

AFRICAN DEVELOPMENT BANK

AFRICAN DEVELOPMENT FUND



NAMIBIA

COUNTRY PORTFOLIO REVIEW

**COUNTRY OPERATIONS DEPARTMENT
DECEMBER 2003**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i-iii
1. INTRODUCTION	1
1.1 Objectives, Structure and Coverage of the Report.....	1
1.2 Size and Composition of the Cumulative Portfolio	1
2. REVIEW OF ONGOING PROJECTS.....	2
2.1 Review of On-going Operations	2
2.2 Aging, Potentially Problematic and Problem Projects.....	9
2.3 Assessment of Supervision Frequency and Quality.....	9
2.4 Cross-Cutting Issues	10
2.5 General Assessment of Portfolio Performance	12
2.6 Generic Problems.....	13
2.7 Disbursements.....	13
Total	14
Total	14
3. ASSESSMENT OF MANAGEMENT IMPLEMENTATION CAPACITY.....	14
3.1 Government’s Performance	14
3.2 Bank’s Performance.....	15
4. COORDINATION WITH OTHER DONORS	15
4.1 Assessment of Government Capacity to Co-ordinate Donor Assistance.....	15
4.2 Assessment of ADB Co-ordination With Other Donors.....	16
5. LOAN REPAYMENT AND ARREARS	16
6. PROACTIVE MANAGEMENT OF PORTFOLIO.....	16
6.1 Potential Future Problems and Solution	16
6.2 Summary of CPIP/Action Plan	17
6.3 Lessons Learnt for Future CSPs and Portfolio Management.....	17
6.4 Economic and Sector Work	19
7. CONCLUSION AND RECOMMENDATIONS.....	18
Education Sector	1
Human Resources Development Project	1
Transport Sector	1
Overall Average	1
Code	1
Project Performance Indicators.....	1
Project Performance Indicators.....	1
Project Performance Indicators.....	1
A.1: Second Agricultural Line of Credit.....	1
Project Performance Indicators.....	1
1. Summary of Bank Group Overall Portfolio	
2. Summary of Bank Group Ongoing Operations	
3. Summary of Performance Rating by Sector and Projects	
4. Project Rating Summaries	
5. Matrix of Cross-Cutting Issues	
6. Matrix of Common Problems	
7. Country Portfolio Improvement Plan	

ACRONYMS AND ABBREVIATIONS

ADB:	African Development Bank
ADF:	African Development Fund
AGRIBANK:	Agricultural Bank
AIDS:	Acquired Immune Deficiency Syndrome
APA:	Advance Procurement Action
APPR:	Annual Portfolio Performance Report
BADEA:	Arab Bank for Economic Development in Africa
BD:	Board Document
BTEC:	Basic Teacher Education College
CPIP:	Country Portfolio Improvement Plan
CSP:	Country Strategy Paper
EMP:	Environmental Management Programme
EU :	European Union
FFCO:	Financial Comptroller Department
GRN:	Government of Namibia
GTZ:	German Government Development Agency
HIV:	Human Immunodeficiency Virus
ICB:	International Competitive Bidding
KfW:	Kreditanstalt fur Wiederaufbau
ILRC:	Information and Learning Resource Centre
JAI:	Joint African Institute
LoC:	Line of Credit
MEC:	Ministry of Education and Culture
MOF:	Ministry of Finance
MWTC:	Ministry of Works, Transport and Communications
NCB:	National Competitive Bidding
NDP:	National Development Plan
NPC:	National Development Commission
NRE:	Northern Railway Extension
NTF:	Nigeria Trust Fund
OAG:	Office of the Auditor General
PCR:	Project Completion Report
PDRE:	Development Research Department
PIU:	Project Implementation Unit
TAF:	Technical Assistance Fund
UN:	United Nations
UNAM:	University of Namibia
UA:	Unit of Account of ADB
UNDP:	United Nations Development Programme
ZAR:	South African Rand

CURRENCY EQUIVALENTS

(30 September 2003)

IUA=N\$ 9.90128

IUS\$=N\$ 6.9250

EXECUTIVE SUMMARY

- 1. Introduction:** This is the third country portfolio review report for Namibia since the Bank Group started operations in 1991, the first having been done in 1996 and the second in 1999. These reviews are intended to examine the implementation performance of the Bank Group portfolio in the country with a view to identifying major issues responsible for the satisfactory or unsatisfactory performance of the active portfolio. Based on the experience, the report proposes a timely action plan for redressing the identified problems. The report is based on the findings of a Portfolio Review Mission undertaken during the period 3-15 April 2003.
- 2. Overall Portfolio:** The Bank Group commenced operations in Namibia in 1991 and, as at 30 September 2003, has approved 12 operations amounting to UA 79.79 million, net of cancellations. The approved loans consist of UA 60.15 million from ADB resources, UA 12.68 million from ADF, UA 3.86 from NTF and UA 3.10 from TAF resources. The sectoral distribution of Bank Group cumulative operations in Namibia shows that transport is the largest beneficiary with 56.83% of total commitments net of cancellations, followed by agriculture (17.18%), the social sector (16.38%), power (7.66%), multi-sector (0.97%) and water supply and sanitation (0.94%). The approved operations (net of cancellations) consist of 6 projects, 4 studies, and 2 lines of credit. Seven operations have been completed, 4 are ongoing and 1 has not yet become effective.
- 3. Ongoing Portfolio:** There were 4 ongoing operations in Namibia as at 30 September 2003. These consist of 1 operation in agriculture, 1 in transport and 2 in education. The four operations are for a total commitment of UA 41.31 million, comprising UA 26.89 million of ADB resources, UA 9.21 million of ADF Resources and UA 3.86 million of NTF resources. Transport received the largest share of the total resources by accounting for 50.71%, followed by social (31.64%) and agriculture (17.65%).
- 4. Disbursements:** As at 30 September 2003, the global disbursement /commitment ratio on all operations was about 56.92%. Agriculture, Power, Multi-sector, Water and Sanitation all attained 100% disbursement rate. The Social sector achieved a rate of 92.35% and transport, the lowest rate at 26.40%, which is due mainly to the inclusion of the Aus-Rosh Pinah Road Project that has yet to start disbursing. With respect to ongoing operations, the total disbursement /commitment ratio was 65.09% as at the end of September 2003. In terms of sector disbursement performance, the agriculture project (the Second Line of Credit to Agribank) is 100% disbursed. Similarly, the projects in the social sector are almost totally disbursed. The disbursement/commitment ratio for transport is about 26.40% disbursed.
- 5. Portfolio Performance:** Namibia's portfolio performance is very satisfactory. The 2001 Bank-wide APPR showed satisfactory performance for both implementation progress and development impact ratings, as the portfolio had no problem projects. This means that all the four ongoing projects have a high probability of achieving their development goals. There are also no projects at risk.

6. **Aging, Potentially Problematic and Problem Projects:** Strictly speaking, there are no aging projects in the portfolio although Government intention to use the savings on the two education projects, the Basic Teacher Education (Education I) and the Human Resources Development Project (Education II), has overstretched the implementation period of these projects beyond a reasonable length of time. Consultations are on going with the Government with a view to cancelling them.
7. **Assessment of Supervision Frequency and Quality:** In general, the supervision missions have been adequate in terms of frequency and quality. However, for the Northern Railway Extension Project which have several contracts, the inclusion of disbursement officers are necessary, at least once a year, to guarantee a satisfactory rate of utilization of the loan proceeds.
8. **Cross-Cutting Issues:** Cross-cutting issues including environmental and social protection, poverty reduction, gender mainstreaming, population, governance and HIV/AIDS are systematically addressed for all projects in Namibia. This is due to the high priority that the Government gives to reducing inequality and poverty in Namibia. Such issues identified in the appraisal reports for the ongoing projects are monitored during supervision missions and mid-term reviews.
9. **Generic Problems:** Problems of this nature relate to lack of technical skills, lack of detailed procedures on the part of the Government to ensure prompt fulfilment of loan conditions, failure of the Government to follow the implementation of projects with a view to ascertaining whether projects do actually attain their objectives and to submit Bank-funded project completed reports to the Office of the Accountant General to carry out systematic audits.
10. **Proactive Management of Portfolio:** A major problem that affects the performance of projects is the lack of familiarity with the Bank's procurement, disbursement and environmental policies, procedure and guidelines. This problem causes delays in the implementation of projects. As a result, it affects project cost. To deal with this problem, the Bank will organize periodic training by way of seminars, and workshops to familiarize GRN officials with Bank rules and procedures in appropriate areas. Also, orientation visits by the project managers to the Bank's headquarters would be of immense help. The portfolio improvement plan provided in this report will help in proactively managing the portfolio. It highlights actions necessary for improving primarily delays in fulfilling loan and grant conditions and project start up, poor procurement performance and weak implementation capacity.
11. **Lessons Learnt for Future Country Strategy Papers and Portfolio Management:** Five main lessons come out of the portfolio review for portfolio management and future country programming. For portfolio management, the first lesson is that to address the issue of delays in project implementation and cost overruns, training for government officials and staff of executing agencies involved in project implementation, especially in Bank Group procurement, disbursement and environmental policies, should be made more systematic. Second, given that there have been instances when the Government of Namibia has had to cancel projects and loans already approved by the Board there is a need on the part of the Bank to take certain measures such as ensuring that public sector projects are identified by

