

NAMIBIA
SMALL COUNTRY PROGRAM
STRATEGY
FOR
FY 1992 TO FY 1996

October 30, 1992

BEST AVAILABLE

NAMIBIA
SMALL COUNTRY PROGRAM STRATEGY
OCTOBER 30, 1992

I. AN OVERVIEW OF ENVIRONMENT FOR SUSTAINABLE, BROAD-BASED, AND MARKET-ORIENTED ECONOMIC GROWTH

A. General

Namibia became independent from South Africa on March 21, 1990, finally ending Africa's long colonial era. Namibia inherited severe economic inequalities, and deep political and social divisions. First German imperial colonialism and then South African apartheid left Namibia with a highly segregated and skewed economy in which jobs, wealth and educational opportunities were reserved for the white minority. The dualistic nature of Namibia's economy and society has provided the black majority with few human, economic and financial resources.

Situated on Africa's southwest coast, Namibia is a predominantly arid country, bounded along the Atlantic Ocean by the Namib Desert and to the east by the Kalahari Desert. The northern bush-covered plains include the fairly high rainfall areas of the Kavango and the Caprivi. Namibia is sparsely populated, with an area about twice the size of California (320,000 square miles) and only 1.4 million inhabitants.

Windhoek, the capital, and several other Namibian towns resemble small cities and communities in the American Southwest. On a per capita basis, Namibia has the best developed water, railroad, power, road and air facilities in all of Africa (even surpassing that of South Africa). Walvis Bay, jointly administered by Namibia and South Africa, is a modern, efficient port. The urban population and commercial farmers are rich by African standards, while most rural blacks live in abject poverty. A rural black Namibian earns in a year what an urban black receives in two weeks and what an urban white Namibian does in one day. While most urban dwellers maintained their economic position during a decade of near economic stagnation, rural blacks saw their per capita share worsen by almost 20 percent.

Namibia was originally colonized and named South West Africa by Germany in 1890. By any standard, Germany's colonial rule was harsh and ruthless. South West Africa lost over 50 percent of its indigenous population during colonial wars around the turn of the century. Following Germany's World War I defeat, South Africa was given a mandate over South West Africa in 1920 by the League of Nations. However, South Africa administered South West Africa as its "Fifth Province" imposing its apartheid system in the late 1940's as it increasingly codified economic, social and political separation. The United Nations (UN) resolved in the 1970's that continued South African administration of South West Africa (Namibia) was unjust and illegal. Internal opposition to the South African regime became more vocal and violent, and, with

the independence of the Portuguese colony of Angola in 1975, fighters of the South West Africa People's Organization (SWAPO) stepped up armed incursions across Namibia's northern frontier. South Africa responded militarily, establishing sizable military bases along Namibia's northern border and occupying large portions of southeastern Angola to prevent SWAPO from securing bases, and also to support UNITA in Angola's protracted civil war. In 1988, after 22 years of bush war, South Africa agreed to withdraw from Namibia as a quid pro quo for Cuban troops leaving Angola. SWAPO won the 1989 UN-supervised general election.

Notwithstanding a traumatic pre-independence history and extremely unequal income distribution pattern, Namibia has created one of the best political structures and economic policy environments for broad-based, market-oriented, long-term growth anywhere in Africa. While Namibia's long-term growth prospects are favorable, given its rich mineral and fish resource base, it faces serious economic difficulties in the short-run as a consequence of the world recession, falling world prices for uranium, and lower quality yields from its coastal diamond mining and offshore fishing grounds.

B. Specific:

1. Economic

Namibia's GDP was nearly \$2.0 billion in 1991. The World Bank classifies Namibia as a "lower middle" income country. Average GDP per capita is relatively high at \$1,400, but obscures one of the most inequitable income distributions on the African continent according to the World Bank's "measure of inequity scale". Only twelve countries worldwide have an income disparity greater than that of Namibia. Five percent of the population (predominantly white) earns 70 percent of the GDP.

Namibia's economy is heavily dependent on a few primary commodity exports, mainly minerals (diamonds, uranium, copper, lead, silver) livestock (both meat and hides), and fishing. These three sectors accounted for 43 percent of GDP over the past five years and nearly 90 percent of exports. Formal sector unemployment is estimated at 23 to 38 percent, disproportionately burdening the black population. The democratically-elected Government of the Republic of Namibia (GRN) is following pragmatic economic free market policies, despite SWAPO's pre-independence Marxist/socialist ideology, to spur formal and informal sector growth and redress the inequities engendered by the apartheid era.

Growth of the Namibian economy was 5.1 percent for 1991, led by one-time expansions in the diamond and fishing industries. If these sectors are removed from the statistics, the remainder of the economy grew at a modest 1.6 percent, or half the rate of the annual increase in population. These mixed results for 1991 followed two years of actual decline in real non-fishing GDP in 1989 and 1990. Inflation is high, with Windhoek consumer prices

rising 17 percent in 1991. Namibian and South African inflation are linked by common use of the South African Rand. The Namibian economy remains highly integrated with that of South Africa. Three-fourths of Namibia's imports originate there, and Namibia's excellent transport and communications infrastructure are strongly linked with South Africa. Namibia is also a full member of the South African Customs Union (SACU).

The Namibian economy holds enormous potential for the longer-term, based on its superior physical infrastructure and its extensive natural resource base including rich marine resources. Namibia will be a conduit for trade with southern and central Africa, as exhibited by recent opening up of trade links with Angola since the cessation of its civil war and modest use of Walvis Bay by Zambia's copper mines. Capital intensive mining operations, beef and hide production, deep-sea fishing and fish processing, and nature and wildlife-based tourism offer a wide range of outstanding economic prospects.

Historically, Namibia has had a very strong private sector orientation despite having several large parastatal organizations, such as Trans-Namib, First National Development Corporation (FNDC), South West Africa Water & Electricity Corporation (SWAWEC), etc. Parastatal activity is essentially confined to low cost housing, transport, electricity and water sectors. Parastatals tend to operate profitably as though they were private entities. The GRN has a clearly enunciated policy to rely on the private sector to reactivate and sustain economic growth and expects its parastatals to continue to perform profitably. A positive environment exists for private sector activity and investment. World class management, production, marketing and technological skills exist in its well-developed mining sector. To a somewhat lesser extent, the same quality of know-how permeates the commercial agricultural and fishery sectors. International trade (exports of minerals, fish and meat, and imports of capital and consumer goods) contributes over 50 percent of economic activity.

