



**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



**REPUBLIC OF NAMIBIA
COUNTRY PORTFOLIO PERFORMANCE REVIEW REPORT**

COUNTRY REGIONAL DEPARTMENT, SOUTH 1. (ORSA)

July 2006

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ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
AIDS	:	Acquired Immunodeficiency Syndrome
APPR	:	Annual Portfolio Performance Review
BADEA	:	Arab Bank for Economic Development in Africa
BD	:	Board Document
CEO	:	Chief Executive Officer
CMA	:	Common Monetary Area
CSP	:	Country Strategy Paper
CPPR	:	Country Portfolio Performance Review
DO	:	Development Objective
EMP	:	Environmental Management Plan
ESW	:	Economic and Sector Work
GDP	:	Gross Domestic Product
GRN	:	Government of the Republic of Namibia
HIV	:	Human Immunodeficiency Virus
ICB	:	International Competitive Bidding
IMF	:	International Monetary Fund
IP	:	Implementation Performance
LoC	:	Line of Credit
MIC	:	Middle Income Country
MOF	:	Ministry of Finance
MTEF	:	Medium Term Expenditure Framework
MTR	:	Mid term Review
NCB	:	National Competitive Bidding
NDP2	:	Second National Development Plan
NGOs	:	Non Governmental Organizations
NHIES	:	National Household Income and Expenditure Survey
NPC	:	National Planning Commission
NTF	:	Nigeria Trust Fund
OPEC	:	Organization of Petroleum Exporting Countries
PAR	:	Project at Risk
PIU	:	Project Implementation Unit
SMEs	:	Small and Medium Scale Enterprises
SACU	:	Southern Africa Custom's Union
SADC	:	Southern African Development Community
SWAP	:	Sector Wide Approach
SDMS	:	Sovereign Debt Management Strategy
TAF	:	Technical Assistance Fund
UA	:	ADB Unit of Accounts
UNAM	:	University of Namibia
UNDP	:	United Nations Development Program
VAT	:	Value Added Tax
WBCG	:	Walvis Bay Corridor Group
ZAR	:	South African Rand

CURRENCY EQUIVALENTS

(As at 30 April 2006)

UA 1.00	=	N\$8.99556
UA 1.00	=	US\$ 1.47106
US\$ 1.00	=	N\$6.115019

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

April 1 – March 31

This report was prepared by a team comprising Messrs. S. Owusu, Principal Country Economist; K. Johm, Chief Agricultural Economist; M. Balayah, Principal Financial Analyst; and A. Oumarou, Principal Transport Engineer, following their mission to Namibia during the period 24-28 October, 2005.

EXECUTIVE SUMMARY

1. Introduction

The last country portfolio review for Namibia was undertaken in 2003 and the Country Portfolio Performance Review Report (CPPR) - ADB/BD/WP/2003/155 - was presented to the Board in December 2003. The current CPPR, the fourth in the series since 1991, is based on the findings of a multidisciplinary Country Portfolio Review mission undertaken from 24 to 28 October 2005, quarterly progress reports and supervision mission reports (including desk supervision) undertaken up to 31 May, 2006. The report reviews the implementation performance of the Bank Group ongoing projects in the country, identifies generic issues, draws lessons from implementation experience and proposes an action plan for remedial measures. The report also compares the findings of this review with that of 2003 and the findings of the 2004 Bank-wide Annual Portfolio Performance Review (APPR). Overall, portfolio performance has been satisfactory.

2. Overall Portfolio

2.1 The Bank Group started its lending operations in Namibia in 1991, and, by 31 May 2006 has approved 8 projects, 4 studies and 3 lines of credit. Ten (10) of the fifteen (15) operations have been completed while five (5) are ongoing. The cumulative commitments on all the operations, net of cancellations, amounted to UA 139.61 million as at 31 May 2006, made up of UA 139.61 million from ADB resources, UA 12.49 million from ADF resources, UA 3.05 million from NTF resources and UA 3.10 million from grant resources. In terms of ongoing operations, commitment, net of cancellations, as at 31 May, 2006, amounted to UA 101.01 million, all from ADB resources. Namibia also received an ADB-emergency relief grant of US\$500,000 in 2002 to help the country cope with the effect of the drought that occurred that year.

2.2 In terms of sectoral allocation of cumulative Bank Group commitments, the transport sector accounts for 51.36%, followed by the agricultural sector with 34.34%, the social sector with 8.65%, the power sector with 4.55% and both the multi-sector and water supply and sanitation sectors, each of which has 0.55%.

3. Disbursements

As at 31 May 2006, the disbursement/commitment ratio for the cumulative portfolio was 57.64%. The highest rate of disbursement was for the power sector, the multi-sector, the water and sanitation sector, and the social sector (100% each), followed by the transport sector (58.97%) and the agricultural sector (38.03%). For the five ongoing projects, the disbursement/commitment ratio as at 31 May 2006 stood at 41.45%. The transport sector registered the highest disbursement rate (56.26%) while the agricultural sector registered 11.94%. The low rate of disbursement of the agricultural sector was due to the long delay experienced by the Tandjieskoppe Green Scheme Project and the Kamanjab-Omaknge road project in fulfilling conditions relating to first disbursement, as well as a temporary halt in disbursement of the Third Line of Credit to Agribank.

4. Portfolio Performance

Namibia's portfolio performance as at 31 May 2006 was satisfactory, with an overall portfolio performance rating of 2.53, almost the same as the one recorded in 2003 and was largely due to the high performance in the procurement, financial management, and

development objective. As was the case with the 2003 review, the current review found no project at risk (PAR). This finding is consistent with that of the 2004 APPR report, the latest available, which also found no PARs in Namibia. The satisfactory performance of the ongoing portfolio implies that there is a high probability that the expected development objectives, would be achieved.

5. Ageing, Potentially Problematic and Problem Projects

In terms of ageing projects, defined as projects over 8 years old, none of the ongoing projects in the portfolio is “aged.” The average age of the ongoing projects is about three years. The Northern Railway Extension project is the oldest and is just about 5 years old, followed by the Aus–Rosh Pinah Road (just under 4 years), the Kamanjab-Omakange Road project (about 2 years old) and the Tandjieskoppe Green Scheme project and the Third Line Of Credit (LOC) to Agribank, both of which are just under two years old. None of the five ongoing projects is also considered a project at risk or a potentially problematic project (PPP).

6. Assessment of Supervision Frequency and Quality

The Namibia portfolio has an average supervision ratio of 1.5 missions per project per year for the ongoing projects declared effective more than one year before the review commenced. The supervision missions were, in general, sufficient in terms of the frequency and quality. The missions enabled the Bank Group and the Government to take pro-active measures to deal with a liquidity crisis that was looming at Agribank, the project implementation unit (PIU) for the Third Line Of Credit. As a result of the timely supervision mission, and the advice given to Agribank, it is in the process of adopting a risk management policy that would proactively address the institution’s liquidity problem. For the transport sector projects, the supervision missions were very helpful in timely resolving issues related to disbursement, project audits and the use of loan savings.

7. Cross-Cutting Issues

Cross-cutting issues, such as poverty reduction, environment, gender and economic empowerment, HIV/AIDS and governance, continue to be systematically addressed by some of the ongoing projects. These issues identified in the appraisal reports for the ongoing projects are rigorously monitored during supervision missions. All the ongoing projects are paying attention to poverty reduction. The Tandjieskoppe Green Scheme project and all the ongoing transport sector projects have mitigating measures to address environmental concerns. The Third Line of Credit to Agribank and the transport sector projects are addressing gender and economic empowerment issues. The Tandjieskoppe Green Scheme project and the Kamanjab-Omakange road project included specific activities to address the problem of HIV/AIDS. While none of the projects specifically address governance issues, such issues are seriously dealt with whenever they are uncovered. This was the case with the Third Line of Credit to Agribank which was approved by the ADB Board on condition that Management should only conclude the loan signature after Agribank had resolved the issue related to the appointment of Agribank’s Chief Executive and its Board of Directors.

8. Generic Problems

The only generic issue observed in the course of the portfolio review relates to compliance with loan conditions, especially loan effectiveness conditions and the reporting covenant. In a number of cases, signature of loan agreements was delayed to avoid early commencement of commitment fees, thus leading to delays in entry into force of the

agreements. Delays in recruiting audit firms, also often lead to long delays in submitting annual audit reports, thus leading to non-compliance with the Bank's reporting covenant.

9. Proactive Management of Portfolio

To further improve portfolio performance, the Bank Group would continue to take proactive measures, which would include organizing periodic training and workshops on project implementation with a view to familiarizing staff of the PIUs with Bank Group rules of procedure relating to procurement, disbursement, financial management and reporting. One of such workshops was organized during the period 27 March - 4 April 2006 in Windhoek, Namibia. In addition, the Bank would continue to use launching missions at the start of implementation of new projects to inform and educate government officials and those of PIUs about its procedures and rules. In this regard, it is expected that the portfolio improvement plan outlined in this report which includes periodic internal portfolio review by the Government, would assist in proactively managing the portfolio. As can be seen from the portfolio improvement plan (see Annex VII), actions deemed important for reducing delays in complying with loan conditions, delays in the recruitment of project auditing firms, and difficulties encountered in adhering to reporting requirements are clearly indicated.

10. Lessons for Future Country Strategy Papers and Portfolio Management

The review of the ongoing portfolio points to some lessons that could be learned and taken into account in the search for appropriate measures to improve the quality of future projects and CSPs. The first lesson is that the ongoing operations provide a good example of the effective use of pillars and selectivity within the pillars and sectors. Both the 2003 and 2006 CPPRs have shown that operations in Namibia have been concentrated in two main sectors, namely, agriculture and infrastructure. This is a lesson that future CSPs should emphasize. The second is that coordination with other donors is important in that it helps to leverage the Bank Group's resources because of the associated multiplier effect. The final lesson is that the classification of Namibia as a "lower middle-income country" by the international donor community has deprived the country of much-needed concessional resources for project funding and for financing capacity building activities. The lack of access to this type of resources partly accounts for the country's small portfolio size as the government is not willing to borrow resources on commercial terms for social sector projects. Future CSPs need to explore this issue further and suggest how the Bank Group can help Namibia access significant bilateral resources for institutional strengthening and capacity building. In this context, the Middle Income Country (MIC) Trust Fund could be an effective instrument for increasing the size of Bank Group operations in Namibia through its use for project preparation.

11. Conclusions and Recommendations

The portfolio review has shown that the overall performance of the ongoing operations is satisfactory with a rating of 2.46. The Bank-wide 2004 APPR report has also shown that the performance of the portfolio in Namibia was satisfactory. No projects in the portfolio were rated as being at risk or problematic. The report also does not indicate any serious implementation problems. This level of portfolio performance shows that there is a high probability that all the ongoing operations will achieve their development objectives. Notwithstanding this relatively high rating, a number of measures are recommended for further improvement of the performance of the Bank Group operations in Namibia.

12 Recommendations

In the light of the findings of the CPPR, the following recommendations are made with a view to further enhance the performance of Bank's portfolio in Namibia.

