

AFRICAN DEVELOPMENT BANK



NAMIBIA

EDUCATION AND TRAINING QUALITY IMPROVEMENT PROJECT

APPRAISAL REPORT

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Currency Equivalents

As of Aug. 2017

Currency Unit = NAD/ZAR

1 UA = NAD/ZAR 18.33

Fiscal Year

April 1st – March 31st

Weights and Measures

1 metric tonne (t)	=	2,205 lbs.
1 kilogramme (kg)	=	2.205 lbs.
1 metre (m)	=	3.281 ft.
1 kilometre (km)	=	0.621 mile
1 square kilometre (km ²)	=	0.386 square mile
1 hectare (ha) = 0.01 km ²	=	2.471 acres

Acronyms and Abbreviations

ADB	African Development Bank
AfDB	African Development Bank Group
DfID	Department for International Development
DHS	Demographic and Health Surveys
DoL	Division of Labour
DP	Development Partners
ETQIP	Education and Training Quality Improvement Project
FM	Financial Management
GDP	Gross Domestic Product
GRN	Government of Namibia
HDI	Human Development Index
IIAG	Ibrahim Index of African Governments
IMF	International Monetary Fund
IPR	Implementation Progress Report
JIBAR	Johannesburg Interbank Agreed Rate
M&E	Monitoring and Evaluation
MoEAC	Ministry of Education, Arts and Culture
MHETI	Ministry of Higher Education, Training and Innovation
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprise
NAD	Namibia Dollar
NTA	Namibia Training Authority
PIT	Project Implementation Team
PPP	Public Private Partnership
PSC	Project Steering Committee
QPR	Quarterly Progress Report
RBCSP	Revised Results Based Country Strategy Paper
NDP5	Fifth National Development Plan
SA	Special Accounts
SC	Steering Committee
SDGs	Sustainable Development Goals
STEM	Science, Technology, Engineering and Maths
TVET	Technical, Vocational Education and Training
UA	Unit of Account
UN	United Nations
USD	United States Dollars
VTC	Vocational Training College
ZAR	South African Rand

Loan Information

Client's Information

BORROWER:	Republic of Namibia
EXECUTING AGENCY:	Ministry of Education, Arts and Culture
IMPLEMENTING AGENCY	Namibia Training Authority

Financing plan

Source	Amount (ZAR)	Instrument
ADB	1,000 million	Loan
GRN/ Beneficiaries	300 million	Contribution
TOTAL COST	1,300 million	

ADB key financing information

Loan Currency	South African Rand (ZAR)
Loan Type	Fully Flexible Loan
Tenor	19 years inclusive of Grace Period
Grace period	4 years
Average Loan Maturity*	11.62 years
Repayments	60 Consecutive quarterly payments after grace period
Interest Rate	Base Rate +Funding Cost Margin+ Lending Margin + Maturity Premium This Interest Rate will be floored to zero
Base Rate	Floating Base Rate (3-month JIBAR reset each 1 st February, 1 st May, 1 st August and 1 st November) A free option to fix the Base Rate is available
Funding Cost Margin	The Bank funding cost margin as determined each 1 st January and 1 st July and applied to the Base Rate each 1 st February, 1 st May, 1 st august and 1 st November
Lending Margin	80 basis points (0.8%)
Maturity Premium	: 0%
Front-end fees	0.25% of the loan amount payable at signature of the loan agreement or latest 30 days from signature
Commitment fees	0.25% of the undisbursed amount. Commitment fees start accruing 60 days after signature of the loan agreement and are payable on Payment dates
Option to convert the Base Rate**	In addition to the free option to fix the floating Base Rate, the borrower may reconvert the fix rate to floating or refix it on part or full disbursed amount. Transaction fees are payable
Option to cap or collar the Base Rate**	The borrower may cap or set both cap and floor on the Base Rate to be applied on part or full disbursed amount Transaction fees are payable
Option to convert loan currency**	The borrower may convert the loan currency for both undisbursed or disbursed amounts in full or part to another approved lending currency of the Bank Transaction fees are payable

Timeframe - Main Milestones (expected)

Concept Note approval	Approved under the Namibia Infrastructure Development Programme
Project approval	December 2017
Effectiveness	February 2018
First Disbursement	February 2018
Completion	December 2022
Last repayment	December 2037

Project Summary

1. **Overview: The Namibia Education and Training Quality Improvement Project aims at contributing to the development of an efficient, effective and sustainable Technical, Vocational Education and Training (TVET) system in Namibia that is aligned with the current and future skills needs of the labour market in the country.** The Project will specifically contribute to increasing access, attaining equity and improving the quality of TVET and basic education in Namibia. The project supports the development of: (i) basic education and TVET infrastructure in 11 regions of the country; and (ii) the strengthening of the TVET and basic education systems in the country through institutional capacity building. The Project will be implemented over 60 months beginning January 2018 through an ADB loan of NAD/ZAR 1 billion, and counterpart contribution estimated at NAD/ZAR 300 million from the Government of Namibia (GRN).

2. **The project seeks to contribute to Namibia's national goals of reducing poverty and youth unemployment as stated in the Harambee Prosperity Plan.** Government's commitment to this goal is further elaborated in the Fifth National Development Plan (NDP5: 2017/18-2021/22). This project supports the implementation of the Government's Strategic Plan for the Basic Education Sector (2017/2022) and the TVET Transformation and Expansion Strategy (2016/2032). The proposed project is aligned to the second pillar of the Namibia CSP (2014 – 2018) - *Private sector development through skills development and improving the regulatory environment* - by the development of infrastructure for technical, vocational education and training (TVET) to increase access and inclusiveness as well as develop the skills necessary to drive the transformation of the Namibian economy.

3. **Needs Assessment: Namibia's development agendas identify the need to build human capital in order to promote economic and social development.** This intervention will support the promotion of human resource development that will enhance employability especially for the youths and increase Namibia's competitiveness in the global economy. The country currently relies on imported labour to service many sectors of the economy while unemployment and particularly youth unemployment remain at high levels. According to the 2016 Labour Force Survey Namibia has a high rate of unemployment estimated at 34% (38% female and 30% male) and the situation is worse for the youth with an estimated unemployment rate of 43.3%. At the same time, the incidence of poverty is high at 27%¹. It is of even greater concern that the number of unemployed youth has increased since 2014 from 204,828 to 246,262 (youth population aged between 15 and 34 years). There is a high risk that poverty, particularly amongst youth, will increase if urgent measures to curb the growing unemployment and underemployment rates are not taken.

4. **Banks' added value:** In 2010, the Bank provided technical assistance to the Government of Namibia to develop a National Human Resource Development Plan (NHRDP 2010-25). The NHRDP recognized that Namibia's potential for economic and employment growth was being hindered in part by the existence of mismatches between supply and demand of skilled labour. In order to address this challenge, Namibia requires further investment in the education sector both at basic education and Technical and Vocational Education Training (TVET) levels. This intervention is, therefore, designed to assist Namibia to produce the much needed human resources for the country. There are strong linkages and synergies between the Project and the Transport Infrastructure Improvement Project as well as the Agricultural Mechanisation and Seed Improvement Project, which are have been appraised together with the proposed project for Bank funding. The Project's technical and vocational skills development activities will focus on developing the skills required for the maintenance of agricultural machinery as well as for the construction and maintenance of road and rail infrastructure and equipment in support of the sustainability of these projects and any future ones. The Project will, on the other hand, benefit from the improved economic management and business environment reforms to be brought about by the Economic Governance and Competitiveness Support Program (EGCSP), which was approved by the Bank in May 2017.

