

Abbreviations and Acronyms

ARV:	Anti-retroviral (Medicine)
BTP:	Build Together Programme (National Housing Programme)
CAA:	Catholic AIDS Action
CBO:	Community-Based Organization
CDC:	Constituency Development Committees
CEDAW:	Convention on the Elimination of all Forms of Discrimination against Women
ClASH:	The Association for Children Language, Speech and Hearing Impairments of Namibia
COSDEC:	Community Skills Development Centre
COSDEF:	Community Skills Development Foundation
DAPP:	Danish Aid People to People
DART:	Directorate of Agriculture Research and Training
DEES:	Directorate of Extension and Engineering Services
DPME:	Department of Planning, Monitoring and Evaluation
DRDC:	Directorate for Rural Development Co-ordination, MRLGHRD
DRFN:	Desert Research Foundation of Namibia
DRWSS:	Directorate of Water Supply and Sanitation Coordination
EDF:	European Development Fund
ETSIP:	Education and Training Sector Improvement Programme
EU:	European Union
EUD:	European Union Delegation
FBO:	Faith-based Organization
GBV:	Gender-based Violence
GDP:	Gross Domestic Product
GIS:	Geographical Information System
GIZ:	Gesellschaft für Internationale Zusammenarbeit
GRN:	Government of the Republic of Namibia
HIV/AIDS:	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
ICT:	Information and Communication Technology
IFMS:	Integrated Financial Management System
IGA:	Income-generating Activity
ILO:	International Labour Organization
IMLT:	Institute for Management and Leadership Training
IRDNC:	Integrated Rural Development and Nature Conservation
KAYEC:	Katutura Youth Enterprise Centre
KfW:	Kreditanstalt für Wiederaufbau
LAC AIDS:	Legal Assistant Centre's AIDS Law Unit
LED:	Local Economic Development
LEDA:	Local Economic Development Agency
LFS:	Labour Force Survey
LM:	Line Ministries
M&E:	Monitoring and Evaluation
MAWF:	Ministry of Agriculture Water and Forestry
MCA:	Millennium Challenge Account
MCC:	Millennium Challenge Compact
MET:	Ministry of Environment and Tourism
MFMR:	Ministry of Fisheries and Marine Resources
MGECW:	Ministry of Gender Equality and Child Welfare
MLR:	Ministry of Land and Resettlement
MOE:	Ministry of Education

MOE DAE:	Ministry of Education Directorate of Adult Education
MOF:	Ministry of Finance
MOHSS:	Ministry of Health and Social Services
MOLSW:	Ministry of Labour and Social Welfare
MOVA:	Ministry of Veteran Affairs
MRLGH:	Ministry of Regional and Local Government and Housing (former name)
MRLGHRD:	Ministry of Regional and Local Government, Housing and Rural Development
MSMEs:	Micro, Small and Medium size Enterprises
MTEF:	Medium Term Expenditure Framework
MTI:	Ministry of Trade and Industry
MTP:	Medium Term Plan
MWT:	Ministry of Works and Transport
MYNSSC:	Ministry of Youth, National Service, Sport and Culture
NACSO:	Namibian Association of Community-Based Natural Resources Management Support Organizations
NACSO:	Namibian Association of Community-based Services Organization
NAFIN:	Namibian Alliance for Improved Nutrition
NANASO:	Namibia Network of Aids Services Organization
NBC:	Namibian Broadcasting Cooperation
NCCI:	Namibian Chamber of Commerce and Industry
NDP:	National Development Plan
NDP3:	National Development Plan 3
NDP4:	National Development Plan 4
NGO:	Non-Governmental Organization
NGP:	National Gender Policy
NHAG:	National Housing Action Group
NHIES:	National Household Income and Expenditure Survey
NICE:	Namibia Institute of Culinary Education
NIMRES:	National Integrated Monitoring, Reporting and Evaluation System
NISO:	Namibian Informal Sector Organization
NMA:	Namibian Manufacturers Association
NNFU:	Namibian National Farmers Union
NPC:	National Planning Commission
NRDP:	National Rural Development Policy
NRDS:	National Rural Development Strategy
NSA:	Non State Actors
NSA:	National Statistic Agency
NYC:	National Youth Council
NYS:	National Youth Service
O&D:	Operation and Development
O/M/A:	Offices, Ministries and Agencies
OPM:	Office of the Prime Minister
OVC:	Orphans and Vulnerable Children
OVI:	Objectively Verifiable Indicators
PFM:	Public Finance Management
PLWHA:	People Living with HIV and AIDS
PMS:	Performance Monitoring System
PPA:	Participatory Poverty Assessment
PPD:	Public-Private Dialogue
PS:	Private Sector
PWD:	People Living with Disabilities

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RC:	Regional Councils
RD:	Rural Development
RDCC:	Regional Development Co-ordination Committee
RDCS:	Rural Development Coordination Secretariat
RISE:	Rural Institution for Social Empowerment
RPRP:	Rural Poverty Reduction Programme
SADC:	Southern African Development Community
SCA:	Saving Credit Association
SDFN:	Shack Dwellers Federation of Namibia
SME:	Small Medium Enterprises
SOE:	State Owned Enterprise
SRF:	State Revenue Fund
SSO:	San Support Organization
SWOT:	Strengths, Weaknesses, Opportunities and Threats
TA:	Traditional Authority
TB:	Tuberculosis
TIPEEG:	Targeted Intervention Programme for Employment and Economic Growth
UNDP:	United Nations Development Programme
UNESCO:	United Nations Educational Scientific and Cultural Organization
UNICEF:	United Nations International Children's Emergency Fund
USA:	United States of America
USAID:	U.S. Agency for International Development
VCF:	Veterinary Cordon Fence
VTC:	Vocational Training Centre
WACPU:	Women and Child Protection Units
WAD:	Women's Action for Development

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EXECUTIVE SUMMARY

This document is the consolidated version of the situation analysis undertaken as a basis for developing the National Rural Development Strategy (NRDS). It is the second version elaborated on the basis of comments from stakeholders in the MRLGHRD and the European Union Delegation (EUD).

Namibia has made great efforts in developing her rural areas since Independence. Sixteen ministries execute programmes in rural areas and approximately 26 percent of overall public spending goes to services in rural areas. This has led to important improvements in the situation for the rural population; however, many problems remain to be addressed.

The improvements in the lives of the rural population have happened against the background of hard-handed colonization. A large part of the population in the centre and south of the country lost their lives in the colonial war or were pushed to the north or the east of the country. This was followed by an era of apartheid with repression and marginalization of the black and coloured majority.

At Independence, poverty was widespread and the social situation of the black majority was dire. High levels of illiteracy and poor health conditions prevailed in communal areas (former homelands), which were also characterized by limited social, road and communication infrastructure. The economy had a dual character with highly developed and productive agriculture in commercial areas in the south and subsistence agriculture in the communal areas, which are primarily in the north and northeast of the country. Similarly, there was a modern industrial, mining and service sector in the centre and south, while the communal areas were characterized by very little economic activity, except for subsistence farming. In addition, the communal areas had suffered the devastating damages of the protracted independence war.

Assessment of poverty, marginalization and social issues in rural development

Poverty in Namibia has, in the period since Independence, been reduced by half – from 38 percent at Independence to 19 percent in 2009/10 - and extreme poverty has been reduced to less than one third to under 2 percent in the same period. Rural poverty, however, continues to remain high at 31 percent. This percentage does not fully reflect the deprivation and marginalization of large parts of the population in communal areas and rural areas across the country. Transfer incomes of 21 percent from the state for rural households, primarily the elderly, plays an important role in reducing rural poverty.

Among the most disadvantaged groups are, especially, female headed households, households headed by people over the age of 50 and households headed by disadvantaged ethnic minorities e.g. the San, Nama, Damara, Ovahimba and Setswana. The root causes for persistent high poverty levels have been identified as low levels of economic growth in rural areas - especially in communal areas - gender inequalities, incapacity, the impact of the HIV/AIDS pandemic and inadequate access to education opportunities.

The social aspects of rural poverty include that many are still illiterate or functionally illiterate and that just half of the rural population has a completed primary education. Government spends a large proportion of its budget on education and important advances have been made in this field. However, vocational education in Namibia has been neglected in favour of the academic line of education. This affects especially rural areas as technical skills and abilities are more important in rural than in urban settings. The possibilities for gaining access to vocational education and shorter skills training are extremely limited in the rural areas, compared to needs.

The social aspects of poverty also include the strong impact of HIV/AIDS, which is higher in some regions and rural communities than in the rest of the country (nationally an average is 19 percent are infected). Despite the fact that the county has a strong programme of ARV treatment, with a national coverage rate of about 84 percent, full coverage in rural areas proves to be more difficult to achieve because of long distances to hospitals and health centres and lack of money to pay for transport. The anticipated improvement in the Human Development Indicator (HDI) continues to be eroded by the AIDS pandemic

Child malnutrition appears to be a serious issues, but has been somewhat neglected, although there has been an increasing coverage of school feeding programmes. Nearly one third of the children in rural Namibia are stunted, indicating that they did not receive sufficient nutrition, while their mother was pregnant and until they were 2 years of age. That has severe implications on the development of the brain and later learning abilities.

Rural water supply has improved dramatically with nearly 90 percent of the rural population having access to rural safe water. However, the sanitation situation is very poor with 78 percent of the population having no access to improved sanitation. Only 14 percent of the rural population use electricity for lightening. This has serious implications for the ability of children to study and learn. On the other hand, access to telecommunication and the mobile phone system has noticeably improved with over 90 percent of rural inhabitants owning a cell phone.

Other social related issues include lack of awareness, access, voice and social pathologies. Poor communication of opportunities for support related to livelihood opportunities as social welfare grants, skills training and support to income generating activities (IGA) for the rural poor remains a challenge. Similarly, the insufficient dissemination of information also affects the spreading of messages about healthy lifestyles and community participation issues, etc. On the other hand, there is a relatively strong communication and information infrastructure supported by the Ministry of Communication and Information Technology (MCIT). The mentioned social pathologies include alcohol and drug abuse, domestic violence, sexual promiscuity and exploitation, child abuse and high levels of crime in the communities. This has severe implications such as apathy, depression and high levels of suicide.

Unemployment has always been high in rural areas and in spite of economic growth in the country as a whole, rural unemployment has been increasing significantly to over half of the population of working age. An estimated 75 percent of rural youth is unemployed. During regional consultations, stakeholders indicated clearly that young people do not see a future for themselves in the rural areas, much less in agriculture. Therefore they try to migrate to the cities or abroad. This leaves the countryside and agriculture without its most productive labour force while mainly the children and elderly people remain behind. A total of approximately 130 000 of the rural population are estimated to be unemployed in the strict sense (searching for job) with women constituting the majority. Strict youth employment in rural areas is estimated to be in the range of 100 to 110 000. Further around 40 000 from ethnic minorities are estimated to be unemployed and vulnerable.

Namibia has an active gender policy with a new *National Gender Policy (NGP)* for 2010-20. It highlights the point that the continuous inequalities affects women and girls more than men and boys when it comes to accessing opportunities in decision making, access to resources and skills development and unequal gender-power relations. There is thus a renewed focus on women's and girls' needs in order to close the inequality gap. The social dimension of the situation analysis confirms these observations and gives a detailed assessment of gender issues. Gender issues are further assessed in the other parts of the situation analysis in a cross-cutting manner.

Assessment of rural economic development

As mentioned above, Namibia inherited a dual economy at Independence. This has, to a large extent, remained so in spite of the Government's efforts to resettle and integrate the rural population. Economic activities in rural areas continue to rely on the subsistence sector which, in spite of substantial agricultural extension inputs, has not increased its productivity since Independence. Although 44 percent of all enterprises (subsistence agriculture not included) are located in rural areas, economic activity remains low, since most of the businesses are very small. Ninety percent of the rural businesses are concentrated in the categories *wholesale and resale trade, accommodation and food service*. *Manufacturing* constitutes only 12 percent of the total. Over 90 percent of businesses across the country are involved in serving beverages and most are shebeens, the local bars. Because of cumbersome registration procedures, as much as 78 percent of all rural businesses remain unregistered.

The major part of the rural population is engaged in agriculture, but its contribution to the Gross Domestic Product (GDP) has fallen from 11.7 percent before Independence to 5.1 percent today, even if certain parts of the commercial agriculture have been doing well. New high value products such as table grapes and game meat have been developed in the latest years and locally grown green horticultural products have, to a significant extent, replaced imported products. Beef production in the commercial areas used to be the strongest sub-sector within agriculture, but beef production south of the veterinary cordon fence (VCF) has been decreasing, while production in the north is stagnating.

While Government, through the Ministry of Agriculture Water and Forestry (MAWF), channelled substantial resources into agricultural development, crop productivity in communal areas has not increased since 2001. The present Agricultural Policy, which dates back to 1995, has not been updated since and the impact of current agricultural policies seems not to have been properly evaluated. Extension service advices are outdated and concentrate on technical issues only, without assisting the transformation of farming into business.

Large scale investments – 35 percent of the investment budget for agriculture – are made in green schemes that occupy fertile ground with the availability of water in the northern communal areas. The political intention was that these schemes would include small scale farmers. However, in practice their inclusion in the schemes is marginal. The schemes are, in practical terms, a combination of state farms and private companies. Similar large scale development of marketing and storage facilities are primarily oriented to the need of the state farms. The existing agricultural policy responds to a priority on achieving food self-sustainability and indeed some progress has been achieved to this respect. However, for Namibia it would probably be more cost efficient to buy food on the open market, when needed, as the country has the necessary resources. Instead, resources should be concentrated on improving the productivity of communal farmers and their transformation into commercial entities.

Access to critical inputs such as seeds, fertilizers, business advisory services, financial services and agro insurances remains a challenge. In communal areas, where the large majority of farmers live, traditional authorities control the land and security of tenure is limited. The Ministry of Lands and Resettlement (MLR) is implementing reforms related to land tenure, but it has not improved farmers' access to credit, as commercial banks require fixed assets as collateral. The network of micro-finance institutions in the country is quite large, but very few provide credit to agriculture. However, there are a few good initiatives under way that may prove to enhance farmers' access to financial services. Farmer's savings and credit associations have been tested, but are at an infant stage. The commercial supply of fertilisers and pesticides is hampered by the MAWF's supply of

subsidised fertilizers, which makes it difficult for private suppliers to operate with a profit. Poor access roads in communal areas also remain a bottleneck for development of agriculture in some areas.

Government is operating a resettlement programme primarily for former disadvantaged farmers from the communal areas providing them the potential to transform into commercial farmers. The farmers are being resettled to commercial farms acquired by Government in the south under a willing buyer willing seller scheme. The programme has been implemented parallel to the Affirmative Action Credit Scheme (AACS), which is part of Government's black empowerment drive. The resettlement scheme has been beset with problems as revealed by a recent evaluation. It is alleged that, in some instances, land and credit have been given to powerful non-farmers. It would seem important that the policies are thoroughly evaluated to ensure that the implemented policies have a positive impact on farming and the rural poor.

Other important sectors in the rural economy are small scale mining, fisheries and tourism. Tourism, especially, is a sector with a large potential, which is already an important contributor to employment and the rural economy today. Conservancies are an innovative creation characteristic of Namibia, which seems to be representing international best practice. The concept offers both possibilities for improved livelihood for its inhabitants/members and improved conservation of the fragile fauna and ecosystems. There seems, however, to be scope for development of the sector with improved regional promotion efforts and new product development.

Other rural businesses and rural manufacturing are hampered by many constraints such as lack of business skills, lack of technical skills, long distances and poor access to markets and lack of access to financial services. These deficiencies and a general adverse business environment in rural areas have been demonstrated by different business environment assessments. Access to land is also a major bottleneck for business development.

In general terms Namibia has many comparative advantages with a small but comparatively well educated population, rich natural resources, a developed urban economy and financial services. The situation analysis finds that removing important constraints to the national and regional business environment, together with well-targeted support measures, could help release the large dormant potential in the rural economies and businesses.

Planning, environment and climate change issues

Regional planning has been attempted during the last decade, but due to lack of planning capacity at regional level and lack of willingness of line ministries to coordinate with other stakeholders, none of regional plans that were developed have been implemented. Where some form of regional planning has taken place, it has not been sufficiently informed by an analysis of where special economic potential exists. Generally, settlement development planning has been reactive, in the sense that settlement development has often been supported where settlements happen to crop up. However, for sustained economic growth to take place in settlement areas, there is need for more pro-active planning that is focused on areas with a clear economic potential where economic growth points with connecting infrastructure and social amenities can develop.

Regional spatial planning is now emerging as a new approach to regional planning and coordination. This is more appropriate and effective than the older rather vague blueprints structured around the pursuit of broad development goals. For instance, the MLR has successfully developed a new Geographical Information System (GIS) based regional spatial planning model, which has been piloted in two regions (Karas and Hardap) with German support. There are plans to roll it out to all regions. There have, however, been conceptual and institutional differences between this and other

spatial planning concepts, with different technical terms being used for spatial planning, such as structure planning and land use planning.

There has also been a certain lack of clarity on which ministry, MRLGHRD or MLR, has overall responsibility for spatial planning at regional level. With the decentralization of MLR, this problem may be solved as the spatial planning functions of both entities will, in practice, coalesce at regional level (within the RC structures). Existing institutional and technical capacity at the regional government level will, however, have to be strengthened considerably if RCs are to successfully exercise their spatial planning functions.

Aside from the lack of pro-active settlement planning, development of growth points has also been hampered by limitations in the land tenure rights that MRLGHRD and the RCs are able to provide to rural people and enterprises. While villages and towns, once officially declared as such, have independent administrations that are empowered to issue freehold titles to land or leasehold titles of 30 years or more, land titles in settlement areas are limited to leasehold titles of up to 20 years. This disqualifies land titles from being used as collateral and generally provides insufficient incentives for investment in land to take place which makes it difficult for businesses to develop and for settlements to finance their own infrastructure. This means that settlement development entirely depends on scarce Government financing.

Namibia is the most arid country south of the Sahara. Water scarcity is the principal limiting factor for rural development. Average rainfall levels are low, rainfall patterns are highly variable in space and time and evaporation rates generally exceed mean annual rainfall by a large margin. For lack of access to surface water, many farmers and rural settlements rely on limited groundwater resources. Most of the rural land in Namibia is of marginal capability due to water scarcity, poor soil and variable grazing resources, constraining livestock carrying capacities and severely limiting rain-fed agriculture. Yet, a large proportion of rural people continue to depend on agriculture for their livelihood, often affected by crop failure and requiring government subsidies and drought relief. Widespread land degradation (deforestation, soil erosion, bush encroachment and soil salinization) reduce agricultural production and food security.

Biodiversity is a foundation of human existence and livelihood. Namibia has experienced significant biodiversity loss due to habitat loss, unsustainable harvesting practices and indirect causes like population pressure, poverty and insecure land tenure. The establishment of communal wildlife conservancies and community forests has converted increasing land areas to indigenous biodiversity production systems, including wildlife, tourism and forestry, thus extending the country's large conservation network beyond state protected areas and diversifying rural income sources.

Current climate conditions in Namibia are characterised by often unpredictable changes in weather patterns and periodic extreme weather events leading to floods, droughts and other climate hazards. Rural households have developed coping strategies to be able manage and adapt to current climate variability and associated risks. Nevertheless, vulnerabilities to climate hazards remain high among many rural households and there is need to strengthen the climate resilience of rural livelihood systems as an integral part of rural development. Long-term climate change is projected to lead to a warmer, even drier and even more variable climate for Namibia. This is expected to increase current climate risks, thus making the current need for better climate adaptation and strengthened climate resilience even more relevant.

Namibia's principal natural resource related rural development strengths lie in its comparative advantages within the global market: vast, wide-open spaces and relatively uninhabited wilderness areas; abundant and diverse wildlife populations (animals and plants), relatively uncontaminated;

free-range meat and fish products and well-adapted indigenous domestic crop and livestock species. The management and use of the rural natural resource base in Namibia is affected by a number of weaknesses and there are a range of threats to environmentally (as well as economically and socially) sustainable rural development. Important short to medium-term opportunities for natural resource related rural development lie in the dissemination of best practice in conservation agriculture (crop cultivation) and sustainable rangeland management as well as the further expansion of mixed agriculture-wildlife land use and production systems. In order to ensure that land use is consistent with land capability and yields maximum sustainable returns, there is need for improved (decentralised) integrated rural land use planning as an integral part of regional spatial planning.

Assessment of coordination and institutional capacities

The situation analysis shows that rural development takes place in a multi-sector and multi-stakeholder environment, involving a wide range of Government Offices, Ministries and Agencies (O/M/A) at both central and regional level. Other stakeholders are non-state actors, development partners, the private sector and the beneficiaries themselves. While a range of government institutions, from Cabinet Standing Committees, National Planning Commission (NPC), Ministry of Finance (MOF), Office of the Prime Minister (OPM) and line ministries have important stakes in rural development in their capacities as either regulators, enablers, monitors or service providers, the situation analysis has revealed fundamental weaknesses in the current institutional arrangement, as well as in the modalities for inter-sectorial information sharing and collaboration. Most critically, the analysis has revealed an almost complete lack of horizontal and vertical cooperation and consultations across sectors. This has resulted in disintegrated and cost-ineffective interventions in rural areas and, at the same time, erosion of the planning and development mandate of regional councils.

Non-state actors, including Non-Governmental Organizations (NGOs) and the private sector serve as service providers, process facilitators, lobbyists and advocates for rural communities. Community Based Organizations (CBOs) and farmers' associations play a significant role at the implementing level. However, the analysis indicates that non-state actors and the private sector play an inferior role when it comes to policy and strategy formulation, programme design and budgeting. The main reason behind this is a general lack of dialogue with Government entities. Moreover, the analysis shows that coordination between Government and donors in the area of rural development is very weak to the point of being virtually non-existing.

While these shortcomings in part can be attributed to the absence of a policy and strategic framework for rural development, the lack of coordination structures and dialogue platforms can be attributed to weak institutional capacities and a general unwillingness to cooperate both across government and with external partners. Institutional capacity gaps have been noted primarily in the Directorate for Rural Development Coordination. MOF has also shown little commitment to implement much needed fiscal and PFM reforms in relation to the decentralisation process. Moreover, NPC and MOF have not had the capacity to ensure integrated, harmonised and cost-effective sector programmes and budgets related to rural development.

The absence of a national rural development policy and strategy has weakened the coordinating role of the MRLGHRD and, in particular, the Directorate of Rural Development Coordination. The analysis shows that the staff of the directorate are spending most of their time on monitoring programmes, which are insignificant in terms of funding, out-reach and impact and often duplicating efforts made by other ministries. More seriously, this focus of its operations leaves the key functions, such as cross-sectorial consultations and information sharing and capacity development, unattended. The analysis suggests that, in order for the current staff to be able to fulfil its mandate, comprehensive

capacity building is needed. The analysis further suggests that the placement of the DRDC as a line function within a ministry on par with other line ministries makes it difficult for the directorate to fulfil its coordinating mandate.

At the regional level, the coordination structures are in place, but not functioning effectively. While this can be attributed to many factors, the analysis has singled out four critical factors, namely lack of incentives to participate; negative attitudes towards information sharing and collaboration among Government stakeholders; exclusion of private sector and non-state actors; and lack of legal backing for the structures in place.

The analysis, furthermore, reveals serious under-utilisation of collective human resources in the regions, partly as a result of the slow decentralisation process and the resulting “silo” like interventions by line ministries, partly caused by attitudinal and cultural factors. The analysis suggests that the above mentioned negative attitudes towards cross sectoral collaboration and coordination has led to considerable waste of collective resources and missed opportunities in terms of economies of scale, synergies and complementarities between programmes and activities in rural areas.

The slow decentralisation of key rural development functions to the regional councils, including rural water supply and sanitation, natural resources and land management have left part of the regional structures understaffed. This applies notably to the Division Rural Services, which was created to accommodate line ministerial functions related to rural development. Furthermore, regional councils have experienced difficulties in attracting staff in categories like physical planners, engineers and economists. Qualified staff to deal with important issues at the regional level, such as local economic development, environment and climate change, does not exist.

Apart from the inefficiencies related to use of human resources there are, as mentioned above, numerous overlaps by line ministries in their support to rural development. Examples are the proliferation of rural development centres with overlapping functions, tiny and poorly managed micro-finance schemes with high administrative costs, food for work schemes, etc. There is thus scope for merging some of these schemes under the umbrella of the regional councils, scaling them up and making them more comprehensive.

Cost efficiency of rural development spending, Public Financial Management (PFM) and Monitoring and Evaluation (M&E)

It is difficult to determine the overall budget for Government’s support to rural development. The mid-term expenditure framework (MTEF), which Namibia has adopted for years, is not used very actively and does not provide good information to calculate and predict rural development expenditures. However, using the ordinary budget of the 16 ministries that support rural development, one can estimate Government’s spending on rural development at approximately 26 percent of overall Government spending. Spending by regional councils is, however, still only 4.4 percent of the overall budget. With the on-going decentralization process, this will over few years probably increase to above 20 percent.

Public financial management at regional level is not geared to manage the challenges at this stage. Regional councils operate their own simple PFM, which are not connected to the Integrated Financial Management System (IFMS) of the Ministry of Finance. The internal audit functions of the regional councils are dysfunctional. MOF does not put much emphasis on decentralized PFM and audit reports for the regional councils are several years delayed. With a projected quadrupling of decentralized expenditure by regional councils, there is urgent need for the MOF and MRLGHRD to strengthen the regional councils PFM systems.

Namibia has well-developed practices for monitoring activities. However, a review of the M&E functions and practices of the relevant ministries and RCs revealed that outcome and impact monitoring is hardly done and there is no practice of evaluating outcomes of sector policies except where donors are involved. The assessment also showed that use of M&E data and statistical data related to rural development is low. This implies that sector and regional development policies are rarely assessed for their relevance and effect. There is therefore need for decisive action by the NPC to introduce improved procedures and for a substantial capacity building effort across ministries and regional councils.

1 INTRODUCTION

Namibia has since its Independence put substantial efforts into rural development, especially in the areas formerly marginalized by the apartheid regime. There has, however, never been an agreed overall policy or strategy for rural development. Government has therefore been working with stakeholders on formulating the National Rural Development Policy (NRDP) to address these issues. The policy was approved by Cabinet in May 2012 and subsequently presented to Parliament.

At the same time, Government has formulated its 4th National Development Programme (NDP4) covering the period 2012/13 to 2016/7. The NDP4 is a higher-level strategy and the detailed programmes on how to achieve the NDP4 goals and targets are left to Ministries and Government Agencies.

The NRDS provides the practical implementation basis for the new NRDP. Its design follows the orientations and broad strategies in the NDP4.

This situation analysis and the NRDS developed on the basis on this analysis should be seen in this context as one of the instruments to achieve the objectives of the NRDP and the NDP4 objectives and targets.

1.1 Definitions

This analysis and the Strategy use the following definitions and concepts derived from the NRDP:

Rural areas are defined as: “all of the countryside other than those Municipalities and Townships proclaimed by the government”. It should be noted, however, that the concept is broader as the NRDP also states that, “... rural development involves strengthening linkages between rural and urban areas”. The Strategy uses this concept and sees rural development in a broader sense, where settlements and smaller towns in practice are included in the Strategy. This applies especially to the economic dimensions of the Strategy, since such centres are often the basis for rural economic development. A large part of rural related enterprises are in fact located in settlements and towns.

Rural development: “refers to actions which aim at improving rural peoples’ living conditions by providing basic social and economic services and by creating a political, legal, economic and social environment which empower them to take charge of their own development”. Therefore, rural development is primarily understood as improvement in the key social, economic and environmental rural development indicators.

Stakeholders are defined as all public sector institutions and Non-state Actors (NSAs), including NGOs, private sector and private sector organizations who take an interest in and have activities related to rural development.

Primary target groups for the National Rural Development Strategy are defined as inhabitants in rural areas, including subsistence farmers and micro, small and medium sized enterprises (MSMEs) in rural areas or adjacent settlements, villages and towns, linked to rural areas through inputs and markets.

Secondary target groups are stakeholders and staff in stakeholder organizations, who will benefit from capacity development programmes under the Strategy.

