



Republic of Namibia - European Community

**Country Strategy Paper
and
National Indicative Programme**

for the period 2008 – 2013

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 Honourable Helmut K. Angula, Director General of the National Planning Commission and National Authorising Officer, and the European Commission, represented by the successive Heads of Delegation, Mr Antonius Brueser until the end of August 2006 and Mrs Elisabeth Pape from November 2006, hereinafter referred to as the "partie", held discussions in Windhoek from February 2006 to October 2007 with a view to determining the general orientations for cooperation for the period 2008 – 2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid for the Republic of Namibia were drawn up in accordance with Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxemburg on 25 June 2005. These discussions complete the programming process for the Republic of Namibia.

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

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to the Republic of Namibia for the period 2008 – 2013, an amount of **€103 000 000** 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 **€1 900 000** 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 MTRs and ETRs, in accordance with Article 5.7 of Annex IV of the ACP-EC Partnership Agreement.
- (3) The A allocation is intended to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme set out in Part 2 refers to the resources of the A allocation. It also takes into consideration financing from which the Republic of Namibia benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is intended 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. The B allocation shall be triggered according to specific mechanisms and procedures and therefore is not yet covered by the Indicative Programme. It may be replenished after a period of two years.
- (5) Resources can be committed within the framework of this Country Strategy Paper and National Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008 - 2013 under the revised ACP-EC Partnership Agreement, but not before 1 January 2008. Financing decisions for projects and programmes may 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. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the APC-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the

implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of this Country Strategy Paper via operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008 – 2013.
- (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 an end-of-term review of the Country Strategy Paper and the National Indicative Programme in the light of needs and performance at the time.
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid-term and end-of-term reviews, the Community may revise the resource allocation in the light of prevailing needs and performance.
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional 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 revised ACP-EC Partnership Agreement and the 10th EDF multi-annual financial framework for the period 2008 – 2013, will be regarded as definitive within eight weeks of the date of signature, unless either party communicates the contrary before the end of this period.

Done at Lisbon on 9 December 2007.

For the Government of
the Republic of Namibia

For the European Commission



Helmut ANGULA

National Authorizing Officer



Louis MICHEL

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ABBREVIATIONS

AALS	Affirmative Action Loan Scheme
ACC	Anti-Corruption Commission
AIDS	Acquired immune deficiency syndrome
ART	Anti-retroviral treatment
(B)BEE	(Broad-based) black economic empowerment
BLNS	Botswana, Lesotho, Namibia and Swaziland
CBO	Community-based organization
CMA	Common Monetary Area
COMESA	Common Market for Southern and Eastern Africa
COSDEC	Community Skills Development Centre
DDC	Directorate of Development Cooperation
DDDA	Decentralised demand-driven action
DDP	Directorate of Development Planning
DoF	Directorate of Forestry
DP	Development partner
DRC	Democratic Republic of Congo
ECN	Electoral Commission of Namibia
EIB	European Investment Bank
EPA	Economic Partnership Agreement
ETR	End-of-term review
ETSIP	Education and Training Sector Improvement Programme
FCR	Food consumption ratio
FDI	Foreign direct investment
GDP	Gross domestic product
GEF	Global Environment Facility
GRN	Government of the Republic of Namibia
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
HoM	Head of Mission
ICT	Information and communication technology
IDA	International Development Association
ILO	International Labour Organisation
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau
LDC	Least developed country
MAWF	Ministry of Agriculture, Water and Forestry
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goal
MET	Ministry of Environment and Tourism
MLR	Ministry of Lands and Resettlement
MoE	Ministry of Education
MoF	Ministry of Finance
MoHSS	Ministry of Health and Social Services
MS	Member States (of the EU)
MTEF	Medium-term Expenditure Framework
MTI	Ministry of Trade and Industry
MTR	Mid-term review
MWTC	Ministry of Works, Transport and Communication

NA	National Assembly
NANGOF	Namibia NGO Forum
NC	National Council
NDF	Namibian Defence Force
NDP2	Second National Development Plan
NDP3	Third National Development Plan
NHIES	National Household Income and Expenditure Survey
NPCS	National Planning Commission Secretariat
NPRAP	National Poverty Reduction Action Programme
NSA	Non-state actor
ODA	Official development assistance
OVC	Orphans and vulnerable children
OVI	Objectively verifiable indicator
PCD	Policy coherence for development
PLAN	People's Liberation Army of Namibia
PMS	Performance Management System
PoN	Polytechnic of Namibia
PPA	Participatory poverty assessment
PPP	Public/private partnership
PRS	Poverty reduction strategy
PTT	Permanent technical team
RPP	Regional poverty profile
RPRP	Rural Poverty Reduction Programme (EU)
SA	Republic of South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
RISDP	Regional Indicative Strategic Development Plan (for SADC)
SIDA	Swedish International Development Agency
SME	Small or medium-sized enterprise
SOE	State-owned Enterprise
SPS	Sanitary and phyto-sanitary
SWAp	Sector-wide approach
SWAPO	South West African People's Organisation
TCF	Technical Cooperation Facility
TDCA	Trade, Development and Cooperation Agreement
UNAM	University of Namibia
UNDP	United Nations Development Programme
USA	United States of America
USAID	United States Agency for International Development
USD	US dollar
VCF	Veterinary Cordon Fence
VET	Vocational Education and Training
VTC	Vocational Training Centre

SUMMARY

One of the youngest nations in Africa, Namibia achieved independence from South Africa (SA) in 1990. Since then, politics have been dominated by a strong ruling party, SWAPO, whose leader, Dr Sam Nujoma, stepped down as President of Namibia in 2005. Namibia has a good track record of stable macro-economic management and a sound environment for private sector investment. It is rated the fifth least corrupt country in Africa. President Pohamba, who was elected in 2004, declared the fight against corruption a top priority. In regional politics Namibia often plays a moderating role, and it provides an important contingent to the UN Peace Keeping Force in Liberia.

A lower middle income country with an average GDP per capita of USD 3 157¹, Namibia remains one of the most unequal societies in the world, despite an improvement in the Gini coefficient from 0.7 in 1993/94 to 0.6 in 2003/4. 10% of Namibia's population of 2.03 million² receive 50% of the national income, while 28% of the population – mostly black – are considered poor. GRN post-independence policies were guided by a national reconciliation drive, land reform based on the “willing seller-willing buyer” principle, a strong effort in education, and job creation through affirmative action in the civil service and the parastatal sector. However, there is now widespread disillusionment with the perceived slow pace of transfer of land-ownership, high unemployment and the persistence of inequalities. Cheap manufactured imports limit possibilities for job creation outside the civil service, farming, tourism and the capital-intensive mining sector (Namibia has sizeable mineral – gold, uranium and diamond – reserves). The civil service is 2.5 times larger than the sub-Saharan average, and eats 43% of government spending, making civil service reform an urgent requirement. Adding to these challenges is the poor quality of education outcomes – despite high enrolment rates – which fail to provide young Namibians with the skills and qualities required in a global economy. With a prevalence rate of 20%, HIV/AIDS is taking a heavy toll and has reduced life expectancy to now only 46 years².

Support under EDF10 will retain the priority sectors of EDF9, i.e. education/human resource development and rural development, with the aim of assisting the Government's effort to reduce poverty as specified in the Vision 2030, the 1998 Poverty Reduction Plan and the 3rd National Development Plan (NDP3) currently in preparation. The design of the Country Support Strategy took into account the activities of MS and other development partners (DPs), including the major assistance expected from the Millennium Challenge Corporation (MCC) starting in 2008, and the results of consultations with non-state actors. Implementation mechanisms for Community support will promote the application of the Paris Declaration on Aid Effectiveness. In rural development, EC support will be closely aligned with NDP3 and include the development of a SWAp. Community support to the sector will extend to (i) rural economic activities, partly with a view to benefits from improved market access to the regional market and the EU under an Economic Partnership Agreement (EPA); (ii) land reform; (iii) rural water supply; (iv) sanitation; and (v) road construction. In education, modalities for a sector-wide approach (SWAp) have been put in place with the ETSIP programme, a 15-year strategic plan. This will be complemented by support in non-focal areas, directed on the one hand towards increasing civil service efficiency and effectiveness in areas related to the priority sectors and on the other hand to leveraging NSAs' contributions, both to the priority areas and to the governance agenda, including economic governance and democratization. EDF10 support will pay increased attention to coherence with other EU policies such as agriculture, environment and trade. Namibia is negotiating an EPA with the EU in a configuration with 7 other SADC countries to replace the current unilateral trade preferences as from 1 January 2008 under the name of SADC-EPA.

¹ IMF estimates for 2006, published January 2007.

² UNICEF, 2005 estimates.

PART 1: STRATEGY PAPER

CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE EU AND NAMIBIA

I.1.1 General objectives of the EC's external policy

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development cooperation 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.

Europe should project a coherent role as a global partner, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance plus the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for gradually developing a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as a regional leader and as a global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies, which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

I.1.2 Strategic objectives of cooperation with Namibia

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Namibia must pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention for the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives. These objectives are in line with the Government of the Republic of Namibia's (GRN) development goals and objectives as set out in

Vision 2030, the MDGs, National Development Plans, the National Poverty Reduction Action Programme and the Public Sector Investment Programme.

Better aid effectiveness is essential to achieving poverty eradication and constitutes economic growth in the long term. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better DP complementarity by working towards joint multi-annual programming based on partner countries strategies and processes, common implementation mechanisms, joint DP-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery (Namibia is also a signatory to the Paris Declaration as of April 2007) and it will capitalise on new MS' experience to strengthen their role as DPs.

Policy coherence for development will advance in a number of areas. The aim is that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community's country and regional programming. This means selecting a limited number of priority areas for action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context the Community will be primarily active in the following nine areas, taking into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; and social cohesion and employment. GRN and the EC agreed that Rural Development and Human Resource Development will remain the focal areas of EC support under the 10th EDF. This is in line with GRN's policy and Cabinet recommendations on addressing rural development and focusing on capacity building and training.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, and the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In December 2005, the European Council agreed an EU Strategy for Africa. The Strategy provides a long-term, strategic framework for interaction between Europe and Africa at all levels: with pan-African institutions such as the African Union, regional organisations and national authorities. It defines how the EU can best support Africa's own efforts to promote sustainable development and reach the MDGs. The Strategy rests on three pillars: (i) promoting peace, security and good governance as central prerequisites for sustainable development, (ii) supporting regional integration, trade and interconnectivity to promote economic development, and (iii) improving access to basic social services (health, education) and protection of the environment to reach the MDGs 1-6 faster.

I.1.3 Main bilateral agreements

Namibia has signed investment promotion and protection treaties with a number of MS, i.e Austria, Finland, France, Germany, Netherlands, Spain and the UK, to consolidate business ties and promote investor confidence. Similar treaties are under negotiation with Belgium, Luxemburg, Denmark, Italy, Portugal, and Sweden.

Namibia is negotiating an Economic Partnership Agreement with the European Union in a configuration with 7 other SADC countries which will replace the current unilateral trade preferences on 1 January 2008 under the name of SADC-EPA.

Namibia has opted not to have a fisheries agreement with the EU but to make arrangements with its own domestic industry, including strict controls on catch levels.

CHAPTER II: COUNTRY DIAGNOSIS

II.1 Analysis of the political, economic, social and environmental situation in the recipient country

Any analysis of the development of Namibia cannot be divorced from the country's painful history of colonialism and apartheid. Germany occupied what was then known as South West Africa in 1884. During 29 years of German rule, parts of the indigenous population were forced out of their traditional areas (particularly in central and southern Namibia), in particular during the 1904-07 war against the Herero and the Nama people. The German occupation ended with military defeat in 1915. SA, representing the allied forces in World War I, took over the territory. SA continued the practice of seizing farmland in central and southern Namibia, while restricting the indigenous population to 'native reserves'. In 1962, the Odendaal Commission, which followed the apartheid thinking of the time, recommended dividing Namibia along racial and ethnic lines into ten 'homelands'. The recommendations were implemented from the late 1960s onwards, partly through the forced removal of communities. In 1966 the South West Africa People's Organisation (SWAPO), which had been formed six years earlier, launched an armed struggle for the independence of Namibia (accepted by the United Nations as the name of the country in 1968). SWAPO campaigned for Namibia to become an independent unitary state and opposed the policy of setting up homelands (Bantustans) through the popular slogan 'One Namibia, One Nation'. Many of the homeland 'governments' were dominated by tribal chiefs or headmen. The homeland system was replaced by eleven ethnic administrations in 1980. In December 1988 SA agreed to withdraw from Namibia and allow a UN peace plan to be implemented. Namibia held its first democratic elections, under the auspices of the UN, in November 1989. A Constituent Assembly consisting of 72 members was elected, with SWAPO gaining the majority of seats but not the two-thirds majority that would have enabled the party to write the constitution on its own. In February 1990 the Constitution was unanimously adopted and Namibia became independent on 21 March 1990. SWAPO has dominated every election – at local, regional and national levels – since independence, and since 1994 the party has held a two-thirds majority in the National Assembly, giving it the power to change the Constitution.

II.1.1 Political and institutional situation

Democracy and the rule of law

Namibia is a presidential representative democratic and multi-party republic. The 2004 Presidential and National Assembly elections saw SWAPO retain the presidency and gain 55 of the 72 seats in the NA. SWAPO candidate Hifikepunye Pohamba replaced Sam Nujoma as President, while the latter remained Head of the Party. The elections were considered by international and domestic observers as free and fair, reflecting the will of the electorate. However certain shortcomings in the process led to a review of the electoral law, to take place before the next elections in 2009.

Namibia's three-tier government structure comprises central government, regional councils (13) and various forms of local authority (municipalities and village councils). National Assembly and presidential elections are held every 5 years, while local authority and regional council (RC) elections are held every 6 years. Executive power is exercised by the Government, headed by a President elected by popular vote every five years. Ministers and Deputy Ministers (close to 50 in total) are selected by the President. Legislative power is vested in the two chambers of parliament, i.e. the NA and the National Council (NC), the latter made up of 2 members from each of the thirteen RCs. The NA has 72 elected members and up to 6 members are appointed by the President. The judiciary is independent of the executive and the legislature. The judicial structure in Namibia parallels that of SA with the Supreme Court as the highest body, its members appointed by the President on the recommendation of the Judicial Service Commission.

The civil service employs 4.3% of the population, a share 2.5 times larger than the sub-Saharan average. The current wage bill eats 43% of government spending and is in the IMF's assessment unsustainable, making civil service reform an urgent requirement.

GRN recognizes decentralization as a means of creating participatory democracy. The gradual transfer of central government functions to the RCs under the adopted Decentralization Policy is expected to improve the relevance and quality of public service delivery. Decentralization³ has moved slowly. However, much groundwork has been completed in anticipation of the delegation and later devolution of central government functions.

Political and economic governance

President Hifikepunye Pohamba has adopted an anti-corruption stance right from the start of his tenure. Among other things, he urged the heads of all state-owned enterprises (SOEs) to take action against corruption. In 2005, the Anti-Corruption Commission (ACC) was established and has since received increasing resources from the budget. Actions were taken against officials, including a member of Cabinet, in several high-profile cases of corruption.

Namibia is a member of the Eastern and Southern Africa Anti-Money-Laundering Group (ESAAMLG) and the Financial Intelligence Act provides for anti-money-laundering interventions, *inter alia*, fast-tracked cross-border asset recovery. Nevertheless, in the 2006 Transparency International Corruption Perception Index, Namibia's ranking dropped slightly to 55th out of 163 countries, as compared to 47th out of 158 countries in 2005. Its confidence score also fell from 4.3 (2005) to 4.1 points in 2006.

GRN is embarking on an organised restructuring of SOEs with the creation of the SOE Governance Council and the 2006 SOE Act. The process aims at improving their performance and contribution to growth, broader economic activity and employment. For the moment none of the (possibly⁴) 52 SOEs has been subject to the International Financial Reporting Standards (IFRS), which would oblige these companies to reveal what top management and board members are being paid. SOEs are considered the best employers in the country and have largely contributed to a "brain-drain" from both the public administration and private sector employers. Privatization is only at the early stages of discussion.

The National Planning Commission Secretariat (NPCS) is responsible for the development planning process and international development cooperation and agreements. It is also in charge of the consultative process with NSAs on development priorities and strategies as guided by the 2006 "Government of the Republic of Namibia Civic Organizations Partnership Policy".

Security

The Namibian Police, the National Defence Force and the Namibian Central Intelligence Services share the task of maintaining law, order and security. Namibia has had defence cooperation at various levels with several countries (including the UK and the US). It also participates in regional peacekeeping efforts and contributes 900 troops to UN peacekeeping efforts in Liberia.

Human rights

Namibia is considered one of the best countries in Africa regarding human rights, which are enshrined in its Constitution. It has ratified most relevant international conventions (see Annex 7). There is no death penalty. Nevertheless there have been some issues of concern, which are being addressed by GRN. The second Caprivi trial against 12 accused ended recently with acquittal for two of them and high prison terms of 30 years or more for the rest. A judgment in

³ The Finnish Government is an active DP in the decentralization process.

⁴ The actual number of SOEs is in flux due to the ongoing revision of their status.

the main High Treason Trial of some 100 Caprivi separatists, most of which have been in pre-trial detention for more than four years, is still outstanding.

The independent judicial system experienced difficulties due to shortages of staff and resources. In order to alleviate the situation GRN has recently appointed interim magistrates.

Gender equality features high on the GRN agenda. As a previously disadvantaged group women enjoy special rights and preferences granted by the Constitution. Considerable progress has been achieved, yet there is still a long way to go (see Annex 15). Cases of domestic violence against women and young girls are widely reported in the media. Numerous offenders have been prosecuted and GRN has expressed a strong commitment to taking new measures to fight against abuse of women and children. Two recent legal instruments are the Combating of Rape Act No 8 of 2000 and the Combating of Domestic Violence Act No 4 of 2003. The weak capacity of the Ministry of Gender Equality and Child Welfare has been identified as a main institutional hurdle for the effective implementation of national policies on empowerment of and non-discrimination against women, while communities also need to be made aware and educated on their rights, responsibilities, obligations and freedoms.

Minority groups continue to face socio-economic and political challenges, as a result of lack of economic opportunities and as a consequence of cultural and geographic barriers. GRN is a signatory to the UN Declaration on the Rights of Indigenous Peoples. The Deputy Prime Minister has been assigned the duty to address the situation through mobilisation of various support actions for minority groups, including the San.

While, in the past, GRN has been criticized for its intolerance towards homosexual people, there appears to be a change in attitude, with civil society organisations freely promoting the rights of gay and lesbian people living in Namibia. In fact, the Office of the Ombudsman worked together with the Namibia Rainbow Project, which specifically represents this interest group, during the recent “16 Days of Campaign against Violence for 365 days of Peace”.

II.1.2 Economic and commercial situation

Economic situation, structure and performance

Namibia is a lower middle income country with an average GDP per capita of US\$3,157⁵. The economy is underpinned by sound macroeconomic fundamentals and improved terms of trade leading to a relatively strong growth performance. In 2006, the current account showed a surplus of 6.2% of GDP and the inflation rate averaged 5.1% (up from 2.3% in 2005 but down from 7.3% in 2003). In the light of SA's strong economic role, the exchange rate of the Rand/ Namibian Dollar and consequently Namibia's inflation rate is determined by the economic development and inflation in SA.

GDP at market prices expanded by 4.9% on average during 2002-2006, exceeding the target rate of 4.3% set in NDP2. Namibia's economy is relatively open with exports and imports accounting together for roughly 100% of GDP. The main exports are diamonds and other minerals including uranium and zinc, followed by fish, tourism, beverages and meat⁶. SA remains the most important export destination (at over 35%) followed by the EU (at over 25%). Most imports (over 80%) originate from SA.

Structural vulnerabilities of the economy include (1) a high volatility of foreign exchange earnings linked to dependency on primary exports, and (2) net capital exports. Cross-border capital investments are of concern, especially relating to institutional investors, i.e. the highly developed private and public pension funds.

⁵ IMF estimates for 2006, published January 2007.

⁶ “Live animals, animal products and meat and meat preparations” accounted for 10.7% of total export of goods in 2005.

Namibia has started to transform itself from a purely natural-resource-based to a more diversified economy with some processing of natural materials (for example diamonds and marble) and other value added activities (for example food products), a stronger contribution from the services sector, notably the tourism and financial service sectors, and emerging diversification into on-land marine and freshwater fish farming, the exploitation of indigenous natural plants and fruits, and high value irrigation production (for example grapes and dates).

IMF Article IV Consultations for 2006 concluded with a positive overall assessment on Namibia's macro-economic policy and performance, and a GDP growth projection of an average of 4.2% until 2011. Challenges identified are high unemployment due to labour market rigidities and an extreme skills deficit, widespread poverty and high prevalence of HIV/AIDS. The Fund urged GRN to promote private sector activity, relax the visa regime for skilled labour and promote domestic investment, i.e. by facilitating financial sector development. In the public sphere, the need for a stronger commitment to reducing spending – through public service reform and reform of the management of SOEs – and to strengthening revenue collection were highlighted. Namibia enjoys an investment grade rating of BBB⁻ for long-term foreign currency and BBB for long-term local currency from Fitch Credit Ratings.

Business and investment environment

Namibia is in the top group of African countries when it comes to the business and investment environment, ranking third in the World Bank's 2007 Doing Business Survey (42/175), but only ninth in the World Economic Forum's Africa Competitiveness Report 2007. The investment rate is high, averaging 26% of GDP in 2001-2005, largely accounted for by mining and the public sector. Broader investment in manufacturing is hampered by competition from SA, the small size of the local market, a lack of skilled workers, lack of managerial, entrepreneurial and financial business skills and stringent immigration procedures.

Namibia has a sophisticated financial system serving the formal sector very well. However, it is unable to grant a satisfactory level of access to financial services to the urban poor and rural population, and to smaller (mostly informal) enterprises. Pressure from GRN on the banks to increase their lending to SMEs has led some of them to establish separate SME departments, and to package financing, technical assistance and guarantees to improve the "bankability" of small projects.

Measures to redress economic disparities – in particular (broad-based) black economic empowerment ((B)BEE), affirmative action (AA) and tender preferences (based on the composition of the labour force and the extent of Namibian ownership) – impact on business decisions. GRN gives preference in its procurement to companies that are BEE accredited⁷, and this is driving some of the initiatives with respect to private equity. To address the shortcomings on the empowerment question, GRN is working on a Transformational Economic and Social Empowerment Framework (TESEF), anticipated to be completed by April 2008.

The Namibia Stock Exchange (NSE) is not very active. There are only few equity firms, and availability of venture capital is limited. Although pension funds are obliged to invest 35% of their capital in Namibia, asset managers have difficulties to find suitable assets and prefer to invest in SA through the possibility offered by dual listings, whereby foreign owned companies can list on the NSE, and be considered Namibian for this purpose. Under these circumstances there is little development impact, and GRN is therefore considering obliging pension funds to invest in unlisted Namibian stock.

Namibia's commitment to trade facilitation is evident in many ways. The Single Administrative Document (SAD) is used throughout the Southern African Customs Union (SACU)⁸ as of 2007.

⁷ these companies have a minimum 10% ownership by formerly disadvantaged groups

⁸ SACU members are Botswana, Lesotho, Namibia, South Africa and Swaziland.

Plans are underway for the creation of one-stop border posts. The ASYCUDA++ system has recently been introduced to facilitate cross-border customs clearance. The Walvis Bay Corridor Group promotes the increased use of the Walvis Bay port and the Trans-Kunene, Trans-Kalahari and Trans-Caprivi corridors. A "Team Namibia" campaign seeks to raise the image of locally produced goods with consumers who are mainly exposed to SA goods stocked in local branches of SA retail stores.

Structure and management of public finances

Since 2001 the Namibian budgeting process has used an MTEF that establishes the priorities for a three-year period. After a record-high deficit of 3.6% in 2004/05, the latest MTEF for 2006/07 – 2008/09 is forecast with a surplus of 2.2% for 2006/07 on the grounds of exceptionally high revenues from SACU⁹ and sales of a 34% state participation in the local mobile telecommunications company. The intention of GRN is to reduce its debt-to-GDP ratio to 25%.

The high wage bill of 43% of total expenditure severely restricts the GRN's flexibility to set priorities, especially for the development budget, which amounts to only 13% of total expenditure. Together with a widely recognised lack of capacity in the public administration, this limits the efficiency of public service delivery. The Office of the Prime Minister (OPM) has developed a holistic approach to addressing both issues by developing a Performance Management System (PMS). PMS entails strategic planning and management for the public sector, human resources plans, job descriptions and competency profiling, human resources development plans, performance agreements, personal development plans, performance assessments, performance recognition, performance assessment appeals, performance verification, and top management meetings.

The GRN's top priority has consistently been education, which receives between 20-25% of the budget. Health and social services, defence and interest on debt are next with a 10% allocation each, followed by security and works with 7%.

Responding to challenges in fiscal discipline, GRN has started a PFM reform process, aiming at improving the budget process by further promoting programme-based budgeting and accounting using an Integrated Financial Management System. It addresses financial planning and policy, revenue enhancement and expenditure control by improving processes, staff training and organizational restructuring in the MoF. The PFM also aims to support decentralization and reform in the financial sector.

Assessment of the reform process

PFM reforms have started to have an effect: budget hearings are now conducted in terms of performance and effectiveness, focusing on programmes and costing rather than activities. Income tax and VAT revenue has been boosted due to more effective tax collection and clamping down on tax evaders. Large scale tax audits are taking place, which have educated both the private and the public sector on the need to comply with tax laws. Criminal proceedings are also underway. The decentralization process in PFM is starting in the Ministries of Health and Education. However, the recent progress observed in this area has yet to deliver results that would lead to statistically significant changes in the governance indicators collected by the BWI. A major challenge of the programme proposed by the Ministry of Finance will be concluding performance agreements between SOEs and GRN aiming at increasing SOEs' contribution to broad-based economic development.

The PMS will become official government policy in 2007 once accepted by the Cabinet, and is seen as the Government's main vehicle of civil service reform. PMS implementation has started

⁹ This is due to a backlog payment that was made to Namibia due to underpayment in previous years.

in pilot sites and its complete rollout is estimated to take a minimum of four years. Its implementation will set the basis for increased efficiency and greater control over the wage bill.

During the first 15 years of independence BEE would appear to have made a small group of black Namibians rich but in a recent trend Namibia is moving to a more broad-based BEE (BBEE) approach. Formalizing the trend, GRN is drafting a “Transformational Economic and Social Empowerment Framework”. GRN introduced affirmative action legislation in 1998, obliging firms to submit annual progress reports on improved representation of “previously disadvantaged Namibians” at all levels. However, a large proportion of the affected firms are failing to comply with this requirement and are now facing legal action.

Decentralisation is a government-wide process aiming at eventual devolution of all public services to the 13 Regional Councils and to local authorities. Guided by the Decentralisation Policy (1996) and the Decentralisation Programme launched in 1998, line ministries have identified functions to be devolved. The process could speed up considerably with the expected adoption of the Fiscal Decentralisation Policy and the Local Authorities Reform position paper.

Trade policy and external environment, regional cooperation agreements and EPAs

Namibia’s balance of goods and services has been in deficit since 1995, with imports representing 53.1% of GDP at market prices in 2005, compared to 47.9% for exports. Goods represent 86.3% of exports, while direct purchase in Namibia by non-residents, largely related to tourism, accounts for 12.8%. A few primary product groups dominate Namibia’s exports. The relative importance of ores, uranium, copper and other minerals has declined from a high of 48% in 2000 to 36% in 2005, of which diamonds make up 80%.

Namibia is a member of the World Trade Organization (WTO). Given the size and structure of its economy regional integration through the Common Monetary Area (CMA), the Southern Africa Customs Union (SACU) – the oldest customs union in the world – and the Southern Africa Development Cooperation (SADC) are the most important determinants of Namibia’s trade strategy. SACU has reached a deeper level of economic integration amongst its members than other regional economic integration initiatives on the (sub-) continent. This is enhanced through common policies on industrial development, competition, unfair trade practices and agriculture. SACU has concluded FTAs with EFTA and MERCOSUR, and negotiations with China, India and selected non-SADC African countries are ongoing. Namibia and its SACU partners are actively participating in the implementation of the SADC Trade Protocol.

After independence in 1990, Namibia acceded to the Lomé IV Convention in 1992, benefiting from preferential access to the EU market for beef, lamb and table grapes. Since 2001, Cotonou Partnership Agreement, which succeeded the Lomé Conventions, has given Namibia preferential market access with a 92% reduction on the MFN import duty within a quota of 13,000 tonnes for beef and lamb under the beef protocol¹⁰. Under another provision, Namibia was granted tariff-free market access for seedless table grapes of 800 tonnes, applicable in December only, which, however, is a small quantity compared to total Namibian grape exports to the EU under the GSP (25,000 tonnes in 2005/6). Since the trade preference waiver in the WTO will expire on 31 December 2007, Namibia's preferential market access to the EU would cease – affecting beef exports in particular - should no EPA be agreed by then.