¹ UNDP: 2015 Namibia Poverty & Deprivation Report

5. **Knowledge management: The project will contribute to the generation of knowledge and innovation, which is in line with the country's vision of a knowledge-based economy.** Furthermore, as part of the overarching objective pertaining to the development of Vocational Training Centres, it is envisaged that incubation centres will be established to be used for entrepreneurship development activities such as mentoring and counselling with a potential for generating knowledge on sustainable entrepreneurship approaches. The knowledge generated through this project will be disseminated through websites of the Ministry of Education, Arts and Culture and the African Development Bank.

Results Based Logical Framework

Country and Project Name: Namibia- Education and Training Quality Improvement Project. Purpose of the Project: The purpose of the project is to contribute towards the development of an efficient, effective and sustainable Technical, Vocational Education and Training (TVET) system in Namibia that is aligned with the current and future skills needs of the labour market in the country						
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
		Indicator	Baseline	Target		
IMPACT	Reduced youth unemployment	Youth unemployment rate (16-35 yrs.)	43.3% (2014)	33% (2025)	Labour Force Survey Reports; NDP5 Implementation Report.	
OUTCOMES	Outcome 1: Improved efficiency of the education system	Performance of learners in Senior Secondary Certificate exams in targeted schools (Maths and Science) Performance of learners in National Standardized Achievement Tests in Maths and English in targeted schools (grade 5)	48% (M -2015) 40% (F – 2015) 76% (2015)	60% (M -2022) 60% (F – 2022) 85% (2022)	Quarterly Progress Reports; IPRs; School profile Reports; EMIS Reports	1. Risk: Low teacher competence in new curriculums and syllabuses could impede the achievement of performance targets. Mitigation measures: Project includes appropriate training for teachers, which will be monitored. 2. Risk: Government budgetary constraints could limit GRN contribution to expansion programme Mitigating measures: Steering Committee will be properly constituted and sensitized to ensure GRN maintains TVET as a priority for funding
	Outcome 2: Increased access to and relevance of technical, vocational education and training	Enrolment capacity of TVET institutions in the country (n° of learners) % of TVET graduates finding a job 6 month after graduation	25,000 (40% Female - 2016) 40%	42,000 (50% Female - 2022) 60% (2022)	Quarterly Progress Reports; IPRs; School profile Reports Tracer Surveys	
	Outcome 3: Reduced rate of teenage pregnancy in targeted communities	% of girls falling pregnant per year in the schools of the targeted communities	8% (2016)	2.5% (2022)	Quarterly Progress Reports; IPRs; School profile Reports	
OUTPUTS	Component 1: Basic Education and TVET Infrastructure Development					3. Risk: PIU to be set up has little experience in the Bank's rules and procedures: Mitigating measures: Country systems will be used as much as possible and adequate training provided to the PIU on the Bank's rules and procedures.
	1.1 Basic Education facilities rehabilitated and or extended	N° of Basic Education facilities rehabilitated and or extended under the Project	none (2017)	12 (2022)	QPR; IPRs	
	1.2 TVET and Higher Education facilities constructed and or extended	N° of TVET facilities constructed and or extended under the Project	none (2017)	3 (2022);	QPR; IPRs	
		N° of Higher Education facilities constructed or extended under the Project	none (2017)	1 (2022);	QPR; IPRs	
	1.3 Basic Education and TVET/Higher Education facilities equipped	N° Basic Education facilities equipped with science lab, tech. workshop and boarding equipment under the Project	none (2017)	12 (2022)	QPR; IPRs	
		N° of TVET/Higher Education facilities equipped under the Project	none (2017)	4 (2022)	QPR; IPRs	
	Component 2: Basic Education and TVET System Strengthening					4. Risk: Entrenched gender biases and vulnerabilities could limit the gender gains of the project. Mitigating measures: The project includes specific gender activities aimed at teaching staff, girls and the communities the girls come from to school.
	2.1 Basic Education syllabuses revised	N° of Basic Education syllabuses revised and under implementation	3 (2017)	7 (2022)	QPR; IPRs	
	2.2 Teachers and Principals trained on new syllabuses	N° of Teachers and Principals trained on new curriculums and syllabuses	400 (2017)	1000 (50% F - 2022)	QPR; IPRs	
	2.3 increased trainees enrolled and completing TVET Programmes	Total number of trainees enrolled in TVET Programmes	25,000 (2017)	42,000 (50% increase for M and 70% increase for F – by 2022)	QPR; IPRs	
	2.4 TVET teachers and instructors trained	N° of TVET teachers and instructors trained under the Project	500 (2017)	1500 (50% F - 2022)	QPR; IPRs	
	2.5 Funding Framework for the TVET sector developed	N° of Funding Frameworks for the TVET sector developed	none (2017)	1 (2022)	QPR; IPRs	
	2.6 Performance monitoring and evaluation system for the TVET sector developed and institutionalized	N° Performance monitoring and evaluation systems, including tracer studies, for the TVET sector developed and institutionalized	none (2017)	1 (2012)	QPR; IPRs	
	2.7 Communities and schools	N° of communities sensitized on teenage pregnancy under the Project	none (2017)	14 (2022)	QPR; IPRs	

KEY ACTIVITIES	sensitized on teenage pregnancy and other gender issues					
	2.8 Education Institutions sensitized on the participation of girls in Maths and Science	N° of education Institutions sensitized on girls participation in maths, science and technical subjects under the Project	none (2017)	30 (2022)	QPR; IPRs	
	Component 3: Project Management					
		Existence of Project Implementation Manual with a gender and inclusion perspective	None (2017)	Manual prepared (2018)	QPR; IPRs	
		Timely implementation of project activities and preparation of reports, including audits.	n/a	Project activities and reports, including audit prepared and submitted on time (during project duration)	QPR; IPRs	
	Components: Component 1: Basic Education and TVET Infrastructure Development Component 2: Basic Education and TVET System Strengthening Component 3: Project Management			Inputs- Funding in million NAD/ZAR ADB: 1,000 GRN: 300 Total: 1,300		

Quarterly Progress Report (QPR); Implementation Progress Report (IPR);

Indicative Project Timeframe

Project Implementation Schedule	2017					2018					2019					2020					2021					2022																	
Activity	jun	jul	aug	sep	oct	nov	dec	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec
Loan Processing																																											
Loan Negotiations																																											
Loan Approval																																											
Loan Signature																																											
Loan Effectiveness																																											
Project Launching																																											
Component1: Education and TVET Infrastructure Development																																											
Procurement of works consultants & contractors																																											
Rehabilitation / Construction of Education Facilities																																											
Construction/Extension of TVET Facilities																																											
Equipment of Education and TVET Facilities																																											
Component2: Education and TVET System Strengthening																																											
Revision of Basic Education syllabuses																																											
Training of Teachers and Principals on new syllabuses																																											
Sensitization ofcommunities and schools on teenage pregnancies and other gender issues																																											
Promotion of girls' participation in Maths and Science																																											
Component 3: Project Management																																											
Set up of PIU under MoEAC																																											
Recruitment of Technical Supervision Team (Individual Consultants)																																											
Annual Auditing of Accounts																																											
Management & Supervision																																											
Monitoring & Evaluation																																											
Steering Committee Meetings																																											
Mid-term Review																																											
Project Completion Report																																											

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED ADB LOAN OF NAD/ZAR 1 BILLION TO NAMIBIA FOR EDUCATION AND TRAINING QUALITY IMPROVEMENT PROJECT

Management submits the following Report and Recommendation for a proposed loan of NAD/ZAR 1 billion on ADB terms to the Republic of Namibia to finance the Education and Training Quality Improvement Project.

