



*A Short Version of  
the 10th European Development Fund (EDF)*

**Namibia Country Strategy Paper (CSP)  
and  
National Indicative Programme (NIP)**

*2008-2013*

## Helping build a brighter future for Namibia

The European Commission's support to Namibia is motivated by one decisive reason: we - Europeans and Namibians - share the overarching goal to fight hunger, poverty and disease.

*- Head of Delegation of the European Communities to Namibia  
Ambassador Dr. Elisabeth Pape-*



# I Summary

The Country Strategy Paper (CSP) provides a strategic framework under which European Commission (EC) assistance will be offered to Namibia in the period 2008-2013. It sets out the European Union (EU) cooperation objectives, policy response and priority areas of cooperation based on thorough assessment of Namibia's policy agenda, political and socio-economic situation. The National Indicative Programme (NIP) defines EC support in more detail, highlighting programme objectives and expected results in the priority areas of cooperation. Both the CSP and NIP are the result of a joint consultative and participatory effort by the EC and National Planning Commission (NPC) with contributions from other government stakeholders, representatives of non-state actors (NGOs and civil society organizations) and development partners, and among the latter most prominently the EU Member States (MS).

The relations between the EU and Namibia are based on Article 1 of the African,

Caribbean and Pacific (ACP) - EU Partnership Agreement, which aims at preparing an interregional association between the EU and Africa. The agreement was signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005.

Namibia is a stable democracy with a good track record of stable macro-economic management and a sound environment for private sector investment. These achievements should help the country graduate well above its development status. But, Namibia remains one of the most unequal societies in the world, which, in addition, faces serious development hurdles with a land reform, which is perceived to be slow, a high unemployment rate, one of the world's highest HIV/AIDS prevalence rates and a civil service more than double the size in terms of population than the average of the region. The unsatisfactory quality of education outcomes which has come to the limelight recently adds to these challenges. Despite high enrolment rates and a consistently high budget contributions from the State Revenue Fund since

Independence - in fact the highest in sub-Saharan Africa - the education sector fails to provide young Namibians with the skills and qualities required to compete in the global economy.

The overall objective of EC support under the 10th EDF remains to support and complement Government's effort to reduce poverty as specified in the Vision 2030, the 1998 Poverty Reduction Plan and the third National Development Plan (NDP3). Since independence and actually even well before, the European Communities have supported a wide range of projects in many different sectors contributing to Namibia's development and political emancipation. The support under the 10th European Development Fund (EDF10) will retain the priority areas agreed upon already for the previous (9th) EDF: Human Resource Development and Rural Development.

On the basis of the country's needs, the EC's domestic and global experience and the lessons learnt from previous EDF support, stakeholders agreed that the EC contribution would be expected to make most of a difference in Namibia if channelled mainly towards those two areas.

The 10th EDF will provide external assistance to the tune of € 104.9 m to Namibia in the period 2008-2013 to finance development cooperation (DC). A substantial proportion, 98.2 % (€ 103 m), of the funds will be allocated to programmes and projects in support of the priority (85% of total funds) and non-priority (15% of total funds) areas of community assistance (A allocation). The remaining 1.80% (€ 1.9 m) has been earmarked to cover unforeseen needs such as emergency assistance, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effect of instability in export earnings (B allocation).





# II Namibia Strategy Paper

## Cotonou Partnership Agreement

Treaty between the European Union and ACP countries. It aims at the reduction and eventual eradication of poverty while contributing to sustainable development and to the gradual integration of ACP countries into the world economy. The treaty replaced the Lomé Convention which had been the basis for ACP-EU development cooperation since 1975.

