			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
RD	PG	PI	PI	PF	PF	PF	PF	FP	FP	FD	TENDERS	
HRD	PG	PG	PI	PI	PF	PF	FP	FD	TENDERS		IMPLEMENTATION	
RIT			PG	PG	PI	PF	PF	FP	FD	TENDER		IMP.
CBP	PG	PG	PI	PF	FP	FD	TENDERS		IMPLEMENTATION			

Abbreviations:

PG Programming
 PI Project identification
 PF Project Formulation
 FP Financing Proposal
 FD Financing Decisions

ANNEXES

NAMIBIA - EC

COUNTRY STRATEGY PAPER

AND

INDICATIVE PROGRAMME

FOR THE PERIOD 2002-2007

- Annex I: Government of Namibia's position on the political issues raised in section 3.1
- Annex II: Parameters for the review process based on the National Development Plan 2
- Annex III: Goals, Strategies and Achievements under NDP1 (1995-2000)
- Annex IV: 'Namibia at a Glance'
- Annex V: Namibia Donor Matrix
- Annex VIa: The role of non-state actors in sustainable development and the consultations with Non-state actors in the context of the CSP
- Annex VIb: Civil Society Involvement by Sector and Organisation – NPRAP
- Annex VII: Abbreviations and acronyms

Annex I: Position of the Namibian Government on issues raised in the Namibia - EC Country Strategy Paper and National Indicative programme 2002- 2007.

During the preparation of the Country Support Strategy for Namibia, the Government of Namibia expressed disagreement with some views expressed by the European Commission delegation in the document. While some of the concerns of Government on those views were later addressed, others were not. Given the importance of these issues and to ensure that a correct picture is presented about Namibia and its policies, the Government of Namibia deemed it appropriate to prepare this document to clarify issues not correctly represented or not appropriately contextualised in the CSS document.

Our concerns are, for the most part, on the Assessment of the political, economic and social context. However there are also concerns on other parts of the document and our comments also cover these parts.

3.1 The Political Situation

The document lists the following as developments in Namibia which are noted with concerns;

- (a) "Pronouncements against minority groups such as, inter alia, the homosexual community"
- (b) "Criticism by members of Government against the judiciary and foreigners."
- (c) "Government ban of Government purchase and advertisement in an independent newspapers"
- (d) "Namibia's involvement in conflicts in Angola and the Democratic Republic of Congo, reports of human rights violations and increased budgetary allocation to military expenditure".

(a) Pronouncement against minority groups, such as, inter alia, the homosexual Community.

It will be important to note here that Namibia guarantees the rights and protection of all Namibians in its constitution and has without exception, respected this constitutional provision. To date, there has not been a single case of persecution or exclusion of any minority group including the so-called sexual minorities.

This is in sharp contrast to what is experienced in even some of the supposedly well established democracies where homosexuals are physically attacked and deprived of their right to access certain job categories in the Government sector.

Namibia, being a democratic state, where freedom of expression is guaranteed and widely practised, witnesses hot debates on a wide range of issues, of which homosexuality is one. A great majority of Namibians see the practise of homosexuality to be not only alien to their cultures, but also immoral.

This view which, it must be noted, is held across political, cultural and even racial lines, was articulately presented in the debate and this articulation is what is being referred to as "pressure against minority groups" in the Country Strategy document. Such reference is however in our view a gross misrepresentation since it seems to imply that freedom of expression is only that when it involves expression of views that meet the approval of western countries but inappropriate when the views expressed are contrary to western values. In Namibia, freedom of expression is guaranteed for all persons, regardless of whether the views expressed are in line with or contrary to the views of the Government, the majority in society or minorities in society. It is also important to note that homosexuals also participated, not less

actively, in this debate and even organised a march through the streets of Windhoek, without being subjected to any form of intimidation.

This issue is, therefore, overplayed and misrepresented in a way that will only serve to misrepresent Namibia to the world.

(b) Criticism by members of Government against the Judiciary and Foreigners.

The situation described above is, unfortunately, also characterised in this case. The Judiciary is provided for in the Namibian Constitution as one of the three organs of the state, the other two being the Legislature and the Executive. Like the other two organs, the Judiciary is independent from any other organ and subject only to the Constitution. While the three organs are each vested with specific powers which in the case of the judiciary are the judicial powers, such powers are executed for and on behalf of the people of Namibia in whom all power is vested by article 1 (2) of the Namibian Constitution.

This means that while these organs must be given their space to execute their powers without any interference from the other organs, they are expected to execute their powers with due regard to the interest of the people of Namibia from whom is derived the delegation of the power they hold, and when the output of any of these organs fall short of the expectation of the people, the people reserve the right to express their disapproval with such output and to demand of any such organ to be more responsive to their interests and expectations. This is the case with all organs, the judiciary not the exception.

This is what happened in Namibia and what is, unfortunately, being referred to as criticism of the Judiciary by members of Government in the country support strategy. There was an expression of disappointment by a great number of Namibians from all walks of life, not just members of Government, with the decision of the Courts in Namibia to prevent the deportation from Namibia of a senior representative of the UNITA terrorist organisation, in spite of the fact that UNITA has perpetrated terrorist acts against Namibian citizens and destroyed and stolen their property, and although the United Nations Security Council has adopted a resolution to impose sanctions against UNITA and has called on all member countries of the United Nations Organisation to implement this resolution.