12.1 *Actions to be taken by the Bank*

- (i) To enhance project implementation capacity of PIUs, the Bank should intensify periodic loan administration workshops, including training of trainers, to ensure that a critical mass of country officials knowledgeable in Bank's rules of procedures is available in-country.
- (ii) To ensure quick compliance with loan effectiveness conditions, Bank's appraisal missions should sensitize government officials with the issues likely to form part of the loan conditions and request that they start working on them. Bank should also minimize the number of loan conditions and restrict them to those necessary for effective project implementation to facilitate compliance.
- (iii) To ensure timely submission of annual audit reports, the Bank's supervision missions should continuously monitor the timing of the recruitment of audit firms. The Bank will also monitor compliance with this reporting covenant and promptly impose sanctions in the form of suspension of disbursement when deemed fit.

12.2 *Actions to be taken by the Government*

- (i) To further enhance portfolio quality, the Ministry of Finance should commence quarterly or half yearly portfolio reviews with PIUs, so as to identify problems at an early stage and deal with them promptly.
- (ii) The Government should take prompt actions on signature of loan agreement and fulfillment of loan effectiveness conditions.
- (iii) The Government should also ensure that all outstanding audit reports are submitted to the Bank without further delay to avoid imposition of sanctions in the form of suspension of disbursements.

12.3 The Boards are invited to consider and endorse this Country Portfolio Performance Review Report for Namibia.

1. INTRODUCTION

1.1 Objectives, Structure and Coverage of the Report

1.1.1 This Country Portfolio Performance Review Report (CPPR), the fourth to be undertaken since the Bank Group started operations in Namibia in 1991, reviews the implementation performance of the Bank Group's ongoing operations in the country. The report also highlights the key issues responsible for the good performance of the portfolio; it draws lessons from the implementation experience and proposes an action plan for remedial measures. This report is based on the findings of a multidisciplinary Country Portfolio Review mission undertaken during the period 24-28 October 2005, quarterly progress reports and supervision missions undertaken up to 31 May 2006. The last portfolio review was carried out in 2003 and its report was presented to the Boards of Directors (ADB/BD/WP/2003/155) in December 2003. A comparison of the findings of both reviews shows that the overall performance of the ongoing operations continues to be satisfactory.

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

1.2 Size and Composition of the Cumulative Portfolio

1.2.1 *Overview:* The Bank Group started operations in Namibia in 1991, and, by 31 May 2006, 15 operations amounting to UA 139.61 million, net of cancellations, have been approved. The approved operations consist of 8 projects, 4 studies and 3 lines of credit. All of these operations have been public sector projects as there have been no private sector projects. The approved operations consist of UA 120.97 million from ADB resources, UA 12.49 million from ADF resources, UA 3.05 million from NTF resources and UA 3.10 million from grant resources (see Table 1.1). In addition, Namibia received an ADB-emergency relief grant of US\$500,000 in 2002 to help the country cope with the impact of drought that occurred that year. The rand-denominated lending instrument introduced by the Bank in 2000, has enhanced Bank's lending to Namibia given that borrowing in rand does not expose the country to foreign exchange risk in view of the parity that exists between the rand and the Namibia dollar, in view of the common monetary arrangement.

Table 1.1
Summary of All Operations on 31 May 2006
(UA million)

Financing Window	Commitments, Net of Cancellation	Disbursements	Rate of Disbursement (%)
ADB	120.97	61.83	51.12
ADF	12.49	12.49	100.00
GRANTS	3.10	3.10	100.00
NTF	3.05	3.05	100.00
TOTAL	139.61	80.47	57.64

1.2.2 The distribution of Bank Group cumulative operations in Namibia by sectors presented in Table 1.2, shows that transport accounts for the largest share (51.36%) of total commitment (net of cancellations), followed by agriculture (34.34%), social (8.65%), power (4.56%), multi-sector (0.55%) and water supply and sanitation (0.55%).

Table 1.2
Distribution of Commitments (Net) by Sector (on 31 May 2006)
(UA million)

Sector	Number of Operations	Net Commitments	% by Sector
Agriculture	5	47.94	34.34
Transport	5	71.71	51.36
Power	1	6.35	4.56
Multi-sector	1	0.77	0.55
Water & Sanitation	1	0.76	0.55
Social	2	12.07	8.65
Total	15	139.60	100.00

2. REVIEW OF THE ONGOING PORTFOLIO

Of the fifteen operations financed as at the end of May 2006, ten have been completed while five are ongoing. The ongoing operations consist of two projects in the agricultural sector and three in the transport sector, with a total cumulative commitment of UA 101.01 million, all from ADB resources (See Table 2.1).

Table 2.1
The Sectoral Breakdown of Bank Group Ongoing Operations
(UA million)

Sector	Number of Operations	Commitments, Net	% by Sector
Agriculture	2	33.74	33.41
Transport	3	67.26	66.59
TOTAL	5	101.01	100.00

2.1 The Agricultural Sector

2.1.1 The agricultural sector accounts for 34.34% of the Bank Group's net commitments in Namibia. Since its involvement in the agricultural sector in 1991, the Bank has approved five projects for a total commitment of UA 47.94 million. Of the five projects, two, the Third Line of Credit to Agribank and the Tandjieskoppe Green Scheme Project, are still under implementation. Both projects are aimed at poverty reduction through improved agricultural income, food security, and access to social services. These two operations have a total commitment of UA 33.74 million (33.41% of ongoing portfolio) as at end May 2006.

**The Third Line of Credit to Agribank
Basic Data and Project Objectives**

LATEST DISBURSEMENT STATUS (in UA)									
LOAN NUMBER	NET LOAN in UA	Disbursed	%	Undisbursed	%	Commitment	%	Firs disb.	Latest Disb.
2000130000481	0.00	0.00	0.00	0.00	0.00	0.00	0.00	---	---
2000120000669	13.981	4.47	32.00	9,51137	68.00	4,47	32.00	5.10.2005	5.10.2005
Approval Date : 29.09.2004					Date of Signature : 05.04.2005			Date of Effectiveness : 29.04.2005	
Deadline for Last Disbursement : 31.12.2006						Executing Agency : Agribank			
Audit : Up to date						Date of Last Supervision Mission: 05-16. 11.2005			
Progress Reports: regularly submitted.									
<p>Project Objectives: The objective of the project is to assist emerging/communal farmers as well as commercial agricultural and agro-allied enterprises in Namibia so that they can increase agricultural production, enhance communal-farmers livelihoods, generate employment opportunities and therefore contribute to the development and diversification of agricultural production and expand linkages of the sector to industrial, transport, tourism and other service sectors.</p> <p>Project Description: The proceeds of the Third Line of Credit (LoC) will be on-lent to agricultural and agro-allied sub-project ventures that include rainfed as well as irrigated agricultural activities, both traditional and non-traditional activities, such as livestock and game farming. The LoC proceeds would finance the acquisition of farmland, capital goods, improvements and/or expansions of existing activities, agricultural equipment, implements, inputs and related activities needed for the implementation of eligible sub-projects.</p> <p>The LoC will in general be targeted at mainly emerging/embryonic farmers (i.e., previously disadvantaged and marginalized communal farmers), women farmers as well as commercial farmers countrywide to finance among others: farmland; livestock and game purchases; water installations and other infrastructures; agricultural machinery and vehicles; aquaculture and fish processing facilities.</p>									

2.1.2 **Compliance with Loan Conditions:** Compliance with loan conditions has so far been satisfactory. The conditions precedent to entry into force and first disbursement were fulfilled by April 2005. It, therefore, took only six months to fulfill these conditions after the project was approved. The project is up-to-date on reporting, including annual audit reports. The PIU has also submitted a number of reports including the Status Report on Institutional Improvements. The project still has about 20 months to fulfill the other loan conditions, so this requirement is not yet violated.

2.1.3 **Procurement Procedures:** Agribank is not directly involved in the procurement activities of sub-projects. This is because the procurement activities are undertaken by the respective beneficiaries of the proceeds of the line of credit, in accordance with established commercial practices acceptable to the Bank.

2.1.4 **Financial Performance:** Agribank submitted its first disbursement application of ZAR 40 million to the Bank on 4 August 2005. The Bank processed and disbursed the proceeds of the application on 1 October 2005, three months after the submission of the application. To date, the level of disbursement stands at 32%. Institutionally, Agribank financial performance is satisfactory as per the 2005 annual accounts.

SOURCE OF FINANCE	FOREIGN CURRENCY (UA)	LOCAL CURRENCY	TOTAL
AFRICAN DEVELOPMENT BANK	13.981	0.00	13.981
GOVERNEMENT	0.00	0.00	0.00
TOTAL	13.981	13.981	13.981

2.1.5 **Project Implementation Activities:** The physical implementation (loan approvals) of the LOC to-date stands at 71% while the disbursement rate is 32%. This pace of implementation is considered satisfactory and within schedule.

2.1.6 **Impact on Development:** The Third LOC is expected to reduce poverty among the vulnerable groups, improve food security at the poor household level and provide access of sustainable credit provisions and financial intermediation for the agricultural sector. The accomplishments under the Line of Credit so far point towards likelihood of attaining project objectives and sustainable benefits beyond the investments stage.

2.1.7 **Overall Assessment:** The overall performance of the project is so far rated as highly satisfactory.

Summary of Performance Rating

Indicator	Compliance with Conditions	Procurement of Goods and Services	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
Rating	2.67	N/A	2.40	3.00	2.33	2.58

**Tandjieskoppe Green Scheme Development Project
Basic Data and Project Objectives**

SOURCE OF FINANCE		FOREIGN CURRENCY	LOCAL CURRENCY	TOTAL	
AFRICAN DEVELOPMENT BANK		16.718.952,97	4.821.293,79	21.540.246,76	
ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA		7.109.226,18	0,00	7.109.226,18	
GOVERNMENT		106.797,56	3.995.666,48	4.102.464,05	
OPEC FUND		4.090.141,25	0,00	4.090.141,25	
TOTAL		28.025.117,97	8.816.960,27	36.842.078,24	

LATEST DISBURSEMENT STATUS (in UA)									
LOAN NUMBER	NET LOAN in UA	Disbursed	%	Undisbursed	%	Commitment	%	First disb.	Latest Disb.
2000130000480	23.4619	0,00	0,00	23.4619	100,00	0,00	0,00	---	---

Approval Date : 08.09. 2004	Date of Signature : 05.04.2005	Date of Effectiveness : 24.11.2005
Deadline for Last Disbursement : 31.12.2010	Executing Agency : Ministry of Agriculture, Water and Forestry	
Audit : Not yet due	Date of Last Supervision: March 2006	
Progress Reports: Not yet due		

Project Objectives: The objective of the project is to use the available land and water potential in the project area along the Orange River for the development of irrigated agriculture to enhance national food security, diversification of agricultural production, and provision of livelihood for rural population so as to reduce poverty levels among the rural population.

Project Description: The project would be implemented in two locations: (i) the Noordoewer site with 720 net irrigable ha; and (ii) the Tandjieskoppe site with 320 net irrigable ha. The project would involve the establishment of two irrigation units, one in each project site. The following would be the activities of the project: (a) **Irrigation Infrastructure** which would comprise detailed engineering design, land preparation, drainage system, installation of irrigation head works, which include pump stations, main and sub-main pipelines, storage/balancing reservoirs and infield micro-irrigation distribution systems; (b) **Crop Development** which would mainly be provision of credit for the establishment of grapes, dates and vegetables, related farm machinery and crop production inputs, and training; (c) **Construction of Farm Infrastructure** comprising pack houses, houses for farmers and supervising field managers, storage facilities and office space, a school, drinking water facilities, feeder roads, and a small landing strip that would be displaced by the project; and (d) provision of **Support to MAWRD** for Project Implementation including recruitment of Project Implementation staff as well as grapes and dates production; technical assistants and field supervising managers; HIV/AIDS awareness campaign and implementation of the Environmental and Social Management Plan (ESMP).