1.2 Process and methodology followed to develop the situation analysis

The Situation Analysis and Strategy was developed through a participatory process in a joint effort by the staff of line ministries, regional councils and the DRDC of the MRLGHRD and a technical assistance team supported by the European Union (EU). The terms of reference for the work include the elaboration of:

- A Five Year National Strategy for Rural Development
- Proposals for Rural Development Coordination Mechanisms
- A Capacity Development Plan for Institutions Involved in supporting Rural Development
- A Medium Term Expenditure Framework for Rural Development
- A Performance Monitoring System for Rural Development

Work on the Situation Analysis started in late August 2011 and involved, in the first phase, the preparation of a background paper on rural development in Namibia, a study tour to Kenya and Uganda by a group of Namibian public and private sector stakeholders and a workshop in Otjiwarongo in February 2012. Approximately 80 representatives from regional councils, line ministries, universities, NGOs, private sector organizations and development partners participated in the workshop. The workshop, which comprised international experts in rural strategy development and implementation, served as a kick-off for the next phase of situation analysis and strategy formulation. This process lasted up to the end of June 2012, with joint visits to 12 of the 13 regions to interview regional councils and other regional stakeholders, interviews and focus group meetings in Windhoek with a large number of stakeholders and the review of large quantities of relevant background material. It is estimated that around 500 stakeholders were interviewed in this process. A total of 13 long term and short term consultants supported the work.

The work on the situation analysis was structured around four dimensions aligning the work with the four specific objectives stated in the NRDP:

- 1) Rural Economic Development¹
- 2) Social and Employment Development
- 3) Coordination and Institutional Development and
- 4) Spatial Planning, Environment and Climate Change

Gender issues were analysed based with a cross-cutting approach with more emphasis on the social dimensions.

The situation analysis further included analysis of public spending on Rural Development and of PFM issues relevant for rural development. Furthermore, a comprehensive analysis of M&E systems used by rural development stakeholders was undertaken.

In late May 2012 a Validation Workshop was conducted with approximately 60 participants from stakeholder organizations. The purpose of the workshop was to obtain agreement on the main elements of the situation analysis and decide on the outline of the Strategy, as well as making recommendations to the draft PFM and M&E proposals.

The first consolidated draft of the situation analysis and the National Rural Development Strategy was finalized by the end of June 2012. This draft was discussed internally with MRLGHRD, NPC and the EUD. Based on the comments received, the first draft was divided in three separate documents:

¹ Rural economic development will be used interchangeable with Local Economic Development (LED)

(I) this version of the situation analysis; (II) a separate volume with a summary of this situation analysis, the strategy itself including the strategy matrix; and (III) a document with detailed description of the strategy components.

To establish the situation analysis, the following was mapped:

- The relevant policies, strategies and budgets (expenditures and revenues)
- Stakeholders and their roles
- What has worked (in rural development) and what has not (policies/programmes/projects)

In general the following structure was used in the analysis

- Description of main features of the relevant dimension of rural development
- Description of stakeholders and their roles and capacities
- Key issues the RD strategy should address.

The situation analysis tried as far as possible to quantify the number of stakeholders and possible recipients of support under the programmes developed as part of the strategy to assist in setting the targets for the strategy.

This document does not contain full references to data and information sources. Reference to sources is provided in the underlying detailed situation analysis documents.

1.3 Contents of the situation analysis documents

The further contents of this document are as follows: Chapter 2 contains the background and context description with broad historical developments in rural areas and up-to-date statistics. Chapters 3 – 5 contain the analysis of the social, economic and planning environment and climate change dimensions of rural development in more detail, giving an assessment of the present situation and broadly outlining issues that could be addressed. Chapter 6 provides a historic overview of rural development related spending and an analysis of the efficiency of this spending, Chapter 7 contains the situation analysis of the coordination and capacities dimensions while Chapter 8 analyses the situation of budgeting and public financial management with a focus on the decentralized entities. Finally, Chapter 9 contains an analysis of the M&E systems cross central government agencies involved in RD and at decentralized levels.

More detailed versions of the different dimensions of the analysis (Coordination and Capacities, Social, Economic, Spatial Planning, Environment and Climate Change) and spending on rural development, decentralized public financial management and monitoring and evaluation are available as separate documents.

2 THE RURAL DEVELOPMENT CONTEXT

2.1 Geography and climate

Namibia covers an area of 842 000 square kilometres. It is one of the driest African countries south of the Sahara. Average annual rainfall varies between less than 50mm along the coast and in the south, to above 600mm in the north east. The central highlands with the capital Windhoek receive about 350mm (in average) annual rainfall, while the north central regions, where the majority of the population lives, receive 500 to 600mm. Only 8 percent of Namibia's overall land area receives annual rainfall of above 500mm on average, which is regarded as the minimum for dry-land crop production. It is not only the low average levels of rainfall that affects agricultural production, but also the high degree of rainfall variability. Namibia's only perennial rivers form the borders with Angola, Zambia, part of Botswana and South Africa.

2.2 Population and settlement patterns

The population density averages 2.5 persons per square kilometre based on a total population of 2.1 million in 2011. However, due to the climatic conditions and Namibia's historic background, large parts of the country are either uninhabited or very sparsely populated, while the more fertile north central regions are densely populated reaching 100 persons per square km.

The settlement pattern is to some extent a heritage from the German colonization and the apartheid regime. The southern part of the country was, to a very large extent, divided in large farms during the colonial era. In this process the original population was settled in small enclaves, pushed out of the central part of the country to the north or the east or employed on the large farms as labours. During the apartheid era this pattern was consolidated with large parts of the original African population confined to homelands as reserve labour for the apartheid economy. The homelands had limited public services and infrastructure and the population suffered a high level of misery and lack of education possibilities. Also the settlement pattern in the north was affected. During the liberation war people moved out of the deep rural areas due to hostilities and settled near roads and towns². Evidently it has been difficult to reverse this pattern and the population has, only to a limited degree, returned to its original areas.

After Independence it has been intricate to change the distorted settlement pattern. In spite of sustained efforts, the number of resettled persons is limited and the process is to some extent affected with problems. Apart from the resettlement schemes and the movement of people from rural areas to cities and towns, there seem to have been no natural resettlement from the former homelands – now called communal areas - into the settlements and towns in the commercial farm areas in the south. The lack of pro-active settlement development/growth point development and restrictive land expropriation policies seem to have been factors in this.

The country is primarily rural with only three major cities: Windhoek, Walvis Bay and Swakopmund. In addition there are also a number of towns, which are mainly the regional capitals, and a large number of small towns, villages and settlements. All of these have only a limited number of inhabitants.

During the first two decades of Independence, the share of the population residing in rural areas dropped from 72 percent (just after Independence) to 58 percent in 2011. The population growth dropped from above 3 percent at the time of Independence in 1990 to 1.4 percent between 2001

² Explained by participants in interviews in the Northern provinces during regional visits; Confirmed by Namibian/Danish historian Caper W. Erichsen.

and 2011. The declining population growth rate is attributed to rural-urban migration, the rising per capita income, (which is often associated with smaller families) and the impact of the HIV/AIDS pandemic. The HIV infection rate increased continuously from 4 percent in 1992 to 22 percent in 2002, but has since decreased a little and remained in the current range of 19 percent.

Women continue to outnumber men in Namibia, but the ratio remains stable. For example, in 2001 for every 100 women there were 94.2 men. This pattern had not changed significantly in 2011. However, men and women are not equally distributed across the country. Due to the migration of men to urban and industrial centres in search of labour, such as in mines, the ratio of men to women in rural areas stood at 87 percent compared to 97 percent in urban areas in 2006. In particular the northern communal areas have experienced migration of young men. On the other hand, men clearly outnumber women in the mining and fishing region of Erongo, as well as in other central and southern regions.

Since the working-age population has migrated from the northern rural areas, the school-going age and old-age population is left behind. According to the 2011 census a total of 65.7 percent of the urban population fall into the age category of 15 to 59, while this applied to only 49.9 percent in rural areas implying that the majority of the rural population is either below the age of 15 years (41.1 percent) or above 60 years of age (9.0 percent). The share of the younger population was estimated to have dropped by 2.7 percent between 2001 and 2011. Persons above the age of 60 constituted 9.0 percent of the rural population, but only 4.6 percent of the urban population.

The age structure is also reflected in the source of income. For 16.2 percent of rural households pension constituted the main source of income in 2009/10 compared to 4.6 percent of urban households. The role of pension as the main source of income for many rural inhabitants highlights the pension system's importance for alleviating poverty in rural areas.

2.3 Natural resources and the rural economy

Namibia derives its wealth mainly from natural resources, i.e. foremost mineral resources such as diamonds, copper, zinc, gold and increasingly uranium, but also livestock farming and fisheries. The mining sector continues to be the backbone of the economy. The sector contributed about 8.8 percent to GDP in 2010. Mining also contributes about 8 percent to the Government of Namibia's (GRN's) revenue.

While diamond mining has dominated the sector for decades and has been the largest foreign exchange earner, the uranium sector has expanded with the development of two new mines so far and the expansion of the existing mine. Namibia is ranked as the fourth largest uranium producer in the world, but is expected to claim third or even second position once mining companies develop other existing uranium deposits and start up new uranium mines. If the expectation that Namibia holds significant oil and gas deposits hold true, the oil and gas sector could become the largest contributor to the economy and to government income by the end of the decade.

Due to the historic past, the agricultural sector is divided into two sectors: a commercial sector with free-hold land titles and a communal sector primarily in the north, consisting of more than 200,000 subsistence farming households. These two sectors are in practice separated by the Veterinary Cordon Fence (VCF) that stretches across the country from the Atlantic Ocean in the west to the border with Botswana in the east, although there also are some smaller communal areas within the commercial area. Livestock farming dominated the sector during the first decade of Independence, but since the year 2000 livestock and crop production have contributed equally approximately 2.5 percent to GDP, albeit with some fluctuations. Two factors have contributed to this trend: the

strong emergence of the grape sector in the south of Namibia along the Orange River and the increase in horticultural production over the past years.

The agricultural sector is a significant provider of employment in both the commercial and communal agricultural sectors. It is estimated that about 23 000 farm workers are employed on commercial farms, while the communal farming sector as mentioned consists of about 200 000 subsistence households. The main activities consist of rain-fed and irrigated crop farming (maize, millet, wheat and sorghum) and livestock farming (cattle, goat, sheep and game). The communal sector is characterised by low productivity.

The manufacturing sector is based, to a large extent, on processing Namibia's natural resources ranging from meat and crop processing to fish processing and mineral beneficiation. The sector accounted for 14.4 percent of GDP in 2010, of which more than half was contributed by 'other manufacturing', which includes the copper smelter, zinc refinery and diamond cutting and polishing companies. Increasing demands from the fishery sector, off-shore diamond mining and off-shore oil and gas exploration has resulted in a growing industry (including ship yards and dry docks) serving these sectors in Namibia's main port of Walvis Bay. Despite the diversification of the manufacturing sector, most consumer goods and production equipment are imported, while unprocessed or semi-processed commodities are exported. The level of diversification of the manufacturing sector limits the benefits of large construction and mining projects to the Namibian economy.

The tertiary sector including the public sector has been the largest contributor to GDP since independence accounting for 56.1 percent in 2010. The large public sector account for 20 percent of GDP. The tourism industry plays an important role in the economy and ranks as the third largest foreign exchange earner behind the mining and fisheries sectors. Based on the Tourism Satellite Accounts, it contributed some 13 percent to GDP and accounted for 17 percent of total employment in 2010. The financial sector is relatively well developed with a good national network and relatively strong growth, although the presence in rural areas is limited.

According to the 2009 enterprise and establishment census, 44 percent of some 56 000 enterprises in the country are located on communal lands and commercial farming areas with the remaining 56 percent located in municipalities, towns, villages, settlements and informal settlements. Furthermore, 78 percent of the enterprises, due to cumbersome registration procedures, are not registered. The northern regions are characterized by rural and informal businesses.

More than 90 percent of all rural enterprises are involved in three broad economic sectors, namely: "Wholesale and retail trade" (43 percent), "Accommodation and food services" (36 percent) and "Manufacturing" (12 percent). The sector "accommodation and food serving" is clearly dominated by "Beverage serving activities" (90 percent). Three regions stand out, namely Omusati, Oshana and Oshikoto, which account for almost 13 000 or 93 percent of all businesses across the country involved in serving-beverages often in *shebeens* (local bars).

The enterprises involved in manufacturing activities in rural areas are dominated by "Manufacture of malt liquor and malt", which is basically brewing traditional beer that is wide-spread in the northern regions. The second largest sub-category consists of "Manufacturing of builders' carpentry and joinery", which is a domain of the Caprivi Region that accounts for 62 percent of all business activities in this sector, owing to the availability of forest and timber. The third largest sub-category of manufacturing activities comprises bakery products, mainly baking bread.

2.4 Climate change and the environment

As mentioned, Namibia's natural resources underpin the national economic development and are the main source of livelihood and survival for the vast majority of rural Namibians. Namibia's natural environment, as well, provides essential ecological services, natural capital and genetic resources that sustain the country's life-support systems and act as a buffer and safety net against economic uncertainty, human and animal disease and environmental change. Namibia's renewable natural resource base, however, is characterised by low productivity and high variability. Pervasive water scarcity, generally poor and easily degradable soils and the resulting low capability of the land to support more intensive forms of agriculture, are important limiting factors for the productivity of the country's natural resource base.

The inherent limitations and uncertainties associated with the country's natural resources make the sustainable management of these resources a complex task. Evidence of soil erosion, land degradation, decreasing water availability and quality and the loss of bio-diversity reflect unsustainable and inappropriate resource use practices, which is threatening to erode natural capital. The complex nature and limited potential of the natural resource base and the country's high dependence on it, taken together, require development and implementation of consistent strategies and appropriate well-crafted policies guided by an overall vision.

A crucial cross-cutting dimension of recent policy reform directed at Namibia's natural resource sector has been the devolution of rights and responsibilities over natural resource management to lower government tiers and to the local communities themselves. This important recent trend has been part and parcel of the process of decentralisation in the country. The rationale for devolving user rights, decision-making, management and planning of natural resources to the lowest appropriate level (known as the "subsidiarity" approach) is that those who bear the costs of – and gain the benefits from – these resources should have concomitant rights and responsibilities.

As mentioned, Namibia has very limited rainfall and the climatic conditions are highly variable in space and time. There are predictable and unpredictable changes in weather patterns, with periodic extreme weather, that lead to floods, droughts and other climatic hazards. These climate-related hazards have negatively impacted on rural resource use and put additional stress on rural livelihood systems. At the same time, rural communities and institutions have developed coping strategies to manage and adapt to climate variability and associated risks.

Global and regional climate models project Namibia's climate to become even hotter and drier, with higher evapo-transpiration rates and even more variable rainfall patterns and shorter and even more unpredictable rainy seasons. Such projected long-term climate change and the likely associated secondary climate risks and hazards, like more frequent and intense heat waves, lower soil moisture levels and changed distributions and/or higher incidence of agricultural pests and diseases, remain highly uncertain, however, due to the uncertainties associated with Namibia's long-term socio-economic development and due to the inherent limitations of current climate models. It is generally agreed, therefore, that the most appropriate approach for dealing with uncertain future climate risks is to better adapt to current climate risks and impacts.

2.5 Rural poverty and social indicators

According to national-level data, poverty levels in Namibia are declining. Based on the food consumption ratio, 2.0 percent of all households in Namibia were classified as severely poor and 19.7 percent as poor in 2009/10. The corresponding numbers for 1993/94 were 9 percent severely poor and 38 percent poor. However, poverty continues to display a rural face: 31.2 percent of all rural households are poor, while 3.3 percent are classified as severely poor. In contrast, only 4.6

percent and 0.3 percent of urban households are regarded as poor or severely poor. These numbers are averages and, to some extent, do not capture the qualitative aspects of poverty. The Participatory Poverty Assessment (PPA) published by NPC in 2008 shows a more severe picture, especially for some regions. This assessment showed the following picture: Kavango: poor households 56.5 percent and severely poor households 36.7 percent; Oshana: poor households 44.7 percent and severely poor households 19.3 percent; Oshana: poor households 40.8 percent and severely poor households 16.6; Hardap: poor households 32.1 percent and severely poor households 21.9 percent. The total number of poor in the PPA from 2008 for Namibia as a whole assessment was: poor households 27.6 percent and severely poor households 13.8 percent.

The 2009-2010 National Household Income and Expenditure Survey (NHIES) shows that in general the poorest 50 percent of the population have no formal education or only primary schooling, making them less likely candidates for easy adaptation to modern economic activity.

Since Independence, the degree of inequality in the country as measured by the Gini-coefficient has decreased as well. The Gini-coefficient improved from 0.70 in 1993/94 to 0.60 in 2003/04 and to 0.58 in 2009/10. The level of inequality within urban areas and within rural areas has always been less than country wide; meaning that inequality is driven more by the gap in income between rural and urban areas than by income disparity within these areas.

Educational attainment in rural areas is trailing behind urban areas, 16.9 percent of the adult population in rural areas do not have a formal education and 52 percent completed only primary education. In urban areas 7.7 percent of the adult population have no formal education and 33.4 percent completed only primary education. However, the educational attainment of the employed in the rural areas improved significantly between 1997 and 2008. The share of employed persons with no formal or primary education dropped from 70.4 percent (1997) to 46.7 percent (2008) while the share of unemployed persons with no formal education or primary education declined from 65.4 percent to 49.1 percent in rural areas.

A number of health indicators illustrate that urban areas are better off than rural areas. For instance infant and under-five mortality rates are lower in urban than rural areas, while the share of children under the age of five years who are stunted³ or wasted⁴ is slightly lower in urban than in rural areas. Overall, the under-five mortality rate decreased from 83.2 per thousand in 1992 to 69 per thousand in 2006/7. The 2006/07 figures for rural and urban areas were 76 and 60 respectively. Infant mortality decreased from 56 per thousand in 1992 to 46 in 2006/7 with rural infant mortality at 52 and urban at 43 per thousand in 2006/7. The proportion of stunted children under 5 was 24 percent in urban areas and 31 percent in rural areas respectively. Similarly in 2006/7 the percentage of wasted children under 5 was 6 percent and 8 percent for urban and rural areas respectively. Especially the number of stunted and wasted children shows the impact of hunger and malnutrition in the rural population. It should be noted that while stunting and wasting are the visible impact, hunger and malnutrition has an impact on the development of a child's brain, implying that children suffering from hunger and malnutrition will never develop the full capacity of their brain. This then has a severe impact on their capacity to study and to care for themselves in modern life. The 'window of opportunity' for improving nutrition and a young child's prospect for survival, growth

³ Stunting, or low height for age, is caused by long-term insufficient nutrient intake and frequent infections. Stunting generally occurs before age two and the effects are largely irreversible. These include delayed motor development, impaired cognitive function and poor school performance. Once established, stunting and its effects typically become permanent. It also leads to premature death later in life because vital organs never fully develop during childhood.

⁴ Wasting, or low weight for height, is a strong predictor of mortality among children under five. It is usually the result of acute significant food shortage and/or disease.

and development is very narrow: just 1,000 days from pregnancy to two years of age. Children born to mothers with small deficiencies in important micronutrients are much more likely to be small at birth and are at great risk of permanent physical and/or mental disabilities.

2.6 Infrastructure

More than three quarters of the population (78.3 percent) in rural areas need to go to the bushes when 'nature calls', while 72.5 percent in urban areas have access to either shared or not shared flush toilets. In 2009/10, 88 percent of the rural population had access to safe drinking water, an important achievement compared to the situation at Independence.

The lack of access to the national electricity grid is reflected in the share of the population that uses electricity for lighting. In 2009/10, 14.3 percent of rural households used electricity for lighting compared to 77.9 percent of urban households. The lack of access to electricity inhibits learners' ability to study and also impedes on the expansion of business activities into rural areas.

The road infrastructure is generally very good when it comes to the main transit roads and feeder roads. The access roads into communal areas, especially in the north are, however, still underdeveloped and due to the low population density and flooding the cost for developing this infrastructure is relatively high.

2.7 Unemployment

In 1997 the unemployment rate in the broad sense⁵ stood at 36.1 percent in rural areas compared to 32.4 percent in urban areas. The gap remained fairly small in 2000 (35.3 percent compared to 31.3 percent) but started to widen in 2004, when urban unemployment in the broad sense dropped to 29.0 percent. At the same time, rural unemployment rose to 44.7 percent and continued to rise to 64.9 percent in 2008 – an increase of almost 50 percent. Unemployment in the strict definition more than doubled in rural areas from 20.7 percent to 46.6 percent. These two trends are a strong reflection of the job losses experienced in the agricultural sector and of a change in behaviour of the rural unemployed; many subsistence farmers have now interest in employment and many more of the rural unemployed are now looking actively for work; hence increasing the unemployment rate in the strict sense.

A total of approximately 130 000 of the rural population are estimated to be unemployed in the strict sense (searching for job) with women constituting the major part of this. Strict youth employment in rural areas is estimated to be in the range of 100 000 to 110 000. A further around 40 000 persons from ethnic minorities are estimated to be unemployed and vulnerable.

2.8 National macroeconomic and fiscal context

Namibia has had stable although not high economic growth rate since Independence. This has resulted in the country recently acquiring the status of upper middle income country. Economic growth under the NDP3 was targeted at 5 percent but only 3.6 percent was achieved. The continued growth in the economy is attributed to the fact that, since Independence, Namibia has maintained strong macroeconomic fundamentals including a sustainable fiscal policy stance. A positive fiscal balance and low levels of public debt meant that Namibia was in a strong position to adopt a

⁵ Unemployment in the strict sense refers to persons who are unemployed and are actively looking for work, while unemployment in the broad sense also includes persons who are available for work, but are not actively seeking employment.

countercyclical policy response to mitigate the impact of the 2008 global financial crisis and subsequent economic downturn.

Since the 2006/07 budget year public spending has grown rapidly to an estimated 32.6 percent of GDP in the 2010/11 budget year. The budget balance moved into deficit from 2009/10, reflecting both the impact of the global crisis on public revenues and Government's fiscal response to the global economic downturn. The large increase in estimated spending in the 2011/12 financial year came with the launch of the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG). However, Government's fiscal position remains strong with central government debt amounting to only 27.4 percent of GDP at the end of the 2011/12 financial year.

The 2012/13 to 2014/15 MTEF forecasts expenditures to fall from 39.3 percent of GDP in 2012/13 to 31.6 percent of GDP in 2014/15, with the budget deficit falling from 4.6 percent to 0.4 percent of GDP over the same period. This represents a significant fiscal consolidation that will require strong fiscal discipline that could be difficult to sustain. It also leaves limited space for an ambitious and costly rural development programme, implying that a future National Rural Sector Development Programme should to a large degree be concerned with formulating more appropriate policies and make spending on rural development activities more relevant, effective and efficient.

An important part of Namibia's public expenditure is already allocated to rural development in the broad sense as defined in the NRDP. The situation analysis for the rural development strategy shows that the actual 2010/11 spending on rural development by the relevant main division in the 15 O/M/A identified with programmes that include rural development amounted to approximately 26 percent of total operation and development (O&D) expenditure. The sectorial composition was as follows: 64 percent social, 21 percent economic, 8 percent infrastructure; and 8 percent administration. In 2010/11 the total transfers to Regional Councils (RCs) (inclusive delegated spending) account for around 4.4 percent of total O&D expenditure. With spending on functions to be delegated also included, transfers would have increased to around 28 percent of total O&D expenditure. Devolution of education functions alone would more than quadruple transfers to regional councils to N\$ 5.9 billion (19 percent of budget)

2.9 The Fourth National Development Plan (NDP4)

NDP4 breaks with the approach in the previous development plans. It has identified three national development goals, namely high and sustainable economic growth, employment creation and increase in income equality. The draft NDP4 is a high-level, strategic document focusing on some key areas that hold a high potential for achieving the three objectives. These areas are divided in basic enablers (preconditions for accelerated growth and development) and economic priorities (areas in which government interventions can have a high impact on the main goals). A desired outcome is formulated for each of the basic enablers and economic priorities. Ministries are tasked to develop annual action plans that outline how to achieve the sectorial targets and contribute to the overall development goals. NDP4 also puts a strong emphasis on execution, monitoring, evaluation and reporting; an area that has been identified as a weakness in previous plans and which is also identified as problematic in the situation analysis for the present Strategy.

Rural development is not explicitly mentioned as one of the strategic areas in NDP4, but in the first draft of the NDP4 it was included in the agriculture sector, which has been identified as one of the economic priorities. A number of other sector strategies in the various chapters of the Plan will have an impact on rural development.

Reducing extreme poverty is one of the areas that fall under basic enablers. Various strategies to achieve the desired outcome will affect rural areas, such as expanding and strengthening the social

safety net, improving access to quality public infrastructure in rural areas and creating employment opportunities in rural areas in order to address the high unemployment rate. Other chapters, such as those on education and skills development, health and infrastructure development contain strategies that could improve the standard of living in rural areas.

2.10 The Namibian Decentralisation Policy ⁶

This policy was adopted by Parliament in 1997 as a national policy for *the promotion of equal economic, cultural and socio-economic development and improved public service provision across the country*. Subsequently, with the aim of bringing service provision, planning and decision-making closer to the people, Government identified priority areas such as primary healthcare, pre-primary and primary education, rural water supply, forest development, community development, physical and economic planning, resettlement and lands management and environmental issues for decentralisation to the Regional Councils. To guide the policy implementation process, the Decentralisation Enabling Act was enacted and promulgated in 2000.

While the implementation process has been slow⁷, the recent delegation of primary and secondary education and works maintenance seem to serve as a catalyst for other sectors to comply with the policy and legal framework. Thus, the Ministry of Gender Equality and Child Welfare, Ministry of Information & Communication Technology and the Ministry of Lands and Resettlement are preparing for the delegation of certain functions to the Regional Councils during 2012/13 to 2013/14.

2.11 The National Rural Development Policy(NRDP)

NRDP strives to refocus the rural development stakeholders and especially the public sector on the need to sharpen efforts to bring about rural development in Namibia. It is an ambitious agenda that tries to realise long advocated policy goals in post-independence Namibia. The proposed policy adopts an integrated multi-sectorial approach “which aim(s) to improve rural peoples’ standards of living and empower them to take charge of their own development.” An important aspect of the policy is to moderate the differences between urban and rural conditions with respect to access to livelihoods and public services. The policy document declares that “coordination” is the “heart” of the policy and the key to success in meeting the various challenges and objectives outlined.

While recognising the high cost of service delivery in rural areas, the policy focuses on the high proportion of poor and vulnerable groups who are concentrated there. The policy asserts, *“The overall objective is to achieve economic and social advancement in rural areas through transforming rural areas to become places where people are empowered to spearhead their own social and economic development to their satisfaction.”* The four specific objectives are:

- Ensure participation of all role players in the formulation, planning, implementation, monitoring and evaluation of development plans;

⁶ Decentralization is defined as the transfer of political, financial and administrative powers from central government to regional councils and local authorities

⁷ A case in point is the withdrawal of the much awaited delegation of rural water supply (RWS) – perceived by the Regional Councils as one of the most important functions for the regional councils alongside education and health. The withdrawal of RWS combined with the delay of other important functions, such as primary healthcare, community based natural resource management; small miner’s development and community based forestry management have left the Regional Council structures somewhat empty and deprived them of their mandated responsibility for integrated planning and service delivery .

