

USAID/Namibia

Annual Report

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Namibia

Performance:

Background: Just 13 years after independence from apartheid South Africa, Namibia has emerged as a stable, market-driven, parliamentary democracy. It consistently ranks high on international indices of economic competitiveness, democratic freedom, and good governance; and is likewise one of the developing world's leaders when it comes to public sector investments in education, health and other social sectors. The country is amply blessed with natural resources. It has extensive gemstone and mineral deposits, offshore waters rich with stocks of high-value fish and, given its breathtaking scenery and an abundance of wildlife, a growing reputation as an attractive tourist destination. Man-made endowments are equally impressive. Namibia's modern port and network of well-paved highways make it one of the prime gateways into Southern African markets and its fiber optic communications infrastructure is among the most sophisticated on the continent.

Three major development priorities must be addressed in order for Namibia to realize the promise of its attractive policy environment, rich natural resource endowments, and modern physical infrastructure: 1) overcoming the economic legacy of almost a century of colonialism and decades of apartheid; 2) curbing the spread and mitigating the impact of HIV/AIDS; and 3) consolidating democratic development.

1) Overcoming the Economic Legacy of Apartheid and Colonialism: With an estimated 55% of national income accruing to only 10% of the population, Namibia has one of the widest income disparities in the world. Thus, while Namibia is generally considered a lower middle-income country, almost 35% of the population lives on less than US\$1 per day, the 17th highest proportion of people living in poverty in the world. Unemployment is estimated at 35%, and 25% of the population is underemployed. GDP growth has ranged from 2.9-5% annually over the 1997-2002 period, and averages 1.5% annually on a per capita basis.

To reverse this situation, the Government of the Republic of Namibia (GRN) must redress a past in which the majority population received a poor and narrowly focused education, designed to limit choice and opportunity; and it must make the transformation from a colonial economy, in which natural resources are extracted and exported, to a more sophisticated economy that relies more heavily on a skilled labor force able to add value to the country's rich store of natural resources. Progress is being made on both fronts.

The GRN has invested 25% of public expenditures annually on education since shortly after independence. As a percentage of GNP, Namibia's public education investment is the highest in Southern Africa and twice the average of other middle income nations. The early result is that both educational access and equity have been improved exponentially, though much remains to be achieved in terms of ensuring quality education for all citizens and providing the majority of Namibians with the skills required for the modern world

With regard to expanding economic opportunity, the GRN has taken a range of actions to diversify the economy. The country is, for instance, seeking broad-based economic growth through trade and investment, and actively taking advantage of benefits offered by the Africa Growth and Opportunities Acts, I and II. Through AGOA, increased investment in textile and apparel plants and related business spin-offs, has already led to the creation of more than 8,000 jobs, and more jobs are in the pipeline. Moreover, Namibia, which will host the Southern Africa Customs Union (SACU) secretariat, has actively promoted the negotiation of a free trade agreement (FTA) between SACU and the U.S. The negotiations for the FTA, which are now underway, will lead to the first such agreement between U.S. and African countries. On a related track, Namibia is strengthening its position as a regional entrepot. It is upgrading its already highly rated port in Walvis Bay as well as working to improve the efficiency of the intra-regional

transportation corridors constituted by the Trans-Kalahari and Trans-Caprivi highways. Another diversification strategy employed by the GRN is the development of small and medium enterprises (SMEs). The expansion of the tourism industry is also being promoted. Namibia is one of Africa's safest and most picturesque tourism destinations, and numbers of non-regional visitors are expected to climb 10% or more annually during the foreseeable future.

One unanticipated constraint to export and tourism growth is the exceptional performance of the Namibia dollar. It is tied to the South African Rand, which has been the world's best performing currency for the past two years. From December 2002 to December 2004, the Namibian dollar's value has appreciated by 100% against the U.S. dollar.