Criticising a court's decision is not the same as criticising the judiciary. In Namibia, it is common practice to criticise decisions of the courts when these fall short of the expectations of the public. Citizens, for example, complain about what they consider to be lenient sentences given to perpetrators of crime against women and children or to perpetrators of violent crimes in general. Such criticism we consider to be constructive and expect that the Judiciary responds positively to such constructive criticism. It must be noted further that such reactions to Courts' decisions are observed in many other countries around the world, including the well established democracies, and they come from people from all walks of life, including those in the employ of government either as politicians or civil servants.

There has, however, never been criticism of the Judiciary as an institution by members of government in Namibia. The Namibian government fully adheres to the constitutional provision that establishes the independence of the Judiciary and does not wish to interfere with the operations of the Courts.

We, however, equally value the rights of our citizens to demand from the institutions of the state the quality service that is due to them. Further, we see public feed back to state institutions on their performance to be important for our nation building and the consolidation of our democracy. We therefore encourage such feed back.

As regards the alleged criticism of foreigners, it is difficult to imagine any situation which could have possibly led to this conclusion. Namibia guarantees the same rights and protections that are provided for Namibian citizens in our constitution for foreigners who come to Namibia. We have also acceded to all important international agreements and treaty that promote the rights and protections of non-nationals in any country. Our Immigration laws are in line with our Constitution and international law and we meet our obligations towards those who seek political refuge in our country.

The only foreigners who are not welcomed to Namibia are those who enter our country illegally or who come to our country to carry out unlawful activities. Those who violate the terms of their permits are also not to expect applause from our government. But this is not unique to Namibia. Every country has laws that must be respected by everyone who lives or comes to that country and violation of which is punishable. Namibia can therefore not be expected to applaud those who break our laws.

(c) Ban of Government purchase of and advertisement in on independent news paper.

The media in Namibia enjoy unhindered freedoms. Media freedom in Namibia is provided for by the constitution and the media institutions have used this freedom unsparingly, some times in ways that are not constructive. The government, although it has defended itself from sometimes unconstructive criticism from the media and expressed concern over sometimes subjective and deliberate misreporting by media institutions, has never attempted to suppress the freedom of the media.

While the government expect objectivity and high professionalism in media reporting, it accepts constructive criticism.

However, when media institutions threaten the very foundation of the stability of our nation and unity of our people, we cannot remain passive.

It is in this regard that the government of Namibia decided to discontinue the acquisition of a local daily newspaper using public funds.

This was considered necessary because of that institution's campaign of dangerous misinformation of the Namibian people, which threatens the principles of unity, peace and stability that form the very foundation of our nation, and not just because the newspaper criticises government. In fact there are many other media institutions that sharply criticise government, including one that is owned by the official opposition party, which the government has not stopped purchasing or advertising in.

It is further important to note that there has not been a ban of this newspaper. Namibians who wish to do so continue to buy and advertise in this newspaper, including public officials. It is only the use of government funds to buy or advertise in this newspaper that has been discontinued.

(d) Namibia's involvement in wars in Democratic Republic of Congo and Angola

Firstly, Namibian troops were sent to the Democratic Republic of Congo as part of the SADC allied forces to help prevent the overthrow of the Congolese government by foreign countries of Uganda and Rwanda. That objective was realised and a situation has been created for the Congolese to agree on a ceasefire and workout a permanent solution to their problems. The role played by Namibia together with our SADC sister countries, although initially condemned by the West, is now being applauded as having greatly helped to achieve the situation of calm and dialogue that is being experienced in that country. We have since withdrawn all our troops from the Democratic Republic of Congo, in line with the peace agreement reached for that country. We are now hoping for a successful conclusion of the Congolese dialogue

and to the implementation of the democratisation process for that great African country.

With regard to the Angolan case, the Namibian government decided to provide support to the Angolan government and people to end the suffering of the Angolan people brought about by UNITA bandits through its campaign of terror against the Angolan people for more than two decades. In addition, UNITA has extended its campaign of terror over to our country, where it killed, maimed and raped Namibians, while stealing and destroying their properties.

The situation in that country now also shows movement to peace, with the demise of Jonas Savimbi and the important initiatives to reach an agreement between the warring parties. There is now hope that the peace which has alluded that beautiful country will finally be brought to that country and SADC can soon enjoy a situation of security and stability which is critical for the region's development.

As with regard to the reports of human rights' abuse in Caprivi during the secessionist attack in that region, this attack that was launched in Katima Mulilo came totally unexpected. The attacks were aimed at strategic infrastructures, the police and army, and some Namibian security officers and civilians lost their lives. This meant that Namibian security forces had to take action very quickly. The Namibian forces initially had no idea how large the extent of this uprising was, how it was supported and from where. The Namibian security forces had to react swiftly and decisively to contain the situation.

In this unfortunate situation, some incidents and mistakes were recorded and the Namibian Government has taken note of it. This matter has and continues to receive the attention of the authorities and disciplinary measures are being taken against the individuals involved. This takes place within the framework and context of laws and regulations of this country.