2.1.8 **Compliance with Loan Conditions:** Adherence to loan conditions has not been satisfactory, since it took about 16 months for the project to be declared effective and about 18 months for other conditions to be fulfilled. Project implementation is now well underway with the declaration of Project Effectiveness by the Bank and the finalisation of negotiations with successful bidders for the design and supervision for civil works to be carried out. The Project is on course to meeting the 'Other Conditions' of the loan. Since the project became effective only on 24 November 2005, implementation is just getting underway, hence both quarterly progress and audit reports are not yet due.

2.1.9 **Procurement Procedures:** Procurement of works commenced early with the Bank approval in June 2005 of a shortlist of consultants for the design of works in 3 lots, viz., Lot 1, consisting of Pump Stations, main supply, pipelines and water storage facilities; Lot 2, consisting of Water Distribution network, control points, layout of irrigation area, infield irrigation system, roads and landing strip; and Lot 3, consisting of Pack Houses, Offices,

storage facilities, housing for settlers and staff and a school. The Bank Group is awaiting receipt of the complete evaluation report for the award of contracts to the successful bidders.

2.1.10 Financial Performance: It is premature to evaluate Financial Performance since no disbursements have been made so far. However, the Executing Agency has been informed of the required financial accounting requirements. There is generally no problem with securing foreign exchange for the project and local currency availability is assured to meet government counterpart contributions. The main co-financiers (Badea and Opec Fund) have approved their respective loans. However funding for the earmarked activities (in-field irrigation, houses) will have to await recruitment of the consulting engineers and the technical designs.

2.1.11 Project Implementation Activities: The overall implementation of procurement activities is satisfactory and prompt completion of the recruitment of Consulting Engineers for design works will mark a significant take off of project activities. Conclusion of tender evaluation and contract award has been delayed in part due to errors on the part of the Borrower requiring re-evaluation of tenders as well as due to lengthy contract validation process in the Government of the Republic of Namibia (GRN) with technical evaluation by the Ministry Agriculture, Water and Forestry and financial evaluation by the Agribank Board. There are no other project implementation activities ongoing and the PIU has been urged to front load the selection and training of potential farmers to be relocated to the project site. Also the credit funds could be offloaded from the Bank to Agribank in order to boost disbursement. Thus so far, the performance of the project management remains satisfactory.

2.1.12 Impact on Development: The project is expected to lead to improved levels of food security at both household and national levels and create employment opportunities in line with the NDP2 goals. With the selection of design and supervision consultants of international renown and with the number of potential farmers reported growing, the project is poised to make a difference in the lives of the formerly marginalised population of Namibia. Projects benefits while not yet realised are likely to be secured beyond the investment stage as all farmers are selected to operate on a commercial private basis. The establishment of the Green Scheme Agency to manage this (Tandjieskoppe) as well as forthcoming Green Schemes in other parts of the country provides the institutional anchor for sustainability of the project's activities and outputs.

2.1.13 Overall Assessment: The overall performance of the project is satisfactory, however, prompt actions are required to get the civil works design underway and also to commence farmer selection and training activities ahead of site development.

Summary of Performance Rating

Indicator	Compliance with Conditions	Procurement of Goods and Services	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
Rating	1.00	2.0	2.67	2.50	3.00	2.23

2.2 The Transport Sector

2.2.1 Overview: The Bank Group has approved five operations in the transport sector with a total commitment (net of cancellations) of UA 71.71 million since 1991. Two of the operations have been completed. The three (3) ongoing operations with a total commitment

of UA 67.26 million are: (i) The Northern Railway Extension Project; (ii) the Aus-Rosh Pinah Road Project; and (iii) the Kamanjab-Omakange Road Project. The Northern Railway Extension Project is about 91% completed; the Aus-Rosh Pinah Road Project is 70% completed; and the Kamanjab-Omakange Road Project is about 4.46% completed. In addition to normal lending operations, the Bank Group has also financed through the Danish Trust Fund the Namibia Airports Master Plan Study, which was completed in 2004.

**Northern Railway Extension Project
Basic Data and Project Objectives**

Amount Approved: ZAR 215.46 million (UA 24.10 million)	Source: ADB	Disbursed Amount/Percentage: ZAR 187.88 million (87.20%)
Cancelled Amount: None		
Net Commitment: ZAR 215.46 million		
Date Approved: 19/9/2001 Date Signed: 16/10/2001 Entry into Force: 15/4/2002	Accounts Audit: Reports for Fiscal Years 2002/2003, & 2003/2004 submitted while reports for 2004/05 and 2005/06 are outstanding. Progress Reports: Quarterly Reports submitted regularly	Last Disbursement Deadline: 31/12/2005
Date of Last Supervision: 25/10/2005	Executing Agency: Ministry of Works, Transport & Communications	
Project Objective: The objective 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 neighboring country (Angola) through provision of additional infrastructure facilities by extending the existing railway network from Tsumeb to Ondangewa. Project Description: The overall project consists basically of eight components—civil works; goods; permanent way construction; signal and telecommunications; mechanical equipment; and running shed at Ondangewa; project implementation unit (PIU); land acquisition; and consulting services.		

2.2.2 Compliance with Loan Conditions: All the conditions precedent to Entry into Force and First Disbursement were fulfilled within six months of the project approval by the Bank Group Board. Therefore, no noticeable delay was incurred during this stage of the process. However, compliance with general conditions has been only marginally satisfactory as the recruitment of the project auditing firm had taken more time than anticipated which has affected the timely submission of audit reports. The Auditing firm submitted the audit reports for 2002/2003 and 2003/2004. The remaining audit reports for fiscal years 2004/2005 and 2005/2006 are expected by end of July 2006. The submission of quarterly project reports has generally been satisfactory.

2.2.3 Procurement Performance: Of the nine components financed by the Bank Group, eight were procured during the previous assessment period. During the current assessment period, one component was procured through International Competitive Bidding (ICB). The component was procured on time and no complaints were registered from the bidders. The actions of the Bank Group in approving the different steps of the procurement process were also timely. Performance in the area of procurement of goods and works is considered highly satisfactory.

2.2.4 Financial Performance: There has been no disbursement related issues adversely impacting project implementation. The certificates of the contractors and consultants were being paid regularly and on time by both the Bank and GRN. Project cost management has been highly satisfactory as the project is being completed within budget. Loan savings of approximately N\$ 15 million are expected after the completion of the project and the GRN has expressed interest in using this amount to finance project related activities under the second extension of the railway from Ondangwa to Oshakati. The financial performance of the two other co-financiers - BADEA and the Kuwait Fund - has also been very satisfactory.

2.2.5 Project Implementation Activities: Six of the seven earthwork contracts financed by the Bank Group have been completed. The remaining earthwork contract is approximately 95% complete. The train stations are 100% complete and the procurement and delivery of ballast is 100% complete. The components financed by the Kuwait Fund, BADEA, and GRN are also progressing according to schedule. The project will be completed in July 2006. However, since some activities of the project are still ongoing (e.g. audit services), the Bank, at the request of the GRN, has extended the deadline to 31 December 2006 to allow for the orderly completion of all project activities.

2.2.6 Impact on Development: At completion, the project is expected to reduce the average transport cost by about 25% in comparison to movements by road throughout the life of the rail line up to 2029. In turn, this will contribute to reducing traffic congestion caused by trucks and lower the maintenance cost for roads in the same corridor. The railway extension project, which passes through the under-developed but more densely populated northern regions of the country, will stimulate economic growth and have a significant impact on poverty reduction in line with the national development policy objectives of the government. Thus, the project objective is likely to be realized and benefits sustained beyond the investment stage of the project.

2.2.7 Overall Assessment: Overall, the project implementation has been very satisfactory.

Indicator	Compliance with Conditions	Procurement of Goods and Services	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
Rating	2.00	2.50	3.00	2.0	2.50	2.27

**Aus-Rosh Pinah Road Project
Basic Data and Project Objectives**

<u>Amount Approved:</u> ZAR 205.13 million (UA 22.94 million)	<u>Source:</u> ADB	<u>Disbursed Amount/Percentage:</u> ZAR 127.39 million (62.10%)
<u>Cancelled Amount:</u> None		
<u>Net Commitment:</u> ZAR 205.13 million		
<u>Date Approved:</u> 02/10/2002 <u>Date Signed:</u> 03/06/2003 <u>Entry into Force:</u> 21/01/2004	<u>Accounts Audit:</u> Audit reports for 2003/2004 & 2004/2005 submitted. <u>Progress Reports:</u> Quarterly Reports submitted	<u>Last Disbursement Deadline:</u> 31/12/2006
<u>Date of Last Supervision:</u> 25/10/2005	<u>Executing Agency:</u> Namibia Roads Authority	
<p>Project Objective: The sector goal is to facilitate economic development and poverty alleviation by improving the efficiency of national transport infrastructure. The objective of the project is to upgrade the 169 km road between Aus and Rosh Pinah in order to reduce total transport costs.</p> <p>Project Description: The project consists of upgrading of 169 km gravel road to bitumen standards from Aus to Rosh Pinah of a width of 6.8-metre carriageway and 1.5-metre gravel shoulders on either side; consultant services for the supervision of the above civil works; and project –audit services.</p>		

2.2.8 Compliance with Loan Conditions: The loan agreement entered into force sixteen (16) months after Board approval of the loan, partly because of the eight (8) months delay before the signing of the loan agreement. Once the loan agreement was signed, all the

conditions precedent to Entry into Force and First Disbursement were fulfilled within seven months. The submission of quarterly project reports has generally been satisfactory, but the submission of project audit reports has not been timely. The audit report was submitted with more than 12 months delay. Compliance with other conditions regarding the implementation of the Environmental and Social Management Plan (ESMP) has however been very satisfactory. Overall, this indicator is only marginally satisfactory.

2.2.9 Procurement Performance: The procurement of the road construction project was through ICB under a single contract with regional preference. The procurement process was timely and conducted according to Bank Group rules, with no complaints. The Procurement performance is satisfactory.

2.2.10 Financial Performance: A total amount of N\$ 136 million including 15% VAT was paid to the contractor for the works and contract price adjustment. Ninety three per cent of that amount net of taxes was disbursed by the Bank Group, while the GRN paid for the remaining 7% and the VAT. The disbursements from both the Bank Group and GRN are satisfactory as no delays in payment were recorded. The final cost of the project is expected to be approximately ZAR 187.45 million which is more than 12% below the initial contract sum of ZAR 213.15 million; thanks to efficient cost management by the executing agency and the supervision consultant. The performance of the project cost management is highly satisfactory.