2) Curbing the Spread and Mitigating the Impact of HIV/AIDS: Namibia has one of the world's highest HIV infection rates. Over 22 percent of sexually active adults are infected with the virus and sexual transmission of the disease is still on an upward trajectory. The disease is particularly devastating in Namibia's highly populated northern regions, where, in some communities, the HIV infection rates are as high as 40%. These communities are already severely weakened by malnutrition rates of up to 15% - a situation exacerbated by food shortages following a two-year drought - and chronic problems related to endemic poverty and high rates of malaria.

Among the general population, AIDS already accounts for 50 percent of deaths among individuals aged 15-19, and 75 percent of all hospitalizations in public facilities. A 2002 report developed by the Ministry of Health and Social Services estimated that in 2003 Namibia would have 114,000 orphans and vulnerable children, of which over two thirds are attributable to the epidemic. The disease is cutting into the ranks of teachers and other key professionals, and is predicted to lead to a 20% reduction in gross domestic product by 2010.

The GRN and Namibian non-governmental organizations (NGOs) have long been supporting care and prevention activities. More recently, the GRN had begun to provide anti-retrovirals to pregnant women, and introduced anti-retroviral therapy to other infected Namibians. The UN has recognized Namibia as one of the leaders in instituting policies and procedures to ensure the care of orphans and other vulnerable children. Namibia's successful submission to the Global AIDS Fund, resulting in an award of \$113 million, is another mark of the country's commitment to fighting HIV/AIDS.

3) Consolidating Democratic Development: In the short 13 years since independence, Namibia has made considerable progress in realizing its democratic ideals. Multiple free elections have been held; citizens enjoy wide-ranging freedoms, including access to a free press; and relative to other developing countries around the world, the government has performed well in terms of delivering services, respecting human rights, and promoting governmental integrity, and abiding by the decisions of the independent judiciary. Nevertheless, despite what are indeed remarkable accomplishments for such a young nation, Namibia's democracy is still a nascent one. The checks and balances inherent in entrenched democracies are still weak and, while many of the institutions of democracy are in place, the culture of democracy is still taking root. With the only President Namibia has ever known announcing his intention to step down in the late 2004 national elections, and many others from the liberation generation also preparing to move aside, Namibia is about to undergo a watershed period that will test but also, hopefully, strengthen the country's democracy.

U.S. Interests and Goals: Namibia, and its neighbors Botswana and South Africa, form an anchor of stability within Southern Africa, based on their generally liberal economic and democratic policies and practices. It is in the USG's interest to fortify this anchor in order to deepen the process of democratic consolidation as a hedge against regional instability; promote the spread of good governance and market-led economies; reduce the spread and impacts of HIV/AIDS; and ensure that Namibia continues to be an active participant in the war against terrorism. Namibia is also a useful intermediary within the SADC community, and among SADC members, enjoys perhaps the closest relations with the full range of member nations.

The Centers for Disease Control, the Department of Defense, the Department of Labor and Peace Corps,

are all engaged, with USAID, in programs to reduce the spread and impacts of HIV/AIDS.

Donor Relations: Despite its relatively modest size, USAID's program is the second largest among bilateral donors, after Germany, and is visible, strategic, and results-oriented. USAID works actively with other donors in every area of engagement to ensure complementarity. United Nations agencies play an important role in catalyzing a coordinated response to the HIV/AIDS epidemic, supported, along with USAID, by Germany, Finland, Sweden, the Netherlands and France. In 2003, an HIV/AIDS Global Fund activity was approved for Namibia, and will be supported by the U.S. and several other donors. The European Union, Germany, Sweden, Finland, Norway, the United Kingdom, Spain, UNDP, UNICEF and UNESCO are engaged in a sector-wide assistance program in the education sector. The World Bank Global Environmental Fund is planning a capacity building program for the Ministry of Environment and Tourism in support of CBNRM, an area also supported by Sweden and the United Kingdom, while the EU is in the final stages of the design of a major rural development program. The Netherlands parallel finances a civil society support program with USAID, and with Sweden, are partners with USAID in an electoral support activity. Sweden is also supporting an integrity program with the Office of the Ombudsman, in parallel to USAID's activity in this area. The United Kingdom, Germany, Netherlands, Austria, Italy, UNDP, UNILo and Luxembourg are engaged in small and medium enterprise development programs, while the European Union and Germany support trade and investment development.