¹⁰ Namibia’s utilization of the boneless beef quota is high, with an average of 81.6% for the period 2001-2006. This compares very well to other ACP countries that have similar access conditions. However, under-fulfilment of the EC export quota is not a sign of weak performance by the Namibian meat sector. The majority of Namibia's meat cuts exports go to SA: in 2005 10,685 tonnes of cuts were exported to the EU and 13,112 tonnes to the SA. The average price paid is higher for EU exports, because only the premium cuts sell on the EU market. Hence, there are two distinct markets that producers target according to the nature of their supply.

The Namibian offensive position in the SADC EPA negotiation was to demand duty-free and quota free (DFQF) access for beef and grapes (like Chile), a request to which the EU responded in its offer to the SADC in April 2007. However, issues still controversial in the SADC EPA negotiations are the extent to which SA would be granted the same treatment as ACP countries and whether the agreement would include services and binding commitments on "new generation" issues such as investment, trade facilitation, competition and government procurement.

II.1.3 Social situation, including decent work and employment

Namibian society is still struggling with its apartheid legacy, while as a lower middle income country it receives less favourable conditions for external support than LDCs. GRN has asked DPs to adjust the terms of their support to this country-specific challenge. GRN's strategy for addressing inequalities in the post-independence period focused on high social spending, coupled with a big role for SOEs, sound macro-economic management and a consensual approach to land reform. This resulted in achievement of the MDGs on poverty with the share of very poor households¹¹ halved, and on literacy (84%). Progress on most other MDGs is on track, except for maternal health and sanitation. For the particular situation of women and children, see Annex 14.

Education

Since independence in 1990, GRN has given high priority to education. Around 25% of government expenditure, or 9% of GDP, has been devoted to education. Achievements include improved access, with a net enrolment ratio of 92.3% (93.4% for females) for the age group 7 to 18 - close to the MDG target rate of 95%. Gender equality in access to education was 100% and above as early as 2001. Furthermore, the share of qualified teachers increased to over 45%. However, there is concern about the quality of and value for money spent in education. Studies by the Southern African Consortium on the Measurement of Education Quality (SACMEQ)¹² have shown that Namibia is near the bottom of the regional league table. The sustainability of the high levels of expenditure on education has also been questioned. Several studies have identified the underlying constraints as poor quality, inefficiency, inequity and the need to mainstream HIV/AIDS in the sector.

Quality, or the lack of it, is one the main concerns stressed by these analyses. Despite a policy of semi-automatic promotion the average level of grade repetition is high at 17.5%. Survival rates are at around 82% for primary school, declining quickly to 57% by grade 10 and 33% by grade 12. Less than half of grade 10 candidates attain the minimum level of performance required to qualify for entry into grade 11, with student performance particularly low in mathematics and science. Inequity between regions and between rural and urban schools is the other major concern. The geographical differences in the distribution of resource inputs show continuing inequity (31% in Rundu and 76% in Khomas) because of being based on staffing norms and not number of learners. The lack of resources has direct repercussions on the regional variations in pass rates, with a lower proportion from the poorer northern regions attaining the minimum grades.

Prompted by these concerns, the Cabinet invited the World Bank and other DPs to carry out a number of studies on the Namibian education system¹³. These concluded that the education system would not be able to adequately support Namibia's development aspiration and equity within a knowledge-based society, as expressed in Vision 2030.

¹¹ Who spend 80% or more of their income of food.

¹² Refer to www.sacmeq.com.

¹³ Culminating in Mmantsetsa T Marope (2005), "Namibia Human Capital and Knowledge Development for Economic Growth with Equity", World Bank.

In response, GRN developed a fifteen-year strategic plan, the Education and Training Sector Improvement Programme (ETSIP) which it started implementing in 2006/07 (for details see III.1.1 and IV. 2). ETSIP puts the emphasis on access, quality and even more on equity.

Health

In the health sector, the MDG indicators on infant and under-five mortality rates, together with the number of underweight children below five, showed rather slow progress in 2004 on the basis of 2001 data. It is difficult to judge the latest health trends in Namibia due to a lack of recent data¹⁴. The GRN gives high priority to health and since independence the sector has been the largest recipient of government spending after the education sector. In spite of constant efforts by the MoHSS in constructing, upgrading and renovating its health facilities across Namibia, President Pohamba expressed concern in July 2007 over deteriorating health service standards and unhygienic conditions at all national health facilities and referral hospitals, which were also highlighted in media reports.

Today, each district has a hospital, health centre or a clinic. However, marked regional disparities persist and access to basic health care services, especially in the rural areas, remains poor. There is a health user fee in place, but it is minimal. Primary services are provided free of charge, i.e. immunisation services, tuberculosis and leprosy treatment, antenatal and postnatal services, outreach services, family planning, health education, growth monitoring and child health, prevention of mother-to-child transmission (PMTCT) of HIV/AIDS, anti-retroviral therapy (ART), and malaria treatment. Since 1990 the MoHSS has rolled out immunisation campaigns country-wide. MoHSS expects these interventions to show a positive impact on the MDGs.

HIV/AIDS continues to pose one of the main development challenges to Namibia. The HIV prevalence rate was 19.9% as measured by the 2006 National HIV Sentinel Survey. Despite considerable international funding of GRN's multi-sectoral strategy¹⁵, challenges remain for the efficient implementation and management of the response. The MoHSS, which is the lead ministry for the national HIV/AIDS response, lacks institutional capacity, which is particularly important as the influx of international funds requires it to be strong and efficient. Under the 8th and 9th EDFs, the EC provided support to improve this capacity. There are challenges to integrate and coordinate the various DP programmes into and with the national response and establish an effective mechanism for meaningful dialogue between MoHSS and the relevant DPs.

Several declarations by public and private health practitioners seem to indicate that, as in the rest of Sub-Saharan Africa, there is a brain drain of skilled nurses and doctors mainly to RSA, the US and the UK, although other SADC countries have identified Namibia as one of the main recipients of emigrating skilled workers. No official figures are available in Namibia.

Employment

Un- and underemployment is alarmingly high, although estimates of unemployment rates vary considerably¹⁶. The 2001 Census produced an unemployment rate of 31% as compared to 19% in the 1991 Census. In addition, 20% of the active population is considered to have only an "elementary occupation". For 26.8% of the economically active population, the main source of income comes from subsistence farming. GRN, working in partnership with the private sector, has taken commitments through the budget to continue providing an environment conducive to job creation and growth, while safeguarding essential public services.

¹⁴ The latest National Demographic Health Survey is from 2000. The 2006 survey results have not been published.

¹⁵ The MoHSS estimates that around 50% of the funding to HIV/AIDS in Namibia comes from international sources.

¹⁶ Preliminary ILO estimates indicate that the youth unemployment rate (age group 15-24) was 10.9% in 2002, but these figures are contradicted by several other sources, including World Bank literature, which refers to a total rate of 35% in 1998.

Rural development

Namibia is a vast country with the second lowest population density in the world, namely 2.2 persons per km². The living standard of households as expressed in patterns of consumption and income shows great disparities between urban and rural areas. Rural households make up almost 60% of all households but account for only 37.6% of total consumption. Average household income per capita is N\$5,141 in rural areas compared to N\$15,810 in urban areas. Using food consumption ratio as a proxy indicator of poverty, 4% of Namibian households are severely poor, while 24% are poor. In rural areas 6% of households are severely poor while 36% are poor. This compares to 0.6% severely poor households in urban areas and 6% poor households.

Due to the semi-arid and fragile agro-ecological conditions in Namibia, there are very limited land use options. In agriculture, the predominant land use is ranching, characterized by the use of natural vegetation for grazing. The sector is dualistic, with a highly developed commercial sector and traditionally managed subsistence farming in communal areas. Tourism, an alternative form of land use in rural areas, has gained and continues to gain prominence.

Land reform is regarded by the GRN as a precondition to meaningful rural development and poverty alleviation. Namibia has 70m ha of agricultural land, of varying carrying capacity. Of this, 36m ha is commercial land, predominantly (75% in 2006 as compared to 94.4% at independence) owned by white, mostly Namibian, farmers. 34m ha is communal land, with the highest carrying capacity, used by black Namibians. GRN perceives the main objectives of land reform as being to right historical wrongs, achieve social and economic equity for all citizens and facilitate poverty reduction, employment creation and income redistribution. The four main components of land reform are, in the commercial sector, (a) land redistribution through the Farm Unit Resettlement Scheme, (b) preferential financing available to disadvantaged Namibians through the Affirmative Action Loan Scheme (AALS), and in the communal areas, (c) improved security of tenure and introduction of leaseholds, and (d) development of under-utilized land for agricultural purposes. Support services accompany the land reform programme.

The Permanent Technical Team (PTT) Report and Action Plan is the latest development on the Namibian land reform scene. The PTT was established at the end of 2003 with the responsibility of reviewing the existing legal and policy framework of land reform, assessing its economic, financial, institutional and environmental sustainability. The Report was endorsed by the Cabinet in August 2006 and includes a strategic action plan for land reform in Namibia. The PTT sets increased acquisition/redistribution targets for 2020, recommends strengthening the AALS and, interestingly, recommends broadening stakeholder collaboration. The Team also suggested that the “willing seller-willing buyer” concept should be a feature of the land reform process in Namibia, and that appropriate beneficiary selection, support packages and integrated resource management be a central part of resettlement schemes in order to ensure their sustainability.

Agriculture remains the single most important livelihood for the majority of the population, and while only contributing 6.3% to GDP (2005) it makes a considerable contribution to export earnings¹⁷.

Sustainable use of the natural vegetation requires highly skilled management, in particular improved extension and a move away from traditional farming practices with regard to livestock values. Past and present management shortcomings resulted in a drastic reduction of livestock and grazing capacity on communal and commercial land (for the latter, the decrease is estimated at up to 65% over the past 40 years). The main cause of reduced land carrying capacity, which is already very low at 15-20ha per large livestock unit (LLU), is overgrazing, with resulting bush encroachment and desertification.

¹⁷ Approximately 40% of exports, through meat products, live animals, fish, fish products and grapes.

Even improved livestock management and land reform together do not have the potential to sustainably reduce poverty in rural areas. They need to be part of an integrated rural development strategy furthering economic diversification into sub-sectors such as forestry, irrigation, tourism and small-scale industries, combined with social services and economic infrastructure. New possibilities for regional trade and improved market access under an EPA should be exploited with a view to increasing economic activity in rural areas.

Water is the most limiting factor for development in an arid country like Namibia. While 85% of the population has access to a safe and reliable source of water, regional disparities remain enormous. GRN has made great strides in the past 15 years in improving rural water infrastructure, but less so in sanitation. Access to basic sanitation has progressed only slowly. Only 21% of rural households have toilet facilities compared to 89% in urban areas. Community-based management systems have been introduced in both water and sanitation sectors. Nevertheless, improvements in the most disadvantaged rural areas can only be achieved through expensive infrastructure projects – such as pipeline schemes to bring water from the Kunene River to the Northern regions, where ground water is brackish. The water and sanitation indicators are important components of the MDGs, improving the social and health conditions in the country, while at the same time unlocking rural economic and commercial activities. Road infrastructure fulfils a similar function, reducing economic transaction costs and providing access to basic social services (health and education). The constraints are two-fold, namely, the rapid deterioration of the main trunk roads and limited rural access roads. While more than half of the population lives in the northern communal areas, only 10% of the road network is located in this region. Furthermore, lack of access to micro-credit often constrains off-farm activities.

Responsibility for “rural development” was moved in 2005 to the Ministry of Regional and Local Government, Housing and Rural Development, which is also spearheading the decentralization process. Effective development in rural areas goes hand in hand with the decentralization of government functions.

To date, Namibia has no overall rural development policy and planning framework even though explicit development actions in rural areas are included in national and regional sectoral policies and strategies and in various development and master plans. Effective planning for rural development is further constrained by the lack of regional data. Tracking regional development is therefore currently only possible using proxy indicators.¹⁸

The different line ministries concerned, under the guidance of the NPCCS, decided to work on a consistent policy framework for rural development. This will focus on rural income diversification and provides for the development of a SWAp for the sector over the next two years, expected to lead to considerable efficiency gains. Extensive national and regional/local consultation on these plans is envisaged.

II.1.4 Environmental situation

This section concentrates on the highlights of the draft Country Environmental Profile (CEP)¹⁹ (see Annex 3 for its executive summary), and on areas of relevance for the proposed response strategy.

As a country located in an arid region where drought and high climatic variability are endemic and where great demands are made on natural resources, Namibia is considered to be particularly vulnerable to the effects of climate change (recurrent droughts and flooding particularly in the

¹⁸ Surveys to inform regional policies need to be designed to be both comparable at national level and accurate at regional level. Under EDF10, support to the CBS is proposed.

¹⁹ The EU delegation in Windhoek facilitated consultation on the draft CEP with GRN and NSA stakeholders in December 2006. This consultation confirmed the CEP mission findings. The final CEP, incorporating comments and submissions from the Namibian stakeholders, was finalised in February 2007.

North). The country's ecosystem is fragile and its economy relies heavily on subsistence farming and livestock husbandry. The degradation of the environmental resources therefore has immediate effects on the food security situation of the country. Desertification – in the form of deforestation, soil erosion, bush encroachment, loss of biodiversity and soil salination – is an additional challenge, reducing productivity (including water supplies), altering natural habitats and endangering biodiversity.

To-date, Namibia has good environmental impact assessment policies in place, but enforcement capacity shows shortcomings. A long awaited environmental law has been tabled in Parliament in September 2007 and environmental concerns are also mainstreamed in NDP3.

Namibia has achieved enviable successes in terms of biodiversity conservation. It has an extensive and renowned protected area network (covering 17% of the country). The network of communal and freehold conservancies adds a further 19%, which means that 36% of Namibia is under some form of conservation management. Based on its conservation programmes and successes, Namibia has, since independence, earned an excellent international reputation, attracting generous donor and private sector investments and making it one of the few countries in the world that have been able to trade in elephant products. The conservation success has also unlocked significant tourism development opportunities, which are poised to provide substantial employment and livelihood benefits to remote rural communities, where few other development options are available.

The use of joint water resources is regulated by bilateral/multilateral bodies. For the Orange, Okavango and the Zambezi Rivers these bodies are respectively the Orange Senco Commission (ORASECOM), OKACOM (the Okavango River Basin Water Commission) and Zamcom (Zambezi River Basin Water Commission). Namibia acknowledges the importance of holistic river basin management.

Namibia has one water reclamation plant (the only one in Southern Africa) in Windhoek (population of 280 000) which is operating fairly successfully. A further plant was designed for Lüderitz (population of 25 000) but, due to lack of funds, construction of the plant has not commenced. In all projects dealing with effluent treatment, the MRLGH&RD has attempted to re-use treated water for irrigation purposes. This has not always been successful and more research should be conducted in this field. Proposals were submitted to the EU-ACP water facility but have not yet been accepted. Re-use of water for irrigation of parks and sports fields has been very successful in Windhoek, Walvis Bay and Swakopmund.

Bush encroachment is a serious problem in Namibia. It is estimated that approximately 26m hectares of commercial and communal farmland are bush encroached, of which 15m hectares in commercial farming areas including resettlement farms and 11m hectares on communal land. Bush encroachment significantly reduces groundwater recharge as a result of the extensive root systems and high rates of evapotranspiration of the various invader bush species. The combination of reduced grazing areas and diminished water resources has been detrimental to Namibia's cattle industry. The commercial and communal farm lands located south of the Veterinary Cordon Fence (VCF) have seen a steady decline in total cattle numbers, from 2.6m in 1956 to approximately 900,000 at present. Various approaches to address the bush encroachment problem and to use the bush as source of energy are under investigation or early implementation reflecting the start of one adaptation mechanism towards the impacts of climate change.

II.1.5 The country in the international context

Namibia aims at playing a constructive role in the United Nations, the Commonwealth, the African Union, the Southern African Development Community (SADC) and other international bodies, as is frequently stressed by President Pohamba. The reform of the United Nations tops Namibia's international agenda, and GRN has played a major role in making the UN Security

Council a more representative and democratic body, in order to preserve its legitimacy and credibility.

II.2 Poverty reduction analysis

The results of the Namibia Household Income and Expenditure Survey (NHIES) 2003/04 indicate that the number of households living in extreme poverty has halved (from 8.7% to 3.9%), based on the Food Consumption Ratio. However, the proportion of households that are considered poor, with an FCR of 60% or more, decreased only by less than one-third (from 38% to 27.9%). An on-going more in-depth analysis of the NHIES will show how much progress Namibia has made on the poverty-related MDGs.

Namibia is classified as a "lower middle income country" (LMIC) with an estimated high annual GDP per capita of USD 3,157²⁰, an average that hides considerable disparities since, according to NHIES 2003/04, the richest 10% of the households in Namibia account for nearly half of the total income of private households. Namibia represents a typical dualistic economy where abject poverty exists alongside extremes of wealth. According to the 2003/4 NHIES, the Gini coefficient was 0.6, down from 0.7 in 1993/4. In spite of this improvement Namibia is still one of the most unequal societies in the world. The main factors explaining disparities in average household income are sex of household head, education of household head, language group, region and rural/urban location. Household income varies greatly according to ethnicity: The average per capita income in German-speaking households (0.5 percent of the population) is 31 times that of Khoisan-speaking households (1.5 percent) and 13 times that of Oshiwambo-speaking households (52 percent). The gap between average rural and urban incomes, and the perception of better opportunities in urban areas, fuels migration from rural areas to the country's major cities, which in turn increases urban poverty. Wide disparities in infrastructural development between the impoverished northern parts of the country, where most of the population lives, and the central and southern regions remain. Unequal access to quality education (in spite of a 78% literacy rate in rural areas) and health services is a major feature of poverty in Namibia. The economic and geographical dualism, partly a legacy of the country's apartheid era, poses one of the biggest challenges to the fight against poverty in Namibia.

HIV is yet another challenge with considerable socio-economic costs, especially to the poorest groups. The low productivity of the affected and infected working population, together with the increasing number of orphaned children, poses a country-wide challenge.

II.3 Namibia's development strategy

The development agenda of Namibia is reflected in "Vision 2030" adopted by Cabinet in June 2004. The vision of "a prosperous and industrialised Namibia, developed by (its) human resources, enjoying peace, harmony and political stability" is pursued through eight broad objectives as set out below. The NDP3 goals reflect the ambitions of Vision 2030 (see Annex 11).

Vision 2030 establishes a long-term planning system for Namibia with the aim of fostering a sense of direction, discovery and destiny among the Namibian nation. It offers a systematic process for developing and implementing consistent long-term development strategies, based on the active participation of all stakeholders at each stage of the process, and linking long-term perspectives to existing medium and short-term planning tools. The five-year "National Development Plans" (NDPs) are the primary implementation tool for Vision 2030. The NDPs reflect a medium-term national development strategy. They are made operational through the GRN's annual budgeting process, which is drafted under the three-year MTEF.

²⁰ IMF estimates for 2006, published January 2007.

NDP3 covers the period 2007-2012 with “Accelerating Economic Development through deepening Rural Development” as the overarching theme. A large part of the plan will be informed by a human resource needs identification exercise, ensuring a match between supply and increased demand for a knowledge-based and technology-driven Nation. NDP3 will focus on addressing youth unemployment. It is expected to be finalized in 2007. NDP3 to NDP7 will cover the period of implementation of Vision 2030.

Realizing the daunting poverty situation facing the country despite its rich resources, GRN is fighting poverty and inequality by pursuing an economic growth strategy that also aims to achieve more equitable wealth distribution. In 1998 the cabinet approved a Poverty Reduction Strategy (PRS), which is built around three main notions:

- fostering more equitable and efficient delivery of public services in the context of Namibia’s commitment to decentralization;
- accelerating equitable agricultural expansion, including consideration for food security and other crop development options;
- exploring options for non-agricultural economic empowerment, including an emphasis on informal and self-employment options.

Various redistribution policies are in place, prominent among which are social transfers (pensions, allowances to OVCs and social security-related), the Affirmative Action Loan Scheme, and land reform. Policies that are effective in increasing income generating opportunities for the poor and break the vicious cycle of poverty such as investments in primary education, rural infrastructure, and access to productive assets are also in place.

The PRS was consolidated in the National Poverty Reduction Action Programme (NPRAP), with the overall aim of implementing well designed structures and procedures for poverty monitoring at all levels of government and in close cooperation with relevant stakeholders. It acknowledges the importance of involving poor and vulnerable groups in analysing poverty through Poverty Participatory Assessments (PPAs), and in designing and implementing support programmes. A PPA is a policy research instrument that involves poor people and their institutions in defining and analysing poverty from their own perspectives, complemented by household survey information. PPAs culminate in regional poverty profiles, which in turn inform the national and regional development process. The first PPA in Namibia was conducted as a pilot in Ohangwena region in 2003, followed by a series of PPAs covering all regions by 2006.

II.4 Analysis of the viability of current policies and the medium-term challenges

Public finance is a strong point in Namibia. Public deficits have been kept relatively low at 3.5% of GDP on average since independence. Following an increase in public debt from 13% of GDP in 1990 to a peak of 34% of GDP in 2004/05, measures have been put in place for fiscal consolidation through stronger expenditure control and tax administration which aim to reduce and consolidate the debt ratio to a level of 25%. The extension of forensic audits to the regions will also improve revenue collection, but the high dependency on commodities, the exchange rate and SACU revenues make it quite volatile.

Subsidies to parastatals remain a concern. The newly created SOE Governance Council should help strengthen the dividend payout policy and increase the efficiency of these enterprises. The most challenging reform could be that of the civil service. Past efforts to contain the growth of the wage bill have proven ineffective and, according to the IMF, bolder efforts are required to determine the appropriate structure, quality and remuneration of the civil service. GRN is of the view that through the PMS’ evidence-based rationalization of the public service, both public service efficiency and cost-effectiveness will improve.

NPC is proposing a methodology to restructure the entire development planning system of Namibia, with special emphasis being placed on results instead of inputs. Through this new

approach, it also aims to harmonise and coordinate the preparation and content of all major development planning documents. Effective performance monitoring is the key to this process. The move towards SWAPs for education (in place), the roads sector (in progress), rural development (recently initiated) and the health sector (planned) fit in this new thinking.

The approach adopted by the Cabinet addresses the weaknesses of current development planning. GRN's intention to move from an input-oriented to a results-oriented planning system is a positive development which, however, given the complexity of the methodology, represents an institutional challenge in itself.

CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

Overview of past and present EC cooperation (lessons learned)

The first NIP was signed in March 1992 for ECU 50m, which was additional to the ECU 33.5m already available under the separate budget lines. The agreement reached between GRN and the EC was to concentrate on three focal sectors, namely, agriculture and rural development, health, and human resources. In addition to the NIP, a grant of ECU 40m under the SYSMIN facility was approved to finance projects aimed at reversing the unfavourable trends in the mining sector.

Under the second financial protocol of Lomé IV, the 8th EDF, the NIP amounted to €52m. The priorities were set according to the first Namibian National Development Plan (NDP1): education, agriculture/rural development, tourism and the productive sectors.

Support under the 9th EDF is currently under implementation in rural poverty reduction and education, in addition to activities in a number of non-focal areas. Following the MTR, the amount of programmable resources was increased from €51.13 to €95m. The ETR in 2006 confirmed the validity of the CSP strategy and concluded that the country's financial performance remains strong. The total A-allocation received a further slight increase of €1.94m in order to bridge the financing gap before the 10th EDF will become available.

The introduction of sector and general budget support is at an early stage in Namibia. Since Namibia has not required debt relief and is not receiving International Development Association (IDA) support, a lot of the instruments and assessment tools which have been developed and are required under Heavily Indebted Poor Countries (HIPC) and IDA programmes are not used regularly by GRN. A Public Expenditure Review, for instance, has not been conducted since the mid-1990s, limiting the analytical information available on the budget. On the basis of the experience gained with ETSIP, GRN has set priorities for developing sector approaches in other sectors such as rural development, transport and health. In the education sector, GRN and DPs have agreed on reporting and monitoring frameworks ensuring the timely release of funding, not upsetting planned programmes and activities.

Namibian institutions have been successful in accessing support under the EU-ACP Water Facility (2) and the Energy Facility (1). Namibian stakeholders from the public and private sectors and civil society have learnt how to produce better quality proposals, whether for the EU-ACP facilities, RPRP or other funding opportunities.

Overall, cooperation between the EC and Namibia is highly valued by both sides, and judged to make a significant contribution to poverty reduction and long-term sustainable development leading to a more equitable distribution of resources and greater opportunities for the Namibian people. Fine-tuning of the EC response to development challenges and priorities is an ongoing process that is acknowledged as such by both parties.

III.1.1 Focal sectors

Rural development

Interventions in agriculture and broader rural development featured in the NIP under both EDF8 and EDF9. The Research Extension Management Programme (REMP) and the National Agricultural Services Support Programme (NASSP) were part of EDF8 while the EDF9 Rural Poverty Reduction Programme (RPRP) is currently under implementation.

The €53m RPRP comprises sector budget support for rural water supply and for the construction of rural access roads. Technical assistance for land reform and funding for Decentralized, Demand-Driven Action (DDDA), the latter providing grants for income-generating activities of regional actors, are both applying the traditional project approach..

The result areas of the RPRP include:

- efficient institutional structures in place for planning, managing and coordinating the Poverty Reduction Strategy at central and regional level, and a demand-driven approach institutionalized;
- enhanced capacity and improved complementary interventions to support the land reform measures launched, thus mitigating socio-economic impacts;
- improved market and service access for selected rural communities through labour-based rural road interventions;
- improved access to safe water supply for selected rural communities; and
- enhanced on- and off-farm income generation (rural SMEs developed, community-based tourism initiatives strengthened and access to rural finance increased).

All training activities include a specific module on HIV/AIDS, awareness-raising activities are carried out with all the components of the RPRP, trying to reach as many people as possible, and information materials and condoms are made available.

While the RPRP only commenced in 2005, some early observations are that the implementation of the rural water supply component is well on track, with the Joint Annual Review near completion. The second tranche was made available in early 2007, bringing the total to €10m out of the €11m allocation. Spending on rural access roads is slow. The selection of actions and allocation of funds under the first round of the DDDA “Call for Proposals” was concluded in October 2006. A large number of proposals, mostly from NSAs, were reviewed. The support programme for land reform is well on the way after a slow start and despite capacity gaps government level. Commitments under the RPRP will be made up to the end 2007, with execution of the programme to be concluded at the end of 2009. In addition to that it was observed that Ministries are rather unequally prepared to manage sector budget support. These differences in institutional and managerial capacities hamper universal applicability of sector approaches necessitating a combination of sector and project approaches complemented by appropriate capacity building for concerned Ministries.

Education

Under the EDF7 and EDF8, the EC supported education through selected large-scale projects. However, evaluations questioned the sustainability of such an approach as it did not address concerns about longer-term institutional reform in the sector, particularly the quality of learning being achieved. Due to the fact that GRN adopted sound and sustainable policies and strategies in the education sector and fulfilled the other basic eligibility criteria for budget support, the EC moved to sector budget support (SBS) under EDF9 and channelled additional support for capacity building in the education sector through a pooled fund.

However, the initial support for the Education Sector Programme (ESP) under EDF9 showed its limitations and the need to further develop the sector programme and results framework. The

existing process led to a complete review of the sector by a technical team supported by the World Bank²¹ and the EC. Guided by this review, a fifteen-year strategic plan, the ETSIP, was developed in a joint effort as a fully-fledged SWAp approved by the Cabinet in February 2005, the first in Namibia. This was a major achievement. The process managed to bring together all the stakeholders, including civil society and the private sector, which agreed on priorities and monitoring arrangements through a genuine coordinated process. ETSIP presents a comprehensive plan to achieve Namibia's development objectives. Improvement of the quality of human resources and skills is a cross-cutting issue for all social and economic sectors, mainstreaming HIV/AIDS prevention and control, poverty reduction, democracy, multiculturalism and good governance.

ETSIP is designed to address equity by increasing educational investment in previously disadvantaged areas and communities. For the first phase the strategy aims at increasing the immediate supply of middle to high level skilled labour to meet labour market demands while contributing to improving the quality and relevance of education at all levels. Furthermore, it aims at improving efficiency in resource utilization through a range of policy measures including: higher pupil to teacher ratios; de-linking increments in teacher salaries from irrelevant and redundant qualifications; abating the pace of increase in teacher salaries; and improving and implementing staffing norms within the sector.

Nine sub-programmes (including detailed implementation and procurement plans) have been developed, covering from early childhood development, including for OVCs, to tertiary education and life-long learning. Cross-cutting programmes include ICT, HIV/AIDS and special education needs. Furthermore, ETSIP takes account of the striking regional disparities in Namibia (such as in renovation of educational facilities in neglected areas) through the implementation of admission criteria based on regional quotas and the implementation of per capita funding. These measures, together with provision of hostels services and mobile schools, aim at improving access to quality education of learners residing in rural remote areas and members of minority groups (see NIP, Chapter 2.3).

