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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERIM STRATEGY NOTE:

AN ENGAGEMENT FRAMEWORK

FOR

THE REPUBLIC OF NAMIBIA

FOR FY08-09

April 25, 2007

**Southern Africa Country Department 1
Africa Region**

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**REPUBLIC OF NAMIBIA
INTERIM STRATEGY NOTE**

CURRENCY EQUIVALENTS

Currency Unit = Namibia Dollar
US\$1 = N\$7.5
(as of March 30, 2007)

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

April 1 – March 31

ACRONYMS AND ABBREVIATIONS

CMA	Common Monetary Area
DPL	Development Policy Loan
ETSIP	Education and Training Sector Improvement Program
GDP	Gross Domestic Product
SACU	Southern African Customs Union
SADC	Southern African Development Community
ODA	Official Development Assistance
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
SWAPO	South West Africa People's Organization
GEF	Global Environment Facility
IDF	Institutional Development Fund
IFC	International Finance Corporation
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee Agency
FIAS	Foreign Investment Advisory Services

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**INTERIM STRATEGY NOTE:
AN ENGAGEMENT FRAMEWORK FOR NAMIBIA**

In the past several years the Government of Namibia has signaled an interest in Bank support for its development agenda. This first-ever strategy note sets out a framework for strengthening the Bank Group's engagement with Namibia over the next two years. At the end of this period the Bank and the Government will discuss the possibility of preparing a full Country Partnership Strategy. This note also serves as a background for the presentation to the Board of Directors of the first IBRD operation in the country – a proposed Development Policy Loan (DPL) in support of the Namibia Education and Training Sector Improvement Program (ETSIP).

1. Namibia is a middle-income country whose considerable successes rest on a strong multiparty parliamentary democracy that delivers good economic management, good governance, basic civic freedoms, and respect for human rights. At independence in 1990, Namibia inherited a well functioning physical infrastructure and a market economy, coupled with rich mineral resources and a relatively strong public administration. The South West Africa People's Organization (SWAPO) Government put these assets to good use to produce a decade and a half of economic growth and political stability. However, the social and economic imbalances of the apartheid system also left Namibia with a highly dualistic society. The structure of the economy has made job creation and poverty reduction difficult, and inequality unacceptably high, key challenges that are at the top of the Government's development agenda.

2. Although Namibia joined the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) shortly after it became independent in 1990, the Bank Group's engagement has been limited until recently to occasional analytical and advisory activities and grants financed under the Global Environment Facility (GEF) and Institutional Development Fund (IDF). In recent years, however, the Government's interest in the Bank's services, especially more in-depth economic and sector work and technical assistance, has increased.

3. The framework discussed in this document takes as its starting point Namibia's own development policy and national agenda as set out in *Vision 2030*, the country's blueprint for its future, and the National Development Plans. It also recognizes the Government's leadership in shaping the country's future. The approach therefore focuses on a flexible business model, in step with the Government's budget and decision-making processes, that emphasizes analytical and technical assistance. Engagement will be along three avenues: (i) continued work in established areas of collaboration—education, skills training and the environment—where the Bank's track record is good and the Government's interest clear; (ii) the provision of services available to member countries as part of the Bank's diagnostic work; and (iii) new analytic work and technical assistance based on a collaborative process of priority setting.

I. NAMIBIA TODAY

4. Namibians are rightly proud of the transition they have made from colonial rule to independence. The SWAPO Government has taken major steps toward addressing previous imbalances by putting in place an appropriate legislative framework and policies. Following the November 2004 elections, Namibia signaled its emergence as a stable democracy when President Samuel Nujoma, after leading the country for 15 years, handed power to President Hifikepune Pohamba.

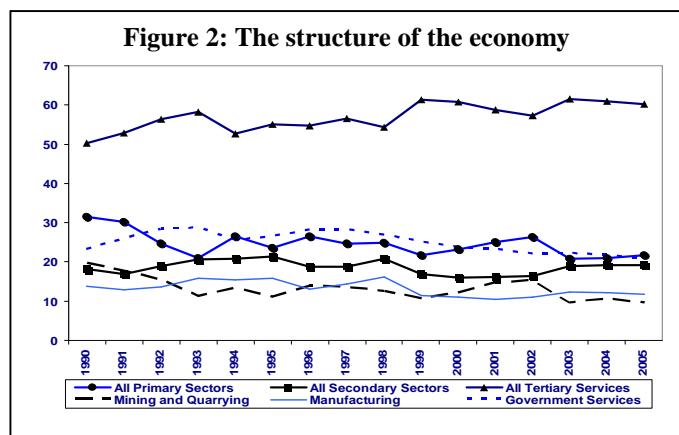
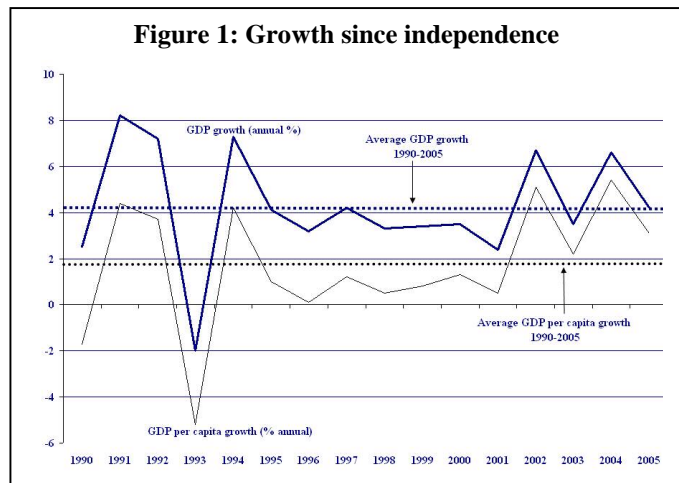
5. Namibia is a leading advocate of regional economic integration. Namibia is a member of the Southern African Development Community (SADC), Southern African Customs Union (SACU) and the Common Monetary Area (CMA), and is part of several regional programs that aim to facilitate trade and sharing the benefits of joint management of resources, such as the Trans-Kalahari and Trans-Caprivi Corridors, the Southern Africa Power Pool, and the Zambezi River Basin Agreement.

The Namibian economy

6. Namibia is a small open economy closely linked to South Africa. With a 2006 per capita income of about US\$3,000, it is classified as a lower middle-income country.¹ Namibia has experienced steady growth, moderate inflation, strong external surpluses and low indebtedness over the past several years as a result of generally prudent fiscal policies, a stable political environment, a fairly developed infrastructure, and a strong legal and regulatory environment.

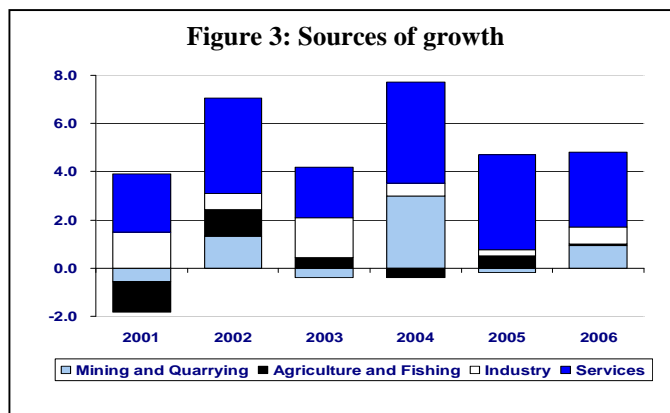
7. Economic growth since independence has been good, if somewhat volatile, averaging 4.3 percent per annum, and sufficient to increase per capita income in most years (Figure 1). Much of the recent volatility in growth can be traced to spurts in diamond production in 2004 and 2006.