Challenges: In 2003-2004, Namibia faces new challenges. The drought being experienced throughout Southern Africa is also acute in Namibia following two successive years of sub-normal rainfall and widespread crop loss. While in 2002 the GRN was able to provide food relief within its own budget, it is no longer able to cope with the magnitude of the drought crisis, which now affects one-third of all Namibians. In November 2003, it asked donors for external assistance, and a joint GRN-donor response plan is being finalized. If crops again fail in the 2003-2004 rainy season, food aid and other response mechanisms will have to be continued for at least another year.

As it is for its neighbors, skewed distribution of land ownership is a daunting problem, but Namibia remains committed to patient and systematic reform through a "willing seller, willing buyer" approach. In 2002, the government initiated a commercial land tax intended to create incentives to putting productive land to use, increase efficiencies for small farms, and to expand the fund used for farm buy-outs. The tax is yet to be implemented, though USAID has been approached for assistance given GRN interest in U.S. expertise in land valuation systems.

The GRN continues to struggle with budget deficits, which averaged 3.4% of GDP over the 1992-2002 period, above its target of 3%. The cumulative effect of this trend is that central government debt as a percentage of GDP has grown from 15.5% in 1993 to 27.9% in 2002, beyond the GRN's debt target of 25%. While total debt stock is manageable by international standards, together with Namibia's modest economic growth rates and declining external support, it will force the GRN to either reduce its development-oriented budget or increase external borrowing.

Key Achievements: FY 2003 was a year of solid achievement for the current USAID/Namibia program as individual programs reached maturation. Positive results were achieved in all five program areas, including private sector development, basic education, community-based natural resource management, and HIV/AIDS prevention, care, support and treatment.

1. **Economic Growth:** USAID activities offer private sector opportunities to historically disadvantaged Namibians (HDN) in support of the Ministry of Trade and Industry's small and medium enterprise (SME) development objectives. To stimulate SME growth, USAID partners are providing matchmaking and other services related to market information and the sourcing of clients for local, regional and international trade; strengthening HDN SMEs through a wide range of capacity building activities; and providing Namibian youth with basic entrepreneurial skills to assist them in the future.

During FY 2003, USAID's investment in the development of Namibia's SME sector showed impressive results. During the year, 1,100 entrepreneurs successfully completed a USAID-supported business skills development activity, and as a result of USAID programs, 80% of assisted SMEs interviewed reported

that a total of 47 new jobs were created. Service providers reported an increase of 700 SME clients since the implementation of USAID's program. In order to ensure a growing number of future entrepreneurs, who will actively pursue business opportunities in Namibia's private sector, and therefore sustain the market economy in Namibia, USAID is implementing activities aimed at inculcating an entrepreneurial culture among Namibian youth. More than 2,000 youth at 23 different high schools, institutions of vocational training and colleges, were trained in vocational skills or in the establishment and management of small businesses.

2. Basic Education: USAID's program directly assists the primary education reform program and decentralization plan of the Ministry of Basic Education, Sports and Culture (MBESC), via activities to strengthen grade one to four instructional support; education management systems; parental and community involvement; HIV/AIDS impact mitigation; and information/communication technology.