2.2.11 Project Implementation Activities: The Bank Group financed contract is progressing according to the work programme with only a minor slippage. An overall extension of time of 115 days was awarded to the contractor for several reasons including adverse weather conditions, labor strikes, etc. The time extension will delay the completion date from 2 March 2006 to 28 July 2006. An aggregate 95% of the scheduled works was completed and 103 km representing 88% of the road length is open to traffic. The quality of works and services provided by the contractors and consultants, and performance of the project management team are generally very satisfactory.

2.2.12 Impact on Development: The project will facilitate economic development and poverty reduction by improving the efficiency of the national transport infrastructure. Much of Namibia's mining revenue is generated in the project zone of influence with diamond mining generating 12% of State tax revenue. The Skorpion Zinc mine constructed at a cost of US\$ 320 million will produce 150,000 tons of refined zinc per year which will be exported using the project road to the Port of Luderitz. The project will also further the development of tourism as the Karas Region is already, with 75,000 visitors per year, one of the country's main tourists' destinations. With respect to the agricultural sector in the Karas Region, successful developments have occurred in irrigated agriculture and there is indication of scope for further investment of this nature at Naute Dam and Aussen Kehr. These two farms produce 460,000 cartons of table grapes for export. With the advent of the project road, there are ambitious plans to expand the production to 4 million cartons of grapes. In the light of the success of the Aussen Kehr project, a number of new irrigation projects have been proposed in the region. This project is therefore stimulating development in the project area, a development that will be sustained beyond the investment stage of the project.

2.2.13 Overall Assessment: The project implementation is progressing satisfactorily and the prospect of achieving the development objectives is equally very satisfactory.

Indicator	Compliance with Conditions	Procurement of Goods and Services	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
Rating	1.67	3.0	3.00	2.0	3.0	2.53

Kamanjab-Omakange Road Project
Basic Data and Project Objectives

<u>Amount Approved:</u> ZAR 246.76 million (UA 27.60 million)	<u>Source:</u> ADB	<u>Disbursed Amount/Percentage:</u> ZAR 18.56 million (7.52%) or (UA 1.93 million)
<u>Cancelled Amount:</u> None		
<u>Net Commitment:</u> ZAR 246.76 million		
<u>Date Approved:</u> 19/05/2004 <u>Date Signed:</u> 26/05/2004 <u>Entry into Force:</u> 03/12/2005	<u>Accounts Audit:</u> Due by December 2006 <u>Progress Reports:</u> Report submitted regularly	<u>Last Disbursement Deadline:</u> 31/12/2008
<u>Date of Last Supervision:</u> 25/10/2005	<u>Implementation Agency:</u> Namibia National Roads Authority	
<p>Project Objective: The sector goal is to facilitate economic development and poverty alleviation by improving the efficiency of national transport infrastructure. The development objective of the project is to achieve broader access to social services in the project area and to improve connectivity between the Kunene Region and other parts of the country.</p> <p>Project Description: The project consists of 204 km of gravel road to bitumen standards from Kamanjab to Omakange of a width of 6.8-metre carriage way and 1.5-metre gravel shoulders on either side; consulting services for the supervision of the above civil works; and project audit services.</p>		

2.2.14 Compliance with Loan Conditions: The Legal Opinion issued by the Namibia Attorney General was forwarded to the Bank and found satisfactory to fulfill the condition for Entry into Force of the loan agreement. The loan agreement entered into force within seven (7) months of board approval of the loan. The two conditions precedent to first disbursement of the loan were fulfilled in December 2005, five (5) months after entry into force. Compliance with loan conditions precedent to entry into force and first disbursement was therefore generally satisfactory. In terms of compliance with general conditions, the quarterly progress reports are regularly submitted while the annual audit report is not yet due. Compliance with other conditions regarding the implementation of the Environmental and Social Management Plan (ESMP) has been very satisfactory.

2.2.15 Procurement Performance: The civil works contract for phase 1 of the project (Kamanjab to km 104) was awarded in October 2005. The procurement of the second phase contract - km 104 to km 204 (Omakange) – is underway using International Competitive Bidding (ICB) with 10% regional preference. The tenders received from four contractors were open on 15 December 2005. The Roads Authority is currently carrying out the tender evaluation and it is anticipated that the phase two contractor would be on the ground by July 2006. The procurement performance for both works and consultancy services is highly satisfactory.

2.2.16 Financial Performance: As of May 2006, a total amount of N\$20,088,447 including VAT was paid to the contractor for the works. N\$15,022,665 of that amount was disbursed

by the ADB, while the GRN contributed N\$2,445,550 for the works and an additional N\$2,620,232 for the VAT. There has been no delay in payment recorded from either the ADB or GRN. Thus, disbursement flow from both the Bank and the Government is highly satisfactory. The project implementation is so far within budget with no recorded deviation.

2.2.17 Project Implementation Activities: The contract for phase I was awarded to Messrs. Grinaker-LTA for a total amount of N\$164.97 million including the 15% VAT. The construction starting date was 21 October 2005 and completion is planned for 20 September 2007. The contractor has completed the establishment of the construction camp and started the staking out of the road alignment and earthworks for the road platform. Aggregate progress is estimated at 10%. The performance of the contractor has therefore been highly satisfactory. The project implementation is on schedule so far and the performance of the supervision consultant is very satisfactory.

2.2.18 Impact on Development: The project is expected to contribute to achieving broader access to economic and social services in the project area and to improving connectivity between the Kunene Region and other parts of the country. The project will help integrate the Kunene Region in particular and the northern region in general into the country's economic and social mainstream by reducing transportation costs and travel time. In addition, the road will improve links to neighboring Angola thereby contributing towards the promotion of trade, tourism and regional integration. The objective of the project is consistent with the government's poverty reduction action plan and the decentralization policy aimed at improving the delivery of social services and promoting more equitable distribution of resources. The project objective is therefore likely going to be achieved and the likelihood of sustaining the benefits realized beyond the investment stage of the project is very high. The project will also contribute towards an increase in institutional capacity in the road transport sub-sector.

2.2.19 Overall Assessment: The project is so far on target and expected to achieve its development objectives. Overall project implementation is very satisfactory.

Indicator	Compliance with Conditions	Procurement of Goods and Services	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
Rating	2.67	3.0	2.75	2.50	3.0	2.76

2.3 Ageing, Potentially Problematic and Problem Projects

By definition, ageing projects refer to projects still under implementation 8 years after the date of their approval. Based on this definition, none of the ongoing projects can be classified as "aged." The average life of the ongoing projects is about two years. The Northern Railway Extension project is the oldest and is just about 5 years old, followed by the Aus-Rosh Pinah Road (just under 4 years), the Kamanjab-Omakange Road project (about 2 years old) and the Tandjieskoppe Green Scheme project and the Third LOC to Agribank, which are both just under two years old. None of the five ongoing projects is considered a problem project or project at risk.

2.4 Assessment of Supervision Frequency and Quality

2.4.1 Of the two ongoing agricultural projects, the Third Line of Credit to Agribank has been supervised twice on 5-16 November 2005 and 7 May 2006 since the start of its implementation in April 2004. The first mission was carried out by a three-man team, consisting of the Division Manager, the Task Manager (who is a financial analyst) and a Financial Risk Management Officer. The mission dealt with a number of issues that had arisen in the course of the project's implementation, which included a high number of non-performing sub-loans, viewed in relation to Agribank's low provisioning rate, a serious liquidity constraint facing Agribank which is due mainly to a high degree of a mismatch between short-to-medium-term borrowings and long-term lending, non-existence of an asset and liability policy necessary to address the liquidity constraint, lack of progress in fulfilling the other loan conditions such as the submission of Bank-performance-related data and other information, non-existence of an environmental policy and guidelines and delays in the submission of briefs on sub-projects to the Bank. In addition, the mission advised Agribank to carry out institutional reforms that should include an adoption of a risk management policy intended to improve its credit policy, upgrading of its IT system with appropriate software and training of relevant staff on its application, recruiting a corporate manager and a branch operations manager and addressing debt management problems by approving adequate budgetary allocations in order to clear arrears to its guarantor. The second mission was carried out by the Task Manager, an Agricultural Economist and a Financial Risk Management Officer. The mission generally looked into outstanding issues including the status of implementation of the TLOC, the remaining other loan conditions and progress on Agribank risk management and organizational issues pointed out to Agribank management during the first supervision mission. For the Tandjieskoppe Green Scheme, only desk supervision has taken place as physical implementation is yet to commence.

2.4.2 For the three ongoing transport projects, supervision of the Northern Railway Extension and the Aus-Rosh Pinah has followed the laid-down rule of 1.5 times per year since the last CPPR was carried out in 2003. Both projects were supervised in March 2005 and in October 2005 during the mission for this CPPR. The Kamanjab-Omakange road project, which is at a start-up stage, was also supervised during the CPPR mission in October 2005. All three ongoing projects in the transport sector have also been supervised on 20-31 May 2006. To speed up the procurement of goods and services for the Kamanjab-Omakange road project and fulfillment of the other loan conditions, the mission provided additional guidance to the staff of the project implementation unit.

2.4.3 In general, the supervision missions allowed Bank staff to ensure that the financing provided is used for only the purposes for which it was intended, with due regard to efficiency and economy. By visiting the projects' sites, the Bank was able to make sure that the projects were being implemented with due diligence to achieve their agreed objectives, and that they were conforming to the loans agreements. During the visits, issues related to the achievement of development objectives, project benefits, problems related to physical progress, financial status and the quality of implementation were thoroughly assessed, discussed and solutions recommended. In addition, by carrying out consultations with the staff of the project implementing units, beneficiaries, nongovernmental organizations (NGOs), and other stakeholders the Bank gained a broad understanding of the rate of progress of the implementation of the projects and their likely results. The visits helped to resolve issues related to disbursement, project audits and the use of loan savings. Also, during the visits concurrent reviews of bidding documents were conducted with the project implementation units. As a result of the reviews and recommendations made, the executing agencies have been able to significantly resolve issues relating to the overall procurement of goods, services and

consultants. The field supervision missions also provided appropriate occasions for Bank staff to monitor compliance with the Bank's environmental and social safeguard policies, in particular, the implementation of HIV/AIDS awareness programs, and the provision of equal opportunity for the employment of women.

2.5 Cross-Cutting Issues

In terms of cross-cutting issues the Bank's ongoing portfolio in Namibia is addressing those related to poverty reduction, environment, gender and economic empowerment, HIV/AIDS and governance.

Poverty Reduction

2.5.1 To assist the government in combating poverty, proceeds of the Third Line of Credit to Agribank will go mostly to about 800 emergent/embryonic farmers and former communal farmers who are in the process of graduating to the class of commercial farmers through acquisition of farmland in freehold tenure areas, situated mostly in the centre and south of the country. During the implementation phase, the project is expected to create more than 600 new jobs through the sub-projects being financed under the LOC. Other potential beneficiaries include commercial farmers and entrepreneurs who are involved in fishing, aquaculture including fish marketing and game farming. In this regard, almost 100 loans are expected to be financed from the proceeds of the credit, which will directly benefit about 5000 farmers. For the Tandjieskoppe Green Scheme project, the main beneficiaries would be the landless and unemployed Namibians who have been socially, economically and educationally disadvantaged by the country's past discriminatory laws and practices. In addition, the project is expected to benefit about 273 people, comprising 260 small-scale and 13 medium-scale farmers who will be resettled under the project.