the Government itself and that there is sufficient amount of coordination among line ministries. Third, the objective of splitting projects such as is the case with the Northern Railway project into many contracts with a view to providing opportunities to domestic contractors to participate in the project has overstretched the capacity of the executing agencies. This calls for other ways of promoting the local construction industries in future projects including subcontracting and joint ventures and capacity building components. Fourth, so as to enhance the capacity of government officials in the management of Bank-financed projects, future CSPs will need to include capacity building and institutional strengthening as part of lending strategy. Fifth, the importance of economic and sector work cannot be overemphasized, as an in-depth knowledge of the sector will help the Bank considerably in designing an appropriate future lending strategy for the country.

12. **Conclusion and Recommendations:** The portfolio review exercise has shown that the overall performance is satisfactory with a rating of 2.75. The review has also shown that there are a few problems that have affected the performance of the portfolio. These problems are indicated in Annex VII and so require monitoring both by the Bank Group and the Government. The Bank-wide 2001 APPR has also shown that portfolio performance in Namibia is satisfactory. There were no projects in the portfolio that were rated at risk or problematic. Furthermore, the report showed that there were no projects with major implementation problems. The rating for development objective for 2001 is also very satisfactory, implying a high probability that all the ongoing projects are likely to achieve their development objectives. In the light of the foregoing, the following measures are recommended for further improvement of the performance of the Bank Group portfolio in Namibia.:

- (i) The Bank should closely monitor the implementation of the Action Plan presented in Annex VII.
- (ii) The Bank should endeavour to attain the target average of 1.5 supervision missions per year to enable it assess progress and identify problems encountered in project implementation and as a result adopt timely remedial measures when necessary.
- (iii) To enhance government ownership, the MOF should undertake periodic site visits to ascertain progress of Bank funded projects.
- (iv) The OAG should monitor the selection of external auditors for Bank funded projects and certify the reports issued to the Bank.
- (v) The Bank in consultation with the Government would work towards diversifying the portfolio by including support for viable public private partnerships.
- (vi) As a way of improving operations, the Bank would offer support to Namibia for institutional strengthening and capacity building under both project lending and provision of technical assistance from the Technical Assistance Fund for Middle Income Countries.

13 The Boards are invited to take note of the findings of this Portfolio Review Report.

1. INTRODUCTION

1.1 Objectives, Structure and Coverage of the Report

1.1.1 This is the third country portfolio review report for Namibia since the Bank Group started lending to Namibia in 1991, the first having been done in 1996 and the second in 1999¹. Like the previous reports, the purpose is to review the implementation performance of both the African Development Bank (ADB) Group's cumulative and ongoing projects in Namibia. In addition, the report highlights the key issues attributable to both the satisfactory and unsatisfactory performance of the portfolio, drawing lessons from the experience and in the light of the experience, proposes an action plan for remedial measures. This report is based on the findings of a Portfolio Review Mission undertaken during the period 3-15 April 2003.

1.1.2 This report is organized into seven sections, namely, introduction, review of ongoing portfolio, evaluation of both the country's and Bank Group management's capacity for project implementation, coordination with other donors, loan repayment arrears, proactive management of portfolio as well as conclusions and recommendations.

1.2 Size and Composition of the Cumulative Portfolio

1.2.1 The Bank Group commenced operations in Namibia in 1991 and, as at 30 September 2003, has approved 12 operations amounting to UA 79.79 million, net of cancellations (see Table 1.1). The approved loans consist of UA 60.15 million from ADB resources, UA 12.68 million from ADF, UA 3.86 million from NTF and UA 3.10 million from TAF resources. In addition, Namibia has benefited from a TAF of US\$500,000 as humanitarian emergency drought relief aid. The portfolio size has experienced a significant growth since 1999, which is due primarily to the interest shown in the Rand-denominated loan instrument introduced in 2000. While during the period 1991-1999, the total amount of loans and grants approved, net of cancellations, amounted to UA 30.62 million, total approvals during the period 2001 to date has amounted to UA 48.19 million, representing 61.15% of the grand total approved over the period 1991-2003. The main advantage is that it limits Namibia's exposure to foreign exchange risks due to the parity between the Rand and the Namibia dollar. The Rand denominated loan has been found to be particularly suited to economically viable projects.

Sector	No. of Operations	Commitment UA million	Percentage Share
Transport	4	45.34	56.83
Agriculture	3	13.71	17.18
Social	2	13.07	16.38
Power	1	6.13	7.66
Multi-Sector	1	0.77	0.97
Water & Sanitation	1	0.76	0.95
Total	12	79.79	100

¹ Namibia: Portfolio Review Report, ADB/BD/WP/99/69 and ADF/BD/WP/99/48, 11 May 1999

1.2.2 The breakdown of Bank Group cumulative operations in Namibia by sectors presented in Table 1.1 shows that the transport sector has attracted the largest proportion of funds with 56.83%, followed successively by agriculture (17.18%), the social sector (predominantly education, 16.38%), power (7.66%), multi-sector (0.97%) and water supply and sanitation (0.94%). The approved operations (net of cancellations) consist of 6 projects, 4 studies, and 2 lines of credit. Seven operations have been completed, 4 are ongoing and 1, yet to become operational, was signed during the 2003 Annual Meetings of the Board of Governors in June. Another project, also signed at the same time has been cancelled by the Bank following a request to do so by the Government of Namibia, the reason being that the government would like the Bank Group to revisit the structure of the project.

1.2.3 Although the business environment in Namibia is fairly conducive and competitive for private sector activities, the Bank Group has not financed a single private sector project in the country. This is partly because as a capital surplus country, the Namibia companies are able to raise money locally.

2. REVIEW OF ONGOING PROJECTS

2.1 Review of On-going Operations

2.1.1 As at 30 September 2003, there were 4 ongoing operations in Namibia. These consist of 1 operation in agriculture, 1 in transport and 2 in education. The 4 operations are for a total commitment of UA 41.31 million, comprising UA26.89 million of ADB resources, UA 9.21 million of ADF resources and UA 3.86 million of NTF resources. The breakdown by sectors of the ongoing operations is presented in Table 2.1. Transport received the largest share of the resources by accounting for 50.71%, followed by social (31.64%) and agriculture (17.65%).

2.1.2 Another project, the Aus-Rosh Pinah Road, signed in June this year, has already been launched. Progress so far on its implementation, even though it has not yet entered into force, include the fulfillment of the conditions precedent to first disbursement. In addition, the Bank is expecting the bid evaluation report for the civil works. It is expected that the loan will be declared effective in December 2003.

Sector	No. of Operations	Commitment	Share
Agriculture	1	7.29	17.65
Transport	1	20.95	50.71
Social	2	13.07	31.64
Total	4	41.31	100

Education Sector

2.1.3 Over-view: The ongoing portfolio contains two projects. Both projects constitute about 20.99% of commitments on all on-going operations. Although these were the first development

projects in the sector, they are being implemented without much difficulty, since technical assistance was used as appropriate in both cases to strengthen the implementation capacity of the Executing Agencies. The main component of the *Basic Teacher Education Project* (two teacher training colleges) was completed in 1998 when they became operational. Owing to substantial savings realized on the project, the scope of the project was extended to include the establishment of educational support facilities (teacher resource centres, circuit inspectors' offices, demonstration schools) in Rundu and Katima Mulilo and the expansion and rehabilitation of the Ongwediva College of Education. These other components of the project are ongoing. Nevertheless, the Borrower has submitted a PCR on the ongoing project and the Bank is in the process of preparing its own during the fourth quarter of 2003.

