



**REPUBLIC OF NAMIBIA**

**Poverty Reduction Strategy for Namibia**

**National Planning Commission  
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## FOREWORD

By definition, households are “relatively poor” if they devote over 60 per cent of their expenditures to food and “extremely poor” if such expenditures rise to 80 per cent or more.

Based on this definition and according to the 1993/94 Namibia Household Income and Expenditure Survey, 47 percent of Namibian households were relatively poor and 13 per cent were extremely poor in 1994.

Poverty is concentrated among groups, which historically have been disadvantaged. Consequently, as the 1993/94 Namibia Household Income and Expenditure Survey suggests, poverty is disproportionately to be found among rural people, especially those in remote locations and other areas which were subject to systematic underinvestment; female-headed households; youth; elderly and disabled; and recent migrants into marginalized urban areas.

Namibia’s First National Development Plan (NDP1) highlights the reduction of poverty as one of the national objectives for the country’s economic development and laid out sector-based strategies for economic development. However, some of the challenges and approaches needed for poverty reduction cut across individual ministries and become evident only through the lens of an integrated approach.

It was against this background that the Government identified the need for sector-specific initiatives to be underpinned by a common framework, shared by ministries and other stakeholders, within which efforts at poverty reduction can proceed. Coupled with this was also the need to take into account the Affirmative Action, which incorporates a commitment to identify and create opportunities for the most vulnerable communities in society.

In early 1997, midway through the implementation of the NDP1, the National Planning Commission initiated a forward-looking exercise to take stock of how effectively the country is rising to the challenge of poverty reduction, and how it might do better. The goal of this initiative was to prepare a forward-looking integrated strategy for poverty reduction.

In its co-ordinating role, the National Planning Commission brought together an inter-ministerial team, and invited the World Bank, the United Nations Development Programme (UNDP) and the Namibian research organisations to provide technical support. This joint team of national and international experts undertook field work around the country and produced a Technical Document titled “*Namibia: Rising to the Challenge of Poverty Reduction*”. The Technical Paper outlines the poverty situation in the country, in detail, and served as a

background document to the formulation of Namibia's Poverty Reduction Strategy.

Since the development of this Strategy enjoyed the support and involvement of all the stakeholders at National, Regional and Community levels, it is my sincere hope that this support will be duplicated during its implementation process. It is beyond reasonable doubt that: only through our integrated joint effort that our national objective of poverty reduction will be realised.

.....  
**S. Kuugongelwa**  
**Director General**  
**National Planning Commission**

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## 1. BACKGROUND AND GOALS

At first glance, Namibia is among the countries in sub-Saharan Africa best placed to sustainably reduce poverty. Since independence from colonial rule in 1990, the country has since been blessed with political stability, and a firm commitment to constitutional, democratic rule. Upon independence, the country inherited well-functioning physical infrastructure, strong institutional underpinnings for market development, sound economic policy, and a reasonably well-organized apparatus of public administration. As of 1996, per capita income amounted to US\$2,080. Since independence, the real growth rate has averaged over 4 percent annually. With a total population of only 1.7 million - and with a government in power committed to broad-based and equitable development - the task of harnessing the country's formidable infrastructural, institutional and economic assets in service of poverty reduction might appear at first to be a straightforward one.

However, these initial impressions are misleading. Namibia is among the most dualistic countries in the world - both economically and geographically. As of 1993, the richest 7,000 Namibians were estimated to spend as much as the poorest 800,000 combined. Close to 70 percent of Namibia's population live in seven Northern regions, located within 200 kilometers of the country. Yet virtually all of Namibia's higher income earners live in the Central and Southern parts of the country, many hundreds of kilometers away from the impoverished North. According to one common definition, households are "relatively poor" if they devote over 60 percent of their expenditures to food. Based on this definition, a country-wide household survey conducted in 1993/4 found that 47 percent of Namibia's 1994 population - over 650,000 people - were poor. Over two-thirds of the poor live in the Northern parts of the country.

Namibia's First National Development Plan (NDP1) highlights the reduction of poverty as one of the national objectives for the country's economic development. The Plan has also set targets to reduce the proportions of relatively and extremely poor households from 47 and 13 per cent in 1994 to 40 and 7 per cent by year 2000, respectively.

Although the NDP1 laid out sector-based strategies for economic development in Namibia, it was identified that some of the challenges and approaches needed for poverty reduction cut across individual ministries and become evident only through the lens of an integrated approach. Moreover, the more there is a shared vision as to where Namibia is headed, the easier it will be to avoid being side-tracked by irrelevancies, and focus on the key priorities.

It was against this background that the Government identified the need for sector-specific initiatives to be underpinned by a common framework, shared by ministries and other stakeholders, within which efforts at poverty reduction can proceed. Coupled with this was also the need to take into account the Affirmative Action, which incorporates a commitment to identify and create opportunities for the most vulnerable communities in society.

Namibia's Poverty Reduction Strategy focuses on three areas that are considered key to progress in poverty reduction. It examines:

- how to foster more equitable and efficient delivery of public services (in the context of Namibia's commitment to regional decentralisation) for poverty reduction countrywide;
- how to accelerate equitable agricultural expansion, including consideration of food security and other crop development options; and
- options for non-agricultural economic empowerment, including an emphasis on the informal sector and self-employment options.

The Strategy highlights the daunting challenges that must be overcome if the quest for poverty reduction is to succeed. It outlines a long-term vision of a prosperous Namibian economy, and points to some specific actions to be undertaken for this vision to be realised. It also identifies a variety of short- and medium-term strategies which are key to having an impact on poverty reduction. Finally, it presents some new policy directions and institutional arrangements, which can help in co-ordinating and implementing the Strategy and make the best use of the country's scarce public resources.

## **2. NAMIBIA'S DAUNTING CHALLENGE**

If Namibia is to successfully meet the challenge of poverty, it will need to overcome six difficult burdens. First, the country is saddled with a difficult combination of poverty amidst plenty. As of 1993, the richest 7,000 Namibians were estimated to spend as much as the poorest 800,000 combined. Close to 70 percent of Namibia's population live in seven Northern regions, located within 200 kilometers of the country. Yet virtually all of Namibia's higher income earners live in the Central and Southern parts of the country, many hundreds of kilometers away from the impoverished North. According to one common classification, households are defined as "poor" if they devote over 60 percent of their expenditures to food. Based on this definition, a country-wide household survey conducted in 1993/4 found that 47 percent of Namibia's 1994 population - over 650,000 people - were poor. Over two-thirds of the poor live in the Northern parts of the country.