2.5.2 Poverty reduction is also a major objective for the three ongoing projects in the transport sector. In this regard, the Northern Railway Extension project is intended to open up some of the relatively least developed northern areas of the country, where the main activity of the majority of the people is subsistence agriculture. By passing through these areas, the railway is expected to stimulate economic activity and have a significant impact on poverty reduction. During the ongoing implementation phase, the project is using labour-based methods for the construction of most of the embankments for the railway line. By so doing, it has already created a number of casual jobs per day. The project is also expected to create attractive opportunities for the development of micro-enterprises along the railline corridor and in the connecting towns and cities. The Aus-Rosh Pinah Road was also conceived and designed in the context of facilitating economic development in the Karas region, which would have a significant impact on poverty alleviation by improving the efficiency of road transport. The Karas region offers exciting prospects for dynamic economic growth and job creation in mining activities as a result of the new Skorpion zinc mine operating in the area and in labour intensive-agricultural activities with projected expansions of areas under grape cultivation. The road project would provide a cost-effective transport system for goods haulage and passenger travel for the Karas region as it would link areas with a dynamic agricultural growth potential in the south with mining areas to the west. During the current implementation phase, contractors are being required to recruit all unskilled labour locally, through standard labour channels. In addition and to the extent possible, skilled labour is also being recruited from the area. The Kamanjab-Omakange road is also expected to have a significant impact on poverty reduction. This project is located in the Kunene region in the northwestern part of Namibia, considered one of the most disadvantaged areas that have not benefited significantly from infrastructure development.

The main economic activity of the region is agriculture, especially livestock farming. The road is, therefore, expected to open up the area and enhance the economic development of the region. With the road construction, the socio-economic status of the project beneficiaries is expected to improve as at least 400 jobs, generating a total amount of N\$ 21 million, will be created during the construction phase. It is also expected that road maintenance will create additional job opportunities valued at N\$1 million per year throughout the life of the project.

Environment

2.5.3 In keeping with its environmental policy, the Bank has taken a number of steps to ensure that the ongoing operations meet the requirements established in the policy. In this context, while the Tandjieskoppe Green Scheme Project is not expected to have major environmental impacts, funds have, however, been provided, under the project, to carry out activities to mitigate any negative environmental impacts that might result from the implementation of the project. On the contrary, the Northern Railway Extension project was supposed to have some negative environmental impacts. Mitigating measures were therefore established in the context of an Environmental Management Plan (EMP), which listed management's actions required to implement the mitigating measures. In this regard, the PIU is being assisted by an environmental officer who has implementation responsibility for the EMP. In addition, the contractor was required to train and conduct sensitization campaigns for the workforce and supervisors on good environmental, health and safety practices. A communication structure was also expected to be established between different stakeholders during construction. A monitoring program was also developed to ensure that the required environmental actions were complied with. The Bank's and other co-financers' missions were also expected to follow up on the implementation of the EMP. The government, on its part, was required to make adequate budgetary provision for payment of compensation to farmers and residents adversely affected by the project. This was made a loan condition.

2.5.4 For both the Aus-Rosh Pinah Road project and the Kamanjab-Omakange road project, negative environmental aspects, among others, include soil erosion, loss of vegetation and natural habitat, groundwater overexploitation and pollution, visual impacts, safety issues, disruption of traffic, noise and temporary increase in dust. To counter these problems, a number of mitigating measures were specified to be taken into account during the construction phase, which includes minimizing the adverse impacts by restricting vehicle movements to clearly demarcated construction corridors and access routes to borrow pits. In order to avoid the rapid depletion of the already scarce groundwater resources, all the water for the construction of the road was pumped from the Orange River and carried through piping to the construction site. The Aus-Pinah road has been continually sprayed with water, where feasible, during construction. Scrap, oil and other wastes are being disposed off properly at designated sites in Rosh Pinah and Aus with permission obtained from the relevant town representatives and with special care paid to hazardous materials. These same environmental standards would be applied to the Kamanjab-Omakange road when implementation gathers momentum.

Gender and economic empowerment

2.5.5 The Bank Group operations in Namibia attempt to mainstream gender and empower women. A key eligibility requirement of the Third LOC is that Agribank should ensure that the sub-projects to be funded emphasize women beneficiaries. Towards this end, at least 35% of the Third LOC's proceeds would be made available to women emerging/embyronic farmers. In addition, Agribank is required to take further steps to ensure that at least 17% of

the loan proceeds would directly benefit about 250 emerging/communal women farmers, single women included. Ensuring that women have access to credit is part of an effort to assist women in view of their past and present disadvantaged socio-economic status in the Namibian society. Also, of the 600 new jobs expected to be created through the sub projects, over 30% are to be allocated to women and, furthermore, 30% of the over 1,000 sub-projects would be allocated to women-owned and –managed activities. For the Tandjieskoppe Green Scheme project, 50% of the small-scale farmers to be settled would be women. To ensure that this requirement is respected, the Ministry of Women Affairs and Child Welfare would be involved in the selection process.

2.5.6 The transport sector projects also have embedded in them activities to ensure gender mainstreaming. The mainstay of the regional economy where the rail line traverses is subsistence agriculture and livestock. Women are mainly responsible for cultivation activities in that region. It is, therefore, expected that women and other vulnerable groups will benefit directly from the projects in terms of transportation and marketing of crops and other goods. It is also expected that women's mobility will be greatly enhanced thereby widening their income earning opportunities across the country. During the project implementation phase, landless and unskilled men and women would be taking up wage employment that would create thousands of daily casual jobs. The Kamanjab-Omakange road is also expected to improve gender equality in the Kunene region. This is because there will be improved access to larger centres as well as health and education facilities that would have a positive effect on the role of women. The tender specifications for the civil works contract will ensure that women are given equal opportunities for employment under the project. Better transport services in the area, delivery of agricultural inputs, educational learning material and health services will be improved to the benefit of women, girls and children. Pre-natal and antenatal care will also be more accessible. Adult education and access to information will contribute to women becoming more knowledgeable and familiar with modern ways of thinking.

HIV/AIDS

2.5.7 The HIV/AIDS pandemic is one of the key development challenges facing Namibia. For the Tandjieskoppe project, as the problem can spread by the movement of people to the project area, part of the project's resources would be allocated to supplement government's efforts in raising awareness among the project's beneficiaries. Some of the specific activities to be implemented during the construction phase include awareness campaign workshops for the beneficiaries, labourers, contractors, school children and technical staff and training volunteers as counselors of HIV awareness. The project will ensure the purchase and distribution of condoms to both men and women during the implementation phase. The Ministry of Women Affairs and Child Welfare will be involved in the implementation of this activity as it is already implementing similar sub-projects in the country. For the Aus-Rosh Pinah Road project, as the project is attracting a large labour force there are fears that many social problems could arise including sexually transmitted diseases such as HIV/AIDS. To curtail the spread of the pandemic, activities that have already been undertaken include visits by health officers and the provision of information through posters to raise awareness and periodic distribution of condoms. For the Kamajab-Omakange Road project, particular attention is being paid to changes in HIV prevalence and the challenge is to keep the rate as low as possible in the project area. To limit the spread of HIV/AIDS, awareness activities will be undertaken at the community level prior to the commencement of construction. Counseling for construction workers will continue during the road implementation phase. For the implementation of measures aimed at creating awareness on HIV/AIDS and the use of condoms among workers, the project has made a provision of N\$380,000 for social

consultants, who will work with the Regional Action Plan for HIV/AIDS that will focus on: (i) preparing and implementing information campaigns in areas where infection rates are low; (ii) identifying at-risk groups for special information campaigns; (iii) increasing the availability and use of condoms; (iv) training health workers in the management of sexually transmitted diseases; and (vi) collecting reliable statistics on infection and deaths rates throughout the region. The implementation of the HIV/AIDS awareness programs in all the three transport projects has been monitored very closely by the supervision consultants, the Bank supervision missions, and the relevant government agencies. Separate environmental/HIV-AIDS mitigation reports and check lists compiled quarterly by the consultants show substantial compliance by the contractors.

Governance

2.5.8 None of the ongoing portfolio has a governance programme or component. However, the Bank Group takes steps, whenever necessary, to ensure that issues of governance, particularly those relating to project management, do not unnecessarily affect the smooth processing or implementation of projects. An example is the case of the Third LOC whose approval by the Board was made on condition that Bank Management would only conclude the loan signature after Agribank, the Executing Agency, had resolved a governance issue concerning its Board of Directors and Chief Executive Officer (CEO) on the one hand and the Minister of Finance on the other. Just before the loan was approved on 29 September 2004, the Board of Agribank appointed one of its own members as CEO. The Minister of Finance refused to approve the choice of the CEO on the grounds that the selection process was tainted with conflict of interest. The Minister advised the Board to advertise the post again. The Board, however, did not comply with the Minister's directive. The non-compliance provoked a governance crisis at Agribank, which was finally resolved by the dismissal of the entire Agribank Board and appointment of a new Board and CEO by Namibia's Cabinet. The resolution of the governance crisis paved the way for the Bank to sign the loan agreement with the government.

Regional Integration

2.5.9 In the transport sector, the Walvis Bay Corridor, which the road projects serve, is emerging as an important trade route, specifically between Europe, USA and the SADC Region. The flow of traffic on the corridor is being facilitated by the Walvis Bay Corridor Group (WBCG), which conducts business within the framework of public/private partnerships. One of the main achievements of the WBCG has been the adoption of a single customs document by the countries of Namibia, Botswana and South Africa for use in the facilitation of the flow of transit transport between their respective countries and more specifically along the Trans-Kalahari Corridor. It is expected that the principles of the harmonized customs document will be extended to other SADC corridors.

2.5.10 It is also in the context of reaping benefits from trade, among others, that will emanate from regional integration that Namibia is financing the Northern Railway Extension project, which when finally extended to the Angolan border will facilitate the haulage of goods between the two countries and also render the Walvis Bay port more economically viable because of the exporting and importing activities that will be channeled through it.

2.6 General Assessment of Portfolio Performance

2.6.1 **Overall Assessment:** As the Table 2.2 below shows, Namibia's portfolio performance up to May 2006 was satisfactory, as a rating of 2.53 was recorded. This performance was

almost the same as the one recorded in 2003 and was largely due to the high performance of procurement, financial activities and development impact. As was the case with the 2003 review, the current review found no project at risk (PAR) in Namibia. This finding was corroborated by the 2004 Bank-wide Annual Portfolio Performance Review (APPR), which also found no PARs in Namibia. The satisfactory performance of the ongoing portfolio means that the projects have a high probability of achieving their development objectives. An overall portfolio performance analysis is provided below focusing on compliance with loan conditions, reporting, procurement performance, financial performance, project implementation performance and impact on development, for the portfolio as a whole.

2.6.2 Compliance with Loan Conditions: The average rating for compliance with loan conditions was about 2.0, implying that performance was satisfactory. Three of the five projects became effective within seven months but it took the other two: the Tandjeskoppe Green Scheme and the Aus-Rosh Pinah Road Projects, over 15 months to become effective, thus delaying the start up of the projects and commencement of disbursement. The problem is partly due to delay in loan signature (5-7 months) possibly to avoid early payment of commitment fees. Now that commitments fees on sovereign loans have been eliminated, progress is expected in this area. Also, the three transport projects did not fully comply with the general conditions relating to reporting covenants, as there were delays in submitting annual audit reports. For example, the 2004/05 audit reports for the Northern Railway Extension and the Kamanjab-Omakange Road projects are still outstanding. For all projects, quarterly progress reports are regularly submitted while there are no problems with meeting other conditions.