As with regard the increased allocations to military expenditure, Namibia decided to establish a small but adequately trained and equipped army to defend the territorial integrity of Namibia. This was agreed to by Parliament through the adoption by that house of the white paper on defence. Budget allocations to the defence were made to implement that white paper and were not merely due to the military support to the Democratic Republic of Congo and Angola. With the end of war in the Democratic Republic of Congo, however, and the return of our soldiers from that country, some budget relief has been realised. It is also hoped that Angola would soon see an end to its civil war and Namibia an end to UNITA's terrorist activities, so that efforts and resources previously directed to repelling UNITA attacks could now go to development.

1. EU Cooperation objectives

Reference is made under this part to constraints and challenges facing Namibia which include "the new fisheries policy". The Namibian fisheries policy was adopted in 1991 and this policy also provided for the Namibianization of the fishing sector both in terms of ownership and employment. The fisheries sector has experienced major growth under this policy, with its contribution to GDP increasing by some 169 % from N\$657 million in 1993 to N\$1 769 million in 2000 representing the doubling of the Fisheries contribution to GDP to 7, 5 % between 1990 and 2000. The value of exports has shown a similar growth from N\$887 million in 1993 to N\$2 560 million in 2000, now representing 25.5 % of total goods exports.

More Namibians have also entered the sector to participate in the exploitation of important fish species like hake. The majority Namibian owned vessels have also almost doubled between 1991 and 2000 and Namibian membership of the crew has equally risen.

The 1991 white paper continues to form the foundation of the fisheries policy in Namibia and there has not been any changes to this policy, save to increase the terms of fishing rights from 4, 7 and 10 years to 7, 10, 15 and 20 years. This was done to promote stability in the sector and encourage companies to invest.

The sea fisheries Act of 1992 was repealed and replaced by the Marine Resources Act 2000, to improve various areas, such as relating to international fisheries issues, while maintaining the basic policies of the 1991 white paper.

The recent actions to promote joint ventures between established companies and previously disadvantaged Namibians are a continuation of the ongoing efforts to promote the economic empowerment of previously marginalised Namibians and to promote the latter's increased benefit from the fisheries resources.

It must be noted, however, that there was no imposition of joint venture partners on established companies, nor was having joint venture partners made a pre condition for the award of the exploration rights. What happened was that upon the expiry of the old exploration rights, many more applications were received for new exploration rights than the number of rights that could be given.

The government was thus faced with the two extreme options of either allocating the new rights to the established companies and leave out newcomers from the former disadvantaged communities and by so doing, perpetuate the current state of inequities and

skewed income distribution or to award the new rights to those who were previously without them, that is the new comers, so that they too can have a chance to benefit from these commonly owned resources and leave the former right holders high and dry, after making substantial investments in the sector.

We will all agree that the outcome of both these options would not be desirable and the government saw the wisdom in a position in between the two, where the two groups were encouraged, not, forced, to form joint ventures (only for purposes of exploiting the rights) so that many people/companies can be catered for under the limited number of rights that are available.

This process was carried out in the most transparent way. A technical committee was established to review all applications for Rights against clear pre-established criteria and make recommendations to the Minister of Fisheries and Marine Resources on the way the Rights must be allocated. This committee was made up of representatives of various stakeholders. It was on the basis of the recommendations of this committee that the Rights, allocations were made. Those newcomers who were considered for joint ventures were also not arbitrarily chosen by the minister and imposed on the established companies. They were people/companies who applied for the exploration Rights and qualified for the award of the Rights like the established companies.

It must be noted here that the discontent about the decision to also accommodate previously disadvantaged Namibians is not shared across the industry; a great number of companies in the fisheries industry are comfortable with this arrangement and have undertaken to make the best of it. Only a few companies who seem bent on doing everything to ensure the monopolisation of the industry by a few to the exclusion of the majority of Namibians seem to be engaging in distortions and dramatisation of this issue.

We have not observed any signs of possible decline in investment in this sector because of the Namibianization policy. As was earlier pointed out, the Namibianization of the fisheries sector has been a part of the fisheries sector policy since 1991 and what we have observed over the years is only growth and development of this sector under this policy. Further we anticipate only more success in the future for this sector with increased gains in reducing inequities in the sector.

The increased terms of fishing rights will give companies more stability that will result in increased investments. Increased value adding of fish products in Namibia is expected during the period, resulting in more employment for Namibians. The adjustments of quota fees will see more Namibians working in the now predominantly foreign midwater trawl sector. The outlook for important species such as hake, horse mackerel, lobster and crab are good, which will result in improved catches and higher earnings.

Our position on the role of NSA's is that they compliment work and services carried out by the Government and should assist and participate in those projects and programmes that have been identified in the National Development Plan. We furthermore endorse the position taken by National and Regional Authorising Officers at the 6th meeting of these officers on 3 and 4 December 2001, that it is important to establish consultation mechanisms and to put in place a proper national and regional policy framework on how to deal with civil society in general and in the context of the Cotonou Agreement in particular. Furthermore, we support the proposal that Non-State Actors' participation (and related eligibility criteria) should not be with respect to resource allocation per se, but in light of the central role of poverty eradication in the ACP-EC Co-operation and linked to the programs they implement. The GRN also endorses the ACP view that calls for a joint management by the NAO and the Head of Delegation of the 0 - 15 % of NIP resources earmarked for projects implemented by the civil society and that the modalities of how and for what purpose the resources are to be used should be jointly worked out and agreed upon.