8. Overall, the economy is dominated by the service sector, public and private (Figure 2), which accounts



¹ The Government has expressed concern that the classification as a middle income country hinders its ability to tap concessional financing, particularly in the social sectors.

for around 60 percent of overall output² and for much of its growth (Figure 3). The mining sector's share in the Growth Domestic Product (GDP) peaked at 14 percent in 2002 and has averaged about 9 percent since then.³ The share of secondary sectors, in particular manufacturing, has remained virtually unchanged, and its contribution to growth is modest. Efforts to diversify the economy have not been successful due to a number of reasons, including the generally low level of education of the labor force; insufficient technological sophistication; limited domestic investment; and Namibia's proximity to the much larger South African economy.



9. Namibia's strong record of macroeconomic stability since independence is based in part on a credible peg to the South African Rand through its membership in the Common Monetary Area.⁴ The peg has linked Namibia to South Africa's inflation targeting framework. As a result, inflation trends in Namibia follow closely the trends in South Africa. The average annual inflation fell from 11.3 percent in 2002 to 2.3 percent in 2005, in line with the appreciation of the rand and declining food prices. In 2006, inflation increased to an estimated 5 percent with the depreciation of the Rand (Table 1). In the last few years, the Bank of Namibia has matched the interest rate increases by the South African Reserve Bank, lifting rates by 2 percentage points in 2006.

10. With its currency pegged to the South Africa Rand, fiscal policy is the only macroeconomic policy instrument available to Namibia. Namibia's fiscal situation has strengthened significantly in the past two years. The fiscal deficit dropped from 7.5 percent of GDP in 2003/04 to an estimated 0.7 percent in 2005/06 due to more effective revenue collection and a windfall in SACU⁵ revenues, as well as a decline in spending. However, there have not been any significant shifts on the expenditure side. Although the wage bill and transfers to numerous parastatals account for about 60 percent of total Government spending, there is little enthusiasm to tackle these politically challenging reforms given the high level of unemployment. A State-Owned Enterprise Governance Act was approved in 2006. If implemented successfully, the Act would enhance the Government's ability to monitor state-owned enterprises, help improve their governance and performance.

² Within services, trade, transport and finance account for around half of sectoral output.

³ Namibia is a primary source of gem-quality diamonds in the world, is the fourth-largest exporter of non-fuel minerals in Africa, and the world's fifth-largest producer of uranium.

⁴ The Common Monetary Area members are Lesotho, Namibia, South Africa and Swaziland.

⁵ SACU members: Botswana, Lesotho, Namibia, South Africa and Swaziland.

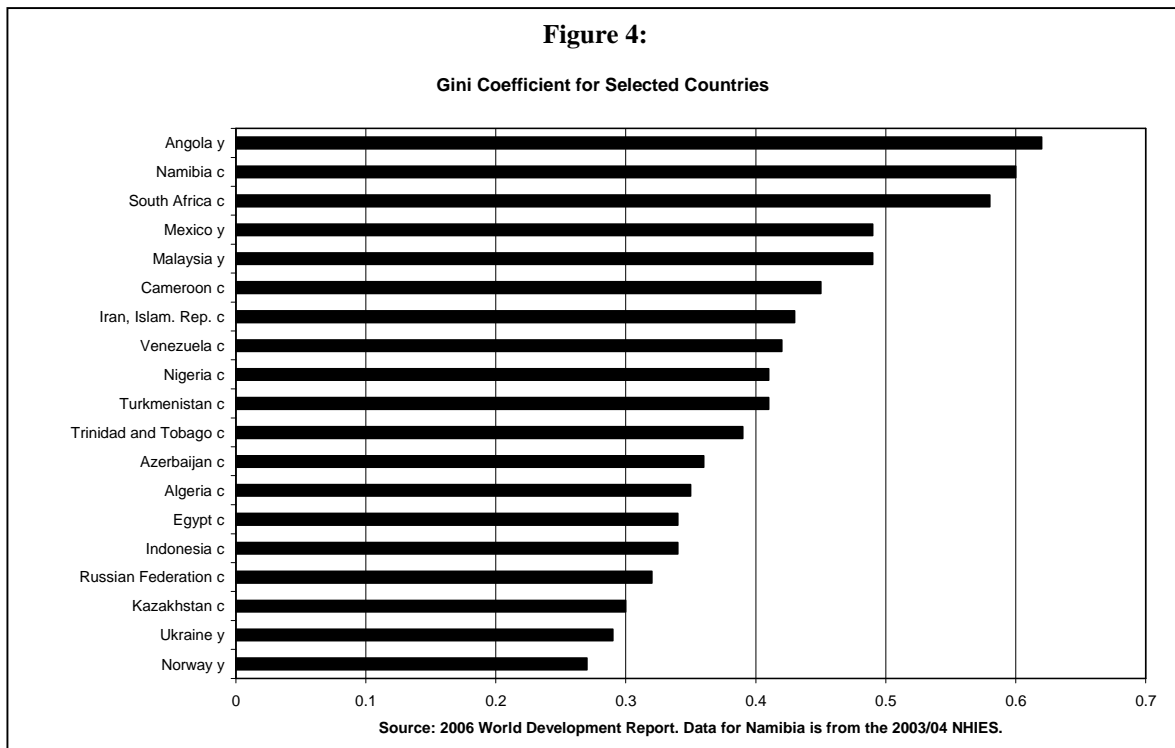
Table 1. Key Economic Indicators

	2003	2004	2005	2006	2007	2008	2009
					<i>projection</i>		
GDP at constant 1995 prices (annual % change)	3.5	6.6	4.2	4.6	4.8	4.6	3.7
GDP per capita (US\$)	2,253	2,792	2,984	3,157	3,373	3,611	3,778
Consumer price index (period average)	7.2	4.1	2.3	5.0	5.6	5.0	4.5
Export volume (annual % change)	6.3	27.4	-1.5	6.1	7.6	5.9	-3.9
Import volume (annual % change)	5.2	6.6	4.6	4.8	5.0	4.8	3.8
Current account balance (Incl. official transfers)	5.1	9.5	7.2	13.9	13.0	8.4	4.3
Gross Private Investment (as % of GDP)	22.8	19.0	20.8	21.0	21.4	21.8	22.0
Gross Private Saving (as % of GDP)	35.6	34.9	32.3	37.8	37.9	36.3	32.9
Broad money (annual % change)	9.6	16.2	9.7	20.0	19.2	18.6	18.3
Revenue and grants (FY as % of GDP)	28.3	31.0	33.0	36.0	34.7	31.1	31.1
<i>Of which</i> : SACU receipts	8.8	11.4	9.9	14.9	12.9	8.6	8.2
Expenditure and net lending (FY as % of GDP)	35.8	34.4	33.7	35.9	35.5	34.8	34.3
<i>Of which</i> : personnel expenditure	14.9	14.8	14.9	15.0	15.1	14.9	14.7
capital expenditure and net lending	5.7	5.3	4.3	6.1	6.1	6.0	6.0
Primary balance (- deficit)	-5.0	-0.7	2.2	3.1	1.8	-1.2	-0.7
Overall government deficit including grants	-7.5	-3.4	-0.7	0.1	-0.8	-3.6	-3.2
Public debt outstanding/GDP	29.7	34.2	31.7	28.7	26.2	26.8	28.9
Reserves (U.S \$ mn)	318.9	352.7	315.9	395.6	461.9	475.8	520.5
Reserves (months of imports)	2.0	1.7	1.4	1.6	1.7	1.7	1.7
Exchange rate (period average)	7.6	6.4	6.4	6.8			

11. Namibia's current account surplus remains strong, averaging 6.5 percent of GDP from 2002-2005 and reaching an estimated 14 percent of GDP in 2006. Exports account for almost 40 percent of GDP, with diamonds and other minerals accounting for close to 60 percent of total exports. South Africa is the main trading partner. Namibia's manufactured exports—mainly processed meat products (beef, small stock and game) and processed fish and lobster—go to the European Union, United States and Japanese markets. Imports consist predominantly of consumption items and intermediate as well as capital goods, mostly from South Africa. Namibia's trade deficit of about 6 percent of GDP since 2002 has been offset by high customs revenue transfers and positive net balances from the services and income accounts. However, the positive current account balance has been accompanied by persistent large capital outflows, as financial institutions invested heavily in South Africa. This has kept reserves at relatively low levels—about two months of imports between 2002 and 2006.