Namibia has a total public debt of US\$354 million or 18 percent of its 1991 GDP. The South African Reserve Bank is Namibia's largest creditor (US\$325 million) and has extended highly favorable terms, including a three-year grace period and an interest rate below Rand inflation, to Namibia for debts incurred during the colonial administration. Repudiation of this debt by Namibia would have closed the South African capital market and jeopardized the country's economic stability and relations with its major investor and trading partner. Although an annual budget transfer of over \$100 million no longer comes from South Africa, the national budget deficit for 1992 is under 29 percent of GDP. The South African Rand remains the national currency providing strong monetary resource (by African standards), international currency convertibility and few foreign exchange limitations. The GRN plans to issue a Namibian currency (known as the Namibian Dollar) in late 1993. Like the currencies in Swaziland and Lesotho, the Namibian Dollar will remain directly and indefinitely tied to the Rand. Fiscal and sectoral policies

are generally frugal and supportive of rational, well-balanced growth.

2. Political

The new Namibian constitution is widely acclaimed as the most democratic and progressive in all of Africa, if not the developing world. It is essentially built on the U.S. and Westminster models with checks and balances provided by a separate executive, a two-chamber legislature, an independent judiciary, and a Bill of Human Rights. The existing legislative assembly has 7 parties, with the ruling party, SWAPO, in control of 41 of the total 78 seats. Elections for the second legislative house and local/regional authorities are scheduled for November 1992. Political debate is active and genuine. SWAPO was elected in 1989 through free nation-wide elections which were monitored by the UN and described as fair by all parties. The judiciary has already dealt with numerous cases which have confirmed its independence. Judges and lawyers generally are well-trained and experienced. Internationally recognized human rights are respected, and Namibia has an open and lively independent print media. Although television and radio are GRN operated, they function free of government interference. An independent board has recently been established to issue radio and TV licenses to privately owned organizations. M-NET, a South African private commercial TV channel, operates in Namibia. A formal network of human rights, environmental and educational organizations, business associations, professional groupings and labor unions regularly pursue their interests without state intervention, and actively and publicly debate and discuss government policy.

In summary, Namibia can lay claim to one of the best economic and political enabling environments in the developing world. However, while the overall climate is positive, Namibia faces severe social and economic inequities.

II. ANALYSIS OF CONSTRAINTS TO GROWTH AND OPPORTUNITIES FOR REALIZING A BETTER LIFE

A. General

While Namibia's overall political and macro-economic structures are basically sound, severe social and income inequities have continued to put tremendous stress on this new, market oriented democracy. Independence has brought political freedom, but little has changed for the vast majority of Namibians, who remain economically disenfranchised. Despite the GRN's policy of "national reconciliation" and efforts to redress past allocations of public services based on race, Namibia will need at least a generation to overcome its terribly skewed socio-economic conditions.

There are two distinct Namibias, one white and prosperous, the other black and impoverished. Whites, one twentieth of the total

population, enjoy a life similar to that available in most western countries. Easy and affordable access to excellent health and education facilities, reliable telephones, a vast and well-maintained road network, fully stocked stores and most other modern amenities, all characterize white Namibia's existence. On the other hand, one out of ten black Namibians die before the age of five; a black's chances of studying under a qualified primary school teacher is one in thirty-five; and nearly 70 percent of blacks live on the fringes of or outside the highly developed infrastructure of Namibia. As a result of poorer health, limited education and distance from resources, black Namibians are accordingly less productive. They own few assets and have little access to productive employment, having to eke out an existence through subsistence farming, mainly livestock.

By far the worst problem facing Namibia is acute poverty, both absolute and relative. Nothing can be more damning of Namibia's colonial past than the fact that the wealthiest 5 percent receive more than 70 percent of the GDP while the poorest 55 percent receive only 3 percent. The income distribution in Namibia is even more skewed racially than that of South Africa. Whites' and professional blacks' average annual income is \$16,000, most urban blacks earn around \$1,200 or so per year, while rural blacks, dependent on subsistence agricultural, have an average yearly income of \$55. Employment figures closely mirror those for income. Between 23 to 38 percent of Namibians seeking formal sector employment remain without a job.

South Africa ruled Namibia through 11 regional and 54 local government administrations all based on race and ethnicity. With independence and a policy of "national reconciliation", all former officials and employees retain full employment and pension rights. The resulting system of public administration is, therefore, top heavy, duplicative and expensive, tying up scarce public resources which would otherwise be available for productive investment.

Reflecting apartheid's development priorities, government infrastructure investments (schools and health centers) are heavily concentrated in urban areas. Government salaries and wages consume some 17 percent of GDP, but little relief on this budget item can be managed in the near-term. Generally the GRN can be described as oversized and, correspondingly, inefficient. On the other side of the financial equation, GRN revenues are devised from a very narrow, highly taxed base. Corporations, urban population and commercial farmers pay high income taxes, mostly at the highest rate of 40 percent. Mining taxes provided only 4.9 percent in 1991/1992 and 6.5 percent in 1992/1993 (or 10.8 of local revenue).

The geography of Namibia is another limiting development factor. Squeezed between two deserts, most of Namibia's land is of poor quality. Except in the far northeast during the rainy season, surface water is virtually non-existent. Due to the current severe drought, persistent droughts in the 1980s, and growing industrial and consumer demand, the water table throughout the

country is drastically declining. Namibia contains many environmentally sensitive areas and unique habitats for endangered species, such as the cheetah, rhino and elephant. Previously, natural resource management had been the exclusive domain of white administrators and farmers. Past conservation measures and tourism frequently created hostile relationships with displaced or uninvolved local residents. Namibia's precious environment must be better managed to prevent easy degradation, to preserve its bio-diversity and to benefit all its citizens. Unsound development in the Oshana areas of Ovambo has already created in the north what is rapidly becoming Namibia's third desert, albeit man-made.