**ANNEX II: PARAMETERS FOR THE REVIEW PROCESS BASED ON THE
NATIONAL DEVELOPMENT PLAN 2**

Development Principles	Development Target
Institutional issues	<ul style="list-style-type: none"> • For decentralisation, organisational structures are established in all regions by 2003 and regional office complexes by 2005 • By 2006, Namibia's parastatals are to be restructured to allow for private equity and operational participation in their ownership and management. • Ensuring the efficient administration and management of communal land through the establishment of Regional Land Boards. • Formulation of a policy framework for CSOs, CBOS and NGOS by 2002
Macroeconomic Management	<ul style="list-style-type: none"> • Average growth rate of 4.3% between 2001-6 • Increase investment by 4.1% per year between 2001-6 • Ensure budget deficit is sustainable at no more than 3.3% of GDP by 2005 • Increase of SME sector contribution to GDP from 5% to 10% in 2006.
Fight against poverty and sustainable development	<ul style="list-style-type: none"> • Reduce the GINI coefficient from 0.67 to 0.6 at the end of 2006 • Reduce the proportion of severely poor households by 5% by 2006 • Reduce the Namibian poverty index by 5% • A policy and legislative framework is in place by 2005 that promotes sound environmental management and sustainable use of human resources
Management of aid programmes	<ul style="list-style-type: none"> • Achievement of the results in the sector frameworks for rural development and human resource development • The degree of participation of NSAs in the management of EDF resources and measures to strengthen their capacities. • The respect of the timetables in table 1-2-3 of the indicative work programme • The preparation of activities to be programmed the following two years • The utilisation of the balances of previous EDFs

All the development principles shall be reviewed on the mid-term and end of term review and the management of aid programmes shall be reviewed in the annual review.

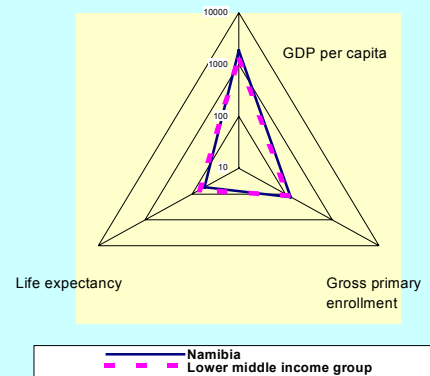
Annex III: Goals, Strategies and Achievements under NDP1 (1995-2000)

National Development Goals (Target 2000 except stated)	Strategies for achieving Goals	Achievement
<u>Reviving and sustaining eco. Growth</u> <ul style="list-style-type: none"> • Average GDP growth 5% pa • Reduce budget deficit to 3% • Raise investment to 19% of GDP • Increase real per capita gross national income by 12% 	<ul style="list-style-type: none"> • Enabling environment for economic growth • Investment in people • Participatory development and equality • Sustainable development • Namibia's international role • Responsible and efficient government 	<u>Reviving and sustaining eco. Growth</u> <ul style="list-style-type: none"> • Average real GDP growth 4.1% per annum • Budget deficit 3.7% during 95-00 • Investment grew 22.5% of GDP • Real per capita gross income by 6%
<u>Creating Employment</u> <ul style="list-style-type: none"> • Raise wage employment by 70,000 • Raise formal employment 		<u>Creating Employment</u> <ul style="list-style-type: none"> • Slower economic growth resulted in increased unemployment • Pop. Growth rate declining due to HIV/AIDS
<u>Reducing Inequalities in Income Distribution</u> <ul style="list-style-type: none"> • Reduce share of households below half of average income from 60% to 50% 		<u>Reducing Inequalities in Income Distribution</u> <ul style="list-style-type: none"> • No confirmation of reduction in inequalities apart to assigning a greater portion of the budget to the social sectors; no survey has yet been completed.
<u>Reducing Poverty</u> <ul style="list-style-type: none"> • Reduce proportion of poor households 47% to 40% 		<u>Reducing Poverty</u> <ul style="list-style-type: none"> • Slow growth and increased pop. Growth and unemployment precluded progress in reducing poverty