12. Namibia's public debt management has been prudent. In 2004/05 public debt stood at 33.8 percent of GDP and is projected to drop to 24.8 percent in 2007/08, below the Government's target of 25 percent. At the end of 2005/2006 fiscal year, Namibia's total external debt stood at 5.2 percent of GDP, lower than most other Sub-Saharan African countries. The bulk of external debt (80 percent) is denominated in Euro and South African Rand. The Rand debt does not represent any exchange rate risk due to Namibia's membership in the Common Monetary Area.

13. The generally good growth and macroeconomic picture is overshadowed by three worrying and related features of the economy: the lingering high levels of poverty; high unemployment; and the country's unequal distribution of wealth and income. While poverty has declined since independence, it remains high at 27 percent.⁶ Unemployment, at nearly the third of the labor force, is especially prevalent among those with little or no skills, and is a major cause of poverty. The overhang of apartheid is also seen in Namibia's income distribution—with a Gini coefficient of 0.6 it is amongst the highest in the world (Figure 4).



Medium-Term Outlook

14. The medium-term economic outlook for Namibia is encouraging, and prospects for growth are good if Namibia continues to pursue strong macroeconomic and structural policies. For 2007 and beyond, growth is expected to stabilize at 4 to 5 percent and to be relatively broad-based, with manufacturing, tourism, and mining as key drivers. A key question is whether this growth will be able to absorb the large pool of low-skilled unemployed workers.

15. Nevertheless, being a small open economy, largely concentrated in the mineral sector, Namibia is vulnerable to external shocks. Changes in export prices and external demand as well as possible shocks spill-over, particularly from neighboring South Africa, can have a significant impact on Namibia's external and fiscal balances. Moreover, fiscal revenue is likely to fall in the medium term, as SACU receipts decline with the establishment of the SADC Free Trade Area and Customs Union on the horizon by 2008

⁶ A household is considered poor if it spends 60 percent or more on food.

and 2010, respectively. The Government is mindful of these risks that could lead to rising fiscal deficits and worsening of the currently comfortable public debt situation. To minimize them it faces the challenge of rapidly implementing its fiscal stability strategy, including: (i) optimization of revenue collection through improved tax enforcement; (ii) reorganization of the Inland Revenue Department; (iii) improvements in audit capacity; and (iv) realignment of public expenditures. The Government is already taking steps to address some of these issues by earmarking part of current SACU windfall revenues to reduce the public debt and by better targeting of expenditures. In view of the social challenges, the Government is rightly stressing the pro-poor orientation of its interventions.

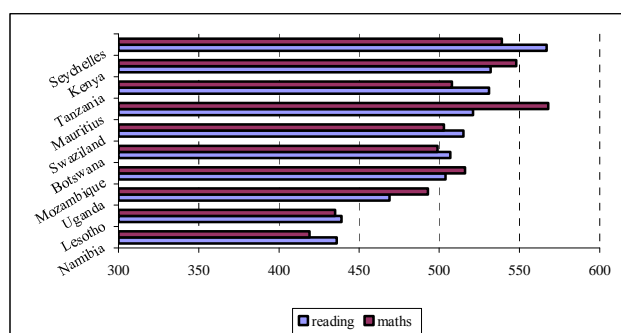
Namibia's Social Context

16. Namibia has made great progress in addressing some of the structural problems resulting from the dual economy it inherited at independence. Access to basic education has become more equitable and primary health care coverage is more widespread. Namibia's commitment to its people is evident in the fact that it is among the top 10 countries worldwide in share of GDP spent on education, and second only to South Africa on the continent in per capita expenditures on health. Country-wide immunization campaigns,⁷ coupled with parallel strengthening of the overall public health infrastructure, yielded a significant reduction in the infant mortality rate between 1990 and 2005 (from 60 to 43 per 1,000 live births). The Government has improved access to safe water and sanitation; it has laid the foundation for gender parity, and launched programs to protect the country's environment and natural resources. Namibia is also one of very few countries in Sub-Saharan Africa that maintains a social safety net for the elderly, the disabled, orphans and vulnerable children, and war veterans, and has a Social Security Act that provides for maternity leave, sick leave, and medical benefits.

17. Despite these advances, Namibia's human development indices place it 125th out of 177 countries surveyed in the 2006 Human Development Report. Although Namibia is on track to meet some of the Millennium Development Goals (environment, gender equality), it will be challenged to meet poverty, education, and health, especially HIV/AIDS, goals.

18. One of the clearest signs of Namibia's apartheid legacy is its poor educational outcomes. Despite its middle-income status and significant resources spent on education, Namibia ranks lowest among its peers in SADC in student performance on reading and mathematics (Figure 5). Low academic performance in general education leads to problems in tertiary education, including exceptionally low university completion rates (20 percent in

Figure 5: SACMEQ Reading and Mathematics Scores in 2000



Source: Southern Africa Consortium for Monitoring Educational Quality

⁷ A testimony to the commitment to address urgent issues is the very successful polio vaccination campaign in 2006.

science, 35 percent in humanities, 44 percent in education). Since education is a primary weapon in Namibia's battle to reduce inequality, raising education quality is a top priority.

II. LOOKING TO THE FUTURE – KEY CHALLENGES

19. Namibia's track record over the past 17 years is very good and its prospects for the future are bright given the stable economic performance, good regulatory framework, and a robust private sector. A recent Investment Climate Assessment shows a relatively favorable incentives and tax regime, high firm productivity, and good indicators for doing business: Namibia ranks 42nd of 175 countries and third in Africa on the ease of doing business.⁸ Similarly, the financial, banking and insurance sectors are stable. But critical challenges remain. Among these:

- *Will the growth translate into jobs?* While the Namibian economy has enjoyed robust growth, it has not produced enough jobs to keep up with an expanding labor force. In 1993, 67 percent of the labor force was employed. Thirteen years later, this figure slipped to 63 percent. High unemployment has also increased the numbers of discouraged job-seekers who have left the labor force.⁹ Finding a growth path that will create jobs is the Government's number one priority.
- *Will the education system create needed skills?* Unemployment in Namibia is primarily a phenomenon among the unskilled and low skilled, with joblessness among those with post-secondary education almost non-existent. Despite considerable investments, the education sector is not producing the skills required to meet the needs of the growing service and manufacturing sectors. Improving education outcomes is central to lowering unemployment, reducing inequality, and meeting the country's goal of becoming a knowledge society by 2030.
- *Will the current pattern of growth reduce poverty and inequality?* Poverty and inequality in Namibia are partly due to differentials in urban and rural growth. Mean income for urban areas is about twice that of rural areas. Rural areas account for 60 percent of the households and 65 percent of the population, but only 38 percent of total income. To deal with poverty and inequality, growth strategies will have to reduce urban-rural income differences, or accommodate migration from rural to urban areas.
- *Will Namibia overcome the challenge posed by HIV/AIDS?* HIV prevalence shows a welcome decrease (down to 19.7 percent of the adult population in 2005, from 22 percent in 2003) but remains a serious threat to development. Adding to the HIV challenge, Namibia has one of the highest tuberculosis prevalence rates in the world. A health system that has the capacity and resources to deal with these twin epidemics is essential.