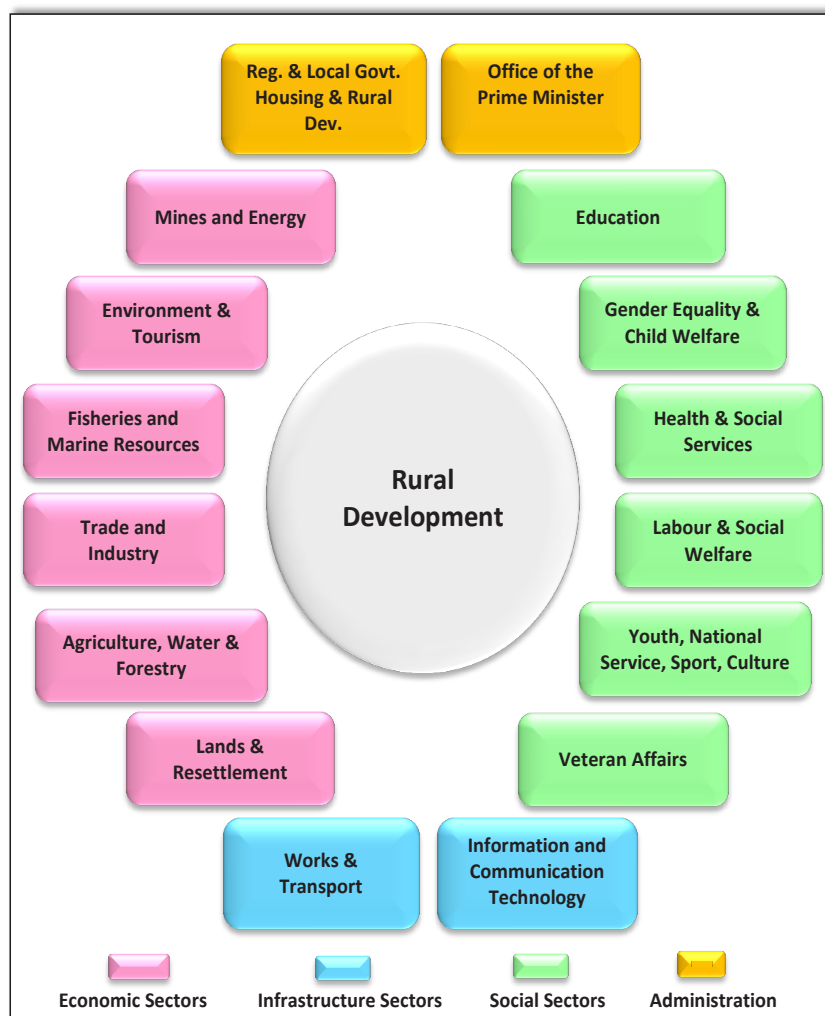
- Develop diversified, competent and highly productive human resources and institutions in rural areas, fully utilising human potential and achieving efficient and effective delivery of customer-focused services;
- Accelerated broad-based rural industrialisation and economic growth through enhanced rural infrastructure development, research and appropriate technology development, income generation and employment creation; and
- Ensure the sustainable management and development of natural resources found in Namibia's rural areas and its sustainable utilisation for the benefit of the country's social, economic and ecological well-being.

2.12 Rural development stakeholder overview

Rural development takes place in a multi-sector and multi-stakeholder environment, involving a wide range of government O/M/A at both central and regional levels; regional councils; non-state actors, development partners; the private sector and their organisations and – of course – the beneficiaries themselves.

While some of the public stakeholders, for example the Ministry of Finance, National Planning Commission and financial institutions, serve primarily as enablers and/or regulators at an aggregate level, other stakeholders such as LMs and RCs serve as service providers, enablers, regulators and coordinators.

15 ministries and the OPM provide services to rural areas in one way or the other. **The figure below shows the different key ministries and the OPM:**



A full overview of public sector stakeholders and development partners is provided in the coordination and institutional capacity situation analysis elsewhere in this document.

A large number of non-state actors, including NGOs and the private sector, serve as service providers, process facilitators, lobbyists and advocates for rural communities, CBOs and farmers' associations. An overview of the social sector stakeholders will be provided in the situation analyses of the social and employment dimensions of rural development. Similarly, the situation analysis on the economic dimension and the planning, environment and climate change dimension respectively will provide an overview of the relevant stakeholders.

3 SOCIAL AND EMPLOYMENT SITUATION ANALYSIS

Building on the description in the rural development context chapter, this chapter describes and analyses the main social and employment issues in rural areas. Further, a brief analysis of the effectiveness and efficiency of the key legislation and policies is provided. The work of key relevant institutions is mentioned, along with some information on their programmes and projects that have been successful ('best practice') and where challenges still lie. Based on this situation analysis, initial ideas on what the National Rural Development Strategy should contain are outlined in the form of key strategic issues to be addressed. The analysis in this chapter is an abbreviated version of the full social and employment situation analysis available under a different cover. The full analysis (120p) contains more complete statistical data and references and readers are referred to the full analysis for more details.

3.1 Key social characteristics

3.1.1 Introduction: Main social issues/problems found in rural areas

The main social issues or problems found in the rural areas of Namibia were identified by participants in the discussions during the regional visits, stakeholder meetings in Windhoek and various workshops, along with an in-depth literature review as part of the situation analysis. The following issues were cited, in order of significance:

- Various social pathologies and psychological concerns, especially alcohol abuse and gender based violence (GBV).
- Inability to access livelihood opportunities (formal employment and self-employment), especially for youth, mainly due to limited employment opportunities and a lack of markets in rural areas.
- High levels of marginalisation and vulnerability based mainly on gender inequality, ethnicity, low education and functional literacy levels, which create a lack of access to services and opportunities, lack of voice and of participation.
- Poverty, due to the above-mentioned issues, along with rural people lacking sufficient sources of income and social welfare grants. This creates a situation of hunger and vulnerability to food insecurity and malnutrition.
- Low levels of education and formal qualifications and practical skills due to drop-out from school, inability to pay school fees, insufficient access to quality education and skills training and language constraints in the case of marginalised ethnic groups.
- Lack of access to information on job opportunities, Small Medium Enterprises (SME) grants, study bursaries and land available for resettlement.
- Lack of basic services, such as potable water (in some areas) and water for livestock or gardening, electricity, proper housing and especially lack of proper sanitation.
- Lack of local access roads.
- Inadequate provision of health facilities and social amenities for rural people; especially youth.
- Some people living with HIV/AIDS (PLWHA) having no money to buy the food required to be taken before ARVs which makes it difficult to take the medicine.
- Increase in orphans and vulnerable children (OVC) due to the AIDS-related deaths of their parents.
- Other health issues, especially maternal-child health problems, malaria, tuberculosis (TB) and occupational health hazards in small-scale mining, construction and welding and charcoal production.
- Poor leadership and an absence of political commitment to social problems along with insufficient budget allocation for rural areas from central government to RCs.

- Environmental and climate change issues (e.g. floods and drought), along with unsustainable agricultural practices (overgrazing) and the management of natural resources.

To structure the analysis, the social and employment problems found were grouped in 8 “issue” areas as follows:

3.1.2 Social Issue 1: Poverty and inequality

As noted in the context chapter the national data on poverty and inequality in Namibia indicate that poverty levels are declining, but that poverty continues to be the worst in Namibia’s rural areas. The data provided in the extended social situation analysis document indicates this overall reduction and the continued disparity between urban and rural areas. However, these national-level statistics do not reflect fully the level of vulnerability of the poor, as indicated in the 13 PPAs conducted by NPC around 2008. Certain categories of people have a higher rate of poverty than others, including: female-headed households, households headed by older Namibians (50+) and Khoekhoegawab, Rukavango and Nama/Damara language speakers. The main sources of household income for the poor in rural areas are from subsistence farming or some kind of social grant. Among the poorest half of the population, 21 percent rely on state pensions or another grant, making this a critical part of the solution to poverty adopted in Namibia.

Since Independence, the degree of inequality in the country as measured by the Gini-coefficient has decreased as well, but there remains a significant level of inequality between the rural and urban areas. Root causes of persistent high levels of income poverty are low economic growth, high levels of unemployment, income inequality, pervasive gender inequality, incapacity and loss of life due to AIDS-related deaths and other diseases, inadequate access to and quality of education, widespread environmental degradation and biodiversity loss.

3.1.3 Social Issue 2: Low levels of education, literacy, qualifications and skills

Formal education: Notwithstanding the expected economic and social benefits of education as pictured in Vision 2030, Namibia’s education and training system is characterised as being a very weak tool for supporting the realisation of Namibia’s national and regional development goals. It is especially problematic since education is seen as the vehicle for the intended transition to knowledge-driven growth and equitable social development. The weakness shall be seen against the background of the fact that the largest portion of the national budget is devoted to education.

Among numerous key sector weaknesses, four particularly pertain to the education system in rural areas: 1) low efficiency in the use of available resources; 2) persisting inequalities in the distribution of education inputs and outcomes; 3) inadequate financial resources; and 4) low system delivery capacity. The 2009-2010 NHIES indicate that the poorest half of the population have no formal education or only primary schooling, making them less able to access livelihood opportunities in the modern economy. Various constraints are reported as leading to school drop-out and low learning levels, including: far distances from farms/homesteads to schools, few rural schools have hostels, hungry children, high levels of teenage pregnancy, high number of OVC, families struggling to pay school fees and language differences between learners and teachers.

Skills training: The Vocational Education and Training (VET) branch of the Namibian education system has not received sufficient attention as focus has been on the academic branch of education. There is need for large scale expansion of training opportunities in VET in order to equip young people with technical skills. With the creation of the NTA and the introduction of a training levy the situation may gradually change, but it will properly take a considerable time.

Some people have the necessary technical skills, but lack other necessary competencies to be successful, e.g. the ability to conduct feasibility and market studies and to develop a business plan or project proposal. The lack of basic business skills, including: financial management, basic bookkeeping, costing and pricing products for sale, marketing skills and marketing awareness, is prevalent. There are also insufficient practical opportunities for entrepreneurs to practice skills or to improve skills and very limited exposure to successful business mentors. In most regions, skills training organisations are too few or non-existent or there are 20 times more applicants than available spaces.

Literacy: Of the 1.2 million people who are 15 years of age and above, 755 000 live in rural areas. Of these, 17.9 percent (135 000) are illiterate. The lack of basic reading, writing and English skills inhibits successful participation in development programmes and projects or in self-employment opportunities. Regional stakeholders noted that some people might have basic writing skills, but cannot prepare a proposal or fill out an application form for a grant or loan.

3.1.4 Social Issue 3: Main health issues and HIV/AIDS

HIV/AIDS is an obvious problem, given the fact that Namibia has one of the highest rates of HIV in the world. Some regions have a much higher rate than others, but none have escaped this epidemic. The greatest impact is found in the rural areas where there is already a higher rate of unemployment and poverty. HIV/AIDS creates many social problems, including the significant number of AIDS orphans and children made vulnerable through stigmatism, neglect and decrease in economic (including agriculture) productivity. The number of PLWHA is projected to remain at about 194 000 by 2016, assuming prevention and treatment efforts remain at current levels. Any anticipated gains in human development are now being eroded by the AIDS epidemic. While it is anticipated that the spread of the disease may be retarded by 2030, no sector of the social economy of Namibia will remain untouched in the short to medium term.

Other health issues include malnutrition, maternal-child health problems, malaria, TB (about 60percent of people with TB are also HIV positive) and occupational health hazards in small-scale mining, construction, welding and charcoal production. The under-five mortality rate has improved since Independence, but Namibia has a long way to go to reach the Millennium Development Goals target of 38 per thousand by 2015. The main causes of under-five deaths are: neonatal (43percent), HIV/AIDS (18percent), pneumonia (9percent), measles (7percent), diarrhea (6percent) and malaria (5percent). Malnutrition is directly responsible for at least 6 000 Namibian child deaths per year and tens of thousands Namibian children start school with diminished capacities to learn due to diets deficient in kilojoules and vitamins and iron and iodine deficiencies. These young learners are also unable to concentrate in school due to hunger and parasitic infections. The figures on malnutrition indicators are worse for rural areas than for urban areas and for children from poor households compared to wealthy households. Furthermore, regions with high levels of poverty, low literacy rates and high HIV prevalence have the highest percentage of stunting.

One aspect of malnutrition is food insecurity, since many people in Namibia live in risk of not having access to food for at least part of the year. In the rural areas, various factors causing food insecurity include: greater concentration of people and livestock in certain areas (settlements and resettled farms) leading to overstocking of livestock and the subsequent deterioration of pasture quality. Droughts and floods constitute other causes as well as the reduction in the availability of *veldkos* (wild plants and fruits) and stricter hunting regulations. Finally, many persons are at risk in the period before the new harvest, when food stocks are depleted. For those not actually farming or collecting natural resources, food insecurity comes with limited sources of income, such as large households living only on pensions or remittances.

3.1.5 Social Issue 4: Lack of information, awareness, access and voice

Lack of information was cited as one of the main social issues found in the rural areas, which hampers rural people's (both men and women) ability to be informed about livelihood opportunities, skills training, SME support, social welfare grants and social services support. Insufficient information dissemination also inhibits awareness raising, advocacy and empowerment of rural people, including their ability to participate in community development and decision-making. There are definitely successes in improving communication and information dissemination, such as the massive expansion of Namibia's telecommunication system, availability of local language radio stations and the printing of posters, brochures and booklets in local languages. Nevertheless, poor communication and information dissemination in rural areas remain a challenge, due to such aspects as: LMs and NGOs not making sufficient use of the local language radio stations; rural people's illiteracy in any language, but especially in English; functional illiteracy levels in English of some TAs and Regional Councillors; lack of access to newspapers, other print media and IT technology and Internet facilities; and lack of regional or constituency-level 'one-stop' centres to obtain information.

3.1.6 Social Issue 5: Labour market issues including unemployment

Labour conditions and issues: During the situation analysis, labour conditions were reported on as follows: While, some farmers are paying more than the minimum wage, many employers are still not paying proper salaries. The only sectors with minimum wage requirements are commercial agriculture (not communal area agriculture), construction and security guards. Labour requirements under the Ministry of Labour and Social Welfare (MOLSW) include a minimum wage for agriculture workers (N\$820/month), plus a maximum number of hours that employees can work per week. The charcoal production industry has been riddled with alleged labour abuses. For example, because there is not enough job opportunities in Kavango Region, many people migrate to the Otavi area to work in charcoal production on commercial livestock farms. Complaints about the conditions have included: not paying minimum wages, paid by the sack and no food or accommodation provided on the farms. MOLSW Labour Inspectors conduct annual surveys to identify cases of child labour. Cases of child labour on farms, mainly as herders and domestic workers, are found.

Employment: Despite the very high unemployment figures, about half of Namibia's labour force is employed or self-employed. Sources of formal employment in the rural areas include government employment, work in formal mines and medium and small-scale industries (e.g. brickmaking factories and charcoal production), domestic workers in private homes, farm workers on commercial farms, casual labour (e.g. road crews and construction/building) and employment in formal-sector and community-based tourism. Sources for self-employment or income-generation include livestock farmers (cattle and small stock), crops, horticulture, game farming, small and micro-scale manufacturing/production (e.g. craft-making, sewing, tailoring, needlework, furniture and coffin making, bread-baking, jam-making), small and micro-scale trade (e.g. production of chickens and eggs, firewood, crafts, sale of cooked food, sweets and cigarettes, cell-phone airtime and used clothes) and carrying out small-scale and micro-scale services (e.g. car washing, vehicle and tire repair, bicycle repairs and hammer mill), gemstone digging and selling and small-scale mining (e.g. tin and copper).

Unemployment: The unemployment rate measures the proportion of unemployed persons in the labour force. Unemployment rates for the nation and for rural and urban areas were provided in Section 2.7. In addition it should be noted that the female unemployment rate is very high in rural areas (72.1percent) as compared to 42.9percent in urban areas. Unemployment has been cited as one of the main social issue in the rural areas of Namibia's 13 regions. The situation of

unemployment for youth in both urban and rural areas is far more dire (see below). Few regional council staff - or even the MOLSW Employment Services officers - could cite the unemployment figures for their regions. Therefore these figures were obtained from the most recent Labour Force Survey (LFS) of 2008. Typical causes of unemployment in Namibia's regions include that learners drop out of school or fail, have no Grade 10 or Grade 12 certificate, lack of skills, poor levels of English and literacy, no working experience, reluctance to do manual labour and lack of opportunities in the rural labour market.

3.1.7 Social Issue 6: Marginalised and vulnerable groups and individuals

This section identifies the most vulnerable, marginalised and least empowered in Namibia's rural areas and notes the key issues/causes of vulnerability and marginalisation. These are listed in order of severity, according to the opinion of stakeholders.

Sub-category no. 1: Youth in rural areas, especially the unemployed and 'unemployable': Namibia's youth face many challenges in today's world, especially high rates of HIV/AIDS, teenage pregnancies, poverty and unemployment and the subsequent despondency, use of alcohol and drugs and high rates of suicide. Youth in general are considered to be vulnerable, but most especially those who have dropped out of school before or at Grade 10 or who have failed Grade 10. Also vulnerable are Grade 12 graduates who do not meet tertiary education requirements or those who do meet the requirements but have no bursary or funds to continue their education. Youth, especially female youth, without any employable technical skills or who are in business for themselves, but lack basic business management skills, financial support and knowledge about or access to markets are also vulnerable. Using the strict unemployment figures for all youth in rural areas, depending on the age category, between 53.5percent and 67.6percent are unemployed, with the highest level of unemployment at 79.6percent for females who are 15-19 years old.

Sub-category no. 2: Marginalised ethnic groups: Namibia's marginalised ethnic groups are considered to be the San, Nama, Damara, Ovahimba and Tswana. According to the 2009-10 NHIES and the 2008 LFS these groups make up approximately 17percent of Namibia's total population, with the numbers residing in rural areas estimated to be: San (25 000), Nama/Damara (142 000), Ovahimba (18 000) and Tswana (3 900) for a total of about 189 000. These groups are considered to be particularly marginalised because their numbers are relatively small and many live in very remote areas and because of their unique traditions and lifestyles, in the case of the San and Ovahimba. This isolation and these differences set them apart from other Namibians; often creating disempowerment, including a lack of voice and participation. The San are further marginalised in terms of education and literacy, because drop-out rates are high among San learners. San children often have difficulty adapting to the formal education system because they are away from their families and do not have teachers who speak the San languages.

Sub-category no. 3: HIV+ people on ARVs – without food security: PLWHAs who lack money to buy food to eat before taking their ARV treatment are cited as being especially vulnerable.

Sub-category no. 4: Rural women who are also disadvantaged in another way: Rural women in general are considered to be vulnerable and marginalised, but those facing another challenge are even more so. This includes the following types of women: women faced with customary law challenges (e.g. widows, those seeking divorce); women who have lost their partner who was the main breadwinner; HIV+ women who are poor and should not breastfeed, but who cannot afford baby formula; women heading households (because female-headed households have a higher rate of poverty, with 30.4percent of them classified as poor and 15.1percent as very poor); single mothers, especially *young* single mothers; unskilled women; unemployed women (an estimated 83 000 in rural areas, strict rate); landless women; commercial sex workers; and disabled women.

Sub-category no. 5: Orphans and other vulnerable children (OVC): Annual deaths due to AIDS-related causes are estimated at 5 100, which is one of the main causes for the rising number of OVC. In 2007 Namibia had approximately 192 000 OVC. This figure was estimated to be as high as 250 000 in 2010. There are more than ten different factors that make children vulnerable in Namibia and these are listed in the extended version of the social situation analysis. OVC grants cover more than 110 000 recipients or about 74percent of those eligible.

Sub-category no. 6: The landless: This category includes landless people in general, but most especially landless women. Farm workers who have lost their right to remain on the farm once it has been bought for resettlement are also vulnerable, because they have not only lost their right to farm and to earn a living, but also the homes, which their families might have been using for generations.

Sub-category no. 7: The elderly, especially those in rural areas: The number of elders (60 years of age and above) living in rural areas is estimated to be 68 000. Many of the elderly in Namibia are vulnerable and marginalised, but this appears to be especially true for the elderly in rural areas.

Sub-category no. 8: People living with disabilities: About 5percent of Namibia's population are people living with disabilities (PWD) with estimates between 105 000 and 150 000. More PWD reside in rural areas than in urban ones. Despite a very progressive legislation and a clear commitment by government, the majority of PWD still do not have access to the same opportunities for living a life of independence as non-disabled people. Access to employment is very rare, with only 10percent employed and most of these being males. Disability grants only reach about 20percent of those eligible. There are currently only 26 673 recipients of disability grants (which now also includes the category of PLWHA who are unable to work because of their illness), with each receiving N\$550 monthly.

Sub-category no. 9: Families made vulnerable by floods, drought or livestock diseases: While Namibia generally has a dry climate; most poor rural families are still dependent on subsistence crop farming and small-scale livestock. During the years where the rains are insufficient or too great, these already vulnerable families are harder hit by drought or flood than families that have a more diverse means to obtain food and income.

3.1.8 Social Issue 7: Key social pathologies and psychological concerns

Rural Namibia is faced with a variety of social ills and concerns, several of which are in the extreme considering its small population. The key social and psychological concerns facing Namibians, including rural Namibians, are as follows: alcohol and drug abuse, domestic violence and GBV including rape, harmful cultural traditions/practices, disabled people 'hidden away', sexual promiscuity and exploitation through transactional sex, children exploited as commercial sex workers, children being used by adults to commit crimes, fraud and corruption, crime (stealing from tourists and stock-theft), apathy, despondency, depression, suicide and generally no vision or hope for a better life. Many of these social problems are linked, with some being both causes and results of others. For example, alcohol abuse is regarded as the single most important driver of GBV and stock theft. It is also a cause and a result of poverty.

3.1.9 Social Issue 8 : Social aspects of infrastructure (rural water supply, sanitation, electricity, roads, communication and housing)

There are various social and health issues around infrastructure development. In terms of water supply, it is noted that the Directorate of Water Supply and Sanitation Coordination (DRWSS) has made great strides in rural water infrastructure since the mid-1990s. However, challenges continue

within the system of Community Based Management of Rural Water Supply, notably with community Water Point Committees (WPCs) looking after their water points and the concepts of 'ownership' and 'willingness and ability to pay'.

Rural sanitation is also now coordinated by the DRWSS, based on the provision of household-level rather than communal facilities. The provision of sanitation facilities in rural areas at the household-level and at schools is very crucial for health. However, while many of the regions have not yet started with their sanitation programmes, they undoubtedly will do so in the near future.

Approximately 86percent of rural households have no access to electricity, which has several social ramifications, including: promoting the use of firewood for cooking and heating and dangerous candles or paraffin lamps for lighting, inhibiting learners' ability to study and impeding the start-up and expansion of SMEs and IGAs in rural areas.

Notably, drastic improvements in telecommunications infrastructure connecting the rural communities to the regional capitals have been attained since Independence. For instance, the number of fixed lines has increased, the mobile network covers most of the populace, internet services can be assessed almost countrywide and over 600 leased lines are in operation. However, this holds true only for those who can afford the technology. Access to phones has dramatically improved since 2003/04 when the NHIES indicated that only 33.5 percent of Namibians owned a landline or cell phone, while a further 33.3 percent had access to one through others. In contrast, the 2009/10 NHIES indicates that 92.3 percent of *rural* Namibians own telephone. However, communication and technology, especially Internet networks for rural schools need to be seriously improved to ease and speed-up communication and information sharing.

According to the 2009/10 NHIES, 53.9percent of rural households live in traditional dwellings, compared to 24 percent living in 'modern' housing and 19percent in 'improvised' housing. The main problem of housing in rural areas is the need to have modern housing to attract civil servants such as teachers and police, not the fact that rural dwellers live in traditional houses.

3.1.10 The cross-cutting issue of gender equality and gender mainstreaming

The 2010-20 *National Gender Policy (NGP)* aims to achieve gender equality. It highlights that the continuing inequality affects women and girls more than men and boys when it comes to accessing opportunities in decision-making, access to resources and skills development and in unequal gender-power relations. Therefore the revised NGP focuses on women's needs in order to close the inequality gap (MGEWCW 2010).

The section below outlines the continuing problems and achievements to date towards gender equality, the empowerment of both women and men and, where possible, notes these in rural areas. It also summarises the various problems (and weaknesses) facing women in rural areas. Threats to any achievements and opportunities for further achievements are also noted.

Strengths: Successes towards gender equality and women empowerment:

- The updated *National Gender Policy of 2010-2020* was launched in 2012. The overarching goal of the policy is to achieve gender equality and the empowerment of women in the socio-economic, cultural and political development of Namibia. The policy provides a framework, mechanisms and guidelines for all sectors and stakeholders for planning, implementing and monitoring gender equality strategies and programmes to ensure that these will facilitate gender equality and the empowerment of women.

- The Ministry of Gender Equality and Child Welfare (MGECW) links with all line ministries to ensure that their annual budgets are gender sensitive.
- The Directorate of Gender Equality works hand-in-hand with regional councils. When the MGECW head office or regional office staff visiting the constituencies, are supported by the CROs and/or via the regional councillors to make contact with the traditional authorities.
- Women especially have been empowered by the Build-Together National Housing Programme (BTP) and Shack Dwellers Federation of Namibia (SDFN) in terms of access to shelter, land and finance. They are actively involved in organising committees and producing building materials and maintain a high level of loan repayment.
- MGECW and some NGOs provide training on GBV to raise awareness.

Weaknesses: Main issues facing women in rural areas: Various circumstances which affect rural inhabitants differ between women and girls and men and boys. Some of the key issues, as noted by stakeholders interviewed and from the literature, include:

- Women and girls are more affected than men and boys across most issues leading to marginalisation and vulnerabilities.
- Female-headed households are hit harder by poverty and hunger than male-headed households.
- Women and girls are disproportionately affected by domestic violence and GBV.
- Namibia's customary; in-community rules of property issues and inheritance laws grossly affect women more than men, to the advantage of the men and their extended families, in relation to land and property grabbing, widow inheritance and harmful traditional practices.
- Many rural women lack the knowledge or skills necessary for self-employment.
- There are more unemployment women than men.
- Many rural women lack collateral and therefore cannot access credit for SME start-up or loans for housing.
- In the seven regions that have more rural women than men, more women are impacted by the failings in the delivery of rural services and infrastructure.
- With many more male TAs and Regional Councillors than females and only three female Governors of the 13 appointed, women's concerns may not be addressed sufficiently by these authorities/representatives.

Opportunities: With the development of the National Rural Development Policy and Strategy, there are good prospects to address gender inequality in rural areas if the opportunities are used. The Strategy includes the following key strategic issues:

- Improved systems for better coordination in the regions, in general and with regard to ensuring gender equality in particular.
- A real emphasis and practical application of gender mainstreaming at all levels, including that all LM budgets must keep the goal of gender equality in mind to ensure that both men and women are considered in all strategies, programmes and activities. For example, according to one stakeholder, "Economic support should not just emphasise men, men, men. Women in rural areas are often the backbone of the household economy."
- All support programme implementation must consider the separate needs of men and women, as the needs of men and women are not the same and cannot be generalised.
- All M&E systems and data of line ministries must be disaggregated by gender (and ideally by age categories too in order to not lose sight of the children, youth and elders).

3.2 Key social sector stakeholders, their policies and programmes

The section summarises the key stakeholders dealing with the social and labour market issues of rural development, including the public sector stakeholders, NGOs and FBOs, private sector social service providers, and key donors.

Education, skills and literacy: The MOE DAE and NTA, along with VTCs are the key public stakeholders in government and parastatals. The training centres of COSDEF, called COSDECs, provide short-term skills training in most regions. Other key training institutes are not based in rural areas, but rural people can attend. These include: Polytechnic Hotel and Hospitality Training School, NamWater (provides vocational/trade training), and NamPower (provides vocational, trade and business training and bursaries). Key NGOs are The Rössing Foundation, WAD and KAYEC for various trades; Omba Arts Trust and Mud Hut Trading for craft design and product quality and skills development. Key private sector include Wolwedans Foundation, The Namibia Institute of Culinary Arts (NICE) and Wolwedans Desert Academy, which along with the Polytechnic Hotel and Hospitality Training School, prepares people for careers in the tourism and hospitality industry, many which are found in rural and remote areas. MCC/MCA, USAID, and ETSIP are key donors for the education sector.

Health and HIV/AIDS: MOHSS including the NACB are the key players in the health sector. In theory, all LMs via their HIV/AIDS Focal Person and Wellbeing Committees are mainstreaming the National HIV/AIDS Policy at all levels and in all programmes. The key NGOs working in HIV/AIDS arena fall under the umbrella organisation, NANASO. These include: NACOBA, CAA, the LAC AIDS Unit, Namibia Red Cross and DAPP. The Namibia Alliance for Improved Nutrition (NAFIN) focuses on awareness raising on the importance of good nutrition. Private sector doctors, therapists and hospitals are important for those who can have medical aid. Important development partners are Global Fund, UNAIDS and UNICEF.