Second, the country's agricultural resource base is weak. Rainfall is limited, and highly variable from year to year. The only perennial rivers are on boundaries with neighboring countries. Soils are sandy and of low fertility. This combination of low fertility soils and unreliable rainfall have led households - including poor, rural households - to diversify their sources of income. Namibia's 1993/4 *Household income and expenditure* survey found that cash wages (from formal and informal employment) were the main source for 44 percent of households, and subsistence farming for 35 percent. Pensions and remittances provide important supplements. Even in two regions that are 100 percent rural - Omusati and Oshana - own-produced food accounted for just 26 percent of total consumption, with marginally more food being purchased than grown.

Third, population is growing at a very rapid rate. Between 1970 and 1997, population has grown from 700,000 to 1.7 million. If population continues to grow at the current rate, the number of Namibians will exceed 3 million by the year 2020. Without a coherent and practical strategy for poverty reduction, the result of rapid population growth could be a rise in both rural distress and urban dysfunction. Windhoek's population, for example, has risen from 61,000 in 1970, to over 180,000 in 1995. Somewhat over two-thirds of this increase has come from migration, with over half of the migrants coming from the four regions in the North-Central. By 2020 Windhoek's population is estimated to be well in excess of 600,000 people. Yet already in 1996 - even with the world's most stringent system of urban water management, re-use and scarcity pricing - Windhoek appeared to be in imminent danger of running out of water.

Fourth, the economy inherited at independence was not geared towards equitable growth and job creation. Viewed from the perspective of the colonial population, which enjoyed virtually full employment, the resource rents from mining (recycled to other members of the elite through the state) were sufficient to ensure a fine standard of living. But a formal economy built on these lines offered only limited opportunities for participation by the indigenous majority. The annual real growth rate progressively slowed from over 10 percent per annum between 1946 and 1957 to just 1.7 percent per annum from 1970 to 1990. Further, less than half of Namibia's potentially economically active population is employed in the formal sector. In the early 1990s, the number of new entrants to the labor market averaged over 20,000 per year. The number of jobs created annually in the formal sector was just 8,000 (disproportionately in the public sector).

Fifth, the country has reached the limits of its ability to mobilize public revenues. The share of public expenditures in GDP is unusually high - close to 40 percent as compared with an average of under 28 percent for middle income countries. Moreover, since independence the country has consistently had to struggle for fiscal balance - the result of a combination of a secular slowdown in

natural resource-based growth and new political imperatives. Though in mid-decade, Namibia seemed to have its fiscal house in good order, as of mid-1997 the budget deficit had again begun to rise rapidly.

Sixth, Namibia has a problem of literacy and lack of capacity. According to the 1991 census about 33 per cent of the population aged 15 year and above were classified as illiterate. Although enrolment rate among the school children is quite high, it declines with an increase in age. Retention rates, both for boys and girls, are shocking. Only 28 per cent of boys and 37 per cent of girls completed their primary education in 1991.

The poverty strategy laid out in the next sections has been designed to respond effectively to these burdens in the short-, medium- and long-run.

### **3. A PROSPEROUS NAMIBIA: REALIZING THE LONG-RUN VISION**

In the long-run, a prosperous Namibia will have a very different economy than it does today. The agricultural base is too weak to offer a sustainable basis for prosperity. So a quarter century from now, the large majority of the country's inhabitants (by then more than 3 million) are likely to have moved into urban centers: Windhoek; Walvis Bay/Swakopmund; Ondangwa/Oshakati; Rundu; Katima Mulilo; and perhaps others. The challenge for an integrated strategy of poverty reduction is to ensure that by that time, the country's urban centers are capable of providing good jobs at good wages. Achieving this calls for immediate sustained efforts on two fronts - laying the foundations for transforming Namibia into an industrial society, and investing in people's education and health.

#### **3.1 A transport and manufacturing hub**

How might Namibia most effectively embark on a path to manufacturing success? The combination of Namibia's geographic vastness and its good quality physical and institutional infrastructure creates an opportunity for it to become an increasingly important land transport bridge in Southern and Central Africa. And this transport role could, in turn, increasingly reduce the countries perceived (and actual) remoteness, thereby creating new manufacturing, construction and trading opportunities - initially primarily within the region, complemented increasingly by manufacturing production for world markets more broadly.

South Africa-Angola is the one bilateral trade route within the region for which Namibia is the natural trans-shipment route. As a result of the stimulus from the recent acceleration of trade with Angola, new trading businesses are springing

up near the border; the combi-taxi business has mushroomed; new indigenous construction companies are beginning to appear; and a pioneer manufacturer has located in a new export processing zone.

Other transport-driven opportunities will depend on international suppliers beginning to consider shipping goods into Southern Africa via Walvis Bay, and from there by land onwards (via the Caprivi) into Western Zambia, Western Zimbabwe or Northern Botswana; or (via the Kalahari) to South Africa's Witwatersrand. As shipment becomes viable, they might also consider Namibia as a base for local assembly within Southern Africa. Key here is that Namibia offer an unusually attractive environment - infrastructural, fiscal-wise and quality-of-life-wise, vis a vis other plausible assembly points in the sub-region.

- *The strategic challenge for government is to make the infrastructural investments, and policy and institutional reforms, needed to help realize this opportunity. Efforts made so far comprise one of Namibia's post-independence success stories.*

Substantial investments are being made to upgrade Walvis Bay harbour, and the town's infrastructure more broadly. A new Trans-Kalahari highway, which will shorten the road distance between Walvis Bay and Johannesburg, will be completed in 1998. And the Trans-Caprivi highway, now under construction, will provide a continuous tarred road to the eastern border of the Caprivi Strip. On the fiscal front, Namibia promulgated the Foreign Investment Act in 1990, followed by a variety of additional incentive packages, culminating in the Export Processing Zone (EPZ) Act of 1994 which granted tax-free status to new manufactures exporters irrespective of where they were located. It created an Investment Center as a user-friendly first port of call within government for potential new investors. And it dismantled much of the regulatory apparatus, which had protected colonial firms - and thereby inhibited new entrants and associated dynamism. In addition, it recently has restructured its corporate tax rate such that the effective tax rate on profits from exports out of Namibia (including into South Africa) is just 7 percent - as compared with 15 percent for Lesotho, and 25 percent for Botswana.