2.1.4 The Human Resources Development Project became operational with the completion of the Information and Learning Resource Centre in 2000. However, most long-term training abroad could not be implemented on account of a lack of Namibian candidates willing to leave the country for the purpose. Accordingly, arrangements are being made so that the funds earmarked for the training are used for the establishment of instructional as well as information and communications technology programmes at the University of Namibia.

Basic Teacher Education Project (Education I)

Basic Data and Project Objective/Components

Approved Amount ADF: UA 9.21 million Cancelled Amount: N/A Net Commitment:	Source: ADF	Disbursed Amount: ADF: UA TAF: UA 0.00 (0.0%)
Date Approved: 23.06.93 Date signed: 09.07.1993 Entry into Force: 26.11.1993	Accounts Audit (years): Progress Reports: Quarterly Progress and Mid-Term-Review Reports are regularly submitted.	Last disbursement deadline: 31/02/04
Date of last supervision 13.12.2002		
Project Objective/Components: Improved basic education sub-system. The two project components are:		
I <u>Basic Teacher Education Colleges (Bets)</u>		
Construction and supervision of works of two new BTECs with a capacity of 300 students each at Rundu and Katima Mulilo, including the following categories of expenditure: A. Professional Services; B. Civil Works; C. Furniture; and D. Equipment.		
II <u>Project Management</u>		
Strengthening of management capacity in the Ministry of Education and Culture (MEC) by providing a full-time Project Manager and necessary equipment and operating funds, including the following categories of expenditure: D. Equipment; and Operating Costs.		

2.1.5 Implementation Performance: Following the approval of the loan, it took only 5 months for it to enter into force – which reflects a high degree of efficiency on the part of the Government in preparing various documents in fulfilment of the loan conditions precedent to entry into force. Although this was the first intervention in the social sector and in spite of the fact that the Ministry of Education and Culture (the Executing Agency) had had no previous project management experience with the Bank, it took barely 4.5 years to implement the two teacher training colleges as by 1998 they had become operational.

2.1.6 The mode of procurement prescribed for civil works and equipment at appraisal for the project was ICB. No specific problems were encountered during the procurement process. However, one major shortcoming of the project was the lack of a qualified accountant to manage the accounts of the project and provide appropriate financial reports in the quarterly project progress reports submitted to the Bank. A quantity surveyor serving in the team of the consultant recruited to handle design and supervision was unable to perform the role of an accountant as worked out at appraisal. This problem was subsequently overcome through the recruitment of a qualified accountant. The recruitment of the accountant also improved the audit performance of the project, as a backlog of audit reports were prepared and submitted to the Bank and queries on such reports were answered on a timely basis by the Executing Agency.

2.1.7 Development Objective: Prospects for the project to meet the development objectives as defined at appraisal are good. However, it is likely that the achievements of such objectives would be delayed given that the implementation of the project is behind schedule.

Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	3	2	2	2	2

Human Resources Development Project (Education II)

Basic Data and Project Objective/Components

<u>Approved Amount (NTF):</u> UA 3.86 million <u>Cancelled Amount:</u> N/A <u>Net Commitment:</u>	<u>Source:</u> NTF	<u>Disbursed Amount:</u> NTF: UA 3 050 293
<u>Date Approved:</u> 19.01.1995 <u>Date signed:</u> 23.05.1995 <u>Entry into Force:</u> 31.07.1996	<u>Accounts Audit (years):</u> <u>Progress Reports:</u> Quarterly Progress and Mid-Term-Review Reports are regularly submitted.	<u>Last disbursement deadline:</u> 31/12/03
<u>Date of last supervision</u> 13.12.2002		
<u>Project Objective/Components:</u> The project objective is a strengthened human resources development support system. The project components are as follows: 1) Information and Learning Resource Centre (ILRC): Construction, and supervision of works, of one ILRC at UNAM to accommodate the existing and new instructional materials, furnished and equipped with information technology, including the following categories of expenditure: A. Professional Services (design and supervision of works); B. Civil Works; C. Furniture; D. Equipment 2) User Training Capacity A Core Management Team to run the IIRC will be established and trained. Training will also be provided for resource persons in existing outreach centres in the regions. Training of trainers will be trained to evenly represent the following areas: - basic education teacher training; - vocational and technical training; - non-formal education; - public service training; - training in industry, agriculture and fisheries; - science and technology education. The categories of expenditure: D. Equipment; E. Training; F. Technical Assistance; G. Operating Costs; 3) Project Management Strengthening of management capacity, including the categories: D. Equipment; G. Operating Costs		

2.1.8 Implementation Performance: It took the loan over 19 months to enter into force. However, following this start-up delay, the project was expeditiously implemented. The main problem encountered during implementation was the recruitment of a competent project manager with experience in implementing an innovative high-tech project of this scope requiring exceptional managerial skills. After replacing the first project manager - barely nine months after he had been recruited – with an engineer from the Ministry of Works, the project quickly got off the ground and proceeded smoothly until the Information and Learning Resource Centre was completed, equipped and manned by appropriately qualified staff and became operational in 2000.

2.1.9 In-country training was well conducted by national and international consultants recruited for the purpose. As anticipated at appraisal the Information and Learning Resource Centre (ILRC) is operated not merely as a library, but even more as a central technological capacity with adequate information technology equipment servicing outreach centres throughout Namibia, especially in the area of teacher training for the basic education sub-system. The ILRC is also operated as a production centre for instructional materials that are disseminated to various educational institutions in Namibia. In the case of the previous project, an accountant was recruited when implementation was at a fairly advanced stage. Similarly, the recruitment of the accountant improved the audit performance of the project, as a backlog of audit reports were prepared and submitted to the Bank and queries on such reports were answered on a timely basis by the Executing Agency. The mode of procurement prescribed for civil works at appraisal for the project was ICB and no procurement problems were encountered in the process of project implementation.

2.1.10 Development Objective: Prospects for the project to meet the development objectives as defined at appraisal are good. Although one aspect of training provided for the project is still outstanding, the prospects for the project meeting its development object are good, as it is expected that the establishment of programmes at the University of Namibia to replace training abroad is likely contribute to the building of much needed capacity, especially in terms of available human resources.

Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	1	3	2	2	2	2

Transport Sector

2.1.11 Overview: The transport and communications sector of Namibia is well developed and operates efficiently on a commercial basis and is largely managed by parastatal institutions. This is as a result of reforms that started in 1999 and culminated in the formation of the Road Authority, Road Fund Administration and Road Contractor Company. It is instructive to note that the reforms were based on home grown solutions to the country's needs and without any external influence. In the transport sector, the Bank has two on-going projects, viz. i) Northern Railway Extension Project, and ii) Aus – Rosh Pinah Road Project. Of the two projects, the railway project is about 30% complete, while the road project is still at the start-up phase. At the time of the preparation of this report, the Bank had awarded a contract for Namibia Airports Master Plan Study that is financed from the Danish Trust Fund. The study is expected to lead to an Airports Upgrading Project for Hosea Kutako and Eros International Airports. In addition, a new road project for upgrading the road from Kamanjab to Omakange in the Kunene Region is at appraisal stage. The project aims at promoting development in the largely unserved north-western part of the country. Details of the Northern Railway Project are given below.

Northern Railway Extension Project

Basic Data and Project Objective/Components

<u>Approved Amount:</u> ZAR 215.46 million <u>Cancelled Amount:</u> None- <u>Net Commitment:</u> ZAR 215.46 million	<u>Source:</u> ADB	<u>Disbursed Amount:</u> ZAR 100 million (47%)
<u>Date Approved:</u> 19/9/2001 <u>Date signed:</u> 16/10/2001 <u>Entry into Force:</u> 15/4/2002	<u>Accounts Audit (years):</u> First audit by end of March 2004 <u>Progress Reports:</u> None pending	<u>Last disbursement deadline:</u> 31/12/2006
<u>Date of last supervision:</u> 12 – 25 July 2003	<u>Implementing Agency:</u> Ministry of Works, Transport and Communication (MWTC)	
<u>Project Objective/Components:</u> The aim of the project is to stimulate economic growth in the northern regions of Namibia and to promote regional integration by improving trade links with the neighbouring country (Angola) through provision of additional infrastructure facilities by extending the Namibian Railway Network from Tsumeb to Ondangwa (248 km).. The total cost of the project is estimated at ZAR 501.36 million. Besides the ADB, the project is co-financed by Kuwait Fund (ZAR 156.51 million), BADEA (ZAR 58.03 million) and GRN (ZAR 71.36 million). The project components under ADB financing include: (a) Civil Works for earthworks of embankments, drainage structures, bridges, access roads and fencing, and three station buildings with yards, platforms, security fencing, bulk services and four halts; (b) Procurement of ballast and concrete sleepers for 91 km; and (c) Consulting Services for Project Audit.		