⁸ Doing Business Report 2007

⁹ *Finding economic growth that responds to jobs is a key public policy challenge*, IPPR Economic Outlook, February 2007, by Calicious Tatalife and Daniel Motinga, www.ippr.org.na.

III. GOVERNMENT STRATEGY AND DEVELOPMENT OBJECTIVES

20. The Government of the Republic of Namibia is committed to stimulating economic growth, reducing poverty and income inequalities, and improving the living standards of its people to the level of a developed country by 2030. The country's hopes for the future are captured in *Vision 2030*, a long-term development agenda prepared through a broad consultative process. *Vision 2030* describes a future Namibia where "prosperity, harmony, peace and political stability" are achieved through progress in education, science and technology, health including the fight against HIV, sustainable agriculture, peace and social justice, and gender equality.

21. *Vision 2030* is to be realized through a series of National Development Plans.¹⁰ The third National Development Plan for 2007-2011 is currently under preparation.

22. In line with the long-term commitment to reducing poverty, the Government is making additional resources available to improve education and skills training, including better access to schooling of marginalized groups, such as the San, and conditional cash transfers to schools that ensure a successful completion of general education of orphans and vulnerable children. The most recent budget and Medium Term Expenditure Framework also acknowledge that growth to date has not generated enough jobs, and that future growth must do so.¹¹ High youth unemployment is being addressed by the provision of an additional 3,000 places in the National Youth Service.¹² The Government is also expanding the roll-out of anti-retroviral treatment and the program for prevention of mother-to-child HIV transmission in rural and remote areas.¹³

23. Pro-growth policies are focusing on stimulating the use of communal lands, for example, through the *Green Scheme*, which aims to develop some 20,000 hectares of irrigated agriculture in a joint venture between Government, commercial, and small holder farmers, and through the aquaculture development scheme.¹⁴ Several infrastructural projects for improving road and rail networks are planned in order to improve access to markets country-wide and link Namibia to neighboring SADC countries, namely Botswana, Zimbabwe, Zambia and Angola. A substantial portion of this year's increase in revenues has been earmarked for scaling up development programs.

¹⁰ National Development Plans are 5-year development plans with national, sectoral and regional policies, goals, objectives, strategies and targets. The objectives of the second National Development Plan (2001-2006) are to: (i) reduce poverty; (ii) create employment; (iii) promote economic empowerment; (iv) stimulate and sustain economic growth; (v) reduce inequalities in income distribution; (vi) reduce regional development inequalities; (vii) promote gender equality and equity; (viii) enhance environmental and ecological sustainability; and (ix) combat the further spread of HIV/AIDS.

¹¹ Statement for the 2007/08 Budget, presented by Hon. Saara Kuugongelwa-Amadhila, Minister of Finance, March 15, 2007, www.mof.gov.na

¹² The National Youth Service was originally established in 1999 as an ambitious job creation scheme designed for thousands of school leavers who did not qualify for further study. The purpose of the non-mandatory National Youth Service has been to provide skills training to young people outside of the formal education system.

¹³ The Government has set an objective of putting 50,000 HIV-positive individuals on treatment by 2009, which is attainable, though shortage of qualified staff (nurses, pharmacists, physicians) can jeopardize the achievement of this objective.

¹⁴ Diverse coastal and freshwater resources are well suited to fish and shellfish farming and have potential for increase.

24. Although Namibia scores relatively high on governance, as measured by the World Bank Institute Worldwide Governance indicators and the 2006 Corruption Perception Index of Transparency International (55 out of 163 countries),¹⁵ improved governance is high on the Government's agenda. To back up its policy of zero tolerance of corruption, Namibia established an Anti-Corruption Commission in 2005 to investigate instances of corruption, bribery, the use of public resources for private benefit, and rigged tenders.

IV. WORLD BANK GROUP ACTIVITIES TO DATE

25. In the early years after Namibia joined the World Bank Group, a number of analytical and advisory activities were undertaken, some jointly with the Government, focusing on the country's dual economy legacy, the development challenges it faced, and potential areas for Bank support. However, this analytical work did not always lead to tangible outcomes, in part because it addressed an agenda not driven by the Government's priorities and, in part, because there was insufficient follow up on the side of the Bank. Attempts were made to prepare investment operations (in education, private sector development, water management, and decentralization), but none of these efforts led to actual projects.

26. Lately, interaction with the Bank has improved, particularly in the education sector. This was the result of a long-term effort that started with a Bank study on the constraints and challenges faced by the education sector.¹⁶ This analytical work guided the formulation of a sector reform program adopted by the Cabinet. Working with 13 international and 15 national partners, the Bank team assisted in the preparation of a 15-year strategic plan (2005-2020) to improve education and training (the Strategic Plan for the Education and Training Sector Improvement Program) and the first five-year (2006-2011) implementation program. This joint effort generated considerable external concessional financial support for the education program.

27. Another successful area of Bank assistance is environmental management and nature conservation which has led to two ongoing GEF projects: *Integrated Community-based Ecosystem Management Project*, and *Namibian Coast Conservation and Management Project*. The first program supports a community-based natural resource management approach to the sustainable use of natural resources and protection of biodiversity through a mix of policy, legal, financial and institution-building instruments. The second project supports the country's efforts to implement an integrated coastal zone management framework to address planning, investments and management gaps for the increasingly populated, economically attractive, and environmentally unique and vulnerable Namibian coast.

28. As an IBRD country, Namibia does not qualify for Multicountry AIDS Program funding. In coordination with other development partners, the Bank has been providing limited assistance through an IDF grant to foster a partnership among key players for

¹⁵ SACU comparison: Botswana – 37; South Africa – 51; Lesotho – 79; Swaziland – 121.

¹⁶ *Namibia Human Capital and Knowledge Development for Economic Growth with Equity*, Africa Region Human Development Working Paper Series, No 84, 2005.

implementing the national medium-term plan for HIV and AIDS (2004-2009). Namibia benefits from technical assistance from the Global AIDS Monitoring and Evaluation Team and from capacity building initiatives provided to middle income countries in Southern Africa.

29. The IFC has been involved in small investments: a fisheries project (Pescanova), and an equity investment in the country's first indigenous life insurance company (Namibia Life). An IFC loan also helped the construction of a 110-room Best Western hotel in Northern Namibia. On the technical assistance front, IFC worked with the Namibian Agronomic Board to raise trust funds for a feasibility study of a cotton ginning industry. MIGA has not been active in Namibia.

30. As dialogue has expanded in recent years, the Government has signaled increased interest in the Bank's menu of non-lending services, although it is quick to make clear that knowledge services should be separated from development finance.

V. A FRAMEWORK FOR ENGAGEMENT

31. The framework outlined below builds on Namibia's development agenda and the challenges the country faces and focuses on a flexible, country-driven business model designed to be in step with the Government's budget and decision-making processes. The elements of this framework are designed to give the Government a better sense of what the Bank has to offer and of the value of the different instruments available. The proposed framework builds on the work undertaken in recent years and identifies three levels of engagement.