Despite these efforts, in the short-term job creation in manufacturing is likely to be quite modest. It will take time to overcome the fundamental obstacles to an acceleration of export-oriented manufacturing of a lack of any prior experience with factory-based production, a paucity of skilled workers, weak ancillary and support services, and the perception (regionally as well as globally) that the country is remote from centers of economic activity.

Yet even though the benefits will be slow in coming - and even though the measures described above seem distant from the concerns of Namibia's poor - the cumulative long-run benefits of success will be profound. Assume that

manufacturing employment grows at 10 percent annually. Starting from a base of 12,000 employees, the first decade of expansion will yield an additional 19,000 jobs. But, with a larger base to start from, even at that same rate of growth total employment after twenty years will have risen to 81,000. Moreover, if the process stays on track, experience worldwide is that at some point a critical mass is reached, an increasing number of international and domestic players become aware of the production potential of the emerging location, the EPZ regime becomes an increasingly powerful lure, and growth accelerates. With linkage and multiplier effects, total job creation after twenty years could exceed 150,000.

### **3.2 Investing in people.**

Namibia's long-run future depends on its being able to make the transition from a resource-dependent economy to one, which thrives as a producer of manufactures and services. And this will only be achieved with investments in people - in education and health - of a quantity and quality sufficient to reverse the devastating legacy of apartheid and colonialism. Namibia's budgetary commitment to both education and health is impressive: the proportion of its economic resources Namibia spends on these social sectors is among the highest in the world. Even so, major challenges remain and need to be addressed as part of an integrated strategy of poverty reduction

#### ***3.2.1 Education***

On education, in important ways the quantity battle has been won: most of the younger generation is enrolled in school, with access improving especially notably in poor regions. From 1991 to 1995, the share of children between seven and 13 years of age in school was estimated to have increased from 87.5 to 95.2 percent. Growth of the school system has been especially rapid in the historically neglected Northern regions; these regions have received virtually all the increment in the numbers of classrooms and teachers.

Formidable challenges remain. First, the school system in the Northern regions continues to be seriously under-resourced relative to the rest of the country. Second, educational outcomes are uneven and repetition rates are unusually high. It appears that the school system aims towards preparing students for examinations in 10th and 12th grade. This focus comes at the cost of less attention to improving the educational benefit for the many who will not reach that far, and need development of more basic literacy and other skills. The application of promotability criteria that are strict in comparison to student achievements has high costs. It contributes to children withdrawing from school at an early age. It burdens the system both with more students and with high age

variation in the class-room. And it demotivates and demoralizes students and their families. Research worldwide does not support the contention that repetition of a grade is more efficient than staying with peers. Third, cost pressures on the educational system are severe. Three sets of educational reforms are proposed:

- *Continue measures aimed at reducing inter-regional disparities in educational expenditures per student.*
- *Consider options for re-orienting the curriculum and promotion criteria for the many who will not complete more than nine years of basic education.*
- *In the final years of schooling for adolescents, place increased emphasis on pre-employment vocational education, especially approaches to training which are linked directly to the workplace.*

### **3.2.2 Health**

The health sector, too, can celebrate an important success: the share of the health budget devoted to community health services - the part of the system which is most effective in reaching all the people - has risen from 27 percent in 1991 to 38 percent in 1997. There has been an expansion in health centres and clinics, and very large declines in infant mortality rates. Yet in other areas (for example, child immunization), the record is mixed. Moreover, since 1992 there have been no marked shifts in the regional composition of expenditures towards poorer regions. Key initiatives for the health sector in an integrated poverty strategy thus include:

- *Continue to redirect resources away from specialized services and towards primary health care.*
- *Reduce inter-regional disparities in health expenditures per capita.*

One final initiative is not strictly speaking a challenge for the health ministry, but is vital for Namibia's long run success, so is included here for completeness:

- *Work aggressively to implement the population policy for sustainable human development recently adopted by the Namibian government.*

## 4. MEETING THE CHALLENGE OF THE PRESENT

In the immediate future, Namibia confronts a difficult dilemma. Given the limitations of its agricultural resource base, and the maturity of its mining sector, it is hard to see how the country can thrive unless it successfully develops some new, non-resource-based niches in which it can be competitive in the regional and global marketplace. At the same time, the initial base is too small for manufacturing to have much immediate impact on poverty. For the short- and medium-term, Namibia will thus need to rely on a multitude of income generation and safety net initiatives from a diverse variety of segments of the economy, both private and public. A polarized debate between competing visions of the path to poverty reduction - between, say, “winning through manufacturing”, “putting the food-deficit farmer first”, or “security through public programs” - is especially counterproductive, as none alone is an adequate response.

### 4.1 Some Near-term Opportunities for Poverty-reducing Income Generation

As is glaringly evident from Namibia’s history, a resumption of growth along traditional lines (through new mining investments, say) need not do much to reduce poverty. What is needed is a new *pattern* of Namibian growth- one which holds the promise of simultaneously directly reducing poverty while at the same time accelerating economic growth. In the short- and medium-term smallholder crop cultivation, tourism, and promotion of small and medium enterprises offer important opportunities of this kind.

#### 4.1.1 Agriculture

Even though Namibia’s natural resource base is weak, most of the country’s people - and a large majority of the poor - live in rural areas, and depend on livestock and crop production for at least part of their livelihood. Since over half of Namibia’s population owns some livestock - and since the present veterinary restrictions on many communal farmers sharply reduce the commercial value of their large holdings - the options for reducing poverty through development of the livestock sector are sure to be significant. The opportunities for further development of cultivation on commercial lands (which received disproportionate attention during the colonial era) seem limited - although land reform and an associated shift to intensive cultivation could yield a one-time gain for poverty reduction in those few areas which are well watered, but presently farmed by extensive commercial methods.

The integrated strategy for poverty reduction focuses its agricultural proposals on initiatives which aim to try and increase production, crop value and

productivity in the North. Water availability and soil fertility are somewhat better there than in the rest of the country. Moreover, almost two-thirds of Namibia's poor live on landholdings in rural areas in the country's Northern regions. Historically, virtually no attention was given by Namibia's colonial rulers to improving agricultural production in these areas. New initiatives which raise farm production and incomes could thus make an important contribution to poverty reduction.