## EU Member States

Accession	Country	
1952	Belgium	
	France	
	Germany	
	Italy	
	Luxembourg	
1973	Netherlands	
	Denmark	
	Ireland	
1981	UK	
	Greece	
1986	Portugal	
	Spain	
	1995	Austria
Finland		
Sweden		
2004		Cyprus
		Czech Rep.
	Estonia	
	Hungary	
	Latvia	
	Lithuania	
	Malta	
	Poland	
	Slovakia	
	Slovenia	
2007	Romania	
	Bulgaria	

## 1. The European Community cooperation with Namibia

### 1.1 EU policy objectives

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development cooperation with developing countries shall foster:

- 1 sustainable economic and social development;
- 2 smooth and gradual integration into the world economy;
- 3 fight against rural poverty.

### European Commission

The executive branch of the EU responsible for proposing legislation, implementing decisions and upholding the Union's treaties.

This process is reinforced by a network of bilateral relations between each partner country and the EU.

### 1.2 Landmarks for EU-ACP and EU-Africa context

The years 2000, 2005 and 2007 marked significant steps with respect to EU-ACP and EU-Africa relationship.

- The ACP-EU Partnership Agreement, was signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. (see top-left box)
- The EU enlargements in 2004 and 2007 from 15 to 27 Member States (MS) allows to bring in new MS' experience with economic and political transition thereby strengthening the EU's role as a Development Partner.
- The EU was the major promoter of the Paris Declaration on Aid Effectiveness which was

adopted in 2005 and signed by Namibia in April 2007. The Declaration contains commitments on the side of both donors and recipients in order to ensure a higher value for aid money. It is also the foundation for the European Consensus on Development and EU Code of Conduct adopted by Member States and Commission defining the European and aiming to better harmonise and coordinate EU assistance.

- In December 2005, the European Council adopted the EU Strategy for Africa which provides a long-term, strategic framework for interaction between Europe and Africa at all levels.
- On 13 December 2007 the Joint Africa-EU Strategy, a collaborative effort by the AU and EU, was signed in Lisbon, putting the relationship between the two blocks on a new and more equal footing. (see box below)

### Lisbon Action Plan

The Joint Africa-EU Strategy signed in Lisbon on 13 December 2007 identifies strategic priorities in the area of peace and security, democratic governance and human rights, trade and regional integration and other key development issues, with a wider view of supporting African countries in their efforts to attain all Millennium Development Goals. The Action Plan (2008 to 2010) translates the identified priorities into concrete actions.





Support under EDF9, which kicked off in 2002, is currently under implementation supporting rural poverty reduction and education, as well as a number of non-focal areas. Under the latter NSAs for the first time benefit directly from EDF support to strengthen their capacity for the common goal of poverty reduction. Following the Mid Term Review (MTR) in 2004, the amount of programmable resources was increased from €51.13 to €95m. During the end-of-term review in 2006, this allocation was increased by €1.94m due to the good performance in rolling out the EDF support.

### 1.3 Past and ongoing EC-cooperation with Namibia

The first CSP/NIP for the 7th EDF between the EC and Namibia was signed in March 1992 for ECU 50m, which was additional to the ECU 33.5m already available under the EC budget lines. At the time the Government of the Republic of Namibia and the EC agreed to concentrate on three priority areas: agriculture/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 in support of the mining sector. Under (the 2nd financial protocol of Lomé IV), the 8th EDF, the CSP/NIP amounted to €52m.



### 1.4 Other assistance

#### i) European Investment Bank (EIB)

Since 1992, the EIB has signed loan agreements for a total of €177m with 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 operating successfully.

Another 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 local commercial banks.

#### ii) Cooperation with EU Member States

From 1990 to 2004 the international community disbursed USD 2.4 b in official development assistance (ODA) in support of Namibia's development, according to OECD statistics. Grants provided by development partner (DP) represented ± 5% of Namibia's GDP/p.a. The EU (EC and MS), has provided 72% of total development assistance to Namibia, of which the Commission's share has been roughly 30% (see table).