As previously noted, access to basic public services is severely unequal. Although the GRN spends far more on education (9-11 percent of GDP) and health (4-5 percent of GDP) than most lower and middle income countries, the allocative structure neglected the black majority in the past. Public education and health programs were primarily aimed at teaching an elite and curing a segment of the population who could pay for sophisticated care. Infrastructure and manpower distribution focused on towns to the detriment of heavily populated rural population centers. Prior to independence, most towns had separate facilities for so-called "coloureds" and blacks. Even with continued rationalization of existing services, many schools and hospitals cannot be used efficiently as they are distant from population concentrations or duplicative facilities leads to under-utilization. Two hospitals exist in many towns where only one is needed. Little room is available within the GRN's budget to make rapid improvements in access to and the effectiveness of basic government services. Also, teachers and health workers are resisting being reassigned to less developed areas of the country as GRN ministries attempt to achieve greater efficiency from the reallocation of existing resources.

Finally, the Namibian GDP grew only 3 percent for all the 1980s; but, due to population growth, estimated at 3.2 percent, per capita GDP fell over 20 percent during the same decade. The small domestic market (1.4 million persons) cannot absorb a meaningful proportion of Namibia's mining, fishing and agriculture production. Exports will, therefore, remain key to Namibia's economic growth in the near-and medium-term, while long-term development and income redistribution depends on improved productivity and business development...

B. Specific Constraints

1. Education and Training

Of 160 countries recently measured by the UNDP in its Human Development Report 1992, Namibia was ranked a poor 122 on the "human development index" (HDI). (The HDI combines national income, life expectancy and educational attainment to give a composite measure of human progress.) Of those countries considered "middle income" Namibia has the lowest HDI level,

primarily because of low educational levels. Due to the vastness of the country and past apartheid policies, the GRN inherited an

educational system that featured gross regional and racial disparities. Good quality schools exist in Windhoek and many other towns; mediocre to miserable schools are the norm in most rural areas. Outside the towns there are few teachers who have a high school education themselves. Nationwide enrollment ratios were low at all levels, and dropout rates were extremely high. At independence, the number of students at the final grade of primary school was only half that of students at the entry level. Similar failure and dropout proportions exist at the secondary and tertiary levels.

Education in rural areas is provided almost exclusively through public schools, various NGOs and the churches. Donor assistance often supported education programs sponsored through NGOs and churches, as pre-independence public schools were operated on strict racial lines. SWAPO and the UN ran schools for those in exile in the Congo, Angola and Zambia. Rote learning using the South African syllabus has been the typical technique used in public schools although that is now changing. The majority of Namibian children and adults have not been provided adequate and reasonable opportunity to learn and play a productive role in the economy and society at large.

Almost all quality vocational training in Namibia is conducted by large companies (mostly foreign) for their own specific needs. Reliance on South African and other expatriates for white and technically blue collar positions remains common. Namibia has a new university, which was established on August 6, 1992, by an act of the National Assembly. "The Academy" in Windhoek had served as the main body for tertiary education. The transition from the Academy to the new University of Namibia will take considerable time and resources. In the meantime, much of Namibia's professional training will continue to be carried out in South Africa or in other countries.

Namibia's present education and training levels and existing systems of instruction are extremely poor and biased toward the well-to-do elements of society. Of all sectoral needs in Namibia, education and training clearly stand out as the most wanting. Also, the democratization of education and training is at the heart of Namibia's strategy to redress the socio-economic inequities of the past and to establish the foundation for long-run sustainable growth in the future. With most capital resources in private hands, the GRN believes that the redistribution of human capital will create the foundation for broad based and equitable development. Therefore, education is among the GRN's highest priorities.

2. Fragile natural resource base

Except for a few areas in the far northern sections of Namibia, the country has little arable land or surface water. The high

inland plateau, sandwiched between two deserts, is adequate to sustain well-controlled and limited production of cattle, sheep, goats and game. The less productive areas abutting the deserts are generally owned in communal fashion by black Namibians and are ill-suited for domestic livestock production. This land use and ownership pattern clearly reflects Namibia's colonial and apartheid past. Furthermore, vast tracts of land are necessary to raise livestock without damaging the veld (grasslands) and water supply permanently. While recognizing the historical inequalities in land ownership, the GRN realizes that much care must be taken to avoid defoliation, overgrazing and exhaustion of Namibia's sensitive land. As in Zimbabwe and South Africa, land ownership and access to water are highly sensitive political issues with long-term sustainable growth hanging in the balance.

Somewhat similar are the concerns over the large areas designated national parks. Unique desert settings and wildlife can provide the basis for a much expanded tourist industry. The desert environment is extremely fragile, however. A track created by a single vehicle can remain hundreds of years, certain lichens (which are a hybrid of algae and fungi) once stepped on will never recover and the Welwitschia bush, although centuries old, is extremely sensitive to human touch. Black Namibians were, by law, relegated to living in the least productive agricultural areas of Namibia and were excluded from national parks when South Africa administered the country. To better protect and utilize Namibia's special natural resources, enhanced awareness of environmental issues and their resolution must be instilled in all Namibians. Without a concerted effort to manage Namibia's resources in a manner beneficial to all, and to explore more sustainable alternatives to traditional livestock and farming practices, a growing population, free after a century of oppression, may unwittingly injure irreparably its most abundant asset and valuable land, water, wildlife and forest resources.

3. Limited experience in democratic processes

For 100 years prior to independence, the majority of Namibians were subjugated by colonial and then apartheid governments imposed by outsiders. Initiative, economic as well as political, was discouraged and, in most cases, deemed illegal for non-white Namibians. Most black Namibians never actively participated in the governance of their country prior to independence. The German and South African administrations were most often adversaries rather than representatives of Namibians' interests. Except those who participated in exile political structures and the transitional government, few Namibians have had the opportunity to decide on issues fundamental to their lives.

As outlined earlier, Namibia now has a model constitution and free market economy. SWAPO has adhered to democratic practices in governing the nation. Still, many Namibians must overcome their deep-seated hesitations about government's role and influence in their country. Given Namibia's past, it will take many years of effective administration to overcome Namibians' deep suspicion of government and political parties. NGOs and the

churches continue to be seen as strong bridges between grassroots communities and the provision of many services. To a certain degree, this situation is a legacy of Namibia's past. But the GRN, cognizant that it has a limited budget and that it cannot do everything for everyone all the time, truly encourages the development of responsible and responsive NGOs.