2.6.3 Procurement Performance: Procurement performance is rated more than satisfactory with an average rating of 2.63. The average ratings for the sectors are agriculture (2.0) and transport (2.83). The rating of 2.83 for the transport sector reflects the timely procurement of goods and services for the Northern Railway Extension project and the Aus-Rosh Pinah Road project in accordance with Bank Group rules without complaints from bidders and also the timely actions of the Bank Group in approving the different steps of the procurement process.

2.6.4 Financial Performance: The average score for financial performance is 2.76, which is more than satisfactory. Both the agricultural sector projects and the transport sector projects performed satisfactorily with averages of 2.54 and 2.92, respectively. The best performance of the transport sector reflects the fact that both the Northern Railway Extension Project and the Aus-Rosh Pinah Road Project have to date not encountered any disbursement problems that have adversely affected their implementation.

2.6.5 Project Implementation Activities: The average score for project implementation activities is 2.40 with each of the agricultural-sector portfolios scoring above 2.67 and transport 2.66. The lower performance of the transport sector projects in this area has been due to the extension of time needed to complete implementation of the Northern Railway Extension project and the Aus-Rosh Pinah Road project.

2.6.6 Impact on Development: The average rating of 2.77 for the Impact on Development shows that all the projects are likely to achieve their development objectives. The Kamanjab-Omakange Road project has the highest score of 2.76.

Table 2.2
Overall Portfolio Performance: Comparison of 2006 and 2003 Results

2006 Ratings

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Development Objective	Overall Assessment
Ratings	2.00	2.63	2.76	2.40	2.77	2.53

2003 Ratings

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Development Objective	Overall Assessment
Ratings	2.5	2.75	2.5	2.25	2.53	2.4

	CPPR 2003	CPPR 2006
Development Objective	2.0	2.72
Average Age of portfolio	5 years, 5 months	2 years
Projects at Risk	None	None
Cumulative Disbursements/Commitment ratio	56.92	57.64
Disbursements/Commitment ratio for ongoing projects	65.09	41.46

2.7 Generic Problems

2.7.1 *Compliance with loan conditions:* The only generic issue observed relates to compliance with loan conditions especially loan effectiveness conditions and the reporting covenant relating to regular submission of annual audit reports. The delays in meeting effectiveness conditions in one agriculture and one transport project, were due partly to delays in loan signature, probably to avoid early commencement of commitment charges. However, in the two cases, entry into force took 8-10 additional months after loan signature, signaling problems beyond loan signature. This will call for further reforms of loan conditions, to ensure that they are reasonable and necessary. There has also not been full compliance with the reporting covenant, especially as it relates to submission of annual audit reports, which often experienced delays. In two cases, the Northern Railway Extension project and the Aus-Rosh Pinah Road project, the delays were due to late recruitment of auditing firms for the task.

2.7.2 Compared with the situation during the 2003 CPPR period, the position in this 2006 CPPR represents a major improvement in terms of generic problems. Table 2.3 below presents a comparison between the generic problems identified in both periods. The table shows that generic problems relating to procurement performance and weak PIU performance no longer exist. This report shows that currently, the ongoing operations do not have any serious problem. Recent actions taken by the Bank on the abolition of commitment fees on sovereign loans is also likely to impact positively on the pace of the signature of loan agreements and result in a reduction in the time it takes before the loan agreement enters into force.

Table 2.3
Comparison of Generic Problems: 2003 and 2006 CPPR

	2003 CPPR	2006 CPPR
Issues/Problems		
Delays in fulfillment of loan conditions	x	X
Poor procurement performance	x	
Weak PIU performance	x	

2.8 Disbursements

2.8.1 The portfolio review revealed that as at 31 May 2006, the cumulative disbursement/commitment ratio stood at 58.74% compared to 56.92% for the 2003 portfolio review. The highest rate of disbursement was registered by the power, multi-sector, and water and sanitation and social (100% each), followed successively by the transport sector (61.11%) and agriculture (38.03%).

Table 2.4
Status of Cumulative Disbursement by Sector on 31 May 2006

Sector	Commitment (UA million)	Disbursement (UA million)	Disbursement/Commitment Ratio
Agriculture	47.94	18.23	38.03
Transport	71.71	43.82	61.11
Power	6.35	6.35	100.00
Multi-sector	0.77	0.77	100.00
Water & Sanitation	0.76	0.76	100.00
Social	12.07	12.07	100.00
Total	139.61	82.00	58.74

2.8.2 For the five ongoing projects, the disbursement/commitment ratio on 31 May 2006 stood at 41.45%, compared to 65.09% for the 2003 CPPR. The reason for this lower disbursement rate is that the Tandjeskoppe Green Scheme and the Kamanjab-Omakange Road are just commencing implementation. In addition, the Third Line of Credit to Agribank is only one-third disbursed. In terms of sectoral distribution of disbursement, the transport sector registered the highest disbursement rate (56.26%). While the Northern Railway Extension Project is almost completely disbursed (91.29%) and the Aus-Rosh Pinah Project is about 70.37% disbursed, the Kamanjab-Omakanje Road project is only 7.52% disbursed having become effective only in December 2005. For the agricultural sector projects, the Third Line of Credit is about one-third disbursed (31.97%) and the Tandjieskoppe Green Scheme project is yet to start disbursing, in view of the over one year delay before entry into force.

Table 2.5
Disbursement profile of ongoing projects by Sector on 31 May 2006

Sector	Commitment (UA million)	Disbursement (UA million)	Disbursement/Commitment Ratio (%)
Agriculture	33.74	4.03	11.94
Transport	67.26	37.84	56.26
Total	101.01	41.87	41.45

3. ASSESSMENT OF MANAGEMENT IMPLEMENTATION CAPACITY

3.1 Government's Performance (issue of counterpart funding, coordination of Bank Group operations)

The performance of the Government has been satisfactory in terms of coordination of Bank's operations and ensuring that counterpart funds are available on time to ensure smooth disbursement flow to the projects. There is however scope for improvement in ensuring prompt signature of loan agreements, ensuring compliance with loan effectiveness conditions and timely submission of annual audit reports.

3.2 Bank's Performance

The Bank's performance in managing the portfolio has generally been satisfactory. This is because serious efforts were made to improve its implementation capacity by way of launching missions for new projects, during which problems were resolved before physical implementation of the projects started. There was also timely follow up with supervision missions. Notwithstanding this performance, there is room for improvement, especially in assisting the government to shorten the time it takes to meet compliance with loan conditions.

4. COORDINATION WITH OTHER DONORS

4.1 Assessment of Government Capacity to Coordinate Donor Assistance

4.1.1 Coordination of donor assistance is in the hands of the National Planning Commission (NPC) on the Namibian side and is led by the UNDP on the side of donors, with local representatives of the European Commission playing a significant role in respect of European member countries. The NPC Secretariat has the primary responsibility for the organization, presentation and conduct of sectoral consultations. The Secretariat acts as both a lead and a coordinating agency for this activity and accordingly has the authority to issue directives, guidelines and procedures to other implementing agencies, departments and ministries. The NPC designates the bilateral and multilateral donors invited to participate in the consultations process on specific sectors or programmes for which donor funding is being sought. Donors are expected to actively take part at all stages of the sectoral consultations. Consultative meetings are small and limited to donors that express interest in a particular sector or programme. This allows for a more frank and substantive exchange of views and a more careful review of the sectoral programme. The recording of conclusions reached at consultative meetings with donors are prepared in an action-oriented manner and made available to the relevant parties that attended the consultative meetings. This ensures effective follow-up with respect to decisions taken at the donor consultative meetings. The NPC is responsible for translating the decisions reached on sectoral programme at donor consultative meetings into action plans. In practice, meetings between Namibian government officials and donor representatives collectively are sporadic and take place at NPC and sectoral ministry levels, on a rather *ad hoc* basis, with long intervals between meetings.

4.1.2 Coordination among donors represented in Namibia is informal and focuses mainly on information exchange. Such coordination is strongest among EU donors, who hold regular meetings that have an important role in facilitating overall coordination, with specific sectoral programme issues handled by meetings of the donors involved. The EU members believe that there is further room for deepening such coordination. However, progress has been constrained by the extent to which aid management is delegated to country representatives and the varying

programming and project planning procedures adopted by individual Member States. In general, little progress has been made towards harmonizing donor administrative requirements with a view to achieving better integration with the government's own financial management procedures.

4.1.3 Besides the NPC, the Ministry of Finance (MoF) also plays a role in aid coordination among donors. MoF is the government-designated agency responsible for coordinating external assistance delivery, especially loans. In addition, the Ministry is responsible for clearing and forwarding all the projects' proposals received from NPC, ministries, bodies and organizations to donors. All missions to Namibia have to be cleared by the MoF and while the missions are on the field the Ministry also co-ordinates their programmes. The coordinating role of the Ministry has been effective, especially when aid arrangements are passed through it

4.2 Assessment of ADB Coordination with Other Donors

For the ongoing projects, coordination of donor assistance is being done mainly with the institutions co-financing the projects with the Bank Group, namely, BADEA, Kuwait Fund and OPEC Fund. Coordination could be greatly improved and strengthened if the Bank Group could hold more regular meetings with these donors with a view to finding solutions to problems that might impede progress on the rate of implementation of projects. For the donors currently represented in Namibia, coordination is being carried out through consultations by Bank Group missions visiting Namibia.

4.3 Assessment of Co-financiers in Co-financed Projects

The role of co-financiers in co-financed projects has been satisfactory. As mentioned in Section 4.2, at the moment, three development partners are co-financing projects with the Bank Group in Namibia. The co-financiers are BADEA and the OPEC Fund for the Tadjieskoppe Green Scheme project, BADEA and the Kuwait Fund for the Northern Railway Extension project and BADEA for the Aus-Rosh Pinah Road project. For these projects, the co-financiers have provided not only much-needed additional financial resources, especially near-concessional resources that have assisted in bringing down the total costs of projects, but also they have provided technical expertise during pre-appraisal and appraisal missions. While there is room for improvement in the coordination efforts of the Bank Group with these co-financiers, for the above-mentioned reasons, among others, the Bank Group should continue to seek co-financing opportunities and arrangements with other donors, especially those which offer softer terms than those provided by the Bank Group, for future projects. By so doing, the Bank would leverage its comparative advantage in development financing by attracting additional resources for projects and programmes in Namibia.

5. LOAN REPAYMENT AND ARREARS

Namibia is current in its loan repayment obligations to the Bank Group on its public sector loans. It is also current in its capital subscriptions. Being current in both loan repayments and capital subscriptions has facilitated the continuity of Bank Group operations in the country. This excellent relationship with the Bank Group is expected to continue in view of Namibia's good macroeconomic management and pursuit of prudent fiscal and debt policies.