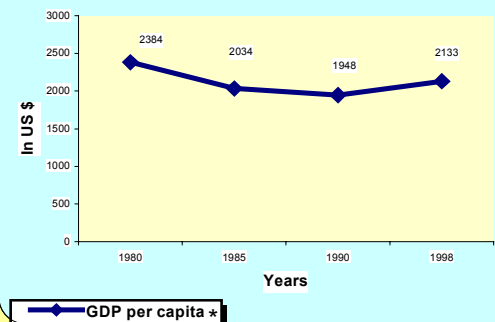
Annex IV - Namibia at glance

POVERTY and SOCIAL		Namibia	Lower middle Income			
1999						
Population, mid-year (millions)		1,7	2,094			
GNP per capita (Atlas method, US\$)		1,89	1,2			
GNP (Atlas method, US\$ billions)		3,2	2,5			
Average annual growth,1993-99						
Population (%)		2,5	1,1			
Labour force(%)		2,5	1,2			
Most recent estimate(latest year available,1993-99)						
Poverty (%of population below national poverty line)				
Urban population (% of total population)		30	43			
Life expectancy at birth (year)		54	69			
Infant mortality (per 1000 live births)		67	33			
Child malnutrition (%of children under 5)		26	15			
Access to improved water source (%of population)		...	86			
Illiteracy (% of population age 15+)		19	16			
Gross primary enrollment		131	114			
Male		129	114			
Female		132	116			
KEY ECONOMIC RATIOS and LONG-TERM TRENDS						
		1989	1998	1999		
GDP(US\$ billions)		2,2	3	3,1		
Gross domestic investment/GDP		16,9	19,9	20,1		
Exports of goods and services/GDP		58,5	52,7	52,7		
Gross domestic savings/GDP		14	9,9	9,3		
Gross national savings/GDP		19,6	25,2	24,5		
Current account balance/GDP		2,7	5,4	4,4		
Interest payments/GDP		...	0	1,3		
Total debt/GDP		...	5,6	5,8		
Total debt service/exports		...	1,8	...		
(average annual growth)						
		79-89	89-99	1998	1999	99-03
GDP		1,1	3,6	2,4	3,1	4
GNP per capita		-1,5	1,3	-0,2	0,6	1,5
Export of goods and services		1,4	4,4	-0,9	2,8	4,3
STRUCTURE of the ECONOMY						
		1989	1998	1999		
(% of GDP)						
Agriculture		11,5	12,3	12,8		
Industry		42,8	33,8	32,6		
Manufacturing		12	16,4	15,5		
Services		45,7	54	54,5		
Private consumption		57,8	58,6	64,4		
General government consumption		28,2	31,5	26,3		
Imports of goods and services		61,5	62,7	63,5		
(average annual growth)						
		79-89	89-99	1998	1999	
Agriculture		1,3	4,2	2,8	9,5	
Industry		-0,7	2,6	1	2,3	
Manufacturing		3,4	4,5	7	0,4	
Services		2,7	3,4	3	2,2	
Private consumption		2,4	2	-4	-3,1	
General government consumption		4	3,1	3,4	4,3	

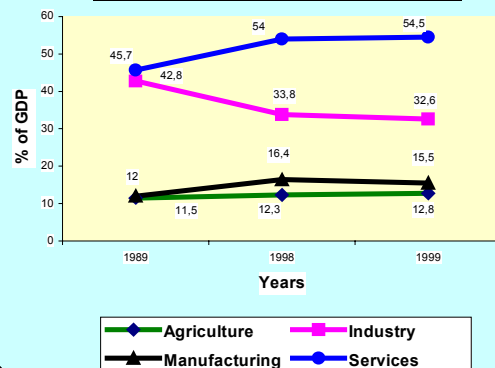
Poverty and Social indicators



GDP per capita



Evolution of the economic sectors

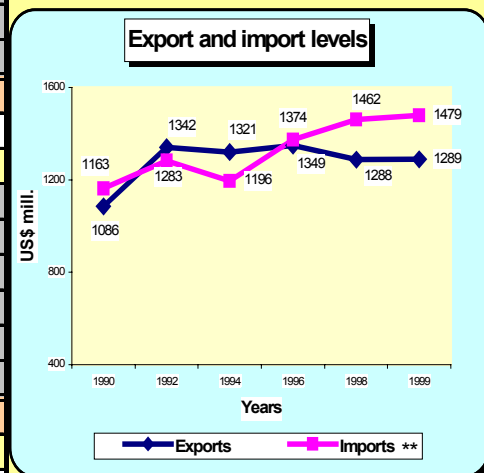
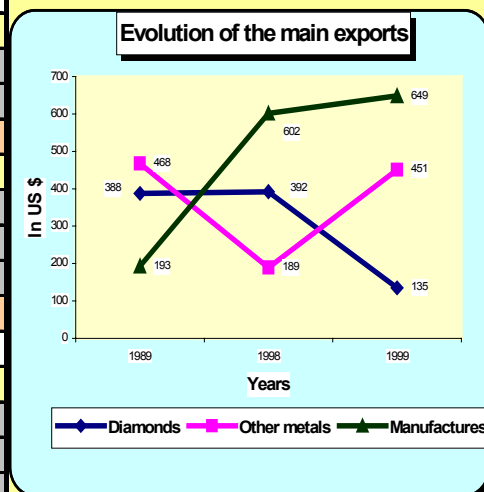