For Namibia to survive as a free market economy and democracy, the population as a whole (especially those in rural areas) must gain practical experience in decision-making. Periodic national and regional elections must be held to underscore the democratic process. Civics and governance education must be increased so the theoretical underpinning of democracy and human rights are widely known, appreciated and translated into reality for the majority of Namibia's people. Active participation in a wide variety of organizations, such as NGOs, will allow individuals to be exposed to democracy and its day-to-day workings. Finally, NGOs are a necessary element in Namibia's civil society to counterbalance as well as augment and complement government initiatives.

4. Unemployment

A high proportion of black Namibians are unemployed. Like most of the world, Namibia is now in recession. Uranium and copper prices are low and there is a glut on the diamond market. The drought affecting most of Southern Africa has also dampened the prices of livestock, Namibia's major agricultural output. Under more favorable international conditions, Namibia would still be severely constrained by its small domestic market which lends itself to oligopolistic practices and its close proximity to Africa's industrial powerhouse, South Africa.

According to World Bank and IMF studies, in the short- and medium-term, Namibia's employment and economic growth opportunities lie in fishing and in expansion of its fledgling informal sector. Prior to independence, black Namibians were first legally barred and then financially constrained from creating businesses. Apartheid essentially eliminated the informal sector, as it destroyed entrepreneurship and self-initiative, and built dependency on the white economy through subsidies to white-owned businesses and farms. Regrettably, apartheid and capitalism are still frequently viewed as the same in the eyes of many Namibians. In reality, apartheid was social welfare state for whites founded on the unskilled labor of blacks. Apartheid was the antithesis of free markets and efficient use of human, financial and physical resources.

For more Namibians to undertake productive and profitable activities, only the most basic of business and economic skills are needed. The GRN is putting in place policies to stimulate the informal sector and the economy generally. Individuals must now have the opportunity to acquire the basic literacy, numeracy and vocational skills necessary to generate income and employment opportunities for themselves.

Clearly there are other important constraints on Namibia's development -- poor health services, limited water availability, a high population growth, etc. Nonetheless, Namibia began its independence from a relatively good political and economic base. More and better education is the key to Namibia's long-term productivity gains. Better utilization of its abundant but fragile natural resources and reduction of structural unemployment and promotion of one of Africa's few free market democracies are also elements central to Namibia's future.

C. Opportunities

Independent Namibia, in contrast to the past, has little history of government interference in the market place. While the small domestic market contains some oligopolistic and monopolistic practices, resource allocation is generally free of price and investment controls, subsidies (aside from some in commercial farming) and import/export licensing requirements. SWAPO, while having strong socialist and former Eastern bloc connections, has carefully avoided tampering with the free market mechanisms it inherited. With the expected additional income derived from use of the marine resources within its 200 mile exclusive economic zone and the development of potential mineral deposits, the economy generally and GRN revenues in particular are forecast to pick up in the next five years.

Moreover, most economic sanctions have been lifted from Namibia. These developments should boost investment and trade with the region. Finally, with minor adjustments in policy and the provision of modern small farm technology (e.g., hybrid varieties of millet and sorghum) agricultural production, particularly in the communal areas, of basic food crops such as millet, could expand sharply. Namibia's medium-term prospects in the formal business sector (mining, fishing and agricultural), post-world recession, are also generally good.

Another encouraging trend is the GRN's acceptance of and support for NGOs. There is a clear realization that the government does not always provide needed services most effectively or efficiently. Moreover, the reality of a tight budget, reinforces the GRN's broad reliance on NGOs to augment national development planning and implementation through grassroots participation. The NGO network in Namibia is surprisingly large, numbering more than 250 organizations. Pre-independence, many NGOs had a distinct anti-apartheid and political focus; now they find their structures and processes need realignment and strengthening to deal with more traditional economic and social development priorities. Nascent black organized NGOs are weak and require institutional and organizational support.

NGOs have an active dialogue with the GRN with regard to policies and programs to address the needs of the most vulnerable groups in Namibia. NGOs are playing an important role in helping identify problems at the community level and in directly empowering more individuals in democratically devising and

implementing solutions. A compelling mix of factors -- GRN support, organizational restructuring needs and community demand -- target the NGO network as a key engine of development for the foreseeable future.

Another overarching opportunity is the improved and widened use of Namibia's unique natural resources. Before independence, the inhabitants of communal land could not help but view the flora, fauna and land of Namibia's vast national park system and commercial farming regions as resources set aside entirely for a small privileged minority. Use and exploitation of natural resources were blatantly the exclusive right of whites, creating a hostile relationship with local black residents. The GRN recognizes that an alliance is needed urgently between the authorities and communities to better conserve and more broadly utilize its national resources on a more sustainable basis. Namibia is home to many endangered species, a special ecology and unique geological formations. Also, as many of Namibia's natural assets are one-of-a-kind, a measure of transnational responsibility and interest in Namibia's environment must be assumed. The environment is extremely fragile and once damaged will be lost forever. In sum, Namibia's long-term future depends in large part on how its abundant but brittle natural resource base is managed to the benefit of the majority of its people. This will require identification of creative alternatives to present farming, livestock and water-use practices. The answer is not to be found in simply doing less of what is done now but doing things fundamentally different in the years ahead. This will necessitate a radical reshaping of how communities approach economic development.

III. OTHER ORGANIZATIONS

A. Government of Namibia

The GRN has taken appropriate steps to promote local and foreign investment, and to provide uniform access to basic public services. In order to correct historical inequities, income disparities and to improve the prospects for economic growth, the GRN identifies three intermediate areas for emphasis:

1. Make the investment climate favorable and attractive in order to catalyze the economy;
2. Reduce income disparities to promote a more just and equitable society; and
3. Redirect limited public expenditure to overcome inequities in education, health and housing.

The importance of these moderate and pragmatic policy objectives can only be appreciated in the light of the nature of the inherited economy, structures, and social milieu. The GRN has also taken steps not to interfere with and control the private sector and NGOs in their efforts to broaden the economy and

restructure apartheid social patterns. Agriculture, rural development, education, health and housing as priority areas for Government sponsored development. The GRN has also devised long-range plans to conserve the country's natural resources for sustainable economic use, while simultaneously improving human resources. As outlined in previous sections, the Namibian popularly elected government has acted responsibly and responsibly, although it is constrained in the short-term by a top-heavy public service and reduced tax revenues. Aside from the recent purchase of a presidential jet, GRN budget priorities are reasonable and supported by all major bilateral donors and multilateral organizations.