A first agricultural objective highlighted by the integrated strategy is to increase the production by smallholders of mahangu, the staple food of most of the country's poor people. Prior to independence, the Ministry of Agriculture, Water and Rural Development was oriented towards commercial farmers. Since independence, the agricultural research and extension efforts have been fundamentally re-oriented. Significant progress has been made in developing viable technologies for mahangu which can provide the basis for increasing yields and yield stability, and for increasing the area under cultivation. As most of these technologies are simple and low cost, they are also readily accessible to low income people.

Even with these gains, when viewed from the perspective of poverty reduction the needs of poor farmers continue to be seriously under-served. Agricultural research on crops is underfunded. A five year national agricultural research plan (NARP) prepared in 1996 makes provision for a large increase in the number of agricultural researchers and awaits government approval. The proposal follows:

- *approve immediately the full request for resources to implement the proposed five year national agricultural research plan.*

As for agricultural extension, a 1994 national survey found that on average agricultural extension technicians reached only 8 percent of the farm households for which they were responsible, with a range from 2 percent in Oshana and Omusati to 13 percent in Karas and 28 percent in Kunene. In order to achieve Namibia's objective of poverty reduction, far more households must be exposed to new technologies and taught how to use them. Creative new ways of reaching farmers are called for, including increased use of mass media techniques and video programmes, and increased co-operation with co-operatives, and farmer unions and associations. Hence the recommendation:

- *Set the objective of reaching a minimum of one half of rural households through cost effective agricultural extension, and prepare - and fund - a five year strategic plan for its achievement.*

Gains in cultivation can also come from the introduction of new crops, and new ways of using water. Because water is so scarce, and has many competing uses in

Namibia, the hurdle of economic and social viability for irrigation projects is a formidable one. Irrigation for expansion of production of staple grains does not meet this hurdle. Viable irrigated agricultural projects need to combine low cost irrigation systems and high value crops; operate on a scale which does not result in a major draw-down of existing water resources; and bring new technologies and new market linkages into the region. Two initiatives which hold the promise of meeting this formidable test are irrigated and rain-fed production of cotton as a cash-crop in the Kavango region, and peri-urban horticulture with supplementary irrigation in the environs of Oshakati/Ondangwa. The proposals follow:

- *Identify the obstacles which currently are inhibiting expansion of irrigated cotton in the Okavango region, and explore whether they can be overcome. At the same time, plan a strategy for introducing cotton growing and marketing to dryland, smallholder farmers.*
- *Initiate a pilot peri-urban vegetable growing project on 30-50 ha, with supplementary irrigation, and so located near the canal which brings water from the Cunene to the North Central region. Once this project has demonstrated its viability (including arrangements for the sustainable use of canal water, and sustainable access to urban vegetable markets) consider expanding it further.*

Another water resource comprises the oshanas - the system of ephemeral waters which flow south from Angola. Although they constitute a substantial resource in a water-scarce environment, erratic flows, high rates of evaporation, and the flat topography of Northern Namibia (which precludes collection of the Oshana waters in reservoirs) make it difficult to use this water in a viable and sustainable manner. The oshanas are an important resource nevertheless and most of the rural population in the north central region is concentrated around them. In addition to current uses, tree crops seem to offer a means to harvest the Oshana water. Trees offer a means to produce a wide range of products, including food (for sale and/or consumption), animal fodder and shelter, and fuel and construction materials. Instead of bringing water to the plant by pumping it from the ground or conveying it from a dam, the root systems of the trees would locate and extract the water directly from the ground. This is more ecologically sustainable, less costly to develop and easier to manage than any effort to store the water for surface use. Hence the recommendation for poverty-reducing agricultural development:

- *accelerate initiatives to identify, pilot and subsequently promote planting of tree species which could thrive in the Northern regions of Namibia, and would have high economic value.*

Other options being considered for use of the oshana waters include aquaculture and rice cultivation. Both, though, will need to find ways of overcoming the year-to-year variability as to whether there are indeed surface flows of water in specific locations, hence:

- *initiate studies to determine whether there exist locations in the northern part of the Oshana system, closer to Angola, which year upon year consistently fill up with water from the efundja floods, the areas involved, and the volume of water flows.*

#### **4.1.2 Tourism**

Tourism is an activity with a specially high potential to create jobs in the near-term. Namibia's unique environmental characteristics provide the basis for the country's tourism industry. In 1994, the country had about 500,000 visitors, up from 230,000 in 1991. As of 1994, tourist expenditures supported approximately 10,000 jobs - about the same number as manufacturing - in a variety of hostelry, food and other establishments. The gains from tourism are distributed across a broad spectrum of Namibia's population. Unlike other "modern" sector activities, tourism reaches deep into the more remote parts of the country.

Future tourist growth estimates are promising. Tourism in Southern Africa has been growing at a rate of 10% a year. High priced tourist packages advertised in Europe and the United States increasingly promote cross border tourism that combines Namibia's tourist attractions with sites in South Africa, Zimbabwe and Botswana. A target of one million visitors annually by the year 2010 seems achievable; the number of jobs created directly could rise to 40,000. Policy and institutional development activity in the tourism sector is underway on a variety of fronts:

- Namibia's Ministry of Environment and Tourism is working actively to develop options for Community Based Tourism which enable rural communities to share in the profits, as well as the job opportunities, from the emerging tourism boom. A recent amendment to the Conservancy Act has increased community rights and their potential to benefit from local resources, although in the short-term it has generated some confusion as to its goals and implications.
- To strengthen public-private sector co-operation, a Tourist Board is being established. Composed of both private and public sector representatives, the Board will monitor, regulate and promote the industry. Co-operation

between local communities and the public and private sectors is being fostered through the recent formation of the Namibia Community Based Tourist Association (NACOBTA). Based in Windhoek, NACOBTA is an umbrella group of community based tourist enterprises that lobbies government on laws and regulations that could assist Community Based Tourism and serves as an entry point for private sector entrepreneurs who wish to establish profit making enterprises in partnership with local communities.