### European Development Fund (EDF)

The EDF is the main instrument for Community aid for development cooperation in the ACP. EDFs generally have a life-span of at least five years. New funds, strategies and priorities are formulated with each new EDF. The 9th EDF came into effect with the Cotonou Agreement. In 2000 EDF 10 has a total allocation of € 22.7 billion compared to €13.5 billion under EDF 9, which is a hefty increase of more than 68%.

### European Investment Bank (EIB)

The EIB is the long-term lending arm of the EU. The lending to the ACP countries is spread over energy, agriculture, water, transport and construction projects. EIB became more active in Africa in the wake of the Cotonou Agreement in 2000, which gave the management of the newly established Investment Facility to the EIB. The Facility will disburse €2.2 billion between 2003 to 2008.

### European Union disbursements from 1990 to 2004 (in USD m)

European Commission	520.89
Austria	14.95
Belgium	12.91
Czech Republic	1.31
Denmark	78.42
Finland	128.60
France	67.87
Germany	430.57
Greece	0.09
Ireland	3.43
Italy	6.25
Luxembourg	47.14
Portugal	4.60
Spain	32.40
Sweden	194.25
The Netherlands	79.48
United Kingdom	74.72
<b>Total EU</b>	<b>1697.88</b>

Source: OECD International Development Statistics online



## 2. Analysis of Namibia's political, economic and social situation

### 2.1 National policy agenda

Namibia's development agenda is reflected in "Vision 2030" adopted by Cabinet in June 2004. It mainstreams the vision of "a prosperous and industrialized Namibia, developed by (its) human resources, enjoying peace, harmony and political stability" through eight broad objectives. (See box on page 6)

The five-year "National Development Plans" (NDPs) are the primary implementation tool for Vision 2030. 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 also focus on addressing youth unemployment. The 10th EDF's CSP/NIP is built around the NDP3 priorities.

### 2.2 Progress towards poverty reduction

Namibia is classified as a "lower middle income country" with an average per capita income of US\$ 3,157. Despite an improvement in the Gini coefficient from 0.707 in 1993/94 to 0.6 in 2003/4, Namibia still has one of the highest rates of inequality in the world. The richest 10% of Namibia's population of 2.03 million receive half of the national income, while 28% of the

mostly previously disadvantaged population is considered poor, down from 38% ten years ago.

HIV/AIDS prevalence has risen to 19.9 %, causing life expectancy to drop to 52 years. Also, the civil service is 2.5 times larger than the sub-Saharan average, and consumes 43% of GRN spending, making, according to the International Monetary Fund (IMF), civil service reform an urgent requirement.

### 2.3 Viability of current policies and medium term challenges

- **Public finances**

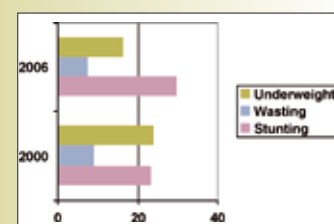
Namibia's public finance and external balance sheet numbers have strengthened over the past years. Namibia's current account surplus remains strong, averaging 6.5% of GDP from 2002-2005 and reaching an estimated 14% of GDP in 2006. At the end of 2005/2006 fiscal year, Namibia's total external debt stood at 5.2% of GDP, lower than in most other Sub-Saharan African countries.

On the other hand several weaknesses have been identified such as the high dependency on commodities and raw materials in general and the high share of GDP under the direct control of State Owned Enterprises (SOEs). More importantly, Namibia is very dependent on the Southern African Customs Union (SACU) revenues, which will decline with the progressively liberalization of regional and global trade. This could jeopardize the current achievements of Namibia's public finance and generate instability.

The most challenging reform could be that of the civil service. As past efforts to contain the growth of the wage bill have proven ineffective, observers regard GRN's intention to move from an input-oriented to a results-oriented planning system as a positive development that will increase the productivity of the public sector, including that of subsidized parastatals.