B. Private Sector

1. Domestic

Namibia's domestic private sector is primarily active in ranching, retailing and tourism. The light manufacturing is limited with principal industrial investments being food processing, brewing, structural metal products, building materials, plastics, leather goods and textiles. Numerous large concerns are locally owned subsidiaries of South African and other foreign companies. A few commercial concerns are operated by black entrepreneurs, the most important ones being in the north of the country.

In September 1992, a stock exchange was established. To encourage foreign investment, export processing zones are under consideration. Although few major new investments have occurred since the mid-1980s, capital flight has not plagued Namibia, even with its easily convertible currency.

2. Foreign

Namibia's investment climate for foreign investors is favorable as compared to other countries in the region and Africa as a whole. This situation may change, however, depending on events in southern Africa and as newly democratic states (e.g. Zambia and Angola) begin to offer comparable or better incentives. At a recent workshop on the investment climate within the SADC region, Namibia was the only country currently ranked "very favorable". A number of multi-national companies are present in Namibia, mainly in the mining, finance and fishing sectors. Foreign companies also handle oil distribution... Several large industrial groups in Namibia can be traced directly back to South African multi-national affiliates. The Overseas Private Investment Corporation (OPIC) signed a bilateral agreement in June 1990 and a joint OPIC/USAID sponsored Investment Mission to Namibia took place in April 1991. A number of opportunities exist for foreign investors, which could be realized once worldwide growth resumes.

C. Foreign donors

The GRN's foreign assistance program is coordinated by the

National Planning Commission. Within its first year after independence, Namibia became a member of most international donor groupings and the Commonwealth. Namibia is member of the World Bank and International Monetary Fund. However, as a middle-income country, it is ineligible for International Development Assistance. During the recent World Bank/IMF annual meeting, Namibia again raised unsuccessfully the issue of IDA eligibility with bank officials. The country is also a member of the Lome Convention with an indicative program level of \$72 million.

During a UN international donor round table held in New York in June 1990, aid pledges to Namibia for the period ending 1994 totalled \$696 million. Bilateral donors are contributing sizeable (but less than anticipated) amounts of assistance. Germany, Sweden and the US are the biggest donors to Namibia since independence. (See Appendix A, Foreign Donor Contributions). The largest donor investments have been in health, rural water development, marine protection and education, with Sweden and the United States the key donors in formal and nonformal education.

To date, the GRN has not accepted a single commercial loan. Three highly concessional loans (with Germany, the African Development Bank (ADB) and the People's Republic of China) have been concluded. Namibia has continued to service the debt incurred previously by South Africa. World Bank financing, although available, has not been accessed. Many pledges made at the 1990 Donors Conference have not been realized. A comment by the Director General of the Planning Commission, "little did we realize that we would be behind the Soviets and the eastern Europeans in the aid queue," underscores another difficult reality Namibia has had to manage. The fiscal achievements of the GRN are, therefore, even more remarkable. There are indications that the GRN may be reconsidering its position on concessional borrowing. The German and ADB loans are for the water and road sectors, which are viewed as capital infrastructure investments in the economy which will generate income in the future.

D. Local and International NGOs

Namibia has over 250 small and large NGOs which were identified in the UNDP/USAID NGO Directory, published in 1992; GRN policies are supportive of most NGO programs. Local NGOs are particularly active in the fields of education, employment generation and health. With their limited human resource and financial capacities, Namibian NGOs face serious constraints in attempting to become fully effective. Due to the country's former "polecats" status, few international NGOs are resident in Namibia. Those that are present are promoting sound economic use of Namibia's resource base, from tentative efforts to reassert local control over resources, to skills development and income generating schemes, to development and dissemination of resource conserving technologies.

IV. USAID'S ROLE

USAID in Namibia was formally established in Windhoek on January 8, 1991, with the arrival of the AID Representative. As a new program in a newly independent country, little could be extracted from previous experience to guide planning and strategy development. Efforts to date, however, indicate very favorable progress with both the GRN and NGOs. The GRN is particularly pleased that the USG, unlike many other donors, delivered on its assistance commitments on time and has exceeded its pledge at the June 1990 UN Pledging Conference. The timing and (all grant aid) nature of our financial support under the Basic Education Reform Sector Assistance Program has made an important contribution to broad USG foreign policy goals in Namibia. Early relations with the NGO community have also been mutually beneficial. Much has been learned about grassroots development needs, and USAID/Namibia is seen as a collaborative participant in NGO organizational development as well as in program funding. The reception received thus far and the goodwill exhibited by both the GRN and NGOs augur well for the implementation of the program.

Three of A.I.D.'s five current worldwide priorities are supported by USAID/Namibia's program -- Family and Development, Democracy and Natural Resources. The FY91 to FY96 program fully complements the Agency's interest in expanding basic education, literacy, and vocational skills for both adults and children for social and economic development. Likewise, the program will help build an equitable and free society by expanding democratic participation, practices and institutions. Finally, better management of Namibia's abundant but fragile resource base will be improved through A.I.D. resources and contribute to A.I.D.'s worldwide priority to conserve bio-diversity and the environment.

Given A.I.D.'s current bilateral budget planning parameters for Namibia (\$54.2 million from FY91 through FY96), one important area of need lies outside our capabilities. To stimulate growth and employment through Namibia's sophisticated formal or emerging informal private sector would command resources beyond our budget planning and staff levels. The education and natural resource activities of our strategy will focus primarily on the supply side of Namibia's human resource equation, leaving the demand side for other donors, the GRN and the private sector. Over the next five year period, given A.I.D.'s funding and staffing constraints, the program emphases will not deviate from its current focus on educational development and sustainable natural resource management with democracy as a target of opportunity.

A. Basic Education

Basic education is at the heart of USAID/Namibia's bilateral program. Over the planning period, \$52.7 million or 97 percent of bilateral program funds will be applied to the three projects which make up this leg of the program strategy.