- Commercialisation of government accommodation and sites has been discussed for some time and actions to implement this proposal need to be finalised. Government owns approximately 15% of the country's bed stock, with the percentage considerably higher in the prime resort areas such as Etosha and Fish River Canyon where government rest camps have exclusive rights. There is growing recognition that government facilities have not kept pace with the market demands from international tourists. Joint venture agreements are underway with the private sector to form commercial holding companies to operate Government facilities within proclaimed areas.

Certainly, an expansion of tourism alone will not solve Namibia's poverty problem. Even so, over the next decade, no other segment of the economy has as much potential to create jobs and generate income for Namibia's rural communities. The country cannot afford to allow reforms to promote the sector to become bogged down in narrow sectarian disputes.

#### ***4.1.3 Small and medium enterprises***

Another area with potential for sustainable job creation in the medium-term is the development of small and medium enterprises (SMEs) - not survival microenterprise activity (which is indeed valuable in itself, and warrants its own support), but more entrepreneurial and dynamic SMEs. The colonial period fostered an extraordinary dependence on South African businesses, leaving a virtual vacuum of domestic SMEs, especially among indigenous Namibians. SME development already is high on Namibia's agenda. An ambitious program to promote SMEs is being prepared to address finance, marketing, technology, sitting and training constraints: over the next three years N\$127 million has been earmarked to implement these programs. As the details of individual programs are still being finalized, Namibia is well-positioned to learn from the mixed experience elsewhere so as to ensure that these resources are well spent.

International experience points to one key guiding principle relevant to the SME component of an integrated poverty strategy: It generally takes a long and painstaking process of learning-by-doing before SMEs can successfully compete with established, internationally competitive manufacturers. Successful SMEs

are built on steady, cumulative processes of learning. Opportunities which initially may seem modest create opportunities for learning, and enable participants to move on to more ambitious tasks. This is why the gains from SME promotion are more likely to be substantial in the medium- than in the short-term. Supportive government initiatives can facilitate and encourage these learning processes; but they cannot be bypassed.

In Namibia in general, and especially northern Namibia, with limited experience of non-subsistence production and very weak local supplies of requisite complementary goods and services, the challenge of building a critical mass of competitive SMEs is a major one. Effective demand is key. Price-quality requirements are very different for different types of products. SMEs will thrive if they have ready access to buyers eager to buy goods at a price and quality SMEs are capable of supplying. The recent surge of SMEs in Northern Namibia in trade, transport and construction activities illustrates the potential. Hence a key recommendation for Namibia's SME programs:

- *Focus initial promotional efforts on “localization” of selected items - cost-competitive production of goods already being consumed in the region but currently being imported from outside - which provide some vital initial learning opportunities.*

Promising opportunities are in goods and services where transportation costs are high or where some other latent comparative advantage exists. In addition to the areas noted above where dynamism is emerging spontaneously, brickmaking, fabricated metalworking and custom-designed furniture are some examples of activities where active promotion could yield good results. In general, entrepreneurs learn best from the experience of other firms. So public funding is better used, not to deliver training programs directly, but rather to catalyze private-to-private learning. Many countries have ignored this lesson and spent a great deal of public money on training programs to promote enterprise development delivered by the public sector, with little to show for their efforts.

Once SMEs have identified promising markets, they need to find ways to meet their financing requirements. Here, too, international experience offers a key lesson for Namibia:

- *Adopt programs to foster the flow of finance to SMEs which aim to enhance - not override - the market-based decisions of banks.*

Promising examples include partial guarantees and other forms of collateral enhancement, and programs to build the capabilities of private lenders to work with smaller clients. In general, comparative global evidence suggests that small start-up firms whose entrepreneurs lack prior experience are exceptionally risky undertakings, with a high likelihood of failure, and hence are not creditworthy.

Countries which have nonetheless used subsidies to channel finance to these firms generally have suffered major losses, with little discernible impact on enterprise development.

Especially in Northern Namibia, the collateral constraint is substantially more acute than it need be. The world over, land and buildings provides the dominant source of collateral. At present, though, land tenure rules and practice in the urban areas of Northern Namibia (let alone rural areas) make it impossible for owners-in-practice to obtain title to their land (even if they have a PTO - “permission to occupy”). These considerations lead to a key recommendation:

- *Identify and eliminate the constraints which presently are inhibiting people with de facto rights to urban land to obtain title, and hence bank credit.*

Resolving the land titling problem would do more than enhance access to finance by indigenous SMEs. It could also “kickstart” a housing boom in former communal areas by unlocking the supply of mortgage finance and thereby expanding the demand for private residential construction. The cumulative impact of these two effects implies that resolving the land titling problem could do more to stimulate the non-agricultural economy in the Northern regions than any other initiative currently on the agenda of reform.

## **4.2 Strengthening Namibia’s safety net**

Even with success in agriculture, tourism and SME development, many people will remain economically marginalized - pointing to the need for a safety net adequate to protect the vulnerable. Consequently, the integrated strategy for poverty reduction includes support for labour-intensive public works and grant-based transfers. As among the highest per-capita income countries in sub-Saharan Africa, Namibia can afford this package of social services - indeed the labour-intensive public works can in large part be funded with existing infrastructural outlays - but only if careful attention is paid to what with imprudent management could result in explosive fiscal costs.

### ***4.2.1 Labour-intensive public works***

In Namibia, as in other countries, labour-intensive public works have shown substantial promise as a vehicle for expanding employment, stabilizing incomes during periods of drought, and building infrastructure (especially gravel-based rural roads) in the countryside. During April 1996 to March 1997, about 60,000 person days of low-wage employment was created in a pilot labor-based project in the Omusati region. A critical review conducted by the ILO found that the total cost of a labor-based project in Northern Namibia was 61 percent of the equipment-based project, in the same region and for the same type (quality) of

road. Administrative capacity is scarce inside Namibia, and there is a wealth of international experience with labor-intensive public works, so this is an area where more donor involvement and technical assistance may have rich pay-offs. The recommendation follows:

- *Support and harmonize current efforts in the Ministries of Works Transport and Communication and; Agriculture, Water and Rural Development to foster cash-based labor-intensive public works programs, by identifying and removing obstacles to their expansion.*

#### **4.2.2 Strengthening grant-based transfer programs**

Namibia already has in place an extensive array of grant-based, safety net programs, although coverage is uneven. The ratio of these grant expenditures to GDP currently is 2.6 percent - and it should not go any higher. It follows that any expansion in coverage will need to be financed by a combination of efficiency gains and more effective targeting towards those who indeed are most at risk.