Labour and unemployment, including grants/loans for MSMEs/IGA projects and employment services: MGECEW, Directorate of Community and Early Childhood Development; MRLGHRD and the RCs' Micro-finance Grant, and MOLSW's Directorate of Employment Services. The ILO is a key development partner.

Youth Concerns and Youth Empowerment: MYNSSC along with its National Youth Service (NYS) are the main government bodies involved in youth affairs. The National Youth Service (NYS) provides training, loans and support. Various CBOs in the rural areas facilitate youth activities and clubs. The Commonwealth and FAO have been important donors for youth programmes.

Marginalised Ethnic Groups and their Empowerment: No one LM focus's solely on ethnic minority groups, but the OPM has a few support programmes for the San. Key NGOs working with the San and OvaHimba include: WIMSA, Omba Arts Trust and Mud Hut Trading, DRFN, IRDNC, NNDF, SSO. In the private sector many tourism companies (lodges, tour operators) lend support to the San and OvaHimba. MCA/MCC and UNESCO are important development partners.

Social welfare grants and other safety nets: MOLSW's Directorate of Social Welfare, MGECEW's Directorate of Child Welfare and the MOVA administer welfare grants for old age pensioners, the disabled, OVC, and veterans. The Social Security Commission (SSC) provides maternity and death benefits for those registered. The MOE School Feeding Programme is crucial in the provision of nutritional support to school learners.

Social services for disabled and elderly: the MOHSS's Directorate of Social Services is the key government body. Various important NGOs include: National Federation of People with Disabilities, CLASH, and the Epilepsy Association of Namibia.

Orphans and vulnerable children (OVC): The key government LMs are MGECEW' Directorate of Child Welfare, MOSS's WACPU and the MOLSW for child labour and child trafficking issues. Key NGOs include: CAA and Childline. Every constituency should have a Child Care and Protection Forum

(formerly OVC Forum), but several regions lag behind. UNICEF and ILO are the main development partners.

Women and gender issues: MGECW's Directorate of Gender Equality is the main LM, while MOSS provides protection through its WACPU's. In theory, all LMs cover gender issues via their Gender Focal Person (at management level) and mainstreaming of the National Gender Policy at all levels and in all programmes, Important NGOs include: LAC GR&P, WAD, Sister Namibia, and Women's Leadership Centre.

Infrastructure development: Here government (including parastatals) is crucial, with the main actors being MAWF's DRWSS, NamWater, MME's Rural Electrification, Roads Authority, Telecom, Build-Together National Housing Programme (BTP). Two NGOs involved in housing include NHAG and SDFN. Private sector companies are key for communications (e.g. MTC and Leo) and contractors for roads and construction.

3.3 Critical issues which a rural development programme can help to address

3.3.1 Literacy and skills

Lack of access to quality education and practical skills including the ability to read and write were mentioned as critical issues inhibiting rural people, especially youth, women and members of ethnic minority groups, from accessing decent livelihood opportunities. The Social Theme group in the Kick-start Workshop defined 'quality education' as: "an educational system that creates productive, innovative and analytical Namibians capable of addressing the problems of Namibia today and in the future." Adult education is clearly an important part of rural development. By building on and expanding on the literacy and skills training programmes under the mandate of Ministry of Education's (MOE) Directorate of Adult Education (DAE), along with the many other NGO and private sector service providers and training institutions, the RD Programme can support practical skill development leading to employment or self-employment. Literacy, numeracy and language skills development in the official language of Namibia – English – are also important components of this programme. If the RD programme cannot support literacy training in all 13 regions at once, the focus should then be on the four regions with the highest illiteracy rates (Kunene at 32.1percent, Omaheke at 31.3percent, Otjozondjupa at 22.3 percent and Kavango at 19.1 percent (NPC 2011), or alternatively in the regions that will have the greatest impact on rural development.

3.3.2 Improvement of safety net functioning and nutrition

Namibia faces various social development and social welfare issues that can be supported through the improvement of safety net functioning. Social service institutions, in particular, schools, health facilities and special protection units, are faced with an increased burden of clients who are unable to pay for services, need special attention such as psycho-social support and are struggling to care for themselves and family members. The education sector must cope with increasing levels of absenteeism, poorly fed children and a simultaneous increase in the demands made on schools to provide psycho-social and material support to children.

According to the United Nations Development Programme (UNDP) (2009), the small improvement in the incomes of the poorest and the resulting reduction in inequality appear to be largely due to an increase in the distribution of social welfare grants for the elderly, disabled, OVC and veterans, plus the positive effects of remitted incomes such as those from civil servants in urban centres to rural communities. Although Namibia is one of the few African countries that provides these types of grants, many still do not receive their entitlements, usually due to lack of awareness or geographical

and other social factors. The old-age pension is reaching 95 percent and the OVC grant 74 percent, but the disability grant is much lower at around 20 percent.

Improvements could be made in the identification and registration of beneficiaries for social welfare grants. For example, although the Directorate of Social Welfare indicates that the registration and distribution of the two social grants under their control will never be decentralised in order to prevent fraud, corruption and possibly political nepotism, further support to the Directorate's regional offices should be considered so that the applications of beneficiaries can be approved at regional levels rather than having to be approved at the head office.

Similarly, improvements to Ministry of Home Affairs and Immigration's (MOHAI) systems to provide ID documentation and birth and death certificates are needed. Without the necessary documentation eligible Namibians cannot apply for welfare grants.

Further improvement will come from improving the physical access to the regional offices of the MOLSW (for old age and disability grants), MGECW (for OVC grants) and MOHAI (to obtain the necessary ID documents, birth certificates and death certificates to access these grants).

There are three significant contributors to child malnutrition in Namibia: 1) inappropriate infant and young child feeding practices, especially a lack of exclusive breastfeeding, 2) poor hygiene, sanitation and caring practices leading to illness and 3) poor nutritional and health status of mothers. According to NAFIN (2010), these high levels of infant, child and maternal malnutrition impose an overwhelming cost to Namibia's human and economic development. As noted earlier, acute and chronic malnourishment severely affects the learning capacity of children and their educational attainment. There are also direct links between malnutrition in children and chronic debilitating diseases in adulthood. The global body of experience suggests that this situation can be improved through a simple set of low cost/high impact interventions. These interventions include: 1) maternal, infant and young child feeding interventions, 2) food fortification, 3) hygiene promotion and deworming and 4) household food diversification and targeted food distribution. Using the RD strategy platform to advocate for the responsible authorities to develop policies and programmes to support the nutritional needs of pregnant women, children under five years of age and young school learners should be included in the RD strategy. A programme could possibly take the form of a conditional grant linking money or food and nutritional supplements to clinic visits for immunisations or other maternal and child care and/or by providing additional support to the NSFP. Awareness rising about the importance of nutrition to pregnant women and the growing child could also be included in the proposed communication programme and other relevant activities of the RD strategy.

3.3.3 Marginalisation and vulnerabilities

UNDP's Namibia Human Development Report focuses on the status of Namibia's youth and youth development. It highlights the fact that from 2005 to 2015, the number of youth is projected to grow by 35 percent from 580 000 to 780 000, the largest number of young people in the nation's history. By 2015, the window of opportunity to invest in youth will begin to close again as the youth mature. Many efforts are being made to help the youth meet these challenges, such as the creation of adolescent friendly health facilities with peer counselling service, sports and recreational facilities and youth credit schemes for starting MSMEs. Similarly, there are a variety of programmes for women's economic, social and political empowerment. Various NGOs and the MOE, OPM and MLR are attempting to address the specific needs of some of the ethnic minority groups. There is a critical need to expand on these activities and to create new efforts to address the social and economic problems facing the youth, women, ethnic minority groups, OVC, landless, elderly and disabled in rural areas. By building on the credit and savings programmes of WAD and SDFN and

incorporating best practice from various international programmes and strategies, these critical social and economic needs can be addressed. The RD Programme can help to create savings and credit groups integrating social and economic empowerment and life skills training. The target beneficiaries can include women, ethnic minorities and people with disabilities and other vulnerable or marginalised citizens.

3.3.4 Lack of information and communication on critical issues inclusive of life skills

Poor communication, inappropriate dissemination methods and inadequate access to information are critical issues noted by stakeholders during the situation analysis. Much education and awareness is needed on the social issues affecting Namibians on a daily basis. Information campaigns need to be developed for youth in key areas such as nutrition, dangers of smoking, abuse of alcohol and drugs, family planning, GBV and road safety. More information, awareness raising, advocacy and behaviour change programmes are needed for both men and women to reduce the pervasiveness of domestic violence and GBV, including rape and harmful cultural practices. Awareness raising and advocacy are needed on the social and economic issues faced by the elderly and disabled. Strategies to improve information and communication on these social issues and income-generating and MSME development opportunities could include:

- Incorporate life skills awareness and advocacy information into all materials used in literacy and English language skills development programmes; for example, information to raise awareness on gender equality, GBV, HIV and AIDS, alcohol abuse and teenage pregnancies.
- Involve the Namibian Broadcasting Cooperation (NBC) and Ministry of Information and Communication Technology in the RCs' activities and improve use of local language radio stations and programmes.
- Support and expand on the innovated 'best practice' utilised for education and awareness raising by such organisations as LAC and NawaLife.
- Establish a central place/location/office for information in each region. Ideally these should be in the regional capital and in other more rural locations within the region. Since one of the main functions of MGECCW's Directorate of Community Development is to disseminate information on various opportunities to rural communities, possibly this ministry could be tasked with this responsibility together with the MCIT.

3.3.5 Labour market arrangements and employment programmes

While sustainable, long-term economic growth might be the best way to create employment in the long run, improved economic growth by itself is often not enough, particularly for special groups such as youth and women. Public works projects, including infrastructure development, have traditionally been an important source of new jobs, particularly for vulnerable groups such as the youth. Furthermore, labour-intensive public works, which have been used for both regular infrastructure development or as a means of responding to crisis situations, have been shown to have a positive impact on economic development. They have proven to be cost-effective and competitive in comparison to equipment-based methods in the rehabilitation, maintenance and development of infrastructure, including rural roads, environmental rehabilitation and irrigation schemes. Labour-intensive work programmes are one way to address unemployment issues for Namibia's youth, women and ethnic minority groups and it will be important to strengthen and expand labour-intensive work programmes. NDP4 also highlights this point by noting, "*While all the interventions in NDP4 are aimed at creating sustainable job opportunities, it is recognized that many of our citizens and in particular the unskilled youth, need employment opportunities as soon as possible and cannot wait for the expected more dynamic economy to provide sustainable jobs in the medium to long run; hence the prioritisation of short-term job opportunities.*" With this in mind, the RD Programme can develop new activities and expand on existing activities that create short-term

employment opportunities in the regions. These opportunities can include labour-intensive infrastructure projects, environmental-related activities and emergency-related activities. Any employment enhancing projects must include specific strategies that ensure equal access to women, benefit women and girls and address the specific financial and social needs of women headed-households.

3.3.6 Gender Mainstreaming

Namibia is a signatory to various international and regional conventions such as the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the UN Convention on the Rights of the Child, the UN Convention against Trans-national Crime and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children (the Palermo Protocol), the African Charter on Human and People's Rights, the Southern African Development Community (SADC) Protocol on Gender and Development and the SADC Addendum on the Prevention and Eradication of Violence Against Women and Children. By signing these conventions and protocols, Namibia is obligated to undertake a gender analysis during the planning and feasibility stages of all official programmes and projects and to the fullest extent possible, address gender issues and concerns in all official programmes and projects. As mentioned earlier, Namibia developed and adopted its own National Gender Policy and Plan of Action in 1997 and the policy was revised in 2009 for 2010-2020 (MGECW 2010). In the updated version, all 12 critical concerns could be considered in the RD Strategy and Programme, but most especially: Gender, Poverty and Rural Development; Gender, Education and Training; Gender, Trade and Economic Empowerment; Gender-Based Violence; Gender, Media, Information and Communication; and Gender and the Environment. More important, however will be for the RD strategy to assist in securing that sector programmes responds to both rural development and gender issues at the same time. This can be done by properly evaluating past sector programmes to this effect and by adopting screening methodologies for sector strategy drafts that they will have positive impact on RD and gender mainstreaming.

4 RURAL ECONOMIC DEVELOPMENT SITUATION ANALYSIS

4.1 Key rural economic sectors

This section contains an analysis of the situation in the main sub-sectors of the rural economy, the main stakeholders and the support provided to rural economic development. Based on this assessment the chapter identifies critical issues which affect Namibia's rural economy and which a Rural Development Strategy could help to address.

The analysis in this chapter is an abbreviated version of the full rural economy situation analysis available under different cover. The full analysis contains more complete statistical data and references. Readers are referred to the full analysis for more details.

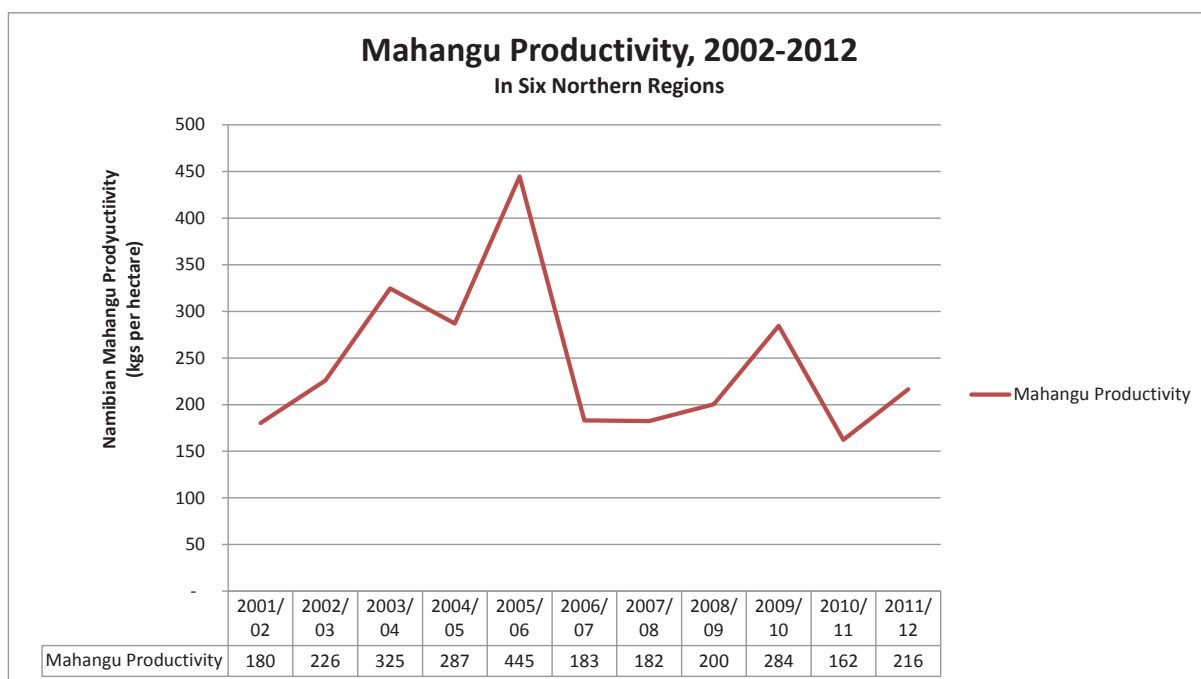
4.1.1 Agriculture in the rural economy

More than half of Namibia's landmass is used for agriculture. While agriculture generated 11.7 percent of the Namibian GDP during the period 1990-1997, it declined to only 5.1 percent in 2009. It employs or supports, by far, the greatest proportion of the population. Namibian agricultural products are sold locally, nationally and in Africa and also exported to global markets.

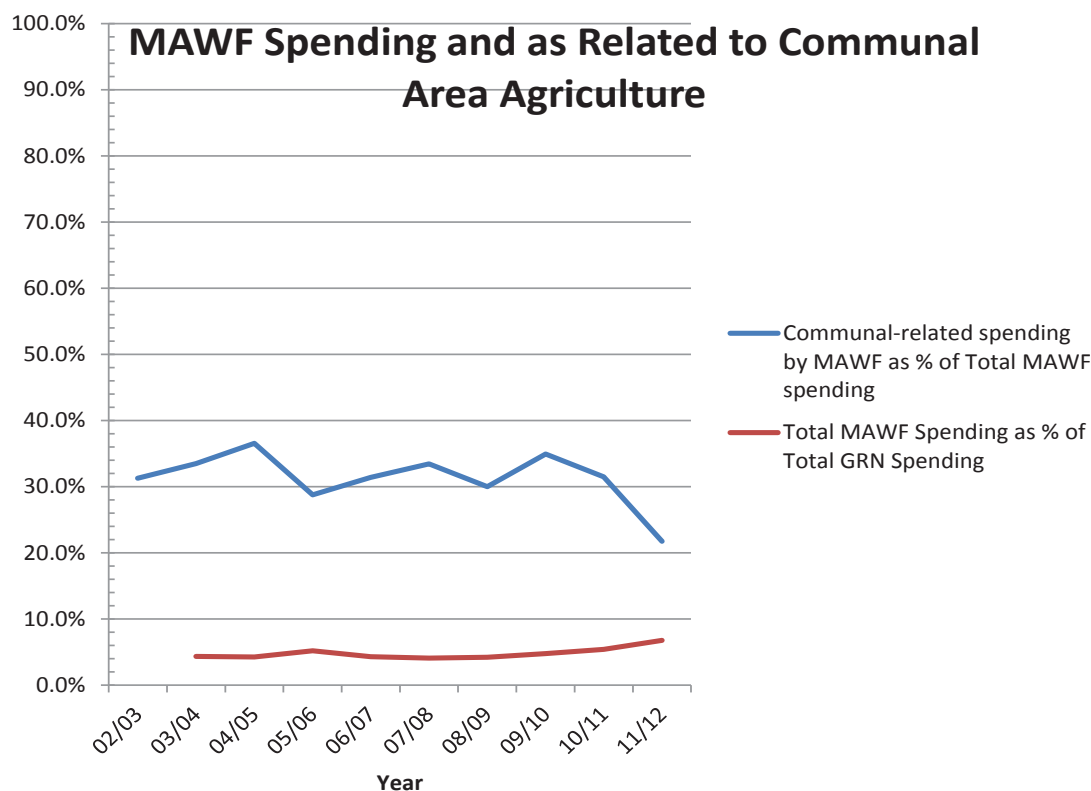
The Namibian agricultural sector is generally divided into commercial and communal agricultural production. This divide is a legacy of the country's colonial and apartheid history. The dichotomous situation displays a highly developed technologically based and relatively highly productive commercial sector which co-exists with a subsistence-focused small-scale sector with low productivity, using primarily traditional methods of production. The commercial sector is mainly on title deed lands, while the small-scale sector exists mainly on communally administered state lands. The two sectors are geographically separated with the largest areas of 'communal' agricultural land lying all across the northern third of the country, however, with other smaller pockets in other regions. The commercial sector covers most of the rest of the country, south of the veterinary cordon fence (VCF).

The MAWF is well represented across the regions. The Department of Agriculture in the MAWF consists of the Directorates of: Extension and Engineering (DEES), Planning and Agriculture Research and Training (DART). The DART consists of the Division of Research and Division of Training with several research stations dispersed across most agro-ecological zones of the country. DART also houses the National Botanical Research Institute in Windhoek. Two farmer training centres at the Mashare Agricultural Development Institute (Kavango Region) and the Tsumis Arid Zone Agricultural Centre (Hardap Region) resort under the DAT.

While the Government, through the MAWF puts substantial resources into agricultural development, outcomes and impact for the poor subsistence farmers have been limited. Mahangu (pearl millet) is the major subsistence crop and is mostly traded informally in northern Namibia. The development of the productivity of mahangu is used to illustrate the general low agricultural productivity in communal areas of the country. The chart below graphically shows the level of productivity of mahangu as an average across all six northern crop-growing regions. Mahangu, under dry land conditions in Namibia and average rainfall conditions can produce 2 000 or more kilogram per hectare when reasonably well managed and fertilised. Average Namibian productivity averaged 245 kg per hectare as shown below from data published by the Directorate of Planning, MAWF, and the 2001 and 2011 Censuses. An average of 1 200 to 1 500 kg per hectare would be reasonable.



The next chart shows proportional MAWF spending over the nine year period of 2003/04 to 2010/11 by the three directorates that are most involved with communal area agricultural production and the total spending by MAWF as a percent of total GRN spending. These are the Directorates of Research and Training, Veterinary Services and Extension (excluding Engineering Services). The three directorates (excluding Engineering) spent on average 31.3 percent of total MAWF spending in this time frame. The proportion shows a sharp decline for the latest year (2011/12) where spending was 21.7 percent despite a significant increase in overall spending by MAWF. Estimated spending by Extension Services declined from 2010/11 to 2011/12.



DEES offices are well placed throughout the country with Agricultural Development Centres (ADCs) providing extension services. The general impression is, however, that the service is not effective

and only reaches very few farmers. Several reasons are cited for this – lack of a transportation budget being one of them. The extension service advises farmers on matters relating to agricultural and livestock production, but offers no support in knowledge central to farmers' ability to become commercial and produce for the market. The service is also not geared towards promoting an integration of communal farmers into existing commercial value chains.

The Green Scheme Policy (GSP) was authorised by Cabinet in 2003 and revised in 2008 with the overall intention of increasing agriculture production and sector contribution to GDP while promoting food security at both national and household levels. It aims at stimulating public private partnerships and accelerating small and large-scale food production. It further aims to diversify into non-traditional crop production, research and technology utilisation, together with human capacity development in associated skills. Important beneficiaries of employment and modernisation were supposed to include the communities in the immediate vicinity of the project. Other identified beneficiaries included private investors in both communal and commercial areas under specified conditions. In practice only one Green Scheme farm is a partnership with a commercial farmer. The others operate more as state farms or as partnerships between the state and organisations which have little history or experience of primary agricultural production. While the good intention was that small farmers and the communities should benefit from inclusion in the schemes, in practice the number of small scale farmers benefitting by placement on green scheme farms has been very small, so the impact on the local communities and household food security must be deemed to be limited.

The green schemes are also argued justified from a food security point of view. However, producing and selling maize and wheat is a doubtful business as these products are highly subsidized in many countries through government support in the US and Europe. Moreover, highly productive producers exist e.g. in South America. As international food price crises occur fairly rarely, a relatively wealthy country like Namibia with a small population can probably economically rely much more on procuring the necessary extra staple food needs in the international markets⁸, while budget resources could be better used to support improvement of productivity and business orientation of communal farmers to improve their livelihood.

The Policy for the Eradication of Trans-boundary Animal Diseases in the Northern Communal Areas of Namibia aims to improve animal health in the northern communal areas so as to eventually declare the northern communal areas or parts thereof, free of foot and mouth disease and contagious bovine pleuro-pneumonia. That would allow free movement of livestock and livestock products in Namibia to eventually ensure access to international markets by producers north of the VCF as is already the case for producers south of the fence.

The *Namibia Agriculture Marketing and Trade Policy and Strategy* (2nd draft 2011) seeks to create a policy environment that will promote value addition; encourage optimal use of Namibia's domestic market; ensure that domestic and international standards are met; improve marketing systems and infrastructure; promote the integration of the informal market into the mainstream; promote competitiveness of agro-industries; and ensure equitable distribution of benefits across value chains. It will establish the Agro-Marketing and Trade Agency to operate under the MAWF and Namibian Agronomic Board in three departments: National Strategic Food Reserves; Fresh Produce Business Hubs; and Marketing and Product Development.

Forestry Policy: The Forestry Directorate supports the utilisation of forests for firewood, charcoal production, carving, furniture manufacture and other uses. The promotion of employment and SME

⁸ While national self-sufficiency in food production may be an adequate policy in poorer African countries with better climatic conditions, it is suggested to further analyse if a strategy of self-sufficiency in food is the best option for Namibia.

development related to forest products is also incorporated. The Directorate remains the central responsible player in the policy, although the envisioned community forest management models and conservancies are now being proclaimed. The policy emphasises empowerment of communities and sustainability of forests and not just economic growth.

Within the harsh climatic and physical environment that is the country's greatest constraint to agricultural productivity, different parts (e.g. the commercial sector) of Namibian agriculture has grown and even thrives. However, there are a number of constraints that continue to hamper agricultural development (further developed in the full version of the situation analysis).

In the communal areas there is a critical lack of business skills, technical agricultural production skills and relevant industrial skills (welding, electrical, plumbing, etc.). While many young people study agriculture in secondary school, they do not emerge from school with these skills developed to a level where they are able to implement practical commercial production.

Similarly, the agricultural programmes of Namibia's tertiary institutions are criticised for not producing graduates who are either employable as farm or production managers or able to manage their own farms and production, because graduates do not have the practical business and production skills required. Alongside the lack of skills it appears that only few young people aim at being farmers unless they are able to secure an Affirmative Action Loan Scheme (AALS) farm. The result is that young people turn to farming in the communal areas only as a last resort and not with the intention to farm for commercial surplus.

Access to business advisory services, agricultural credit and agri-insurance remain critical constraints particularly in communal farming areas.

Constraints specific to the livestock sector include distance and cost of transport to formal markets; continuing constraints for communal area farmers to export animals and meat from the northern communal areas; and reduced rangeland productivity due to decreased grazing capacity as impacted by extensive bush encroachment.

For most communal area farmers, access to inputs and linkage to commercial markets and the associated grading, packaging, cold storage and distribution of fresh produce have been lacking. The continuing challenge will be to support inexperienced individual growers in the communal areas to link effectively with formal marketing structures and systems, while operating their production units on business principles.

All sectors in agriculture value chains need better integration and attention to all of their links in order to ensure greater productivity and efficiency of operations.

Optimal planning for agricultural development is hampered by a lack of production data, particularly from informal markets and communal areas. Data is needed on real farm size, areas planted, animals marketed, inputs used, actual yields obtained, etc.

Overall there is therefore need for Government to evaluate the relevance and effect of agricultural policies and programmes to make sure that they positively impact rural development and the livelihood of the rural population. It is understood that the MAWF is initiating such a process.

4.1.2 Resettlement policies

A large number of farms in the commercial areas has been purchased by Government since Independence to resettle farmers from communal areas under the resettlement scheme or handed

over to black Namibians under the Affirmative Action Loan Scheme as part of the Black Economic Empowerment concept. These programmes are administrated by the Ministry of Lands and Resettlement. The beneficiaries under the affirmative action scheme are provided loans from Agribank.

The resettlement scheme is guided by a set of criteria⁹, in the National Land Policy and the National Resettlement Policy. The Resettlement Programme should promote economic development through the development of the allotments and the improvement in living standards of the beneficiaries. It is also an objective of the Resettlement Programme to alleviate poverty and reduce the pressure on grazing in the communal areas through the resettlement of communal farmers and to bring them into the mainstream of the farming economy. The Agricultural (Commercial) Land Reform Act No. 6 of 1995 clearly states that land should be made available for beneficial agricultural purposes and that priority should be given to formerly disadvantaged persons. This should not be interpreted to mean that every previously disadvantaged citizen qualifies for resettlement. On the contrary, it means that the beneficiary should be able to farm productively and should be formerly disadvantaged. Thus the primary beneficiaries of resettlement farms are previously disadvantaged “farmers”.

The Affirmative Action Scheme (AALS) is implemented by Agribank to assist mainly strong communal farmers to acquire commercial farms through subsidized interest rates and loan guarantees by the state.

While the policies and intentions are good, a number of problems emerged related to these schemes. This became clear during the regional consultations and stakeholder meetings. Some of the problems relate to the allocation mechanism, which manifests itself in a decreasing production. Some stakeholders also seem to be of the opinion that the resettlement schemes are moving slowly. The problems are documented in a resent evaluation of the scheme. The evaluation is partly an attempt to establish facts and figures and contains recommendations for further in depth evaluation.