1. Formal Basic Education

The basis for long-term productivity gains in Namibia is fundamentally broad-based access to quality education. The GRN, with our continuing assistance, is aggressively redirecting expenditures within its education budget to ensure that every Namibian child has a fair and reasonable opportunity to acquire at least ten years of schooling. This basic education must be accessible, relevant to Namibia's needs, efficient and effective for the country to be well-situated to enter the 21st Century. Reform will also strengthen the role of the family and local communities in the management of educational resources, increase opportunities for girls, and support the use of schools and educational resources as a focus of local and community development. Equity in education is undoubtedly the highest priority of most Namibians; the GRN's development planning further underscores this prioritization. Combining support for essential educational reform with broader budgetary assistance through the \$36.0 million Basic Education Reform Sector Assistance Program is the cornerstone of USAID's strategy for the entire planning period. This program will have a major impact on at least 450,000 children currently enrolled in primary and secondary schools throughout the country.

2. Nonformal Adult Education

More than 400,000 adult Namibians are illiterate. Nonformal education is the key to redressing inequities in the short- and medium-term, while the effects of the reforms in basic education work through the social and economic fabric of Namibia and set the foundation for development in the 21st Century. The economic stability and democratic structures of the country will come under increasing strain if more adult Namibians are not educated and provided opportunities to increase income or secure employment. NGOs are especially active in the fields of basic nonformal literacy, vocational, environmental and life skills training. Again, reflecting Namibia's highest development priority and in full concert with the aims of the Basic Education Reform Sector Assistance Program, the six-year, \$13.5 million Reaching Out with Education to Adults for Development (READ) project (No. 673-0004) will provide nonformal training through NGOs to some 40,000 disadvantaged Namibians or 10% of the illiterate population. READ will command 25 percent of all planned bilateral funding over the FY91-96 period.

3. Scholarships

Under the African Training for Leadership and Advanced Skills (ATLAS) project (No. 698.0475.73), \$900,000 will be provided to finance tertiary education in the United States for at least eighteen historically disadvantaged Namibians. Education, including formal and nonformal curriculum development, educational planning, management and teacher training, will be one of the major objectives of this project. In the field of

education, priority will be given to those who are or will be instructors at teacher training institutions and the Faculty of Education at the new University of Namibia. With the return of these U.S. graduates, the education system, both formal and nonformal, will be strengthened.

The other two priority areas for ATLAS are natural resources and democracy/governance. As in the case of the education scholarships, the focus will be on the instructional staff at the new university and other training institutions in the country.

B. Natural Resource Management

In Namibia, sustainable natural resource management and livelihood are more inextricably and overtly linked than in most countries. Wider protection and better use of Namibia's fragile natural resources is central to a prosperous future. The legacy which colonial apartheid leaves in natural resource management must be reversed quickly and from several perspectives. A sense of resource ownership must be instilled in the rural poor; the formal science curriculum must be strengthened to include use and protection of Namibia's fragile environment; nonformal environmental education must be made more widely available; and viable community based management strategies and systems must be tested and created. All these alternatives will be pursued through both GRN and NGO mechanisms. A.I.D.'s aims to promote responsible environmental policies and prudent management of natural resources will be supported by a five-year \$10.5 million Namibian Component of the Regional Natural Resources Management Project (No. 690-0251.73). This project, popularly known as Living in a Finite Environment or LIFE, will concentrate on 74,600 people residing in Bushmanland and Caprivi. To lay the foundation for similar activities in the heavily populated Ovambo region, the LIFE project is financing the most comprehensive study of the Etosha Catchment area's wildlife examining the complex linkages between wildlife and human habitats to date. The goal of this study is to better understand the reasons for the rapid decline in the last two decades in large mammal populations of the Etosha National Park and its surrounding areas. With the completion of this research, further experience from Bushmanland and Caprivi and more planning, the project is likely to expand the community based activities into Southern and Western Ovambo in its final years. If this occurs, the number of people affected by the project will increase dramatically to at least several hundred thousand beneficiaries.

C. Target of Opportunity

Building on Namibia's status as Africa's newest independent state, as the owner of a showcase constitution, as a proponent of free market principles, and as a workshop for the political, social and economic challenges likely to face South Africa, an important target of opportunity exists to support limited, well focused democracy initiatives. Although USAID's program to support economic and social empowerment through human and natural

resource development emphasizes democratic broad based participation in design and implementation, short-term activities to strengthen and deepen Namibia's nascent democratic institutions will also be needed, particularly in the legislative and judicial branches of government. Finance will come from the Human Rights, Democracy and 116(e) projects managed by State and A.I.D. in Washington. In conjunction with the Embassy and USIS, we expect to program over \$1.0 million in the democracy support field over the next five years.

V. PROGRAM LOGICAL FRAMEWORK

The appended program framework (See Appendix B), graphically presents the proposed five year strategy. Strategic objectives are: (a) increased number and proportion of children with ten years of quality education; (b) increased number and proportion of adults (14 years and older) with education and training skills relevant to their roles in the family, in earning a living and participating in the community. These objectives will produce a better skilled, more environmentally and democratically aware populace. In turn, these objectives reinforce the overall program goal of economic and social empowerment of disadvantaged Namibians through (1) access to relevant education and training and (2) to economic and income opportunities based on sustainable utilization and management of the environment and national resources. From a time-line perspective, adult training and community development should exhibit results more immediately; while the first students educated entirely under a reformed basic school system will take a decade or longer. Interlaced throughout the proposed program framework are environmental education, participatory democracy and natural resource management.

Presently projected OYB levels (see Appendix C, Planned OYBs) provide no flexibility to add new project starts before FY96. Small (under \$100,000), short-term (less than one year) democracy and human rights activities (managed by the Embassy with USAID support) will continue to be funded from central sources. The Basic Education Reform Sector Program (673-0003/6), the bilaterally funded, NGO driven adult nonformal education project (READ 673-0004), long-term training (ATLAS 693-0475.73) the NGO-based regional natural and resource management project (NRM/LIFE 698-0251.73), and numerous democracy activities will utilize all anticipated USAID financial and personnel resources over the planning period. Should democracy/governance programs or any other field or sector become a higher priority over the planning period, additional OYB will be required. USAID has deliberately focused on three projects and a large sectoral program for the strategy period to lessen management demands and emphasize program impact in accordance with Agency policy and African Bureau guidelines.