From the perspective of impact on the poor, by far the most important formal transfer is the social pension (which accounts for just under 2 percent of GDP). The current pension of N\$160 is sufficient for a family of three to stay above the poverty line. In addition to social pensions, two other sets of transfers without a work requirement - disability grants, and selective child and family allowances - are important parts of the safety net.

The public safety net is excessively complex. Administratively, the burden of the disability and family grants is substantial as the programs are run separately from one another. Adding further to administrative complexity are a variety of other niche grant programs - including rent remission programs, and subsidies to privately-run homes for elderly and handicapped people - which have little effective outreach to the absolutely poor. Hence the first recommendation:

- *Reduce the number and complexity of grant-based transfer programs to three: a basic social pension program, a combined blind person and disability pension program, and a child maintenance grant.*

A transitional issue that warrants attention is how to cover the costs of individuals currently receiving institutional care in subsidized homes, a pattern of support which is a legacy of the earlier elite-oriented system of social protection, but is unaffordable country-wide.

As with other government services, many of Namibia's transfer programs continue to be skewed away from the Northern regions. A central challenge is to ensure better coverage in these hitherto under-served regions. One key reason for inadequate coverage of the poor in the North is that the regional distribution of social workers - the officials responsible for overseeing most of the cash transfer programs - is more favorable in the South than in the Northern regions. Hence the recommendations:

- *Continue measures aimed at reducing inter-regional disparities in grant coverage.*
- *Re-orient the distribution of social workers towards where the needs and clients actually are. If limitations to moving professional staff between regions cannot be overcome, consider other options of reaching the underserved Northern regions (including the use of para-professionals).*

The above measures would not, of course, be costless as they would lead to increases in the number of people covered by these cash grant programs. And if Namibia's safety net to protect the vulnerable is to be sustainable, its financing needs will have to be consistent with the aggregate availability of public resources. How, then, can the cost of the pension scheme be contained without hurting the poor? Because the program currently is universal, most elderly non-poor individuals especially in urban Namibia also receive social pensions. In order that the social pension program contributes to the reduction of both poverty and inequality, it seems highly desirable not only to include all the eligible poor pensioners, but perhaps also to exclude many of the non-poor from the purview of the scheme. Hence the recommendation:

- *To maintain fiscal sustainability while ensuring that poor elderly (including in the Northern regions) are covered, adopt indicator-based criteria (such as ownership of a vehicle, or a single family home, all income tax assesses, contributors to social security, etc.) to exclude the clearly non-poor individuals from eligibility to the social pension program.*

## **5. MAKING THE MOST OF PUBLIC RESOURCES**

Recent fiscal trends confirm that the Namibian government has reached the limit of availability of additional fiscal resources (as a share of GDP) for its public programs. Instead, the key challenge of implementing the integrated strategy for poverty reduction will be to manage smarter - focusing more precisely on priority goals, and using the available resources more efficiently. One purpose of this section of the poverty strategy will be to propose some new approaches to clarifying what should be publicly financed.

A second purpose is to suggest some institutional arrangements to help ensure that the strategy is indeed implemented. Just because government has allocated finance to meeting some collective need, it does not follow that the need will be met. Public organizations are no different from any others in their need for mechanisms which foster accountability for performance. At present, Namibia relies overwhelmingly on internal administrative controls to keep public officials accountable, with the administrative apex in turn accountable to national politicians. While the current Namibian approach to accountability is by no means atypical, in many countries there is growing recognition that in the long run citizen voice is vital for accountability and public performance. The two parts of this section thus examine some distinct approaches to bringing government closer to the people and decentralizing accountability to regional authorities.

## **5.1 What should be publicly financed?**

Namibia's needs are large and, as with all countries, its public resources are limited. Consequently, a vital first step in achieving effective governance is to focus these scarce resources on areas of highest collective priorities. The previous sections have highlighted some specific areas where public spending is important. Consistent with the current reality of fiscal stringency, no new and unaffordable items were added. The few new items suggested are modest in their costs, intended to be catalysts. Rather, the emphasis has been on identifying which programs already underway deserve high priority in the fight against poverty; and on suggesting new approaches to how the programs might be implemented more effectively. This section looks beyond program specifics, and examines two cross-cutting approaches which can help target spending more effectively on the needs of poverty reduction.

First, it is difficult to see why services should be funded by central government at different levels across different regions. Take the important examples of education and health. Services have mostly been provided free of charge, or with payments only for a small part of actual costs. Presently funding levels are highest for the wealthiest regions. The public resources do not appear to be available for funding at these highest levels to be extended as norms for all regions. An alternative approach is needed. Hence the recommendation:

- *Each line ministry engaged in service delivery should define - and estimate costs and budgets for - some nationally applicable minimum standards that are lower than present standards in a region such as Khomas.*

Regions and individuals that seek a higher standard of service would need to identify alternative (private or collective) sources of supplementary financing, for example through user charges or taxation. As discussed further below,

defining minimum standards will play an important role in supporting the current effort to promote political and administrative decentralization to Namibia's 13 elected regional councils.

A second cross-cutting issue comprises ability to pay. In a society as unequal as Namibia's there are a number of goods and services currently financed and delivered by government where some - though not all - users have the ability to pay as well as the private incentive to procure the relevant good or service themselves. Current arrangements in which governments finance provision for all could usefully be re-thought. Hence the suggestion earlier that the social pension be targeted increasingly towards those who genuinely need it as a safety net for survival. Similar issues arise in the provision of education and health services.

The dilemma, of course, is that imposing an ability to pay criterion is difficult in two ways. First, excluding some on the basis of ability to pay could end up being interpreted in politically-charged terms. Second, a consequence of an ability to pay criterion is that only those able to so afford are likely to have access to specialized and costly services. Basing the funding decisions of central government on national minimum standards makes it possible to go around these thorny dilemmas, by shifting key components of the decision closer to the people within individual regions.

## **5.2 Sequencing decentralization**

In Namibia, decentralization has recently taken center stage as a means of enhancing accountability. At first sight, decentralization seems to offer a compelling counterweight to the centripetal pull of Windhoek on the country's political discourse and resources. Yet the challenge is formidable of implementing it in a way that can actually fulfill its undoubted potential. An incremental, sequenced approach is called for if decentralization is to be effective in fostering political accountability and reversing Namibia's deep-seated regional imbalances.