The Affirmative Action Loan Scheme has not been evaluated, so the problems are less well documented. One problem cited by stakeholders, however, is that loans from Agribank have a poor recovery rate. There is also a public debate over the scheme. Both the public debate and the comments received in stakeholder meetings and regional visits, indicate that the recipients of farms and loans under these schemes very often are not farmers or people with a farming background. It is also alleged that the process for support under these schemes was not fully transparent. It is a question whether non-farmers in general has the time and capacity to manage the farms. Difficulties in repayment of the loans indicate that there are problems in running the farms and that a continued large expansion of this scheme may impact on the agricultural production from the commercial sector.

One of the social problems emerging is that many former workers on the farms subject to the two schemes are expelled from the farms in the process and become marginalized groups in small settlements in the centre and south of the country.

There is therefore also in this case a need for Government to evaluate the relevance, efficiency and effectiveness and impact of resettlement policies on agricultural production and rural livelihood. The MLR has initiated this process and it is important that MLR is supported in continuing the process to make sure that it supports the good intentions of the policies.

⁹ Extract from MLR – resettlement criteria.

4.1.3 Mining in the rural economy

Namibia's economy is heavily dependent on the extraction and processing of minerals for export. While mining accounts for only three percent of employment and eight percent of GDP, it creates unique opportunities for rural development and employment. There are an estimated 10000 small miners working around the country.

While the potential growth in development opportunities within the mining sector is strongly reliant on international markets, the extent to which this sector can be used to benefit rural communities requires further investigation. The draft *Namibia Industry Policy* argues for stronger local economic linkages between mining and local businesses and workers. The draft policy also aims to increase the supply of rough diamonds for local cutting and polishing factories to thirty percent.

Those regions, in which mining activities are located, can improve the opportunities for local and regional development in a number of ways. This includes the provision of education and skills for residents that are relevant to the demands of employers (i.e. vocational training), the provision of input, supply and manufacturing services through local businesses and the provision of infrastructure and environmental services.

4.1.4 Tourism in the rural economy

Tourism is often cited as a major contributor to Namibia's national accounts. It is a sector that offers enormous opportunities to its rural economy, both directly - through the employment of rural Namibians in the tourism sector - and indirectly through the links that are forged between tourism markets and local enterprises.

Most visitors to Namibia come from Africa and most enter through its rural borders. However, it is important to segment the visitor market, its needs and opportunities.

Conservancies operate as social enterprises and provide an important element in what rural tourism can offer. However, their contribution to regional economies is still not fully researched. By the end of 2010, a total of 59 communal conservancies were registered with the Ministry of Environment and Tourism. Together these conservancies manage more than 132 697 km² of communal land and approximately 234 300 people live in them. The experience with conservancies and other forms of resource-based models of development provide a strong basis for the development of new forms of tourism development models in rural economies. This includes support for social enterprises, community-based tourism ventures and joint ventures between private sector and community actors.

While national tourism marketing undertaken by the Namibia Tourism Board establishes a national framework for tourism attraction, there is significant scope for regional marketing promotion efforts. Regional councils could work with local tourism-based enterprises to identify key tourism markets in which the region is competitive.

There appears to be a high demand for new product development within this sector. This includes creating new tourist experiences as well as the provision of new services and items. There is significant opportunity to promote growth in the cultural tourism sub-sector. However, this needs to be done with care, i.e. effective standards and regulations need to be in place. Community-based and social enterprise models are particularly relevant here.

Regional councils can play a central role in the management of potential conflicts in the regions, such as the competition for land for agriculture and tourism. To do this effectively, regional councils need more information on the economic contribution of these activities to the regional economy.

4.1.5 Fishing and aquaculture

Coastal fishing has been a highly productive activity in Namibia for many years, yet as in other parts of the world, this industry is under threat.

Government has identified aquaculture as a priority for development and is currently finalizing an aquaculture master plan that will map strategic investments in this sub-sector. Aquaculture initiatives are supported under the TIPEEG public works-based investment. While aquaculture displays some promise in terms of development of Namibia's rural communities in some locations with the right climatic conditions, it is difficult to see it as a large sector due to the climatic conditions in the country.

Namibia's industrial coastal fishing industry remains the country's second biggest export earner of foreign currency after mining. In 2010 there were 199 licensed vessels and 12 825 people employed in fishing.¹⁰

On the other hand coastal fishing is primarily a large scale industrial operation. Small scale coastal fishery or fish farming has not developed much in the country in spite the long coastline with plenty of fish. It might be worth while exploring if small scale coastal fishing is a sector which could be developed in spite of the limited population on the coast outside the coastal cities of Lüderitz, Walvis Bay and Swakopmund.

4.1.6 Rural manufacturing

While manufacturing represents some 12 percent of all rural enterprises, much of this is low scale production. Further, most manufacturing activities in Namibia take place in urban centres. The draft *Namibia Industry Policy* encourages manufacturing to expand its share of GDP greatly. In order to do so the policy states that manufacturing exports must become the dominant share of GDP, i.e. above 70 percent and small and medium enterprises must contribute at least 30 percent.

The development of a rural manufacturing sector requires a competitive business environment and continued investment into skills development. The backward and forward linkages associated with manufacturing activities also need to form part of a strategy to support this sector.

4.1.7 Rural micro, small and medium sized enterprises (MSMEs)

Historically, many rural enterprises were isolated and had limited access to markets. Costs of doing business are therefore high and consequently many rural businesses are uncompetitive. Overcoming this requires interventions that link producers and service providers to markets. There is need to find ways to "unlock" the opportunities for rural businesses.

Namibia's private sector is divided into a small number of large, profitable businesses and a large number of very small, unproductive and low-skilled businesses. While there are quite a number of enterprises based in rural areas (as indicated in the context chapter), activities are rather limited to

¹⁰ Ministry of Fisheries and Marine Resources (2011) Statistics, accessed: 31 April 2012, http://209.88.21.36/opencms/opencms/grnnet/MFMR/Fishing_Industry/statistics.html

those sectors with low entry barriers in terms of capital and knowledge, such as selling beverages, brewing traditional beer, collecting thatch, etc. Despite its substantial proportional size, very little is known about the informal economy in Namibia, particularly the informal and unregistered micro-enterprises that are spread across the rural areas.

A major problem for rural enterprises is the poor access they have to markets. This is a result of the small size of many local markets, small rural populations and the limited purchasing power of rural communities. Many rural enterprises face barriers to entering new markets. These include low quality of many local products, high cost of business inputs and the small quantities of local products. Typically, large and dynamic markets are a long way from rural-based enterprises. This distance is exacerbated by a poor transport infrastructure. There are benefits that could be achieved through the development of service cooperatives and value chain development to organise smaller producers and bring the number of products to scale while improving standards and pricing. The need for better market information for rural enterprises is therefore a bottleneck that needs to be addressed. There is a high demand for relevant, up-to-date and easily accessible market information. In some cases, this information could be provided through information and communications technology, such as local radio stations and mobile telephones.

Most business membership and farmers' organisations in rural Namibia are weak; membership is low and financial sustainability hard to achieve. Furthermore, many groups in the local and regional business community, such as women, are poorly represented.

4.1.8 Rural financial services

The limited access rural enterprises have to finance is a major impediment to the development of Namibia's rural economy. Lack of access to financial services, whether because of the scarcity of financial service providers targeting rural areas, shallow financial markets or the problems with land tenure and hence collateral, contribute to a major bottleneck.

There is a wide range of finance programmes operating around the country. These include the MRLGHRD Microfinance Programme, as well as programmes run by the Ministries of Youth, Lands and Resettlement, Mines, Gender and Trade and Industry. Some of these are micro grant schemes while others are loan schemes. However, many of these programmes are inefficient with high operation costs compared to the number of beneficiaries. Most loan schemes have very high default rates and many clients view them as government grants rather than loans to be repaid.

Both in the fields of agriculture and non-agriculture enterprise development, initiatives are required to overcome the constraints imposed by high collateral requirements. The recognition of alternative forms of collateral is important in this regard.

Many people consulted during the work on the situation analysis indicated that the high levels of government subsidy in the micro-finance and MSME finance sectors are largely unsustainable and can reduce entrepreneurship in rural areas. It can also crowd out private sector financial services. The Small Business Loan Guarantee Trust (SBLGT) of the Ministry of Trade and Industry sought to facilitate the provision of credit to small businesses. The Trust no longer operates, but it is expected that the SME Bank being established will partly service this target group in future. However, it is still unclear how effectively it will penetrate rural communities across the country.

Despite the relatively bleak picture presented on the limited access of people in rural communities to financial services, there are some interesting and successful initiatives in this field that deserve further attention. Some success was experienced in linking commercial banks to enterprise development programmes.

One of the most promising initiatives in the rural finance sector is the creation (in 2009) of Namibia's first micro-bank, the FIDES Bank. The bank is based in the northern part of Namibia (headquarters in Oshana Region) and has presently 7 branches and offices and a workforce of some 60 persons. The bank – which is a full commercial bank – provides services in two bank segments:

- Saving and credit (micro loans) to a rural clientele that is excluded from the formal Namibian banking system. This activity is based on group methodology.
- Financial services to semi-formalized and formalized micro, small and medium size enterprises which are normally not serviced by traditional banks

At the beginning of 2012 FIDES Bank had a client base of approximately 5 000 and a little above 500 microfinance groups. SME loans were given to 180 SME borrowers. The objective is to have more than 20 000 loan clients and more than 40 000 savings clients in 5 years' time.

4.2 Rural development and similar support centres

When MRLGHRD took over the Rural Development Department of MAWF, three Rural Development Centres (in Oshana, Oshikoto and Omaheke regions) became part of the Ministry's establishment. The three centres, which were originally started by Oxfam, Canada, are operated under contract with two Namibian NGOs. According to the contracts, MRLGHRD is to support the operational costs of the centres, which is happening. The NGOs, are, however, facing problems in having the contractual funds transferred in time and are therefore facing considerable liquidity problems.

The centres undertake a number of useful projects in the regions, mainly within the agricultural and social sector (e.g. renovation of classrooms and kindergartens). These projects are mostly financed by European NGOs. The centres are supposed to be self-financing by generating income from hospitality and e.g. woodwork activities. This is hardly possible and the centres would need continued subsidies from Government to continue operating.

Supported by provisions in the NRDP, the MRLGHRD has a plan to build new centres in the remaining 10 regions. Outline plans have been developed and budgets prepared for 7 centres (investment costs ranging from N\$107 million to N\$123 million for each centre). The Ministry is also contemplating taking over the administration of the centres, existing as well as those to be constructed. The stated objective/functions of these centres are that they will *"promote the development of appropriate technologies that enhance the agricultural production as well as other economic activities in rural areas. The RDC will: a) serve as centres of excellence in designing and developing appropriate technology, information dissemination in rural communities, provision of community outreach programmes, providing necessary services to rural communities and creating employment especially to rural youth"*¹¹.

A number of other ministries and institutions have similar support and skills development centres.

On the skills/social side, The MOE has community development centres in each region which serves as libraries and information centres and has computers and internet access. The Millennium Challenge Account (MCA) is supporting the development of three large new centres. The Ministry of Youth has multipurpose youth resource centres in each region. These centres provide skills training, support youth activities and organize youth groups, etc. The Community Skills Development Foundation (COSDEF) supported by MOE (The Prime Minister is the Chairman) is a registered trust coordinating, supporting and supervising the various community skills development centres (COSDECs) that provide competency-based skills training to primarily youth and disadvantaged

¹¹ Extract from NRDP p 16.

groups to assist them to partake in economic development activities. There are currently eighth centres and MCA is supporting the building of four more, so that only Karas and Hardap will be without centre (Windhoek is supported by a similar NGO based centre).

On the economic LM side, the Research and Training Directorate under MAWF has several research stations dispersed across most agro-ecological zones of the country, two farmer training centres at the Mashare Agricultural Development Institute (Kavango Region) and the Tsumis Arid Zone Agricultural Centre (Hardap Region). The MAFW is also developing two agricultural technology centres in the North.

Up until fairly recently, the MTI's sites and premises programme delivered two types of infrastructure across the country relevant for rural businesses (even if they mostly are allocated in urban settings), i.e. SME Business Parks and Common facilities such as gemstone centres and small-miners equipment centre in Keetmanshoop, Karibib and Usakos respectively – targeting small-scale miners. For the 2012/13 financial year various business and industrial infrastructure developments are envisaged: (a) Community and Village Markets (Gainachab, Berseba, Gochas, Oshivelo, Onathing and Noordoewer) – with typical shop floor space for an anchor business (a general dealer), a few smaller shop floors (for retailing), a few light industrial premises, with a mix of informal stalls; (b) Business Park (Opuwo) – larger in size and with more business and industrial (light) spaces. It will also host craft traders (clustered together); (c) Trade and Industrial Estates (Katima Mulilo, Divundu, Tsumeb, Omaruru and Mariental) – these seem much larger in size and scope and is envisaged to be a mix of the community markets and business parks. The designs vary and are adapted for local needs.

As can be seen there are a large number of existing centres and centres being built with partly overlapping functions. One experience with these centres as observed by COSDEC and MOE is that they have limited impact outside a circle of e.g. 20 km around the centre and people from rural communities further away do not really benefit. Generally stakeholders have not expressed the need for further centre development and when asked, the opinion has been that there is more use for centres close to communities in constituencies than for large centres. COSDEC has initiated planning an outreach programme to cover this demand.

While the intention with all these centres is without doubt good, it is important that the development of this kind of centres is carefully coordinated across different ministries and institutions to avoid overlaps. In the case of the Rural Development Centres (RDCs) planned by the MRLGHRD, it may be wise to consider working with the institutions and centres already existing and supporting their further development. The risks of establishing a whole new organization to run centres according to the experience both from the existing RDCs and with e.g. COSDECs is that it take considerable time, e.g. up to 10 – 15 years to be effective and there are high risks involved related to recruitment of qualified staff, cost overruns, lack of funding for activities, etc. One option to consider could be working with COSDEC and MOE to develop small skills and community centres in all constituencies which could serve as a basis for an ambitious skills development programme based on an outreach approach.

If it is decided to proceed with the centres, comprehensive feasibility studies should be done and the investment and operational costs should be carefully weighed against alternative activities that support economic growth and livelihood in the rural areas.

4.3 Key stakeholders and institutional arrangements

4.3.1 Public stakeholders

There are, as mentioned in the context chapter and the situation analysis on capacities and coordination below, many public stakeholders engaged in rural economic development in one form or other. The stakeholders relevant for the economic dimensions of rural development are described below.

The MRLGHRD has primary responsibility for the coordination of rural development services and for the decentralisation of central government services. At the regional level, the primary public institutions responsible for rural economic development are the regional councils. The Regional Councils Act 22 of 1992 governs these institutions and empowers them to take responsibility for regional development planning, settlement establishment and development, as well as other functions related to institutional development. Since 1992, regional councils' institutional capacity has been a subject of various restructuring efforts aimed at attaining adequate institutional capacity to become a key driver of general regional development and decentralized service provision. A number of economic sector ministries have offices in regional capitals.

4.3.2 Private stakeholders and their representative organisations

The private sector in Namibia is relatively weak as is its representative organisations within rural regions. The Namibia Chamber of Commerce and Industry (NCCI) is a national business representative body boasting membership of well over 2 000 members. It has a relatively strong national secretariat and supports a number of regional chambers as well as town-level business associations. The Namibian Manufacturers Association (NMA) was established in 1994 by a group of Windhoek manufacturers as the Association of Namibian Manufacturers. It has more than 120 manufacturers as members, mostly based in urban centres.

The Namibia Informal Sector Organization (NISO) is a representative organization launched in October 2011 advocating the interest and needs of the informal sector. In addition, NISO envisages providing capacity building support services to informal sector operators. While NISO made significant strides in terms of representing informal sector interest since its inception, especially in the Capital, the organization still needs to attain the requisite institutional capacity to serve the broader interest and needs of its constituency, albeit nationally. Some of the informal business organisations that are a part of NISO have very high levels of women's participation. The Okutumbatumba Hawker's Association and the Namibian Taverns' Association, for example, are made up predominantly of women.

The agriculture sector has traditionally been served by the institutionally strong association covering commercial farming interest, the Namibia Agricultural Union (NAU), operating since before Independence. The Namibia National Farmers Union (NNFU), which became operational after Independence, represents communal farming interest. With NNFU's institutional capacity comparatively constrained by an inherent lack of resources, both associations have regional and even local level farmers associations that focus on local level marketing and farmers support initiatives. The Namibia Emerging Commercial Farmers Union was formed in 2010 mainly to look after the interest of the commercial farmers who are beneficiaries from Agribank's Affirmative Action Loans Scheme and the MLRs' resettlement programme.

4.3.3 Civil Society and other non-government groups

The civil society sector involved in supporting economic development activities is rather thin on the ground, especially in the regions, with many mostly operating out of the country's capital. A number of NGOs and support organizations are involved in supporting community-based tourism enterprises and initiatives, especially in rural or communal conservancies.

The Namibian Association of Community-based NRM Service Organisations (NACSO) is an umbrella body for service organizations supporting community-based natural resource management. There are about 59 conservancies currently registered with Ministry of Environment and Tourism, with an additional 30 seeking recognition. In addition, many communities are involved in other community-based tourism enterprises. Other NGOs, involved in supporting community-based natural resource management, include Namibia Community-based Tourism Association (NACOBTA), World Wildlife Fund, Namibia Development Trust and Integrated Rural Development and Nature Conservation (IRDNC).

Another example of an NGO providing support for the development of rural communities is (Rural Institution for Social Empowerment) RISE Namibia. Through its Rural Microfinance Programme, RISE Namibia supports the development of local Savings and Credit Associations (SCAs) in many rural areas. By April 2010 (following a technical cooperation programme through the European Development Fund), RISE had supported the creation of 160 SCAs, mainly in rural areas, involving 5 000 members. From 2007 to 2012 the combined savings among SCAs has increased from N\$500 000 to N\$1.5 million.

4.4 Critical issues affecting Namibia's rural economy

As mentioned above, a number of issues related to agricultural policies and resettlement policies and practices form part of these policies and practices are of limited relevance for, or in some cases work contrary to, improving rural people's livelihood and rural businesses. There is therefore need to work with the concerned sector ministries to evaluate the relevance and effectiveness of policies related to rural development and to assess the socio-economic impact of these policies.

Apart from these policy-related issues there are some critical problems that were identified through the social sector and economic analysis provided above, as well as through consultations with public, private and civil society actors across the regions. These problems are discussed below:

4.4.1 Regional planning¹²

Problems with regional planning and the administration of rural land have affected the development of the rural sector in many places. These problems have kept rural enterprises locked out of key markets, reduced their access to finance and made it difficult for them to improve their productivity and sustainability. They have also contributed to the growth of settlements with a very weak economic base and lack of growth points/settlements where there may be a base.

Prior to Independence, regional planning had an exploitative function, which served the interest of a small minority supported by the apartheid regime. Since Independence, new delineations of regional boundaries were set, removing the racial basis for these demarcations and establishing new sub

¹² Regional spatial planning is assessed in more detail under the Planning, Environment and Climate Change dimension. While the overall and institutional issues as well as links to land use and climate change are dealt with there, the present section focuses on the links to the economic development issues.

national authorities, such as regional councils, local authorities and traditional authorities. These new entities were given more power.

While much attention has been given to planning in Namibia since Independence, little attention has been given to the economic/business development dimensions. To-date, regional planning has not been effectively linked to areas of economic opportunity. Little attention has been given to linking regional plans with potential economic growth points. While it is recognised that Regional Development Coordinating Committees (RDCCs) have a role in facilitating a bottom-up approach to regional planning, many committees are weak and have been unable to perform this role. Regional consultations confirmed many of the challenges that these committees face and highlighted the need for significant capacity building in this regard.

From a regional development perspective, regional councils should take the lead in more pro-active regional planning addressing more the economic development issues. They should do this in close consultation with the private sector, local authorities and, where appropriate, traditional authorities.

4.4.2 Problems with land tenure and land management

Communal and commercial land are currently governed by separate acts of Parliament. However, a 'Land Bill' has been drafted, which merges the two acts. Rapid urbanisation in existing cities, towns, villages and settlements and demand for land in communal areas for businesses (tourism, agro-processing, quarrying, etc.) have placed land delivery under pressure.

Pressure on land for business is an ever-increasing phenomenon. Rural-urban relationships and inter-dependencies increase the demand for customary communal land practices in former homelands as towns, villages and settlements emerge with freehold land rights. Investments on communal land in sectors such as tourism and agro-business call for secure, bankable tenure. The key issue is how to deal with the enormous backlog in formalising existing land rights and responding to new demands with a regime of out-dated legislation and regulations that clearly stifle and slow down development.

Key issues raised by the business community in 2011 concerning land management relate to the following:¹³

- The lengthy and cumbersome land delivery and registration processes¹⁴;
- Non-collateralisation of existing land rights in communal and non-formalised urban areas;
- Economic justice for existing land rights (i.e. customary and leasehold) in converting these to freehold land;
- Land scarcity in local authorities and settlements with population on town-lands; and
- Unfair competition and an uneven playing field.

¹³ Namibia Chamber of Commerce and Industry (2011) *Access to Land for Business*, Paper presented to the second Round Table meeting on 8 April 2011, in preparation of the National Land Conference 'Equitable Access to Wealth through Land Access for Business' of the Namibia Chamber of Commerce and Industry (NCCI).

¹⁴ The MLR reports that the land registration process has been improved, among other with support of the EU RPRP. It is, however, still one of the issues raised by the doing business in Namibia survey.

4.4.3 Problems with settlement planning and development

The regional consultations and visits pointed out that settlement development is happening somewhat haphazardly and that new settlements do not function as growth points for regional and rural development.

Settlements' administration is also hampered by problems with land tenure and an overly cumbersome administration which depends on the dawdling RCs bureaucracy. In this context the regional councils - through constituency and settlement offices - finance and administer everything from street development to water supply to waste handling and charging for utilities. As the offices are understaffed for this work and the administrative and financial procedures are poorly developed, the administrative system becomes a constraint on development. In similar rural settings the Directorate for Rural Water Supply manage to organize user committees that administer water supply themselves. Similarly, in declared towns the authorities succeed in handling their own administration and to a large extent finance infrastructure development.

For settlements in communal areas there is also urgent need to improve land tenure arrangements, as at present only 20 years of user rights is being provided. This does not allow property holders to invest or use the land as collateral for loans.

For emerging settlements in the centre and south there is need to update the national laws concerning the expropriation of land for public purposes as the present legislation makes it practically impossible to expropriate land to develop settlements, e.g. on important junctions.

With better land tenure, there are possibilities for financing settlement expansion and infrastructure development via e.g. the Development Bank of Namibia, which has a financing window for these purposes. The facility is, however, underutilized due to lack of capacity of regional councils and settlement administrations to present bankable projects.

4.4.4 Barriers to rural investments and growth

While much of Namibia's economy is based on rural production, many of its regions are increasingly uncompetitive and not conducive to investment and growth.

Some of the identified barriers are:

Problems in regional and local business environments

The World Bank's most recent investment climate assessment of Namibia in 2007 found that, compared to neighbouring and comparator countries, Namibia's investment climate fares well. Key concerns five years ago were high tax rates, crime and security problems, low levels of worker education and training and the lack of access to finance. Business licensing and registration were also found to be problematic for microenterprises.

However, the *"Global Competitiveness Report 2011-2012"*, another useful assessment of the investment climate, shows that Namibia's ranking has slipped from 74 in 2010-2011 to 83 out of 142 countries assessed. *The World Economic Forum* ranks Namibia's Financial Market Development comparatively high (at 36), its Institutions (43), Labour Market Efficiency (57), Infrastructure (58) and Macroeconomic Environment (63). The more problematic indicators are: Market Size (120); Health and Primary Education (114); Higher Education and Training (113); Technological Readiness (99); Business Sophistication (95); Innovation (92); and Goods and Market Efficiency (71).

The World Bank's "Doing Business in 2012" report, which focuses more on business environment issues, ranked Namibia 78 out of the 185 economies surveyed. Namibia's ranking slipped four places, from 74 to 78, between the 2011 and 2012 reports. The greatest constraints on doing business identified in this report are:

- Registering a Property (2012 ranking: 145);
- Trading Across Borders (2012 ranking: 142);
- Starting a Business (2012 ranking: 125);
- Getting Electricity (2012 ranking: 105); and
- Paying Taxes (2012 ranking: 102).

The draft *Namibia Industry Policy* sets a goal for reform in this field: by 2017, Namibia shall be the third most competitive economy in the SADC region and shall be among the 55 most competitive countries in the world, based on the standards of the World Bank's "Doing Business" reports. While this is a very ambitious goal, it is recognised that significant reforms are required if Namibia and its rural economies are to reach these targets within the next five years.

Poor public-private dialogue

There is a general lack of structured public-private dialogue (PPD) at regional and local levels. Regional councils and local authorities have limited interaction with the business community. Indeed, in some cases, there has been a high degree of distrust and lack of cooperation between the two.

At regional level, a number of consultative platforms were instituted through the Decentralization Policy and Act of 2000 to encourage participatory and consultative approaches for regional development planning at regional and constituency levels. For the regional level, Regional Development Coordinating Committees (RDCC) comprising line ministry representatives in the regions and other non-state actors were established. The private sector representatives were, however, not included. At constituency level, Constituency Development Committees, with similar representation, were set up. Due to the lack of private sector representatives, regional level coordination through the RDCC has had little relevance for economic development. More recently, the Namibia Chamber of Commerce and Industry held a series of PPD events, "Business Forums", which identified business concerns for advocacy purposes in the regions. There were also national level events. These PPDs resulted in national level advocacy workshops on "access to land for business", which highlighted constraints for businesses to access affordable serviced land for business and industrial infrastructure purposes. More structured PPDs are currently being pursued by the NCCI and the Namibia Manufacturers Association to engage central government on a regular basis on evolving business concerns.

Over the past few years, the Namibia Chamber of Commerce and Industry, NMA and Institute for Public Policy Research (IPPR) collaborated on the Namibian Business and Investment Climate Survey (NamBIC) – an instrument that assesses the perceptions of business representatives on business climate and general obstacles for business growth and development.

Poor information on rural economies and markets

Much of the information on economic dynamics and growth is nationally aggregated. While some sector and sub-sector-specific information can be found, little is available on the economic profiles and changes occurring on a regional basis. This creates a problem for policy makers, programme managers and private investors.

4.4.5 Constraints on firm productivity and competitiveness

Rural firms in Namibia, whether within the agriculture sector or in manufacturing, services or tourism, face a number of specific challenges. While many of these challenges are not well documented (because most, if not all, analysis fails to distinguish between urban and rural constraints), the experience of settling in rural locations has been found to be cumbersome and involve high costs.

A number of issues addressed previously in this report are connected to the productivity and competitiveness of rural enterprises. This includes:

- The need to reform the business environment: the centralized system and high costs and substantial time required to register a business and obtain the licenses required, for example, affect the productivity of firms. Rural based and female owned enterprises are particularly vulnerable to these problems. The high proportion of informal enterprises in rural areas is illustrative of these concerns.
- The lack of access to land and difficulties to secure land tenure affects the ability of rural enterprises to invest on a secure basis and obtain finance through the use of land as collateral. This is a major constraint to the growth and productivity of rural enterprises.

Poor access to markets affect rural enterprises at all levels, particularly in terms of the inputs they require to run their business or farm in a productive and sustainable manner, as well as the markets they sell their products and services to.

Business and farming input markets

Most forms of enterprise in rural Namibia struggle to obtain the input they require to run their venture productively. While a small population and long distances are challenges for rural-based enterprise everywhere, the limited range of input providers make these services more costly and inefficient in Namibia. Government supported finance, business development and agriculture extension services attempt to address these problems, but their reach is limited; their relevance not always adequate and their sustainability far from guaranteed.

Thus, attention needs to be given to improving the markets, which rural-based enterprise can access in order to obtain the services they require.

Rural financial markets

Access to finance is one of the major challenges to the productivity and growth of rural enterprises. Therefore particular attention should be given to how financial markets can be developed. While the government-supported programmes, such as Agribank and the proposed SME Bank, are required, these alone are not enough. More must be done to encourage private finance providers to enter these markets and serve the needs of the rural business community.