2.1.12 **Implementation Performance:** The Government of the Republic of Namibia (GRN) attaches high priority to this project. This is reflected in the prompt signing of the loan agreement within a month of loan approval. Loan conditions were met on time facilitating the entry into force of the loan about 7 months after Board approval. In view of the GRN's desire for speedy implementation of the project, the Bank approved Advance Procurement Action (APA) for some of the project components. In spite of this, there were start-up delays in the procurement of the Bank-financed project components, especially those approved under APA. This was due to an apparent conflict between the Bank rules and those of the National Tender Board. The launching mission of November 2001 was able to resolve the problem by agreeing with the Government that all the components of the Northern Railway Extension Project, which are co-financed by foreign lending institutions, would be procured according to the procurement rules of the respective institutions, which may differ with Namibian tender procedures. Secondly, it was agreed that the Ministry of Works, Transport and Communication (MWTC), through the Project Implementation Unit (PIU), would henceforth solely be responsible for the entire procurement process. The PIU comprises representatives of the MWTC, MOF and TransNamib and reports directly to the Permanent Secretary MWTC. Since the launching mission there were no other particular procurement problems encountered. A combination of National Competitive Bidding (NCB) and International Competitive Bidding (ICB) was used for ADB financed components of the project. The six on-going contracts (NRE – A1 to NRE – A6) that were procured under a National Competitive Bidding (NCB) process were awarded in June 2002. These include two mechanical-based earthworks contracts (from km 0 to 88.68), three labour-based earthworks contracts (from km 128 to 182), and one contract for the procurement of ballast. Implementation of all the on-going contracts is satisfactory and the quality of work is very good. All the NCB contracts will be completed by December 2003. Two more contracts that were procured through

International Competitive Bidding (ICB) procedures have been awarded. The contracts will cover the labour-based construction of earthworks embankments between Oshivelo and Ondangwa (NRE-A7) and construction of three stations at Oshivelo, Omuthiya and Ondangwa (NRE-A10). In terms of disbursements, the budget for the GRN contribution to the financing plan has been adequate and monthly certificates have been paid promptly. Where disbursement applications have been completed, the Bank has disbursed its proportion within the normal two-week limit. With respect to the co-financiers, activities are only just beginning to pick up and so far all procurement and disbursements are on schedule.

2.1.13 Development Objective: The project is expected to contribute towards meeting the sector objective of facilitating economic development and poverty alleviation. There is already a positive socio-economic impact in the project area through employment creation and the wages earned from the labour-based works.

Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	2	3	2	3	2.6

Agriculture Sector:

2.1.14 Sector Overview: For the time being, the Second Agricultural Line of Credit to AGRIBANK is the only ongoing and active project in the Agricultural Sector. However, the second Line of Credit is substantially complete (99%) and would be closed before the end of the year to give way for the preparation and appraisal of a Third Line of Credit.

Second Line of Credit To Agribank

Basic Data and Project objective/components

<u>Approved Amount</u> : ZAR 75 million <u>Cancelled Amount</u> : None- <u>Net Commitment</u> : ZAR 75 million	<u>Source</u> : ADB	<u>Disbursed Amount</u> : ZAR 74.9 million (99%)
<u>Date Approved</u> : 12/09/2001 <u>Date signed</u> : 01/12/2002 <u>Entry into Force</u> : 22/4/2002	<u>Accounts Audit (years)</u> : Received audited accounts on 31/07/2003. <u>Progress Reports</u> : None pending	<u>Last disbursement deadline</u> : 31/12/2003
<u>Date of last supervision</u> : 12 – 25 February 2003	<u>Implementing Agency</u> : AGRIBANK	
<u>Project Objective/ Uses of the Line of Credit</u> :		
<u>Project Objective</u> : The objective of the Line of Credit and the TAF Grant is to give long-term financial resources to PBDAC to create new and stable sources of income for small and medium-scale farmers and micro-entrepreneurs involved in agriculture and related income generating activities and to enhance the executing Agency's institutional capacity.		
<u>Uses and outputs of the Line of Credit</u> : The uses of the line of credit will be the financing of goods and services required for the implementation of eligible Agricultural, Agro-industrial, Livestock, Marketing and Art-craft subjects under the ADB and ADF loans. The outputs of the line of credit will result from the new activities in the rural areas, concerning small and medium-scale businesses, agricultural equipment such as combines, hydraulic excavators, rice hullers, irrigation equipment, olive oil extractors, rice threshers, sprayers, generators, flour mills, diesel, deep well pumps, milking machines, and small units for manufacturing juices and concentrate fruit syrups.		

2.1.15 Implementation Performance: Although loan effectiveness was delayed early on, implementation was helped by the fact that AGRIBANK pre-financed these sub-projects with its own resources. This practice is in line with the loan agreement, which permitted AGRIBANK to pre-finance sub-projects to avoid delays in the implementation of the 2nd line of credit and to seek the reimbursement of sub-projects it pre-financed from the Bank.

2.1.16 AGRIBANK approved about 740 loans with a total resource requirement of N\$ 74.9 million as at March 25, 2003. About 61% of the resources were lent as Affirmative Action loans. Communal Tenure Farmers benefited from 77% of these resources while Commercial Tenure Farmers accounted for 23%. AGRIBANK has already submitted a reimbursement application for N\$51.8 million of this amount and has been reimbursed by February 7, 2003. Since the submission of that application, AGRIBANK has disbursed an additional N\$ 23.25 million, of which N\$ 10.19 (52.5%) was under the Affirmative Action Loan category. The approval dates of all these loans were within the year 2002 and are under implementation. The status of project implementation is at 99% complete. Although the implementation nature of lines of credit is different from that of projects that entail civil works or similar activities, the line of credit was efficiently executed by Agribank management and to a smaller extent by the individual sub-project promoters as there was no external technical assistance. The overall assessment of the line of credit is highly satisfactory.

Development Objective: At the current trend of implementation, it is highly likely that the project objectives and benefits will be realized and sustained beyond the investment stage.

Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	3	3	3	3	3

2.2 Aging, Potentially Problematic and Problem Projects.

2.2.1 In terms of the standard definition of what is an “ageing project” used by the Bank, which is normally projects whose implementation extends beyond 10 years, two of the ongoing projects in Namibia would be classified as “aging”. These are the Basic Teacher Education Project, approved in June 1993 and the Human Resources Development Project, approved in January 1995. However, for all practical purposes these projects have been completed and the use of the savings from them for other works agreed upon with the Bank is what is making their implementation periods look longer. In the case of the Human Resources Development Project, it appears that the government is finding it difficult to use the savings and the mission gave the government a deadline to submit proposals on its use, which has not been met. Steps are therefore under way to cancel the savings.

2.2.2 Excluding these two projects, the average age of the portfolio is less than 1.5 years. The 2001 Annual Portfolio Performance Report (APPR) did not identify any problem project nor project at risk.

2.3 Assessment of Supervision Frequency and Quality

2.3.1 The ongoing projects have been supervised at least once in the last two years. A transport engineer supervised the Northern Railway Project twice in 2002. Outstanding problems and particularly financial and disbursement issues were resolved during the missions. A launching mission for the Aus-Rosh Pinah Road Project was undertaken in July 2003 following signature of the loan agreement in June 2003. The mission was used to explain Bank procurement and disbursement procedures and to assist in the fulfillment of loan conditions for timely effectiveness. A financial analyst and an agricultural economist have supervised the second line of credit once. The mission was very successful in resolving all outstanding issues, which related to the value date of disbursements, procurement and communications. PDRE.3 has also undertaken a training mission intended to familiarize Agribank staff with Bank procurement policies, rules and procedures. Initially, (i.e. during the first two years following their approval), the 2 education projects were supervised once a year on average. Thereafter, the projects were supervised at an average annual rate of 1.5 (i.e. one full supervision mission towards the beginning of the year and a short follow-up mission towards the end of the year). The follow-up missions, especially in respect of the *Human Resources Development Project* was very useful as it enabled the Bank to substitute its poorly performing Manager with a more active one who succeeded in catching up with substantial initial delays. In April 2003, the sector specialist used the occasion of the mission for the portfolio review in April this year to supervise the education projects. There were no major issues to be resolved other than that regarding the utilization of the outstanding loan balances. These loan balances arose primarily as a result of the depreciation of the Namibian dollar vis-à-vis the UA and greater expenditures (than anticipated as part of counterpart funding) incurred by the Government to avoid delays associated with issues of procurement pointed out by the Bank. Consultations are ongoing with the Government with a view to cancelling the outstanding balances.