32. **First, continue work in established areas of collaboration where the Bank has a good track record and Government interest is clear: education and the environment.** Education, training and skills development will continue to be at the center of Bank activities. Bank support will be provided through two proposed Development Policy Loans and will focus on: (i) the development of specific policies and instruments to implement sector reforms; (ii) implementation of these policies; and (iii) building institutional capacity required for effective implementation of sector reforms.¹⁷ The work is expected to further improve access to schooling to previously disadvantaged groups; help improve teacher competencies to deliver better education and enhance professional development, and set performance standards for school managers. Activities will be undertaken to reorient the vocational training system toward skills building for better employability, as well as to strengthen the response to HIV through the education system. This work is in line with the Bank's Africa Action Plan's flagship goal of building skills for competitiveness in a global economy. A draft memorandum of understanding between the Government and development partners designates the Bank as the lead technical agency and the European Union as the lead coordinating partner for the Education and Training Sector Improvement Program.

¹⁷ The first DPL is scheduled for Board presentation simultaneously with the ISN. The second DPL is expected to follow in about one year.

33. Support to the environment will include a third small GEF project—a pilot partnership for sustainable land management currently under preparation—and a country environmental analysis through a public environmental expenditure review, which is underway.

34. **Second, provide services available to member countries as part of the Bank’s diagnostic work, and build on recently completed fiduciary and analytic activities.** As part of its analytic and advisory services the Bank carried out several diagnostic studies for Namibia, producing a Foreign Investment Advisory Services/MIGA Study on Investment Incentives, a Public Expenditure Tracking Survey in basic education and health, and a Financial Sector Assessment Program (jointly with the IMF). In addition, a Country Economic Report and an Investment Climate Assessment are underway. The Bank will seek Government guidance on how best to use this analysis, as well as possible follow-up diagnostic work, to help meet the country’s challenges, including creating jobs, spreading the benefits of growth widely, and improving the efficiency of public spending. Follow-up work could include additional analysis in high priority areas such as access to finance for small businesses in urban and remote rural areas, the role of the informal sector, as well as support for implementation of Government policies in improving the incentive regime and other aspects of the business environment.

35. A Public Expenditure and Financial Accountability¹⁸ assessment of Namibia’s public financial management systems suggested only marginal fine-tuning of the fiduciary system. Based on this analysis, the Government, in association with the Bank and other development partners (particularly the European Union), agreed to carry out a comprehensive Country Integrated Fiduciary Assessment, which will integrate the diagnostic processes of a Public Expenditure Review, a Country Financial Accountability Assessment, and a Country Procurement Assessment Report.

36. Namibia can also benefit from the Southern African regional initiatives, such as the Zambezi River Basin Agreement.¹⁹ For Namibia in particular, long term water security and the development of high value added agriculture (especially the *Green Scheme*) depends in large measure on a successful implementation of the Zambezi River Basin Agreement.

37. **Third, respond to various requests by Government agencies within an agreed framework.** Government departments and agencies have expressed interest in obtaining technical support from the Bank in such areas as the roll-out of the e-government strategy, strengthen capacity for the Bank of Namibia, and the development of in-house capacity in debt management, macroeconomic modeling and forecasting. The Bank would like to continue its assistance in support of HIV/AIDS programs. The specific activities for Bank assistance will be determined through a semi-annual planning mechanism as discussed below.

¹⁸ The Public Expenditure and Financial Accountability was commissioned by the European Union and completed in 2004.

¹⁹ Namibia is part of the study carried out in June 2006 for the eight countries sharing the Zambezi River Basin (“Zambezi River Basin: Sustainable Water Resources Development for Irrigated Agriculture”). The water resources of the Zambezi River are crucial to each of the eight riparian countries’ aspirations for agricultural sector growth and poverty reduction, as well as growth in other economically important sectors, such as energy, and water supply.

38. With the client in the driver's seat and a limited administrative budget, the Bank's main challenges are to stay focused and deliver value. Using this window of opportunity to build a productive and lasting partnership with Namibia, in the next 24 months the Bank will strive to:

- Strengthen communications and coordination. For that, a mechanism for consulting with the Government will be established to identify priority areas for support, and to seek guidance on Bank involvement in coordination with other partners or complementing their interventions, keeping in mind the country's implementation and absorptive capacities.
- Work with external development and local partners and counterparts to design the scope and nature of proposed analytical and advisory work, and discuss practical applications and benefits to be derived from analytical exercises for the country. This collaborative approach would aim to strengthen local capacity and eventually lead to developing a joint research program.
- Seek ways to familiarize Government officials with Bank instruments, particularly those related to knowledge, available to middle-income countries.
- Ensure that the Bank's proposed interventions are consistent with the client's needs and tightly manage the Bank's program to maintain focus and effectiveness.

39. Given the nature of engagement and the period covered by the Interim Strategy, the development of a full-fledged results matrix was not possible. The expected outcomes of the Bank's engagement efforts and of its interventions are presented in annex 1.

40. The work program under this engagement will be set out in semi-annual business plans to be agreed with the Government. Specifically, a joint Bank-Government committee representing the key partners (the National Planning Commission, Ministry of Finance, and Bank of Namibia) will determine the analytical and technical support to be provided and suggest possibilities for future engagement.

VI. WORKING WITH DEVELOPMENT PARTNERS

41. Since the principle of partnership is central to achieving *Vision 2030*, Namibia is interested in increased cooperation with development partners. This has become more urgent in recent years as official development assistance has declined, even as foreign expertise and financial support continue to play a significant role in the country's development agenda (see box 1).

42. The Bank's experience with the education dialogue has demonstrated that it can work effectively with a large number of partner institutions, both bilateral and multilateral. The partnership will continue particularly with the International Monetary Fund (in a follow-up to the FSAP), with the European Union (mainly on the education sector reform and Country Integrated Fiduciary Assessment), the African Development Bank (on governance), and with the United Nations family (on HIV/AIDS, education sector reform,

and poverty monitoring). The opening of a Public Development Information Center at the Polytechnic of Namibia with several international and local institutions is a concrete expression of the partnership spirit in Namibia. The Center will be open to the public and will provide access to the Bank's data and knowledge products to a wider audience.

Box. 1 Namibia's Development Partners

In 2003 Namibia received N\$668 million (US\$100 million) in Official Development Assistance, about 6 percent of Government revenues. The assistance came in the form of free-standing technical cooperation, investment-related technical and project assistance, food aid, and emergency relief. ODA is projected to fall in 2007/08 as many partners move to a regional approach for providing support to Southern Africa's middle-income countries.

The European Union is Namibia's largest donor (land reform, education and rural poverty reduction), followed by Germany (land reform, rural development and infrastructure) and the United States (HIV/AIDS, basic education, community-based natural resource management, democracy and governance, employment creation and enterprise development). Following the President of China's visit to Namibia, a N\$30 million (US\$4.5 million) grant for projects and an interest-free loan for the same amount are expected. The biggest recipient has been the education sector, with over 20 percent of ODA since 1990.

Namibia has recently become eligible for the Millennium Challenge Account and is expected to receive a grant up to US\$300 million for five years.

Support for the fight against HIV/AIDS. Namibia was selected as a focus country for the United States President's Emergency Plan for AIDS Relief in 2003. Since then more than US\$125 million has been provided through this channel alone. Namibia received an additional US\$128 million through the Global Fund to Fight AIDS, Tuberculosis and Malaria, of which US\$105 million was earmarked for HIV/AIDS.

Although there are no regular donor roundtables, the United Nations Development Program has led the coordination process. The Bank worked closely with the United Nations Development Program to support the Government in organizing a successful Roundtable Pledging Conference for the Education and Training Sector Improvement Plan in 2006.