VI. MISSION MANAGEMENT

Since mid-FY92, USAID/Namibia has been fully staffed with five USDHs (Representative, Program Officer, Human and Natural Resources Development Officer, Controller and Executive Officer), three part-time USPSCs, 20 Namibian PSCs and one FSDH (seconded from Harare). The program strategy and its component projects/program have been purposely designed to limit the size and presence of USAID, while maintaining an acceptable level of accountability. With the opening of the Angolan Mission, USAID/Namibia has provided a number of executive and controller functions. This situation will probably continue through FY93/94.

USAID/Namibia participated in the recent Small Country Transition Management Study with USAID Missions in Angola, Botswana, Swaziland and Lesotho. A number of alternatives to reduce Operating Expense (OE) costs were examined and are under consideration. Despite being one of the smallest missions in Southern Africa, USAID/Namibia is one of the most expensive as measured by cost per USDH. The primary reasons for this are (1) the rent on the office complex, and (2) the local compensation plan. To achieve greater savings in OE, the Mission is exploring relocating the office to a cheaper facility. Also, most FSN project and program staff will be project funded beginning in FY93. Thus, a core OE staff will be augmented by FSN staff financed out of the Mission's three project/program activities. During the planning period, but certainly by the end of this strategy, staff and budget options will have to be evaluated before a follow-on strategy is considered and devised. If the World Bank's projections are correct, Namibia should be experiencing rapid real growth during the second half of the decade. If this occurs, it will undoubtedly affect the nature, operation, and goals of the A.I.D. program.

VII. IMPLEMENTATION AND EVALUATION

As the Namibia program is entirely new, we have a special obligation to meet Agency emphases on improved management and performance. Namibia has fairly good economic and social baseline information. Substantially correct data, both for the program and individual projects, should be possible to secure. All existing and planned projects will, therefore, develop in-depth reporting and evaluation systems to document quantitatively and qualitatively success or failure. Under the Basic Education Reform Sector Assistance Program, baseline data is already being developed. The Namibian program, because it is without the baggage of old projects or strategies, is well-situated to define clear targets, to closely monitor implementation, to tighten control of funds and to evaluate effects of A.I.D.'s investments. In addition to project level concerns for results, USAID/Namibia will aim to introduce a program performance information system fully responsive to Agency strategic management interests. With planned Bureau and CDIE assistance

in FY 1993, the Namibian program can become a model for introducing and testing new information and measurement techniques to better assess the consequences of A.I.D.'s resources. By mid-FY93, before intensive implementation of the expanded project portfolio, the process by which the strategic program objectives can be monitored will be fully defined. Moreover, this strategy has been purposefully formulated to concentrate and focus on a few management targets, all within the rubric of human and natural resource development, which are structured to enhance objective evaluation.

APPENDICES

- A. FOREIGN DONOR CONTRIBUTIONS
- B. PROGRAM FRAMEWORK
- C. PLANNED OYBS

APPENDIX A

**ASSISTANCE TO NAMIBIA SINCE INDEPENDENCE
(000s \$)**

| COUNTRY/ORGANIZATION | ASS. REC. TO DATE | MAJOR AREAS OF SUPPORT |
|-----------------------------|-------------------|--|
| FRG | 158404 | FA/GEN. SCHOL/MAT/HOUS FISH/LAB/MINES/AGR |
| SWEDEN/SIDA | 87241 | ED/HEALTH/HOUS/MAT/AGR/FIN LAB/TRANS/COMM/INDUS |
| UN/USAID | 62730 | BAS. ED/NON-FORMAL ED MAT. RES./HR/LA |
| EEC | 34585 | HOUS/ED/HEALTH/AGR/MAT JUSTICE |
| COMMONWEALTH SECRETARIAT | 17730 | TA-EXPERTS & ADVISORS NOFA TRAINING |
| FINLAND/FINIDA | 31454 | ED/HEALTH/MAT/AGR/MINES FIN |
| MAURITIUS | 8865 | BUDGETARY SUPPORT |
| DENMARK/W | 7730 | AGR/ED/BUDGETARY SUPPORT |
| FRANCE | 8647 | HEALTH/AGR/MAT/LAB/ED MINING/TRANS/FISH |
| JAPAN | 11063 | AGR/HOUS |
| BRITAIN | 3546 | ED/HA/DEFENCE/P.ADMIN |
| PEOPLES REP OF BANGLADESH* | 3546 | FUNDS NOT RECEIVED TO DATE |
| CANADA | 2888 | TA/SADC PROG./BA/FOOD |
| ANTIGUA & BARBUDA | 2127 | UNDP TRUS FUND FOR NAM. |
| NON-ALIGNED MOVEMENT | 2020 | MAT/HEALTH/ED |
| UNICEF | 5070 | HEALTH |
| SPAIN | 1613 | ED/HOUS/FISH |
| REP. OF KOREA | 131 | NOFA-10 VEHICLES |
| TURKEY* | 88 | TA-SCHOL FOR 5 YRS |
| MALAYSIA | 88 | 88 |
| AFRICA FUND | 88 | ED-RUACANA SCHOOL |
| PEOPLES REP. OF CUBA | 70 | HEALTH/DOCTORS AND NURSES FOR TWO YRS |
| EGYPT | 44 | ALL |
| UNDP | 79 | PSR |
| ICELAND | | |
| GUYANA | | |
| PEOPLES REP. OF CHINA | 63000 | INTEREST FREE LOAN IN LOW COST HOUSING |
| ITALY | 1000 | NGOs IN ADULT ED |
| NETHERLANDS | 709 | MAT/AGR |
| TOTAL | 514556 | |