2.3.2 In general the supervision missions for the on-going projects have been adequate in terms of frequency and quality. The quality of the missions has been satisfactory but could be improved further by enriching the skills mix where required. For certain projects such as the Northern Railway Extension Project which have several contracts, the participation of a Disbursement Officer would be necessary at least once a year to ensure a satisfactory rate of utilization of the loan proceeds.

2.4 Cross-Cutting Issues

2.4.1 Cross-cutting issues including environmental and social protection, poverty reduction, gender mainstreaming, population, governance, and HIV/AIDS are systematically addressed for all projects in Namibia. This is because of the high priority given by the Government to reducing inequality and poverty in Namibia. The appraisal reports for the ongoing projects identified issues to be monitored during supervision missions as well as mid-term reviews.

2.4.2 Poverty Reduction: The objective of the Second Line of Credit to Agribank, inter alia, is to provide financial resources to communal, emerging and commercial farmers to invest in livestock and crop production in the rural areas. In Namibia, about 85% of the households are located in the rural areas, making their living from subsistence farming. As a relatively higher population of communal farmers generally reside in rural areas, the project's income generating effects is supposed to contribute to reducing poverty for the communal farming population. Originally, 15% of the sub-projects were expected to be financed in communal areas for communal farmers and 60% for communal farmers emerging to commercial farmers status. However, in the final analysis, the

loan has benefited about 77% of sub-projects. The majority of these farmers are engaged in crop and livestock production. Projects in the transport sector are equally oriented towards supporting economic growth and social development. Additionally the transport projects provide access to social services and centers of production. Particular emphasis is placed on employment creation as a means of poverty reduction. For example, in the Northern Railway Extension Project, four of the eight civil works contracts are labour-based. The project is already having a positive socio-economic impact in the project area through employment creation. The wages paid on the labour-based contracts is also contributing to poverty reduction.

2.4.3 Gender Mainstreaming: Legislation on gender equality is fully in place, so also are the overall gender framework and the National Gender Policy. The largest sector of employment, agriculture, employs 51% of the working women and 45% of the working men. Female workers are also predominant in domestic employment (82%), health and social work (69%), and education (62%). The Second Line of Credit to Agribank beneficiaries, in addition to communal and commercial farmers, included women who are engaged in crop and livestock production. As one of the eligibility criteria for sub-projects, Agribank placed emphasis on women beneficiaries in the selection of sub-projects. Of the minimum 35% of the proceeds of the LoC that Agribank undertook to make available to emerging/communal farmers, it also ensured that 17% was directed at emerging/communal women farmers (including single women). This was done to correct some of the past injustices to women in terms of their access to credit. Women are also active on transport sector projects in Namibia. Of the current labour force on the Northern Railway Extension Project, 35% are women. At the end of the project some of the women would have earned enough money to start small income-generating activities. In terms of project management, one of the four officers running the Project Implementation Unit is a woman.

2.4.4 Environmental Impact: Namibia has arid conditions and a fragile ecological environment. Faced with this situation, Government has put in place the legislative and institutional framework for managing the environment. All Bank financed projects are subjected to a thorough environment impact assessment procedure in order to avoid possible degradation of the environment. The LoC was generally implemented within the acceptable environmental and social requirements, which required financial institutions to share the responsibility for mitigating environmental impacts of their business-sponsored projects. In lending to the sub-borrowers, Agribank ensured compliance by sub-borrowers with all the national and local environmental laws and regulations. In this regard, to mitigate the adverse environmental impact, sub-projects were screened and the same standards applied to projects directly financed by the Bank. Agribank submitted to the Bank semi-annual reports on implementation of the environmental and social procedures as well as the environmental and social performance of the investments financed by LoC. For transport projects, special caution has been taken in the selection of construction materials. In addition, water conservation measures have been taken such as on the Aus –Rosh Pinah Road Project where a dedicated pipeline will be constructed from the NamWater reservoir in Rosh Pinah to supply the entire project in order to reduce the need for frequent borehole drilling for construction water.

2.4.5 HIV/AIDS: Namibia is considered to be one of the high risk countries in the region with regard to the HIV/AIDS pandemic and has reached a prevalence of 22%. Measures have been taken to reduce its spread at the national level and across all sectors. The transport sector has been singled out as one of the high-risk sectors and consequently, the Bank's transport projects have components for raising awareness on HIV/AIDS. Actions are targeted at construction workers, and long distance truck drivers. Under the *Human Resources Development Project*, which has all along attracted an impressively large stakeholder participation, especially in training activities, participants (trainers

and users alike of the Information and Learning Resource Centre) were sensitized, and given the opportunity to react, to the devastating effects of those afflicted and affected by HIV/AIDS. Various workshop/training session post-evaluation results pointed to the promise held by bringing educators and other beneficiaries together to reflect on popular attitudes that could significantly reverse the trend of the current spread of AIDS in the region.

2.5 General Assessment of Portfolio Performance

2.5.1 Overall Assessment: Namibia's portfolio performance is very satisfactory. The 2001 Bank-wide APPR showed satisfactory performance in terms of both implementation progress and development impact ratings as the portfolios had zero problem projects. This means that all the projects have a high probability of attaining their development objectives. There are also no projects at risk. An additional portfolio performance analysis is provided below in sections 2.5.2 to 2.5.6, emphasizing the individual rated indicators comprising compliance with loan/grant conditions, procurement performance, financial performance, activities and output performance, impact on development and generic problems.

2.5.2 Compliance with Loan/Grant Conditions: The average rating for compliance with loan/grant conditions is 2.5, implying that performance was generally very satisfactory. Above average rating was scored by transport (3.0) and agriculture (3.0). The rating for one of the education projects was above average while that for the other (*Human Resources Development Project*) was significantly below average. These ratings reflect mainly the time it took loans to enter into force following Board approval. Shorter time for loan effectiveness was achieved for the transport and agriculture sectors as well as for the *Basic Teacher Education Project*. The reasons for the problems experienced in meeting loan conditions had been discussed in the project-by-project review earlier presented. However, it needs to be emphasized in respect of the *Human Resources Development Project* that well designed though it was, adequate implementation arrangements seemed to have been made only through learning – i.e. after a number of problems had been encountered during implementation on an account of an inefficient Project Manager recruited through "Government procedures". In this respect, it is worth pointing out that even where Government procedures are used in procuring expertise to provide critical services under a project, such procurement must receive the Bank's endorsement before it proceeds.

2.5.3 Procurement Performance: Procurement performance is rated satisfactory with an average rating of 2.75 and only one project scored below the average. The average ratings for the sectors are education (3.0), transport (2) and agriculture (3). The rating of 3 for the education sector is attributable to the strict compliance with the Bank's rules of procedure in procuring goods and services and to the ability of the Project Managers to rapidly respond to the Bank on any procurement queries.

2.5.4 Financial Performance: The average financial performance rating is 2.5, implying a satisfactory performance. No sector is rated below 2.0. No particular problems have been encountered with respect to availability of foreign exchange or counterpart funds. Loan resources are generally fully utilized and cases of un-disbursed balances or utilization of savings are few.

2.5.5 Activities and Output Performance: The rating for Activities and Output Performance is rated satisfactory with an overall rating of 2.25, and no project scored below 2.0.

2.5.6 Impact on Development: The average rating for the impact on development is 2.5, indicating that all the projects have a high probability of meeting their development objectives. Under the *Human Resources Development Project*, the Information and Learning Resource Centre offers more prospects for the dissemination of knowledge, especially in science and technology and communication of innovations and life skills in agriculture, environmental management, health and community participation for the maximization of productivity within the context of local community development projects.

2.6 Generic Problems

2.6.1 Human Resource Development: Since independence in 1991, Namibia has been making efforts to build its human resource base, however, a significant number of vacancies still exist in the public sector and have to be filled with regional and international expatriates. The private sector is also having problems in finding the required expertise. This constitutes a constraint to development and in turn has a negative impact on the Bank's projects. The Government has shown interest in benefiting from possible technical assistance under the Middle Income Countries initiative to continue its human resource development programme. An official request is being prepared by the Government for capacity building in the transport sector based on the findings of the sector review.