Gross domestic investment		-7,6	3,6	22,9	4
Imports of goods and services		0,5	2,5	0,2	-1,2
Gross national product		1,2	4	2,3	3
PRICES and GOVERNMENT FINANCE					
			1989	1998	1999
Domestic prices(% change)					
Consumer prices			15,2	6,2	7,6
Implicit GDP deflator			15,5	10,3	8,3
GOVERNMENT FINANCES					
(%GDP, includes current grants)					
Current revenue			32,8	35,5	35,7
Current budget balance			3	0,7	-1,6
Overall surplus/deficit			***	-3,9	-4,2
TRADE					
			1989	1998	1999
(US\$ millions)					
Total exports (fob)			1,155	1,288	1,289
Diamonds			388	392	135
Other metals			468	189	451
Manufactures			193	602	649
Total imports(cif)			1,014	1,462	1,479
Food			***	***	360
Fuel and energy			***	***	77
Capital goods			***	***	598
Export price index(1995=100)			99	89	87
Import price index(1995=100)			77	91	93
Terms of trade (1995=100)			129	97	94
BALANCE of PAYMENTS					
			1989	1998	1999
(US\$ millions)					
Exports of goods and services			1,269	1,618	1,614
Imports of goods and services			1,334	1,923	1,946
Balance of trade			-65	-305	-332
Net income			-130	61	62
Net current transfers			***	407	405
Current account balance			58	163	136
EXTERNAL DEBT and RESOURCE FLOWS					
(US\$ millions)					
			1998	1999	
Total debt outstanding and disbursed			170	178	
Total debt service			34	***	
Foreign direct investment			99	***	

Source: World Bank, 9/6/00

* UNDP, Human Development Report, 2000

** International Monetary Fund, 2000



Annex V: Namibia Donor Matrix

DONOR MATRIX - 2000 DISBURSEMENTS (Million Euro)																							
AREAS OF INTERVENTION		EDF	A*	B	D	DK*	EL	ES	F	FIN	IRL	IT	LUX	NL	PT	SW	UN*	WB*	UK	USAID	TOTAL		
ECONOMIC DEVELOPMENT	Economic Policy																1.09						
	Enabling Environment	0.33	0.97		0.90											0.32	0.549			0.65			
	Public Sector					1.37											0.377	0.36					
	Research																						
	Tax Policy																						
	Urban Development				2.28				0.12	0.02					0.15								2.57
TOTAL	0.33			3.18				0.12	0.02					0.15		0.32					0.65	6.29	
PRODUCTIVITY SECTOR ACTIVITY	Rural Dev/Fisheries	3.40			0.55			0.94	0.80	1.68			0.22				0.52	0.42	0.17	2.66		11.359	
	Energy / Mining	4.24																				4.24	
	Infrastructure	0.50			5.93								0.60			1.62						8.65	
	Tourism	0.64																				0.64	
	TOTAL	8.78			6.48				0.94	0.80	1.68			0.82		1.62				0.17	2.66	24.889	
SOCIAL DEVELOPMENT	Education	0.90			1.74	1.06		0.25	0.45				1.21	1.93	0.16	5.30	1.64	0.10	0.34	1.61		16.686	
	Health	1.10			0.19				0.10	1.24			0.92				3.096		0.14			6.7858	
	Population																						
	Refugees													0.10								0.10	
	Water & Sanitation	0.82								1.59				0.17								2.58	
	TOTAL	2.82			1.93				0.25	0.55	2.83			2.13	2.20	0.16	5.30			0.48	1.61	26.152	
THEMATIC CROSS-CUTTING ISSUES	Civil Society				0.10			0.09	0.20	0.80		0.1										1.25	
	Cultural Co-operation				2.63				0.70	0.10				0.04	0.03		0.047					3.55	
	Environment				5.30	0.44		0.56	0.03	0.23						0.43	0.148	0.23	0.26	2.66		10.289	
	Gender								0.02								0.741					0.761	
	Good Governance		1.11		1.30				0.10	0.42				0.24		0.65			0.04				3.8605
	HIV / AIDS	0.18			0.47			0.05	0.45							0.54					0.005	1.695	
	Human Rights									0.17										1.99		2.16	
	Regional Integration																						
	Conflict Prevention																						
	Other (not specified)	0.30								0.08				0.18		0.76	0.459		0.07			1.8487	
TOTAL	0.48			9.80				0.70	1.50	1.80		0.1	0.18	0.28	0.03	2.38			0.37	4.655	25.411		
GRAND TOTAL (ALL AREAS)		12.41	2.19		21.39			2.01	2.87	6.31		0.1	3.28	2.48	0.19	9.62	8.66		0.72	8.93	82.74		

* Austria, Denmark, UN and World Bank (1999 Figures)
 UN (FAO, UNAIDS, UNDP, UNESCO, UNFPA, UNICEF, UNIDO, WHO)

Annex VIa

Non-State actors

- The role of NSAs in sustainable development

Namibia lacks the range of civil organisations that characterises many African countries. This reflects both the lack of encouragement of such organisations under the former apartheid regime and cultural and social factors. Nevertheless, civil society has played a significant role to develop democracy and as an ‘eye-opener’ to Government, particularly influential institutions such as Namibian Economic Policy Research (NEPRU) and the Legal Assistance Centre. By contrast, unlike other African countries including South Africa, NGOs have played a limited role thus far in socio-developmental activities.

A SADC survey carried out in 1999 indicates there are about 160 NGOs and 60 CBOs in Namibia. However, they differ widely in terms of capacity and scope with many hampered by human resources constraints. The Namibian National Association of Non-Governmental Organisations (NANGOF) is the umbrella organisation, which promotes networking among NGOs and CBOs and acts as a collective advocacy and lobby organisation.