Source: Development Cooperation Report 2003/04, National Planning Commission

VII. RISKS AND CREDITWORTHINESS

43. Namibia's track record of good economic management suggests that country risk is minimal and manageable during the period covered by this framework. Namibia's sound economic performance and moderate level of external indebtedness is reflected in its investment grade of BBB- rating assigned by Fitch in December 2005. This rating was affirmed with a stable outlook in November 2006. Given this the credit risk to IBRD presented by the envisaged program appears minimal. This is predicated on the continuation of prudent economic policies and implementation of measures to mitigate the medium term risks already outlined.

44. A successful implementation of the activities under the framework, particularly support to the education sector reform, and delivering on a country-led program with a

limited operational budget are critical for the Bank to establish itself as a credible and reliable development partner.

VIII. CONCLUSION

45. This interim engagement strategy will provide the Government and the Bank Group with the foundation for a long-term knowledge partnership. Interim progress will be measured on a regular basis through a mechanism agreed to by both parties. The program's ultimate success will be assessed by the degree of future collaboration between the Bank Group and Namibia.

Annex 1. Namibia Interim Strategy Note: Results Indicators

Expected Outcomes:	Outcome Indicators:
<i>Strategic Element: Education and Training Sector Improvement Program</i>	
<i>Equitably expanded access to quality post-basic education and training</i>	Six new senior secondary education and training schools created in the poorest regions of the country.
<i>Improvement of education quality</i>	<p>Percentage of learners who complete lower primary education having acquired core skills and competencies is increased from 20% to 45% (2009 target).</p> <p>Reduction in average repetition rate for basic education from 15.5% to 13% (2009 target).</p>
<i>Strategic Element: Environmental Management and Nature Conservation</i>	
<i>Improved local, regional and national capacity for sustainable land management</i>	Proportion of local, regional and national institutions applying sustainable land use management techniques is increased as a result of the GEF project (baseline to be established during 2007).
<i>Strategic Element: Policy Dialogue and Analytical and Technical support</i>	
<i>Deepened policy dialogue with Government counterparts for building a long-term knowledge partnership</i>	<p>Regular Bank-Government semi-annual business planning meetings held and agreement on the work program reached.</p> <p>Increased demand for Bank analytical and advisory services.</p>

Annex 2. Namibia: Country Financing Parameters

The country financing parameters for Namibia set out below have been approved by the Regional Vice President, Africa Region, and are being posted on the Bank's internal website.

Item	Parameter	Remarks/Explanation
A. Cost Sharing. Limit on the proportion of individual project cost that the Bank may finance	Up to 100%	While continuing to emphasize borrower commitment and ownership of individual projects, the Bank would retain the option of financing up to 100 percent of project costs. However, specific arrangements would be determined for individual projects, taking into account project specific considerations. In practice, counterpart funding will be encouraged and Bank's financing share in many projects is expected to be less than 100 percent.
B. Recurrent Cost Financing. Any limits that would apply to the overall amount of recurrent expenditures that the Bank may finance	No country-level limit	No country-level limit on Bank financing of recurrent costs is proposed. On a project by project basis, the Bank may finance recurrent costs after careful consideration of the sustainability of project achievements and implied future budgetary outlays within the overall context of Namibia's aggregate fiscal position and prospects.
C. Local Cost Financing. Are the requirements for Bank financing of local expenditures met, namely that: (i) financing requirements for the country's development programme would exceed the public sector's own resources (e.g., from taxation and other revenues) and expected domestic borrowing; and (ii) the financing of foreign expenditures alone would not enable the Bank to assist in the financing of individual projects	Yes	The requirements for local cost financing are met. The Bank can therefore finance local costs in any proportions required by individual projects.
D. Taxes and Duties. Are there any taxes and duties that the Bank would not finance?	None	Namibia's taxes are considered reasonable. Hence, the Bank may finance the costs of taxes and duties associated with project expenditures. At the project level, the Bank would examine whether taxes and duties constitute an excessively high share of project cost and will make any necessary adjustments during project preparation.

Country Financing Parameters Supporting Note

Cost Sharing

1. Namibia's ownership and commitment for its development programme is strong. As discussed under the ISN document, the Bank's strategy takes as its starting point, the strength of Namibia's own development policy and national agenda, and its vision for its future. The framework also recognizes the Government's leadership in meeting the challenges of high unemployment, poverty and inequality. Public expenditures are high at about 30 – 35 percent of GDP. Capital expenditures account for about 20 percent of total public expenditures. These expenditures are financed domestically. External loans for specific projects not included in the budget but accounted for in the MTEF amount to an additional two percent of total expenditures.

2. Government ownership is essential and will continue to be emphasized. The Bank's financing share in individual projects would be determined in a manner which supports government ownership of projects, and on that basis counterpart funding by Government will generally be expected in all projects. Further, in view of the fact that HIV/AIDS will increasingly exert pressure on public finances, enhanced flexibility is warranted for some projects. Therefore, while continuing to emphasize client commitment and ownership of individual projects, the Bank would retain the option of financing up to 100 percent of project costs, particularly those relating to sustainable development.

Recurrent Costs

3. Over the past few years, recurrent expenditures have accounted for about 85 percent total public expenditures in Namibia (excludes externally financed loans that are not included in the budget). Currently, in Namibia, Bank finances limited recurrent costs in the GEF projects in line with the existing policy. Increased financing of recurrent costs does not jeopardize fiscal or debt sustainability as recurrent costs are well integrated into the budget preparation and execution processes²⁰. It has a comprehensive and well functioning budget system prepared within the MTEF with inter-ministerial participation. A Public Expenditure and Financial Accountability²¹ assessment of Namibia's public financial management systems suggested only marginal fine-tuning of the fiduciary system.

4. Given the Government's commitment to its development agenda and its good track record of public finance management, we envisage no difficulties for the government to finance recurrent costs after Bank exits. No country-level limit on Bank financing of recurrent costs is proposed. On a project by project basis, the Bank may finance recurrent costs after careful consideration of the sustainability of project achievements; and implied future budgetary outlays, within the overall context of Namibia's aggregate fiscal position and prospects.

²⁰ See Paragraphs 12 and 42 of the ISN.

²¹ See Paragraph 35 of the ISN.

Local Cost Financing

5. Financing requirements for the country's development programme exceed the public sector's own resources (from taxation and other revenues) and expected domestic borrowing. Despite moderate growth and sound economic management, Namibia faces serious challenges to development as it tries to diversify the economy and create more employment which can be sustainable and reduce poverty and inequality. These challenges include increasing health costs related to HIV/AIDS as well as loss of productivity, volatility in the diamond sector and a large and growing public sector. These challenges are likely to put additional pressure on public finances going forward and justify the support for Namibia's development programme.

6. The local cost component of envisaged investment lending is expected to be significant. Therefore, the financing of foreign expenditures alone would not enable the Bank to assist in the financing of individual projects. The two requirements for Bank financing of local costs are met, and the Bank may finance local and foreign costs in the proportion required for individual projects.

Taxes and Duties Financing

7. Taxes and duties have been assessed as reasonable and the Bank may therefore finance taxes and duties associated with project expenditures. At the project level, the Bank would consider whether taxes and duties constitute an excessively high share of projects. Changes in tax and customs and/or related exemptions could trigger a review of this parameter. Major taxes and duties are summarized below.