The critical priorities are: (a) pro-poor expansion of high quality senior secondary education, vocational education and training, pre-entry tertiary education and training programmes; (b) building system equity, quality and efficiency; (c) strengthening system delivery capacity; (d) strengthening the system's response to HIV/AIDS; (e) strengthening the national knowledge and innovation system; and (e) creating an enabling environment for the development of lifelong learning through strengthening the relevant policy, legal and institutional frameworks.

Quality improvement measures should lead to improved internal efficiency as indicated by reduced dropout rates, reduced repetition, and better throughput. Expansion of opportunities for senior secondary education and post-basic vocational education and training will reduce the currently high grade 10 dropout rates.

Achievements are measured through a results framework, as agreed at the Joint Appraisal, providing three levels of performance review. The system starts with twelve key indicators, closely linked to the strategic objectives of the programme. Nine themes are further identified for monitoring and evaluation, each having several results indicators. Finally, tables are specified for each theme (as implementation progresses) to provide the data for these indicators. The monitoring of the efficiency gains takes place within the same results framework, thus correcting the main weaknesses identified in the 2003 sector support programme. The policy framework agreed at that time lacked coherence and detail, adequate implementation plans, and therefore linkage to the budget process, causing half of the EC and SIDA disbursements planned in April 2005 to be withheld.

²¹ Toka Marope, Mmantseta, Namibia's human capital and knowledge development for economic growth with equity, World Bank working paper, 2005.

Policy dialogue between DPs and the MoE has intensified as a result of ETSIP, and is being institutionalised through a new Memorandum of Understanding that provides for quarterly reporting to DPs and half-yearly review meetings.

The EC contribution to the education sector under EDF8 and EDF9 represented a minor share of total funding for the total education vote (1.3%), but led to a major increase in the development budget, for which the EDF9 contribution accounted for roughly 30% of own resources. EC support for developing a sector financing strategy, monitoring systems and VET reforms was an important input for the development of ETSIP.

III.1.2 Projects and programmes outside focal sectors

EDF

EDF support in non-focal areas focused on capacity building, at the NPCCS (8 NAM 31) and at the Ministry of Health and Social Services (MoHSS, 8 NAM 11 & 9 NAM 09), ensuring mainstreaming of HIV/AIDS prevention and response across sectors. The NPCCS programme produced HIV/AIDS training material that is now used widely in NPCCS development cooperation activities, including the DDDA and EC budget line projects. The programme at the MoHSS has the function of coordinating all efforts to respond to the pandemic across all sectors.

Several interventions also support cross-cutting issues such as trade and regional integration. The Namibia Trade and Regional Integration Programme (NTRIP, 9 NAM 08) was planned but never implemented. EDF funding supported the Small Business Guarantee Trust (SBGT), which has not been successful since the capacity on both sides (promoters and banks) was insufficient. Infrastructure was an important element, with the recent Rural Town Sewerage Scheme for Lüderitz (9 NAM 05 & 06) and the Rural Town Sewerage Scheme for Karasburg (9 NAM 10).

Under the EDF9, additional interventions are in the pipeline, to support NSAs (9 NAM 13) and the GRN Public Finance Management reform (9 NAM 15), both of which have been delayed due to difficulties with administrative compliance. Both programmes will be instrumental in creating the overall conditions to allow SBS in other sectors.

A specific capacity building support under the EDF9 for civil society, through its umbrella organisation the Namibian NGO Forum (NANGOF) (9 NAM 13), was motivated by recent experience in providing support to NSAs through grants (8 NAM 31 and 9 NAM 12). While NSAs are best placed as civil society interlocutors, it was recognised that they face serious challenges in the formulation and subsequent implementation of bankable projects. The support will provide the initial funding to create a Civil Society Grant Fund (CSGF). Such a mechanism meets the needs of CBOs and CSOs. It needs a transparent, competitive and fair model for awarding the grants.

Mid-term evaluations and ROM reports from all non-focal sector programmes have highlighted the relevance of their design and their adequate contribution to the development objectives of the CSP. Most of them, however, have or are facing implementation difficulties because their methods are not always suited to EDF procedures.

Thematic budget lines

Namibia benefits from 10 thematic budget line projects in the following sectors: HIV/AIDS (2 projects), rural development (2), education (1), habitat (1), human rights (1), environment (2) and capacity building (1). Two new projects in the field of HIV/AIDS and health were also approved for funding and commenced implementation in 2006.

Although the degree to which current projects were able to achieve impact and integration with national strategies varied greatly, all projects suffered from weak transfer of skills and capacity to the local implementing partner. Indeed, the value added of contracting a European NGO is in

most cases questionable as the local implementing partner is in most cases in charge of all project activities without the corresponding financial responsibility.

III.1.3 Utilisation of Allocation B

In 2004, ECHO utilised part of its €1.3m allocation under the Namibia B allocation to conclude a €1m contribution agreement with the International Organisation for Migration (IOM) for transport and logistics assistance for the repatriation of approximately 6,900 Angolan refugees from Osire refugee camp in Namibia. Despite numerous efforts by IOM to establish the exact number of Angolan refugees willing to be repatriated by the end of 2005 under the voluntary repatriation scheme, the operation was continuously marred by delays and unclear information. IOM's contract with ECHO ran out in December 2005 after the repatriation of approximately 1,300 refugees. IOM estimates that the low turnout for voluntary repatriation from Namibia is due to a number of factors, including fear for personal safety, general apprehension regarding the socio-economic and political situation in Angola and better income opportunities in Namibia.

III.1.4 Other instruments

Cooperation administered by the European Investment Bank (EIB)

Since 1992, the EIB has signed loan commitments for a total of €177m in Namibia, representing one of the highest per capita lending ratios in the ACP countries. At the end of April 2006, the portfolio of active (not yet repaid) EIB loans comprised 15 operations for a total amount of €117.5m.

The large majority of these resources were made available to finance larger infrastructure projects in the water, power, telecom, port and municipal infrastructure sectors, which were all generally well implemented and are operating successfully. The other main area of EIB activity in Namibia has been support to small and medium-sized (SME) private sector projects through two lines of credit ("global loans") channelled to the final beneficiaries via the Bank of Namibia and the local commercial banks. For more detail refer to Annex 12.

III.2 Information on the programmes of the MS and other DPs (complementarity)

In the period from 1990 to 2004, the international community disbursed USD 2.4 billion ODA in support of Namibia's development. Grants provided by the DPs represented around 5% of Namibia's GDP per year. While this level of assistance is important, it may be concluded that Namibia is not over-dependent on external aid. Nevertheless, DP assistance represents a significant portion of the GRN's development budget.

95% of the total donor funds committed from 1990 to 2004 were disbursed outside the State Revenue Fund. Traditional grant assistance through projects was the preferred form of support by DPs. Key sectors receiving priority attention from DPs have been education and health, with one quarter and one fifth respectively of total ODA during 1990-2004, followed by agriculture, forestry, environment, rural development and transport. The volume of external aid has steadily declined since the beginning of the 1990s, mostly due to the country's classification as a lower middle income country. The country enjoyed "as if LDC" status until 2002. According to the UNDP 2004 MDG Report, ODA peaked immediately after independence with support of around USD 130 per capita, but by 2006/07 assistance had decreased to USD 77.43 per capita.

The EU (EC and MS), has provided 72% of total development assistance to Namibia since independence (1990–2004), of which the Commission's share was roughly 30%. Since Namibia's "as if LDC" status has expired, a number of MS have phased out their bilateral aid programmes, while some of them at the same time intensified partnerships with the private sector and civil society. For the private sector, the German Co-operation through a partnership with the Development Bank of Namibia (DBN) and commercial banks has developed a programme in

lending to SMEs, which provides training and mentorship and uses a rigorous approval process of projects on the basis of a business plan and expected cash flow.

The Commission's share of total EU aid has subsequently increased to 50%, with Luxembourg, Germany, France, Spain and Italy remaining the only MS with bilateral aid programmes of different sizes.

III.3 Other EC policies

In line with the EC Communications on Policy coherence for development²² and Speeding up progress towards MDGs²³, some of the EU's non-aid policies are of particular relevance to Namibia's context and development agenda.

Regional integration and trade are central to sustainable economic growth and diversification in a small economy and are among Namibia's development priorities. As highlighted in the analysis above, SACU and SADC are the core institution through which Namibia is taking part to these processes and negotiations. In 2008, through the Economic Policy and Regional Development programme (EPRD), the Commission should continue to support SACU. Namibia must address the challenges of international competitiveness, mainly linked to the need to increase skills' availability and quality, it must ensure sustainable rural development, including by increased economic activity and implement its land reform. Synergies between CSP, SADC RSP and the EU trade policies and agreements (in particular EPA) need to be maximised. Assistance can be provided to support these processes.

Given the close interrelation between **environment**, poverty reduction and rural development, the sustainable use of natural resources for economic diversification is of particular importance for Namibia. In spite of a decreasing contribution to GDP, **agriculture** contributes substantially to income in rural areas. Greater emphasis needs to be put on natural resource management concerning livestock carrying capacity in the most favourable agronomic areas where assessment and mapping of degradation and desertification should be strengthened. The consequences of climate change in terms of environmental degradation, productivity, national and international tension need to be studied. A strong technical support for climate change mitigation strategies should be envisaged as well as possible benefits deriving from the trade in carbon credits. This might even promote investment into agro-forestry or energy production for trading in carbon credits for the benefit of Namibia.

It is important that trade distortions be avoided in terms of support of the EU to its agriculture, which hamper developing countries' agriculture development, but also of trade of agriculture produce (e.g. current Beef Protocol and the succeeding expected EPA). In that regard, grape production, from the poor Southern part of the country, could contribute more to poverty alleviation if the market access to the EU benefited from a similar preferential treatment as more developed producer countries such as Chile and SA, Namibia's direct competitors. To continue to register progress in poverty alleviation in the rural Northern areas, Namibia needs to keep a preferential market access for its beef meat to remain competitive in the EU market share vis-à-vis South American producers. If Namibia was to lose its market share for animal products in the EU, the capacity of the national authorities to address the SPS requirements of the EU could be jeopardised. Ways should be considered on how best to improve the marketing capacity of agriculture producers, i.e. by redesigning the incentives for delivery of high quality products.

Efficient, cost-effective **transport** networks are essential to regional trade and integration. Namibia, thanks to its relatively well developed harbour infrastructure has the potential to serve the whole SADC region. The Walvis Bay Corridor initiative which should have already been supported from the EDF 9 RIP, could benefit from EU initiatives such as the Transport and

²² COM(2005) 134 final.

²³ COM(2005) 132 final.

Investment Facility to seize this opportunity to develop global and regional interconnectivity, security and safety to the benefit of Namibia and SADC countries. Stable and secured access to **energy**, its efficient and sustainable use and the promotion of new and renewable energies are key to the development objectives of Namibia, like it is for all SADC countries. Besides specific partnerships, support to the country and the regional efforts should be increased through instruments such as the EU initiatives for Infrastructure and Energy, as well as through EIB financing.

III.4 Description of the political dialogue with the partner country

In the context of the ongoing political dialogue with the Namibian authorities under Article 8 of the Cotonou agreement, the EU Heads of Missions (HoMs) have access to meetings with senior GRN representatives, including the President and the Prime Minister. The political dialogue is, however, of an *ad hoc* nature, which until now has been considered most appropriate by the EU HoMs. Several Troika demarches were made under the Finnish and German Presidencies, and a substantive meeting was held with the President in November 2006.

III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation

Assistance under the Lomé III/IV Conventions and the Cotonou Partnership Agreement has been the single most important source of aid to Namibia since independence. The Government values this partnership not least for its continuity. Most recently, EC support for the preparation of a Compact proposal for the MCA, expected to lead to grant finance in the range of three to four times the 10th EDF allocation, was highly appreciated.

As a lower middle income country with less donor presence both in financial and human terms than the average African country, the aid harmonization agenda was understandably less urgent for Namibia. The fact that reduced aid from European countries since 2000 has been compensated by a doubling of US assistance, mostly in the form of assistance with the fight against HIV/AIDS under PEPFAR, might have contributed to this. However, aid harmonization is receiving more attention from GRN, which became a signatory to the Paris Declaration on Aid Effectiveness only in 2007.

The development of a sector programme in education (ETSIP) with the involvement of the World Bank (which does not have an office in Namibia) has been a major step towards aid harmonization. GRN has also approved the development of a sector programme in rural development – the theme for the next five-year NDP3 – which largely coincides with the implementation period of EDF10. The EC has been requested to provide technical assistance for developing this approach over the next two years.

If the massive assistance expected under the MCA materializes, it will be important to convince the US of the benefits of the emerging harmonized approaches in order to sustain progress, in particular since education and rural development are MCA priority areas. GRN is engaging the other DPs in the MCA Namibia process and held various consultative meetings with the DPs during the formulation of the proposed MCA Namibia Program. This practice is set to continue during the MCA “due diligence” of the Namibia proposal and the other steps in the process (Compact negotiations, mobilization and implementation). Such close interaction will prevent possible duplication and avoid problems of absorption capacity which, to date, given the small share of aid in Government's budget, has not been an issue.

CHAPTER IV: RESPONSE STRATEGY

IV.1 EU Analysis

The decision to continue with the present priorities in EC support to Namibia, i.e. education/human resource development and rural development, was taken following initial discussions with EU MS and the February 2006 meeting between the National Authorising Officer (NAO) and Commissioner Michel in Gaborone²⁴. This choice is in line with the EDF9 MTR and ETR which both confirmed the validity of the strategy. The priority sectors are central to meeting the goals of Vision 2030, NDP3 and the NPRP. The NDP3, with its theme "Accelerating Economic Growth through strengthening Rural Development", highlights the importance of the second priority area. While Namibia has made progress on most of the MDGs, maintaining achievements and improving the quality of public services throughout the country remains a challenge. Support for the non-focal sectors is geared towards enhancing governance, by building the capacity of NSAs to fulfil their democratic role in providing checks and balances, and by strengthening selected key functions of GRN. Broader support for NSAs aims to leverage their contribution to the priority sectors of the CSP.

Looking at the complementarity of EC support, major changes in the donor landscape since the design of the last CSP have to be considered. These include the closing down of a number of aid programmes by EU MS, and the major engagement of the US mainly through support to the fight against HIV/AIDS under the PEPFAR programme and the Global Fund. The latter is the reason why no EC support to the health sector is provided for under the EDF, as the value added would be limited. However, HIV/AIDS responses will be mainstreamed in all focal and non-focal areas of the EDF10. MCC support, which is three times the size of EDF10, expected by early 2008, will further change the donor landscape. The fact that the MCC has accepted Namibia as one of only three middle income countries can be seen as a major achievement and confirmation of the quality of its governance and policies, although this will be subject to an annual review. While the GRN proposal to the MCC focuses on the same sectors as EDF10, its support will largely be complementary and is only envisaged for a limited period of 5 years. Therefore GRN considers the presence of other donors in MCC sectors important to ensure continuity.

EDF10 support will be complemented by action funded under the new thematic programmes on Non-State Actors and Local Authorities in Development, Investing in People and Sustainable Management of Natural Resources. Projects under the thematic programmes will offer innovative best practice interventions from capacity development to service provision.

The EC's comparative advantage in the focal sectors is built on the experience gained in 17 years of post-independence assistance to Namibia and in similar support to other countries. The size of its contribution and its convening power to bring other DPs, not least from EU MS, to the table is also important. The EC will, in particular, promote the implementation of the principles of the Paris Declaration on Aid Effectiveness by GRN and all DPs.

Factors that could jeopardize the success of the strategy lie in (i) unabated growth of the HIV/AIDS pandemic and its disastrous consequences for the social and economic fabric of the country, (ii) failure by GRN to address the unsustainable size of the civil service, which is bound to compromise fiscal discipline and macroeconomic stability, and (iii) derailing of the land reform process, which could deter investors and/or threaten social peace.

²⁴ During the meeting it was decided to concentrate EC support on the two focal sectors of education and rural development. The reasons for this decision include the high concentration of donors in the health/HIV/AIDS and environment sectors. In addition, the EC regards HIV/AIDS and environmental sustainability as cross-cutting issues, which have a particular relevance in the focal sectors of education and rural development.

IV.2 Focal sectors

The objectives prioritised in the selected focal sectors are:

- for rural development, “to unlock economic development potential in rural areas (*inter alia* in agriculture, marketing of livestock, indigenous natural products, tourism and small business development) to reduce poverty in a long-term sustainable manner”; and
- for human resources development, ETSIP, “to improve the quality and relevance of education at primary, secondary and vocational training level”.

In rural development, the provision of basic infrastructure such as water, sanitation and roads is focused on unlocking economic opportunities, yet will have a definite positive spin-off on social conditions in the communal areas.

In education, the quality of output of the education system needs to be improved for students to meet the demanding requirements of tertiary education and/or the modern, working world.

Rural development

Motivated by the fact that most people are dependent on the land for their livelihood, the concentration of poverty in rural areas and the need to stop high rates of migration to the urban centres where little or no work awaits the rural migrants, GRN continues to give high priority to development actions in rural areas. It has identified “Accelerating Economic Development through deepening Rural Development” as the overarching theme for NDP3.

In Namibia, the EC has been intimately involved in programmes aimed at reducing poverty in rural areas, partly through improving livestock production and marketing, supporting the Indigenous Plants Technical Team (IPTT), financing micro-credit options and SME financing schemes, promoting the use of enhanced seed, facilitating access to draught animal power and supporting emerging commercial farmers. The components of the EDF9 RPRP – land reform, water sector development, roads and the promotion of economic activity – remain highly relevant in the context of the NDP3 following national development priorities:

- land reform to contribute to a more equal access and productive utilization of natural resources and to environmental sustainability;
- water, sanitation and roads infrastructure development, to improve the quality of life, as well as health and economic opportunities in the rural areas;
- sustainable business activity and employment in rural areas, to increase economic competitiveness, environmental sustainability, and productive utilization of natural resources.

Given the appropriateness of the current interventions aimed at rural poverty reduction, support for these sectors will continue under EDF10. To remain a partner in “rural development” is both strategic and logical given the EC’s past successful involvement and comparative advantages – in trade; the environment and the sustainable management of natural resources; infrastructure; rural development, territorial planning, agriculture and food security; and employment creation.

Based on good experiences made with the RPRP and pending on the results of further assessments (e.g. review of the Decentralised Demand Driven Actions) further support should be provided to actions related to promoting agricultural and non-agricultural activities in rural areas, land reform, water supply and sanitation as well as improvement of road infrastructure. However, support to these areas will also depend on the outcome of the SWAp for Rural Development, currently under examination.

Specific attention will be paid to environmental aspects of rural development by conducting more systematically Strategic Environmental Assessments (SEAs) as part of preparatory actions. Emphasis will also be given to the sustainable use of natural resources and to the promotion of renewable energies (e.g. bio-fuels) to contribute to income generation, more appropriate land use and reduction of carbon dioxide emission from fossil energies.

The focal areas will link well with GRN policies and priorities. Poverty reduction initiatives link closely to the National HIV/AIDS Response adopted by the National Assembly in March 2007. Having access to a sustainable, reliable source of income will have a multitude of spin-offs, including improved nutrition and access to healthcare. In the sparsely populated areas, it is impossible to build and operate enough clinics to be within walking distance for all. Access to finance combined with an extended rural access roads network²⁵ will contribute to the achievements of health-related MDGs²⁶. It will also facilitate access to education, in line with efforts to achieve education-related MDGs²⁷, giving children the opportunity to join the upward spiral of poverty alleviation. The continuation of support for improving access to safe drinking water offers both economic and health benefits. Although Namibia is on track with regard to MDG 7²⁸ in terms of access to safe drinking water, any further improvement in this indicator will be very costly if it is to reach the most disadvantaged areas and populations in the Northern regions, where ground water is brackish. Support for rural sanitation aims to support GRN's efforts to catch up with this MDG 7 component, where progress is lagging behind. It will also impact positively on the health situation. With the introduction of land titles improving the sustainable use of grazing land, land reform in the Northern communal area is also expected to directly enhance progress toward the MDG 7 component "percentage of freehold land". Another MDG 7 indicator is "Registered conservancies", expected to be targeted in the rural development focal sector under "rural economic activities".

GRN is committed to develop a SWAp for rural development, although it is very complex and multi faceted sector. It will be very challenging to pull together the various sectors and ministries involved under a SWAp. Pending further assessments – including institutional capacity assessments and SEAs – a SWAp should be developed out of a given sub-sector with possible further expansion. To initiate and drive the process specific training promoting SWAp for rural development should accompany this process. This should ensure the basis for further identification and formulation missions under the guidance of the GRN, which will be funded from the NIP to define content and layout of the SWAp. Considering the need for continuous action, project approach will be pursued in parallel to the development of the SWAp (see also section 2.3 below).

Human resources development (Education and Training Sector Improvement Programme)

ETSIP represents the first fully-fledged SWAp in Namibia and will require funding of about N\$2.4b over the next 5 years. ETSIP provides a strong basis for continued and increased support. Using its own resources, and contributions from the private sector and civil society, the GRN began to implement ETSIP in June 2006, even before additional external support became available. A successful implementation of ETSIP and progress in education is a top political priority. ETSIP aims in particular at improving the literacy rate of the 15-24 years old, an MDG that showed only slow progress in 2004, and will also ensure that the progress registered towards the other education MDGs be consolidated. MoE has conducted background studies to assess potential environmental and social impacts as a result of ETSIP activities. To this end, an environmental and social management report concluded that ETSIP is not likely to have significant negative environmental and social impacts while supporting a variety of positive impacts such as an increase in educational opportunities for the most marginalized groups, improved quality of education, and poverty reduction. Students and communities will be involved in the implementation of activities to address environmental and social concerns, using

²⁵ The EDF10 intervention in the roads sector will focus on rural access roads development and upgrading. Opening up international routes – the HIV/AIDS highways – is not considered. Nevertheless, HIV/AIDS preventative measures will be integrated into road construction tenders.

²⁶ MDG 4 Reduce child mortality, MDG 5 Improve maternal health, MDG 6 Combat HIV/ AIDS, malaria, etc.

²⁷ MDG 2 Achieve universal primary education, MDG 3 Promote gender equality and empower women.

²⁸ MDG 7 Environmental sustainability.

the advocacy services for ETSIP. School curricula already include environmental education. ETSIP includes specific objectives to widen the access to ICT in schools and centres identified for life long learning. An ICT conference organised by the MoE and supported by GESCI (UN) has identified amendments to be made to the ETSIP implementation plan in order to further contribute to reducing the digital divide. By supporting ETSIP at a sector level, EDF10 is contributing directly to ICT development.²⁹

Beyond improving quality and equity, which are directly related to MDG achievement, ETSIP includes efficiency measures that are necessary to keep education sector expenditure affordable in GRN's resources envelope while allowing increased development funding. Historically, only about 4% of the total education budget has been allocated to development. The re-allocation of priorities proposed by ETSIP will increase this share to 24% in 2008/09. But in order to achieve these results, the programme requires substantial (85%) external funding. The MoE has obtained pledges from DPs, including the Millennium Challenge Corporation (MCC), the EU (Commission and MS), and the private sector. It has managed to secure additional budget funding to fully finance the programme.

The EDF10 allocation to ETSIP is crucial for its viability since, at €42.15m, it would represent about 18% of external funding. It will not only facilitate programme implementation but, equally important, safeguard the contributions of other DPs, including the MCC. The continued strong presence of the EC in ETSIP will also provide a stable basis for other MS which envisage joining the programme.

Capacity constraints pose a risk to ETSIP implementation. To overcome this, MoE will be the first of the ministries to roll out the "Performance Management System" (PMS) (see II.1.2), which puts in place an individualised system to ensure not only proper identification of needs and adequate training, but also the necessary management system, including monitoring of performance. The programme gives high priority to human resource and organisational development within the administration and will ring-fence the resources necessary to build much-needed capacity in the sector.

IV.3 Non-focal sectors

Support for non-focal sectors will be directed towards improving governance and civil service effectiveness, and leveraging NSAs' contributions to the EDF10 priority sectors.

Governance

The PMS (see II.1.2) presents a systematic approach to increasing efficiency in the public sector by reducing and redeploying staff based on performance monitoring and evidence-based reforms. The Public Service Act will be amended to empower the PMS process, facilitating retrenchments of redundant and under- or non-performing staff.

Tangible results in the early years of implementation are likely to enhance confidence levels in the PMS process and help get buy-in from civil servants and GRN at large. The successful roll-out of the PMS will consolidate a performance culture across the public service. In addition, the OPM is finalising the setting up of the Namibia Institute for Public Administration Management (NIPAM), which should further enable public servants to deliver specific services. The NIPAM will for example target the upgrading of services to be delivered by the Office of the Auditor General, the Ministry of Justice and Office of the Attorney General.

²⁹ as per COM (2006) 181 adopted by the EU (Towards a Global Partnership in the Information Society) and the Draft EU-AU Joint Strategy for Africa

EC support is further motivated by the acceleration of the decentralisation process expected through PMS, and the envisaged positive impact on donor coordination and SWAs.

EDF10 will also support the implementation of PMS in NPCCS. Additional capacity building efforts will be developed for the improved objectives of the NPCCS, focusing on policy development, monitoring and evaluation, integrated development planning and macro-economic analysis. Clearer objectives and better coordination will enhance the use of external resources.

Better capacity will allow NPCCS to increasingly play a leading role in the coordination and development of SWAs and implementation of the principles of the Paris Declaration. On the basis of Namibia's commitment under the ACP-EU Cotonou Partnership Agreement, the NPCCS has increased its capacity to play fully its role of NAO. Further support is proposed under EDF10 to strengthen the mandate of the NAO. Continued support will strengthen macro-economic modelling and planning for the implementation of Vision 2030 through NDP3.

In response to serious shortcomings in the National Statistics Service, the CBS has started to transform it with the implementation of the recently adopted National Statistical Plan (NSP-3). Given the importance of evidence-based policy planning and the use of reliable indicators in performance monitoring, support for the CBS is essential. The EC, together with other DPs, is willing to support this as part of wider results-based monitoring and the implementation of the Paris Declaration principles. A partnership with the European Statistical System should be envisaged for sustainable cooperation beyond the EDF10.

In areas where GRN has made commitments (see Annex 9), support for institutions which aim directly to improve economic and democratic governance is envisaged. As an additional benefit, this is likely to include support for institutions affected by the phasing out of some Member States' support to Namibia, in line with recent decisions taken at EU level.

Non-state actors

Article 1 of the Revised Cotonou Agreement reiterates the importance of support to NSAs. In Namibia, the partnership between state actors and the so-called "civic organisations" is fostered by the Civic Organisations Policy, which recognises their important complementarity as partners in the implementation of development objectives. Following capacity building under the EDF9 (see III.1.2), further support will allow more civil society organisations at grassroots level to access funding for projects and initiatives and successfully implement these. EDF10 may contribute additional funding to the Civil Society Grant Fund (CSGF) to broaden its scope to more disadvantaged communities in the rural areas, including in the resettlement areas in the context of the land reform, micro-and small scale enterprise support, building human capital and to environmental activities in order to leverage their contribution to the objectives of the CSP. It will also entail promoting their democratic role, e.g. in monitoring progress on governance, and contributing to the national HIV/AIDS response.

Technical Cooperation Facility

To provide for *ad hoc* technical cooperation, initiated jointly by GRN and EC, a similar Facility under EDF9 has proven most useful, especially for swift interventions. Continuation is therefore envisaged under the 10th EDF. Among other interventions, TCF was used to support the reorganisation of Air Namibia, a SOE. Similar interventions in the air transport sector could be envisaged. Likewise, TCF could be used to carry out a country environmental profile and could, under EDF10, fund additional SEA in the focal and non-focal sectors.

PART 2: INDICATIVE PROGRAMME

2.1 Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed timetable of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or *ad hoc* reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

2.2 Financial instruments

The implementation of the EC's cooperation strategy with the Republic of Namibia will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

10th EDF, A allocation, €103,000,000: this allocation will cover long-term programmable development operations under the strategy, and in particular

Rural development:	€45.20m, 44%, 10 th EDF
Human resource development:	€42.15m, 41%, 10 th EDF
Other programmes:	€15.65m, 15%, 10 th EDF
of which:	
Governance	€9.00m
Support for initiatives by non-state actors	€5.00m
Technical Cooperation Facility	€1.65m

10th EDF, B allocation, €1.9m: this allocation will cover unforeseen needs such as emergency assistance where such assistance 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. Replenishment is possible after a two-year period.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or *ad hoc* reviews.

Investment Facility: in addition to the financial instruments mentioned above, of which the A allocation is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise** (CDE) and the **Centre for the Development of Agriculture** (CTA).

10th EDF **regional indicative allocation** will cover long term programmable development needs linked to the implementation of an EPA in the SADC EPA region. The allocation is not part of the Indicative Programme but may have repercussions at national level depending on the participation of Namibia in the programmes proposed under the regional framework.