The first stage comprises a variety of enabling actions, which can be pursued in parallel at all levels of government. These include (and each is a specific recommendation suitable for immediate implementation):

- *Strengthen the participation of community and user groups in the design, implementation and monitoring of public programs (by, for example, improving the capability of parents to participate effectively in school boards).*

- *Strengthen the administrative capability of regional authorities. A key element here will be to provide the regions with a reliable and predictable source of funds for administrative tasks.*
- *Accelerate the pace of regional deconcentration of staff of central ministries. This process seems to have moved more rapidly in some Ministries and Departments (for example, agricultural extension) than others (e.g. social welfare).*
- *Establish regional fora (for example, educational fora), which would serve as focal points for consultations between regional authorities and the regional directorates of ministries.*

Also key for decentralization are the national minimum standards described earlier for the provision of public services such as education and primary health. Because regions are so unequal in terms of present incomes and potential tax bases, it follows that a combination of taxation by central government plus intergovernmental transfers will be an important structural feature in a future decentralized system. Only with these transfers will it be possible to achieve the key poverty reducing goal of meeting minimum standards in the provision of public services nationwide. A further implication is that regions will need their own options to raise revenue (for example fees and charges, property taxes, and “piggyback” tax-sharing arrangements) if they are to have the option of financing some services at higher levels than central government.

Once all the steps outlined above (including the minimum standards) have been successfully put in place, the subsequent stages of decentralization comprise shifting increasing levels of authority and accountability for both financing and delivery to the regional level. For financing, this can initially be done by inviting regional authorities to participate in decisions on the allocation of funds (beyond the minimum levels required to meet national standards). For delivery, this can be done by requiring regional Directors to report to regional councils as well as their Windhoek head offices. Even when a regional Director still formally submits annual plans to Windhoek for approval, these could be submitted only after consultations with (and including the remarks of) the relevant regional council. Progressively, the scope for making decisions on funding and for holding public bureaucracies accountable for performance could shift from the center to the regions.

Namibian decentralization has a long path to travel before authority over financing and delivery move entirely to the regions. Already, though, it is apparent that at the end of this gradual process, the role of central authorities would be utterly transformed - from that of service provider to that of financier through formula-based grants, and regulator to ensure that regions comply with national minimum standards set at the center.

## **6. INSTITUTIONAL FRAMEWORK FOR STRATEGY IMPLEMENTATION**

The road to an equitable and accountable system of decentralization is long and difficult. Greater accountability and responsiveness need not, however, depend only on success in meeting the formidable challenge of step-by-step devolution. Central government can take some immediate steps to ensure that the strategy to reduce poverty stays on track.

For the strategy to succeed, new initiatives must be developed, designed and agreed upon. They must be implemented. And there must be continuing monitoring and evaluation to ensure that the many distinct activities - all of which are key for success - remain on track. Namibia's institutional arrangements for initiating and implementing are fairly well-developed: lead responsibility is in the hands of line Ministries, as coordinated by the National Planning Commission. Mechanisms for monitoring are weak however. Here both Central Government and citizens have key roles.

### **6.1 Monitoring and Evaluation by Central Government**

As is evident throughout this strategy of poverty reduction comprises a myriad of distinct activities, and responsibility for implementing them cuts across a myriad of ministries. The risk of the strategy falling between the cracks - the responsibility of all becoming the responsibility of none - is large. To counter this it is proposed that a National Advisory Committee on Poverty Reduction (NACPR) be established and take responsibility for monitoring, evaluating and reporting on progress of each of the elements of the Poverty Reduction Strategy.

#### ***6.1.1 The National Advisory Committee on Poverty Reduction (NACPR)***

The NACPR shall be established and to act as the highest advisory body to the National Planning Commission on all matters pertaining to poverty reduction. The NACPR would need to have the authority to present and publicize findings, which may not always be welcomed by individual ministries.

Membership of the Committee shall be drawn from the high level of Government, Private Sector, Trade Unions and Non-governmental Organisations.

The specific responsibilities of the Committee shall include:

- (a) Advising the National Planning Commission on Poverty Reduction Strategy review and programme management within the context of the overall national development design;
- (b) Formulating concrete recommendations to Government and implementing agencies on poverty issues;
- (c) Briefing the Government and the public - through the NPC - on progress of each Sector in implementing its poverty reduction programs;
- (d) Ensuring the design and implementation of a comprehensive national programme for Strategy implementation;
- (e) Mobilising human and material resources, at national and international levels, for Poverty Reduction programme implementation;
- (f) Serving as the clearing house for all Poverty Reduction programmes and ensuring the prioritisation of accommodating the vulnerable groups such as women, children and the disabled people in poverty reduction programmes and projects in Namibia;
- (g) Fostering an integrated policy and strategic approach to poverty reduction as opposed to competing sectoral development approach in which various stakeholders pursue projects in their respective spheres;
- (h) Serving both as structure for the promotion of integrated action and as well as for accommodation of meaningful popular participation;
- (i) Functioning in any other way that would promote poverty reduction activities in the country.

The Secretariat of the NACPR shall be the Social Sectors Sub-Division in the Directorate of Development Planning of the National Planning Commission Secretariat.

The National Task Force on Poverty Reduction shall serve as the technical/professional arm of the NACPR, providing advice and technical reports as inputs into the Committee's briefs.

### ***6.1.2 National Task Force on Poverty Reduction (NTFPR)***

The existing Task Force on Poverty Reduction and Technical Committee on Poverty Reduction Strategy will be merged and reviewed to include the Parastatals and Non-Governmental Organisations - with established expertise in the collection and analysis of economic data - to form the National Task Force on Poverty Reduction. This National Task Force on Poverty Reduction shall provide technical advice to the National Advisory Committee on Poverty Reduction.

The National Task Force on Poverty Reduction will be charged with the responsibilities for recommending, monitoring and evaluation of poverty reduction programmes, policies and strategies. The National Task Force shall be constituted of sub-committees on different main areas of the Poverty Reduction Strategy.