Rural business advice and training

Access to training and advice that is responsive to the needs and opportunities of rural enterprises is essential. Government programmes in this field have been unable to reach sufficient numbers of businesses; therefore efforts must be made to increase the outreach and sustainability of these programmes. Often, these services fail to respond to the needs of women-owned enterprises in rural communities.

The 2007 “*World Bank Investment Climate Assessment*” found that shortage of skills was identified by many manufacturing enterprises as a major or severe impediment to growth. Some 32 percent of survey manufacturers cited this as a problem, which is higher than in most comparator countries. The lack of a skilled pool of labour was also found important in the retail trade and services sectors.¹⁵ Interestingly, the assessment found that, although vocational training programmes do not appear to be more beneficial to firm productivity overall in Africa, firms in Namibia that participate in formal training programmes were about 13 percent more productive than firms that did not. This suggests that training is more effective in Namibia than in other countries in Sub-Saharan Africa.

It is proposed that additional components are added to the existing and proposed agricultural training initiatives of the Namibia Training Authority and its upcoming Gesellschaft für Internationale Zusammenarbeit (GIZ) supported project. The NTA and the GIZ project will develop more unit standards and qualifications for vocational education and training and support capacity development of training initiatives to deliver accredited practical training in agriculture.

Agriculture extension services

As with other forms of business advice and training, commercial agriculture extension services provide an important input into agriculture-based enterprises. In Namibia, however, the MAWF extension service does not provide advice in business management and marketing to surplus generating or emerging commercial farmers. Because of the importance of the agriculture sector to rural development and the creation of more and better jobs in rural economies, attention should be given to ways to extend and possibly integrate mentorship programmes for surplus generating and emerging commercial farmers to integrate them into existing and potential value chains thereby making them more responsive to current market demands.

Other input value chains

Rural businesses, including agriculture production and agri-businesses, require a variety of inputs in order to produce their products or services in a productive and competitive manner. The precise nature of these inputs will vary according to the sector, sub-sector and markets these enterprises operate in. There is need for a careful sub-sector assessment of the value chains within which rural enterprises operate in order to identify the constraints these firms face when seeking the inputs they require. These assessments, which should be sensitive to the impact of gender participation in value chains, would form the basis of interventions to develop these input markets.

Information and communications technology (ICT) is an important business input that should not be overlooked. Many enterprises require access to ICT if they are to improve their productivity and competitiveness. ICT can be used to improve the management of businesses and provide information on markets, including new market opportunities.

Limited access to markets and inadequate participation in global value chains

The productivity and growth of many rural based enterprises are constrained by the limited markets to which these firms sell. As described above, the vast majority of rural enterprises in Namibia sell to local markets. The development of these enterprises requires development of new markets and greater participation in global value chains.

¹⁵World Bank (2007) *An Assessment of the Investment Climate in Namibia*, Volume I: Main Report, June, World Bank, Washington DC.

Here, the greatest obstacles for rural enterprises are the lack of involvement in established value chains and the lack of information concerning current market dynamics and emerging market opportunities. Most rural enterprises sell their products and services based on their existing networks and distribution channels. Very few of these channels and networks provide information that can help rural businesswomen and men to identify new market opportunities. This results in enterprises being inward-looking and following the patterns of convention, rather than the opportunities that the market offers.

Thus, significant attention should be given to understanding the markets in which rural enterprises operate and supporting the owners and managers of rural enterprises, including farms, to become integrated in existing value chains and to identify new markets and new ways of doing business.

There is a high demand for new product development in many rural sectors, whether it is related to tourism, aquaculture, agriculture and agricultural processing, small-scale mining or manufacturing. While access to finance, skills development, equipment and materials (described above) are required, so is information on the quantity and quality of the demand for new products.

5 PLANNING, ENVIRONMENT AND CLIMATE CHANGE

This section will review and assess the situation with relation to spatial planning, the environment and climate change relevant for rural development.

5.1 Spatial planning

Given the problems with the settlement patterns inherited from the colonial past and the apartheid regime, pro-active informed spatial planning policies and practices will be needed to induce and stimulate gradual change in these settlement patterns. These policies and practices should provide the information and rights kinds of incentives for rural people to move to locations where there are greater economic opportunities. Such change will be important for the future social and economic development in rural areas.

The regional stakeholder meetings held in connection with the situation analysis revealed a number of issues related to settlement patterns and spatial planning as well as the management of settlements.

Regional planning has been attempted during the last decade but due to lack of planning capacity at regional level and a lack of willingness of line ministries to coordinate with other stakeholders, none of the regional plans that were developed, have not been implemented. Where some form of regional planning has taken place, it has not been sufficiently informed by an analysis of where in the settlement areas special economic potential exists.

Generally, settlement development planning has been reactive, in the sense that settlement development has often been supported where settlements happen to crop up. However, for sustained economic growth to take place in settlement areas, there is a need for more pro-active planning that is focused on areas with a clear economic potential where economic growth points with connecting infrastructure and social amenities can develop.

Regional spatial planning is now emerging as a new addition to regional planning and coordination that is more appropriate and effective than the older, rather vague, blueprints structured around the pursuit of broad development goals. For instance, the MLR has successfully developed a new GIS based regional spatial planning model, which has been piloted in two regions (Karas and Hardap) with German support, with plans to roll it out to all regions. There have, however, been conceptual and institutional differences between this and other spatial planning concepts, with different technical terms being used for spatial planning, such as structure planning and land use planning. There has also been a certain lack of clarity on which ministry, MRLGHRD or MLR, has overall responsibility for spatial planning at regional level. This lack of clarity has been recognised and is presently being discussed between the parties to find a mutually agreeable solution. The tabling of the Spatial Planning Bill is expected to further contribute to the resolution of this matter. The decentralization of MLR and the envisaged strengthening of the spatial planning capacity of RCs should also go a long way toward greater regional-level coordination and cooperation between the two entities on spatial planning, as the spatial planning functions of both entities in practice will be merged within the RC structures.

5.2 General environmental, natural resource and climate characteristics

As mentioned in the context chapter, Namibia is an arid country. Rainfall ranges from about 600 mm in the extreme north-east to less than 50 mm in the extreme south and along the coast. About 22 percent of the country is desert, 70 percent is arid to semi-arid and the remaining 8 percent is dry and sub-humid. Apart from having low rainfall, the pattern of the precipitation is highly variable in

space and time and evaporation rates generally exceed mean annual rainfall by a large margin. Namibia's interior rivers are all ephemeral; only the northern and southern border rivers are perennial. Because of shortages in surface water, Namibia relies heavily (for more than half of overall water demand) on groundwater reserves which are considered near full exploitation. Groundwater is a vital resource for many farmers and rural settlements. Meeting rising water demand from expanding rural populations, urbanisation, agriculture and industry will require switching from the traditional supply-side approach to methods of integrated water resource management and water demand management.

Water scarcity is the principal limiting factor for development in the country, including development in rural areas. Primary production (in terms of levels of photosynthesis) is low throughout the country and highly dependent on the annual rainfall. Most of the rural land in Namibia is of marginal capability due to water scarcity, poor soils, variability of grazing resources and low and variable livestock carrying capacity. These environmental constraints severely limit rain-fed agriculture. Yet a large percentage of land is used for agricultural purposes and a large proportion of rural people continue to derive much of their livelihood from this kind of land use. Given the low capability of land, it is not surprising that the agricultural sector is characterised by uncertain output, regular crop failure, heavy government subsidies and drought relief which is a drain on government resources.

Much of the relatively marginal land is susceptible to land degradation – reductions in land productivity due to natural and human factors. Deforestation, soil erosion, bush encroachment and soil salinization - the environmental symptoms of land degradation – reduce agricultural production and food security, which in turn leads to both economic loss and more poverty. While land degradation is attributed to inappropriate land use practices - such as over-grazing, land clearing for crop farming and inappropriate cultivation techniques – it is ultimately the institutional and policy framework that is at fault. Lack of land tenure, inequitable access to land (see below) and lack of integrated land use planning all contribute to land degradation.

Biodiversity – variety at genetic, species and ecosystem levels -- is a foundation of human existence and livelihood. Namibia's biodiversity includes countless species of wild plants and animals, collectively called 'wildlife'. Only as little as 20 percent of Namibia's wildlife may have been described to date. Of those species that have been described, 19 percent are endemic or unique to Namibia.

Since time immemorial, rural people have relied on wild foods (veld food) – nuts, fruits, leaves, roots and bark - for an important part of their diet. Today, an estimated one third of total rural household food consumption comes from the wild. Aside from food, different parts of wild plants are used for medicine, thatching grass, construction of houses and cooking fuel. At the national level, direct use of biodiversity in Namibia contributes to over 30 percent of GDP and indirect uses associated with ecosystem functions are of even greater value.

Significant biodiversity loss has been occurring in Namibia, threatening the integrity of ecosystems and the livelihoods of people. This has been as a direct result of various factors and processes – the loss of habitats, unsustainable harvesting of wild plants and animals, pollution, the introduction of alien species and water engineering schemes (dams, weirs, transfer and storage schemes). The indirect causes of biodiversity loss include human population pressure, poverty, lack of secure land tenure and insufficient inter-sectorial policy coordination.

In order to protect biodiversity, a system of protected areas covering some 16.6 percent of the total land area has been developed and increasing emphasis has been placed on biodiversity conservation through sustainable biodiversity use outside protected areas. The state has created a policy and

legislative framework for freehold farms, communal conservancies and community forests to acquire rights over wildlife, trees and non-timber products and tourism. This policy framework has led to increasing areas of land being converted to indigenous biodiversity production systems, including wildlife, tourism and forestry, with a significant increase in wildlife numbers and diversity across the country through effective local (decentralised) management. Namibia's broader conservation network now covers 37 million ha (45 percent of the country's surface area), of which about 40 percent are communal conservancies, 35 percent state protected areas and the rest private (commercial) conservancies, community forests and concession areas. Today, more than 70 communal conservancies and more than a dozen community forests have diversified rural livelihood sources to significant but varying degrees.

5.3 Climate adaption and disaster risk management

Even though rural households and communities have developed coping strategies to manage the impact of current climate variability and extremes, Namibia's rural population remains very vulnerable to the impacts of climate hazards, because of the generally low adaptive capacity (coping ability) of (generally poor) rural households and because of the climate sensitivity of dominant land uses like crop cultivation and livestock husbandry. At the household level, vulnerability to climate risks is particularly high for poor, women-headed rural households suffering from food insecurity and afflicted by stresses resulting from the incidence of HIV/AIDS and other diseases. Women and children are often more at risk from climate hazards than men, reflecting gender-specific roles in rural household production and reproduction.

Ecosystems, rural land use systems and rural livelihood systems are all vulnerable to the impacts of climate hazards like drought and floods. It is necessary to manage ecosystems in such a way that they become more resilient to climate stresses. There is also need to factor the climate-sensitivity of different land uses into land management and land use planning. The resilience of rural livelihood systems to stresses, including climate-related stresses, must be strengthened through well-targeted development interventions and complementary measures to enhance local adaptive capacity.

The need for better climate adaptation and greater climate resilience of ecosystems and human livelihood systems becomes even more pressing considering expected long-term climate change for Namibia, which is likely to further accentuate and exacerbate the current arid and variable climate conditions. Global circulation models project, with a fairly high degree of certainty, increases in temperature and evapo-transpiration rates throughout Namibia. Projected average warming in the inland regions ranges between 20° and 60° C over the next four to seven decades. It is likely that Namibia will become even drier, rainfall variability will increase further and extreme events such as droughts and floods will become more frequent and intense. Soil moisture levels are projected to decline, with cumulative impacts of higher temperatures, lower rainfall, higher run-off; lower humidity, higher evaporation and lower plant cover. This will probably create a compounding impact on soil moisture and primary production that is greater than the sum of their individual contributions. Similarly, groundwater infiltration rates and levels and perennial as well as ephemeral river stream flow are projected to decline.

However, large uncertainties about the specific characteristics and precise magnitude of these predicted long-term climate risks and effects remain. Generally the best way to address them at this stage is to enhance the adaptive capacity and resilience to current climate hazards of socio-economic land use and ecological systems physical systems alike.

Climate variability and extremes have periodically led to emergencies and disasters in Namibia, as elsewhere. The cost of these calamities in damaged infrastructure, reduced agricultural production, lost livestock, diminished household income and livelihood opportunities and the loss of life have

been high and the opportunity cost (in terms of foregone development benefits as a result of diverting scarce resources for disaster relief) even higher.

At the international level, two conceptually and operationally closely related mechanisms have been developed to respond to the risks and costs associated with current and future climate hazards and resulting emergencies (natural disasters): the 1992 UN Framework Convention for Climate Change (UNFCCC) on the one hand and the UN Hyogo Framework for Action 2005 – 2015 (*“Building the Resilience of Nations and Communities to Disaster”*) on the other. As a party to UNFCCC and having adopted the Hyogo Framework for Action, GRN has been putting in place two partially overlapping national policy, legal and institutional regimes that reflect the respective objectives, approaches and implementation strategies of the two global instruments.

To meet its obligations under UNFCCC, GRN has adopted the National Policy on Climate Change (CC) (2011) and is expected to produce a Climate Change Strategy and Action Plan before the end of 2012. Lead responsibility for implementing the CC Policy, Strategy and Action Plan lies with the National Climate Change Committee (NCCC) at the policy level and with the Ministry of Environment and Tourism (MET), through its CC Division currently being established under the Office of the Environmental Commissioner, at the technical level.

In line with the Hyogo Framework of Action, GRN has changed its approach to deal with disasters, from a reactive one (responding to disasters when they occur) to a pro-active one (managing disaster risk holistically on a continuous basis, with an emphasis on disaster risk reduction and disaster preparedness for effective emergency response and recovery practices at all levels).

Management of climate risks on the one hand and disaster risks on the other have much in common, conceptually and operationally. Strengthening capacities of households and communities to better adapt to current climate risks is a central avenue for the effective reduction and management of climate-related risks.

In the interest of rural development, it is important. not only to improve climate and disaster risk and vulnerability assessment, monitoring and management methods and capacities and test options and approaches for better climate adaptation, DRR and disaster preparedness, but also to avoid duplication and maximise conceptual and institutional synergies between the CC and DRM systems in this regard.

5.4 Poverty, gender and environment

Interactions between poverty and inequality on the one hand and environment degradation on the other are central to the rural development challenge in Namibia’s communal areas. Poor rural households often depend entirely on access to common property natural resources for their livelihoods and survival. At the same time, paradoxically these households may overuse their very life support system simply because of their inability or unwillingness to invest in their local natural resource base for lack of resources and tenure security. Poverty and environment degradation tend to reinforce each other, such that poverty and inequality both contribute to and result from, the over-utilisation of the natural base. For sustained rural development and growth to occur, it will be critical to turn vicious cycles of poverty and environmental degradation into virtuous cycles of sustained rural income generation and natural resource conservation and sustainable use.

There is also an intra-household (gender) dimension to poverty and inequality, with its own environmental ramifications. Gender inequality, in terms of differential access to resources, inheritance structures favouring men and women’s exclusion from decision-making processes affecting their lives are often obstacles to sound natural resource management, improved household

productivity and socio-economic advancement. Gender inequality and related environmental implications extends to children as well. Disability and loss of life as a result of HIV/AIDS and other diseases not only puts additional pressure on rural households, but may force some of the many HIV/AIDS orphans to shoulder larger responsibilities, such as teenage heads of households.

5.5 Swot analysis

An analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT) of the natural resource and climate change area in Namibia summarises the situation:

5.5.1 Strengths

Namibia's principal natural resource related rural development strengths lie in its comparative advantages within the global market, as expounded in Vision 2030:

- Vast wide-open spaces and relatively uninhabited wilderness areas, including the Namib Desert - increasingly valuable commodities in today's overpopulated world;
- Abundant and diverse wildlife populations (animals and plants) that is well adapted to Namibia's harsh climatic conditions. The sustainable use of these resources is an important source of income for many rural people in communal conservancies;
- Relatively uncontaminated, free-range meat and fish products (due to Namibia's relatively clean environment and extensive methods of production); and
- Well-adapted indigenous domestic crop and livestock species, such as Sanga cattle, mahangu and sorghum.

5.5.2 Weakness and threats

The management and use of natural resources in Namibia continue to be affected by the following cross-cutting weaknesses:

- Loss of biodiversity and degradation of landscapes;
- Uncoordinated sectorial policies, programmes and projects;
- Unsustainable and environmentally damaging policies, programmes and projects;
- Inadequate land and natural resource tenure in communal areas;
- Inequitable land allocation and poor land management;
- Inadequate awareness of sustainability and the link between environment and development; and
- Inadequate capacity at all levels to promote sustainable development.

Climate and disaster risk management in Namibia continues to be affected by the following cross-cutting weaknesses:

- Uncoordinated sectorial policies, programmes and projects, in particular across the disaster risk management and climate adaptation/risk management domains;
- Uncoordinated climate and disaster risk and vulnerability assessment ;
- Inadequate awareness of climate and disaster risks and vulnerabilities;
- Inadequate knowledge base for climate and disaster risk assessment and management ; and
- Inadequate institutional capacity and human resources in climate/disaster risk management.

The consultative process used to formulate the Natural Resources Sector's Ideal Vision underlying Vision 2030 identified a number of key weaknesses and threats to environmentally (as well as economically and socially) sustainable development, which apply rural development in particular. These threats include:

- Population growth, inappropriate settlement patterns and rapid urbanisation;
- Increasing water stress;
- Poorly planned development and inappropriate industrialisation;
- Loss of biodiversity;
- Land issues – including inequitable access to land, insecure land tenure in communal areas and non-existent or ineffective integrated land use planning;
- Poverty and inequality – contributing to and resulting from environmental degradation and the over-use of the natural resource base;
- Resource-intensive consumption patterns and lifestyles;
- Poor governance;
- Increasing competition with neighbouring countries for shared natural resources;
- A general lack of human resources;
- The HIV/AIDS epidemic; and
- The adverse impacts of global climate change.

There are additional threats to sustainable rural development arising from current and projected future climate and disaster risks affecting Namibia. These include:

- Generally strong and increasingly unpredictable climate variability;
- Regular occurrence of extreme weather situations, climate hazards like floods and droughts and associated disasters and emergencies that are often costly in lost production, damage to infrastructure and loss of human lives;
- Increasing unpredictability of inter-annual changes in rainfall patterns, the onset and length of the rainy season and growing season, with negative impacts on water supply and agricultural output; and
- Long-term future climate change risks associated with projections of increases in average temperatures, associated increases in evaporation and plant transpiration rates and even more variable rainfall patterns, an even drier and unpredictable climate.

5.5.3 Opportunities

In the short to medium term (over the next 5 years or so), there are a number of opportunities to introduce and disseminate best practice for rural households and communities to use their land and local natural resources more sustainably and efficiently. These opportunities include:

- Conservation crop agriculture techniques – aimed at maintaining or increasing levels of soil organic content and soil moisture to achieve sustainable increases in land productivity and crop yields;
- Rangeland management techniques – aimed at optimising the use of common-property grazing resources that vary in space and time because of variable rainfall. Among the management techniques are rotational grazing, grazing resource management and strategic de-stocking and re-stocking to adapt livestock numbers and densities to the variable grazing resource base and at the same time prevent rangeland degradation; and
- Mixed land use systems combining crop production, livestock production and/or indigenous biodiversity production systems (e.g. wildlife-based tourism or commercial natural product marketing and trade).

Short to medium term opportunities also exist in the area of improved (more systematic and decentralised) integrated rural land use planning, as an integral part of spatial planning, based on appropriate environmental, economic and social criteria. Further opportunities exist in improving regional and local climate (change) adaptation planning and implementation, deriving adaptation priorities from climate vulnerabilities at household, community, regional and sectorial levels and

making sure adaptation priorities are consistent with and complementary to existing development priorities.

In the longer-term, given Namibia's fragile and limited natural resource base and climate (change) risks, ways will have to be found to increase income and employment creation per unit natural resource input in rural areas by enhancing the economic value of natural resource uses and applications, if rural economic growth is to be sustained. This implies that the rural livelihood base may need to shift away from primary (natural resources) based economic activities. A gradual 'decoupling' of rural economic growth from natural resource consumption can be promoted in various ways, by:

- Focusing on economic opportunities in rural areas that reflect Namibia's identified comparative advantages within the global market place (see above) – such as wildlife-based tourism and natural product development and marketing (global bio-trade) – in order to capture potentially very high economic values;
- Encouraging greater value adding to natural resource inputs by processing raw materials and primary products in Namibia, rather than exporting them in unprocessed form (e.g. improved value adding to meat and fish products);
- Encouraging more efficient use of scarce or expensive resources, like water and energy, in all rural domestic end uses as well as rural production processes;
- Providing incentives for increasing sustainable economic value from rural land use, through land use diversification, based on appropriate land use planning to identify the best land uses based on sound economic and ecological criteria (e.g. consumptive and non-consumptive tourism on marginal lands or irrigated production of high-value crops);
- Importing products whose production is intensive in scarce natural resources (like water) (e.g. importing cereals rather than growing them in Namibia using irrigation);
- Generally emphasising recycling, re-use and minimisation of pollution in all rural economic activities and production processes.

5.6 Key Issue areas to be addressed

The key issues to be addressed in NRDS are:

- Spatial planning at the regional level, including local integrated land use planning and the promotion and dissemination of best-practice sustainable agricultural land use practices;
- Climate adaptation and disaster risk management, primarily at regional level, based on an improved understanding of climate and disaster risks and vulnerabilities and consistent with local and regional development practices.

6 SPENDING ON RURAL DEVELOPMENT

6.1 Scope of public spending on rural development

Isolating public rural development related public expenditure presents a number of challenges. Namibia has a relatively centralised budget with over 90 percent of expenditures planned, budgeted and managed by central government ministries. For the most part, ministry programmes and budgets do not distinguish between urban and rural areas in the delivery of services. Currently the budget process does not allow the geographical location of public spending to be determined with consistency and rigour.

6.2 Broadly defined rural development spending

A broadly defined estimate of rural development spending has been used in developing the NRDS based on the list of 16 O/M/A (see figure section 3.7) whose mandates at least partially relate to rural development. Furthermore the main divisions of their budgets, that finance the delivery of public services, infrastructure and social benefits to rural populations, have been identified. Spending on administration, financial management and policy planning and management functions was excluded from the analysis. For the majority of programmes that target both rural and urban populations an estimate of the rural development expenditure “slice” was determined. The “slice” is estimated on the basis of the proportion of the national population (58 percent) that lives in rural areas.

By this definition the “rural development O/M/A” together accounted for 65.3 percent of planned total operational and development in the 2012/13 budget, while the rural development expenditure slice amounted to 25.9 percent of total planned expenditure. Rural development related spending as a share of total operational and development spending has remained stable in recent years (refer to the table immediately below).

Broad Rural Development Spending 2006/7-2012/13

Sector/OMA	N\$ million						
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate
Social Sectors	2,542	2,840	3,691	4,188	4,465	5,907	6,640
<i>Sector Group % of Total RD Slice Expenditure</i>	73.2%	72.1%	71.5%	68.5%	65.8%	59.4%	67.9%
Economic Sectors	458	516	680	949	1,201	1,822	1,559
<i>Sector Group % of Total RD Slice Expenditure</i>	13.2%	13.1%	13.2%	15.5%	17.7%	18.3%	15.9%
Infrastructure Sectors	256	335	505	574	641	1,487	1,166
<i>Sector Group % of Total RD Slice Expenditure</i>	7.4%	8.5%	9.8%	9.4%	9.5%	15.0%	11.9%
Administration Sectors	216	245	286	408	475	727	420
<i>Sector Group % of Total RD Slice Expenditure</i>	6.2%	6.2%	5.5%	6.7%	7.0%	7.3%	4.3%
All RD Ministries	8,445	9,458	12,405	14,780	16,638	24,013	25,522
All RD Ministries	3,473	3,936	5,163	6,119	6,782	9,943	9,785
<i>% of Total Op. and Dev. Budget</i>	25.2%	24.6%	25.1%	25.8%	25.5%	27.7%	25.9%
Memorandum Item							
Total Operational and Development Expenditure	13,804	15,990	20,579	23,757	26,550	35,871	37,761

Source: Data for total ministry spending from 2012-15 Estimates of Revenue and Expenditure.

Not surprisingly, social sector programmes constitute the major share, 68 percent, of rural development spending. Of this, spending on primary, secondary and adult education amounts to slightly over half of the total. Health and social welfare payments (principally pensions and veterans benefit) account for most of the remainder. In the economic sector O/M/A account for 16 percent of rural development spending, with the Ministry of Agriculture, Water and Forestry representing half

of the sector total. Infrastructure sector spending, mainly on roads, rural water supply and sanitation, is around 12 percent of rural development spending. The administration sectors, principally regional councils, constitute the remaining 5 percent.

The analysis provides an approximation of rural development spending and could be further refined as a basis for monitoring rural development spending allocations and trends. However, exact numbers are not necessary, because, while the analysis has a broad Strategy management relevance, it is of limited use in guiding the development of budget spending plans, which is and will continue to be driving sector and O/M/A level policies and strategies.

6.3 Spending on functions scheduled for decentralisation

Regional councils will play a central role in the implementation of the NRDS as further progress is made towards devolving government functions that have been scheduled for decentralisation. This will provide an opportunity to bring the planning and budgeting of spending on key rural development related programmes closer to the rural populations and making it more sensitive to local opportunities and priorities.

The financing of regional council budgets is primarily done through transfers from the national budget, which is estimated at N\$ 1.7 billion in the 2012/13 budget. This represents 4.4 percent of planned operational and developments spending. Other sources of regional council revenue comprise council fees and charges and a 5 percent share of local authority revenues. However, together these amounts account for less than 10 percent of total regional council revenues.

The current limited scale of regional council spending reflects the slow progress towards delegation and devolution of the functions scheduled for decentralisation. An estimate of current levels of spending on all functions scheduled for decentralisation shows that transfers to regional councils could increase to around 25 percent of total operational and development spending at full devolution (refer to the table below). Devolution of the primary, secondary and adult education budget, scheduled to be completed in the next 2-3 years alone would result in a fourfold increase in the current level of transfers to regional councils. The public finance implications of the expansion in regional council budgets are discussed below.

Budgeted Spending on Functions Identified for Decentralisation

Sector/Function	N\$ million				
	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Rev. Est.	Estimate	Estimate	Estimate
Social Sectors	5,974.5	7,775.4	8,896.8	8,880.2	8,633.2
of which: Pre-Primary, Primary, Secondary Education and Adult	4,795.3	5,730.9	6,589.6	6,916.9	6,618.3
Primary Health Care and Social Services #	1,057.9	1,834.5	2,107.2	1,748.0	1,786.0
Economic Sectors	114.0	166.6	193.8	198.4	219.5
Infrastructure Sectors	563.9	1,089.0	929.1	1,306.8	1,152.0
of which: Rural Water Development and Management	281.7	726.2	606.0	999.5	901.9
Administration Sectors	697.9	1,091.0	541.2	557.2	570.4
Total Budgetary Allocation for Functions to be Decentralised	7,350.3	10,122.0	10,561.0	10,942.6	10,575.0
As % of Total Operational and Development Budget	27.7%	28.2%	28.0%	28.6%	29.0%

Vote 13.04 Regional Health and Social Services includes both primary health care and regional hospital services.

Note: The figures only provide an approximation of the budget for decentralised functions.

Source: Estimates of Revenue and Expenditure April 2012 to March 2015.

6.4 Aid financed rural development spending

Over the period 2007-10 aid disbursements to Namibia, as reported by development partners to the Organization for Economic Cooperation and Development (OECD), averaged around US\$260 million annually (N\$1.7 billion), equivalent to around 2 percent of GDP. Government's budget only includes aid financing that is to be disbursed directly through the State Revenue Fund (SRF). In 2010/11 external grant disbursements through the SRF totalled N\$24 million and external borrowing N\$1,259 million.