Other financial instruments:

Specific activities may be supported by external actions funded by the general budget of the EC carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" *<and the programme for accompanying measures for ACP Sugar protocol countries>*, as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

Monitoring and evaluation

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with Namibia implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

2.3 Focal sectors

Rural development

The following specific objective will be pursued:

Living conditions and livelihoods of the rural poor will be improved. This will be achieved by supporting GRN's policies related to rural development with special emphasis on rural economic activities, land reform, rural water supply and sanitation, as well as rural roads network. It is expected that the foreseen actions will enhance farm and non-farm employment and income and promote a more rational and environmentally sustainable use of natural resources and food security at household level. SEAs will become part of all preparatory actions wherever relevant. A number of actions will have a direct positive environmental impact (e.g. improved herd and bush-encroachment management with the aim of bio-fuel production).

As an indicative amount, €45.20m is earmarked for this area of intervention. Support will be provided to the emerging SWAp, admittedly a highly complex process for a multi-faceted sector such as rural development, which involves not one but several line ministries. Until a SWAp is in place, however, which is expected not before 2009 at the earliest, EDF support will continue to be mobilised by providing budget support at sub-sector level where this is possible, and project support otherwise. The feasibility of this intervention will be reassessed at the identification stage with reference to the overall budget support eligibility criteria and progress in the sectoral policy commitments made by the Government. It is expected that about 50% of the funds earmarked for rural development will be delivered in the form of (sub-) sector budget support. SBS is envisaged as the preferred mode of delivery in the rural water and sanitation (together €18m) and rural roads (€9m) components. The possibility of using SBS (up to €15m) in the rural economic activity and land reform components will be considered if eligibility improves. Such a decision would be

subject to agreement between the NAO and the Commission services to be reached in the context of an annual, mid-term or end of term review.

Rural economic activities

With limited opportunities for crop production due to low and erratic rainfall, livestock represents the main source of agricultural income, both in communal and commercial areas. In the communal areas, agricultural growth is restricted by low input/low output crop production practices and the traditional management of the livestock sector. Cattle are predominant in the centre and northern regions, while farming with small stock, including Karakul, is concentrated in the arid more southern regions. The commercial livestock sector accounts for about 70% of the total value of agricultural output. SA and the EU are important markets for Namibian livestock.

Considering that 60% of cattle production takes place in the communal land north of the veterinary cordon fence and the export of this meat is restricted and therefore less profitable, an intervention to improve livestock production in communal land has a high potential to reduce rural poverty. During a period of transformation in the livestock sector in the Northern Communal Areas, the aim is to develop communal livestock farming into a modern industry capable of contributing sustainability to economic development. Therefore the improvement and expansion of the marketing infrastructure, the provision of adequate extension and improved animal health will be targeted, addressing SPS matters as required. Improved market access for beef and cash crops is fundamental to this transformation. The EU is an important premium market destination for Namibian-produced beef, and possibly in future increasingly also for mutton (bone in meat). The market could be strengthened by moving the VCF towards the border with Angola. The possibility of moving the veterinary fence and the conditions attached to it are to be studied and worked out together with the relevant authorities. The EC also has strong expertise in SPS and other import regulations pertaining to meat. These factors make the EC an ideal partner to support the increase in production of large and small stock and mainstream the commercial marketing thereof, in communal areas and on resettlement farms in commercial areas, through improved animal health, quality and marketing. In particular, the following fields of activity are proposed: construction of targeted marketing infrastructure, support for quality demand-driven market systems and the promotion of a marketing environment.

The production of economically viable indigenous plants with medical benefits is to be supported through transfer of technology and marketing. Conservancies to enable the local population to use the natural resources in a sustainable and profitable way have successfully been set up in Namibia and this should be promoted. As the tourism sector is presently the fastest growing economic sector, the involvement of rural communities is a realistic opportunity to improve their economic situation and to empower them to manage their natural resources. Generally, the potential for the establishment of SMEs to exploit demand and economic opportunities for off-farm employment are to be supported. This should include ways and means to improve access to established channels of rural finance services. Under the 10th EDF, particular attention will be paid to supporting both farm and off-farm economic activity in rural areas with a view to increasing Namibia's supply-side response to possibilities arising from increased regional trade and improved market access to the EU under an EPA, expected to enter into force in 2008.

Strategic linkages between the proposed rural development interventions and natural resources management will be pursued through environmental activities targeting the most pressing specific challenges (as identified in the Country Environmental Profile) such as bush encroachment, and enhancement of rural communities' capacity to adapt to climate change in agricultural and pastoral systems in drought-prone areas. The final choice of activities will also depend on the interventions of other stakeholders including international companies. The possibility in trading carbon credits may attract firms to invest in agro-forestry and bio-fuel production, which could perfectly lead to a more rational use of natural resources and job-creation.

Support for land reform

The envisaged transformation will need to go hand in hand with a change in land tenure systems in communal areas and land reform in commercial areas, providing improved access for previously disadvantaged Namibians to a source of income. The implementation of the Communal and Commercial Land Acts, through the PTT Action Plan, will need to be fast-tracked.

The PTT report forms a good basis for future development cooperation in the field of land reform. It is recommended to provide continued technical support in order to contribute to the successful outcome of the land reform process with the aim of ensuring political stability and minimising disruptive effects on the agricultural sector's contribution to the national economy.

The main scope of assistance with regard to land reform under the 10th EDF will be to assist GRN in the implementation of the Action Plan. Lack of capacity and difficulties in carrying out land reform are seen as root causes for the slow implementation of the process. Therefore, continued support for capacity building is envisaged. Continued support for capacity building in the Ministry of Lands and Resettlement (MLR), for the Land Boards and for land surveying is envisaged. The demarcation of farmland for individual use in the communal areas under leasehold titles is providing a strong incentive towards a more commercial approach to farming and is a positive development from an environmental perspective. Efforts should also be made to facilitate broad stakeholder participation in the land reform process by promoting enhanced coordination between GRN and NSAs.

Consistent with past interventions, the EC will continue to advocate an open approach to the land issue without ruling out any option upfront, including that of supporting transparent and accountable land acquisition/redistribution process (rule of law, fairness and equity principles respected) in order to arrive at an optimal mix of support. EC support will continue in tandem with policy dialogue with the GRN on how the land reform process is rolled out and implemented. In order to counteract the negative perception of the slow execution of the Land Reform Process, the MLR will be assisted in implementing the Communication Strategy it developed in 2006.

The key objective of the land reform process in communal areas is to provide security of title for the population living in these areas. Surveying and registration of land rights in communal areas is key to economic development. Given the size of the communal areas and the number of plots to be registered it is an enormous task, which is currently supported under the 9th EDF and will require further support under the 10th EDF.

Furthermore, support for the resettlement programme is seen as an important component which will assist GRN in increasing the viability and sustainability of this scheme. There is general consensus that the goals of land reform can only be achieved by providing a support package. It is suggested that such support packages to newly settled farmers include housing, water, roads and extension services and, in most cases, subsistence allowances.

Rural water supply

The transformation from communal to more commercial farming practices, rural income diversification and land reform all require reliable access to safe and affordable sources of water. Besides the provision of safe water, the establishment of water point committees which empower local communities to manage and maintain their water resources has proven a great success under the SBS assistance of the ongoing RPRP. The rural water supply component of the RPRP is highly appreciated and has shortened the waiting time for the planned intervention by 50%. The long-standing and very successful relationship with the Department of Water Affairs in the delivery of rural water supply, the roll-out of which depends on community-based water management systems, will be continued under EDF10.

Rural sanitation

GRN requested the inclusion of support for ‘Strengthening Service Delivery through Rural Sanitation Development and Improvement’ and ‘Regional Councils’ Sewerage System Upgrading’ implemented through the Ministry of Health & Social Services (MoH&SS) and the Ministry of Regional and Local Government, Housing and Rural Development (MoRLGHRD) respectively, under the 10th EDF. The programmes will help with coordinating the rural sanitation activities of the different Ministries and NGOs in order to reduce water-borne diseases in rural communities, e.g. cholera and polio, by means of safe disposal of human excreta. A Medium-Term Plan has been set out, covering total resources allocated to sanitation, main activities to be undertaken over the period 2007/2008-2009/2010 and how these will help meet Government objectives and targets.

The MoH&SS, as the custodian of the sanitation development and improvement programme, has developed a National Rural Sanitation Strategy which shifts the focus from the supply of 'bricks and cement' to a more people-centred approach, which in addition to building latrines includes the use of participatory techniques, aimed at long-term behavioural change in relation to hygiene. As early as 1999, the MoRLGHRD carried out a study on improving single quarters and a plan of action to do away with the bucket system for disposing of human excreta. A priority list of settlements, villages and towns in need of improved sanitation was drawn up, and GRN has already started up the programme. However, to fast-track implementation, GRN has requested supplementary support and the inclusion of the programmes in the 10th EDF as was the case in previous EDFs.

Road construction

The expansion of the road network in the communal areas of the North will address the existing regional imbalances. While half of the country's population lives in the north, only 10% of the road network is located in this region.

In view of the financial challenges in road sector financing, the Ministry of Works, Transport and Communication (MWTC) and its road sector SOEs, in collaboration with some of its long-standing DPs, particularly the German KfW, commissioned a study on a SWAp in the road sub-sector in 2006. The approach aims at developing an expedient and integrated financing framework. At present, the financial accounts of any of the organizations involved in the road sub-sector do not provide a comprehensive overview of the different funding channels and do not relate these to the sub-sector's different annual, medium-term and long-term plans and to performance outcomes. Furthermore, the study seeks to address the challenge of inadequate financial resources for timely road maintenance.

The EC has been an active partner in the roads sector for many years and supports the SWAp. Acknowledging the limitations of EDF10 funding in large-scale infrastructure investment, even a not-so-sizable contribution to the SWAp, will reflect the EC's confidence in the process and strengthen the sector's leverage with other DPs, DFI and IFIs.

SWAp for rural development

Support for GRN's efforts to develop a SWAp for ‘rural development’ will be a strategic intervention. As mentioned in Section II.1.3 of the CSP, GRN has started the process towards such a SWAp and hopes to finalize a strategic framework for development actions in rural areas by the end of 2008. The EC focal sector support for rural development contains key areas to be covered by the planned SWAp. However, finalising a holistic SWAp encompassing all possible elements relevant for rural development constitutes a challenge. Therefore a phased approach is proposed starting with institutional support for the development of the sector framework coupled with the application of budget support in the most promising sub-sector(s).

Namibia's third National Development Plan (NDP3 2007-2012) has as its overarching theme "Accelerating Economic Development through deepening Rural Development". The 10th EDF implementation period coincides largely with that of the NDP3. Assistance for the development of the new overall approach to rural development will be carried out in two phases: (1) to develop an adequate rural development policy and (2) to establish a rural development sector-wide approach.

The main sectoral policy measures to be taken by GRN to help implement the response strategy in this field are:

- Capturing the priorities in the budgetary process (MTEF and MTPs) that set the goals and objectives for the different line ministries concerned. For rural development, GRN is committed to poverty reduction and eventually alleviation through a certain number of policies that will contribute to sustainable and equitable development of the country.
- Several policies already in place are paving the way to greater equity and increased development. This is certainly GRN's commitment through the National Land Policy and the National Resettlement Policy, supported by the Environmental Management and Assessment Bill 2004, which aim at resettling eligible people in an institutionally, sociologically, economically and environmentally sustainable manner. The Communal Land Reform Act 2002 that came into force in 2003 aiming to improve communal land tenure systems is also an important element in that regard, as is the National Agricultural Policy, which aims to realise national goals and sustain economic growth, create employment opportunities, alleviate poverty and reduce income inequalities.
- Complementary to these, several policies provide for increased control, management and responsibility, empowering people at grassroots. The Community-based Natural Resource Management Policy and the Forest Act provide for the devolution of rights and responsibilities for natural resource management to the community with the aim of restoring depleted resources and the development of income-generating activities from these resources. Water and sanitation policy is heading in the same direction of handing over the management and control of water resources in communal areas to the communal resource users.
- The main commitment by GRN to ensure mainstreaming of cross-cutting issues is the development of a SWAp for Rural Development as stated in the 3rd National Development Plan.
- When determined in the SWAp, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

For this component, programme support is envisaged as the preferred mode of delivery.

In order to promote aid effectiveness, and in coherence with the EU Code of Conduct on Division of Labour in Development Policy, discussions will be undertaken with Member States and other stakeholders in order to look at a possible rationalisation of EU support in the different sectors and subsectors.

Human resources development

The following specific objective will be pursued: to increase the supply of middle/high level skilled labour to meet labour market demands and support overall national development goals. This will be achieved by improving the effectiveness, quality, efficiency and the development relevance of the education and training system, within the Education and Training Sector Improvement Programme (ETSIP). As an indicative amount, €42.15m will be set aside for this area.

The preferred implementation modality will be sector budget support.

ETSIP focuses on results areas grouped under the following themes:

Early Childhood Development (ECD) and Pre-Primary Education

Early Childhood Development (ECD) and pre-primary education are widely recognised as having a significant impact on the subsequent performance of children in basic education programmes. They lay the foundations for acquiring basic literacy and numeracy skills, they considerably reduce dropout and repetition rates and, if well managed, they predispose the child to learning and attending school. The challenge in Namibia is to ensure they are also available to the less advantaged communities most in need of them.

General Education

General education is the most important education that the vast majority of the youth will receive for the foreseeable future, and must provide the foundation for lifelong learning. Good quality formal general education (grades 1-12), together with non-formal delivery modes, builds the foundation skills required for (a) employment of trainable people who can adapt to labour market changes; (b) increased capacity intake to VET for the development of skilled workers, and (c) increased numbers of school leavers who can enter tertiary levels of the education and training system.

Vocational Education and Training (VET)

The VET system's key weaknesses persist as reform is awaited. The main challenges are to: (a) strengthen the management capacity of the system to respond to, and involve employers in, policy decisions and directing the system, i.e. to make it more demand-led; (b) decentralise public skills provision to respond better to local requirements and stimulate initiatives; (c) build the quality of training; (d) reduce reliance on the government for financing and provisioning skills development, and (e) expand coverage and outputs equitably. At present an equivalent of only about 3% of those completing grade 10 can gain access to VTCs despite persistent shortages of skills in the economy.

Tertiary Education & Training

The first step in improving quality at this level is to raise the quality of the intake. Pre-entry and foundation courses need to be expanded to increase the intake rapidly and improve its quality, particularly in languages, science and mathematics. These courses should target disadvantaged groups. Special courses offered to ease learning difficulties among students already enrolled should be expanded and reinforced. Staff development programmes should be expanded to improve the qualifications of a wider base of academic staff. Finally, quality assurance measures should be improved and applied across institutions.

Knowledge and Innovation

Given the low level of education and training, most producers of knowledge and innovation are unable to present their production failures as knowledge and technology needs. There is also a lack of research and development capacity in the private sector. The challenges are: (a) the lack of a system for identifying sectors whose productivity is constrained by the lack of relevant knowledge and technology; (b) the lack of a national system for the coordination and development of science and research capacity, and (c) the lack of a system for linking knowledge demand to effective supply of knowledge.

Information, Adult and Lifelong Learning (IALL)

With adult literacy rates in Namibia having reached 83% by the year 2003, there is a need for a more widely based adult learning programme that nevertheless still supports the disadvantaged in their efforts to work their way out of poverty. Closer synergies with formal education are being

sought. There is a need for an overarching policy on lifelong learning as Namibia pursues its intention of becoming a learning nation.

Information Communication Technology (ICT) in Education

The initial focus will be on building a firm foundation in general education in order to provide these skills and competencies, from which other sub-sectors such as Vocational Education and Training, Tertiary Education and Training and Information and Adult and Lifelong Learning can benefit. Developing ICT as a cross-cutting theme will support the creation and distribution of knowledge to communities in a more equitable manner. In doing so, ICT will act as a tool in driving the development of knowledge and innovation, strengthening the quality and relevance of Tertiary Education and Training and providing access to information in a more integrated and comprehensive manner across the sector.

HIV/Aids Mainstreaming

The first phase of the HIV/AIDS response in the education sector was characterised by numerous pilot initiatives across the sector, often developed on the initiative of small enterprising NGOs, which gave valuable information on the characteristics of effective interventions. One of these, a peer education initiative aimed at mid-teenagers, My Future is my Choice, pioneered with help from UNICEF, has been widely copied elsewhere. The second identifiable phase featured the development of structures for coordinating the response. A sector-wide coordinating committee was established, a series of linked national programmes developed and successful funding application for these was made to the Global Fund. An office with a secretariat was established in the MoE. The HIV and AIDS Management Unit (HAMU), as well as regional units and Regional AIDS Committees for Education (RACE) were set up, matching a similar structure in the health sector. The third phase, a fully coordinated and managed response to HIV and AIDS followed the publication of the National Policy on HIV and AIDS for the Education Sector. The work plans of HAMU and RACE are based on these binding objectives, which also reflect the objectives of the Third Medium-Term Plan, MTP III, 2004 -2009, the overarching government plan covering all sectors. The four components are:

- (a) Prevention
- (b) Treatment, care and support
- (c) Workplace issues
- (d) Managing the HIV and AIDS response

Capacity Development

The Ministry's strategy is to develop its capacity over the next 15 years as part of ETSIP. However, the implementation of ETSIP in itself requires capacity. Therefore, in prioritising its actions, the Ministry has chosen activities that will be included in the first five-year phase of ETSIP. In this component, attention and action will be focused on the "machinery" that runs the system: the non-teaching part of the Ministry at headquarters and in the regional offices. The approach followed by the Ministry is to progress on all fronts at the same time, but to do so incrementally. During the first five years of ETSIP, action will include all activities that can and need to be done in each of these areas. Regardless of the modality of support, the activities will be prioritised based on technical sequencing considerations to assure that the capacity to build capacity and the capacity to implement ETSIP is in place first.

2.4 Budget Support

Sector Budget Support will be the preferred financing modality for the focal areas, if conditions allow. When support is given through SBS, the following eligibility criteria will be kept under continuous review based on available diagnostics:

- Progress in the implementation of the sector strategy (or policy)
- A stability-oriented macroeconomic policy in place or under implementation
- Diagnosis of PFM systems³⁰ and follow-up of measures to correct eventual weaknesses identified.

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer within the context of an operational, mid-term, final or *ad hoc* review.

2.5 Other programmes

An indicative amount of €15.65m is set aside on the one hand to increase civil service efficiency and effectiveness in areas related to the priority sectors and on the other hand to leverage NSAs' contributions to the priority areas and to the governance/democratization agenda.

Support for non-focal sectors will be directed as follows, and in the light of recent decisions taken at EU level aims also to mitigate undesirable consequences caused by the phasing out of EU member state support to Namibian institutions:

Governance (€9m)

- support for the roll out of the Performance Management System (PMS) by OPM;
- enhanced capacity of the NPCCS, including the CBS;
- support for institutions which aim directly at improvements in economic and democratic governance areas, where GRN has made commitments in Annex 9.

For this non-focal-sector support, programme support is envisaged as the preferred mode of delivery until such time as other modalities can be envisaged.

Non-state actors (€5m):

This covers non-state actors eligible for funding under Article 6 of the Cotonou Agreement and Article 4(1)(d) of Annex IV to the revised Agreement. Depending on their mandate, support to non-state actors may cover activities such as capacity building, advocacy research, awareness raising, monitoring and delivery of services to the population. In supporting non-state actors, the EC may make use of Article 15(4), which allows it to act as the contracting authority. An amount of €5 million will be made available for this purpose.

On the basis of the experience acquired under a similar support programme under the 9th EDF (9 ACP NAM 13), further support will be provided to increase capacity building for NSAs at deeper grassroots level. The 10th EDF support programme will further support the NSAs Fund created with 9th EDF support, along similar support from other DPs and private sector partners under their Corporate Social Responsibility programmes.

Building and strengthening the capacity of SMEs to play their role in a wider public-private partnership would be supported by the 10th EDF. The support could be channelled through umbrella organisations.

Technical Cooperation Facility (€1.65m):

To provide for *ad hoc* technical cooperation, initiated jointly by GRN and EC, a similar Facility under EDF9 has proven most useful, especially for swift interventions. Continuation is therefore envisaged under the 10th EDF. Among other interventions, TCF was used to support the reorganisation of Air Namibia, a SOE. Similar interventions in the air transport sector could be

³⁰ PEFA is the EC's favoured tool

envisaged. Likewise, TCF could be used to carry out a country environmental profile and could, under EDF10, fund additional SEA in the focal and non-focal sectors.

2.6 Intervention Framework & Performance Indicators

Rural Development

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	To contribute to the sustainable and equitable development of Namibia	<ul style="list-style-type: none"> • GDP increased • Gini Coefficient reduced • Human Poverty Index • Labour Force Participation • Human Development Index 	<ul style="list-style-type: none"> • World Bank: World Development Indicators database • UNDP Human Development Reports • National Accounts & Labour Force Surveys • National HIV Sentinel Survey Reports 	<ul style="list-style-type: none"> • Regional and national political stability • GRN's response to the HIV/AIDS pandemic rigorously implemented
Programme Purpose	To improve living conditions and livelihoods of the rural poor	<ul style="list-style-type: none"> • Proportion of households living in relative poverty reduced • Rural poor households will generate additional income • Per capita consumption & expenditure in rural areas • Number of jobs created 	<ul style="list-style-type: none"> • NPCS reports of the Poverty Monitoring System • Household Income & Expenditure Surveys • Core Welfare Indicator questionnaire surveys 	<ul style="list-style-type: none"> • GRN gives priority to development actions in the rural areas of Namibia • GRN continues to decentralise
Results				
	Component 1 - Rural economic activities			
	<p>(i) Livestock marketing and productivity in rural areas improved:</p> <p>(ii) On-and Off-Farm income generation improved and diversified through:</p> <ul style="list-style-type: none"> - indigenous plant protection and production - rural SMEs - community based tourism initiatives - access to rural finance 	<ul style="list-style-type: none"> • Living standards of producers raised • New technologies adopted • Livestock off-take rate increased • Conditions for meat export fulfilled • Rural poor households will generate additional income • Per capita consumption & expenditure in rural areas • Number of jobs created 	<ul style="list-style-type: none"> • Research records • Veterinary records • FVO standards • Household surveys • Meatco & auction records • NPCS reports of the Poverty Monitoring System • Household Income & Expenditure Surveys • Core Welfare Indicator questionnaire surveys 	<ul style="list-style-type: none"> • Sufficient and good quality grazing land available • Namibia's macro-economic situation remains stable • GRN supports the principle of equitable access to natural resources

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
	Component 2 - Support to Land Reform			
	(i) Enhanced capacity of GRN and stakeholders to effect land reform in a sustainable manner	<ul style="list-style-type: none"> • Smooth progress in the implementation of the Land Reform Action Plan • Agricultural productivity maintained • Number of titles registered with the land boards • Number and hectarage of farms bought under the Land Reform Programme • Number of farms and people resettled 	<ul style="list-style-type: none"> • Annual Report of the MLR • NAU Reports • Legal Assistance Centre Reports • National Statistics of Ministry and Agriculture, Water and Forestry • Land registers of Land Boards and MLR • Land resettlement and land reform data of MLR directorates of Land Reform and Resettlement and Regional Offices 	<ul style="list-style-type: none"> • Land boards become competent in all aspects of communal land registration for their land administration purposes • Suitable land is available for resettlement • Criteria have been identified for the selection of suitable beneficiaries
	Component 3 - Rural water supply			
	Improved access for selected rural communities to safe water supply and empowered communities to manage and maintain their water resources.	<ul style="list-style-type: none"> • Percentage of rural households with safe drinking water supply increased • % of settlement of water bills of pipelines • % of water points handed over to water point committees • Prevalence of water related diseases reduced 	<ul style="list-style-type: none"> • MAWF quarterly reports • Population and Housing Census • Regional Health Reports (MoHSS) • MAWF quarterly reports based on the MIS 	Ministry of Agriculture takes responsibility for setting up and supporting community water maintenance committees
	Component 4 – Rural sanitation			
	Improved access for selected rural communities to sanitation and empowered communities to manage and maintain their sanitation facilities.	<ul style="list-style-type: none"> • Investigate environment-friendly alternative sanitation systems • Investigate willingness to pay • Number of persons trained to maintain sanitation facilities • Status of community regarding formalisation 	<ul style="list-style-type: none"> • Number of toilets built • Cost recovery survey • Status of community in town development plan • MoHSS studies • MoRLGHRD studies (1999 & 2001) 	<ul style="list-style-type: none"> • Healthier rural communities • Planned and surveyed settlement
	Component 5- Road construction			
	Improved access for rural communities for enhanced access to services and markets	<ul style="list-style-type: none"> • Increased volume of trade at local cattle and grain marketing points 	<ul style="list-style-type: none"> • MAWF and MTI statistics 	RA takes responsibility for ongoing maintenance of the road network constructed
	Component 6 – SWAp for Rural Development			
	Inter-ministerial coordination strategy developed and implemented	<ul style="list-style-type: none"> • RD policy in place • RD SWAp strategy in place 	<ul style="list-style-type: none"> • Policy and strategy documents • Monitoring reports NPC 	<ul style="list-style-type: none"> • GRN gives priority to the establishment of an RD SWAp

Human Resource Development

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objectives	Substantially enhance the sector's contribution to the attainment of strategic national development goals (poverty alleviation), and facilitate the transition to an equitable knowledge-based economy through equitable social development (Vision 2030).	<ul style="list-style-type: none"> • Total Factor Productivity • Gini coefficient • Poverty levels • International competitiveness ratings 	<ul style="list-style-type: none"> • ILO annual survey • National Household Income and Expenditure Survey • NHIES • World Economic Forum competitiveness Index 	
Programme Purpose	To increase the immediate supply of middle/high level skilled labour to meet labour market demand and support overall national development goals	<ul style="list-style-type: none"> • Levels of readiness for grade 1 • Net enrolment ratios in senior secondary education • Survival rates in grades 5, 8 and 11 • Repetition rates in grades 1, 5 and 8 • National average SACMEQ test score • Employment rate of grade 10 and 12 graduates with VET training • Learners: teacher ratio • Improved skills level of VET graduates • Throughput in tertiary education 	<ul style="list-style-type: none"> • ILO annual survey • EMIS • EMIS • EMIS • EMIS • SACMEQ • ILO annual survey • EMIS • Survey of employer • Tertiary education establishments graduations 	<ul style="list-style-type: none"> • GRN continued commitment to funding the education sector at the level presented in the ETSIP programme document. • DP commitments to support programme implementation (more or less) fulfilled.
Results				
	Theme 1 - Early Childhood Development (ECD) and Pre-Primary Education	<ul style="list-style-type: none"> • The number and proportion of children in accredited ECD programmes. 		
	(i) Improving management of, delivery systems for, quality of and access to, early childhood development programmes (ii) improving management of, delivery systems for, quality of and access to, pre-primary education programmes	<ul style="list-style-type: none"> • Percentage of children entering pre-primary education who meet holistic child development index • Number and percentage of children entering primary education that have successfully completed the revised school readiness programme • The proportion of children completing primary education with adequate readiness for primary 	<ul style="list-style-type: none"> • EMIS 	
	Theme 2 - General Education	<ul style="list-style-type: none"> • Strengthened net enrolment rate in senior secondary education 		

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
	(i) The improvement of education quality; (ii) ensuring equality of opportunity, including equitable access to quality senior secondary education; (iii) improving system management and efficiency	<ul style="list-style-type: none"> Increased survival rates to grades 7, 8 and 11 Reduction of repetition in grades 1, 5 and 8. Learner Teacher Ratio increased, with reduced variation between regions. National average SACMEQ test score (<i>Reading & Mathematics</i>) increased to 500 by 2011 Increased numeracy/literacy rates of learners in grades 1, 5 and 8 Learner performance in examinations Annual distribution of schools performance index based on national standards Schools meeting the targeted textbook ratio of 1:1 in core schools 	<ul style="list-style-type: none"> EMIS EMIS EMIS SACMEQ results EMIS National inspection EMIS EMIS 	
	Theme 3 - Vocational Education And Training			
	(i) Strengthen the management capacity of the VET system (ii) improve the quality of VET (iii) mobilise resources for training and use them efficiently (iv) expand VET outputs to meet labour market demands	<ul style="list-style-type: none"> VTC enrolment and completion rates increase (Targets under review in 2011³¹). COSDEC enrolment and completion rates increase. A survey of employers verifies: (i) employer group satisfaction with NTA governance; (ii) increased numbers and skill level/ employability of VTC graduates 	<ul style="list-style-type: none"> NTA NTA Survey of employers to be carried out by an independent body. 	
	Theme 4 – Tertiary Education & Training			
	(i) strengthen institutional capacity of tertiary education (ii) improve the quality of tertiary education (iii) mobilise financial resources and use them efficiently	<ul style="list-style-type: none"> Expanded access to pre-entry courses and foundation courses for existing students Increased and equitable access to tertiary education Improved throughput of all tertiary 	<ul style="list-style-type: none"> Tertiary institution enrolment and graduation results communicated to MoE Regional migration statistics EMIS 	