USAID resources have partnered well with the GRN's own resources under a committed national leadership and, in FY 2003, led to strengthened instructional capacity and improved teaching methodologies, including 89% of all schools with teachers demonstrating a mastery of learner-centered education techniques, and 79.5% of schools with teachers using continuous assessment to evaluate learning. As well, USAID's program has strengthened education services through development of computer centers that have enabled 1,900 teachers to receive Basic Education Teacher Diplomas through on-line study. Cluster work groups to promote teacher professional development are now being used in 93.5% of all target schools, and a self-assessment system is in place in all six target regions, and is the basis for training and management decision making. In 2003, USAID also launched a multi-component program to address the impact of HIV/AIDS on the education system - the first action was publication of a manual to sensitize 1,440 principals on sexual health and HIV/AIDS.

3. Community-Based Natural Resource Management: Under this SO, USAID supports activities that maintain a conducive policy/legislative framework for CBNRM; improves management and monitoring of the natural resource base in rural communal areas; creates strong local community governance structures resulting in legal entities called conservancies; and increases and captures the flow of benefits (financial and social) to these conservancies.

By the end of FY 2003, 29 conservancies were registered, four of which are financially self-sustainable in terms of operational costs. An additional seven conservancies have started to earn income. Over 40 communities are in the process of developing and moving towards conservancy formation. Over 95,000 individuals in registered conservancies benefited from CBNRM-generated income and benefits totaling N\$14,606,431 (US\$1.76 million). The number of hectares under conservancy management reached 7,405,200, contributing to burgeoning numbers of game. In the Kunene region, gemsbok, springbok and Hartmann's zebra sightings were up by 33%, 16% and 11%, respectively, over 2002. A national CBNRM support organization (NACSO) has been in operation for over four years, leading the CBNRM movement in Namibia, while stronger linkages between NACSO and the Ministry of Environment and Tourism have been forged.

4. Legislative Strengthening/Civil Society: Through USAID support to the Namibian Parliament, its members, parliamentary staff and standing committees are being enabled to utilize all systems, structures and procedures available to them with greater competence, while conducting Parliamentary business with increased confidence, reinforcing their lawmaking and oversight capacities. Constituency outreach mechanisms that include electronic means of communication, assist MPs in exercising their representative roles more effectively, especially in the rural, underserved areas of the country. USAID support for the Civil Society Development Program, in the form of institutional development, advocacy training and small grants, has increased the capacity of a wide range of groups to conduct advocacy activities on a multiplicity of issues across the country and improves the quality of the dialogue between policy-makers and civil society.

During 2003, results achieved under USAID's DG program have been impressive. Although, the target for bills tabled that received public input was just missed (74% against 85%), targets were exceeded for the number (90) of campaigns undertaken by civil society to influence legislative processes generally, the

indices for institutional and civic advocacy capacity, and the indicator reflecting the extent to which citizen concerns are heeded by legislators. Numerous submissions presented to elected representatives at national and sub-national level have met with success. Increasingly, key stakeholders in government, as well as civic organizations, have become involved in carrying out collaborative activities and taking on responsibilities for strengthening the nexus between the citizenry and its elected representatives. These efforts, which include integrity-related activities, brace the linkages between civic groups and government authorities at all levels, build more effective public management mechanisms, and serve to deepen Namibian's democratic culture.

5. HIV/AIDS Prevention: USAID's early program targeted three major issues: risk behaviors that contribute to the spread of HIV/AIDS; the care and support of orphans and vulnerable children that have lost one or both parents to HIV/AIDS; and the need to increase the number and capacity of public and private sectors organizations that are implementing programs to prevent the spread and impact of HIV/AIDS. As a result of additional resources made available from Presidential Initiatives on HIV/AIDS, USAID has added two additional program elements: prevention of mother-to-child transmission; and the care, support and treatment of people living with HIV/AIDS.