NPC data for 2010/11 indicates that grants totalling N\$2.2 billion, around 90 percent of total grant assistance, were disbursed outside of the SRF mainly on project funding and technical assistance/capacity building. Aid financing tends to be concentrated on the social sectors (primarily health and education) and the economic sectors (agriculture, land reform, rural livelihoods) and to a lesser extent on infrastructure (transport and water supply). In the early and mid-2000s substantial technical assistance was provided to support decentralisation. It can be assumed, based on the sectors targeted, that the major part of aid was directed to rural areas. Anyway, aid to rural development can, on that basis, be estimated to be a minor part of overall public expenditure on rural development - probably in the range of 10 percent.

Specific support to rural development in a more narrow sense has primarily been provided by the EC through the Rural Poverty Reduction Programme (RPRP) under the 9th European Development Fund (EDF) with approximately N\$530 million and with N\$452 million for Rural Development under the 10th EDF. The Millennium Challenge Compact (MCC) has supported the tourism sector and agriculture with approximately N\$ 910 million and the German development institutions with approximately N\$ 59 million per year¹⁶.

There remains considerable uncertainty of future aid flows. Namibia's recent re-designation as an upper middle income country can be expected to lead to a reduction in aid from a number of traditional donors, with the major donor, the United States of America (USA), likely to substantially reduce its assistance following completion of its assistance to the health sector and projects financed through the Millennium Challenge Account. Due to the Euro crisis future support from the EU is also uncertain at this stage.

6.5 Effectiveness and efficiency in public spending on rural development

There have been no detailed assessments of the effectiveness of public spending on major rural development related programmes. However, it is clear from the situation analysis, including regional consultations underpinning the NRDS, that there are significant inefficiencies in the way that programmes are implemented which increases cost and reduce effectiveness. Key issues that will need to be addressed in implementing the NRDS include:

- **Duplications and overlaps** raise the cost of service delivery and reduce effectiveness. Examples include the existence of several small loan and grant programmes operating under different ministries and using different delivery mechanisms; existence of rural development centres with overlapping activities under different ministries in the regions; parallel food for work and employment programmes operated by different ministries and construction of separate office facilities for O/M/A operating at regional level.

¹⁶ At June 2012 Exchange rates. To the figure should be added a number of technical assistance personnel.

- **Variable quality of service delivery** affects education and health provision. Service quality is lower in rural areas due to difficulties in attracting and retaining high quality staff and differences in facilities, equipment and access to supplies.
- **Welfare benefits:** cash benefits, school meals and Anti-Retroviral Treatment (ART) are likely to be relatively lower in rural areas. A further issue is the scope for more efficient delivery through consolidating cash benefit payment mechanisms.
- **A wide range of state owned enterprises (SoEs)** have an impact on rural communities. Their role and the effectiveness and efficiency of their operations have to be taken into account in assessing public resource use under the rural development strategy.

In addressing these issues, a first requirement will be to strengthen the analytical capabilities in order to carry out more detailed analyses of programme performance and spending efficiency and to develop appropriate reform measures. The programme of sector O/M/A public expenditure reviews announced in the 2012/13 budget represents an important initial step. However, it should be supported by the strengthening of expenditure programme analysis, review and planning capabilities in major sector O/M/A.

A regionally led approach to programme planning and management offers a framework within which public services can be better consolidated and coordinated at local level with consequent effectiveness and efficiency gains. However, a key challenge will be to ensure that decentralisation is accompanied by corresponding restructuring and staff reassignment in central structures so that the reorganization does not result in a further layer of bureaucracy. In this context there is some positive evidence from the education sector. At regional level, delegation in the education sector is seen as having facilitated more timely and efficient procurement and more effective management. A study of the implications of decentralisation on the future role, functions and resourcing of the central education ministry operations is to be undertaken during 2012.

7 INSTITUTIONAL CAPACITIES AND COORDINATION

Strong institutional capacities are essential for effective coordination, which in turn is a prerequisite for the effective implementation of rural development support activities. Coordination in the context of rural development refers to systems and procedures or business processes aimed at ensuring that stakeholders pursue a common goal(s) and that interventions are sufficiently harmonised and integrated with other interventions (if needed). Institutional capacities in this context should be understood as the capability of relevant organisations to perform their assigned roles in rural development, including, for example, staff competencies, legislative and regulatory frameworks, mandate, finances, systems and procedures and leadership.

7.1 Central Government institutions(O/M/A)

In particular five central government institutions attract special attention when it comes to issues pertinent to coordination and institutional capacity related to rural development. The five institutions are the Cabinet, including cabinet standing committees, the Office of the Prime Minister, the National Planning Commission, Ministry of Finance (in particular with respect to fiscal decentralisation and modalities for fiscal transfers to the regional councils) and MRLGHRD as mandated to coordinate rural development programmes and to spearhead and coordinate the implementation of the decentralisation policy, which is a critical enabling factor for effective public support to rural development.

Other key government institutions involved in RD include the line ministries with activities in rural areas (mentioned above in the context with a general description of stakeholders), whose commitment and capacity to enter into dialogue and interaction with fellow ministries and non-state actors are critical for any meaningful successful coordination of rural development interventions.

7.1.1 Cabinet and Cabinet Committees

International experience with cross-sector policies like rural development and decentralisation shows that, without solid anchoring at Cabinet level, implementation of cross sector programmes like rural development and decentralization becomes extremely difficult and haphazard as sectors tend to resist changes where they perceive they will lose “power”. While Cabinet is the highest decision making, monitoring and coordinating body in Namibia, a number of cabinet committees were established to address major policy issues before they are tabled in Cabinet for consideration and approval. Cabinet committees are composed of ministers and served by technical committees comprised of relevant permanent secretaries and other senior officials and non-state actors as deemed necessary. Hence, Cabinet and its standing committees are seen as the Achilles Heel for a successful implementation of the rural development policy and its strategy. Hence, since none of the existing committees seem to be mandated to deal with rural development in a holistic manner, there is a high probability that issues pertinent to rural development may not be properly attended to.

7.1.2 Office of the Prime Minister

The Office of the Prime Minister (OPM) is overall responsible for policy development and coordination and supervision of O/M/A. Moreover, OPM is responsible for human capital management systems development and reforms to advance efficiency and effectiveness (including Performance Monitoring System [PMS]) and disaster and emergency management. OPM also implements a few development programmes, such as the Namibian San Community Programme, Service Delivery Improvement Programme and the Ovatue and Ovatjimba Community Project.

Despite OPMs special mandate and assigned powers vis-à-vis other O/M/A, it has experienced significant challenges with the coordination and implementation of national policies and programmes primarily due to resistance in involved O/M/A. Examples include the roll-out of the performance management system, which almost ten years down the line, still remains to be fully internalised by the O/M/A. OPM has also encountered problems with the effective implementation of the decentralisation policy as far as the secondment of line ministerial staff to the regional councils are concerned.

7.1.3 National planning Commission & Secretariat (Office of the President)

NPC is tasked with the responsibility of spearheading overall development planning, including rural development, in the entire country. The Commission is responsible for the equitable development of all the regions; the formulation and implementation of development policies, plans, programmes and projects at the national, sectorial and regional levels; the preparation of National Development Plans and the Public Sector Investment Programme and the annual development budget; mobilisation of external resources and compilation of national development reports and statistics. The NPC also plays a key role in the enforcement of planning procedures laid down in planning guidelines, including Guidelines for Development Planning and Budgeting under the Delegation Phase of Decentralisation, which were developed under the guidance of NPC. NPC also holds overall responsibility for M&E activities related to development policies and plans.

Notwithstanding NPC's assigned responsibility for national planning and the national development budget, including the NDPs and coordination of associated programmes, the NPC faces challenges in fulfilling its overriding national planning and coordination mandate. In particular, underperformance of O/M/A in connection with the implementation of programmes under different NDPs and unresolved cross-sectorial coordination problems bear witness to weaknesses in the agency's ability to enforce efficient and effective implementation of national development priorities.

7.1.4 Ministry of Finance

The Ministry of Finance is charged with the management and control of government finances within the framework of government's economic policy; the administration of tax laws and financial regulations; debt management; provision of advisory services on appropriate economic, fiscal and monetary policies; provision of accounting services; and supervision of other financial institutions and public enterprises.

The Ministry must be consulted on all issues related to development of financial transfer mechanisms, grant systems formula and cost implications of line ministry proposals or restructuring proposals of regional and local authorities. Hence, MOF is a key player in relation to the development of a medium-term budget for rural development and strengthening PFM systems and procedures. The Ministry was, in particular, expected to play an active role in the further shaping and roll-out of the formula based recurrent grant system for regional councils. Such system was developed and in principle adopted by Cabinet in 2009. However, it has still not been implemented.

The Ministry is also supposed to assure the relevant, effective and efficient use of government's financial resources by accompanying and evaluating O/M/A MTEF and budget proposals. The issues identified in the situation analysis indicate that the Ministry has certain difficulties in properly fulfilling this function related to rural development. It should be noted, however, that with the decision to start using the public expenditure review methodology on a pilot basis, the Ministry is taking steps to address this problem.

7.1.5 Line Ministries

As mentioned in the context chapter, at least 16 line ministries are engaged in rural development activities, directly or indirectly, as service providers, facilitators, enablers, regulators or implementers. Some of them have offices in the regions and implement programmes and activities through their own workforce, in partnership with the regional councils and CBOs or through NGOs and the private sector. While MoE has delegated primary and secondary education and the Ministry of Works and Transport has delegated works maintenance to the regional councils in line with the decentralisation policy and the Decentralisation Enabling Act, other ministries predominantly work in isolation from the regional councils and non-state actors. Line ministries play a central role in rural development and effective information sharing. Consultations and harmonisation of programmes targeting rural communities are seen as prerequisites for responsive and sustainable rural development interventions. Equally important are the line ministries' ability and commitment to ensure broad and active involvement of the beneficiaries and their organisations (CBOs), the private sector, NGOs, fellow line ministries and the regional councils and their sub-structures in the planning and implementation process.

However, the consultations held with various stakeholders, at both central and regional level, indicate that the level of cross-sectorial information sharing and consultations is rather low and in many instances non-existing. Similarly, information sharing, coordination and cooperation with NSAs as NGOs and the private sector are very limited. In particular, information sharing and consultations with MRLGHRD and the regional councils prior to the implementation of rural development programmes seem to be largely lacking.

While most line ministries possess the requisite technical capacity to implement programmes and activities related to rural development, the institutional capacity in its broad sense – for instance leadership commitment, attitudes towards collaboration across sectors, information sharing and consultations and coordination – seems to be largely missing. Lack of legislation, systems and procedures to accommodate better cross-sectorial and multi-stakeholder interaction add to this.

7.1.6 Ministry of Regional and Local Government, Housing and Rural Development (MRLGHRD)

The MRLGHRD oversees political and socio-economic activities of Regional Councils and Local Authorities and monitors their development activities. The Ministry also coordinates the development of projects and programmes and is responsible for their funding. Moreover, the Ministry supervises the implementation of projects in the thirteen regions of Namibia, advocates for the resources of the regions and defends their budgets. The Ministry is charged with the responsibility of spearheading and coordinating the implementation of both the Decentralisation Policy and the National Rural Development Policy with its associated Strategy.

Consultations with other line ministries and regional councils point to a number of weaknesses in the Ministry's current performance of its mandate. The identified weaknesses can be attributed to a number of factors, including weak legislation in respect of decentralisation, weak political support to decentralisation, weak spearheading capacity within MRLGHRD, focus on non-key functions (e.g. implementation of microfinance projects) at the expense of mandated functions (support to implementers), unclear division of roles and responsibilities among MRLGHRD directorates and lack of internal and external coordination.

While the Ministry in principle seems to have adequate resources, the identified weaknesses point to the need for a strengthened structure and clearer definitions of roles and responsibilities of key units to accommodate more efficient rural development coordination.

7.1.7 Directorate of Rural Development Coordination(DRDC)

The DRDC was officially created in 2006 but only effectively established from 2009. The creation came as a response to a 2005 Presidential decree to transfer Division Rural Development from the then Ministry of Agriculture, Water and Rural Development to the then Ministry of Regional and Local Government and Housing.

According to the restructuring submission to Cabinet and the Office of the Prime Minister, the Directorate's role and responsibilities fall within five key performance areas:

- Cross sectorial coordination of rural development interventions;
- Training and capacity building;
- Monitoring and evaluation of the impact of cross-sector development interventions on rural development as well as information dissemination to inform the planning processes of regional councils and line ministries;
- Technical assistance to stakeholders involved in rural development activities, including regional councils, line ministries, NGOs and CBOs; and
- Planning for the effective supervision and coordination of regional activities.

The Directorate consists of two divisions, the Division Sector Development Coordination and the Division Planning, Monitoring & Evaluation, and six sub-divisions, namely Natural Resources Development, Rural Industrialisation, Social & Infrastructure Services Development, Food Security Secretariat, Planning, Monitoring & Evaluation and Statistics & Research. However, neither the organisational structure of the directorate nor the functions de facto being performed by the Directorate fully reflect its mandate. Further the Directorate has not implemented its decentralisation action plan, which provides a list of functions and activities to be delegated to the regional councils.

The result is that directorate staff spend most of their time on monitoring programmes, which are insignificant in terms of funding, out-reach and impact and to a large extent duplicating efforts made by other ministries. More seriously, it leaves key functions, such as cross-sectorial consultations and information sharing, capacity development and technical support to rural development stakeholders unattended.

The placement of the Directorate as a line function within a ministry at par with other line ministries is perceived as a weakness by most stakeholders consulted. An alternative placement of the coordination function for example under NPC or OPM has been suggested by different stakeholders.

While the Directorate would seem to have sufficient and committed staff and resources, the review of current competencies within the Directorate suggests a need for reorganization and comprehensive capacity development to enable the Directorate to fulfil its mandated functions, including notably coordination, M&E and research (including information dissemination).

7.2 Non-state actors

A significant number of NGOs operate in the rural areas either on an independent basis, sponsored by various development partners or contracted by Government to implement programmes on its behalf. While NGOs exist in virtually all sectors, the dominant NGOs mostly operate in the social and environmental sectors. NGOs provide services to rural communities in the form of training and other capacity building, technical assistance and process support to project management, promotion of income generating activities, mentoring, counselling and support to self-help groups.

Support from donors and international NGOs have left the national NGOs with relatively good capacity to perform their work. The diminishing international aid has, however, in the present situation analysis been identified as a major bottleneck for NGOs at this stage. There is therefore urgent need to identify new sources of finance for NGOs to support rural development if the sector is to keep or increase its level of activities. The very effective cooperation between MET, the NGOs and the conservancies could serve as a good example for the way forward.

Private sector organisations, such as farmers unions and the NCCI provide targeted assistance to members in addition to general lobbying, networking and advocacy services. While these institutions are strong in the traditional, established commercial farming areas and in relation to the medium to large scale industry and trade, their regional presence is limited and their penetration into rural areas and the micro and small enterprise segment of business is very limited. These institutions have been implementing rural development relevant programmes supported by international donors - but as mentioned - this finance source is diminishing. New cooperation modalities between the MTI and NCCI could be used as example for how the Government could use these institutions as a vehicle for supporting rural development within their area of competence.

7.3 Development partners

Development partners are important players in rural development via the financial and technical support provided to both state and non-state actors in rural development, for example to NGOs involved in conservation, renewable energy, biodiversity conservation, sustainable land use management and TA provided to institutions engaged in rural development, like for example MLR, MET, MRLGHRD (LEDA), MFMR and MAWF. Substantial support is also provided to infrastructure, e.g. construction of schools, water and environmental projects, land reform, local economic development (LED), transport and energy, natural resources management and agriculture.

The dominant partners in rural development activities in Namibia are EU, GIZ, KfW, the Millennium Challenge Corporation (USA) and the UN. Japan, Sida, Food Agricultural Organization (FAO) and the Spanish Cooperation provide support, albeit at a more limited scale. The prevailing funding modality is project and programme funding and budget support based on bilateral agreements.

Platforms, formal or informal, for donor coordination do not exist. Within NPC donor and aid management is divided between units dealing with development partners bilaterally.

The fragmentation of donor and aid management within NPC alongside a bias towards projects as opposed to programmes and sector wide approaches has made it difficult for Namibia to live up to the five principles for effective aid as set out in the Paris Declaration on Aid Effectiveness, namely ownership, alignment, harmonization, managing for results and mutual accountability. To rectify the situation, NPC has developed new guidelines, *“Donor Coordination Strategy & Structures”*, which were approved by the GRN-Donor Partner Forum in 2012.

The new coordination mechanism builds on hierarchical structures consisting of Sector Working Groups at technical level, a Bi-annual Steering Group Forum for Dialogue on Programmes and Priorities at PS-level and an Annual High level Strategic Forum for Dialogue at Ministers’ level.

7.4 The decentralisation policy and process

The decentralisation policy was officially launched in 1998. A memorandum by Cabinet dealing with the decentralisation implementation strategy was issued in 1998. The policy was at the time adopted by the National Assembly as a national policy for the promotion of equal economic, cultural and socio-economic development and improved public service provision across the country.

The policy ultimately aims at giving sub-national governments discretionary powers to plan, budget and implement service delivery programmes and to initiate development projects. In this process it is expected to respond to local needs within the framework of a unitary state.

During the initial phase of decentralisation, functions are delegated from line ministries to sub-national governments to enable and empower them to perform functions as agents or on behalf of line ministries. Under devolution the political and administrative responsibility for the delivery of services, hitherto vested in the line ministries, become part of the mandate of regional councils and local authorities.

The decentralisation process has been slow and there is frustration over the low speed in all regional councils. However, on a positive note, the delegation of primary and secondary education and works maintenance has been welcomed by both the regional councils and the delegating ministries. Both the Ministry of Gender Equality and Child Welfare and Ministry of Lands and Resettlement are preparing themselves for the delegation of certain functions to the regional councils later in 2012 or in 2013. Improvements in service delivery have been noted due to simplified and quicker administrative processes, notably in procurement through the use of regional tender boards instead of tender boards in Windhoek, as well as shortened decision making processes.

7.5 Regional level institutions and coordination

7.5.1 Regional councils

Regional councils' legal & regulatory framework

Regional councils play a pivotal role in rural development, in part because of their legal mandate, and in part because of the decentralisation policy, which assigns the responsibility for the bulk of rural public service delivery to them. The establishment of the councils and their staffing with competent staff and relatively good facilities is a major asset of the government for supporting rural development. To support the regional councils in the planning process and to create platforms for participatory and bottom-up planning and prioritisation processes, Settlement Development Committees, Constituency Development Committees and Regional Development Coordination Committees were established in all 13 regions.

The legal framework, which provides for the governance and administration of regional councils, dates back to 1992 when the Regional Councils Act (Act 22 of 1992) was promulgated. This act allocates planning powers and the responsibility for settlement development to the regional councils. While the Local Authorities Act, promulgated in the same year, is relatively detailed pertaining to assigned tasks and duties and revenue sources, the Regional Councils Act remains rather vague, as it only gives regional councils the responsibility for the establishment and running of settlement areas, the planning of the development of the region and such powers as may be delegated by the President. None of the acts have yet been amended to reflect and accommodate the functions earmarked for decentralisation by Parliament.

To facilitate the implementation of the decentralisation policy, the Decentralisation Enabling Act was enacted and promulgated in 2000. The Decentralisation Enabling Act makes procedural provision for the implementation of the phases of delegation and devolution respectively and aims at enabling a smooth and effective implementation of the policy. This is done by giving the Act overriding effect vis-à-vis sector legislation and by assigning to the Minister responsible for regional and local government, upon approval by Cabinet and after consultation with the line minister concerned, powers to decentralise functions currently performed by sector ministries.

Neither the Decentralisation Enabling Act nor the Regional Councils Act provide for functions to be decentralised as per the policy. This is perceived as a serious loophole in the legal framework. The resistance to decentralisation on the part of some ministries has partly been attributed to the omission of a schedule of functions to be decentralised, timelines and sanctions in case of non-compliance.

The organisational structure and staff establishment of the 13 regional councils build on a standard structure developed and implemented by the Office of the Prime Minister in partnership with MRLGHRD. This means that the organisational structure is the same in all 13 regions, whilst the staff complement only differs according to the number of settlements and constituencies in each region. Thus, the regional council structure does not reflect regional priorities, strategic plans or differences in area size, population and socio-economic profiles.

Regional councils' finances

Regional councils in Namibia do not have the powers to collect taxes and, apart from the collection of user payments for services rendered to proclaimed settlements and the receipt of 5 percent of the property tax collected by local authorities within the jurisdiction of the regional council, regional councils depend fully on central government 'subsidies' for administrative operations and transfers earmarked for specific development activities. Government subsidies range from N\$20 million to the Khomas Regional Council to almost N\$31 million to the Omusati Regional Council. On average, central government subsidies account for some 80 percent of total revenue, ranging from 98 percent in Kunene Region to around 60 percent in Khomas Region.

The meagre funds available for development at the regional council level render the regional councils rather un-attractive development partners to line ministries and non-state actors operating in the regions. Hence, line ministries implement their programmes and activities largely without involving the regional councils and non-state actors seek partnerships with donors and line ministries – where the funds are – rather than the regional councils, despite the regional councils' responsibility for the regional planning and settlement development. As the power to coordinate comes with mandate and money, this current state of affairs puts the regional councils in a rather weak position when it comes to the coordination of the implementation of sector programmes and other activities in rural area. This state of affairs has led to the erosion of the effectiveness of the regional development coordination committees and the regional councils' ability to develop and implement integrated regional development plans. As a result, rural development interventions often appear fragmented, inconsistent and cost-ineffective.

Regional councils' human resources

The slow decentralisation process hampers the effective collective use of human resources in the regions. While staff shortages appear when looking at institutions in isolation, the collective use of HR would to a large extent eliminate these shortages. However, the segregation of HR due to the lack of decentralisation results in duplication of functions (see further below) and irrational utilisation of cross-cutting administrative resources, e.g. finance, personnel, IT and transport. The lack of cooperation between the regional councils and line ministries across sectors and between state and non-state actors add to the ineffective use of human, financial and physical resources.

The difficulties experienced country-wide with the recruitment of the deputy directors for Technical Services (engineering background required), physical/town planners and economists, which hampers effective settlement administration, planning and development, can be attributed to non-competitive remuneration levels and needs to be addressed by OPM, i.e. the Public Service Commission.

The understaffing of the Division Rural Services, currently only manned by deputy directors can be attributed to the slow decentralisation process, which leaves the staff establishment of the regional councils incomplete.

Constituency offices

The regional councils have newly constructed constituency offices in all 107 constituencies throughout the country. Constituency offices play a pivotal role in that they constitute the linkage between the communities and the regional councils facilitated by the councillors, just as they serve as platforms for participatory planning at the grass-root level. Thus, constituency offices serve partly as the 'home base' for constituency councillors with the aim of bringing them physically closer to their constituencies, partly as secretariats for the Constituency Development Committees (CDCs) and platforms for CDC activities. Constituency offices are manned by two clerks, whose duties, among others, include information dissemination; development needs assessments, community planning and support to self-help groups and community mobilisation.

However, while constituency offices were envisaged to play an important role in the provision of social services to communities (including for example administration of old age pensions and community development and early childhood development) and as such potentially is a major asset in rural development work, the slow decentralisation process has hampered optimal utilisation of these facilities.

Relation between regional councillors and the administration

The role of the elected leadership vis-à-vis the administration is spelled out in the Code of Conduct for Regional Councillors (Government Notice no. 174, 2004), issued under section 9 (3) of the Regional Councils Act of 1992 and the MRLGHRD offers induction courses for newly elected and re-elected councillors after elections. While the delineation of roles and responsibilities between the regional councillors and the administrative arm, as set out in the legal framework, are generally known and observed, frequent incidences of breach of the Code, including interference in administrative procedures, such as recruitment, procurement, project management and revenue collection were pointed out. Reportedly, these incidences lead to disputes amongst council members; staff and politicians; and constituencies and their elected leaders, causing inefficiency in council work and, reportedly, distrust in the regional political leadership amongst cooperation partners and the public at large.

The mechanisms for holding councillors properly responsible seem not to be in place yet and the Chief Regional Officers seem not to have a channel to the MRLGHRD to protect the administration from these abuses.

Furthermore, reportedly, councillors and RC administrations do not pay sufficient attention to the decentralisation process, including the on-going integration of education and works maintenance, into the regional council structure.

7.5.2 New governor role

The new Governors, appointed by the President in 2011, pursuant to the Special Advisors and Regional Governors Appointment Amendment Act of 2010, is seen by some of the regions as a possible vehicle for better coordination across sectors and between the RCs and the line ministries operating in the regions. The Governor is expected to strengthen the relationship between the regional council and the local authorities, as well as with the private sector. A Governor's forum, in which all regional heads of ministries and the CRO participate, has been established in one region.

However, since the Act itself is silent with regard to the new governors' coordinating mandate, these expectations may collide with the Regional Councils' political powers to manage council affairs, including coordination of planning and development activities through the Regional Development Coordination Committees. The RDCCs are chaired by the Chief Regional Officer and do not include the membership of the new governors.

7.5.3 Line ministries- de-concentrated structures

A number of LM involved in rural development activities have established themselves in the regions in the form of de-concentrated structures, i.e. the structures are delinked from the regional councils and consequently report to headquarters in Windhoek. Further, LM directorates often operate with separate regional structures, e.g. MAWF, which operate with separate structures for Extension, Veterinary Services and Water and Sanitation. While some line ministries, such as MOE, MOHSS, MGECEW, MAWF, MYSC and MWT have offices in all 13 regions, others have fewer offices located in strategic parts of the country and covering several regions. De-concentrated offices are by definition members of the CDCs and RDCCs, but the level of attendance and the effectiveness of the membership in respect of coordination and integrated planning and implementation of activities are in general low and vary across regions. The level of informal interaction between the de-concentrated offices and the regional councils also vary from region to region and from sector to sector. However, potential synergies and economies of scale are largely untapped and both the regional councils and the line ministries are missing the opportunity to enhance the effectiveness, outreach and impact of their rural interventions through better coordination and collective use of the human and other resources available in the regions.

7.5.4 Local authorities

Local authorities play an important role, directly and indirectly, in rural development. Firstly, the development of rural settlements depends on the remittances of 5 percent of property levies collected by local authorities to the regional councils. Secondly, they provide urban infrastructure development, in particular markets, access roads and transport. In other words urban economic growth has an immediate impact on the economies of rural farmers and other MSMEs.

The legislation for local authorities and regional councils provides for collaboration and harmonised planning between the two parties. For this reason local authorities are permanent members of the RDCCs. However, only a few regional councils have reported sound and effective working relationships between the regional councils and the local authorities within their boundaries and the RDCCs seem not to be the right dialogue forum for the two parties. The regional councils have indicated urgent need for a better working relationship between regional councils and local authorities. While some regions perceive the new Governors as a possible vehicle for the creation of better working relationships between the regional councils and the local authorities, others consider creating special dialogue forums outside the RDCC structure.

7.5.5 Non-state actors at regional level

An array of non-state actors, representing social, economic and environmental sectors, operate at the regional level either as local arms of countrywide NGOs or private sector organisations, or locally anchored NSAs only operating in a specific region. Only a few work directly with the regional councils and only a few are represented in the CDCs and RDCCs, partly because the RDCCs only accommodate very few NSA representatives (private sector organisations are excluded altogether) and partly because some of them opt to work directly with the target groups, which are often in the form of CBOs, self-help groups, associations and the like.

Community based organisations play an increasingly important role in rural development. Firstly, they are recipients of support and capacity development (primarily from NGOs). Secondly, they are often the custodians of rural development programmes, such as the community based natural resources management programmes, which turn the rural communities into business entities and active participants in rural development. Especially the conservancy related CBOs are strong, but the shack dwellers association is also an organization with a strong community base, although their presence in rural areas still is limited.

CBOs also have an important role as demand side for accountability for public sector institutions performance. In rural development connection they can also be an important factor in securing better coordinated public sector support to rural development at local level. The capacities between CBOs to perform this function are however at this stage still limited.

7.5.6 Regional coordination structures

Settlement Development Committees (SDCs), CDCs and Regional Development Coordination Committees (RDCCs) have been established in all 13 regions and constitute the institutional basis for participatory, bottom-up development planning and prioritisation in the regions. While the CDCs are generally deemed to work satisfactory, RDCCs lack relevance and dynamics to become meaningful and effective platforms for information sharing and consultations. The RDCCs are still seen as one of the key pillars in the regional planning structure, but are in need of an overhaul to give it relevance, focus, result-orientation, enhanced responsiveness and more inclusive representation (for example private sector representation). Both regional council staff and non-state actors pointed to the need for more active and targeted sub-structures under the RDCC during the work on the situation analysis.