31 This may also be expressed as a percentage of grade 10 and 12 graduates enrolled in VTC programs

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
		<p>education and training programmes (e.g., increased completion rates and decreased average length of candidature)</p> <ul style="list-style-type: none"> Increased graduation rates from engineering and other science and mathematics-based programmes 	<ul style="list-style-type: none"> Tertiary institution enrolment and graduation results communicated to MoE 	
	Theme 5 – Knowledge and Innovation			
	<p>(i) strengthening the policy and legal environment to support knowledge and innovation</p> <p>(ii) strengthening capacity for effective coordination of the national knowledge and innovation system (NKIS)</p> <p>(iii) strengthening effective demand for knowledge and innovation</p>	<ul style="list-style-type: none"> Increased output of development-relevant science and technology-based applied research Increased publication Increased output and quality of graduates in priority subjects 	<ul style="list-style-type: none"> Survey of key NKIS and industry stakeholders verifies improved outlook for NKI 	
	Theme 6 - Information, Adult and Lifelong Learning			
	<p>(i) strengthen the policy and legal framework for adult and lifelong learning</p> <p>(ii) improve equity and access to high quality lifelong learning opportunities</p> <p>(iii) improve and strengthen equitable access to information and learning resources</p> <p>(iv) strengthen the quality and effectiveness of knowledge management systems</p>	<ul style="list-style-type: none"> % youths that are literate; % adults that are literate; Literacy disparity - gender parity index (M:F) Number of public ICT access points through the library and CLDC network 	<ul style="list-style-type: none"> NHIES NHIES Population Census EMIS 	
	Theme 7 - Information Communication Technology (ICT) in Education			
	<p>(i) review and develop curriculum and content</p> <p>(ii) review, develop and implement training</p> <p>(iii) develop and deploy ICT services and support</p> <p>(iv) strengthen education management through the use of ICT</p>	<ul style="list-style-type: none"> Number of graduates from ICT Training Programmes ICT literacy of all teachers, educators in the colleges of education Number of computer labs in each college of education Number of secondary and primary schools with ICTs 		

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
		<ul style="list-style-type: none"> • Number of education sector managers completing ICT training programmes 		
	Theme 8 - HIV and AIDS			
	To reduce the transmission of HIV, mitigating the social and economic impact of AIDS on the Namibian education system at all levels	<ul style="list-style-type: none"> • Number of OVCs receiving nutritional support • Number of OVCs receiving psychosocial support • Number of learners exposed to LSE 	<ul style="list-style-type: none"> • MoHSS – DSP (UNICEF) • MoHSS – DSP (UNICEF) • MoE – HAMU 	

2.7 Timetable of indicative commitments and disbursements

Commitments

	Indicative allocation (Million EUR)	2008		2009		2010→	
		1	2	1	2	1	2
Focal sectors							
Rural Development	45.20		20.00	25.20	0.00	0.00	0.00
Rural Economic activity	9.20			9.20			
Land reform	7.00			7.00			
Rural water supply	9.00		9.00				
Rural sanitation	9.00		9.00				
Roads construction	9.00			9.00			
Preparation of SWAp for RD	2.00		2.00				
Human Resources development	42.15		42.15				
Sector budget support to ETSIP	42.15		42.15				
Non Focal Sectors	15.65		3.65	12.00			
Support to initiatives of NSAs	5.00			5.00			
Technical cooperation facility	1.65		1.65				
Governance							
NPC (NAO/CBS)	4.00			4.00			
Other organisations (NEPRU / NID)	3.00			3.00			
OPM (Performance Management System)	2.00		2.00				
Total Commitments:	103.00	0.00	65.80	37.20	0.00	0.00	
Total Cumulative Commitments :		0.00	65.80	103.00	103.00	103.00	103.00

Disbursements

	Indicative allocation	2008		2009		2010		2011→	
		1	2	1	2	1	2	1	2
Focal sectors									
Rural Development	45.20	0.00	0.00	7.00	9.60	7.00	11.60	6.00	4.00
Rural Economic activity	9.20				3.60		4.60		1.00
Land reform	7.00				3.00		4.00		
Rural water supply	9.00			3.00		3.00		3.00	
Rural sanitation	9.00			3.00		3.00		3.00	
Roads construction	9.00				3.00		3.00		3.00
Preparation of SWAp for RD	2.00			1.00		1.00			
Human Resources development	42.15			14.05		14.05		14.05	
Sector budget support to ETSIP	42.15			14.05		14.05		14.05	
Non Focal Sectors	15.65	0.00	0.00	4.55	5.55	1.00	2.55	2.00	
Support to initiatives of NSAs	5.00				3.00			2.00	
Technical cooperation facility	1.65			0.55	0.55		0.55		
Governance									
NPC (NAO/CBS)	4.00			2.00	1.00		1.00		
Other organisations (NEPRU /	3.00			1.00	1.00		1.00		
OPM (Performance Management System)	2.00			1.00		1.00			
Total Disbursements:	103.00	0.00	0.00	25.60	15.15	22.05	14.15	22.05	4.00
Total Cumulative Disbursements :			0.00	25.60	40.75	62.80	76.95	99.00	103.00

Timetable of activities

	Indicative allocation (Million EUR)	2007				2008				2009			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Focal sectors													
Rural Development	45.20												
Rural Economic activity	9.20						FS			AAP	FD	X	X
Land reform	7.00						FS			AAP	FD	X	X
Rural water supply	9.00					FS		AAP	FD	X	X	X	X
Rural sanitation	9.00					FS		AAP	FD	X	X	X	X
Roads construction	9.00							FS		AAP	FD	X	X
Preparation of SWAp for RD	2.00					FS		AAP	FD	X	X	X	X
Human Resources development	42.15												
Sector budget support to ETSIP	42.15					FS		AAP	FD	X	X	X	X
Non Focal Sectors	15.65												
Support to initiatives of NSAs	5.00							FS		AAP	FD	X	X
Technical cooperation facility	1.65					FS		AAP	FD	X	X	X	X
Governance													
NPC (NAO/CBS)	4.00							FS		AAP	FD	X	X
Other organisations (NEPRU / NID)	3.00									AAP	FD	X	X
OPM (Performance Management System)	2.00					FS		AAP	FD	X	X	X	X

FS: Feasibility Study
AAP: Annual Action Plan
FD: Financing decision
X : Project implementation

ANNEXES

- 1: “Country at a glance” table, including MDGs
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- 2.b: DPs Matrix, 2000 and 2005
- 3: Executive summary of the Country Environmental Profile, February 2007
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- 8: Debt Sustainability Analysis
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Annex 1: “Country at a glance”

Socio-economic Summary

	2000 '99/2000	2001 2000/01	2002 2001/02	2003 2002/03	2004 2003/04	2005 2004/05	2006 2005/06 Est.	2007 2006/07	2008 2007/08 Projections	2009 2008/09
Basic data										
1 Population (in 1,000)	1,771	1,788			2,000	2,031				
1a annual change in %	2.2				1.4	1.1				
2a GDP at current market price										
(in NAD million) (1)	23,690	27,686	32,908	33,842	36,181	38,560	42,303	46,702	51,252	55,397
(in USD million)	3,080	2,215	3,122	4,476	5,601	6,061	6,465	6,965	7,519	7,932
2b Nominal GDP per capita (2) (USD)				2,253	2,792	2,984	3,157	3,373	3,611	3,778
2c (annual change in %) (2)	11.0	16.7	15.9	0.4	4.4	4.2				
3 Real GDP (annual change in %)	3.5	2.4	6.7	3.5	6.6	4.2	4.5	4.5	4.5	N/A
4 Gross fixed capital formation (in % of GDP) (4)	12.2	11.5	16.8	19.2	17.7	15.4				
International transactions										
5a Exports goods f.o.b. (USD million)	1,320.9	1,142.1	1,072.4	1,250.9	1,823.4	2,066.6	2,420.1	2,566.6	2,623.7	2,479.0
5b Services (USD million)	-107.3	16.5	57.2	165.4	54.9	43.2	69.6	102.0	144.9	194.1
5c Imports f.o.b. (USD million)	-1,311.7	-1,341.3	-1,280.0	-1,711.1	-2,107.0	-2,332.0	-2,558.8	-2,782.7	-2,977.2	-3,137.4
5d Exports of goods and services (in % of GDP) (4)	39.4	52.3	36.2	31.6	33.5	34.8	38.5	38.3	36.8	33.7
of which the most important:										
diamonds (USD million)	612.5	523.8	533.3	510.9	824.5	848.3	962.2	1046.6	1168.3	1049.6
diamonds (in % GDP)	19.9	23.6	17.1	11.4	14.7	14.0	14.9	15.0	15.5	13.2
other minerals (USD million)	185.7	194.4	200.3	182.6	275.0	426.4	462.3	392.2	350.8	321.5
other minerals (in % GDP)	6.0	8.8	6.4	4.1	4.9	7.0	7.2	5.6	4.7	4.1
fish (USD million)	184.8	157.4	149.8	229.5	178.7	155.9	189.8	189.8	190.5	189.6
fish (in % GDP)	6.0	7.1	4.8	5.1	3.2	2.6	2.9	2.7	2.5	2.4
6 Trade balance (in % GDP)				-10.3	-5.1	-4.4	-2.1	-3.1	-4.7	-8.3
7 Current account balance including transfers (in % of GDP)			3.3	5.1	9.5	7.2	13.9	13.0	8.4	4.3
8 Net inflows of foreign direct investment (in % of GDP)	3.2	1.4	78.0	7.9	6.3					
9 External Debt/GDP (%)				23.0	21.2	20.9	20.8	20.0	19.6	19.6
10 Service of external debt (in % current external receipts)			2.9	2.4	13.7	11.5	10.2	10.1	9.5	N/A
11 Foreign exchange reserves (in months of imports of goods and services)			2.3	2.0	1.7	1.4	1.6	1.7	1.7	1.7
Government										
12 Revenues (in % of GDP)	33.6	33.1	31.8	28.3	31.0	33.0	36.0	34.7	31.1	31.1
Of which: SACU receipts				8.8	11.4	9.9	14.9	12.9	8.6	8.2
Of which: grants			0.2	0.1	0.1	0.2	0.4	0.2		
13 Expenditure and net lending (in % of GDP)	35.8	34.2	34.2	35.8	34.4	33.7	35.9	35.5	34.8	34.3
Of which: personnel expenditures				14.9	14.8	14.9	15.0	15.1	14.9	14.7
Of which: capital expenditure and net lending				5.7	5.3	4.3	6.1	6.1	6.0	6.0
14a Deficit (in % of GDP) including grants	-2.2	-1.1	-2.4	-2.5	-7.2	-3.7	-1.2	0.2	-1.7	-2.4
14b Deficit (in % of GDP) excluding grants			-2.6	-2.6	-7.3	-3.9	-1.6	0.0		
15 Debt (in % of GDP)	22.0	20.6	24.3	29.5	33.8	32.3	33.7	33.2	32.4	32.3
Of which: external (in % of total public debt)	14.5	17.0	20.2	12.5	13.6	17.3	14.5	19.0	19.8	18.9
Other										
16 Consumer price inflation (annual average change in %) (4)	9.30	9.20	11.30	7.20	4.10	2.30	5.00	5.60	5.00	4.50
17 Interest rate (for money, annual rate in %) (3)	15.90	14.00	17.50	12.50	12.25	11.75	12.25			
18 Exchange rate (annual average of national currency per 1 USD) (4)	7.69	12.50	10.54	7.56	6.46	6.36	6.75	7.25	7.40	7.40
19 Unemployment (in % of labour force, ILO definition)	34									
20 Employment in agriculture (in % of total employment)										

(1) Source: Actual data until 2004, BoN - Forecasts MoF

(2) Source: BoN

(3) Source: BoN (Prime Lending Rate)

(4) Source: CBS, NPC, Preliminary National Accounts 2005

Other sources: IMF, Consultation Article IV, 2006

Selected Social Indicators related to the MDGs

Type	Indicator	1991	1992	1993/4	1994	2000	2001	2002	2003	2003/4	2004	2005	2015	
Impact	1. Food Consumption Ratio (FCR) ^a [1]			38.0						27.9				
	2. Prevalence of underweight children <5 years of age ^b						0.10	0.08	0.08		0.08	0.135		
Outcome	3.a < 5 mortality rate (per 1,000 live births) ^{b1}						100.2	78.9	82.3		91.7	88.9		
	3.b < 5 mortality rate (per 1,000 live births) ^{b2}		83.0			62.0								
	4. Net enrolment ratio in primary education ^c					91.3	89.1	93.7	95.7		94.0			
	5. Primary Completion Rate ^c					72.6	73.4	73.2	74.2		78.8			
	6. Ratio of girls to boys in primary, secondary and tertiary education ^c													
	Primary					100.4	100	100.4	100	0	99.6			
	Secondary					111.9	113.7	113.2	112.3	0	112.3			
	Tertiary					-	-	-	-					
	7. Proportion of births attended by skilled health personnel													
	8. Proportion of 1 year old children immunised against measles ^b							0.78	0.71	0.70		0.71	0.70	
9. HIV prevalence among 15-24 yr old pregnant women ^c														
< 20 years of age					6	12		11			9.9			
20-24 years					11	20		22			18.2			
all ages		4.2				19.3		22.0			19.7			
10. Proportion of population with sustainable access to an improved water source ^c		65.0					87.0							

a 1993/4 NHIES and 2003/4 NHIES MoHSS, Health Information System

b1 (HIS)

b2 MoHSS, Namibia Demographic

Health Survey (NDHS)

c MoE, Education Management

Information System (EMIS)

d MoHSS, Report on the 2004 HIV

Sentinel Survey

e 2001 Population and Housing Survey

[1] The Food consumption ration (FCR) is used as a very crude indicator of poverty. If FCR of a household is more than 60% then such households are considered as poor. If the ratio is more than 80% then they are considered as severely poor.

Annex 2.a: Involvement of DPs in Namibia

EU

The European Union (EC and EU MS) was by far the biggest contributor to Namibia's ODA in the period 1990-2004, with over 70% of the total assistance provided to the country.

According to the OECD, during the 1990-2004 period, the EU committed an estimated amount of USD1,798.2m, out of a total sum of around USD2,417.5m committed by international DPs as a whole. The disbursements made by the EU, in terms of ODA, for the 1999-2004 period amounted to USD1697.9m, out of an estimated total of USD2,368.5m disbursed by DPs.

The table below indicates the funding commitments and disbursements made by the EU in Namibia from 1990 to 2004.

Table 1: Funding commitments and disbursements from 1990 to 2004 (in USD m)

European Union	Committed funds	Disbursements
European Commission	579.61	520.89
Austria	16.45	14.95
Belgium	16.39	12.91
Czech Republic	0.02	1.31
Denmark	53.96	78.42
Finland	136.29	128.60
France	76.16	67.87
Germany	491.67	430.57
Greece	0.09	0.09
Ireland	3.08	3.43
Italy	6.91	6.25
Luxembourg	41.64	47.14
Portugal	1.28	4.60
Spain	29.87	32.40
Sweden	205.65	194.25
The Netherlands	63.73	79.48
United Kingdom	75.40	74.72
Total EU	1,798.2	1,697.88

Source: OECD International Development Statistics online databases (updated December 2005)

Against this background, a number of important developments have taken place in recent years in the field of development cooperation, both within the EU and international DPs present in Namibia at large. In particular, a number of HIV/AIDS related global initiatives and the growing influence of certain actors, such as the USA and China, are having a significant impact on Namibia.

Recent developments in terms of EU support

Some EU MS, such as the United Kingdom, Sweden and Finland, are progressively phasing out their traditional bilateral assistance. Instead, more emphasis is being placed on commercial and trade relations, while new forms of cooperation are being introduced. These include the provision of concessional credits, the broadening of cooperation to include civil society, the strengthening of institutional cooperation and an increased focus on regional issues.

At the same time, other EU MS are planning to augment the volume of aid to be provided to Namibia in future years. In particular, the German Government has recently announced that it would substantially increase its commitments for Namibia in the areas of natural resources and rural development, promotion of the economy, transport and the fight against the HIV/AIDS

epidemic. Spain is also planning to increase its level of assistance to Namibia. A new country strategy document outlining priority sectors has been prepared, and a new agreement covering the 2006-2008 period will be signed soon between the Namibian and Spanish authorities.

In recent years, a shift is perceived from stand-alone projects towards more integrated sectoral approaches and new modalities of cooperation, such as budget support. As mentioned earlier, since 2003, the EC and Sweden have jointly provided support to the education sector through the State Revenue Fund for a total planned amount of €31.75m until 2007. The Netherlands pledged in 2005 to support the education sector with a supplementary amount of 30% of the sum provided by the EC, through direct budget sector support. This modality of assistance is also being utilised by the EC for two components (rural water supply and rural access roads) of its recently launched €53m Rural Poverty Reduction Programme. Under this programme, a total of €23m are planned to be disbursed through direct budget support to these two sectors.

Italy's grant support is mostly channelled through Italian NGOs. Priority areas for French assistance to Namibia comprise culture, governance, support to civil society, technical scientific cooperation, rural development and environment. Czech aid focuses on the areas of HIV/AIDS, tertiary education and promotion of specialised industries. The projects financed by Lux Development are concentrated in the areas of urban and rural development, primary health care, and vocational education and training.

Global initiatives to fight HIV/AIDS

In terms of HIV/AIDS, Namibia has received a substantial influx of funds to fight the epidemic, increasing its financial and technical capacity to mount an efficient response. This new development is particularly welcomed, as Namibia has a generalised HIV/AIDS pandemic and ranks among the worst affected countries in the world. In this regard, the Global Fund to fight AIDS, Tuberculosis and Malaria has approved under its 2nd and 5th application rounds a total maximum amount of over USD130m for a five-year period. This total sum will only be accessed by Namibia following a successful review of an initial two-year performance.

Another major initiative in the fight against HIV/AIDS is the USA President's Emergency Plan for AIDS Relief (PEPFAR). Under the FY 2004, Namibia received from PEPFAR a total of USD24m. The level of commitments has increased in FY 2005 to USD36m (excl. overhead costs) and this trend is expected to continue in FY 2006.

Support provided under global initiatives have contributed to expand community care and support services for people living with HIV/AIDS and increase access to Anti Retroviral Treatment (ART) for HIV infected people. By December 2005, the ART programme had been rolled out to 28 public sector hospitals and a total of 15,000 people living with HIV/AIDS were receiving treatment through the public sector.

The US as a growing actor

In addition to PEPFAR, the USA recently identified Namibia, together with El Salvador and Cape Verde, as one of three lower middle income countries eligible for funding under the Millennium Challenge Account (MCA). This new scheme under the motto of "poverty reduction through economic growth" offers a total of USD2.77 billion, of which up to 25% (approximately USD675m) could be allocated to middle income countries.

Namibia under the guidance of the NPC and with support from the EC and SIDA has submitted the MCA Namibia Proposal to the Millennium Challenge Corporation (MCC) at the end of September 2006 and preparations for the "due diligence" by MCC are currently being made. Investments are proposed in human resource development for economic growth (ETSIP, UNAM, PoN and a Bursary Trust) and the unlocking of economic opportunities towards income diversification in rural areas (in livestock productivity and marketing, cash crop production, commercial exploitation of natural indigenous products and tourism). The focal sectors as

proposed in the MCA Namibia investment plan and the focal sectors for Namibia-EC cooperation under EDF10 are the same and significant complementarities are being pursued. For example, while the MCA Namibia includes investments into secondary and tertiary education infrastructure, EC budget support will ensure that necessary teacher training, curriculum development, operational expenditures and other are covered.

This influx of funds originating from PEPFAR and the MCA will lead to a stronger dialogue between Namibia and the USA on the country's development agenda. The amount to be provided under these two initiatives will substantially exceed the level of funding granted by the USA in the period from 1990 to 2004. During this period, it is estimated by the OECD that the USA committed around USD207.4m and disbursed over USD194.2m (around 8% of the total), making it Namibia's 3rd largest DP after the EC and Germany.

Chinese-Namibian relations

Another country with growing influence over Namibia is China, even though its assistance programme is relatively small. According to figures from the NPC, Chinese disbursements from 1990 to 2003 represented around 1% of the total provided by the international community at large, which places it on the 15th position among DPs. According to information received from the Chinese Embassy, China has provided grant assistance for the building of two RCs and conceded a concessional credit of N\$200m for railway construction. Furthermore, it is evident that China and Namibia are in the process of strengthening their commercial and trade relations. According to statistics provided by "China Customs"³² trade in goods between Namibia and China rose from USD49.1m in 2002 to USD74.6m in 2003. Trade between the two countries increased again in 2004 to USD99.1m.

Egyptian assistance to Namibia

Egypt is the largest non-OECD country in terms of provision of ODA to Namibia. According to data from the NPC, Egypt committed from 1990 to 2003 around 3.84% of the funds from DPs. This amount of funding places Egypt on the 7th position among DPs, immediately after three Nordic countries (i.e. Sweden, Finland and Norway), and is comparable to the support provided by many EU MS. Priority areas of assistance for Egypt in Namibia have been agriculture and education.

Indo-Namibian relations

Namibia is strengthening its ties with India, particularly in the area of trade and economic cooperation. According to statistics published by the NPC, exports from India to Namibia were expected to triple in 2003 as compared to 1999 (from N\$14.1m in 1999 to N\$50.9m in 2003). India's assistance programme to Namibia has been small as compared to other DPs. According to the NPC, Indian commitments from 1990 to 2003 represented 0.29% of the total DP contributions. India's aid has mostly focused on the provision of higher education scholarships for Namibian students and the organisation of training programmes and study visits for government officials (both civil and military). India also donated food aid at the height of the 2003/2004 drought.

Brazilian-Namibian relations

Strengthening cooperation with Africa constitutes a strategic priority of the Brazilian Government's foreign policy. This was signalled by a trip carried out in November 2003 by President Lula da Silva to five African countries, including Namibia. This visit provided the opportunity to re-invigorate the bilateral relations between the two nations. Since the mid-90s, Namibia has received support from Brazil for the training of marine and air force personnel. In November 2003, President Lula da Silva offered Namibia its technological support to establish a

³² See www.China-Customs.com

pharmaceutical plant to produce generic anti-retroviral medicines that would help prolong the lives of people infected with HIV. In the context of its membership to MERCOSUR, Brazil is also aiming to boost trade with Africa, which stands at around 5% of its imports and exports.

The UN system in Namibia

The UN constitutes an important actor in the field of development cooperation in Namibia. The UN agencies which are currently resident in the country are the FAO, UNAIDS, UNDP, UNESCO, UNFPA, UNICEF, WFP and WHO. UNHCR is also in Namibia for the support to the Angolan refugee programme. Although the UN is not, in financial terms, a big provider of funding, it enjoys a close cooperation with the Namibian authorities, which value the technical advice and expertise from UN agencies. This could be partially explained by the critical role played by the UN in support of Namibia's liberation struggle and Independence. According to the OECD, the funds disbursed by all UN agencies combined from 1990-2004 amounted to nearly USD163m, which represents approximately 6.9% of total funds disbursed by its DPs.

The recently adopted UN Development Assistance Framework, UNDAF (2006-2010) aims to guide integrated programming among UN agencies working in the country. The three main priorities for the UN identified under the UNDAF are to contribute to GRN's efforts to mitigate the multiple impacts of HIV/AIDS, increase household food security and enhance institutional capacities. The UNDAF was built on the foundation of information collection, analysis and prioritisation laid by the 2004 UN Common Country Assessment.

The UN agencies have estimated that the total level of financial resources required to attain the UNDAF objectives will be over USD44m for the next 5 years. The exact level of resource commitments will be made by each UN agency in the relevant country programme or project documents. It is expected that the UN will seek to mobilise a substantial portion of the overall funding targets included in UNDAF from external DPs, particularly EU MS.

World Bank involvement in Namibia

The World Bank is another actor showing a rising interest in Namibia. There are currently no IBRD loans to Namibia, but the Bank is providing technical assistance to support the GRN's efforts to reduce poverty, improve the education sector, build local capacity, and enhance management of natural resources. In June 2004, the World Bank approved its first operation in Namibia. Through this support, the Bank manages the implementation of an USD7m Integrated Ecosystem Management Project, which is being funded by a grant from the Global Environment Facility. In addition, GRN has accepted an USD15m loan in support of the education sector. An IBRD Development Policy Loan was approved by the World Bank in May 2007 .

The World Bank, together with GRN, are in the process of preparing a Country Economic Report, which is one of the Bank's core economic diagnostic reports, providing a comprehensive study on country economic developments, prospects and the policy agenda.

Annex 2.b: DPs Matrix, 2000 and 2005

External Development Assistance to Namibia for 2000 Financial Year		
(a) Bilateral Programmes		
External Funding Agency	Sector	Commitments 2000 (N\$.000)
China	Education and Water	1,960
Denmark	Environment	20,800
European Union	Regional and Rural Development, Education, Health, Agriculture, Tourism, Trade and Industry and Mining	215,396
Finland	Water, Forestry, Health, Environment and Regional Development	35,000
France	Culture, rural Development, Education, Health, Agriculture	27,500
Germany	Water, Transport and Communication, Agriculture, Environment and Natural Resources, Education and Training, Trade and Industry and Health	72,130
India	Health, Agriculture, Manufacturing and Energy	16,512
Japan	Agriculture, Water, Mining and Capacity building	21,000
Luxembourg	Rural Development, Agriculture	25,000
Netherlands	Education, Water Supply, Democracy and Human Rights, Gender and Culture	16,000
Norway	Fisheries and Energy	20,229
Spain	Health, Education and Training, Decentralisation, Agriculture, Fisheries,	13,358
Sweden	Education, Transport, Environment,	60,236

	Health, Public Administration	
External Development Assistance to Namibia for 2005 Financial Year (a)		
Bilateral Programmes		
External Funding Agency	Sector	Commitments 2005 (N\$,000)
China	Education and Agriculture	218,000
Denmark	Environment and forestry	2,500
European Union	Education	24,000
	Sewerage Schemes	1,425
	Technical Cooperation	656
	Trade And Regional Integration	-
	Health	1,753
	Poverty Reduction	119,603
	Public Finance Management	-
	Agriculture	7,101
	Capacity Building	4,458
	Non-state Actors	-
	Subtotal	158,996
Finland	Health, Forestry, Decentralisation Institutional Capacity Building	28,000
France	Culture, Rural Development, Education, Health, Agriculture, Decentralisation	20,000
Germany	Natural Resource and Rural Development, Transport, Promotion of the Economy	108,000
Iceland	Fisheries and Social Projects	4,800
Japan	Agriculture, Institutional Capacity Building and Health (HIV/AIDS)	675
Luxembourg	Education, health, rural development and water and sanitation	40,000
United Kingdom	Education, Agriculture, Health,	25,547

	Fisheries and Public Sector	
United States of America	Trade and Industry, Health, Environment, Good Governance, Education	84,290
Total		654,954

Netherlands	Good Governance (including Human Rights, Peace Building)	9,310
Spain	Fisheries, Resettlement, Health, Government and Civil Society, Tourism, Low-Cost Housing and Education	22,400
Sweden	Education, Transport, Health, Public Administration	42,000
United Kingdom	Trade and Poverty Programme	259
USA	Education and training, environment, trade and Rural Development, Good Governance	165,002
Total		660,946

(b) Multilateral Programmes – UN Agencies Assistance		
External Funding Agency	Sector	Commitments 2000 (N\$,000)
FAO	Fisheries	1,948
	Agriculture	3,080
	Subtotal	5,028
Joint UN System Support	Poverty Reduction	1,482
UNAIDS	Health	712
UNDP	SMEs	1,353
	Fisheries	124
	Public and Environment	315
	Capacity Building, Economic Mgt.	606
	Good Governance	341
	Poverty	6,600
	Law and order	270
	Subtotal	9,608
UNFPA	Population Policy & Implementation	886
	Reproductive Health & Family Planning	85
	Training and Institutional Capacity Building & Research in Population & Development	554
	Population Advocacy	257
Subtotal	1,782	

(b) Multilateral Programmes – UN Agencies Assistance		
External Funding Agency	Sector	Commitments 2005 (N\$,000)
UNDP	Health and HIV /AIDS	570
UNDP	Environment and Tourism	32,104
UNDP	(Education, Training, Capacity Building)	699
UNDP	Poverty Reduction	570
UNFPA	Health and HIV/AIDS	2,950
UNFPA	Human Resources	174
UNICEF	Health and HIV/AIDS	16,159
UNICEF	Good Governance, Democracy and Human Rights	6,646
Total		59,872

UNICEF	Health, Nutrition & Environment	15,400
	Education & Early Childhood Development	7,700
	Youth Health & Childhood Development	6,930
	Mobilization for Children/Women's Rights	4,620
	Programme Communication	4,620
	Social Planning, Monitoring & Evaluation	4,620
	Subtotal	46,200
WHO	Health	7,712
Total		72,524

c) Multilateral Non-UN Agencies		
External Funding Agency	Sector	Commitments 2000 (N\$,000)
African Capacity Building Foundation	Education & Training	1,238
African Development Fund	Transport	219
Arab Bank for Economic Development in Africa	Transport	1,650
Commonwealth Secretariat	Trade & Industry, Education & Training	3,294
IMF	Public Administration	1,473
Kuwait Fund for Arab Economic Development	Transport	1,005
World Bank: International Bank for Reconstruction and Development	Trade and Industry, Human Resource Development and Fisheries	n.a.
Total		8,879

(c) Multilateral Non-UN Agencies		
External Funding Agency	Sector	Commitments 2005 (N\$,000)
African Capacity Building Foundation	Capacity Building	420
Global Fund ¹	HIV/AIDS	7,227
USA President's Emergency Plan for AIDS Relief (PEPFAR) ³³	HIV/AIDS	41,972
World Bank	Health	1,379
	Environment	4,140
	Public Finance Management	405
	Subtotal	5,924
Total		61,467

Annex 3:

Executive summary of the Country Environmental Profile, February 2007

1. State of the environment

About 67% of Namibia's estimated population of ~ 2.0 million lives in rural areas and the total population is expected to double over 27 years. The average population density is with 2.4 inhabitants/km² one of the lowest in the world but distribution is very inequitable; the central and southern parts of the extreme arid country have population densities of < 5 people/km², often < 1 people/km², and the north central and north eastern regions have population densities exceeding 25 people/km², in some areas 150 people/km². With a Gini Coefficient of 0.67 (slight improvement from 0.7 in 1993/4), Namibia has the most unequal distribution of income in the world. About 0.3% of the population own 44% of the land in the commercial area and 5% of the population earn almost 70% of the income. High levels of poverty exist especially in the rural communal areas (41% of the land), where ~ 1 million people live mainly from subsistence agriculture and livestock keeping.