2.6.2 Oversight of Projects from the Ministry of Finance (MOF) and the Office of the Auditor General (OAG): Donor funded projects are managed by the Ministry of Finance through the Debt Management Unit. The ministries supervising the Executing Agencies are responsible for making budgetary provisions to ensure government contribution while MOF is responsible for the country allocations to the ministries and repayment of loans. It is the responsibility of MOF to ensure that all loan conditions are complied with, however, no detailed procedures have been established for this requirement. Secondly, apart from accompanying Bank supervision missions, MOF does not systematically conduct physical inspection of projects and therefore is not always in a position to provide an independent assessment of whether Bank funded projects have met their objectives.

2.6.3 With regard to auditing of projects, the Bank funded projects have acquired the services of external auditing firms, however, the OAG has not been systematically involved in this process. Consequently, the Bank's requirement that all projects should be audited annually has not been fully met. Executing Agencies have been sensitized on the need to inform the OAG of audits that will be undertaken on Bank funded projects. As far as the transport sector is concerned there is no backlog of audit reports and recruitment of an auditor for the Northern Railway Extension Project has started and to undertake an audit for the period 2002/2003.

2.7 Disbursements

2.7.1 As at 30 September 2003, the global disbursement/commitment ratio on all operations was about 56.92% (see Table 2.1). Agriculture, Power, Multi-sector, Water and Sanitation all achieved 100% disbursement rate. Social sector achieved ratio of 92.35% and transport, the lowest ratio at 26.40%, which is explained largely by the inclusion of the Aus-Rosh Pinah Project that has not yet started disbursing.

2.7.2 For ongoing operations, the total disbursement /commitment ratio was 65.09% as at the end of September 2003 (see Table 2.2). In terms of sector disbursement performance, the agriculture project (the Second Line of Credit) is 100% disbursed. Similarly, the projects in the social sector are

almost totally disbursed. The disbursement/commitment ratio for transport is about 26.40% disbursed.

Table 2.1			
Status of Global Disbursement by Sector (as at 30 September 2003)			
Sector	Commitment (UA million)	Disbursement (UA million)	Commit/Dis. Ratio
Agriculture	13.71	13.71	100.00
Transport	45.34	11.97	26.40
Power	6.13	6.13	100.00
Multi-sector	0.77	0.77	100.00
Water and Sanitation	0.76	0.76	100.00
Social	13.07	12.07	92.35
TOTAL	79.79	45.41	56.92

Table 2.2			
Disbursement Profile of Ongoing Portfolio (as at 30 September 2003)			
Sector	Commitment (UA million)	Disbursement (UA million)	Commit/ Dis.Ratio
Agriculture	7.29	7.29	100.00
Transport	20.95	7.53	35.94
Social	13.07	12.07	92.35
TOTAL	41.31	26.89	65.09

3. ASSESSMENT OF MANAGEMENT IMPLEMENTATION CAPACITY

3.1 Government's Performance

3.1.1 As discussed in Section 2, the performance of the Government in implementing almost all the ongoing projects has been generally satisfactory. In some cases, fulfilment of conditions precedent to entry into force was achieved within a reasonable period. The implementation schedules of the on-going projects have been largely adhered to with minimum slippages. While there were a few problems here and there such as with the recruitment of experts, which affected implementation, they became a thing of the past once such experts were recruited.

3.1.2 An internal audit of project execution activities performed by the Government by the Bank in 2001 found that the internal control policies and procedures that are implemented in respect of project management and accountability in Namibia are satisfactory. Nevertheless, the audit identified some areas requiring Government action. These include, among others, the need to establish a proactive system to enable the Ministry of Finance (MOF) to monitor and ensure timely fulfilment of all Bank loan conditions to avoid delays in project start up. Also, there is a need for MOF to systematically conduct physical inspection of projects to ensure that completion status agree with the expenditure level. To address this problem, MOF should consider delegating some of its responsibilities to executing agencies and formulate means to obtain assurances that the responsibilities will be carried out well and promptly. Furthermore, there is a need for MOF to undertake a comprehensive study to determine its capacity, which should include equipment and

vehicle needs as well as staffing and skill needs, to effectively manage donor-funded projects in Namibia. The results of this study should enable MOF to develop ways to address the capacity needs.

3.1.3 With regard to the education projects, and, in particular, the *Basic Teacher Education Project*, the Government provided more support than anticipated as per the level of counterpart funding agreed on at appraisal. The support was particularly in the form of goods and services paid for as part of operating costs in order to avoid delays which would have been caused by waiting for the routine replenishment of the special account. The Government also provided a national counterpart to understudy the activities of technical assistants recruited to implement the *Basic Teacher Education Project*. Regarding the *Human Resources Development Project*, a structural engineer was seconded by the Ministry of Works, Transport and Communication to assist UNAM in implementing the brick-and-mortar aspects. This assistance was also complementary to the counterpart funds incurred by the Government as part of loan agreement and demonstrates the Government's commitment to the project.

3.1.4 Decentralization under the *Human Resources Development Project* took the form of training of trainers in the regional outreach centers of UNAM : these trainers in turn are expected to organize and deliver training programmes within their regions in various areas including teacher education, technical and vocational education, agricultural knowledge management, etc.

3.2 Bank's Performance

Bank's performance has also been generally satisfactory. The Bank has made concerted efforts to build its portfolio in Namibia since the country gained independence in 1991 and on improving the quality of operations and responsiveness to clients. This has been acknowledged by the Namibian authorities who consider the Bank as one of its important development partners.

4. COORDINATION WITH OTHER DONORS

4.1 Assessment of Government Capacity to Co-ordinate Donor Assistance

4.1.1 Two institutions are responsible for aid co-ordination in Namibia. First, there is the National Planning Commission (NPC), which is responsible for development planning and some aspects of aid-co-ordination. This is the institution, which ensures what programmes and projects get included in the medium-term development plans. In addition, it co-ordinates the financing arrangements for grants. NPC organises meetings from time to time on bilateral basis with donors for this purpose. NPC has the intention to formalise these consultations as part of a larger Government/donor dialogue, but this is yet to be institutionalised. The Government has prepared an aid co-ordination policy with UNDP assistance, and an action plan is currently being developed. Among the donor community, the UNDP Resident Co-ordinator co-ordinates the work of the members of the UN family and the EU co-ordinates the European donors. There are a few donors, for example, outside the two groups, which are not part of this mechanism. In the past the UNDP provided on, *ad hoc* basis, some form of donor consultation for these donors.

4.1.2 The Ministry of Finance is the other institution, responsible for aid co-ordination. It is the government-designated official agency responsible for co-ordinating all external assistance delivery, especially loans, to Namibia. The Ministry clears and forwards all project proposals submitted to it

either by NPC or individual ministries and bodies to donors. The Ministry has been effective in playing this role, especially when aid resources are passed through the Ministry. Some of the current efforts being made by the Government to co-ordinate external funding have taken the form of organising an NDP2 Donor Round Table Conference in February 2003 in Swakopmund, Namibia. The Conference brought together almost all of Namibia's external donors. The purpose was to formally present the Plan to its development partners and to seek their assistance in validating the resources within and outside the Public Sector Investment Programme. This Conference was successful and effective in that even though Namibia was not able to obtain additional resources other than those already committed, the country received an endorsement from the donor community.

4.2 Assessment of ADB Co-ordination With Other Donors

4.2.1 The Bank Group co-ordination with other donors in Namibia is currently limited to co-financing of projects. It has, however, been effective and satisfactory although there is room for improvement. The Northern Railway Extension Project is being co-financed with the Kuwait Fund and BADEA and it has not been easy to get these institutions to carry out joint missions with the Bank. These institutions give the reason, among others, of the lack of adequate staff for their inability to join the Bank on supervision missions. The Aus-Rosh Pinah Project is being co-financed with BADEA and has already been jointly appraised. Co-ordination will be enhanced through annual joint supervision missions and mid-term reviews. BADEA's flexibility in terms of increasing its credit to the *Human Resources Development Project* project under implementation is particularly noteworthy. Initially, BADEA in its loan agreement with the Government did not retain all aspects of the project as designed. However, as the project neared completion and was partly operational, BADEA decided to release funds for the equipment of the Information and Learning Resource Centre in accordance with an undertaking, which it had given during the negotiation of the loan.

4.2.2 Cooperation with German development agencies (KfW and GTZ) in the transport sector started in 2003 with a joint sector review mission. Annual review missions are planned and discussions have started for a possible joint sector wide programme to support rural access roads, direct budget support for road maintenance and capacity building in the transport sector. The cooperation has thus far been mutually beneficial.