I STRATEGIC THRUST AND RATIONALE

1.1 Project linkages with country strategy and objectives

1.1.1. The Government of Namibia's (GRN) development agenda is articulated in the Harambee Prosperity Plan and the Fifth National Development Plan (NDP5: 2017/18-2021/22). The Namibia Harambee Plan outlines under Goal 10 [HPP10] the important role of technical education and training in driving the growth of the economy and equipping the youth with the skills necessary to engage in economic activities and create wealth. Namibia's Sector Policy on Inclusive Education (2013) aims to expand access to and provision of quality education, especially for educationally marginalised learners; and to support learners with a wide range of individual abilities and needs in compulsory education at Early Childhood Development (ECD), pre-primary, primary and secondary levels. The proposed project will support the implementation of the Sector Policy on Inclusive Education at the primary and secondary levels as it contributes to enhancing quality, access and equity in basic education and technical, vocational education and training in Namibia, which are equally recognized in the country's development plans (the Harambee Prosperity Plan and the NDP5) as a source of skills, knowledge and technology needed to drive productivity in knowledge-based and transitional societies for the twenty-first century. The project will equally contribute to addressing the critical issues of youth employability and unemployment in the country by equipping youth with work-ready and entrepreneurship skills.

1.1.2. The Bank's Results-Based Country Strategy Paper (RBCSP) for Namibia (2014-2018) has two pillars: (i) Infrastructure with a focus on transport, energy and water; and (ii) Private sector development through skills development and improving the regulatory environment. Under the second pillar, the Bank's intervention is to be focused on the development of skills to meet the demands of the public and private sectors by strengthening technical and vocational education and training to address the problem of skills shortages especially middle level skills. The proposed project is aligned to the second pillar of the CSP through (i) the development of infrastructure for technical, vocational education and training (TVET) to increase access and inclusiveness; and (ii) improving the quality and efficiency of the basic education and training systems in the country to enhance performance in mathematics, technology and sciences as well as improve the employability of trained youth through a better alignment of curricula with the needs of the labour market. To address the internal inefficiencies at the TVET and Higher Education subsystems (poor completion rates) resulting from the weak capacity of students entering these levels from the basic education subsystem, the project also envisages interventions aimed at improving access and quality the basic education level, which remains the foundation of skills development.

1.1.3. The Project is consistent with the Bank's High Fives priority n° 5 (improving the quality of life of Africans) and also conforms to the Bank's Strategy for 2013-22, which emphasises inclusion as a core objective and "skills and technology" as one of the core operational priorities to achieving inclusive growth. It is also aligned to the Human Capital Strategy (2014 – 2018), under its pillar of skills and technology for competitiveness and jobs. Furthermore, the Project is aligned to the Bank's Gender Strategy (2014 – 2018), through the

mainstreaming of gender equality in all its activities and the inclusion of gender specific interventions under the activities of the project. The Project is also aligned to the Jobs for Youth in Africa Strategy (JfYA, 2016-2025), which seeks to equip countries with the tools necessary for job creation and poverty reduction among the youth.

1.2 Rationale for Bank's involvement

1.2.1. Through the proposed project, the Bank will address a pressing need to help build human capital in Namibia to promote economic and social development. There is a need in Namibia to develop a skilled labour force to drive productivity and competitiveness in the main economic sectors of the country, which include manufacturing, agriculture, fisheries, tourism and mining. Youth in Namibia face high rates of unemployment and poverty as the country goes through a demographic transition with the proportion of youth increasing in the total population and the need to tap into this human resource grows to drive the economic transformation of the country. Namibia also faces challenges with the internal efficiency of the education and training system in the country resulting from an unsatisfactory quality of instruction, especially in schools serving poor communities. In 2015, only 45% of Grade 5 students achieved proficiency in English while 63% of Grade 5 students achieved proficiency in Mathematics. Grade 7 students fared even worse with just 48% and 41% achieving proficiency in English and Mathematics respectively. At the secondary level, there are unacceptably high rates of repetition. In Grade 8, 30% of the students repeat the grade. There are also very high of dropout rates with more than one-third of all students dropping out by Grade 10. In the most remote, rural areas, drop-out rates are an extreme concern, with only 49% of first graders in extremely remote areas reaching up to Grade 5². The quality of teaching is a major issue, with about 20% of teachers having no teaching qualifications. The transition from secondary to higher education is very low, currently estimated at 19% of the grade 12 cohorts. The internal inefficiencies are similar in TVET and Higher Education, where the completion rate is only 60% in TVET and 50% for the university level due to weak capacity of the students entering these levels from basic education and other socioeconomic challenges faced by the students.

1.2.2 This intervention will support the promotion of human capital and skills development that will enhance employability especially for young women and the youths and increase Namibia's competitiveness in the global economy. Through improved infrastructure, including sanitation and ameliorated curricula and teaching techniques, the Bank's support to the basic education subsector will equally improve the strength of the students entering the TVET and higher education subsectors and thereby improve the internal efficiencies at these levels, particularly by increasing the completion rates, which are currently low at these levels. In 2010, the Bank provided technical assistance to the Government of Namibia to develop a National Human Resource Development Plan (NHRDP 2010-25). The NHRDP recognized that Namibia's potential for economic and employment growth was being hindered in part by the existence of mismatches between supply and demand of skilled labour. In order to address this challenge Namibia requires further investment in the education sector both at basic education and Technical and Vocational Education Training (TVET) levels. This intervention is, therefore, designed to assist Namibia to produce the much needed human resources for the country. The project is cognizant of the centrality of gender equality in education in ensuring opportunities for both young women and men. The project is, therefore, designed to ensure education infrastructure is gender responsive, and it will also address some of the challenges hindering equitable achievement of education outcomes.

1.2.3 There are strong linkages and synergies between the Project and the Transport Infrastructure Improvement Project as well as the Agricultural Mechanisation and Seed Improvement Project, which are currently being appraised for Bank funding. The Project's

² Namibia Ministry of Education, Arts and Culture: 2017 Basic Education Reform Report

technical and vocational skills development activities will focus on developing the skills required for the maintenance of agricultural machinery as well as for the construction and maintenance of road and rail infrastructure and equipment in support of the sustainability of these projects. The Project will, on the other hand, benefit from the improved economic management and business environment reforms to be brought about by the Economic Governance and Competitiveness Support Program (EGCSP), which was approved by the Bank in May 2017.

1.3. Donor coordination

1.3.1 Development partners play an important role in the financing of the education sector in Namibia. An estimated 17.5% of education financing has come from development partners in the last 3 years in Namibia. Basic Education receive the bulk of the resources while recently the TVET sub-sector has seen an increase in development partner financing. Key partners for the education sector in Namibia include UNICEF, European Union (EU), Federal Government of Germany, through GIZ, USA Government, and South Korea. A donor-fund coordinating committee is in place to ensure synergy and systematic implementation of donor-funded projects. In the last three years UNICEF has been the main partner at basic education level while the other development partners have taken active roles under TVET during the same period.