The over-riding environmental issues in the sensitive dry environment of Namibia are high vulnerability to climate change, water scarcity and vegetation/land degradation resulting from land pressure, especially in the densely populated northern regions. The key issues are vegetation degradation (desertification and bush encroachment, deforestation), soil erosion and decreasing soil fertility. Extreme climatic variations with periodic drought periods affect not only the livestock and agricultural production, but nearly all sectors of the economy. Namibia is, referring to different climate modelling, one of the most severe affected countries by global climate change, which is locally accelerated by unsustainable land use practices and resulting anthropogenic climate change (aridifying). Major problems currently are:

Inappropriate land management practices, especially on rangeland and agriculture land. Livestock farming is the principal activity in rural areas and overgrazing leads to vegetation destruction or bush encroachment and accelerates soil erosion. Soil fertility is decreasing due to inadequate agriculture techniques and salinisation problems in several irrigation schemes. Bush encroachment impacts 26 million hectares of woodland savannas, including 11 million ha in the communal area, and lead to loss of carrying capacity and reduction of the available and exploitable ground water.

The scarcity of fresh water is the major threat to development. Water supply is actually only assured due to high investments in water supply systems. Decreasing groundwater levels in some areas, hydrological changes in river systems and huge water lost in the supply system (dams, canals) due to evaporation are unavoidable side effects of improved water supply. Improved water supply through boreholes especially in the northern regions, has led to increasing numbers of livestock and in several areas to additional pressure on the vegetation due to overgrazing.

The few forest resources (< 10% of the country) are under pressure due to exploitation for construction material and energy supply especially in remote rural areas. Only 15 – 20% of the rural areas are electrified and wood is the dominant energy source for poor rural households. The remaining energy demand is assured mainly by electricity and petrol product imports from the neighbouring countries, especially South Africa. Attention on Non Timber Forest Products

(NTFP) as sources of alternative or complementary sources of income is increasing with the risk of over exploitation of these resources as a consequence.

Namibia has remarkable biological diversity and a high level of endemism (higher plants 687, avian species 13, reptiles ~70, insects ~ 8,500). Furthermore, 217 species of mammals are found, 26 of which are endemic including Mountain Zebra, rodents and small carnivores, as well as unique desert-dwelling rhino and elephants. The country hosts the world's largest population of cheetah.

There are 20 national Protected Areas (PAs) (13.8% of the country, including the Sperrgebiet 16.8%), 31 registered communal *conservancies*, an additional 30 sites in the process of registration and ~140 registered private reserves in the commercial area. Wildlife is found for 75% outside state protected areas. Due to the economic value, valorisation for the rapidly growing tourism and increasing wildlife management outside of PA, the numbers of most of the large mammal species are raising. Trophy hunting has been of great benefit to wildlife conservation. Since the late 1970's wildlife have been protected by game farmers on privately-owned land and the game population has increased by > 60% since the start of commercial trophy hunting in the communal conservancies. Poaching seems very rare among local communities since the transfer of competences for game management to the registered conservancies, but habitat modification, unsustainable wild harvesting of natural resources, inadequate land use practices, population pressure, mining and visitor impacts (tourists) in fragile ecosystems are still threats to the biodiversity outside the managed areas.

The fisheries sector is very important, with marine commercial fisheries of 550,000 - 630,000 tons/year, accounting for 5.9% to the Gross Domestic Product (GDP). Fisheries are the second contributor to Namibia's export. After serious over-fishing in pre - independence time, the commercial stocks have been partly rehabilitated by adapted management measures, but some commercial species are still under threat. Inland fisheries for subsistence and local commerce are important in the northern regions Kavango and Caprivi along the perennial rivers. Fresh water stocks show decreasing catches since the mid 1970's due to over-fishing, sometimes not adapted fishing techniques and human activities like farming, deforestation, road construction and harvesting of vegetation for building materials. Aquaculture and fish farming are not yet well developed and today with few exceptions limited to culture of oysters, mussels and seaweed in coastal harbour towns.

The country has a well-developed mining industry based on world-class deposits of diamonds and uranium as well as a number of vibrant smaller mines producing copper, gold, zinc and lead. Mining is still the largest foreign exchange earner (> 50% of exports) and contributes ~ 10% to the GDP. New prospecting licences are attributed to international companies for petrol and diamonds even in some protected areas. The mining industry has been forced in the last years to employ recycling or use alternative inputs to freshwater, but the sector uses still > 12% (17.3 million m³) of the total exploited water. Mining is a local, but significant threat to the environment. The open sky mines create locally noise, dust, air pollution from furnaces, and effluent by-products. Until today rehabilitation of the sites at the end of the operation is better than in much other low and middle income countries, but still inadequate and groundwater pollution has been observed in several metal mining areas. Environmental Impact Assessments (EIAs) are today systematically conducted to mitigate the negative Environment (ENR) impacts.

The environmental impact of industries is still low due to the few existing factories, but the only new large industry, the textile company RAMATEX, has already polluted the groundwater. The promotion of industrial development by Government of the Republic of Namibia (GRN) includes a risk of increasing industrial pollution in the future if mitigation measures are not implemented in time.

The bigger towns are already equipped with sewerage plants, adapted landfill sites and some with water recycling systems. Urban areas have high immigration rates about 4%, pushing urban growth rates to ~ 6%. After a first migration phase following independence to Windhoek, population densities rise now sharply in the smaller regional urban settlements, especially in the northern – central regions. Major environmental problems especially in these less equipped smaller urban settlements are housing, sanitation, water supply, waste and waste water management. These pressures will deteriorate with the estimated increase of urban population from 35% today to 50% in 2015.

2. Environmental policy, legislative and institutional framework

Namibia's Constitution makes provision for a three tier governance system comprising central, regional and local-levels, but actually most environment issues are still managed at central level by the different sector ministries in line function. Cross - sectoral coordination in the environment sector should be assured by the Ministry of Environment and Tourism/Department of Environmental Affairs (MET/DEA), but coordination is still poor. The implementation of effective harmonised environment management is seriously hampered by the missing approval of the Environment Management Assessment Bill, which gives MET/DEA the mandate for cross - ministries coordination of environmental issues and to control the respect of EIAs, which are usually done, but on a voluntary base.

Human capacity is a general challenge in GRN. Ministries, especially the MET/DEA, are understaffed to assure in the actual institutional framework all their responsibilities (planning, management, implementation, monitoring and control). Technical capacities are missing in several 'new' disciplines related to environment (pollution control, waste and waste – water management).

Environment issues are well integrated in the Constitution of Namibia, the guiding overall development policies (Vision 2030, National Development Plan (NDP) 2, and draft NDP 3) and the Poverty Reduction Strategy (PRS). Since independence a host number of sector policies, that have direct or indirect relevance to sustainable resources management, have been developed and implemented. Due to the sectoral focus, the policy framework is very complex and documents are rarely known, except in the relevant departments and ministries. There is a need to ensure policy and legislation harmonisation across sectors. Some strategies and action plans within different departments that address common resources (land, water), are not harmonised, creating confusion and conflicts of interest across departments (ex: mining prospecting – PA) responsible for implementation.

Civil society integration and strengthening of their capacities for Natural Resource Management (NRM) is a declared priority of the GRN. But land use planning and extension is still centrally administered and Regional and Local authorities have weak institutional mandates for land and resource management. GRN tries to improve through the Community Based Natural Resource

Management (CBNRM) programme, but changing from sectoral top down to holistic participatory bottom up approaches is still in an early stage and the capacities of decentralised structures are currently weak. The professional Civil Society Organisations (CSOs) and the strong private sector currently play a key, underpinning role in the support and implementation of local ENR activities.

Namibia is signatory of many International and Regional Treaties and Conventions concerning Environment and Natural Resources and has implemented important programmes referring to the signed conventions (National Programme to combat Desertification (NAPCOD), National Biodiversity Programme, National Biodiversity Strategy and Action Plan (NBSAP)). Regional agreements are signed with neighbouring countries (Angola, Zambia, Botswana, and South Africa) on shared watercourses, wildlife management and law enforcement, energy, mining, forestry and fisheries.

3. EU and other donor co-operation with the Country from an environmental perspective

The major donors working in environment, or closely linked sectors, in recent years are: European Commission (EC), Germany, Spain, Finland, Sweden Norway, United Kingdom (UK), France, Luxemburg, Netherlands, Iceland, United States Agency for International Development (USAID) and UN agencies specially United Nations Development Program/Global Environmental Fund (UNDP/GEF), International Fund for Agricultural Development (IFAD), Food and Agriculture Organisation (FAO). Environment is not a focal area in EC-Namibia cooperation but it is addressed as one of the cross-cutting issues required for sustainable development and is imbedded in the focal sector 'Rural Development', where the EC is the main donor with € 53 mil in the European Development Fund (EDF) 9. Germany is actually the leading bilateral European partner in natural resource management. Issues of agricultural productivity, sustainable land and water management and land reform are addressed by UNDP. A large number of programs related to international treaties are financed by GEF and implemented through UNDP. USAID is promoting conservancies and other community based natural resource management (CBNRM), debushing and Land reform. In the future, Namibia could receive up to US\$ 300 million for its MCA (US Millennium Challenge Account) project.

There are international and national NGOs and networks (World Wide Fund (WWF), Namibia Association of CBNRM Support Organisations (NACSO), Namibia Nature Foundation (NNF), Desert Research Foundation Namibia (DRFN)) operating in the country, mainly financed through donor funds. Most of the assistance is still implemented through specific sector programs. Sector Wide Approach Programmes (SWAPs) exist only for 'Education' and further are planned for water supply and transport. SWAPs for the environment-related sectors (mainly agriculture) are not developed but actual trends are towards more integrated cross – sectoral 'sustainable livelihood approaches' that correspond to the GRN's priorities formulated in Vision 2030, NDPs and the PRS.

Coordination of donor's activities is generally done through the National Planning Commission (NPC) but limited to assure the coherence with national priorities and development goals. Cross-sectoral links do not come out strongly due to the implementation through sector based line ministries. Donor coordination is actually rare, informal and not institutionalised. Interventions from not bilateral or multi-lateral donors don't pass even through the NPC.

Environmental aspects are generally included in the project preparation phase for new projects and follow usually national policy and practice for Strategic Environmental Assessments (SEAs) and EIAs which are in line with international standards. But absence of legislation - the Environmental Management Act (EMA) is not yet adopted - reduces effective implementation. Regular monitoring is specific to the project/program objectives. This monitoring approach is so focussed on the specific targets, that secondary and long term environmental effects may not be recognised. Environmental Audits for the EC cooperation have not yet been conducted in Namibia.

The donor's support in the ENR sector has in several sectors already significant positive results. Various successful mitigation measures have been taken to deal with sustainability of ENR initiatives. But it is difficult to evaluate the environmental impact of cooperation due to the fact that impacts on the environment take much longer than project life or the young development cooperation with Namibia and long term impact monitoring mechanism are not operational. Several donor supports risk to have - in the actual form - negative long term environmental impacts, especially support to mining and industries, resettlement programs, water supply and irrigation.

4. Conclusions and recommendations

Conclusion 1: Development potentialities in the sensitive natural environment are restricted by the scarcity of water and arable land. The fragile ecosystems are under threat due to overexploitation of water resources, land pressure and population growth, poverty, inadequate rangeland and agricultural practices, deforestation, and increasing economic activities in mining, fisheries and tourism. The main results of these pressures are degradation of vegetation and soils, decline of water, habitat's destruction and pollution. The importance of key environmental pressures and their linkages to the society and the economy are well-understood and described, some natural resources are already well managed, but adapted management systems are only partly implemented at the local level.

Conclusion 2: The country is one of the most advanced concerning policies and strategies for natural resources management and sustainable development in the world. Environmental issues are a priority in the constitution, long and medium term global development planning and sector strategies. But implementation is limited because important legislation, especially in the environment and water sector, are written but not yet approved by the parliament. Legislations of different sectors are often not harmonised and contradictory.

Conclusion 3: Decentralisation, transfer of competences and CBNRM systems are potential mechanisms to enhance more sustainable use of natural resources, but government structures are still centralised and in line function, using top – down approaches. Implementation of CBNRM at local level depends still on external support but had already significant positive impact on sustainable NRM utilisation and conservation.

Conclusion 4: The important function of environment monitoring and information sharing/circulation seems to be neglected at national level. The absence of coordinated regular and viable data collection and sharing, both through and across relevant departments, and the lack

of an operational National Environmental Information System (EIS) prevent the objective evaluation of environmental impact of government and donor funded programs at national level.

Conclusion 5: The whole country is still characterised by the dual system of the pre – independence time resulting in extreme different capacities in the society for individual application of environmental sustainable management methods and technologies, ranking from world leading standards (ex: private wildlife tourism sector on commercial land) to poorest Least Developed Countries (LDC) level (dense populated, poor areas in the communal land).

Recommendations

The recommendations are addressed to all stakeholders and decision makers for sustainable development. The recommendations which concern the future EC cooperation (planning of the 10th EDF programme) have been integrated mainly in the sector ‘rural development’, indicated by a “code” (EC).

Rural development and Land Reform

- Give in the water supply component priority to technologies for water conservation, harvesting and recycling especially in rural areas to avoid additional environmental risk from new boreholes –such as artificial watersheds by applying different water retaining materials, by creating them directly on a natural surface applying physical methods of soil treatment; or with the help of engineering methods that allow increased water yields from natural watersheds; or roof of houses and shelters having different roofing or watertight coatings- (EC).
- Concentrate support to the livestock sector on rangeland management and marketing strategies (EC).
- Promote alternative high value adding income generation activities (IGA) like tourism, game ranching, NTFP, agro processing, environment friendly Small and Medium Enterprises (SME), in rural areas and facilitate access to small credits outside the agriculture sector. (EC).
- Promote mechanical debushing and valorisation of this biomass for energy supply (ex: wood pellets) in remote rural areas (EC).
- Include training for new farmers and investments/credits for farm infrastructure in the resettlement programme (EC).
- Promote in the northern agriculture and rangeland regions agro – forestry with adapted multi - purpose trees to increase household income, to establish fodder reserves and to protect the soils (EC).
- Integrate an urban environment component (water and sewerage, waste, housing) for the fast growing regional towns in the infrastructure programme. (EC).
- Include support to energy supply and modern communication (telephone, internet) in the rural infrastructure component to facilitate access to and exchange of environmental information.

EU specific recommendations outside the focal sectors

- Facilitate access to EC finance mechanisms outside the EDF, especially ACP facilities for water and energy.
- Simplify the internal monitoring and the indicators for the ‘Rural Poverty Reduction Support Programme’ in the Joint Annual Report (JAR) and harmonise the system with national systems used in NDP 3 and Environmental Monitoring and Indicators Network (EMIN)

Decentralisation

- Promote the transfer of competence for natural resource management and public administration (human, legal mandate, technical and financial capacities) to decentralised structures (Regional and Local Councils, Community Based Organisations (CBO)).
- Promote local land use planning and holistic bottom – up approaches concerning NRM and support by training, TA and organisational development decentralised NRM structures (EC).

Institutional and legislation framework (GRN)

- Finalise and implement important environment legislation (EMA, wetlands, parks and wildlife) and harmonise contradictory legislations
- Assure that EIA and SEA are conducted and that the recommendations are implemented
- Improve effectiveness and cross-sectoral coordination and exchange between the different ministries, donors and Non State Actors (NSA) by creating an institutionalised regular platform of stakeholders (men and women) in the environment sector.
- Reduce the multiple responsibilities of the MET/DEA leaving GRN to focus on the core functions: policy, coordinating, regulations and control and promote Public Private Partnership (PPP) and NSA to implement government’s policies and programmes.

Monitoring/information/communication

- Implement an operational National Environment Monitoring Desk to collect and interpret on a regular base data for defined and standardised key indicators of nationwide state of environment which are able to translate the performance of sustainable development across all sectors.
- Valorise/support indigenous knowledge and successful initiatives for better environment management and improved productivity.
- Develop and implement Environment – Economic modelling for the most important renewable natural resources in the framework of Vision 2030 (water, fish, wildlife, land).
- Improve ground water monitoring especially in regions with high extraction or sensitive environment (industrial and mining areas).
- Conduct a new energy balance study at national level.
- Continue to promote environmental awareness and understanding by sharing, circulation and transparency of environmental information and adapted explanatory material for the public.

Urban development, industries, mining

- Develop strategies and guidelines for the ‘grey’ environment (pollution, waste, waste water) for urban and mining areas.
- Support waste reducing and recycling by appropriate waste management systems and promote the use of cleaner production technologies by adopting fiscal and other financial regulations.
- Implement the ‘pollutant pays’ principal, starting with the most polluting mining, industries and private sectors.
- Implement an ‘environment account’ in the mining sector for rehabilitation of mining sites.

Biodiversity: Install marine PAs for breeding grounds to assure stock rehabilitation of the commercial fish species.

Annex 4: Country Migration Profile

Official data on migration will only be forthcoming once the current automation process at the Ministry of Home Affairs has been concluded.

The data presented below is compiled from a number of other sources, as indicated.

Immigration

Numbers: 143,000 migrants (2000), 8.1% of the population³⁴

According to the Monitor Action Group (MAG) party there are an estimated 44,000 Chinese workers in Namibia³⁵

Status: 19.1% or 27,263 persons of the 143,000 migrants in the year 2000 were refugees³⁶, most of them fleeing from the Angolan civil war. The number of refugees in Namibia peaked in the year 2001 at 30,885. With a voluntary repatriation of 9,506 refugees in 2003 and 8,991 refugees in 2004, only 14,773 refugees remained in Namibia in 2004.³⁷ 90% of those originate from Angola, while most of the remaining refugees came from DRC, Rwanda and Burundi.³⁸

Emigration

Numbers: With a net migration of an average of 1,000 persons between 1995 and 2000, emigration rates lie slightly below immigration rates.³⁹ This translates into an emigration rate of approximately 6%.⁴⁰

The government views the emigration level as satisfactory.

Brain drain:

On the one hand, in the health sector, several declarations of the public and private health practitioners seem to indicate that there is indeed in Namibia, like in the rest of Sub-Saharan Africa, a problem of brain drain of skilled workers, nurses and doctors to mainly RSA, the US and the UK. On the other hand, in several studies from other Sub Saharan African countries, Namibia is indicated as a "brain gainer", being one of the favourite emigration destinations - after Botswana, the UK, the US and SA - of skilled labours in the Southern African region. No figures could be obtained from the relevant authorities.

Remittances: Namibian emigrants have sent home an estimated USD7m in 1990 and USD6m in the year 2000. This is in the range of 0.3% and 0.2% of GDP respectively.

Annex 5: CSP drafting process, with particular attention to involvement of NSA and local authorities

While it was initially envisaged that the drafting process of the CSP and NIP would be a joint effort by the NPC, EC delegation and NSA within the framework of a NSA support programme, this did not materialize due to delays in the commencement of this programme. Instead, the process was organised in a somewhat *ad-hoc* manner and focused on several of the priorities identified by the NAO in the framework of the preparation of Namibia's National Development Plan 3 (NDP3).

Priority areas for EDF10 funding only became clearer once Namibia finalized the scoping of investments proposed for funding by MCC under MCA Namibia. This sizable investment programme could not otherwise but influence the formulation of the EDF10 NIP. Namibia under the guidance of the NPC and with support from the EC and SIDA submitted the MCA Namibia Proposal to the Millennium Challenge Corporation (MCC) at the end of September 2006 and preparations for the “due diligence” by MCC are currently being made.

The initial consultations between NPC DG Angula and EC Commissioner Louis Michel, held in February 2006 in Gaborone, were elaborated upon between NPC and EC officials and selected line ministries during September and October 2006. Various options were explored within context and continued support under EDF10 to the education sector and rural development as focal sectors was agreed upon; and so the non-focal support to governance and NSAs. The common proposals and selected priorities were initially presented to the NGO forum. Comments were made and the importance of a continued support to capacity building of the NSA stressed. This was followed by a consultative meeting with a larger audience of NSAs in early October 2006. NPC and EC have committed themselves to a further interaction with the NSAs based on the final CSP/NIP before the EC Country Team Meeting for comments from the NSAs to still feed into the discussions in Brussels.

A mission from Brussels by the Namibia Desk Officer and an Expert for Rural Development in late November/early December 2006 further informed the CSP and NIP formulation. During this mission extensive consultations were held with GRN, both with central government in Windhoek and at regional level with the RC of Omusati during a field visit. Civil society was part of the consultations at both national and regional level while the mission also held discussions with the EC MS. The field visit provided insight into the achievements of and challenges facing rural infrastructure, including water, roads and power, and the land reform programme.

The draft Country Environmental Profile (the executive summary of which is included in Annex 3) was shared with a number of stakeholders from the public sector and civil society as well as international donors at a workshop on 1 December 2006. The workshop was attended by the National Planning Commission and the Ministry of Local and Regional Government and Housing and Rural Development, the City of Windhoek UNESCO and USAID, the World Wildlife Fund and a number of national NGOs. In general the main findings of the CEP mission were validated and some suggestions made to improve on the profile and these were incorporated in the draft final report.

The Governance Profile was compiled in a joint effort by the EC MS and is considered a major achievement of EU coordination under the Finnish Presidency. The EC observations were shared with GRN and prompted an intensive inter-ministerial effort in response, coordinated by the NPC. Some factual information provided by GRN was incorporated in the Governance Profile with the remainder of the information and statements collected used to inform Annex 9 of the CSP. The outcome of both processes will inform the decision on the incentive *tranche* which may be allocated to Namibia in addition to the current resource allocation under EDF10.

Annex 6: The Harmonisation Road Map

Namibia is a signatory to the Paris Declaration as of April 2007.

Following signature, the National Action Plan to implement the Paris Declaration will now be formulated to ensure that the process of envisaged harmonisation and alignment is effected and processes agreed upon.

Annex 7: Listing of Namibia's positions in relation to key international conventions

United Nations

Date of admission to United Nations – 23 April 1990

- includes acceptance of the Charter of the United Nations
- includes adoption of the Statute of the International Court of Justice annexed to the Charter of the United Nations
- also generally understood to include endorsement of the Universal Declaration of Human Rights

Multilateral Treaties

Convention on the Prevention and Punishment of the Crime of Genocide, 1948

Accession: 28 November 1994

International Convention on the Elimination of All Forms of Racial Discrimination, 1966

Accession: 11 November 1982

Namibia has not agreed to the following amendment, which is not yet in force internationally: Amendment to article 8 of the International Convention on the Elimination of all Forms of Racial Discrimination, 1992.

International Covenant on Economic, Social and Cultural Rights, 1966

Accession: 28 November 1994; effective: 28 February 1995

International Covenant on Civil and Political Rights, 1966

Accession: 28 November 1994; effective: 28 February 1995

Optional Protocol to the International Covenant on Civil and Political Rights, 1966

Accession: 28 November 1994

Second Optional Protocol to the International Covenant on Civil and Political Rights, aiming at the Abolition of the Death Penalty, 1989

Accession: 28 November 1994

International Convention on the Suppression and Punishment of the Crime of Apartheid, 1973

Accession: 11 November 1982

Convention on the Elimination of All Forms of Discrimination against Women, 1979

Accession: 23 November 1992

Optional Protocol to the Convention on the Elimination of all Forms of Discrimination against Women

Effective date: 22 December 2000 (This is the date on which the Optional Protocol came into force internationally after being ratified by the first 10 countries, one of which is Namibia. The Namibian Parliament approved the Optional Protocol on 17 May 2000.)

Namibia has not agreed to the following amendment, which is not yet in force internationally: Amendment to article 20, paragraph 1 of the Convention on the Elimination of All Forms of Discrimination Against Women, 1995.

African Charter for Human and People's Rights, 1981

Accession: 30 July 1992; deposit: 16 August 1992

Protocol to the African Charter for Human and People's Rights on the establishment of the African Court on Human and People's Rights, 1998 (came into force within the AU on 15 January 2004)

Signature: 9 June 1998; ratification approved by Parliament: 7 November 2000

Protocol to the African Charter for Human and People's Rights on the Rights of Women in Africa, 2003 (not yet in force within the AU)

Signature: 9 December 2003; ratification approved by Parliament: 15 June 2004; ratification: 26 August 2004

Reservation: Namibia will not be bound by Article 6(d) until it has enacted legislation regarding the recording and registration of customary marriages.

African Charter on the Rights and Welfare of the Child, 1990

Signature: 13 July 1999; ratification approved by Parliament: 23 July 2004; deposit: 26 August 2004

Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, 1984

Accession: 28 November 1994

Namibia has not agreed to the following amendments, which are not yet in force internationally: Amendments to articles 17 (7) and 18 (5) of the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, 1992.

Convention on the Rights of the Child, 1989

Signature: 26 September 1990; ratification: 30 September 1990

Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict (entered into force internationally on 12 February 2002)

Signature: 8 September 2000; ratification: 16 April 2002. Note: Namibia's ratification of this Optional Protocol was accompanied by a declaration on the minimum recruitment age (age 18) for the Namibia Defence Force

Optional Protocol to the Convention on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography (entered into force internationally on 18 January 2002)

Signature: 8 September 2000; ratification: 16 April 2002

Amendment to Article 43(2) of the Convention on the Rights of the Child adopted by the Conference of the States Parties on 12 December 1995

Ratification: 11 December 2001

List of ILO Conventions ratified by Namibia

1. C29 Forced Labour Convention, 1930 (15:11:2000)
2. C87 Freedom of Association and Protection of the Right to Organise Convention, 1948 (03:01:1995)
3. C98 Right to Organise and Collective Bargaining Convention, 1949 (03:01:1995)
4. C105 Abolition of Forced Labour Convention, 1957 (15:11:2000)
5. C111 Discrimination (Employment and Occupation) Convention, 1958 (13:11:2001)
6. C138 Minimum Age Convention, 1973 (15:11:2000)
7. C144 Tripartite Consultation (International Labour Standards) Convention, 1976 (03:01:1995)
8. C150 Labour Administration Convention, 1978 (28:06:1996)
9. C158 Termination of Employment Convention, 1982 (28:06:1996)
10. C182 Worst Forms of Child Labour Convention, 1999 (15:11:2000)

Namibia: External Debt Sustainability

1. Namibia's total gross external debt stood at an estimated US\$1.1 billion, or about 25 percent of GDP, at end-2003.¹ Public and publicly-guaranteed external debt accounted for slightly more than 12 percent of GDP and was mostly on concessional terms. Net external debt was negative, reflecting the persistent outflows of savings, mainly in the form of portfolio investment by Namibian pension funds, banks, and insurance companies to South African financial markets. Short-term debt accounts for about two-thirds of Namibia's gross external debt of all maturities. About 90 percent of Namibia's short-term debt is with South Africa and virtually the entire increase in 2003 stems from increased credit from South African parent banks to their Namibian subsidiaries.