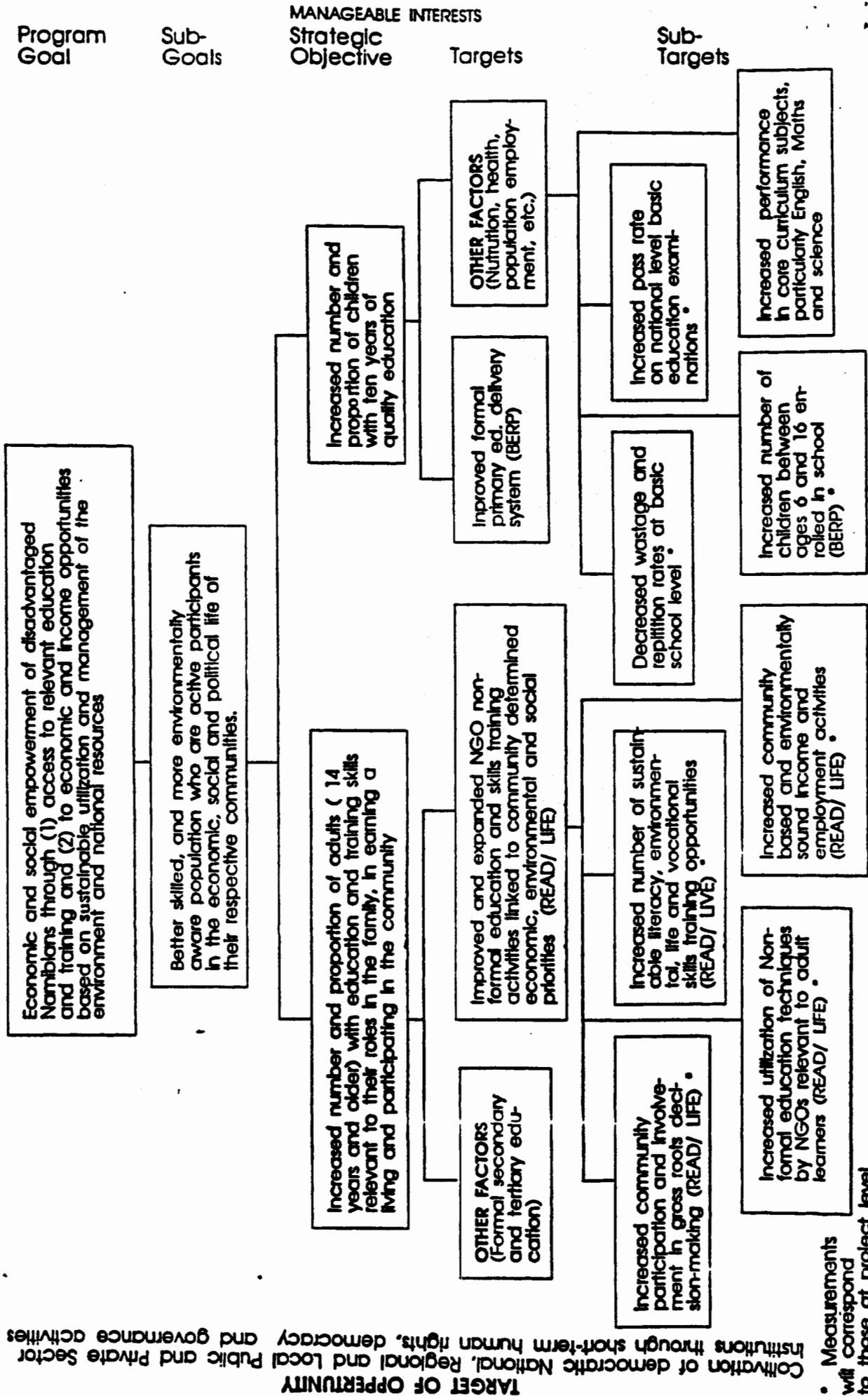
* NOT RECEIVED BUT PLEDGED EXCHANGE RATE: US \$1.00=R2.82

KEY

AGR-AGRICULTURE
 BA-BILATERAL ASSISTANCE
 BS-BUDGETARY SUPPORT
 COMM-COMMUNICATION
 EA-ECONOMIC ASSISTANCE
 ED-EDUCATION
 FA-FINANCIAL ASSISTANCE
 FIN-FINANCE
 FISH-FISHERIES
 GS-GENERAL SCHOLARSHIP
 HA-HOME AFFAIRS
 HOUS-HOUSING
 INDUS-INDUSTRY
 LAB-LABOR
 LA-LEGAL ASSISTANCE
 NOFA-MINISTRY OF FOREIGN AFFAIRS
 NAT. RES.-NATURAL RESOURCES

PSR-PUBLIC SERVICE RESTRUCTURING
 SCHOL-SCHOLARSHIP
 TA-TECHN. ASSISTANCE
 TRANS-TRANSPORT
 MAT-WATER AFFAIRS

Appendix B Program Logframe



• Measurements will correspond to these at project level

APPENDIX C

OBLIGATIONS BY FY
(\$000s)

BILATERAL

| <u>PROJECT</u> | <u>NUMBER</u> | <u>FY 91</u> | <u>FY 92</u> | <u>FY 93</u> | <u>FY 94</u> | <u>FY 95</u> | <u>FY 96</u> | <u>TOTALS</u> |
|-----------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|
| BERP | 673-0003 | 16,000 | 5,000 | 5,000 | 5,000 | 4,000 | 0 | 35,000 |
| BERP II | 673-0003 A | | | | | | 2,406 | 2,406 |
| BERP (ME) | 673-0006 | 500 | 500 | 0 | 0 | 0 | 0 | 1,000 |
| READ | 673-0004 | 0 | 3,906 | 1,500 | 1,500 | 2,500 | 4,094 | 13,500 |
| ATLAS | 693-0463.73 | 0 | 300 | 150 | 150 | 150 | 150 | 900 |
| PD&S | 673-0002 | 500 | 294 | 150 | 150 | 150 | 150 | 1,394 |
| SUBTOTAL | | 17,000 | 10,000 | 6,800 | 6,800 | 6,800 | 6,800 | 54,200 |

REGIONAL AND CENTRAL

| | | | | | | | | |
|-----------------|-------------|-----------|--------------|--------------|--------------|--------------|------------|---------------|
| LIFE | 690.0251.73 | 0 | 3,000 | 3,000 | 3,000 | 1,500 | 0 | 10,500 |
| HUMAN RIGHTS | 698-0541.73 | 50 | 200 | 300 | 300 | 300 | 300 | 1,050 |
| SUBTOTAL | | 50 | 3,200 | 3,300 | 3,300 | 1,800 | 300 | 11,950 |

TOTAL

| | | | | | | |
|---------------|---------------|---------------|---------------|--------------|--------------|---------------|
| 17,050 | 13,200 | 10,100 | 10,100 | 8,600 | 7,100 | 65,150 |
|---------------|---------------|---------------|---------------|--------------|--------------|---------------|