Table 1.3: Donor Coordination

	Sector	size				
			% of GDP	% Export	% Labour Force	
UA (M) %	Education		8.3%	n/a	n/a	
		Players - Public Annual Expenditure (2014 to 2017 average)				
	Government	EU ³	UNICEF	Germany	USA	S. Korea
	792	6.3	147.5	10.0	3.6	1.4
	82.5%	0.7%	15.4%	1.0%	0.3%	0.1%
		Level of Donor Coordination				
		Existence of Thematic Working Group				Y
		AfDB involvement in donor coordination				N

II PROJECT DESCRIPTION

2.1 Project Objective

2.1.1 The objective of the Project is to contribute to the development of an efficient, effective and sustainable Technical, Vocational Education and Training (TVET) system in Namibia that is aligned with the current and future skills needs of the labour market in the country. It is estimated that nearly a quarter of Namibia's young people aged 15–34 are neither in education nor training nor in employment (NEET) in 2014. This translates into extremely high unemployment rates among young people estimated at 43.3%⁴. Young people comprised nearly three-quarters of all unemployed and youth unemployment in Namibia is systemic, highly correlated with gender, education levels, rural versus urban residence and regional disparities. Namibia's National Employment Policy acknowledges that young people constitute the largest proportion of the population and that they are the most affected by unemployment, partly as a consequence of low skills levels, skills mismatches, limited access to start-up capital and inability

³ Excluding budget support of Euro 24 million

⁴ 2016 Namibia Labour Force Survey

to meet collateral requirements. Young people are mostly employed in lower-skilled occupations. Compared with adults aged 35 and above, they are much less likely to work in skilled agriculture, reflecting migration patterns to urban areas, but much more likely to work in elementary occupations, and, especially for young women, in services and sales or as clerks. Namibia's education system does not provide a strong enough foundation for VET, higher education and innovation. These shortcomings of the education system imply that low and unequally distributed levels of education among the young people and adults who make up the labour force will persist into the future unless something is done.

The education system has poor linkages at various levels between basic, higher and TVET and therefore requires strengthening. Key issues arise regarding quantity, quality and relevance, which explain why the TVET system produces very small numbers of adequately skilled workers, reinforcing the dual nature of Namibia's labour market. Namibia's TVET system needs a massive expansion to address the learning needs of the country's young people to create a pool of skilled workers for the development of the economy. Higher education has kept expanding rapidly, but needs to diversify to better contribute to the development of the country. Namibia's TVET and higher education systems need to improve the quality of teaching and to raise learning outcomes while increasing enrolment. Namibia faces the urgent need to address the inequality, poverty and unemployment that prevent its young, increasing and urbanizing population from reaching their full potential. Skills development has a key part to play, yet at present TVET and higher education operate in isolation, and do not produce either the quantity of skilled workers needed to cope with the demography of the country, or the quality of skills needed to guarantee their absorption by the economy.

2.1.2 With a rapid increase in the numbers of young people entering the labour market every year, and increasingly migrating to urban areas, there are concerns for the future; hence the need to support the development of skills amongst the youth. The Project will specifically contribute to increasing access, attaining equity and improving the quality of TVET and general education in Namibia. The selection of the schools and TVET institutions was based on the geographical spread and population catchment area to ensure that most affected areas are served first. Due to the internal efficiencies (low completion rates) caused at the TVET and Higher Education subsectors due to the weak capacity of students entering these subsystems from Basic Education level, it is considered necessary, in the design of the Project, to equally intervene at the Basic Education level to improve quality and ensure that capable students graduate from this level to TVET/higher education levels and thereby improve efficiency at the higher levels.

2.1.3 Project Components

The Project has the following 3 components: i) Education and TVET Infrastructure Improvement; ii) Education and TVET System Strengthening; and iii) Project Management.

Table 2.1 Project Components

Nº	Component name	Cost (NAD/ZAR million)	Component description*
1	Basic Education and TVET Infrastructure Development	1,239.53	<p><i>Subcomponent 1.1: Basic Education Infrastructure Improvement:</i> Activities under this subcomponent include the rehabilitation and extension of hostels, classrooms, technical workshops and science laboratories in 09 secondary schools; 2 primary schools and the National Library and Archives in 10 regions of Namibia. The subcomponent equally includes the furnishing of the rehabilitated infrastructure as well as the supply of laboratory equipment for science labs. The equipment of workshops for pre-vocational and technical subjects will equally be carried out under this subcomponent.</p> <p><i>Subcomponent 1.2: TVET Infrastructure Development</i></p>

N°	Component name	Cost (NAD/ZAR million)	Component description*
			This subcomponent includes the upgrade, expansion and construction of Vocational Training Centres (VTCs) as part of the Namibia TVET Transformation and Expansion Strategy. Specifically this sub-component will entail rehabilitation of existing facilities and construction of new additional facilities including workshops, laboratories and student hostels at four training institutions namely: Zambezi, Keetmanshoop, and Hardap vocational training centres as well as support to the University of Namibia's School of Veterinary Medicine with the construction of student hostels. The project will also procure teaching and learning equipment for the rehabilitated and newly constructed facilities under this subcomponent.
2	Basic Education and TVET System Strengthening	52.00	<p><i>Subcomponent 2.1: Basic Education System Improvement.</i> This subcomponent includes the following activities:</p> <ul style="list-style-type: none"> (a) Syllabus review and development processes for 4 levels; (b) Development, evaluation and procurement of learning and teaching support materials (textbooks) for 4 levels; (c) In-service training of 1000 school principals and teachers on new curricula and syllabuses; and (d) Conduct community engagement initiatives to address teenage pregnancy. <p><i>Subcomponent 2.2: TVET System Improvement:</i></p> <p>The objective of this subcomponent is to establish an efficient, effective and sustainable TVET system aligned with the skills needs of the labour market in all fourteen (14) regions of Namibia. Activities will include the following: (a) TVET curriculum review and standardization in the fields of science, technology, engineering and information systems. This will be done in partnership with the industry to ensure demand driven training programmes are developed and delivered in response to the needs of the industry; (b) Training of 1,500 TVET teachers and instructors; (c) Development of a Funding Framework for the TVET sector aimed at mobilising resources and promoting equity at both public and private TVET institutions with a particular focus on economically disadvantaged youth. (d) Development and institutionalisation of a performance monitoring and evaluation system including tracer studies and employer satisfaction surveys, for the TVET sector developed and institutionalized; (e) Creating partnerships between industry and training providers for in-service training, including the implementation of a coordinated approach to life-long learning. (f) Carry out an outreach programme to promote girls' participation in Science, Technology and Maths. (g) Conduct community sensitization campaigns on the prevention of teenage pregnancy. (h) Conduct employer-led Sector Skills Councils – where in private sector has a strong role to play in terms of inputs to training modules</p>
3	Project Management	8.48	The activities to be carried out under this component include the monitoring of the implementation of the project by the project management team and evaluation thereof; the conduct of the procurement and financial management aspects of the project and the quarterly and annual reporting of the project implementation progress.

* Further detailed description of Project activities are found in Appendix V of this Report and in Technical Annex B2

2.2 Technical solution retained and other alternatives explored

2.2.1 The provision of TVET across Namibia will bring services closer to the communities and also boost economic development in different regions of Namibia, given the country's extensive geographical spread. The Government's intention is to provide access to quality TVET

in all the fourteen regions of the country. This project is an effort to achieve the desired access levels to all eligible youth population, hence the choice of institutions targeted. The public Vocational Training Centres (VTCs) are the backbone of the TVET system and, therefore, resources will be directed primarily to meeting their needs.