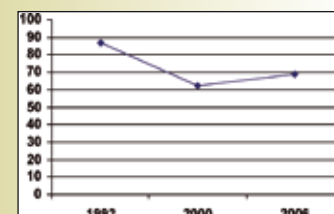
### Namibia's achievements in terms of MDGs

#### Under-five malnutrition rate



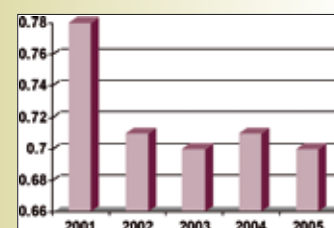
Source: UNICEF 2008

#### Under-five mortality rate (per 1,000 live births)



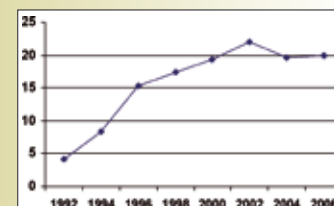
Source: UNICEF 2008

#### Proportion of 1-year old children immunised against measles

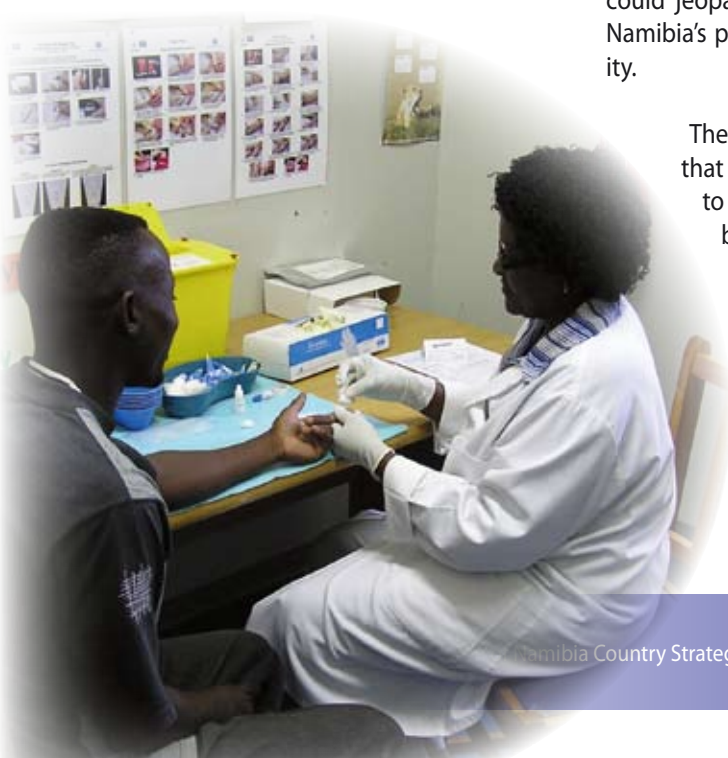


Source: HIS 2006

#### HIV prevalence ratio in pregnant women



Source: MoHSS 2006





### Objectives of Vision 2030

1. Ensure that Namibia is a fair, gender responsive, caring and committed nation.
2. Create and consolidate a legitimate, effective and democratic political system.
3. Develop a diversified, competent and highly productive human resources and institutions.
4. Transform Namibia into an industrialized country of equal opportunities.
5. Ensure a healthy, food-secure and breastfeeding nation.
6. Ensure the development of Namibia's 'natural capital' and its sustainable utilization.
7. Accomplish the transformation of Namibia into a knowledge-based, highly competitive, industrialized and eco-friendly nation.
8. Achieve stability, full regional integration and democratized international relations.

*(See Vision 2030 for a detailed list)*

### • Education and unemployment

The most significant medium term challenge concerns the creation of employment for the young and rapidly growing population. Unemployment rates increased from 19% (1991) to 31% in 2001 (2001 Census). 20% of the active population is considered to have only an "elementary occupation". The Education and Training Sector Improvement Programme (ETSIP) is designed to address the inequity in the education sector by increasing educational investment in previously disadvantaged areas and communities.