Specific Terms of Reference of the of the NTFPR are to:

- (i) Advise the NACPR on key strategies and relevant matters crucial to the implementation of the Strategy, such as training, institution building, information dissemination, monitoring and evaluation;
- (ii) Provide framework for the monitoring of the implementation of policies and programmes on poverty reduction in Namibia, particularly the National Development Plan;
- (iii) Liaise with and provide forum for interaction between the various agencies of the Government, Parastatals, Private Sectors, Trade Unions, Non-Governmental Organisations, community based structures and other relevant bodies within Namibia, particularly those which are involved in the fight against poverty, unemployment and social disintegration;
- (iv) Monitor the harmonisation of different sector strategies with the Poverty Reduction Strategy;
- (iv) Liaise with regional structures in the promotion and co-ordination of poverty reduction programmes;
- (v) Assist the Social Sectors Sub-division in the Secretariat of the National Planning Commission to articulate the specific research needs of poverty reduction programme, guide the design and formulation of specific research projects, and research works;

- (vi) Evaluate research reports as well as workshop/seminar reports and proceedings and advise on mode of dissemination.
- (vii) Ensure integration of poverty reduction programmes in the national development planning efforts of Government;

*Mode of Operation*

- (i) The Permanent Secretary, National Planning Commission, shall serve as the Chairperson to the Task Force;
- (ii) The Task Force shall appoint its Secretary;
- (iii) The Social Sectors Sub-Division of the NPC Secretariat shall serve as the Secretariat of the Task Force;
- (iv) At any of its regular meetings, a quorum shall be formed if  $\frac{2}{3}$  of the members are present; otherwise  $\frac{1}{2}$  of the members shall form a quorum at any other meetings;
- (v) Statutory meetings of the Task Force shall be held 4 (four) times in a year; but the Chairperson, on his/her own discretion, or on the advice of the Task Force, may call the meeting of the Task Force as often as deemed necessary;
- (vi) The National Task Force, in collaboration with the Social Sectors Sub-Division shall work closely with the Regional Task Forces to effect the implementation of regional poverty reduction programmes.
- (vii) The National Task Force will hold annual conferences with Regional Task Forces to evaluate poverty reduction programmes.

## **6.2 Monitoring and Evaluation at Regional Level**

Ultimately, mechanisms to foster accountability are rooted in the strength of civil society - of civic organizations; of school boards, farmers associations and other user groups; of political parties; of NGOs and other advocacy organizations. In Namibia, though, the organs of civil society remain uneven in their vibrancy. Hence the following structures will be put in place.

### ***6.2.1 Regional Development Co-ordinating Committees***

Regional Development Co-ordinating Committees already exist in each of all the thirteen regions and are responsible for the effective planning and coordination of the development of the regions. In terms of poverty reduction, the Regional Committees will deal with all technical issues in the field of poverty reduction and ensure that poverty reduction programmes and activities in the regions and constituencies are efficiently and effectively implemented. The Regional Committees will be charged with the responsibility and duty to provide technical advice and information on the implementation activities of poverty programmes to the National Task Force on Poverty Reduction, through the Regional Council in the form of annual reports.

Regional Development Co-ordinating Committees are headed by the Regional Executive Officers and are composed of Line Ministries, Recognised Traditional Authorities, NGOs and Community Based Organisations (CBOs) operating in the regions. The Regional Development Co-ordinating Committees under the directive of the National Task Force on Poverty Reduction will integrate the specific responsibilities of co-ordinating the poverty reduction programme and activities into their existing functions.

Each Regional Council shall be responsible for the initiation of platforms for discussions involving all interest groups in their respective regions.

### ***6.2.2 Community Organisation***

Poverty issues and government strategy shall be discussed at constituency meetings. The Constituency Development Committees that are already charged with the responsibility of effective coordination of the planning and development of the regions at the constituency level shall co-ordinate all poverty reduction activities in the constituencies.

The Constituency Development Committees are headed by the Constituency Councillor and are composed of Recognised Traditional Authorities, NGOs, CBOs, Government Ministries, Representatives of people with disabilities and, Representatives of youths in the constituency.

The Constituency Development Committees will report to the Regional Development Co-ordinating Committees on progress made in the area of poverty reduction.

### ***6.2.3 Project Management***

Project Management Committee consisted of some members of the Task Forces (National and Regional) and Donor Agencies will be established. These Committees should have special interest and skill in fostering participation, and should be empowered to monitor progress in fostering community development in specific projects, and suggest ways in which the process can be accelerated. This initiative seeks to catalyze participation by communities themselves, not substitute for it. For in the final analysis, poverty will only be reduced if Namibia's people themselves are empowered to rise to the challenge - both through their own efforts, and through their vocal insistence on determined effort at all levels of government.

All poverty reduction project proposals involving Government and/or international support shall be submitted to the National Planning Commission for evaluation. The National Planning Commission shall have the final authority to approve such poverty reduction programmes and projects for execution in the country. Any project, to be qualified for approval, shall satisfy the following conditions, among others:

- \* relevance of aims and objectives to the Poverty Reduction Strategy;
- \* financial justification;
- \* technical feasibility;
- \* availability of executive capacity;
- \* ethical acceptability;
- \* legal and constitutional harmony;
- \* capacity building potential;

All poverty reduction projects, having been approved, shall be subject to continuous monitoring and periodic evaluation by the implementing and executing agencies.

## **6.3 Institutions to be considered for membership to the Advisory Committee and Task Forces**

### ***6.3.1 Government***

Ministry of Agriculture, Water and Rural Development

Ministry of Labour

Ministry of Lands, Resettlement and Rehabilitation

Ministry of Health and Social Services

Ministry of Higher Education, Vocational Training, Science and Technology

Ministry of Youth and Sport

Ministry of Trade and Industry

Ministry of Works Transport and Communication  
Ministry of Basic Education  
Ministry of Regional and, Local Government and Housing  
Ministry of Environment and Tourism  
Department of Women Affairs

### ***6.3.2 Parastatals***

University of Namibia (UNAM)  
Namibia Development Corporation (NDC)  
Social Integration Fund  
Employment Creation Fund  
National Youth Council (NYC)

### ***6.3.3 Non-Governmental Organisations***

Council of Churches in Namibia (CCN)  
Namibia Economic Research Unit (NEPRU)  
National Union for Namibian Workers (NUNW)  
Namibia Employers' Federation (NEF)  
Namibia Women's Association (NAWA)  
Agricultural Unions (Commercial and Communal)  
Regional Councils Association (RCA)  
Association of Local Authority in Namibia (ALAN)  
Namibia Non-Governmental Organisations Forum (NANGOF)