2.2.2 The uppermost priority is to strengthen and expand public VTCs and turn them into institutions of choice. This technical solution retained, is value for money and will be realised by the creation of high quality access to TVET provision. The solution aims at creating affordable and specialised quality TVET institutions, which is much needed in driving industrial development, a knowledge-based economy, innovation and labour market needs. This will further reduce the current challenge in terms of access to TVET provision and skills development.

2.2.3 At the basic education level, the revised curricula provide for the introduction of pre-vocational and technical subjects as well as entrepreneurship in secondary schools. This approach offers students the option of continuing in basic education to university or moving to seamlessly to technical and vocational education after completing secondary school. Strengthening, the performance in mathematics, science and technology in secondary schools has thus been integrated into the solution retained as a foundation to skills development and entrepreneurship. Namibia's Vision 2030 highlights the importance for leveraging knowledge and technology for industrialization and economic growth. The target is to achieve a 30% contribution to GDP by SMEs alone. The country has also adopted a range of policy instruments that promote science and technology and the National Research, Science and Technology Policy is the main instrument. Although specific data was not available, Namibia lack scientists, engineers and technicians. The country currently imports labour in some of these fields including within Government institutions hence highlighting the need for integration of science and technology in the curriculum at various levels of the education system.

Table 2.2: project alternatives considered and reasons for rejection

Alternative name	Brief description	Reasons for rejection
TVET Training abroad and in SADC	The project would support training of Namibians in TVET programmes abroad, or in the SADC region.	This solution does not provide value for money taking into account the cost of training abroad and the relatively low numbers of students that would be trained annually. This alternative has already been explored and has turned out to be very expensive for only a limited number of trainees/students. In addition, this approach has a high potential for "brain drain".
Invest in the expansion of one VTC	The project would support the upgrade and expansion of one VTC.	This provision does not support the diversification and expansion of training provision across the country. This approach would not support indigenisation of local knowledge and skills, which is beneficial to local communities.
Focus only on TVET and exclude basic education	The project will include only TVET development activities and no basic education interventions	It was explored and concluded that primary and secondary education form the foundation of skills development and the seed to feed into the TVET system; thus it is necessary to intervene in the subsector to ensure they achieve required foundation skills that would enable them to succeed in TVET and reduce the current internal inefficiencies (low completion rates) observed at the TVET level.

2.3 Project Type

2.3.1 This is a stand-alone investment project. The Project will, however, have synergies with other projects that are being prepared for implementation in the country as well as ongoing projects. There are strong linkages and synergies between the Project and the Transport Infrastructure Improvement Project as well as the Agricultural Mechanisation and Seed

Improvement Project, which have been appraised alongside the proposed project for Bank funding. The Project's technical and vocational skills development activities will focus on developing the skills required for the maintenance of agricultural machinery as well as for the construction and maintenance of road and rail infrastructure and equipment in support of the sustainability of these projects. Furthermore, the Project's specific activities geared towards promoting female participation in technical and vocational education will increase the numbers and the quality of the workforce available to provide technical services to the transport, agriculture and other sectors in the country.

2.4 Project Cost and Financing Arrangements

2.4.1 The estimated total cost of the project, net of taxes and duties, is NAD/ZAR 1.30 billion. A price contingency of about NAD/ZAR 20 million has been included in the cost estimate. Tables (2.3) and (2.4) present the estimated project cost by component and sources of finance, whereas Tables (2.5) and (2.6) present the estimated project costs by Category of Expenditure and the Expenditure Schedule. Details of the project cost by component and expenditure category are presented in Technical Annex B2.

Table 2.3: Project Cost by Component

Component	NAD/ZAR		Cost (NAD/ZAR million)		%	
	Total	Local	Foreign	Total	Foreign	Base
Component 1: Education and TVET Infrastructure Development	1,117.63	782.34	335.29	1,117.63	30.00	95.1%
Component 2: Education and TVET System Strengthening	52.00	36.40	15.60	52.00	30.00	4.4%
Component 3 – Project Management	5.38	3.76	1.61	5.38	30.00	0.5%
Total Base Cost	1,175.00	822.50	352.50	1,175.00	30.0	100%
Physical Contingency	75.00	52.50	22.50	75.00		
Price Contingency	50.00	35.00	15.00	50.00		
TOTAL	1,300.00	910.00	390.00	1,300.00		

Table 2.4: Sources of Financing, Amount and Percentage Contribution (%)

Sources of Financing (million)	FE	%	LC	%	Total (NAD/ZAR million)	%
ADB Loan	285.00	66.67	715.00	81.95	1,000.00	76.92
GRN Contribution	142.50	33.33	157.50	18.05	300.00	23.08
Total	427.50		872.50		1,300.00	100
Percentage	32.88	-	67.12	-	-	-

2.4.2 The project will be financed by an ADB Loan and contributions of the Government of the Republic of Namibia (GRN). GRN Contribution mainly represents the cost of feasibility studies and detailed designs prepared by the Government for new TVET facilities to be constructed, the value of land developed for the construction of infrastructure under the Project, and government staff time, office space and utilities to be used for the implementation of the Project (15%); the value of the equipment for facilities rehabilitated, extended or constructed (5%); and teacher training and curriculum development (3%). Government contributions will also cover system improvement costs such as curriculum and syllabus reviews, teacher training,

provision of text books and the development of performance monitoring and evaluation systems for the sector. The Bank's resources will mainly fund the education and training infrastructure development activities of the Project as well as the supervision and monitoring costs. The respective contributions are as shown in Table 2.4. The counterpart funding is estimated at 23% of the total cost of the Project and less than the 50% stipulated in the 2008 Policy on Expenditure Eligible for Bank Group Financing (§2.1.2 Counterpart funding). In accordance with §4.2.2 of the Policy, the reduced percentage is justified as follows: the budgetary constraints faced by the Government have led to an inability to meet the 50% requirement and this results from the current economic outlook, which gives projections of lower than expected budgetary revenues resulting from falls in prices of export commodities, weak export demands and the volatility of SACU revenue inflows for Namibia. Further justifications are provided in Appendix IV of this Report.

Table 2.5: Summary Project Cost by Expenditure Categories (ADB Loan)

Disbursement categories	Cost in million		
	Local (NAD/ZAR)	Foreign (NAD/ZAR)	Total Cost (NAD/ZAR)
Civil Works	675.35	280.18	955.53
Goods	0.91	0.39	1.30
Services	29.20	12.51	41.72
Operating Cost	1.02	0.44	1.46
Total cost	706.48	293.52	1,000.00

Table 2.6: Expenditure Schedule by Components (NAD/ZAR Million)

Components	2018	2019	2020	2021	2022	Total
Component 1: Basic Education and TVET Infrastructure Development	182.69	182.69	365.38	243.59	243.59	1217.93
Component 2: Basic Education and TVET System Strengthening	7.80	7.80	15.60	10.40	10.40	52.00
Component 3 – Project Management	1.27	1.27	2.54	1.70	1.70	8.48
Total Base Cost	191.76	191.76	383.52	255.68	255.68	1278.40
Physical Contingency and Price Contingency	5.75	5.75	11.51	7.67	7.67	21.60
TOTAL	197.51	197.51	395.03	263.35	263.35	1300.00