Although GRN has given high priority to education, (spending around 25% of the budget, or 9% of GDP), the quality of education is alarmingly low and near the bottom of the regional league according to the Southern African Consortium on the Measurement of Education Quality (SACMEQ). Namibia also ranks lowest among its peers in SADC in student performance on reading and maths.

### • Urban-rural disparities

The majority of Namibians live in rural areas. Rural production systems are their main source of livelihoods. In general, poverty was reduced over the past years, but remains a serious problem for the rural population. Unemployment is significantly higher and per capita income lower among rural than among urban populations. In addition, access to social infrastructure is worse for rural than for urban settlers while productivity of the rural production systems (predominantly livestock rearing) is equally low due to unfavorable climatic conditions and the lack of know-how.

Low educational levels restrict the possibility to find employment outside the agricultural sector and hinder economic diversification. Further to this, land is unequally distributed, characterized by a dual system composed of large commercial farms (predominantly owned by white farmers, although this has decreased in recent years, but not substantial enough as white farmers still continue to dominate the sector) and communal farm land where black farmers pursue subsistence agriculture. Land reform is seen as a means to

improve and secure access to land, however the capacity to implement the reform remains an issue.

### • HIV/AIDS

With a prevalence rate of around 20%, HIV/AIDS continues to be an overriding challenge for Namibia and has reduced life expectancy to 52 years. In the health sector, the MDG indicators on infant and under-five mortality rates, show an alarming increase which can be linked in large part to the HIV/AIDS.

### GRN governance commitments

Namibian Government commitment to strengthening state capacities for good governance triggered additional funds.

Government pledged mainly to:

- promote and protect human rights at national level as well as support the holding of free and fair elections,
- strengthen efforts to consolidate the rule of law, improve accountability by controlling corruption and improve efficiency in the public sector (by developing institutional capacity and Public Finance Management),
- develop private sector/ market friendly policies for management and use of land and natural resources, and
- finalize a National Policy for the HIV/AIDS response and support marginalized groups such as youth and gender, and ensure their full and equal participation in the economy.

*(See Annex 9 of the CSP/NIP for a complete list of the commitments)*





egy can only go as far as GRN would. While the 10th EDF official development assistance is seen by Namibia as a welcomed additional support, it can only add to the national efforts.

### 3.2 Expected results of EC's contribution

The main objective of EC's support in Rural Development is to improve the living conditions and livelihoods of the rural poor. 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 the 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.

As for Human Resource Development, support in this area is envisaged 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 ETSIP.

Support for projects and programmes outside priority areas is expected to increase civil service efficiency and effectiveness. The involvement of NSAs is crucial in ensuring the legitimacy of GRN policies on the one hand, and in holding GRN to account, and monitoring their ability to implement policies on the other. Based on this understanding, support will be given to NSAs, aiming at strengthening their capacity to enact their advocacy role. The capacity of NSAs in terms of service delivery will also be strengthened, to increase their role as implementers of GRN programmes.

## 3. EC's support strategy for Namibia

### 3.1 EU Analysis

In order to contribute in the best possible way to help Namibia to address her development challenges, the EC has embarked during the programming process on identifying with the National Authorizing Officer (NAO) and NSAs the priority areas, also called focal sectors, for the 10th EDF.

This process also looked at the complementarity of EC support with Namibia's other development partners. For instance, in spite of the remaining high challenges in the health and HIV/AIDS sector, no EDF assistance will be provided given the major engagement of others. In these sectors, the US Government through mainly the President's Emergency Plan for AIDS Relief (PEPFAR) programme is providing Namibia with very important support through commitments that will cover the 10th EDF period. Moreover, the EC and the EU MS are the most important contributors to the Global Fund to Fight AIDS, Tuberculosis and Malaria, which is the other major contributor to supporting Namibia in her efforts to reverse the pandemic trends.