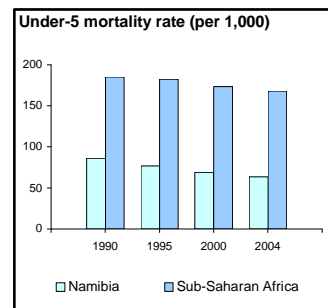
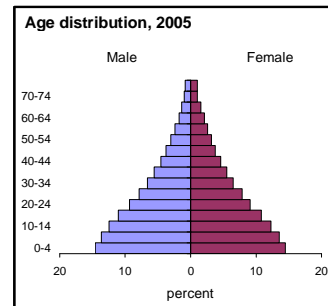
Item	Tax rates (range)
Personal Income Tax	17.5%-35% depending on income level
Company Tax	35% for nonmining companies 37.5% for all mining except diamond mining companies 50% of taxable income plus a surcharge of 10% for diamond mining companies
Value-added Tax	The standard rate is 15% but there are zero-rated exempt items
Customs Tariffs	The common ad valorem rates have 39 bands ranging from zero to 55 percent

CAS Annex A1

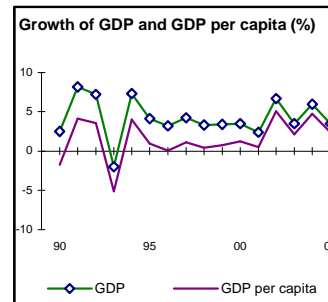
Namibia at a glance

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Key Development Indicators (2005)	Namibia	Sub-Saharan Africa	Lower middle income
	Population, mid-year (millions)	2.0	741	2,475
Surface area (thousand sq. km)	824	24,265	39,946
Population growth (%)	1.1	2.1	1.0
Urban population (% of total population)	35	35	50
GNI (Atlas method, US\$ billions)	6.1	552	4,746
GNI per capita (Atlas method, US\$)	2,990	745	1,918
GNI per capita (PPP, international \$)	7,910	1,981	6,313
GDP growth (%)	3.5	5.3	6.9
GDP per capita growth (%)	2.4	3.1	5.9
(most recent estimate, 2000–2005)			
Poverty headcount ratio at \$1 a day (PPP, %)	35 ^a	44	..
Poverty headcount ratio at \$2 a day (PPP, %)	56 ^a	75	..
Life expectancy at birth (years)	47	46	70
Infant mortality (per 1,000 live births)	47	100	33
Child malnutrition (% of children under 5)	24	29	12
Adult literacy, male (% of ages 15 and older)	87	..	93
Adult literacy, female (% of ages 15 and older)	83	..	85
Gross primary enrollment, male (% of age group)	100	99	115
Gross primary enrollment, female (% of age group)	102	87	113
Access to an improved water source (% of population)	87	56	82
Access to improved sanitation facilities (% of population)	25	37	57



Net Aid Flows	1980	1990	2000	2005 ^b
<i>(US\$ millions)</i>				
Net ODA and official aid	0	121	153	179
<i>Top 3 donors (in 2004):</i>				
United States	..	14	10	34
Germany	..	10	24	33
Spain	..	0	1	11
Aid (% of GNI)	0.0	5.1	4.4	3.1
Aid per capita (US\$)	0	87	81	89
Long-Term Economic Trends				
Consumer prices (annual % change)	..	..	..	2.3
GDP implicit deflator (annual % change)	0.5	4.3	10.7	2.0
Exchange rate (annual average, local per US\$)	0.8	2.6	6.9	6.4
Terms of trade index (2000 = 100)	112	93	100	97
Population, mid-year (millions)	1.0	1.4	1.9	2.0
GDP (US\$ millions)	2,169	2,350	3,414	6,126
<i>(% of GDP)</i>				
Agriculture	11.2	11.7	11.0	9.9
Industry	55.8	38.0	28.4	31.7
Manufacturing	9.2	13.8	11.1	13.5
Services	33.0	50.2	60.7	58.4
Household final consumption expenditure	44.2	51.2	57.1	49.8
General gov't final consumption expenditure	17.4	30.6	28.8	23.4
Gross capital formation	30.6	33.7	19.5	25.5
Exports of goods and services	78.9	51.9	45.6	46.3
Imports of goods and services	71.1	67.4	51.2	45.0
Gross savings	26.9	34.8	27.7	39.7



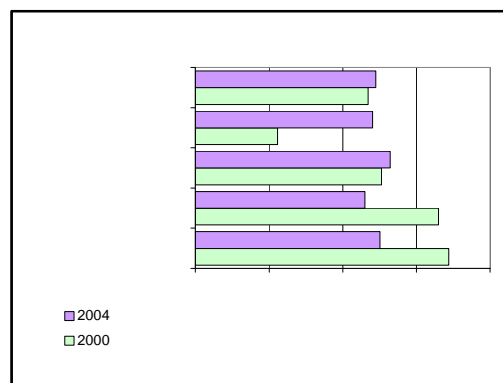
	1980–90	1990–2000	2000–05
<i>(average annual growth %)</i>			
Population	3.5	3.0	1.4
GDP	1.3	4.0	4.6
Agriculture	1.9	3.8	1.4
Industry	0.0	2.4	7.3
Manufacturing	3.7	2.6	6.1
Services	3.6	4.5	4.3
Household final consumption expenditure	1.3	5.0	-1.1
General gov't final consumption expenditure	3.7	3.3	0.9
Gross capital formation	-3.2	6.9	9.6
Exports of goods and services	0.7	3.8	7.2
Imports of goods and services	0.5	5.4	1.4
Gross savings	-1.9	8.1	11.5

Note: Figures in italics are for years other than those specified. 2005 data are preliminary estimates. .. indicates data are not available.

a. Country poverty estimate is for 1993. b. Aid data are for 2004.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	2000	2005
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	1,324	2,067
Total merchandise imports (cif)	1,317	2,332
Net trade in goods and services	-103	-221
Workers' remittances and compensation of employees (receipts)	9	16
Current account balance	352	434
as a % of GDP	10.3	7.2
Reserves, including gold	262	316



Central Government Finance	2000/01	2005/06
<i>(% of GDP)</i>		
Revenue	33.1	33.0
Tax revenue	30.2	30.1
Expenditures	34.7	33.7
Overall balance	-1.4	-0.7
Highest marginal tax rate (%)		
Individual	36	35
Corporate	35	35

Technology and Infrastructure	2000	2004
Paved roads (% of total)	13.6	12.8
Fixed line and mobile phone subscribers (per 1,000 people)	101	206
High technology exports (% of manufactured exports)	1.9	2.9

External Debt and Resource Flows		
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	..	851
Total debt service	..	5
HIPC and MDRI debt relief (expected; flow)	-	-
Total external debt (% of GDP)	..	21
Public	..	5
Private	..	16
Foreign direct investment (net inflows)	..	..
Portfolio equity (net inflows)	..	..

Environment		
Agricultural land (% of land area)	47	47
Forest area (% of land area, 2000 and 2005)	9.8	9.3
Nationally protected areas (% of land area)	..	13.6
Freshwater resources per capita (cu. meters)	..	3,066
Freshwater withdrawal (% of internal resources)	..	4.9
CO2 emissions per capita (mt)	0.92	1.1
GDP per unit of energy use (2000 PPP \$ per kg of oil equivalent)	11.1	9.9
Energy use per capita (kg of oil equivalent)	544	635

Private Sector Development	2000	2005
Time required to start a business (days)	-	95
Cost to start a business (% of GNI per capita)	-	18.8
Time required to register property (days)	-	28
Ranked as a major constraint to business (% of managers surveyed who agreed)		
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	9.1	6.8
Bank branches (per 100,000 people)	..	4.5

World Bank Group portfolio	2000	2005
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	-	-
Disbursements	-	-
Principal repayments	-	-
Interest payments	-	-
IDA		
Total debt outstanding and disbursed	-	-
Disbursements	-	-
Total debt service	-	-
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	9	11
Disbursements for IFC own account	9	11
Portfolio sales, prepayments and repayments for IFC own account	1	0
	1	2
MIGA		
Gross exposure	-	-
New guarantees	-	-

Note: Figures in italics are for years other than those specified. 2005 data are preliminary estimates. .. indicates data are not available. - indicates observation is not applicable.