2.5 Project's target area and population

The project will directly benefit 42,000 youths through affordable high quality TVET provision. The VTCs will contribute towards the target enrolment of an additional 8 000 full-time trainees while more trainees can be enrolled via Recognition of Prior Learning (RPL) and Apprenticeship training. Both public and private sector will benefit from a qualified and relevant skilled workforce which in return will reduce reliance to importation of skills. It is estimated that a population of about 460,000 people (51% female) in the target regions will benefit indirectly from affordable provision of TVET and thus increasing availability and employability in the labour market. The project will equally improve the quality of Basic Education for about 5,000 learners in 2 primary and 10 secondary schools in the following regions of the country: Kavango East, Kavango West, Omaheke, Oshana, Zambezi, Kunene, Hardap, Khomas, Oshikoto and Ohangwena. Repetition rates are particularly high in these targeted schools with girls performing better than boys at a repetition rate of 25% on average compared to a repetition rate of 30% for boys. However, girls are more likely to dropout than boys, with an average dropout rate of 15% for girls compared to a dropout rate of 10% for boys. The project will contribute to the reduction of drop-out rates and repetition rates as well as improve completion rates and learners' performance through an improved learning and teaching environment. Gender will be

mainstreamed and synergies drawn across the project. Through this project, activities to advance gender equality will include: (i) a community engagement initiative to address teenage pregnancy, and (ii) Promoting girls' participation in Science, Technology and Math.

2.6 Participatory process for Project identification, design and implementation

The identification of the proposed project arises from the preparation process of the NDP5. In line with the NDP5, the Government prepared a Strategic Plan for the Basic Education Sector (2017/2022) and the TVET Transformation and Expansion Strategy (2016/2032). The two strategies have been developed through a consultative process with all key stakeholders including Government Ministries, Departments and Agencies, Private Sectors, NGOs, Donors, TVET Training Providers, Regional Leaders, Local Authorities, Civil Societies, Universities, Schools and the learners. The proposed interventions at both basic education and TVET are an outcome of the recommendations from these consultations. Further consultations have been undertaken during the project preparation process focusing on school administrators, teachers, lectures and students to identify the most critical needs requiring urgent attention at the proposed schools and VTCs. Attention was also placed on the geographical spread to ensure equity.

2.7 Bank Group experience and lessons reflected in Project design

2.7.1 In 2010 the Bank provided support to the Government of Namibia, National Planning Commission, for the development of a National Human Resource Plan (NHRP) for economic growth. The NHRP recognised that the education and training system was not providing the population with the appropriate skills to find employment in the modern sector or to engage in productive activities in the informal sector. The economy was also undergoing structural transformation, and skill shortages were being experienced in a number of sectors. Understandably, there was an urgent need for timely and accurate human resource information analysis and planning. In order to support the economic growth of the country, Namibia has made significant investments in the education system by ensuring free primary and secondary education, increasing enrolment at VTCs and by promoting entrepreneurship training. However, more needs to be done to enhance access, quality and efficiency of the education system. Consistent with the NHRP improvement of access, quality and efficiency of the education system and addressing unemployment, underemployment and employability are the focus of this project.

2.7.2 The preparation of this project has taken into account lessons from the Bank's Jobs for Youth Strategy for Africa (2016). It recognises that youth unemployment is driven by interlinked and mutually reinforcing causes. These include demand challenges that impede job creation, supply challenges that limit the development of an appropriately skilled youth workforce, and challenges in linking potential employers and relevant employees together effectively. The components of this project strategically address both the supply and demand side constraints through education and training system improvements as well as the strengthening of the enabling environment for increased participation of all labour market stakeholders in education and training. In addition, the project recognise that greater education alone is insufficient to address youth employment challenges in Namibia. There is a need to improve the quality of schools to provide youth with the technical and soft skills needed for employability.

2.7.3 Lessons learnt from past and on-going Bank financed operations in Southern Africa have informed also informed the design of this project. These include the need for strengthening capacity of the Executing Agency (EA) being critical for the attainment of project outputs and outcomes. This Government of Namibia has put in place strong project oversight, coordination and implementation mechanisms. The Bank will also support the implementation of this project with its regular supervision missions. These measures will ensure that start up and implementation delays are significantly minimized.

2.8 Project's performance indicators

The key performance indicators identified and the expected outcomes on project completion are set out in the Logical Framework. A summary of the expected outcomes and main related outputs for each project component is summarised below:

Key Performance Indicators (KPIs)

Impact – Level 1

Reduction of youth unemployment from 39.3% (2014) to 33% (2022)

Outcome - Level 2

Component 1: Basic Education and TVET Infrastructure Development: Capacity of TVET institutions in the country increased from 25,000 (40% female) to 42,000 (50% female).

Component 2: Basic Education and TVET System Strengthening: Performance of learners in Senior Secondary Certificate exams in targeted schools (Maths and Science) increased from 48% to 60% (male) and from 40% to 60% (female); and % of girls falling pregnant per year in the schools of the targeted communities reduced from 8% to 2.5%⁵ by 2022.

Output Indicators targets– Level 3

Comp. 1: Basic Education and TVET Infrastructure Development: 12 Basic Education facilities rehabilitated and or extended; 3 TVET facilities constructed and or extended; 1 Higher Education facility constructed or extended; 12 Basic Education facilities equipped.

Comp. 2: Basic Education and TVET System Strengthening: 4 Basic Education syllabuses revised and under implementation; 1000 Teachers and Principals trained on new curriculums and syllabuses; 50% increase in number of trainees enrolled and completing TVET Programmes

1500 TVET teachers and instructors trained; 1 Funding Framework for the TVET sector developed; 1 Performance monitoring and evaluation system for the TVET sector developed and institutionalized; Community engagement initiatives to address teenage pregnancy conducted in 14 communities; and Outreach programme to promote girls' participation in Science, Technology and Maths conducted in 14 communities.

Comp. 3: Project Management: 4 Project Implementation Team members appointed; 4 works supervision consultants recruited; Project Implementation Manual with a gender and inclusion perspective prepared; and implementation of project activities and preparation of reports, including audits conducted in a timely manner.

III PROJECT FEASIBILITY

3.1 Economic and financial performance

Table C.1: key economic and financial figures

EIRR, ENPV (base case)	20%, NAD/ZAR 300 million
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NB: detailed calculations are available in Technical Annex B7

3.1.1 The underlying assumptions for the calculation of the EIRR of the project are provided in Technical Annex B7. The main assumptions are: incremental earnings of labour resulting from the skills developed under the Project and increased productivity in the labour market; cost savings resulting from significant internal efficiency gains resulting from reduced drop-out and repetition rates and increased completion rates in response to more appropriate curricula and syllabuses as well as increased availability of teaching/learning materials and more competent teachers under the Project; and increased private sector participation in skills

⁵ Compiled data collected from targeted schools during Project Appraisal and targets based on envisaged interventions.

development resulting in increased cost recovery and the freeing of government resources for investment in other sectors where private sector funding is not readily attracted.

3.1.2 On the cost side, these include investment costs, replacement costs, and other items as part of operation and maintenance costs, comprising of staff costs, energy, repairs and other overhead costs have been taken into account. The incremental O&M costs are estimated at 5% of investment costs. The economic life of the investment is estimated at 20 years, all the costs and benefits considered are net of duties and taxes. The Project's economic rate of return is estimated at 20 %. The value is higher than the opportunity cost of capital of 12% real and thus the Project is considered economically viable. Sensitivity analysis to test the robustness of the EIRR was carried out to determine the impact of adverse variations. The EIRR decreases to 17% assuming that costs increase by 10%; and the EIRR decreases to 16% assuming the benefits reduce by 10%. The analyses show that the project is economically viable and socially beneficial for Namibia.