5. LOAN REPAYMENT AND ARREARS

Namibia is current in both its loan repayment obligations and capital subscriptions to the Bank Group. This is due mainly to the adoption and pursuit of a prudent borrowing policy and financial management strategy. As a result of the borrowing policy, as at the end of the 2002/2003 fiscal year, the total government debt was estimated to have reached 27.9 % of GDP, which is relatively low in comparison to those of most African countries.

6. PROACTIVE MANAGEMENT OF PORTFOLIO

6.1 Potential Future Problems and Solution

A major problem that affects the performance of projects relates to the lack of familiarity with the Bank's procurement, disbursement and environmental policies, procedures and guidelines. This problem causes delays in the implementation of projects and as a result affects project cost. The

remedy is for the Bank to organize periodic training by way of seminars and workshops to familiarize GRN officials with Bank rules and procedures in appropriate areas. In addition, orientation visits by the Project Managers to the Bank's headquarters would be encouraged.

6.2 Summary of CPIP/Action Plan

Portfolio improvement plan is presented in Annex VII. It focuses on actions aimed at shortening delays in fulfilling loan and grant conditions and project start up as well as improving procurement performance and implementation capacity.

6.3 Lessons Learnt for Future CSPs and Portfolio Management

6.3.1 The portfolio review points to several lessons for portfolio management and future country programming. With respect to the former, First, to avoid delays in project implementation and cost overruns there appears to be a justified need for providing training in ADB procurement, disbursement and environmental policies to government officials and staff of executing agencies involved in project implementation. For training to be effective, it should be provided during launching of projects. For this reason, the composition of launching missions should include procurement, disbursement and environment experts, who should be prepared to train on site. The technical assistance Fund for Middle Income Countries should generally help, especially in building capacity and institutional strengthening. Also, the Joint Africa Institute (JAI) as well as PDRE could be encouraged to provide training to Government officials responsible for management of Bank-financed projects in enhancing their capacity to do so.

6.3.2 Second, a few lessons can be learnt from Government's predisposition to cancel projects. Since the Bank started lending to Namibia, the government has had to cancel a number of projects among which are the Entrepreneurship and Skills Development Project, cancelled barely a week after signature in June 2003, the 400KV Interconnector Electricity I Project, which was about 30% disbursed when cancelled, the power transmission line to the Scorpion mine and a telecommunication loan, also cancelled after considerable progress had been made on their processing. Apart from the cancellations, a recent appraisal mission to Namibia for the Tandjieskoppe Irrigation Project was obliged to terminate the mission prematurely because the Ministry of Agriculture was not ready to go ahead with the project even though the request to appraise the project came from the Ministry of Finance. The first lesson is that both the Ministry of Finance and the appropriate line Ministry must always be fully involved in the process of identification of projects so that at the end of it all the Government can claim ownership for it. The second is that for future dealings with the Government, the Bank should ensure that there is a proper and adequate coordination among the various line ministries and agencies. The third is that it is on record that Namibia finds the Bank Group's loan conditions, especially those precedent to first disbursement, cumbersome and retards smooth implementation of projects. Lastly, Namibia finds the Bank Group's procurement rules very restrictive, as left to it alone, it would always prefer to use South African firms and companies.

6.3.3 The splitting of the Northern Railway Extension Project into many contracts has placed a heavy burden on the Executing Agency in terms of project management. At the very outset the main objective of this approach was to provide opportunities to domestic contractors to participate in the project. There is need for the Bank to explore other ways of promoting the local construction

industry in future projects including subcontracting and joint ventures and the inclusion of capacity building components.

6.3.4 To improve the capacity of government officials in the management of Bank-financed projects, future CSPs will need to include capacity building and institutional strengthening as part of the strategy for lending.

6.4 Economic and Sector Work

6.4.1 In view of the importance of the transport sector in the overall portfolio, the Bank commissioned a Transport Sector Review for Namibia as part of its ongoing economic and sector work (ESW). The ongoing review will be used to formulate the Bank strategy for the transport sector within the context of the next Country Strategy Paper (CSP) for Namibia covering the period 2004-2007. The initial findings of the review are that the transport sector is performing relatively well following the completion of the restructuring of Government transport entities and the adoption of commercial business-type approaches. At the regional level, Namibia has made important progress towards facilitating the flow of transit traffic to and from its neighbours within the framework of the public/private partnerships such as that developed by the Walvis Bay Corridor Group. The main strengths of the sector include the existence of an efficient port, strong Government commitment to reforms, a favourable geographic position, and effective maintenance of transport infrastructure within the available financial resources. Future Bank interventions in the sector are likely to focus on assisting Government in upgrading road infrastructure in previously neglected areas and promoting public/private partnerships for the financing of projects in the rail, aviation and maritime sub-sectors. There is also scope for budget support for road maintenance through the Road Fund Administration in collaboration with KfW. The lesson learnt from the Namibia transport sector review is that ESW offers opportunities for developing niches and for enhancing donor coordination.

7. CONCLUSION AND RECOMMENDATIONS

7.1 The Portfolio Review exercise has shown that the overall portfolio performance is satisfactory with a rating of 2.75. The review has also shown that there are a few problems that have, to some extent, however, minor, affected the performance of the portfolio. These problems are indicated in Annex VII and do require monitoring by both the Bank Group and the Government. The Bank-wide 2001 APPR has also shown that portfolio performance in Namibia is satisfactory. There were no projects in the portfolio that were rated at risk or problematic. In addition, the report showed that there were no projects with implementation problems. The rating for development objective for 2001 is also very satisfactory, implying a high probability that all the on-going operations would attain their development objectives.

7.2 In the light of the foregoing, the following measures are recommended to further improve the performance of the Bank Group portfolio in Namibia. These are in addition to the project specific actions indicated in the review of the on-going operations in chapter 2.

- (i) The Bank should closely monitor the implementation of the Action Plan presented in Annex VII.

- (ii) The Bank should endeavour to attain the target average of 1.5 supervision missions per year to enable it assess progress and identify problems encountered in project implementation and as a result adopt timely remedial measures when necessary.
- (iii) To enhance government ownership, the MOF should undertake periodic site visits to ascertain progress of Bank funded projects.
- (iv) The OAG should monitor the selection of external auditors for Bank funded projects and certify the reports issued to the Bank.
- (v) The Bank in consultation with the Government would work towards diversifying the portfolio by including support for viable public private partnerships.
- (vi) As a way of improving operations, the Bank would offer support to Namibia for institutional strengthening and capacity building under both project lending and provision of technical assistance from the Technical Assistance Fund for Middle Income Countries.

7.3 The Boards are invited to take note of the findings of this Portfolio Review Report.

NAMIBIA
SUMMARY OF BANK GROUP OVERALL PORTFOLIO

As at 30 September 2003

YEAR No. APPROVED	PROJECT	SOURCE OF FUNDS	DATE SIGNED	NET LOAN AMOUNT Million UA	DISB AMOUNT Million UA	UNDISB AMOUNT Million UA	PERCENT DISB	LOAN CLOSIN G DATE	STATUS OF PROJECT
<u>AGRICULTURE</u>									
1 1991	Agricultural Resources Study	TAF		0.59	0.59	0.00	98.86	N/A	Completed
2 1999	1st Line of Credit to Agribank	ADB	N/A	5.83	5.83	0.00	100	N/A	Completed
3 2001	2nd Line of Credit to Agribank	ADB	N/A	7.29	7.29	0.00	100	N/A	Completed
<u>TRANSPORT</u>									
4 1992	Trans- Caprivi Road Study	TAF	N/A	0.97	0.97	0.00	100	N/A	Completed
5 1992	Trans- Kalahari Road	ADF	N/A	3.47	3.47	0.00	100	N/A	Completed
6 2001	Northern Railway Extension	ADB	N/A	20.95	7.53	13.42	68.46	15/04/2002	On-Going
7 2002	Aus-Rosh Pinah Road	ADB	N/A	19.95	0	19.95	0	N/A	On-Going
<u>POWER</u>									
8 1998	400KV Interconnector (Electricity I)	ADB	N/A	6.13	6.13	0.00	100	N/A	Completed
<u>MULTISECTOR</u>									
9 1992	Trade Reform	TAF	N/A	0.77	0.77	0.00	100	N/A	Completed
<u>WATER AND SANITATION</u>									
10 1992	Ground Water Investment study	TAF	N/A	0.76	0.76	0.00	100	N/A	Completed
<u>SOCIAL</u>									
11 1993	Basic Teacher Education	ADF	N/A	9.21	9.02	0.19	97.94	N/A	Completed
12 1995	Human Resources Development	NTF	N/A	3.86	3.05	0.81	79.02	N/A	Completed
		Total		79.79	45.42	34.37	56.92		