6. PROACTIVE MANAGEMENT OF PORTFOLIO

Potential, Future Problems and Solutions

6.1 The main problems the ongoing projects are likely to experience in future, apart from the delays in compliance with loan conditions, recruitment of external audit firms and in the submission of audit reports, are the lack of capacity and inadequate staffing of the project implementation units; lack of familiarity of government and project management units' officials with Bank Group procedures and rules for disbursement, procurement and project reporting and financial management. The lack of capacity and inadequate staffing of project units will pose a serious problem for future Bank Group projects in the transport sector as the Ministry of Works, Transport and Communication, which happens to be the executing agency for almost all projects in the transport sector, is experiencing a high turnover of its highly qualified professionals. They leave in search of better job opportunities in either highly paid government corporations or in the private sector. As a result of the high staff turnover, newly recruited professionals become unfamiliar with Bank Group procedures and rules.

6.2 The solution to the potential problem of lack of capacity of executing agencies to implement projects is for the government to step up its recruitment efforts of highly skilled personnel and also to offer competitive salaries. In this regard, with respect to the Ministry of Works, Transport and Communication, in the past the government has sought and received technical assistance from the German Development Corporation (GTZ) in the form of attachment of short-term staff. In spite of this, there is a need for a more durable solution. As for the problem relating to lack of familiarity with Bank Group procedures and rules, the solution lies in the Bank Group organizing regular biennial workshops in Namibia for project executing agencies, in accordance with Bank Group rules, or alternatively bringing those staff to Tunis for training in these issues. Such training will also help in addressing the other problems such as late submission of project and audit reports.

7 SUMMARY OF CPIP/ACTION PLAN

The Action Plan for resolving the few problems identified is summarized in a matrix in Annex VII. It covers required actions to ensure prompt compliance with loan effectiveness conditions and the reporting covenant as it relates to timely submission of annual audit report as well as pro-active measures to enhance the performance of the portfolio in general.

8 LESSONS LEARNED FOR FUTURE COUNTRY STRATEGY PAPERS AND PORTFOLIO MANAGEMENT

8.1 This review has shown that the Bank Group's ongoing operations have not encountered many serious problems. The main problems, to summarize, are delays in the fulfillment of loan conditions both with respect to those that must be satisfied before disbursement begins and those that fall under other conditions. There is also the problem of difficulty in recruiting audit firms and submission of audit reports. The lesson that can be learned from the first problem is that the Bank Group and the government need to find time to meet and review the factors that make it difficult for the government to fulfill the conditions. A meeting at which both sides discuss openly and seriously the cause of the delays and how they can be appropriately addressed may turn out to be productive. Similarly, the problem of delays in recruiting audit firms and submission of audit reports could be

approached in the same manner. One way to address this second problem is that the Bank Group should conduct periodic training workshops intended to familiarize government and PIUs' officials with its procedures and rules for financial reporting, etc. To improve portfolio management in future, there is a need for the Bank Group to take necessary steps to reduce or do away with conditions likely to pose serious problems for their timely fulfillment.

8.2 Notwithstanding these few negative problems and their lessons, the ongoing operations also point to some very positive lessons that ought to be mentioned and emphasized. The first relates to the effective use of pillars to ensure selectivity of sector interventions. As the ongoing operations show only two pillars have consistently been promoted. These are “the goal of increasing the contribution of the agricultural sector to GDP and improving national and household food security,” and “to stimulate economic growth by improving the efficiency of transport communication and energy infrastructure services”, which the 2001-2003 CSP and its updates for 2004 and 2005 have articulated. In other words, the Bank Group's intervention in Namibia has been selective as it has been limited to only the agriculture and infrastructure sectors. Limiting the Bank's intervention to only these two sectors has meant that the Bank Group has not spread its resources thinly among many sectors. The advantage of doing so is that the impact of the bank's interventions has been significant. Future CSPs should continue to advocate the need for selectivity with respect to pillars and sectors of intervention of Bank Group resources because of the benefits of doing so.

8.3 The second positive lesson relates to the effective coordination of Bank Group intervention with other development partners and the synergy that it has released in terms of leveraging of additional resources for Namibia. As mentioned in section 4.3, three of the ongoing operations are being co-financed with other partners: BADEA, OPEC Fund and Kuwait Fund. While it could be said that co-ordination has been effective, it has, however, been mainly restricted to the provision of technical expertise during separate pre-appraisal and appraisal activities. What is lacking is the existence of a harmonized country-led system of assistance coordination. It is, therefore, high time that this is done. In this regard, future CSPs could clearly articulate how this could be achieved. In addition, future CSPs should address the issue of enhanced coordination with other donors in the domain of non-lending activities including ESW and SWAPs.

8.4 The third positive lesson relates to the increasing use of the MIC Trust Fund for project preparation activities and capacity building and institutional strengthening. Among other things, the objective of the MIC Fund is to enhance the impact of Bank Group financed projects and programmes and also to increase the volume and quality of Bank Group operations. As this report shows, the number of ongoing operations in Namibia is very small for a MIC country such as Namibia whose annual sustainable lending limit is currently estimated at between UA 166 million for the low case scenario and UA 346 million for the base case scenario. There is, therefore, a strong case for the Bank Group to engage in activities that will lead to an increase in the size of the ongoing portfolio. This is where the MIC Fund has an important role to play. The MIC Fund resources are currently being accessed by Namibia to finance certain expenditures required for the preparatory studies of the Brukkaros Green Scheme project. This project is likely to be presented to the Boards before the end of 2006. Also, the government has requested MIC Fund resources for financing an ICT Mapping Survey for the Education Sector and for a project in the agriculture sector called the “Caprivi Green Scheme project”. Given that the MIC Fund provides an avenue for the Bank Group to address the problem of the small size of operations in MICs, future CSPs should emphasize the use of the Fund as an effective tool for alleviating this problem in Namibia.

8.5 A fourth lesson is that the classification of Namibia by the international donor community as a “Lower-Middle Income Country” has tended to deprive the country of much-needed concessional resources, which could have been used for institutional strengthening and capacity enhancement. While the Bank’s MIC Trust Fund is helping to fill capacity gaps mainly in project preparation and its related activities, Namibia’s requirements for concessional resources exceed those for these types of activities to include grants for funding social sector projects, including combating the HIV/AIDS pandemic. For this reason, future CSPs should examine ways and means by which Namibia could access significant bilateral resources for non-project specific related activities.

9. CONCLUSIONS AND RECOMMENDATIONS

9.1 Summary and Conclusions

Overall, the Bank’s ongoing portfolio in Namibia is performing satisfactorily and is well suited to the development priorities of the government. The Development Objective (DO) in this review is 2.77%. This means that the ongoing operations are likely to make a significant impact on the Namibian economy. Another significant finding of this review compared to that of 2003 is that both CPPRs found no projects at risk. Regarding disbursements, an average disbursement ratio of 41.46% for the five ongoing projects as at 31 May 2006 compares unfavorably with the 65.09% of the 2003 portfolio review. This relatively low rate of disbursement is due to the slow disbursement on the Third Line of Credit to Agribank, for which there has been no new disbursements since the first disbursement in October 2005 and also no disbursement on the Tandyieskoppe Green Scheme project because of the long delays in fulfilling the conditions precedent to entry into force and first disbursement. In the same vein, the disbursement on the Kamanjab-Omakange road project was also delayed because of the long delay in fulfilling the loan conditions. The project is now estimated at 10% disbursement. Notwithstanding these problems, there is an urgent need for the government to address the generic problem relating to reporting and auditing of reports. In making efforts to address this problem, the Bank Group, on its part, moved quickly to organize a workshop in Namibia in March/April 2006 on its procedures and rules for disbursement, procurement, reporting and financial management for government staff and those of PIUs. The workshop has, no doubt, increased the understanding and awareness of Bank Group procedures and rules by government and PIUs’ officials that should promote effective and efficient management and implementation of projects. In return, the understanding should lead to an improvement of the disbursement rate of the ongoing operations as well as their development impact.

9.2 Recommendations

In the light of the findings of the CPPR, the following recommendations are made with a view to further enhance the performance of Bank’s portfolio in Namibia.

A. Actions to be taken by the Bank Group

- (i) To enhance project implementation capacity of PIUs, the Bank should intensify periodic loan administration workshops, including training of trainers, to ensure that a critical mass of country officials knowledgeable in Bank’s rules of procedures is available in-country.

- (ii) To ensure quick compliance with loan effectiveness conditions, Bank's appraisal missions should sensitize government officials with the issues likely to form part of the loan conditions and request that they start working on them. The Bank should also minimize the number of loan conditions and restrict them to those necessary for effective project implementation to facilitate compliance.
- (iii) To ensure timely submission of annual audit reports, Bank's supervision missions should continuously monitor the timing of the recruitment of audit firms. The Bank will also monitor compliance with this reporting covenant and promptly impose sanctions in the form of suspension of disbursement when deemed fit.

B. Actions to be taken by the Government

- (i) To further enhance portfolio quality, the Ministry of Finance should commence quarterly or half yearly portfolio reviews with PIUs, so as to identify problems at an early stage and deal with them promptly.
- (ii) The Government should take prompt actions on signature of loan agreement and fulfillment of loan effectiveness conditions.
- (iii) The Government should also ensure that all outstanding audit reports are submitted to the Bank without further delay to avoid imposition of sanctions in the form of suspension of disbursements.

9.3 The Boards are invited to consider and endorse this Country Portfolio Performance Review Report for Namibia.

ANNEX I

SUMMARY OF BANK GROUP OPERATIONS-As of May 31 2006											
No. YEAR APPROVED	PROJECT	SOURCE OF FUNDS	DATE SIGNED	APPROVED AMOUNT Million UA	CANCELLED AMOUNT Million UA	NET LOAN AMOUNT Million UA	DISB AMOUNT Million UA	UNDISB AMOUNT Million UA	PERCENT DISB	STATUS OF PROJECT	
AGRICULTURE											
1	1991	Northern Communal Area Rural Development Study	TAF	18/121/1992	0.63092	0.03642	0.5945	0.59455	0	100	Completed
2	1999	1st Line of Credit to Agribank	ADB	9/5/2000	6.04758	0	6.04758	6.04758	0	100	Completed
3	2001	2nd Line of Credit to Agribank	ADB	6/8/2002	7.55948	0	7.55948	7.55948	0	100	Completed
4	2004	3rd Line of Credit to Agribank	ADB	NA	12.59913	0	12.59913	4.03172	8.56741	32	Ongoing
5	2004	Tandjieskoppe Green Scheme	ADB	NA	21.14235	0	21.14235	0	21.14235	0	No Disbursement
SUB-TOTAL						47.94304	18.23333				0.380312346
TRANSPORT											
6	1992	Trans-Capri Road Study	TAF	NA	0.974	0	0.974	0.974	0	100	Completed
7	1992	Trans-Khalagadi Road	ADF	30/9/1992	8.28947	4.82172	3.46775	3.46775	0	100	Completed
8	2001	Northern Railway Extension	ADB	16/10/2001	21.71687	0	21.71687	19.82683	1.89004	91.30%	Ongoing
9	2002	Aus-Rosh Pinah Road	ADB	3/6/2003	20.67568	0	20.67568	16.14352	4.53216	78.08	Ongoing
10	2004	Kamanjab-Omakange Road	ADB	26/5/2004	24.87169	0	24.87189	1.87125	23.00064	8.14%	Ongoing
SUB-TOTAL						71.70619	42.28335				0.589675034