3.2. Environmental and Social Impacts

3.2.1 **The Project is classified as Category 2 in line with the Bank's Environmental and Social Assessment Procedures (ESAP).** As such, the requirement is for the Executing Agency, the Ministry of Education, Arts and Culture (MoEAC) and the Namibia Training Authority (NTA) to submit an Environmental and Social Management Plan (ESMP) covering their activities under the Namibia Education and Training Quality Improvement Project. The MoEAC and NTA are also to abide by national laws and regulations and obtain environmental clearance certificates and/or permits and licenses as required. The ESMP and an ESMP summary have been prepared, approved and posted on the Bank's website on 25 October 2017.

3.2.2 **The planned construction and renovation works are slated to engender significant positive impacts on the health, safety, quality of life and academic performance of the student population.** Nevertheless, the construction, rehabilitation and maintenance of the social infrastructure can result in direct and indirect environmental and social impacts, including soil, water, air and noise pollution, waste generation and disposal, community health, safety and security and labour and working conditions. These impacts are expected to be site-specific and can be minimized by applying appropriate management and mitigation measures. An E&S coordinator is to be appointed to ensure adequate environmental and social management during projects implementation, compliance with national laws as well as AfDB safeguards requirements; and to monitor implementation of the ESMP. The MoEAC and the NTA are also to identify any support requirements to address ESMP implementation capacity gaps and environmental and social management more generally. Costs associated with ESMP implementation are to be integrated in overall project costs. The total cost of mitigation measures is estimated at NAD/ZAR 95 million and the ESMP requirements are incorporated into construction cost estimates.

3.2.3 **Climate Change: In the last decade, Namibia has experienced adverse changes in weather patterns associated with climate change such as delayed commencement of rainy seasons causing shorter growing seasons and reduced yields; overall changes in average seasonal temperature, increased threat of drought and unusually severe flooding in parts of the country.** The most vulnerable people are the communities whose livelihoods depend on natural resources – such as subsistent agriculture. Regarding the infrastructure investments to be carried out under the Project, climate resilience shall be built into the methods and techniques to be used, in accordance with the Bank's Climate Risk Management Policy. Also the Project will promote the sensitization of learners on the risks of climate change and the mitigation and adaptation measures to be taken at all levels. In 2014, Namibia adopted the National Climate Change Strategy and Action Plan, 2013-2020 (NCCSAP), which lays out the guiding principles responsive to climate change that are effective, efficient and identify priority action areas for adaptation and mitigation.

3.2.4 Gender: Namibia has set out ambitious goals for its development and gender equality is identified as one of the drivers for the achievement of its Vision 2030 with a commitment to ensure that women and men are equally heard and given equal opportunities, and that they are able to exercise their skills and abilities in all aspects of life. Across all sectors, there is notable progress on the advancement of gender equality. To bridge gender gaps in leadership for example, the government is implementing a ‘zebra system’, which automatically reserves the Deputy Minister position to a woman, if the Minister is a man and vice versa. Namibia is also one of the countries championing the African Union Continental Education Strategy for Africa (CESA 2016-2025) whose objective n° 5 is to “accelerate processes leading to gender parity and equity”. The enrolment of girls in schools in Namibia now matches or surpasses boys. There are 102 girls for every 100 boys in primary school. For every 100 boys in secondary school, there are 113 girls. Despite the positive trends in enrolment, some challenges still persist and the high enrollment of girls alone is not necessarily leading to the desired education outcomes. In vocational training centres the enrollment of female students is still much lower than that of male students. Furthermore, fewer female students enroll in Science, Math and technology related fields limiting their participation and employment in technology and engineering related work groups. Female students dominate courses such as nursing at 59% while the enrollment of male students is higher in sciences, agriculture and natural sciences at approximately 60%. This trend is reflected in the job market where there are few women in science related job groups. The 2015 -2016 report by the Equal Employment Commission reported that in the review period, women comprised only 11% of employees, and only 8% of those hired in 2015-2016 in the construction sector. A similar situation was observed in the transport sector where only 16 % of employees are female. This is despite the fact that Affirmative Action (Employment) Act compels employers employing 25 or more employees, to conduct an analysis of their workforce to determine representation in all group levels.

3.2.5 Another challenge to girls’ education achievement is teenage pregnancy. The prevalence of teenage pregnancy is high, and is estimated to be up to 24% in some regions. Most of the pregnancy happen as a result of relationships with older men during school holidays. The government has in place a re-entry policy for girls who fall pregnant, however their education remains disrupted. Furthermore, the high rates of pregnancy also means that school girls are exposed to HIV /AIDS. According to the Surveillance Report of the 2016 National HIV Sentinel Survey, 5.6% of pregnant girls aged 15-19 and 10.2% of those aged 20-24 who attended ante natal clinics in 2016 tested positive for HIV. To address the above challenges, the project will include (i) a community engagement initiative to address teenage pregnancy and protection against HIV/AIDS; and (ii) an outreach programme to promote girls’ participation in Science, Technology and Math. This initiative will include capacity building activities for teachers to demystify science and math. The two initiatives will be implemented by the Forum for African Women Educationalists – Namibia Chapter (FAWENA) housed by the Ministry of Education, Arts and Culture. The National Training Authority will set targets to increase the number of female students enrolling in the agriculture mechanisation training programme that will soon commence in Zambezi and Kavango regions, linking with the Agriculture Mechanisation and Seed Improvement Project. These activities will be preceded by a study to determine the reasons for low participation of girls in science subjects. The findings of the study will inform the interventions by FAWENA.

3.2.6 Social: According to the 2016 Labour Force Survey Namibia has a high rate of unemployment estimated at 34% (38% female and 30% male) and the situation is worse for the youth with an estimated unemployment rate of 43.3%. At the same time the incidence of poverty is high at 27%. It is of greater concern that the unemployment rate for the youth has increased since 2014 from 204,828 to 246,262 youth population aged between 15 and 34 years. Poverty rates risk increasing if urgent measures to curb the increasing unemployment rates are not

taken. The Government has therefore prioritized vocational training as a measure of reducing unemployment particularly amongst the youth. This project will support the development of high quality and skilled human capital which is currently an obstacle to youth employment. In turn, the project will support and increase employment opportunities for the youth through its activities aimed at reducing skills mismatch between the supply-side and the demand-side.

3.2.7 Involuntary resettlement: There will be no involuntary resettlement. The Project will not involve either the physical or economic displacement of anyone. Project activities will be carried out on existing buildings and/or land owned by the MoEAC and the NTA. Grievance mechanisms shall be implemented in each of the Project districts in cases where “green” sites are proposed for the construction of training infrastructure. Should the scope of the activities change in such a way that result in land acquisition, the Bank’s involuntary resettlement policies and procedures shall be followed.

IV IMPLEMENTATION

4.1 Implementation Arrangements

4.1.1 The Ministry of Education, Arts and Culture (MoEAC) will be the Executing Agency for the Project. A three tier institutional arrangement will be set up to manage and implement the Project. This will be set up in order to steer, manage and implement the Project and to ensure proper coordination with other line institutions as they relate to national planning processes and functions.