While both CDCs and RDCCs are given prominence in the policy framework, neither the Decentralisation Enabling Act nor the Regional Councils Act make provision for the establishment, funding or functioning of the committees. This is perceived as a serious loophole in the legal framework for decentralisation.

A restructuring of the current coordination mechanism and structures at the regional level will call for targeted capacity development interventions to enable stakeholders, including constituency councillors, de-concentrated staff, non-state actors, CBOs and regional council staff, to engage themselves in more pro-active and meaningful working relationships and to optimise the use of collective human resources and expertise.

7.6 Key strategic issues to be addressed in the RD strategy

Based on the above situation analysis, critical issues pertinent to coordination and capacity issues at the central level can be summarised as follows:

- Rural development (and decentralisation) is not explicitly accommodated in any of the existing cabinet standing committees. This may have implications for a smooth and effective implementation of the NRDS given its multi-sectorial and multi-stakeholder nature;
- Both OPM, NPC and MOF have difficulties in fulfilling their mandates related to coordination of sector ministries' rural development programmes, activities and budgets – not because of weaknesses within themselves, but primarily due to resistance from O/M/A and lack of systems that better support these coordination roles;
- Decentralisation challenges, including fiscal decentralisation and coordination at the regional level, has not been sufficiently addressed by the MLGRHRD;

- Very low and insufficient level of cross-sectorial information sharing and consultations leading to disintegrated and unresponsive interventions in rural areas;
- Lack of formal structures, systems and procedures to guide stakeholders during the planning and implementation process to secure coordination of rural development activities;
- Lack of institutional capacity to ensure effective coordination of rural activities; and
- Funding from international donors for key NSAs support to rural development is dwindling and there is need for the public sector to step in with funding;

Key strategic issues to be addressed at the regional level can be summarised as follows:

- Existing legislation for regional councils and decentralisation lacks provisions for the coordination structures at the regional level, including CDCs and RDCCs. Other loopholes include the omission of functions to be decentralised, timelines and enforcement mechanisms and provisions for fiscal decentralisation;
- Lack of discretionary development budgets for regional councils which erode their planning and development mandate and render them unattractive development partners;
- Lack of coordination and dialogue between line ministries and regional councils resulting in overlaps and incoherent and inefficient public service delivery;
- Potential synergies and economies of scale through better coordination and collaboration amongst regional stakeholders untapped;
- Poor utilisation of collective human and physical resources in the regions;
- NSAs and the private sector not sufficiently involved in RC and RDCC work (private sector is not represented in the RDCCs);
- Vague legislation for new Governors in relation to cross-sectorial coordination and collaboration;
- Lack of key competencies within the regional councils, e.g. physical planners, engineers and economists;
- Weak coordination structures, notably the RDCCs, reflected in low level attendance, lack of coordinating mandates, lack of focus and relevance and exclusion of private sector representation;
- Poor working relationships between regional councils and local authorities;
- Lack of institutional capacity in the regional councils to revitalise regional and local coordination structures, as well as to create and facilitate multi-stakeholder networks in rural development;
- Change management interventions for regional councillors and managers should be considered to form part of the capacity development plan for the regional councils; and
- Need for capacity development of CBOs to perform their role on the demand side of accountability.

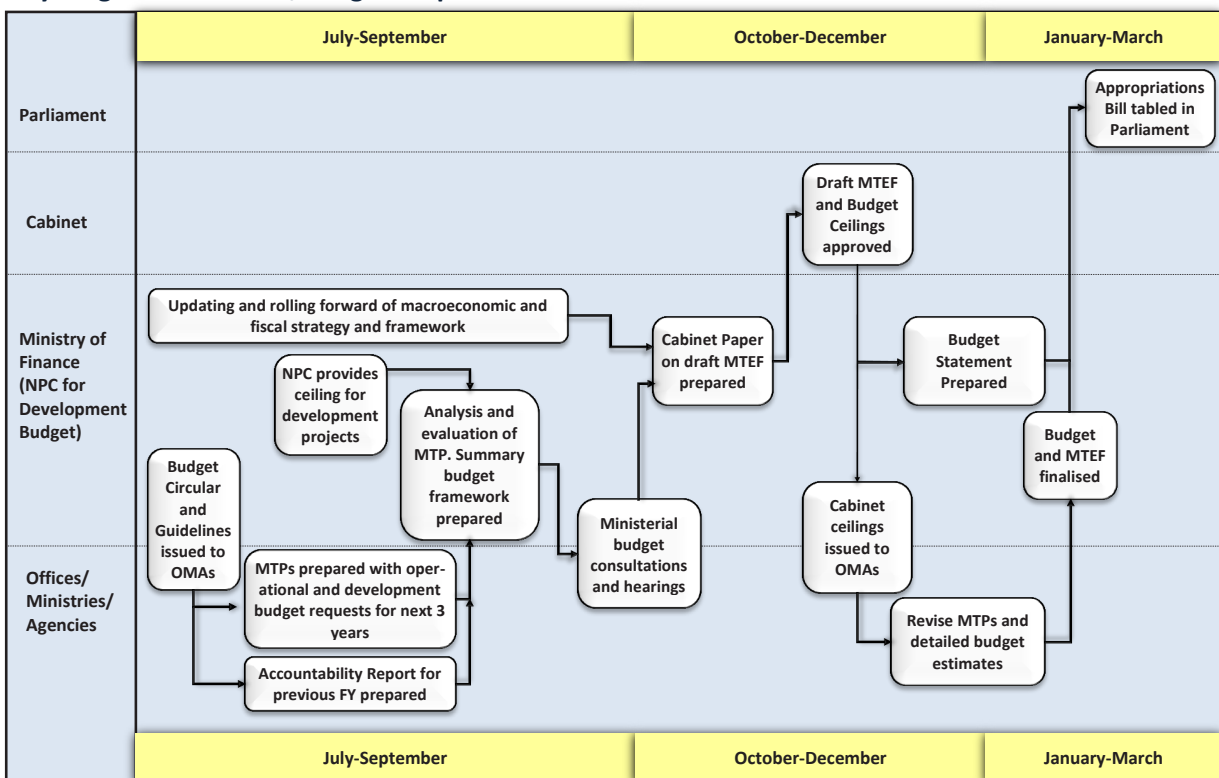
8 THE MTEF AND PUBLIC FINANCIAL MANAGEMENT

8.1 The current MTEF and budget planning process

8.1.1 National level

Namibia has a well-established MTEF process covering State Revenue Fund operations. The process is fully integrated with the preparation of the annual budget (see figure below). The MTEF is intended to facilitate a strategic and policy-led approach to budgeting in O/M/A that allows expenditure programmes to be planned for a three-year period. Regional Council spending is reflected in the MTEF in terms of the transfers to Regional Council budgets.

Key Stages in the MTEF/Budget Preparation Calendar



The MTEF/Budget calendar provides for an initial strategic phase during which the macroeconomic and fiscal strategy and framework is updated and rolled forward. In this process O/M/A update their medium-term plans (MTPs) that link sector policies and strategies to proposed medium-term resource allocations. Following review of the MTPs, MOF prepares the draft MTEF which is discussed and approved by Cabinet in November. MOF then issues the resource ceilings within which ministries prepare their final budget requests. The draft budget is finalised and the Appropriations Bill tabled in Parliament in late February/March.

Namibia has an established track record for sound macroeconomic and fiscal management and for preparing its budget within a realistic macro-fiscal framework. This represents the major strength of the MTEF process. In terms of providing a more policy-led approach to budget planning the experience under the MTEF has been mixed. There is currently limited analysis of the underlying inter-sectorial and cross-cutting priorities that should guide budget preparation by O/M/A, while the MTPs are seen as not yet bringing a real strategic focus to O/M/A budgets. O/M/A resource ceilings for the outer years of the MTEF are conservatively set, but appear not to reflect a clear and

realistically framed set of forward spending programme priorities. While the MTEF uses a programme/activity classification for planning budget allocations, the budget estimates allocations are set by administrative and economic classification. To establish a single unified approach for the MTEF and Budget, programme-based budgeting is to be piloted in four OMAs for the 2013/14 budget.

A feature of the MTEF since 2005 has been the inclusion of performance targets linked to the programmes contained in the MTPs. Initially this involved a large number of indicators, but recently the focus has shifted to a small number of strategically defined ministry targets against which performance is subsequently reported in the annual *Government Accountability Report* that was introduced starting with the 2009/10 budget.

8.1.2 Medium-term budgeting in regional councils

The devolved budgets of regional councils, for which the Chief Regional Officers are the Accounting Officers, primarily cover the central administrative functions of the regional councils. In addition there are currently delegated functions covering primary, secondary and adult education. For these areas the accounting officer responsibility remains with the Ministry of Education. For works maintenance which is also delegated, the responsibility remains with the Ministry of Works.

Preparation of regional council budgets formally commences in November when the MRLGHRD issues the budget preparation circular. Although this takes place after MTEF ceilings have been approved by Cabinet, no resource ceilings are provided to Regional Councils at this stage. Different procedures apply for the budgeting of operational and development expenditures:

- **Operational Expenditure.** Regional councils prepare their budgets based on their transfer allocations for the current year. Their draft expenditure estimates are submitted to MRLGHRD in mid-February. MRLGHRD reviews the drafts and determines the size of the transfer to each regional council which is communicated to the regional councils at the end of March. The Regional Councils finalise their budgets and, following approval by the Council, submit them to MRLGHRD for ratification.
- **Development Expenditure.** The process begins with the identification of projects at constituency level during the first quarter of the financial year. After approval by the CDC, the proposals are submitted to the regional councils where they are reviewed by the Planning Directorate, who prepares a project identification form. Once approved by the Regional Development Coordination Committee, the proposals are sent to the MRLGHRD and to the relevant sector O/M/A as well as to the NPC. The NPC decides, with the relevant O/M/A, which projects should be included in the budget for the next year. Non-decentralised functions project are included in the central O/M/A budget. Only those projects that fall under the budget mandate of the MRLGHRD are included in regional council budgets. For these the MRLGHRD determines the project level budget allocations and may also be involved in the appointment of consultants and subsequently overseeing the implementation.

The procedures for determining current transfers to regional councils are not satisfactory. Transfer ceilings are not announced in advance to Regional Councils preparing their budgets. When the ceiling are provided they only cover a single year and do not include either firm or indicative allocations for the two subsequent years of the MTEF. Allocations are determined administratively and are not based on transparent criteria-based formulae. This leads to anomalies in the distribution of resources to regional councils. The adoption of a transparent formula-based process for determining transfers to regional councils will become essential once core public service delivery functions are devolved.

Although regional council budgets show forecast allocations for a three year period, the outer year figures have limited validity and for the most part are simple roll forwards of the figures for the first year. The approach to budget preparation is incremental rather than strategic. The budget presentation consists of a set of tables with no narrative description of programme priorities and activities. With further devolution, the budget process will need to be strengthened and made more transparent with a clearer medium-term focus. Finally, releases of the development budget to Regional Councils from the MRLGHRD are irregular and often happen only in October/November of the financial year. This situation makes planning and implementation of projects by the regional councils virtually impossible and it is a contributing factor to the impression of low implementation capacity of the councils.

8.2 Public Financial Management Systems

8.2.1 National level PFM

At national level, PFM is characterised by a comprehensive legislative framework and effective procedures founded on strong legacy systems. The legislative framework is provided by the State Finance Act 1991 (amended 1995) and the Tender Board of Namibia Act 1996. More detailed procedures are specified in the Treasury Instructions, the Tender Board Regulations 1996 and the Tender Board Code of Procedures 1997. PFM processes are transparent and provide for adequate parliamentary oversight.

O/M/A budgets have a high degree of credibility. Over 90 percent of revenues, which is derived from customs duties, Value Added Tax (VAT) income and profit taxes, are not subject to significant variation. This provides a firm fiscal foundation for budget implementation. Budget releases to line ministries and central institutions are adequate and timely. As a result budget implementation is orderly and disciplined with a high level of predictability. Over the period 2006/07 to 2010/11 the average deviation between actual and budget expenditure (excluding statutory payments) was 2.2 percent and in no year did it exceed 4 percent.

An integrated financial management system (IFMS) was rolled out across all O/M/A in 2006 and supports robust processes for budget releases, commitment control and financial management. The system has recently been upgraded and access, which has been limited to O/M/A headquarters, is now being extended to include O/M/A regional offices and major costs centres. Cash management is facilitated by a centralised payments and accounting system operated out of a single consolidated fund account.

8.2.2 Regional council PFM systems and capabilities

There is no separate PFM legislation covering regional councils and inter-governmental financial relations. The Regional Council Act 1992 includes basic PFM provisions including requirements for preparation of the budget and maintaining and auditing accounts. It also assigns the Chief Regional Officer as the Accounting Officer and empowers the MRLGHRD to issue regulations and guidelines under the Act. The Decentralisation Enabling Act sets out the additional arrangements regarding the funding of functions delegated and devolved to regional councils.

No separate regulations have been issued covering budget preparation, budget execution and accounting procedures. Instead regional councils have been required to follow the Treasury Instructions to the extent that they can be applied. A common chart of accounts has also been adopted across all regional councils. Tendering procedures are governed by the Regional Tender Board Regulations issued under the Regional Councils Act. Further decentralisation of O/M/A

functions will result in a scale change in regional council fiscal operations for which a more rigorous legal framework for PFM will be required.

Linked to the decentralisation process, regional council finance divisions have been significantly strengthened and now include senior staffing positions. However, around one third of accountant level positions are currently vacant. Internal audit divisions have been set up although the internal audit function itself is not yet well developed. Further decentralisation will require the expansion of regional council finance divisions to cope with a massively increased budget and level of financial transactions. It is envisaged that this will involve the transfer of financial staff from the O/M/A to the regional councils.

Regional Councils currently operate stand-alone computerised financial management systems. IT infrastructure is generally good and well supported from MRLGHRD. The capabilities of these systems to handle a much expanded level of transactions, following decentralisation of major public service functions, will need to be assessed. Use of the Government's IFMS platform by regional councils could provide a common system that would also facilitate government-wide fiscal reporting and monitoring.

MRLGHRD has an important role in providing PFM inspection and technical support functions to regional councils. These functions need to be more clearly defined to better reflect the separation in governance and accountability between central and regional governments. A strong inspection function has an important role in helping to prevent political interference in regional council financial operations and reducing levels of fiduciary risk.

Regional councils are required to submit their annual financial statement to the Auditor General within three months of the end of the financial year. While this often occurs with some delay, a more substantial issue is the backlog in carrying out regional council audits. The latest audit that has been carried out – and for which audit reports are available – is the one carried out in 2008/09. This delay has a negative impact on accountability and also significantly reduces the relevance of audit findings and recommendations.

9 M&E AND REPORTING SYSTEMS

This section focuses on the Government systems, including systems in central level authorities like NPC and OPM, line ministries, the National Statistical Agency (NSA) and regional councils.

As rural development activities with the definition used in Namibia cover a large range of activities and central ministries, the analysis covered the M&E activities in all relevant ministries since this is necessary to understand how the public sector as a whole performs M&E of its rural development efforts.

The analysis leads to identification of a number of weaknesses across line ministries which will be addressed with the M&E proposals for the NRDS. This is consciously an ambitious approach as improved M&E is considered one of the key measures to improve performance of individual sector programmes, specific cross-sector rural development interventions and the overall effort by Government to improve living conditions and accelerate economic development in rural areas.

9.1 Current M&E Systems: ministries, other government institutions and other players

9.1.1 Current M&E Systems and statistical data handling within line ministries

The O/M/A with relevance for rural development in general have different ways of implementing M&E. The assessment showed that some are more successful and efficient in doing so than others.

Among the ministries, where the M&E systems were assessed, the following Ministries were found to have a functional M&E-unit in place:

- Ministry of Health and Social Services
- Ministry of Education
- Ministry of Lands and Resettlement

Out of these, the Ministry of Education appears to have the most appropriate M&E system operational, which is also spread to all the regions.

The MRLGHRD does not have a fully-fledged joint M&E system, but separate inspection and monitoring systems for different directorates. The DRDC have an operational M&E unit, with functions as described below.

Ministries' M&E units and systems suffer to a various extent from the critical issues as described further below.

Most ministries collect statistical data regularly and on an ad-hoc basis. Significant statistical data regarding their respective sectors, which are also useful for external partners, can be found at the following ministries:

- Ministry of Health and Social Services
- Ministry of Education
- Ministry of Agriculture, Water and Forestry
- Ministry of Trade and Industry
- Ministry of Gender Equality and Child Welfare
- Ministry of Fisheries and Marine Resources
- Ministry of Labour and Social Welfare

Other Ministries analysed, including the MRLGHRD, did not have significant statistical data available for their sectors.

9.1.2 Central Bureau of Statistics & National Statistic Agency

The Central Bureau of Statistics, which is currently being replaced by the National Statistics Agency, has been the producer and coordinator of official statistics in Namibia. Its mission was to: (i) produce and make publicly available objective, relevant, comparable, reliable, timely and easily accessible official statistics in all subject-matter areas of national interest and relevance; and (ii) co-ordinate and oversee the production of all official statistics in Namibia. The office collected, housed and published a variety of statistical data which included statistics on the Namibia Consumer Price Index, National Censuses (every 10 years), NHIES, GDP, National Accounts, etc. Many of these are essential to assess the impact of the Government's rural development policies on socio economic conditions for the rural populations.

Performance of the institute has, however, been poor, which is the reason for upgrading the status of the bureau to an independent agency. The situation of the latest decennial census can serve as an example: Apparently, less than 20 percent of data collected has actually been processed¹⁷, even if 'preliminary results' were circulated by mid April 2012. Main reasons and challenges include general lack of resources; high staff-turn-over, including staff at management level; lack of skilled and committed staff for data processing; and unclear management responsibilities.

The 'Statistics Act, 2011' provides the bases for creating the National Statistics Agency (NSA). The NSA will be a semi-autonomous entity responsible for the country's entire 'National Statistics System' (NSS). Currently the establishing of the NSA is on-going. According to the (designated) new head of NSA, lack of human resources and skills provide the biggest challenge for the next future.

9.1.3 The DRDC's M&E system

The Division for Planning, Monitoring and Evaluation (DPME) in DRDC is responsible for M&E related to rural development. The Division works closely with the Rural Services Sub-divisions in the Planning Directorates of the regional councils in order to monitor the progress of programmes/projects related to DRDC's mandate (primarily the food/cash for work, the microfinance programmes and rural sanitation programme). It keeps itself informed of other ministries' work in the regions. However, there is little coordination because the DPME does not harmonise its M&E efforts with those of other ministries. The DPME has no system in place to guide the collection of data, no indicators on which to collect data and there are no reporting standards. The M&E unit is still in its infancy and there is need for support to capacitate it. The DRDC is presently receiving support from Spain to develop a computerized monitoring system.

The M&E team makes field visits and does site inspections to verify information reported by implementers. It also conducts stakeholder meetings and planning workshops in the regions to gather information about the implementation of various rural projects and their challenges.

The regional councils implement projects for various ministries, including MRLGHRD. The regional councils submit progress reports on implemented projects directly to the line ministries that provide funding for these projects. In general, the regional councils only share progress reports on projects financed by MRLGHRD with the DPME. The DRDC does not have an overview of rural development programmes implemented in the regions, much less on the progress of these projects/programmes.

¹⁷ As of May 2012

9.1.4 Selected International Players

The following International Players have been visited to assess their current M&E-system:

- MCA
- GIZ

Generally, these international players have advanced M&E-systems in place. However, they limit the M&E-efforts to their own initiatives and seem to have an insufficient approach towards sharing their M&E data and information with line ministries and/or other stakeholders.

9.1.5 Current M&E at regional council-level

Five-year Regional Development Plans were developed for 2001/02 to 2005/06. These plans have, in the meantime, been replaced by strategic plans, covering only the regional councils' own activities. The strategic plans are part of the PMS, launched by OPM in 2004 and subsequently rolled out to all O/M/A, local authorities and regional councils.

M&E in the regional councils fall under the Planning Directorate. M&E is usually done by the planning staff and/or by the Department for Rural Services in case of programmes such as the microfinance and 'food/cash for work' programmes. Most regional councils' planning directorates have an M&E officer and/or a statistician on deputation from the NPC. In all cases, M&E in regional councils suffer from lack of (human) resources, funds and skills as well as the absence of an integrated M&E structure and methodology.

Generally, the regional councils' M&E activities are limited to monitoring of interventions within their limited mandate and only cover projects they implement for other ministries. Activities are limited to monitoring of implementation of activities ('efficiency'). M&E related to 'effectiveness' or 'impact' towards a set of targets is not done by the regional councils. In addition, the meetings with the regional councils revealed that even activity-level monitoring is not always done appropriately. Spot checks showed that some of the small projects implemented by the regional councils were never monitored, while the monitoring of others was very basic.

9.1.6 NPC, NDP 3 & 4 and NIMRES

Monitoring & (final) evaluation of NDP3

The design of M&E for NDP3 was done at two levels: 'NDP3 level' and 'project level'. The NDP3 level M&E was done by means of mid-term as well as terminal reviews. In NDP3 the initial idea was to have reviews every 6 months, however, due to various constraints, this reporting frequency could not be upheld. A final evaluation of NDP3 is on-going. Project level M&E was supposed to consist of field visits while progress reports constituted the means of verification for capital project. Field visits have, however, not been carried out for quite some time, the main reason being funding constraints as monitoring staff had to travel from Windhoek to the project sites. The format of information found did not seem to be up to standard and did not reveal accurate information about the projects visited. As to the monitoring of capital projects, quarterly project progress reports have been submitted by relevant O/M/A.

M&E in NDP4

NPC admits to weak M&E in previous NDPs. To improve the situation for NDP4, an integrated M&E & reporting system is currently being drafted. The aim is to secure pragmatic monitoring, reporting and evaluation of progress in the implementation of NDP4 strategies and the associated policies. The integrated M&E system should make the M&E processes much more efficient in providing reliable

information in a timely manner and thereby facilitate informed decision-making by managers from the grassroots to Cabinet. The NDP4 implementation should be strengthened in the process. The M&E system, which is referred to as the 'National Integrated Monitoring, Reporting & Evaluation System' (NIMRES), is to provide the backbone and structure for M&E and Reporting for NDP4.

Monitoring will be done on two levels, at the NDP4 goal level and at the desired outcome level. All NDP4 implementing entities will be required to prepare and update progress performance data using the integrated M&E system at their own premises on a real-time basis. The frequency of reporting is semi-annual. The annual reporting will serve as a review, which will set the scene for the next financial year. Semi-annually and ultimately annually platforms will be created by NPC for the implementing entities (sectors) to present and report on progress. The approach puts much emphasis on the computerized data collection system. It is important that the data quality issues and data analysis and data use capacities are strengthened also.

9.2 Critical issues currently affecting M&E in Namibia's public sector with regards to rural development

Below find a number of critical issues that affect M&E in Namibia's rural sector:

- ***There is absence of a culture to use M&E data.*** While M&E is commonly considered a "management tool", actual use of M&E data by management and decision-makers is often limited. Middle and upper management levels in the public administration do, to a large extent, not use M&E data and information even if available. Surveys and assessments on various issues - often funded by donors - are frequently shelved rather than read and the "lessons-learning" effect of project and programme evaluations is not as efficient and useful as it potentially could be. This issue contributes significantly to form a vicious circle (no use of M&E-data => no demand for M&E-data => no funds & HR (skills, etc.) to do M&E => No M&E-data available => no use of M&E-data =>, etc.) hindering the evolution of an integrated M&E-environment in the country so far.
- ***There is lack of an integrated M&E structure.*** To date, there is no integrated M&E system or structure in place to include all (or most) of the sectors and players relevant for rural development. Line ministries are doing their own M&E. This is a very inefficient way of doing so in terms of co-ordination, alignment and information sharing. It is also a very costly and inefficient way of using resources since travel is done from Windhoek. Regional structures are not utilised and potential synergies are not capitalised. The same basically applies to key NSA and international and multinational organisations. Regional Councils' strategic plans and related M&E are restricted to their own (rather limited) mandate and do not include sector activities. NPC, as well as OPM, try to design more integrated M&E approaches. However, both still suffer from a certain lack of commitment from O/M/A to contribute and share information and resources towards a common M&E system.
- ***There is lack of willingness to share M&E data with other O/M/A on the same level and to coordinate M&E.*** Supplying M&E data on request from e.g. one ministry to another is often seen as "reporting to" somebody who is not higher up in the Governmental hierarchy and consequently often rejected. This fear is based on the wrong - but unfortunately very common understanding - that M&E is done to control and to inspect somebody's performance. In practice, the process of getting such M&E data becomes very complicated and time-consuming, since it may even have to go via the Permanent Secretary-level from one ministry to the other. Coordinating M&E data-collection and data-use for cross-cutting issues and strategies, such as rural development, becomes prohibitive in this environment.

- **There is no common understanding and commitment to use M&E as a management tool within O/M/A.** Even if most O/M/A have an M&E system on paper there is no common understanding throughout the hierarchy on its importance for “everybody”. It is described as a “management-issue” and consequently seen as the business of higher management levels. M&E units commonly work in a vacuum without support, contributions and inputs from their colleagues. On the other hand, mid-level officers are commonly not aware of (or interested in) the existence of a strategy, M&E structure, etc. and consequently would not come across the idea that they would have to contribute information, etc. As a consequence, the reporting done is usually not related to strategic plans or set indicators and targets. Therefore M&E personnel or units find it very difficult to provide fact-based and updated information such as “progress achieved” to their superiors when asked to do so, e.g. in preparation of cabinet meetings, etc.
- **There is lack of resources and skills for data-collection and management.** Due to the absence of a culture to use M&E, there is only limited demand for M&E in the country. Limited demand, obviously, leads to a lack of resources and funding provided to implement M&E activities. This again, leads to a lack of incentives for young people to be educated and trained in M&E-skills, such as statistics, etc. Consequently there is no pool of available skilled personnel implementing professional and high-standard M&E when requested.
- **There is lack of M&E on outcome and impact level.** Currently, most M&E activities are limited to monitoring of activities (‘efficiency’). Performance monitoring is widely understood as a control-tool whether or not individuals and units are doing what they are assigned to do. The same applies on project-level where monitoring is basically limited to the issue whether or not an activity is done within the given timeframe and budget. Hardly any M&E of ‘effectiveness’ or ‘impacts’ towards a set of targets is done. In this connection very few periodic evaluations and usually no ex-post evaluation or impact assessment is done to assess whether or not or to what extent the project or initiative has an impact on the target-group and/or is contributing towards the initially planned goals or objectives and if and to what extent this impact is potentially sustainable. When it comes to broader evaluation of impacts of main policies as e.g. sector policies, this is even more seldom. In other words: Currently, performance monitoring may answer the question: “Are we doing the job right?” but is not raising or answering the question: “Are we doing the right job?”
- **There is lack of baseline data and data-sources for verification.** Efficient M&E has to be based on available and reliable baseline data. An assessment of currently used strategies, etc. shows that most of these plans include management tools such as BSC (Balanced Score Card) and/or log frames including OVIs and targets. However, following up and verifying these indicators usually provide a challenge since resources are limited, data-sources are hard to find and existing data are difficult to verify. Further, many OVIs are proportional (e.g. in ‘percent’; “an increase of 20 percent in year 1”, etc.), but baseline information to measure indicators such as “increase...” or to allow a “before-after” comparison are commonly not available and not collected at the beginning of the implementation of the intervention or strategy. Baseline surveys are costly and necessary resources as funds and skills are limited.
- **Monitoring & Evaluation versus Controlling & Inspection.** Monitoring & Evaluation is still unpopular in the Namibian public service. The main reason is that M&E of initiatives, programmes and plans, including strategies, is commonly confused with controlling & inspection of individuals and administrative units and/or with financial audits. Consequently, many individuals and units within the public administration do not appreciate M&E of their projects, jobs or assignments.

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