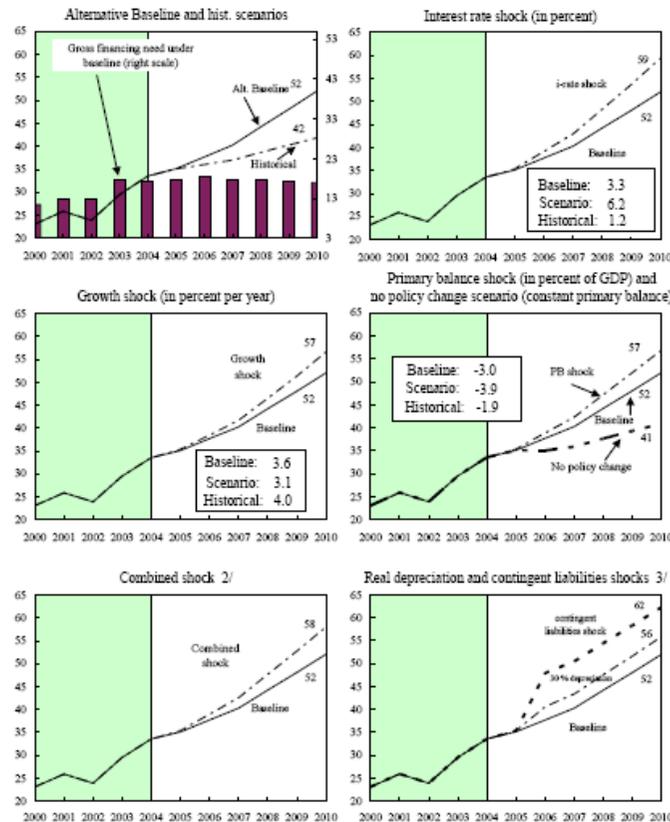
2. Based on the DSA template, external debt is tentatively estimated at 22.6 percent of GDP at end-2004. The slight decline in the external debt/GDP ratio relative to the previous year mainly reflects the improvement of the current account balance in light of higher diamond and other mineral exports and increased SACU receipts. The baseline scenario—consistent with the medium-term macroeconomic framework (Table 5 following the main text)—envisages a further slight decline in gross external debt to 17 percent of GDP by the end of the decade. This decrease reflects (i) the stabilization of the external current account surplus at above 3 percent of GDP over the medium term; and (ii) sustained foreign direct investment inflows to fund various investment projects, in particular related to the coming on line of new mines and the offshore Kudu gas fields. On the other hand, it is envisaged that the net financial account outflows—which have characterized Namibia's external transactions over the years—will continue, but decline over time, as domestic financial markets and investment opportunities are being developed.

¹ External debt data are based on the *International Investment Position (IIP)*. Staff have undertaken a partial reconciliation of Namibian and South African IIP data for 2001, 2002, and 2003. Large differences were observed in several categories, and staff encourage the authorities to discuss these with their South African counterparts.

3. The simulations under the external sustainability framework indicate that Namibia's external debt is sustainable over the medium term and does not give rise to any immediate concerns (Figure 1). Although the stress tests indicate a significantly higher debt accumulation compared to the baseline, the levels appear manageable. The debt/GDP ratio rises to 38 percent of GDP in the most extreme bound test that includes a one-time 30 percent real depreciation in 2006. However, as a large share of Namibia's external debt is rand-denominated at present, the bound test overstates the possible impact of a depreciation under the current exchange rate arrangement. Another stress test simulating a 15 percent drop in the price of Namibia's key export products in 2006 also shows sharply rising debt levels, approaching 36 percent of GDP, illustrating Namibia's vulnerability to developments in world market prices.

Table 1. External Debt Indicators, 2003	
2003	
Gross external debt (in millions of U.S. dollars)	1103.5
(in percent of GDP)	24.7
Of which:	
Public and publicly guaranteed debt 1/	556.1
(in percent of GDP)	12.4
Short-term debt (in millions of U.S. dollars)	719.2
(in percent of GDP)	16.1
Net external debt (in millions of U.S. dollars)	-1908.5
Gross official reserves (in millions of U.S. dollars)	318.9
(ratio to short-term debt)	0.4
(ratio to reserve money)	1.8
Memorandum items:	
GDP at current market prices (in million U.S. dollars)	4473.4
Reserve money (in million U.S. dollars)	176.6
Sources: Namibian and South African authorities; and Fund staff estimates.	
1/ Public and publicly guaranteed debt is only available on a fiscal year basis (FY 03/04).	

Figure 2. Namibia: Public Debt Sustainability: Bound Tests (Alternative Scenario) 1/ (Public debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
 1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
 2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and primary balance.
 3/ One-time real depreciation of 30 percent and 10 percent of GDP shock to contingent liabilities occur in 2006, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

of the last projection year.

	Est	
	2003	2004

1 24.7 22.6

6 -3.4 -2.1

9 -16.9 -19.6

8 -5.3 -10.6

8 6.5 2.6

3 37.3 39.7

1 43.8 42.3

0 -3.3 -3.9

9 -8.2 -5.0

4 0.2 0.3

3 -0.7 -1.1

8 -7.8 -4.2

5 13.4 17.5

0 66.2 56.8

0 0.1 0.1

6 1.9 2.4

6.6 5.5 5.7 6.8 7.2 6.9

35.1 36.0 35.3 33.8 33.4 33.4

41.8 41.6 41.0 40.6 40.6 40.4

-3.9 -3.9 -3.9 -3.9 -3.9 -3.9

0.0 0.1 0.1 0.3 0.2 0.2

0.8 1.0 1.0 1.0 0.9 0.9

-0.7 -0.9 -0.9 -0.7 -0.7 -0.7

9.5 11.5 9.4 7.4 6.8 6.5

61.8 60.3 59.4 58.0 54.8 50.6

0.4 0.2 0.3 0.3 0.3 0.3

6.7 3.7 3.7 3.8 3.8 3.5

21.7 20.9 18.2 13.7 8.3 2.9

-5.2

7 3.5 5.9

9 38.2 20.7

9 1.2 1.8

5 23.2 36.3

8 30.1 23.7

8 5.3 10.6

0 3.3 3.9

3.5 4.5 4.5 3.7 3.8 3.9

3.3 1.2 2.2 2.6 1.3 2.0

3.7 4.9 5.0 5.0 5.0 5.0

-5.4 8.3 4.5 2.0 3.9 6.0

5.6 5.1 5.2 5.3 5.3 5.3

6.5 7.7 6.4 5.1 4.4 4.2

3.9 3.9 3.9 3.9 3.9 3.9

est rate on external debt; ρ = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, π = change in total external debt.

π = period debt stock. ρ increases with an appreciating domestic currency ($\pi > 0$)

previous period.

est account and non-debt inflows in percent of GDP.

est rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels

Annex 9: GRN Commitments

I. POLITICAL/DEMOCRATIC GOVERNANCE
A. Human Rights
<ol style="list-style-type: none">1. GRN is committed to strengthen in all 13 regions (a) the “Special Unit on Complaints and Discipline” to specifically deal with allegations against the police and (b) the “Women and Child Protection Unit” to specifically deal with violence against women and children.2. The Office of the Ombudsman will make public its independent assessments. The Office will reduce the number of outstanding appeals through fast-tracking by engaging the services of former prosecutors. Of the total number of 2060 complaints received, 1489 were finalized while 571 need to be resolved. It has been accredited as a Human Rights Institution by the International Coordinating Committee of National Institutions for the Promotion and Protection of Human Rights. Published documents include the “Conditions prevailing in Police Cells” that was presented to Parliament in 2007.3. GRN will ensure effective implementation of the Disability Policy and Affirmative Action (Employment) Act. The Disability Advisory Unit in the Office of the Prime Minister (OPM) specifically advocates the rights and dignities of people with disabilities and is committed to mainstream them. GRN commits to ensure that the UN Convention on the rights of people with disabilities will be signed in 2007 and ensure that every institution will have a disability action plan.4. GRN will effectively implement the San Development Program, launched in late 2005, which is supported by the Cabinet Ad Hoc Committee on San Development. GRN will continue the dialogue on the UN Convention for Indigenous Population in order to ensure that the final version is consistent with the Namibian Constitution.
B. Fundamental Freedoms
<ol style="list-style-type: none">5. GRN will reduce the turn-around time of identity documents and work, study and residence permits. In this regard GRN commits to provide ID Documents within a period of 30 days. It will also modernize the production of statistical information relating to immigration to facilitate effective monitoring of trends. The Ministry of Home Affairs undertook a special project whereby mobile registrations were conducted in October 2005 and ended March 31, 2006. During this period it was found that 54,863 birth certificates were issued and 48,163 ID’s were applied for. These statistics indicate that most people were covered during the mobile registrations countrywide.6. GRN commits to carry out periodic mobile operations once / twice a year countrywide to ensure that we cover every person who might have been left behind during a previous mobile registration.7. GRN through the 2006 “Government of the Republic of Namibia Civic Organizations Partnership Policy” commits to strengthen partnership through the formulation of a new Registration Partnership Act, capacity building initiatives for NSAs and the establishment of a Partnership Help Desk during 2007/2008. Furthermore An Advisory Committee will be established under the National Planning Commission Act in 2007 that will represent GRN and Civic Organizations to oversee the implementation of the Policy. NPC reviewed its structure (Feb 2007) to create a dedicated sub-division that will deal specifically with enhancing partnership with NSAs and strengthen partnership in policy formulation and programme implementation with NSAs.
C. Electoral Process
<ol style="list-style-type: none">8. GRN will continue to respect the independence and impartiality of the Electoral Commission of Namibia (ECN), as safeguarded by the Electoral Act and is committed to holding free and fair elections at all levels of government. ECN will (a) provide accessibility to the voters’ register throughout the year, whether there is an election or not. (b) Introduce an electronic voting system and (c) conduct a comprehensive review of the Electoral Act to improve the electoral law and procedures, especially with regards to voting, and counting methods and procedures.9. Access to media by political parties will continue to be regulated by The Namibian Communications Commission Act no.4 of 1992.
II. POLITICAL GOVERNANCE/RULE OF LAW
<ol style="list-style-type: none">10. GRN will address delays in trials and the backlog in the number of persons in pre-trial detention through a specific program under which some 18 magistrates were recruited to deal with the outstanding cases, and work away this backlog over a period of 2 years.11. GRN is commits to ensure equality before the law by guaranteeing the right to a fair trial and provision of free legal aid to those who cannot afford the services of legal practitioners.

12. GRN will continue to provide funding to the periodic and circuit courts held in the remote rural centres to ensure easy physical access to the courts.
III. CONTROL OF CORRUPTION
13. GRN will enforce the Financial Intelligence Act that provides for anti-money laundering interventions. The Financial Intelligence Act was passed by Parliament in 2006, comments were made by the National Council and the Bill will be passed in 2007. In the meantime the Financial Intelligence Centre Structure has been set up in the Bank of Namibia and they have an acting Director. The Structure and Plan of Action is ready to be rolled out as soon as the Bill is passed.
14. GRN commits to increase levels of funding and staff for the effective operation of the Anti-Corruption Commission (ACC) this coming financial year. The ACC received a budget of 6,5 Million N\$ in the financial year 2006/2007. An increase was requested to provide services to the regions and for the financial year 2007/2008 GRN allocated 11,258,000 N\$. The ACC commits to prepare their Strategic Plan. Their structures have been approved and by end of April 2007 29 staff members of the envisaged 32 staff will be in place.
15. In 2007/8, the ACC will establish offices at regional level, possibly in cooperation with the Ombudsman, and maintain its open-door policy. For the coming financial year 2007/2008 one Regional Office will be established.
16. The ACC will give more prominence to awareness-raising / Public Education and prevention; (thus far, the focus has been on investigation) and strengthen its working relationship with civil society. It will actively participate in the Namibia Institute for Democracy (NID) run <i>Zero Tolerance for Corruption Campaign</i> which commenced in 2004 and has built a strategic public-private coalition in fighting corruption at all levels.
IV. GOVERNMENT EFFECTIVENESS
A. Institutional Capacity
17. GRN will roll-out the Performance Management System (PMS) in an effort to systematically increase efficiency in the public sector, <i>inter alia</i> , by a reduction and redeployment of staff facilitated by performance monitoring and evidence-based reforms. The Public Service Act will be amended to empower the PMS process, facilitating retrenchments of redundant and under- or mal-performing staff.
18. GRN commits to strengthen development planning and implementation processes through the closer involvement of regional governance structures and direct participation of civil society and private sector in the thematic working groups established for NDP3 that are guided by agreed key performance indicators and led by identified key GRN agencies. Cabinet decision number: 22.12.12.06/010 approved the “Guidelines for preparing the Third National Development Plan: 2007/08 – 2011/12 This part contains institutional arrangements that stipulate that partnership with civic organisations and the private sector, NSAs are compulsory cross cutting issues and will form part of the Thematic Groups in order to fully participate in developing programmes that contribute to NDP3 goals.
19. GRN commits to accelerate the decentralisation programme and to this effect commits to adopt the “Fiscal Decentralisation Policy” in 2007 and provide the required training. In addition GRN commits to adopt the “Local Authorities Reform Position Paper” in 2007 which also deals with financial decentralisation matters.
B. Public Finance Management (PFM)
20. GRN will carry out a Country Integrated Fiduciary Assessment (CIFA) in conjunction with the World Bank and the EC. (Result: CIFA report)
21. GRN commits to improve the management of public finances through the implementation of a Public Financial Management (PFM) programme during 2007-2009, (result: PFM programme reports)
V. ECONOMIC GOVERNANCE
A. Private sector/market friendly Policies.
22. GRN will implement land reform according to the Permanent Technical Team (PTT) 2006 report on land reform. Planned expropriation of land will follow the provisions of the Constitution and the Agricultural (Commercial) Land Reform Act of 1995, in particular in terms of transparency and fair compensation. Moreover, GRN will introduce leasehold in communal areas and develop under-utilized land for agricultural purposes. .
23. GRN will improve access to and broaden the scope of SME lending instruments through various channels, including the Development Bank of Namibia.
24. GRN commits to table a new Labour Act during the course of 2007 to strengthen and reconfirm minimum basic conditions of service for all employees and to give effect to all conventions and recommendations of the ILO.
B. Management of Natural Resources
25. GRN will ensure full compliance with Kimberly Process Certification System (KPCS). (result: see reports)
26. GRN will effectively implement the Forest Act and enforcement of policies and instruments that ensure the sustainable harvesting of wood resources.

<p>27. GRN will fully observe the FAO Code of Conduct for Responsible Fisheries (CCRF).</p> <p>28. There is full transparency concerning mining companies paying taxes to GRN and the latter's utilisation thereof for development in Namibia. <u>GRN commits to review the EITI and pronounce itself on this Initiative</u></p>
<p>VI. INTERNAL AND EXTERNAL SECURITY</p>
<p>A. Internal Stability/Conflict</p> <p>29. GRN is fully committed to uphold its long-standing Policy of National Reconciliation to address any potential conflict which may arise, whether stemming from economic, ethnic or other social causes.</p>
<p>B. External Threats and Global Security</p> <p>30. Namibia is a member of the African Union (AU) Peace and Security Council and will continue to contribute to all AU efforts to bring and safeguard peace on the continent.</p>
<p>VII. SOCIAL GOVERNANCE</p> <p>31. GRN will finalize a National Policy for the HIV/AIDS response. The draft Human Resource Report is under discussion currently and the information will feed into the Third National Development Plan. GRN will actively promote women's rights and enforce both international and national commitments to gender equality; and national policies such as the National Gender Policy, National Gender Plan of Action, and National Gender Mainstreaming Program. The Ministry of Gender Equality and Child Welfare commits to ensure gender mainstreaming take place in the formulation of NDP3. The Ministry will furthermore conduct a National Conference on Gender Based Violence in 2007 to have public dialogue on this matter and engaging Parliamentarians. Furthermore a Study will be carried out in 2007 to identify the harmful cultural practices that lead to gender-based violence. A National database on Gender Based Violence is in place to track cases reported to the various Women & Child Protection Units in the country, to follow it up and to analyse the trend</p> <p><i>Also refer to commitment no. 47 regarding labour legislation reform.</i></p>
<p>IX. QUALITY OF PARTNERSHIP</p> <p>32. GRN has approved the Paris Declaration and signature will follow in the first half 2007.</p> <p>33. GRN will ensure its timely ratification the revised Cotonou Partnership Agreement.</p> <p>34. GRN is committed to continue the open political dialogue with the EC and MS (also but not exclusively under Art. 8 Cotonou)</p> <p>35. GRN has introduced a Sector Wide Approach (SWAp) for the education sector, and is developing SWAp for the transport sector and the rural development sector. GRN will take the lead to harmonise the development partners in these sectors under these approaches.</p> <p>36. GRN will integrate the findings of the country-wide Participatory Poverty Assessments (PPA) in the Third National Development Planning Process. Each Region needs to identify key areas in their respective PPAs and prepare corresponding programmes to address these needs. NDP3 will be launched by the end of 2007.</p> <p>37. GRN will promote and facilitate broad-based partnership – partnership between government and civil society, between different branches of government, with the private sector, with the international community, between urban and rural societies and ultimately with all members of the Namibian society. This commitment is provided in Namibia's Vision 2030.</p> <p><i>Also refer to commitment no.15 and no.33 regarding improved dialogue with civil society and participation of NSAs in the programming process for NDP3.</i></p> <p><i>Also refer to commitment no.34 on the planned Development Cooperation Resources Management Division in DDC/NPC.</i></p>

Annex 10: Summary of EU Article 8 Political Dialogue with Namibia, 2006 (prepared by Finnish Embassy, Windhoek)

1. Introduction:

EU Member States have common values, which determine their foreign policy and approach to world issues. The EU shares Namibia's principles of democracy, respect for human rights, the rule of law, free market economy and social welfare, well rooted in the Namibian Constitution and society. The EU has a fruitful dialogue with Namibia across the country's political agenda and on a wide range of issues of international importance, including the EU-Africa dialogue, the WTO Doha Round negotiations, human rights promotion, international security and multilateralism. The EU is a major contributor to International Organisations, such as the United Nations, and provides a major part of the funding of worldwide UN peace-keeping operations. The Union grants around 60% of the development assistance that Namibia receives annually and constitutes one of its largest trade partners. The EU is currently working with Namibia, within SADC, to agree on an Economic Partnership Agreement, to encourage regional integration and greater access for exports into the European market. The EU recognises what Namibia has achieved since Independence and stands ready to continue to assist Namibia to tackle major challenges, such as poverty reduction, job creation, the fight against HIV/AIDS, and the fight against corruption.

2. EU-Namibia dialogue in 2006:

Throughout 2006, the EU has had a fruitful and regular dialogue with senior government officials, civil society organisations and public institutions. The EU Heads of Mission met, among others, with the Prime Minister, the Minister of Foreign Affairs, the Minister of Lands and Resettlement, the Director of the Anti-Corruption Commission and the Governor of the Bank of Namibia. Key issues discussed at these meetings included:

- **Foreign policy:** Discussions were held on key African and international matters, including the EU-Africa Strategy, NEPAD and the African Review Peer Mechanism, the Darfur conflict, the electoral process in the Democratic Republic of Congo, Namibia's contributions to peace-keeping operations, regional integration and SADC, and the importance of the Paris Declaration on Aid Effectiveness.
- **Land reform process:** The EU was briefed about the recently adopted Permanent Technical Team report and action plan for land reform. An open discussion was held about the main challenges faced in the context of Namibia's land reform process.
- **Economic developments:** Views were exchanged on Namibia's economic situation and on the 2006/07 national budget.
- **Human rights, governance and fight against corruption:** Dialogue was held on the human rights situation of the country, the on-going Caprivi High Treason Trials, the state of the public service delivery, the extent of corruption in Namibia, and the mandate and functions of the recently established Anti-Corruption Commission.
- **Work permits and visas:** The EU urged the national authorities to take measures to solve the problems encountered by diplomatic missions regarding the issuance of visas and work permits.

3. Demarches carried out by the EU in 2006:

In the context of the EU's Common Foreign and Security Policy, several demarches were carried out to convey positions and request Namibia's support on a variety of issues:

- The EU presented its position concerning the **composition of the UN Human Rights Council**.
- The EU urged Namibia to **become party to the Biological and Toxic Weapons Convention**.
- The EU highlighted the need to ensure **voting for consensus on the 5th committee of the UN General Assembly dealing with budgetary issues**, in the context of the on-going UN reform.
- The EU encouraged the Namibian authorities to take all possible measures to **expedite the proceedings of the Caprivi High Treason Trials**.
- The EU asked Namibia's support for the **granting of ECOSOC consultative status to four European NGOs working with issues pertaining to sexual rights of gays and lesbians**.
- The EU encouraged Namibia to **submit its periodic report to the Committee Against Torture, in accordance with the country's undertakings under the UN Convention Against Torture (UNCAT), and encouraged Namibia to make the declarations provided for in articles 21 and 22 of UNCAT concerning inter-state and individual communications**.
- The EU encouraged Namibia to **support the country resolutions tabled at the United Nations General Assembly's 3rd Committee on the human rights situation in Myanmar and the Democratic People's Republic of Korea**.
- The EU urged Namibia to **support the Declaration on the Rights of Indigenous Peoples** in the 3rd Committee of the United Nations General Assembly.

Annex 11: Vision 2030 and NDP3 Goals

Vision 2030 Objective	Key Result Area	NDP3 Goals
Ensure that Namibia is a fair, gender responsive, caring and committed nation, in which all citizens are able to realise their full potential, in a safe and decent living environment.	Equality and social welfare	Reduced inequality in social welfare A society imbued in culture, tradition, and morality Gender equality
Create and consolidate a legitimate, effective and democratic political system (under the Constitution), and an equitable, tolerable and free society, that is characterised by sustainable and equitable development and effective institutions, which guarantee peace and political stability.	Peace and political stability	Enhanced and sustained participatory democracy Territorial integrity
Develop diversified, competent and highly productive human resources and institutions, fully utilising human potential and achieving efficient and effective delivery of customer-focussed services, which are competitive not only nationally, but also regionally and internationally.	Productive & competitive human resources and institutions	Adequate supply of qualified, productive, and competitive labour force
Transform Namibia into an industrialised country of equal opportunities, which is globally competitive, realising its maximum growth potential on a sustainable basis, with improved quality of life for all Namibians.	<u>Competitive economy</u> Macro economics	Equality in income distribution Increased and sustainable economic growth Increased Employment Increased Smart Partnerships
	Infrastructure	Highly developed and reliable infrastructure
Ensure a healthy, food-secured and breastfeeding nation, in which all preventable, infectious and parasitic diseases are under secure control, and in which people enjoy a high standard of living, with access to quality education, health and other vital services, in an atmosphere of sustainable population growth and development.	Quality of life	Affordable and quality healthcare Reduced spread of HIV/AIDS and its effects Eradicate extreme poverty & hunger
Ensure the development of Namibia's natural capital and its sustainable utilisation for the benefit of the country's social, economic and ecological well-being.	Productive, sustainable utilization of natural resources	Optimal and sustainable utilization of renewable and non-renewable resources
	Environmental sustainability	Environmental sustainability
Accomplish the transformation of Namibia into a knowledge-based, highly competitive, industrialized and eco-friendly nation, with sustainable economic growth and high quality of life.	Knowledge based and technology driven nation	Innovative and productive usage of Information & Communication Technology (ICT)
Achieve stability, full regional integration and democratized international relations, the transformation from an aid – recipient country to that of a provider of development assistance.	Regional & global stability and integration	Promote regional integration Strengthened international partnerships for development Contribute to regional & global peace and political stability

Annex 12: Activities of the European Investment Bank (EIB) in Namibia

Since 1992, the EIB has signed loan commitments for a total of €177m in Namibia, representing one of the highest per capita lending ratios in the ACPs. At the end of April 2006, the portfolio of active (not yet repaid) EIB loans in Namibia comprised 15 operations for a total amount outstanding of €117.5m.

The large majority of these resources were made available for the financing of larger infrastructure projects in the water, power, telecom, port and municipal infrastructure sectors, which were all generally well implemented and are operating successfully. In March 2006, the Bank made available a €4m equivalent financing facility to support smaller municipal and other infrastructure investments, to be funded jointly with the Old Mutual MIDINA Fund, a new type of instrument in Namibia.

The other main area of EIB activity in Namibia has been support to small and medium-sized (SME) private sector projects through two lines of credit (“global loans”) channelled to the final beneficiaries via the Bank of Namibia and the local commercial banks. Through these facilities, the EIB was able to support a number of projects, mainly in the tourism but also the manufacturing sector, which are operating successfully. However, due to various reasons (including the increasing liquidity in the financial sector and the scarcity of projects able to satisfy the commercial banks’ stringent credit risk requirements), neither line of credit was fully utilised. The experience with the global facilities has also shown that a different type of instrument – including for example a risk-sharing mechanism – would perhaps be required to be able to support also higher-risk type operations. Therefore, the Bank has decided to carry out a review of the financial sector to identify possible new areas and instruments for SME support that could be made available under the second protocol of the Cotonou Agreement.

Within the general development strategy for Namibia, interventions by the Bank, being in the form of various risk capital instruments from the Investment Facility or senior loans from its own resources, will remain essentially demand-driven. However, considering the specificities of Namibia’s economic situation as well as the Bank’s past experience in the country, the following main areas of possible intervention for the Bank have been identified:

- Support to infrastructure projects, including municipal infrastructure, notably in the power, water and sewerage and port and transport sectors. In view of the clearly identified need for significant investments in the energy sector to meet future demand, particular priority will be given to viable projects in this area. In the framework of the EU-Africa Infrastructure Partnership, the Bank has identified a trans-border energy project in Namibia that could be eligible for Trust Fund support, subject to a detailed appraisal carried out in compliance with the Bank’s usual rules and procedures.
- Based on the conclusions of the financial sector review mentioned above, possibly support to small and medium scale enterprises through global loans, guarantee schemes or equity funds, in the form of instruments yet to be determined.
- Direct funding of large individual projects, where the Bank can add value in the technical and/or financial structuring of the investment. Possible areas for this type of intervention are for example the mining and tourism sectors but investments in other sectors of Namibia’s economy could certainly also be considered, subject the Bank’s usual eligibility criteria.

The overall extent to which the Bank will be able to commit resources in Namibia will largely depend on the macroeconomic framework and on the business environment, which is itself largely determined by the economic policy of the Government of Namibia.

Annex 12: EIB Namibia Country Portfolio as at 31.12.2006

Loans from the Bank's Own Resources

Loan No	Loan Name	Mandate	signed on	Status	Amount signed (EUR)	cancelled (EUR)	disbursed (EUR)	Outstanding (EUR)	first capital repayment date	last repayment date
17203	NAMIBIA-WINDHOEK WATER SUP. A	LOME - CONVENTION 4	4/12/1994	VERSE	3,000,000.00		3,000,000.00	599,595.60	9/15/1997	3/15/2009
17667	WINDHOEK INFRASTRUCTURE	LOME - CONVENTION 4	11/25/1994	VERSE	8,100,000.00		8,100,000.00	4,650,753.43	5/20/1999	11/20/2014
18016	TELECOM NAMIBIA NETWK DIGITAL	LOME - CONVENTION 4	6/26/1995	VERSE	12,700,000.00		12,700,000.00	4,973,602.95	12/20/1999	6/20/2010
19022	NAMIBIA-NAMPORT	LOME - CONVENTION 4	10/21/1996	VERSE	12,000,000.00		12,000,000.00	7,838,023.79	4/15/2002	10/15/2016
19223	NAMIBIA-PRIVATE SECTOR GL	LOME - CONVENTION 4	12/12/1996	VERSE	8,000,000.00	2,000,000.00	6,000,000.00	1,571,146.89	6/10/2000	12/10/2009
17767	NAMIBIA-SOUTH AFRICA 400KV INTERCONNECTOR	LOME - CONVENTION 4 - PROT.2	11/5/1998	VERSE	55,000,000.00		55,000,000.00	41,580,000.00	6/20/2002	6/20/2018
17772	NAMIBIA - TELECOM II (SL)	LOME - CONVENTION 4 - PROT.2	11/16/1998	VERSE	10,000,000.00	2,725,072.00	7,274,928.00	4,900,999.65	5/15/2003	11/15/2013
20256	WINDHOEK INFRASTRUCTURE II (SO)	LOME - CONVENTION 4 - PROT.2	9/28/1999	VERSE	10,500,000.00		10,500,000.00	8,892,450.00	1/31/2004	7/31/2019
20801	NAMIBIA PRIVATE SECTOR GL II A	LOME - CONVENTION 4 - PROT.2	11/17/2000	VERSE	8,000,000.00	2,003,269.65	5,996,730.35	2,282,925.16	5/10/2004	11/10/2013
21290	NAMPOWER II	LOME - CONVENTION 4 - PROT.2	11/14/2001	VERSE	35,000,000.00	5,000,000.00	30,000,000.00	27,370,670.80	9/15/2006	9/15/2021
					162,300,000.00	11,728,341.65	150,571,658.35	104,660,168.27		

Loans from Risk Capital Resources

Loan No	Loan Name	Mandate	signed on	Status	Amount signed (EUR)	cancelled (EUR)	disbursed (EUR)	Outstanding (EUR)	first capital repayment date	last repayment date
70946	WINDHOEK WATER SUPPLY B	LOME - CONVENTION 4	4/12/1994	VERSE	3,000,000.00		3,000,000.00	1,710,300.00	3/15/2000	3/15/2014
71034	OKAPUKA TANNERY II - NAMIBIA	LOME - CONVENTION 4	12/12/1995	VERSE	920,000.00		920,000.00	343,436.00	11/25/1999	11/25/2010
71102	SKORPION FEAS. STUDY	LOME - CONVENTION 4 - PROT.2	6/4/1998	VERSE	2,000,000.00	274,522.01	1,725,477.99	575,159.27	5/31/2003	5/31/2008
20257	WINDHOEK INFRASTRUCTURE II (SS)	LOME - CONVENTION 4 - PROT.2	9/28/1999	VERSE	2,500,000.00		2,500,000.00	2,227,000.00	7/31/2005	7/31/2019
23422	NAMIBIA - OLD MUTUAL MIDINA FUND	ACCORD DE COTONOU	3/10/2006	SIGNE	4,000,000.00		-	-		
					12,420,000.00	274,522.01	8,145,477.99	4,855,895.27		
				GRAND TOTAL	174,720,000.00	12,002,863.66	158,717,136.34	109,516,063.54		

Annex 13: Policy Coherence for Development - More Detailed Considerations

In line with the EU commitments on policy coherence for development (PCD) some of the non direct aid policies are of particular relevance to developing countries. The Commission identifies eleven priority areas, other than aid, where the challenge of attaining synergies with development policy objectives is considered particularly relevant.