To remain a partner in "rural development" is both strategic and logical taking into account EC's past successful involvement and comparative advantages in environment and the sustainable management of natural resources; infrastructure; rural development, territorial planning, agriculture and food security; and employment creation. However, in order for the EC support to successfully contribute to Namibia's endeavours as per Vision 2030, the support strat-





## III Indicative Programme

### Priority area 1: Rural development (€45.2m)

Since Namibia's independence, the EC has been closely involved in programmes aiming to promote rural development and reducing poverty in rural areas. Actions funded include improving livestock production and marketing, supporting the Indigenous Plants Technical Team (IPTT), and developing micro-credit and SME financing schemes. Under the on-going 9th EDF the Rural Poverty Reduction Programme (RPRP), addresses a number of development bottlenecks such as land reform, rural roads and water supply and promotes diversification of economic activities in rural areas.

Given Government priorities and based on our past experiences rural development remains a focal sector also under the 10th EDF. As an indicative amount, €45.2m is earmarked for this area of intervention. Like in other countries and in line with the Paris Declaration on Aid Effectiveness, the EC will give preference to the use of Government systems for aid delivery and ensure alignment of its support to Government planning and financial cycles to the extent possible. For this reason, the development of a Sector Wide Approach (SWAp) for rural development, as identified under NDP 3, will be supported under the 10th EDF. The Commission recognizes that the development of such a holistic approach is a challenging exercise given the large number of ministries and non state actors involved in the sector. Therefore, the Commission is committed to ensuring continuation of crucial on-going support in a limited number of sub-sectors during the transition phase using if required different aid delivery modalities. Further details of support to the sector will be determined during the identification stage in 2008.

### Priority area 2: Human resources development (€42.15m)

The ETSIP is Namibia's response to the enormous challenges faced by the education sector. This programme is the first fully-fledged Sector-wide approach (SWAp) elaborated in Namibia co-coordinating the contributions of all ministries, agencies and donors involved in the education sector. It was developed over the past four years by GRN with the support of its development. To achieve its objectives and deliver its expected results, the programme is estimated to cost about N\$2.4b over five years (2007/08 - 2010/11).

ETSIP aims to ensure the provision of good quality skilled labor, through the establishment of knowledge and innovation system, the improvement of the quality of general and higher education and the creation of greater opportunities for lifelong learning. The 10th EDF allocation of €42.15m to ETSIP is crucial for its viability representing about 18% of its external funding. Given the existence of the SWAp, the EC support can be provided directly through the

State Revenue Fund through budget support, in full adherence with our commitments towards the Paris Declaration.

The EC contribution will also help in safeguarding contributions from other development partners. It will provide a stable basis for EU Member States which may consider joining the programme at a later stage. Especially for those countries which no longer have a development office in Namibia, the joint assessments through annual sector reviews provide an excellent avenue to channel additional support. Through ETSIP, the 10th EDF is also contributing directly to the development of information and communication technology (ICT) in Namibia.

### Non-priority areas (€15.65m)

The two priority sectors will be complemented by support in non-focal areas, for which 15% of the resource envelope, totaling € 15.65 m, has been allocated. Actions funded under the so-called "non-priority areas" aim 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 non state actor contributions to the priority areas as well as to the governance/democratization agenda. The contribution to improved governance will be in the form to assistance to the NPC/NAO office for the management of EDF support and donor harmonization, to the Bureau of Statistics to improve the quality of data as a precondition of evidence based decision making, and to the Office of the Prime Minister for the roll out of the Public Management System (PMS) to prepare the ground for civil service reform. Support to non-state actors will largely be based on calls for proposals, including for support to micro-and small scale enterprises, and intends to leverage existing expertise and resources in this sector to further the objectives of the CSP. Activities covered will include capacity building, advocacy research, awareness raising, monitoring and delivery of services to the population.

The complete version of the CSP/NIP can be downloaded from website:  
[http://www.delnam.ec.europa.eu\\_home.htm](http://www.delnam.ec.europa.eu_home.htm)