Non-state actors also include the private sector. Even though there are a number of private sector associations such as the Namibian Chambers of Commerce and Industry (NCCI), relations between the private sector and Government are weak and could be significantly improved. Both Government and NCCI are currently seeking ways to strengthen channels of consultation with the business community so as to achieve broad consensus in key policy areas.

There is a growing recognition that there is a spectrum of different socio-economic constraints which require a combined response from churches, NGOs, the private sector and Government. The Government has made an effort, in the context of the NGO policy under preparation and the NPRAP exercise, to indicate specific areas where civil society makes an impact on poverty reduction and complements government programmes. A selection of civil society initiatives and involvement in poverty reduction is listed in Annex VIIIb.⁹

- Consultations with NSAs in the CSP context

To facilitate the involvement of non-state actors in the 9th EDF programming exercise the following activities have been carried out by the Delegation and the NAO with the technical support of one of Namibia’s key NSAs, the Namibian Economic Policy Research Unit (NEPRU):

1. A non-state actor database was compiled. Ministries, NANGOF (Namibia NGO Foundation), and international organisations were consulted to obtain a list of non-state actors in Namibia. A one-day ‘think-thank’ workshop was held to gather an exhaustive list of relevant non-state actors, to identify information to be retrieved through a survey and to determine the content of the regional workshops.
2. A brochure was produced for preparing non-state actors for the regional workshops. The brochure covered NDP2, the Cotonou agreement, the CSP and the issue of how non-state actors can contribute to the development process in Namibia.
3. A survey was carried out and non-state actors were prepared for the workshops. This involved an awareness/information campaign of one week for each region, culminating with a final regional workshop where the NDP2, the Cotonou agreement and the Country Strategy Paper were discussed.

⁹ This listing does not claim to be comprehensive and is meant to rather illustrate the types of initiatives undertaken by NSAs.

4. Five regional one-day workshops and one central one-day workshop in Windhoek were held. The regional workshops were held in Katima Mulilo, Ondangwa, Omaruru, Rundu and Keetmanshoop. The EC Delegation made presentations on the CSP and the National Planning Commission on the NDP2 exercise and this was followed by a discussion with NSAs. Discussions at the regional workshops were also held in two working groups for the two focal sectors: Human Resource Development and Rural Development. Cross cutting issues were also addressed in the working groups. Representatives elected at the regional workshops for each working group and for each region then took part in the central one-day workshop in Windhoek.

The results of the research and the workshops were also be entered in a non-state actor database. The directory of non-state actors in Namibia will be made available via the Internet by the European Commission and the NPCCS.

These activities will result in a report which will guide the involvement of NSAs in Namibia-EU co-operation and will include the specific criteria of eligibility of NSAs to 9th EDF resources.

The main contact point for NSAs at the EC Delegation will be the Economic Adviser and / or the Rural Development Adviser supported by the Young Expert (also responsible for the EC budget lines and the microprojects programme).

Annex VIb

CIVIL SOCIETY INVOLVEMENT BY SECTOR AND ORGANISATION - NPRAP

ORGANISATION	INVOLVEMENT AND PRS FOCUS
	Laying the foundations for transforming Namibia into an industrial society: Namibia – a transport and manufacturing hub
Private Sector Organisations, Trade Unions and Individuals	Participation in policy making bodies, such as PEAC, NVTB, Vision 2030
NCCI / IPBC and other sectoral and cross sectoral associations	Representation of private sector interest and involvement through Standing Committees, and private – public fora, addressing issues such as trade and investment, industrialisation, enabling environment, etc.
NEPRU	Economic and social research and policy formulation
	Education: Improving the outcomes of basic education
School Boards and capacity building NGOs, such as UTN, INARA, Donor programmes	Parents' and communities' awareness to the importance of education and their involvement in decision making. Greater parent involvement in children's education may inspire children to attend school and put pressure on providers to deliver better services. Impact on curriculum development to address regional development issues. Community management in schools towards efficiency gains. Assistance in financing schooling
NANTU	Educational inputs and curriculum reforms
	Health: Primary Health Care and population policy for sustainable human development
Various NGOs	Responses to HIV/AIDS and primary health care
Service Clubs (Rotary)	Immunisation campaigns (Polio)
	Agriculture: Improving agricultural extension, cotton production, peri-urban vegetable production, high economic value tree planting
NAU / NNFU	Agricultural extension services, Training, Research, Environmental Education
RISE	Support to communal land farmers, rural women and youth groups – Training, Mentoring, Broker services
CO-OPERATIVES	Self – help organisation and services to its members in different fields
	Tourism: Community based tourism
NACOBTA	Training in tourism, business development, management and tour guiding
	SME Development: Promotion of selected, cost-competitive production for import substitution and vital initial learning opportunities, fostering the flow of finance enhancing (not over-riding) the market based decisions of banks and providing access to urban land title
NCCI / IPBC	Business Training, Referrals, Private – private learning initiatives, advisory Services
JCC	JCC is a membership organisation of SME service providers, NGOs and