For Namibia, the most important areas are trade/regional integration, agriculture and environment/ climate change.

Trade and Regional Integration

30% of Namibia's exports go to the EU. In 2006, Namibia exported 94 million € equivalent of agriculture goods to the EU (estimations), mainly from table grapes (25,000 tons) and beef meat (11,000 tons). Currently, Namibia is benefiting from preferential access under quota to the EU market for its beef and table grapes. Hence, Namibia is highly affected by the EU common agricultural policy (CAP) and as well as by the Cotonou trade agreements and the outcome of the EC-SADC EPA negotiation process.

Namibian producers meet the strict sanitary and phyto-sanitary (SPS) regulations set by the EU for these agricultural imports. These EC requirements are regarded as fostering Namibian producers' international competitiveness. They are however costly and difficult to implement. The implementation was supported by within the Rural Development focal sector in EDF8 (NASSP Programme).

Grapes production, from the poor Southern part of the country, could contribute more if the market access to the EU benefited from a similar preferential treatment as Chile and RSA, Namibia's direct competitors. A request to that regard is included in the SADC EPA negotiations.

With the expiry of the preferential market access for beef meat under the Beef Protocol on 31/12/2007 Namibia risks to lose its EU market share to South American producers, unless a successor regime is put in place. Namibia's progress in poverty alleviation could face a serious set-back since one third of the price premium gained on the EU market by commercial farmers goes directly for development of farming in the poorer and previously disadvantaged Northern communal areas. The Namibian private sector calls for the application of Cotonou Article 37, paragraph 7 for SACU countries by merging the benefits of Cotonou with those of TDCA with limited retrofitting.

Also the EC's CAP could with a potential liberalisation and subsequent price decreases negatively affect Namibian meat exports.

Overall, EC support under EDF10 will increase Namibia's export potential by expanding the human resource base through improved quality of education, and expanding economic prospects in the rural areas. With regard to regional integration, the EC is directly supporting the Windhoek based secretariat of the "new" SACU through the all-ACP programme 8 ACP TPS 154. The contribution agreement in place since June 2006 contributes to most of the research and capacity building programmes implemented by the secretariat. In 2008, through the Delegation in Pretoria, the Economic Policy and Regional Development programme (EPRD) should continue a similar support. The new revenue sharing formula in SACU will negatively affect Namibia's fiscal position. But this change is well anticipated in the MTEF since 2004 (the revenue decline in international trade revenues is estimated at 30% for 2007/08 and 7% for 2008/09).

As laid out in section II.1.2/ Trade, the SADC's regional integration agenda poses a substantial challenge to the region. The EC-SADC EPA negotiations are depending on the outcome of the regional configuration. However, the EPA negotiation also give occasion for regional power struggles to come to the fore. The non-LDCs BLNS: Namibia, Swaziland and Botswana, which not benefiting from the LDC's EBA (Everything But Arms) duty-free access to the EC and not enjoying the RSA's TDCA preferential access, are in danger to lose out in the process.

The EU legislative framework on chemicals – registration, evaluation and authorisation of chemicals (REACH) – could imply additional costs for registration and testing of certain exports. Namibia as a mining product exporting country could be affected by this.

Environment⁴¹

Namibia has a fragile ecosystem and is particularly vulnerable to the effects of climate change, as highlighted in Section II.1.4.

- **Water.** At the national level the high variation in rainfall and consequent available water from rivers and underground sources is a major limitation to development. On the transnational level the distribution of water and possible interruption of rivers through damming would have serious environmental impacts (e.g. on the Okavango delta) and potential tension between nations.
- **Land degradation.** In an arid zone with high population increase, the risk of land degradation is high. Both bush encroachment and desertification are a major problem. This also can lead to tension as trans-border migration to more fertile areas is possible. Land tenure is an important fact in the degradation process. Much of the degradation appears concentrated in the communal lands, where high population density (compared to the rest of the country) and lack of land rights dominates. There are reports of conflicts occurring within the communal lands arising from some farmers fencing off areas. Implications / scenario and EU policy options The national effort to assess and map degradation and desertification should be strengthened, so as to provide a proper basis for land acquisition and re-distribution.
- **Deforestation:** Forests are an important resource in these environments, as a source of fuel, construction material etc. They are also an important factor in soil and water conservation. The rapid disappearance of riparian forests means that the remaining woodlands will be rapidly stripped of trees. Implications / scenario and EU policy options: A regional assessment of forest resources and forest decline is essential.
- **Climate change.** The commonly accepted prognosis is that climate change will accentuate the above problems. It is important to note that an already precarious situation in water management will be accentuated by the predicted climate change. Implications / scenario and EU policy options: The consequences in terms of environmental degradation, productivity, national and international tension need to be studied. A strong technical support for climate change mitigation strategies should be envisaged.
- **Land tenure.** The historical distribution of land and of land rights has led to a concentration of indigenous peoples in a limited area along the northern border. The high rate of human fertility and limited good agricultural lands means that these rural communities have the lowest per capita income and are unable to carry out a sustainable management of the land. This is combined with a lack of land tenure, which may propose a local conflict situation. There is clearly a need for a regional approach to natural resource management so as to avoid humanitarian and international crises.
- **Environmental Governance:**
 - **Capacity in Natural Resource Management:** Good. Namibia is the first country in the world to incorporate the protection of the environment into its constitution; some 14% of the land is protected, including virtually the entire Namib Desert coastal strip.
 - **Community Based Natural Resource Management (CBNRM) Programme:** Management of conservancy areas: a conservancy consists of a group of commercial farms or areas of communal land on which neighbouring land owners or members have pooled resources for the purpose of conserving and using wildlife sustainably. Members practice normal farming activities and operations in combination with wildlife use on a sustainable basis. The main objective is to promote greater sustainable use through cooperation and improved management. Conservancies are operated and managed by members through a Conservancy Committee.
 - **Support of International Treaties:** Good.
 - Namibia actively supports several international treaties and conventions:
 - Vienna Convention for the Protection of the Ozone Layer

- The Ramsar Convention on Wetlands
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal
- United Nations Framework Convention on Climate Change
- Convention on Biological Diversity
- United Nations Convention to Combat Desertification
- Convention on International Trade in Endangered Species of Wild Fauna and Flora
- The 9th and 10th EDF address environmental issues in the Focal Sector Rural Development as well through projects in the non-focal areas (NSA).
- Regional EC projects:
 - Conservation and Development Opportunities from Sustainable Use of Biological Diversity in the Communal Lands of Southern Africa
 - Decision making in the Kuiseb River Catchment: interactive environment learning and action
 - ELESMAF African elephant
 - Environmental capacity development programme
 - Evaluation Alternatives paths for sustainable development in Botswana, Namibia, Mozambique
 - Methodologies and design criteria for soil and water resource management and policy formulation in peri-urban farming systems in Southern Africa
 - Regional Programme for Biomass Energy
 - Conservation in Southern Africa (ProBEC)
 - Restoration of degraded Nama Karoo - the role of conservation islands
 - SADC forest sector protocol
 - Strengthening of Fisheries and Biodiversity
 - Management in ACP countries
- Environmental sustainability will be a major cross-cutting issue in all EDF10 actions under rural development, in line with overall EU policy.

Security

Namibia has contributed and will continue to contribute to the AU peace process by making troops available for these initiatives. Namibia has signed and ratified the Convention of the Organization of African Unity on the Prevention and Combating of Terrorism and in that regard is cooperating with SADC member countries.

Fisheries

The production in the fisheries sector has slowed down significantly in recent years. It is unclear if this could be related to over-fishing or to climate change. Namibia has no bilateral fisheries agreements and no Fishery Partnership Agreement with the EC, as propagated in PCD.

However, the EC has supported the Namibian fishery industries, i.e. through support for training of Namibian personnel for fishing vessels (8 ACP NAM 24 Upgrading of the Namibia Maritime and Fisheries Institute, Walvis Bay) and through the regional programme SADC Regional Monitoring, Control and Surveillance of Fishing (8 ACP RAU 001), which received a very positive final evaluation in 2006. Currently a study is being conducted on support to the oyster and abalone industry in Namibia, financed by the EC. This includes investigation on the establishment of a laboratory to conduct the necessary tests for export to Europe.

The social dimension of globalisation, promotion of employment and decent work

Workers unions, most of them related to the ruling party are relatively strong in Namibia. Foreign direct investment and probably also general productivity are negatively affected by frequent labour actions. Namibia is a signatory to all ILO Conventions and a comparison in the regional context shows that Namibia's legal labour standards are very high (it awards more annual and compassionate leave days than its neighbours and more than the ILO Conventions requests). However, the reality on the ground,

especially of day labourers and rural farm workers, is often a fair cry from conditions in town or in large prominent state-owned or foreign owned enterprises.

Migration

An estimated 50,000 Zimbabweans cross the country's borders every month searching for better fortunes in neighbouring countries. The escalating crisis in Zimbabwe has sent an estimated two million people into neighbouring South Africa. Zimbabwean labour force is used in sectors where Namibia faces severe shortages of qualified personnel, in particular in the Ministry of Health (nurses) and the Ministry of Agriculture (veterinary services).

The steadily growing influx of refugees from Zimbabwe to Namibia has to be addressed at SADC level, as it is affecting the entire region. It is difficult for the EC to play any role in this issue because of the current diplomatic relations.

The private sector reports an increasing number of Chinese immigrants entering the country through a relatively fast track process. Most of these workers are relatively unskilled. Mainly in the health sector, an important number of Cuban workers (medical doctors and nurses) are occupying positions in the country, also on the basis of a specific immigration agreement between Cuba and Namibia. The Cuban workers are not authorised to leave the country without the formal agreement of the Cuban Embassy to Namibia.

Research and innovation

The EC supported through the Research and Extension Management Programme (REMP) in EDF 7 and 8 bringing research to the small scale farmers. Demonstration research programmes with communal farmers were set up to compile more general extension messages in the crop and livestock sector adapted to the semi-arid climatic conditions.

Information Society

The main cooperation objectives pursued with Namibia in the Information Society field are the following:

- Within the ETSIP programme - through the cross cutting components *knowledge creation and innovation* and *ICT* - promoting the development of an inclusive Information Society and fighting the digital divide and, in such, contributing to governance and to the economic and social development;
- Fostering regional integration and the integration of the Southern African region in the global Information Society;
- Promoting investment and reinforcing commercial exchange with Southern Africa by creating a favourable environment in the region, notably by promoting efficient regulatory and policy frameworks, as well as open and global standards;

Transport

In order to address the need for cost-effective safe and secure transport networks for regional trade and integration, the EC supported a study in 2005 on how to better connect Namibia with Angola (Trans-Kunene Corridor), with Zambia Zimbabwe and DRC (Trans-Caprivi Corridor), Botswana (Trans Kalahari Corridor) through the Walvis Corridor and upgrading the roads to South Africa (Trans Cape Corridor), through EDF 8 regional funding. It pointed out the bottlenecks in the network interconnectivity, in particular cumbersome double border controls. Projects were listed and some of the projects are under way, but not with funding of the EC. Priorities are still under discussion at SADEC level. Further studies were planned under the EDF 9, with one million Euro allocated, but not committed so far.

One-stop border posts and upgrading of customs and immigration systems and processes including capacity building were meant are supported under the regional cross-border initiative.

Several Namibians proposals were submitted according to priorities in 2006 to the EU-ACP Infrastructure Initiative, but no funding has been allocated that far.

Energy

Namibia is dependent on SA for three quarters of their energy consumption. The only significant power generation in Namibia takes place at the hydro-energy plant at the Northern Ruacana river. Currently there is a public debate going on options to address the power dependence, especially as future supply from SA is insecure. Two projects for generation of hydro-energy at the Kunene river are under

discussion: Baines Pass and Epupa Falls. The Epupa falls project is being criticised for environmental consequences of flooding the area and destroying the falls. The construction a damn to generate hydro-energy at the Poppa Falls at the Okavango River is another option. Meanwhile, the development of the Kudu gas fields is progressing slowly on a private basis.

The urgent need for Namibia to act to bridge their power deficit and reduce their dependency on neighbouring countries, represents an occasion for the EC to promote sustainable ecological solutions – especially solar and wind - on the decentralised basis. In relation to the EC's fight to tackle global warming three sustainable options are to be taken in consideration:

- Transformation of biomass from bush encroachment into biofuel or wood pellets;
- Promotion of solar energy (especially for the users that are off the net) and replacement of diesel generators with a view to Namibia's very suitable climatic condition;
- Investment in offshore windmill projects;

The only funding mechanism available in Namibia is the EU-ACP Energy Facility. Of the two projects submitted in October 2006, one is currently undergoing the final evaluation. (It is a solar energy power plant to supply a total of 6,000 people in the Tsumkwe area in bushmanland.)

In the framework of the EU-Africa Infrastructure Partnership, the European Investment Bank has identified a trans-border energy project in Namibia that could be eligible for Trust Fund support, subject to a detailed appraisal carried out in compliance with the Bank's usual rules and procedures.

Human rights, democracy, indigenous people and democracy

Democracy, the rule of law, human rights and fundamental freedom are basic principles of the European Union, independently of the fact that national Governments are responsible for these to be respected. In support to the promotion of these principles, the EC has developed different instruments and priorities for action. In doing so, it has been guided by the following:

- The stimulation of coherent support policies, looking for a better coherence between cooperation and external relations, complementarity between the EC and Member States, and the integration of these issues as cross-cutting within other policies and actions of the EU.
- Give a greater priority to human rights and democracy in the relations with third countries,
- Have a more strategic focus when addressing programmes and projects in the areas concerned.

This is of particular relevance for Namibia's highly disadvantaged San population. As mentioned in *Chapter II.1.1* under the heading *Human Rights*, the San and other minority groups continue to face serious socio-economic and political challenges, as a result of lack of economic opportunities and as a consequence of cultural and geographic barriers. Redressing this situation through mobilisation of various support actions has been given as a specific responsibility to the Deputy Prime Minister. In a less favourable development, GRN has recently been instrumental in delaying the adoption of a UN Convention for Indigenous Populations, motivated by concerns that the proposal foresees separate institutions for indigenous groups (“a State within a State”), which could not be reconciled with the Namibian Constitution.

The EC intervention in the education sector aims to address equity of access to education, which more than anyone concerns the San and Himba peoples. Also EC interventions in the Rural Development sector aims at improving the livelihoods of indigenous people living in conservancies.

Health and poverty

The EC health policy establishes the link between health and poverty, between health and well-being and development, including a reference to AIDS and other contaminating diseases. There is a consensus to make assistance more efficient with more ownership and participation of the recipient States.

Assistance related to AIDS, tuberculosis and malaria is financed through the Global Fund using parallel administration, and often subcontracting activities to the national authorities. Some organisations are voicing the incoherence between the way the Global Fund is acting and the objective of reinforcing ownership.

The promotion of by the EU of the TRIPS and Public Health in facilitating access to affordable medicine would probably help curb the HIV/AIDS pandemic in giving access to the retroviral treatment

Conflict prevention

In its Communication on conflict prevention, the Commission announced its intention to focus its cooperation programmes more clearly on addressing the root causes of conflict in an integrated manner. In this context, the Commission will seek to incorporate specific conflict prevention (or resolution) measures into its various sectoral programmes.

In Namibia, social cohesion is largely hampered by the Apartheid legacy as explained in Chapter II.1. Conflict still largely centres on land, quasi as a symbol for racial discrimination, not only between "white" and "black" but also between the different ethnic groups, most of which were expelled from their original territory. The importance of land issues for social cohesion is the main reason for the continuous EC support to the land reform process.

Integration of the gender factor

The Community's strategy on gender equity lays out a global framework to promote equality between men and women in five areas: economic life, equality of participation and representation, social rights, civil life and roles, gender stereotypes.

This topic is highly relevant for Namibia where domestic violence against women is a ubiquitous problem, whose importance is recognised as a cross-cutting issue in the CSP.

Annex 14: Children's Situation and Rights in Namibia⁴²

In spite of considerable progress in some of the indicators concerning children, the situation of children and women in Namibia is still worrying:

- About 120,000 children under age 17 have lost one or both parents; about 57,000 of these children have been orphaned by HIV/AIDS.
- Stunting, which is related to under-nutrition, affects about a quarter of all children.
- Young people face high unemployment, at around 40 per cent, or double the national average.
- The poorest parts of the country are most vulnerable to malaria and chronic drought and have the highest rates of HIV/AIDS infection.
- Flooding in the Caprivi region in 2004 forced the relocation of 1,500 people, and destroyed crops and livestock for 20,000 people. AIDS has been the driving factor in recent increases in the maternal mortality rate.
- Physical and sexual violence against women and children is a serious concern; many victims never seek help. Much of the violence is fuelled by alcohol abuse.
- Bureaucracy and a lack of awareness are barriers that prevent many Namibians from accessing social services to which they are entitled.

In addition to the rights and freedoms guaranteed to children in terms of the Namibian Constitution, children in Namibia are also guaranteed the rights set out by the Children Rights Convention (CRC). The Ministry of Gender and Social Welfare which is responsible for the safeguarding of legal care and protection of children, is currently preparing for the drafting of the country progress report towards the UN Convention on the Rights of the Child during 2007. Namibia has put in place among others the following regulatory measures in protection of children rights and in compliance with the CRC i.e. Children Status Act aimed at promoting and protecting the best interests of the child and to ensure that no child suffers any discrimination or disadvantage because of the marital status of his or her parents, National Policy on Orphans and Vulnerable Children, National Policy Options for Educationally Marginalized Children, the National Policy on HIV/AIDS for the Education Sector, Maintenance Act, Combating of Rape Act, National Integrated Early Childhood Development Policy and in addition, the MGECW is currently drafting the Child Care and Protection Bill.

With regard to child labour, the government has launched a national initiative to eliminate exploitative forms of child labour. The initiative is designed to determine the extent of child labour in the country and to eliminate the worst forms of child labour. The Ministry of Labour annually monitors abuses with ILO representatives who visit the country.

Annex 15 - An Overview of the Gender Situation in Namibia

- **Key Gender Statistics**

Women constitute 51% of the population and are slightly more in the rural areas at 52%. The ratio of males to females varies considerably between regions due to migratory patterns of men seeking employment in urban areas. Females head 39% of all households with 43% in the rural areas and 32% in urban areas. These female headed households have on average approximately half the income level of male-headed households (NDP2: 609).

Data from the 1992 National Demographic Health Survey (DHS), that is the source of the NDP data, indicates that the fertility rate was 5.4 per woman but this also reflects regional variations between the rural at 6.3 and urban at 4.0 areas. On average, Namibian women have their first child at 21 while the median age at first marriage is 25 indicating that many women give birth before marriage. In 1992, 51% of women aged 15-49 were not married, 27% were married, 15% were living with a man in an informal union, and 7% were widowed, divorced or separated. Infant mortality rate was a high 61.5 death per 1,000 live births while maternal mortality in 1992 was 225 per 100,000 live births.

National gender distinctions in school enrolment are not clear as they obscure regional disparities. It is, however known that female enrolment in some educational regions declines at the secondary school level and there is a lower rate of promotion for girls in the higher grades.

Agriculture employs 47% of all those over 15 years of whom 51% of working women and 45% of working men employed in the agricultural sector. There are also a substantial number of females employed in private households, 81%, 69% in health and social work and 60% in education.

- **Gender Roles**

In the rural areas women are primarily providers of necessary food and crops for the household. They also produce cash crops for market and earn a household income. They provide more than 90% of the labor for agricultural production. Women have little access to scientific and technological information and facilities and are mainly dependent on simple traditional technologies such as the labor-intensive mortar and pestle, grinding stones, sun drying, wood fuel, hoes and axes that are widespread in cattle areas. The more efficient, simple and environmentally friendly technologies such as hammer mills, oil-presses, biomass and oxen technology has not been introduced to them.

Across cultural groups, women are seen as subordinate to men, who must make the major contributions to their communities, have many children, look after their families, and whose decisions have to be obeyed (UNAM undated: 16). Women are socialized to be obedient, tend to the household and take care of children. Women still carry the main responsibility for maintaining households, families and communities, both in the urban and rural areas. Extensive migration for labour to the urban areas has distorted the structure of rural households, which are now characterized by old people, women and children ranging from 40% - 49% (Koep 2002a:6). As if to underline this, the ratio of adult males to women was 1:1 in the peri-urban areas and 1:2 in the rural areas. The majority of subsistence farmers are women who, due to the legal, economic and cultural restrictions, are denied access to resources such as land, cattle, cash, credit and technical training. Both women and men in communal lands have usufruct rights from the government although male traditional leaders have rights to allocate land to households.

The laws of inheritance still discriminate against women resulting in widows losing their property and being forced off their land.

Gender stereotyping pervades all levels of Namibian society. Gender roles are narrowly defined through social institutions that include the family, church, schools, and culture. Namibia is socially very conservative and holds strong traditional beliefs and practices. The majority of the population are practicing Christians who accept conventional church teachings on personal matters and its internalized patriarchal views on gender relations (Koep: 2002b).

The majority of the black Namibian women have thus experienced triple oppression based on race, class and gender, re-enforced by the Church's paternalistic attitude. Many continue to experience multiple forms of discrimination in terms of ethnicity, culture, education, literacy and geographical location, disability, marital status, ability to bear sons and sexual orientation (ibid.). Changing social norms are contributing to fathers avoiding obligations for caring for their children. The extended family system is being eroded by changing life styles and HIV/AIDS and poor families are further stretched by the need to care for terminally ill family members. Gender inequality is also a contributing factor as women's rights are often denied. There is a general recognition that women, as a group, constitute a major section of the community that have been disadvantaged at several levels including the effects of sexism, patriarchy and racism.

- **Institutional Mechanisms and Policies for Gender Advancement**

The Namibian Constitution makes special reference to women and their concerns and mandates that all persons are equal before the law and that there be no discrimination on the grounds of sex, race, colour, ethnic origin, religion, creed or social or economic status. It goes further and enacts the affirmative action legislation noting that women in Namibia have traditionally suffered special discrimination and need special support to play a fuller and more equal role in the political, social, economic and cultural life of the country.

In the twelve years since independence considerable progress has been made to the legal framework, institutions and law reform. The Ministry of Women's Affairs and Child Welfare was created in 2000, upgraded from the Department of Women Affairs established in 1990 within the Office of the President where it had the role of bringing gender issues into the national agenda, identifying priorities for action and facilitating communication between women and the government.

A Women and Law Committee (WLC), under the Law Reform and Development Commission (LRDC) overseeing the compliance of new and the review of existing laws with the constitution, was established to focus attention on the elimination of gender-related legal disparities between men and women.

In 1992, the Namibian Parliament ratified the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). In 1997, following the Beijing Conference, a National Gender Policy was launched providing for the creation of monitoring mechanisms to oversee the implementation of the 10 critical areas identified in the Beijing Platform for Action that include a gender Commission, Gender Focal Points, Gender Sectoral Committees, and a Gender Network Coordinating Committee and the SADC Gender and Development Protocol ratified.

Summary Gender Profile

	Namibia				Sub-Saharan Africa		Lower middle income	
	1980	1990	1995	2004	1980	2004	1980	2004
GNP per capita (US\$)	1820	1,740	1,870	2,380	652	601	589	1,686
Population								
Total (millions)	1	1.4	1.9	2	385	725.8	1,761.30	2,441.60
Female (% of total)	50.7	50.6	50.5	50.4	50.3	50.1	49.3	49.4
Life expectancy at birth (years)								
Male	57	60	51	47	47	46	63	68
Female	59	63	54	48	50	47	66	73
Adult literacy rate (% of people aged 15+)								
Male	..	77	..	87	..	..	..	93
Female	..	72	..	83	..	..	..	86
LABOR FORCE PARTICIPATION								
Total labor force (millions)	0	0	1	1	157	299	799	1,280
Labor force, female (% of total labor force)		44	44	44	43	42	41	42
Unemployment								
Total (% of total labor force)	..	19	33.8	..	..	..	3.9	5.9
Female (% of female labor force)	..	19	39	..	..	..	..	..
EDUCATION ACCESS AND ATTAINMENT								
Net primary school enrollment rate								
Male	..	..	71	71	..	68	..	..
Female	..	..	77	76	..	60	..	..
Progression to grade 5 (% of cohort)								
Male	..	60	92	87	..	..	..	94
Female	..	65	93	90	..	..	..	93
Primary completion rates (% of relevant age group)								
Male	..	..	79	76	..	66	..	98
Female	..	..	91	85	..	56	..	96
Youth literacy Rate (% of people aged 15-24)								
Male	..	86	..	91	..	..	..	98
Female	..	89	..	93	..	..	..	97
HEALTH								
Total fertility rate (births per woman)	6.4	5.9	4.3	3.8	6.7	5.3	3.3	2.1
Contraceptive prevalence (% of women aged 15-49)		29	44	..	..	22	..	76
Births attended by skilled health staff (% of total births)		68	76	..	..	42	..	86
Maternal mortality ratio (per 100,000 live births)		..	300	..	..	..	..	..
Child malnutrition prevalence, weight for age (% of children under 5)		26	24	..	..	..	..	11

Note: Data in italics refer to the most recent data available within the two years of the year indicated

Source: World Bank 2006



WHO Multi-country Study on Women's Health and Domestic Violence against Women



Country Findings

Namibia

1. Introduction

The Multi-country Study on Women's Health and Domestic Violence against Women, sponsored by the World Health Organization, between 2000 and 2003 collected data from over 24 000 women in Bangladesh, Brazil, Ethiopia, Japan, Namibia, Peru, Samoa, Serbia and Montenegro, Thailand, and the United Republic of Tanzania. The Study assessed women's experiences of violence using a questionnaire developed and validated for cross-cultural use, with a special focus on violence by intimate partners. It also investigated how such violence is associated with ill-health and injury, and the strategies that women use to cope with the violence.

In Namibia, the President himself has expressed concern about violence against women and child abuse in the country. National responses have included promulgation of the Combat Domestic Violence Act by Parliament in 2003, and the establishment of 13 Women and Child Protection Units throughout the country, which provide medical, social and legal assistance. The Multi-Media Campaign against Violence Against Women and Children is engaged in advocacy, law reform, and community education. Until recently, however, there was little information on the magnitude of domestic violence. To address this gap, Namibia participated in the WHO Study. The research was conducted by the Ministry of Health and Social Services, with coordination by WHO and funding from the Rockefeller Foundation. Data collection in the field took place in 2001.

2. Methods

In Namibia, the Study involved individual interviews with 1500 women aged between 15 and 49 years in the capital, Windhoek. The sample included women from all income groups and each ethnic group in the country. In Namibia, women were considered "ever-partnered" if they had ever been married, ever lived with a man or ever had a regular sexual partner. The questionnaire was available in five local languages, and was administered by trained female interviewers fluent in these languages.

In the Study, the following definitions of partner violence were used. *Physical violence* meant the woman had been: slapped, or had something thrown at her; pushed or shoved; hit with a fist or something else that could hurt; kicked, dragged or beaten up; choked or burnt; threatened with or had a weapon used against her. *Sexual violence* meant the woman had been physically forced to have sexual intercourse; had sexual intercourse because she was afraid of what her partner might do; been forced to do something sexual she found degrading or humiliating.

3. Main findings

3.1 Prevalence of partner violence

- Over one third (36%) of ever-partnered women reported having at some time experienced physical or sexual violence at the hands of an intimate partner, with 31% reporting physical violence and 17% sexual violence.
- 20% of ever-partnered women reported experiencing physical or sexual violence during the past 12 months.