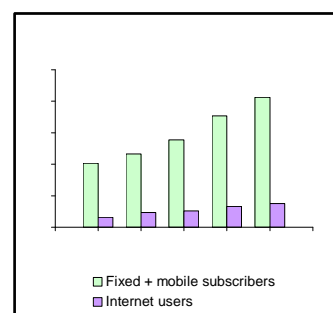
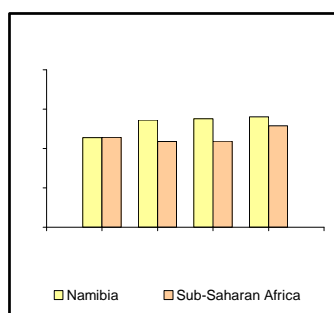
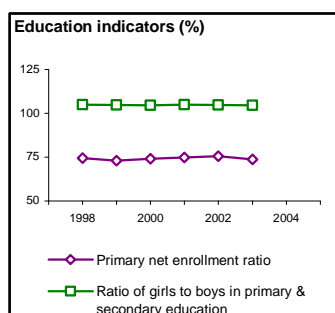
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Millennium Development Goals

Namibia

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Namibia			
	1990	1995	2000	2004
Goal 1: halve the rates for \$1 a day poverty and malnutrition				
Poverty headcount ratio at \$1 a day (PPP, % of population)	..	34.9	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest quintile (%)	..	1.4	..	..
Prevalence of malnutrition (% of children under 5)	26	..	24	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	74	74
Primary completion rate (% of relevant age group)	..	74	85	81
Secondary school enrollment (gross, %)	45	..	59	58
Youth literacy rate (% of people ages 15-24)	87	..	..	92
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	108	..	105	104
Women employed in the nonagricultural sector (% of nonagricultural employment)	39	44	49	51
Proportion of seats held by women in national parliament (%)	7	18	22	27
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	86	77	69	63
Infant mortality rate (per 1,000 live births)	60	55	50	47
Measles immunization (proportion of one-year olds immunized, %)	57	68	69	70
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	300	..
Births attended by skilled health staff (% of total)	68	..	76	..
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	19.6
Contraceptive prevalence (% of women ages 15-49)	29	..	44	..
Incidence of tuberculosis (per 100,000 people)	260	..	..	717
Tuberculosis cases detected under DOTS (%)	..	22	84	88
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	57	..	..	87
Access to improved sanitation facilities (% of population)	24	..	..	25
Forest area (% of total land area)	10.6	..	9.8	9.3
Nationally protected areas (% of total land area)	..	..	..	13.6
CO2 emissions (metric tons per capita)	0.0	1.0	0.9	1.1
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	12.3	10.3	11.1	9.9
Goal 8: develop a global partnership for development				
Fixed line and mobile phone subscribers (per 1,000 people)	38	50	101	206
Internet users (per 1,000 people)	0	0	16	37
Personal computers (per 1,000 people)	..	12	40	109
Youth unemployment (% of total labor force ages 15-24)	..	31.7	44.8	..



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

9/7/06

Development Economics, Development Data Group (DECDG).

CAS Annex B2
Selected Indicators* of Bank Portfolio Performance and Management
As of 03/22/2007

Indicator	2004	2005	2006	2007
Portfolio Assessment				
Number of Projects Under Implementation ^a	1	1	2	2
Average Implementation Period (years) ^b	0.1	1.1	1.5	2.2
Percent of Problem Projects by Number ^{a, c}	0.0	0.0	0.0	0.0
Percent of Problem Projects by Amount ^{a, c}	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Number ^{a, d}	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Amount ^{a, d}	0.0	0.0	0.0	0.0
Disbursement Ratio (%) ^e	0.0	7.9	10.1	8.3
Portfolio Management				
CPPR during the year (yes/no)	No	No	No	No
Supervision Resources (total US\$)	20.0	20.0	45.0	40.0
Average Supervision (US\$/project)	0.0	0.0	0.0	0.0

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	-	-
Proj Eval by OED by Amt (US\$ millions)	-	-
% of OED Projects Rated U or HU by Number	-	-
% of OED Projects Rated U or HU by Amt	-	-

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

CAS Annex B3
IBRD Program Summary
As of 03/22/2007

Proposed IBRD/IDA Base-Case Lending Program

<i>Fiscal year</i>	<i>Proj ID</i>	<i>US\$(M)</i>	<i>Strategic Rewards (H/M/L)</i>	<i>Implementation b Risks (H/M/L)</i>
2007	Education & Training DPL-1	7.5	H	M
2008	Education & Training DPL-2	7.5	H	M
	TOTAL	15.0		

H = High
M = Medium
L = Low

CAS Annex B3 (IFC & MIGA)

Namibia - IFC and MIGA Program, FY 2004-2007

	2004	2005	2006	2007
IFC approvals (US\$m)	0.00			
Sector (%)				
Investment instrument(%)				
MIGA guarantees (US\$m)	0.00			

CAS Annex B4
Summary of Non-lending Services
As of 03/22/2007

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
PETS (IDF)	FY05	200	G, P, D	KG, PS
Decentralization (PHRD)	FY05	627		KG, PS
Human Capital and Knowledge Dev.	FY05	350		KG, PS, PB
FSAP	FY06	200		KG
Investment Incentives Study (FIAS/ MIGA)	FY07	40	G,P	KG
Underway				
Country Economic Report	FY07	250	G, B, P	KG, PS
CEA/PEER	FY07	15	G	PS
Investment Climate Assessment	FY07	33	G, P	KG
HIV/AIDS (IDF)	FY08	499	G, P	KG, PD, PS
Planned				
Public Development Info Center	FY08	15	G, PD	KG
CIFA	FY08	25	G, D, B	KG
Ext.& Applic. of PAMS Framework	FY08	10	G	PS
HIV/AIDS TA	FY08	45	G,P	PS
Investment Climate Follow-up	FY08-09	20	G, P	PS
FSAP/ROSC follow-up	FY08-09	20	G	KG, PS
E-Governance	FY08-09	30	G, P	KG, PS

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

CAS Annex B8 (IFC)

Namibia
Statement of IFC's
Held and Disbursed Portfolio
As of 07/31/2006
(In US Dollars Millions)

FY Approval	Company	Held				Disbursed			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
	Namibia								
1997	Life	0	0.8	0	0	0	0.8	0	0
	Namibia								
2001	Life	0	0.81	0	0	0	0.81	0	0
1996	Novanam	0.36	0	0	0	0.36	0	0	0
1998	Novanam	0.57	0	0	0	0.35	0	0	0
2002	Novanam	8.01	0	0	0	4.55	0	0	0
Total Portfolio:		8.94	1.61	0	0	5.26	1.61	0	0

Approvals Pending Commitment

Loan Equity Quasi Partic

CAS Annex B8
Operations Portfolio (IBRD/IDA and Grants)
As of 03/22/2007

Closed Projects 0

<u>Active Projects</u>											Difference Between Expected and Actual <u>Disbursements</u>	
Project ID	Project Name	<u>Last PSR</u> Supervision Rating		Fiscal Year	<u>Original Amount in US\$</u> Millions				Undisb.	Orig.			Frm Rev'd
		<u>Development Objectives</u>	<u>Implementation Progress</u>		IBRD	IDA	GRANT	Cancel.				
P073135	GEF Integrated CB Ecosystem Mgmt	S	S	2004			7.1		5.6	2.4		
P070885	GEF Coast Conservation & Mgmt	S	S	2006			4.9		4.3	0.4		
Total							12.0		9.9	2.8		

MAP SECTION

[INSERT NAMIBIA MAP IBRD 33453 HERE]