NAMIBIA
SUMMARY OF BANK GROUP ONGOING OPERATIONS

As at 30 September 2003

YEAR No. APPROVED	PROJECT	SOURCE OF FUNDS	DATE SIGNED	NET LOAN AMOUNT Million UA	DISB AMOUNT Million UA	UNDISB AMOUNT Million UA	PERCENT DISB	LOAN CLOSING DATE	STATUS OF PROJECT
AGRICULTURE									
1. 2001	2nd Line of Credit to Agribank	ADB	N/A	7.29	7.29	0.00	100.00	N/A	On Going
TRANSPORT									
2 2001	Northern Railway Extension	ADB	N/A	20.95	7.53	13.42	35.94	N/A	On-Going
EDUCATION									
3 1993	Basic Teacher Education	ADF	N/A	9.21	9.02	0.19	97.94	N/A	On Going
4 1995	Human Resources Development	NTF	N/A	3.86	3.05	0.81	79.02	N/A	On Going
			Total	41.31	26.89	14.42	65.09		

Summary of Performance Rating by Sector and Projects

Sector/Projects	Loan Conds.	Procur. Perform.	Financial Perform	Activities & Output	Impact On Dev.	Overall Eval.
EDUCATION SECTOR						
Basic Teacher Education Project	3	3	2	3	3	2.8
HUMAN RESOURCES DEVELOPMENT PROJECT	2	3	2	3	3	2.6
TRANSPORT SECTOR						
Northern Railway Extension Project	3	2	3	2	3	2.6
SECOND LINE OF CREDIT TO AGRIBANK	3	3	3	3	3	3
Overall Average	2.75	2.75	2.5	2.75	3	2.75

Code

3 = Highly Satisfactory

2 = satisfactory: Occasional Problems – Bank should monitor

1 = Unsatisfactory: Problems – Bank should monitor closely but no immediate action is required

0 = Highly Unsatisfactory: Serious problems – Bank action required

PROJECT RATING SUMMARIES

A.1: Basic Teacher Education Project

Project Performance Indicators	Previous Report	Current Report
A. <u>Project Progress</u>		
1. Compliance with loan conditions precedent to entry into force	-	3
2. Compliance with general conditions	-	3
3. Compliance with other conditions	-	3
B. <u>Procurement performance</u>		
1. Procurement of consultancy services	-	3
2. Procurement of goods and services	-	3
C. <u>Financial Performance</u>		
1. Availability of foreign exchange	-	3
2. Availability of local currency	-	2
3. Disbursement flows	-	2
4. Cost management	-	2
5. Performance of co-financiers (where applicable)	-	2
D. <u>Activities and Works</u>		
1. Adherence to implementation schedule	-	3
2. Performance of consultants or technical assistance	-	3
3. Performance of contractors	-	3
4. Performance of project management	-	3
E. <u>Impact on Development</u>		
1. Likelihood of achieving project objectives	-	3
2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project	-	3
3. Likely contribution of the project towards an increase in institutional capacity	-	3
4. Expected rate of return	-	3
F. <u>Overall Assessment</u>		
1. At Present	-	2.8
2. Trend Over Time	-	-
<p>Code: 3 = Highly Satisfactory 2 = Satisfactory: Occasional Problems: Bank should monitor 1 = Unsatisfactory: Problems: Bank should monitor closely but no immediate Action required 0 = Highly unsatisfactory: serious problems: Bank action required</p>		

A.1: Human Resources Development Project

Project Performance Indicators	Previous Report	Current Report
A. <u>Project Progress</u>		
1. Compliance with loan conditions precedent to entry into force	-	2
2. Compliance with general conditions	-	2
3. Compliance with other conditions	-	2
B. <u>Procurement performance</u>		
1. Procurement of consultancy services	-	3
2. Procurement of goods and services	-	3
C. <u>Financial Performance</u>		
1. Availability of foreign exchange	-	3
2. Availability of local currency	-	2
3. Disbursement flows	-	2
4. Cost management	-	2
5. Performance of co-financiers (where applicable)	-	2
D. <u>Activities and Works</u>		
1. Adherence to implementation schedule	-	3
2. Performance of consultants or technical assistance	-	3
3. Performance of contractors	-	3
4. Performance of project management	-	3
E. <u>Impact on Development</u>		
1. Likelihood of achieving project objectives	-	3
2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project	-	3
3. Likely contribution of the project towards an increase in institutional capacity	-	2
4. Expected rate of return	-	-
F. <u>Overall Assessment</u>		
1. At Present	-	2.6
2. Trend Over Time	-	-
<p>Code: 3 = Highly Satisfactory 2 = Satisfactory: Occasional Problems: Bank should monitor 1 = Unsatisfactory: Problems: Bank should monitor closely but no immediate Action required 0 = Highly unsatisfactory: serious problems: Bank action required</p>		

A.1: SECOND AGRICULTURAL LINE OF CREDIT

Project Performance Indicators	Previous Report	Current Report
A. <u>Project Progress</u>		
1. Compliance with loan conditions precedent to entry into force	-	3
2. Compliance with general conditions	-	3
3. Compliance with other conditions	-	3
B. <u>Procurement performance</u>		
1. Procurement of consultancy services	-	3
2. Procurement of goods and services	-	3
C. <u>Financial Performance</u>		
1. Availability of foreign exchange	-	n/a
2. Availability of local currency	-	3
3. Disbursement flows	-	3
4. Cost management	-	3
5. Performance of co-financiers (where applicable)	-	n/a
D. <u>Activities and Works</u>		
1. Adherence to implementation schedule	-	3
2. Performance of consultants or technical assistance	-	n/a
3. Performance of contractors	-	3
4. Performance of project management	-	3
E. <u>Impact on Development</u>		
1. Likelihood of achieving project objectives	-	3
2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project	-	3
3. Likely contribution of the project towards an increase in institutional capacity	-	3
4. Expected rate of return	-	3
F. <u>Overall Assessment</u>		
1. At Present	-	3
2. Trend Over Time	-	3
<p>Code: 3 = Highly Satisfactory 2 = Satisfactory: Occasional Problems: Bank should monitor 1 = Unsatisfactory: Problems: Bank should monitor closely but no immediate Action required 0 = Highly unsatisfactory: serious problems: Bank action required</p>		

NAMIBIA: Portfolio Review-Matrix of Cross-Cutting Issues					
	Basic Teacher Education Project	Second Line of Credit to Agribank	Northern Railway Extension	Aus- Rosh Pinah Road Project	Human Resources Development Project
Cross-Cutting Issues					
Poverty Reduction	X	X	X	X	X
Environmental and Social Protection			X	X	
Gender Mainstreaming	X	X			X
Capacity Building	X	X			X
HIV/AIDS					
Core Labour Standard (Child Labour)					
Regional Integration			X	X	
Governance					

NAMIBIA:Portfolio Review-Matrix of Common Problems

		Basic Teacher Education Project	Second Line of Credit to Agribank	Northern Railway Extension	Aus-Rosh Pinah Road Project	Human Resources Development Project	Frequency
Generic Problems							
Weak Procurement Performance				X			
Poor Communication with the Bank and Executing Agencies & within tiers of Government							
Delays in fulfillment of loan and grant conditions						X	
Delays in Project Execution							
Disbursement Delays							
Weak Implementation Capacity							
Poor Quality at Entry /Inadequate Preparation							
Weak PMU Performance				X		X	
Inadequate Counterpart Funding							
Poor Performance of Contractors/Consultants							
Political Instability and Unusual Economic Situation							

Country Portfolio Improvement Plan

Issues/Problems	Actions by the Government	Actions by the Bank
Delays in Fulfillment of Loan and Grant Conditions and Project Start Up	MOF to establish procedures for ensuring fulfillment of loan and grant conditions with Executing Agencies	Bank to follow up and provide assistance on fulfillment of loan and grant conditions to Government, especially during launching missions
Poor Procurement Performance	Executing Agencies should have a firm understanding of Bank Group's rules and procedures	Bank to provide more loan administration workshops to familiarize GON and executing agencies officials' with Bank rules and procedures
Weak PMU Performance	Government to intensify the process of human resource development	Bank to incorporate institutional support in approved projects and programs.