	private consultancies – Broker services, Advise, Referrals, Institutional capacity building
CGT	Provision of credit guarantees with commercial banks and NDC
NAMPOST BANK	NAMPOST Savings Bank is currently undertaking studies to enable the bank to provide credit in addition to facilitating savings.
Community groups in urban areas	Within the flexible land tenure system, poor urban communities in informal settlement areas organise themselves and assist in the identification, demarcation and management of starter titles
	Expansion of labour intensive public works
TRADE UNIONS	Trade Unions co-operate with the Ministry of Labour to ensure that minimum standards are applied in labour based works and that malpractice, such as child labour do not occur.
Community organisations	Such organisations promote community and private enterprises in labour based works
	Accelerate decentralisation: Community participation in development planning and monitoring and improvement of service delivery for improved income revenue
ALAN	ALAN provides capacity building programmes for local authorities through strategic planning, training of Counsellors and staff to improve governance and service delivery
ARC	ARC provides capacity building for regional councils, their counsellors and staff
UTN and other NGOs, such as NDT	UTN runs programmes addresses at organisational development of community groups and their members through awareness raising, training and advisory services. UTN also undertakes research in the area of urban poverty and uses the outcome for advocacy purposes. In the areas of decentralisation and local economic development, UTN co-operates with ALAN and NDT. In addition, UTN has a programme to build capacity of school boards.
!NARA	!NARA provides training to community groups and organisations with an emphasis on participatory approaches

LIST OF ACRONYMS AND ABBREVIATIONS

ACP	African, Caribbean and Pacific Group of States
AECI	Spanish Agency for International Cooperation
AIDS	Acquired Immune Deficiency Syndrome
ALAN	Association for Local Authorities in Namibia
ARC	Association for Regional Councils
BLNS	Botswana, Lesotho, Namibia, Swaziland
CAP	Common Agricultural Policy
CBO's	Community Based Organizations
CDE	Centre for the Development of Enterprise
CET	Common External Tariff
CMA	Common Monetary Area
COMESA	Common Market for Eastern and Southern Africa
COSDEC's	Community Skill Development Centre's
CSE	Country Strategy Evaluation
CSS	Country Support Strategy
DANIDA	Danish International Development Cooperation Agency
DFID	Department for International Development
DG Trade	Directorate General for Trade
DID	Directorate of Industrial Development
DIT	Directorate of Internal Trade
DRC	Democratic Republic of Congo
EBAS	EU Business Assistance Scheme
EDF	European Development Fund
EIB	European Investment Bank
EMC's	Educationally Marginalized Children
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
EU	European Union
FAO	Food and Agricultural Organisation
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GNP	Gross National Product
GRN	Government of Namibia
GTZ	German Agency for Technical Co-operation
HDI	Human Development Index
HRDP	Human Resources Development Programme
IMF	International Monetary Fund
JCC	Joint Consultative Committee (for SME development)
KfW	Kreditanstalt für Wiederaufbau
LDC	Least Developed Country
MAG	Monitor Action Group
MBESC	Ministry of Basic Education, Sports and Culture
MHETEC	Ministry of Higher Education, Technology and Employment Creation
MLRR	Ministry of Land, Resettlement and Rehabilitation

MS	Member States
MTEF	Medium Term Expenditure Framework
MTI	Ministry of Trade and Industry
MWACW	Ministry of Woman Affairs and Child Welfare
NACOBTA	Namibian Community based Tourism Association
NANGOF	Namibian National Association of Non-Governmental Organizations
NANTU	Namibia National Teachers Union
NAU	Namibia Agriculture Union
NCCI	Namibian Chambers of Commerce and Industry
NDC	Namibian Development Corporation
NDP1	First National Development Plan
NDP2	Second National Development Plan
NDT	Namibia Development Trust
NEPRU	Namibian Economic Policy Research Unit
NGO's	Non-Governmental Organizations
NGP	National Gender Policy
NIC	Namibia Investment Centre
NNFU	Namibian National Farmers Union
NPC	National Planning Commission
NPRAP	National Poverty Reduction Action Programme
NSA's	Non-State Actors
NTA	Namibian Training Authority
NVTB	National Vocational Training Board
ODA	Offshore Development Assistance
ODC	Offshore Development Corporation
OECD	Organization for Economic Cooperation and Development
PEAC	Presidential Economic Advisory Council
PPP	Purchasing Power Parity
PSIP	Public Sector Investment Programme
RD	Rural Development
RISE	Rural Institute for Social Empowerment
RDSF	Rural Development Strategic Framework
SACU	Southern African Customs Union
SADC	Southern African Development Community
SBCGT	Small Business Credit Guarantee Trust
SIDA	Swedish International Development Cooperation Agency
SIL	State Information's Ltd.
SME	Small, Medium and Micro Enterprise
SRF	State Revenue Fund
SSA	Sub-Sahara Africa
SWAP	Sector wide approach
TDCA	Trade, Development and Co-operation Agreement.
TIDP	Trade & Industry Development Programme
TFP	Total Factor Productivity
TISS	Trade and Investment Sector Support
TRIPS	Trade Related Intellectual Property Rights
UK	United Kingdom
UN	United Nations

UNAM	University of Namibia
UNDAF	United Nations Development Assistance Framework
UNDF	United Democratic Front
UNEP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USA	United States of America
USAID	United States Agency for International Development
UTN	Urban Trust of Namibia
VAT	Value Added Tax
VTC	Vocational Training Centre
WTO	World Trade Organization