USAID-funded media campaigns are reaching their target audience and are influencing attitudes and practices, including three-quarters of teens who reported in a greater Windhoek area survey that they abstained from sex, used condoms or decreased the number of partners as a result of these messages. In 2003, 21,000 workers and family members, as compared to 12,326 in 2002, were reached by peer educators and counselors who provided a broad spectrum of referrals and information, including how to avoid infection, prevent mother-to-child transmission of HIV/AIDS, write a will, or provide home-based care for family members suffering from AIDS. The number of orphans and vulnerable children receiving support continues to expand. Over 6,000 children received varying level of material and psychosocial support the past year, a sharp increase from 2002 when 4,383 children were assisted. Namibia's newest program to prevent mother-to-child transmission and to provide support, care and treatment of individuals with HIV/AIDS made rapid strides when services were initiated in two mission hospitals.

Country Close and Graduation:

Results Framework

673-001 Economic empowerment of historically disadvantaged Namibians through accelerated private sector growth

SO Level Indicator(s):

1. Number of new jobs created by USAID-assisted SMEs
2. Percentage change in income of individuals (owners, employees) in USAID-assisted businesses
3. HDNs perception of empowerment
- 1.1 Increased numbers of HDNs acquiring enhanced entrepreneurial and management skills
- 1.2 Sustainable local capacity to deliver quality business support services for SMEs
- 1.3 New business linkages and markets formed

673-002 Improved delivery of quality primary education to Namibian learners in grades 1-4 in the most disadvantaged schools

SO Level Indicator(s):

1. Percentage of school principals demonstrating leadership behavior based on application of concepts from Continuous Professional Development (CDP)
2. Number of schools with percentage of teachers demonstrating a validated self assessed mastery of at least two CA techniques to assess student learning
3. Number of schools with the percentage of teachers demonstrating a validated self assessed mastery of at least two Learner Centered Education (LCE) techniques
- 2.1 Improved quality of primary school teachers in the target and selected schools
- 2.2 New, improved lower primary curriculum developed
- 2.3 New monitoring and evaluation system in place and operational
- 2.4 Improved instructional support systems established and functioning
- 2.5 Improved schools support and management systems established

673-003 Increased benefits received by Historically Disadvantaged Namibians from sustainable local management of natural resources

SO Level Indicator(s):

1. Total community income from natural resource-based activities
2. Number of hectares of land managed by communal area conservancies
3. The number of individuals in registered conservancies that benefit from program supported CBNRM activities
4. The number partnerships formed between conservancies and private sector business
- 3.1 Improved policy and legislative environment for integrated CBNRM
- 3.2 Conservancies are established, self-financing and well-managed
- 3.3 Namibian capacity built to support an integrated national CBNRM program

673-004 Increased accountability of legislators to all Namibian citizens

SO Level Indicator(s):

- The extent to which the legislative process meets established criteria for representing the concerns of different citizen groups
- 4.1 Increased opportunities for citizen participation in the legislative process
 - 4.2 Increased use by parliamentarians of enhanced skills as legislators and representatives of citizens
 - 4.3 Increased public advocacy by NGOs and civic groups

673-005 Increased Service Utilization and Improved Behavior Related to STDs and HIV/AIDS in Target Communities in Namibia

SO Level Indicator(s):

1. Percentage of sexually active population with multiple partners
2. Condom use at last risky sex
3. Median age of sexual debut
4. Number of OVC receiving care/support in the past 12 months

5.1 Increased quality and availability of information to improve sexual risk behavior in target communities

5.2 Increased quality and availability of an demand for services to improve sexual risk behavior in target

5.3 Strengthened capacity of institutions to plan and implement HIV/AIDS interventions in target

5.4 Increased community awareness and comprehensive support for Orphans and Vulnerable Children in target communities

673-006 Increased capacity of the basic education system to give learners the foundations for health and livelihood

673-007 Improved livelihoods of communal conservancy members through sustainable integrated natural resource management

673-008 Reduce the Spread and Impact of HIV/AIDS in Namibia

673-009 Strengthened interaction between Civil Society and selected Government institutions

673-010 Expanded Trade and Investment opportunities for Namibian businesses