POWER												
11	1998	400 KV Interconnector (Electricity I)	ADB	28/5/1998	18.87854	12.52448	6.35406	6.35405	0	100%	Completed	
MULTISECTOR												
12	1992	Trade Reform	TAF	29/4/1992	0.78289	0.01179	0.7711	0.7711	0	100	Completed	
WATER AND SANITATION												
13	1992	Ground Water Investment Study for Western Owambo	TAF	30/9/1992	2.11842	1.35729	0.76113	0.76113	0	100	Completed	
SOCIAL												
14	1993	Basic Teacher Education	ADF	9/7/1993	9.21052	0.19109	9.01943	9.01943	0	100	Completed	
	5	Human Resources Development	NTF	23/5/1995	3.86	0.80971	3.05029	3.05029	0.81	100	Completed	
16	2004	Entrepreneurship and Skills Development	NTF	NA	5	5	0	0	0	0	Cancelled	
SUB-TOTAL							12.06972	12.06972				
GRAND TOTAL							139.6052	80.47268	59.13256	57.64%		

ANNEX II

SUMMARY OF BANK GROUP OPERATIONS - As of March 31 2006											
No. YEAR APPROVED	PROJECT	SOURCE OF FUNDS	DATE SIGNED	APPROVED AMOUNT Million UA	CANCELLED AMOUNT Million UA	NET LOAN AMOUNT Million UA	DISB AMOUNT Million UA	UNDISB AMOUNT Million UA	PERCENT DISB	STATUS OF PROJECT	
AGRICULTURE											
4	2004	3rd Line of Credit to Agribank	ADB	NA	12.59913	0	12.59913	4.03172	8.56741	32.00	Ongoing
5	2004	Tandjieskoppe green Scheme	ADB	NA	21.14235	0	21.14235	0	21.1424	0	No Disbursement
SUB-TOTAL						33.74148	4.03172		11.95%		
TRANSPORT											
8	2001	Northern Railway Extension	ADB	16/10/2001	21.71687	0	21.71687	19.82683	1.89004	91.30%	Ongoing
9	2002	Aus-Rosh Pinah Road	ADB	3/6/2003	20.67568	0	20.67568	16.14352	4.53216	78.08	Ongoing
10	2004	Kamanjab-Omakange Road	ADB	26/5/2004	24.87169	0	24.87169	1.87125	23.0004	752.36%	Ongoing
SUB-TOTAL						67.26424	37.8416				
GRAND TOTAL						101.00572	41.87332		41.46%		

Summary of Performance Rating by Sector and Projects

Projects	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and Works	Development Objective	Overall Assessment
Agriculture Sector						
Third Line of Credit	2.67	-	2.40	3.00	2.33	2.59
Tandjieskoppe Green Scheme	1.00	2.00	2.67	2.50	3.00	2.23
Average	1.84	2.00	2.54	2.75	2.67	2.41
Transport Sector						
Northern Railway	2.00	2.50	3.00	2.0	2.50	2.55
Aus-Rosh Pinah	1.67	3.0	3.00	2.0	3.0	2.53
Kamanjab-Omakange	2.67	3.0	2.75	2.50	3.0	2.76
Average	2.11	2.83	2.92	2.17	2.83	2.61
Overall Average	1.98	2.63	2.76	2.40	2.77	2.53
Code 3=Highly Satisfactory 2=Satisfactory 1=Unsatisfactory: Problems-Bank should monitor closely but no immediate action is required 0=Highly Unsatisfactory: Serious problems-Bank action required						

Project Performance ratings for Ongoing Operations
A. The Tandjieskoppe Green Scheme Project Performance

Indicators	Previous Report	Current Report
A. <u>Project Implementation</u> 1. Compliance with loan conditions precedent to entry into force 2. Compliance with general conditions 3. Compliance with other conditions		1 N/A 1
B. <u>Procurement Performance</u> 1. Procurement of consultancy services 2. Procurement of goods and services		2 N/A
C. <u>Financial Performance</u> 1. Availability of foreign exchange 2. Availability of local currency 3. Disbursement flows 4. Cost management 5. Performance of co-financiers (where applicable)		3 3 N/A N/A 2
D. <u>Activities and Works</u> 1. Adherence to implementation schedule 2. Performance of consultants or technical assistance 3. Performance of contractors 4. Performance of project management		2 N/A N/A 3
E. <u>Impact on Development</u> 1. Likelihood of achieving project objectives 2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project 3. Likely contribution of the project towards an increase in institutional capacity 4. Expected rate of return		3 3 3 3
F. <u>Overall Assessment</u> 1. At Present 2. Trend Over Time		2.23 2.23
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		

B. The Third Line of Credit to Agribank Project Performance

Indicators	Previous Report	Current Report
A. <u>Compliance with Conditions</u> 1. Compliance with loan conditions precedent to entry into force 2. Compliance with general conditions 3. Compliance with other conditions		3 3 2
B. <u>Procurement Performance</u> 1. Procurement of consultancy services 2. Procurement of goods and services		NA NA
C. <u>Financial Performance</u> 1. Availability of foreign exchange 2. Availability of local currency 3. Disbursement flows 4. Cost management 5. Performance of co-financiers (where applicable)		3 3 3 3 NA
D. <u>Activities and Works</u> 1. Adherence to implementation schedule 2. Performance of consultants or technical assistance 3. Performance of contractors 4. Performance of project management		3 3 3 3
E. <u>Impact on Development</u> 1. Likelihood of achieving project objectives 2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project 3. Likely contribution of the project towards an increase in institutional capacity 4. Expected rate of return		3 2 2 NA
F. <u>Overall Assessment</u> 1. At Present 2. Trend Over Time		2.58 2.58
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		

C. The Northern Railway Extension Project Performance

Indicators	Previous Report	Current Report
A. <u>Compliance with Conditions</u>		
1. Compliance with loan conditions precedent to entry into force	3	3
2. Compliance with general conditions	3	2
3. Compliance with other conditions	3	2
B. <u>Procurement Performance</u>		
1. Procurement of consultancy services	2	2
2. Procurement of goods and services	2	3
C. <u>Financial Performance</u>		
1. Availability of foreign exchange	3	3
2. Availability of local currency	3	3
3. Disbursement flows	3	3
4. Cost management	3	3
5. Performance of co-financiers (where applicable)	3	3
D. <u>Activities and Works</u>		
1. Adherence to implementation schedule	1	2
2. Performance of consultants or technical assistance	3	2
3. Performance of contractors	2	2
4. Performance of project management	2	2
E. <u>Impact on Development</u>		
1. Likelihood of achieving project objectives	3	3
2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project	3	2
3. Likely contribution of the project towards an increase in institutional capacity	2	2
4. Expected rate of return	3	2
F. <u>Overall Assessment</u>		
1. At Present	2.6	2.50
2. Trend Over Time		2.55
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		

D. The Aus-Rosh Pinah Road Project Performance

Indicators	Previous Report	Current Report
A. <u>Compliance with Conditions</u> 1. Compliance with loan conditions precedent to entry into force 2. Compliance with general conditions 3. Compliance with other conditions	Na	2 1 2
B. <u>Procurement Performance</u> 1. Procurement of consultancy services 2. Procurement of goods and services	NA	3 3
C. <u>Financial Performance</u> 1. Availability of foreign exchange 2. Availability of local currency 3. Disbursement flows 4. Cost management 5. Performance of co-financiers (where applicable)	NA	3 3 3 3 N/A
D. <u>Activities and Works</u> 1. Adherence to implementation schedule 2. Performance of consultants or technical assistance 3. Performance of contractors 4. Performance of project management	NA	2 2 2 2
E. <u>Impact on Development</u> 1. Likelihood of achieving project objectives 2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project 3. Likely contribution of the project towards an increase in institutional capacity 4. Expected rate of return	NA	3 3 3 3
F. <u>Overall Assessment</u> 1. At Present 2. Trend Over Time	NA	2.53 2.53
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		

E. The Kamanjab-Omakange Road Project Performance

Indicators	Previous Report	Current Report
<p>A. <u>Compliance with Conditions</u></p> <ol style="list-style-type: none"> 1. Compliance with loan conditions precedent to entry into force 2. Compliance with general conditions 3. Compliance with other conditions <p>B. <u>Procurement performance</u></p> <ol style="list-style-type: none"> 1. Procurement of consultancy services 2. Procurement of goods and services <p>C. <u>Financial Performance</u></p> <ol style="list-style-type: none"> 1. Availability of foreign exchange 2. Availability of local currency 3. Disbursement flows 4. cost management 5. Performance of co-financiers (where applicable) <p>D. <u>Activities and Works</u></p> <ol style="list-style-type: none"> 1. Adherence to implementation schedule 2. Performance of consultants or technical assistance 3. Performance of contractors 4. Performance of project management <p>E. <u>Impact on Development</u></p> <ol style="list-style-type: none"> 1. Likelihood of achieving project objectives 2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project 3. Likely contribution of the project towards an increase in institutional capacity 4. Expected rate of return <p>F. <u>Overall Assessment</u></p> <ol style="list-style-type: none"> 1. At Present 2. Trend Over Time 		<p></p> <p>2</p> <p>3</p> <p>3</p> <p></p> <p>3</p> <p>3</p> <p></p> <p>3</p> <p>2</p> <p>3</p> <p>3</p> <p>N/A</p> <p></p> <p>3</p> <p>3</p> <p>2</p> <p>2</p> <p></p> <p>3</p> <p>3</p> <p>3</p> <p>3</p> <p></p> <p>2.76</p> <p>2.76</p>
<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 There are no ratings for this project as implementation has just started and no supervision has taken place.</p>		

Namibia: Portfolio Review –Matrix of Generic Problems

	The Third Line	Tandjieskoppe Green Scheme	Northern Railway Extension	Aus-Rosh Pinah	Kamanjab-Omakange	Frequency
	1	2	3	4	5	
Generic Problems						
Weak Procurement Performance						
Poor Communication between the Bank and executing agencies						
Delays in fulfillment of loan and grant conditions		X		X	X	3
Delays in project execution						
Disbursement delays						
Delays in submitting audit reports			X	X		2
Weak PIU performance						
Inadequate counterpart funding						
Poor performance of contractors/consultants						
Political instability and unusual economic situation						

Namibia: Portfolio Review-Matrix of Cross Cutting Issues

	Third Line of Credit	Tandjieskoppe Green Scheme	Northern Railway Extension	Aus-Rosh Pinah Road	Kamanjab-Omakange Road	Frequency
<u>Cross Cutting Issues</u>						
Poverty reduction	X	X	X	X	X	5
Environmental and Social Protection		X	X	X	X	4
Gender mainstreaming	X	X	X		X	4
Capacity Building						
HIV/AIDS		X		X	X	3
Core labour Standards (child labour)						
Regional Integration			X			1
Governance						

COUNTRY PORTFOLIO IMPROVEMENT PLAN

Action	Responsible Organisation	Timeframe
Organization of Periodic loan administration Workshop	ADB	Every two years
In-country periodic review of the portfolio with PIUs	Government (MoF)	Quarterly or Half-Yearly
Monitoring of the timing of the recruitment of auditing firms	ADB	Continuous
Prompt signature of loan agreements\	Government (MoF)	Continuous
Clearance of backlog of audit reports	Government (MoF/PIUs)	Before 31 December 2006