4.1.2 The Programme Steering Committee (PSC) established at National Level, and not specific to this Project, will be responsible for the overall policy and strategic direction of all projects in the country as well as approval of the work plans, budgets and progress reports of the individual projects. The Ministry of Finance will provide the secretariat of the PSC. MoF will serve as the secretariat of the PSC. The MoEAC and MHETI Permanent Secretaries shall be coopted when the PSC is deliberating issues pertaining to the Education Sector. The PSC comprises the (i) Presidential Advisor - Policy Implementation and Monitoring, as the Chairperson; (ii) Presidential Advisor - Constitutional Affairs and Private Sector Interface; (iii) Presidential Advisor - Economic, and (iv) Permanent Secretary-Ministry of Finance (PS-MoF).

4.1.3 The Project Implementation Support Unit (PISU) shall be established as the relevant coordination structure comprising of key Offices/Ministries/Agencies to serve as the guiding arm of the Project at implementation level. This will bring together key stakeholders with implementation responsibilities for the project results namely; Ministry of Education, Arts and Culture (MoEAC), Ministry of Higher Education, Training and Innovation, Namibia Training Authority (NTA), Ministry of Works and Transport (MWT), National Planning Commission (NPC), Ministry of Finance (MoF) and Forum for African Women Educationalists – Namibia Chapter (FAWENA).

4.1.4 The Project Implementation Unit (PIU) has been established to serve as the relevant management structure for the day-to-day management and implementation of the project covering procurement, financial management, and monitoring and results reporting. The PIU is responsible for both the PSC and PISU and will operate under the MoEAC. The PIU consists of a Project coordinator, an accountant and a procurement specialist, who have already been appointed. A gender specialist and a monitoring and evaluation specialist shall join the PIU during implementation together with two consultants to strengthen the team. The PIU will be

assisted by 2 consulting engineering firms for the supervision of works in the TVET subsector and in the Basic Education subsector. The Government has already prepared bills of quantities for the education facilities to be rehabilitated as well as structural and architectural designs for the TVET facilities to be constructed. These documents will form the basis for the preparation of the bidding documents by the PIU.

4.1.5 Through a Memorandum of Understanding, the Forum for African Women Educationalists – Namibia Chapter (FAWENA) housed by the Ministry of Education, Arts and Culture will implement the gender specific activities of the Project. FAWENA has over 15 years' experience in implementing gender activities in Namibia in collaboration with the MoEAC and with resources from several development partners such as USAID and the Global Fund. The institution has the comparative advantage to carry out the gender specific activities under the Project, which are an extension of the activities it is already undertaking in the country. FAWENA's achievements and experience in Namibia are considered unique and key to the efficient implementation of the gender specific activities of the Project. The gender specific activities to be implemented by FAWENA include (i) a community engagement initiative to address teenage pregnancy; and (ii) an outreach intervention to promote girls' participation in Science, Technology and Maths. This initiative will include capacity building activities for teachers to demystify Science, Technology and Maths.

4.1.6 Implementation Schedule: The Project will be implemented over a period of 5 years from Board approval in December 2017. Implementation of the Education and Training Systems Strengthening component will begin from January 2018 together with procurement activities for the works. Project completion date is set for December 2022.

4.1.7 Procurement Arrangements: Procurement of goods (including non-consultancy services), works and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the *Procurement Policy and Methodology for Bank Group Funded Operations (BPM)*, dated October 2015 and following the provisions stated in the Financing Agreement. Specifically, Procurement would be carried out following: **Borrower Procurement System (BPS):** Specific Procurement Methods and Procedures (PMPs) under BPS comprising its Laws and Regulations, *Procurement Act of 2015* and *Public Procurement Regulation (no. 2016)*, using the national Standard Solicitation Documents (SSDs) or other Solicitation Documents agreed during project negotiations for various groups of transactions to be entailed under the project. Bank Procurement Methods and Procedures (Bank's PMPs): Bank standard PMPs, using the relevant Bank Standard Solicitation Documents SDDs, for contracts that are either: (i)) Contracts procurement under Open Competitive Bidding (OCB) – international; Limited Competitive Bidding (LIB) and Consultancy services of firms, or (ii) in case BPS is not relied upon for a specific transaction or group of transactions; and (iii) in case Bank's PMPs have been found to be the best fit for purpose for a specific transaction or group of transactions.

4.1.8 Procurement Risks and Capacity Assessment (PRCA): the assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the Executing Agency (EA), were undertaken for the project and the output have informed the decisions on the procurement regimes (BPS or Bank's PMPs) being used for specific transactions or groups of similar transactions under the project. The appropriate risks mitigation measures have been included in PAR Volume II, Technical Annex B.5. Various items under different expenditure categories and related procurement arrangements have been developed for goods, works and consultancy services, as reflected in PAR Volume II, Technical Annex B.5

4.1.9 Financial Management: An assessment of the Ministry of Education, Arts and Culture (MEAC) as Project Executing Agency (that included a review of the budgeting, accounting, treasury systems, internal controls, reporting and external audit arrangements) was done to ascertain effective financial management of the project. The department of finance headed by a Director of Finance within the MEAC is responsible for the function of planning and budgeting at central and local levels including recording expenditures and maintaining assets through the use of the Government wide IFMIS. The overall internal control environment in the ministry's processes from budget preparation, execution, control and reporting is adequate and will also be applicable for the project. The system has however not been configured to enable comprehensive project reporting, therefore, a suitable system that will include the use of spreadsheets will be used for supplementing the recording and reporting of the project transactions.

4.1.10 The Ministry staff in finance department have been involved in implementation of other donor (including World Bank, EU, KfW) funded projects. An accountant from the current ministry staff force ministry has already been identified and nominated to handle the proposed project's financial management functions. The project Accountant will work together with other Project Implementing Unit (PIU) members including the Project Coordinator, Monitoring and Evaluation and Procurement Specialist. In addition, given the nature of the project to be implemented there is provision for technical assistance in facilitating the effective financial management of the project and also in capacity building of the existing finance department. Training in Bank requirements regarding financial management will also be provided as part of project launching and during implementation.

4.1.11 In accordance with the Bank's financial reporting and audit requirements, the project will be required to prepare and submit to the Bank Interim Quarterly Progress report (IQPR) with financial information for the Bank loan and Government contribution not later than forty-five (45) days after the end of each calendar quarter. The PIU will also prepare annual project financial statements. The Ministry's financial statements are audited annually by the Auditor General of Namibia (AG) in line with their mandate. In this regard, the project financial statements will also be subject to audit by the AG (or a private independent audit firm under the oversight of the AG) with the audit done in accordance with a Bank approved Terms of Reference. The audit reports (including management letter) will be submitted to the Bank within six months after the end of the respective period covered by the audit with costs of the audit as done by the private firm borne by the loan.

4.1.12 The overall conclusion of the assessment is that the MEAC's current capacity to handle all the FM aspects of the project, currently meets the Bank's minimum requirements as laid out in the Bank's FM guidelines. In addition, with the implementation of the proposed FM actions, there will be further improvement in the project financial management systems to ensure funds to be made available to finance project activities would be used economically, efficiently and for the purpose intended. The overall initial FM risk for the project is assessed as Moderate. This is also in line with current country fiduciary risk levels that allow the use of existing systems subject to their satisfactory assessment. The detailed analysis and financial management arrangements are contained in PAR Volume II, Technical Annex B.4.

4.1.13 Disbursement arrangements: Disbursement of funds under the project shall be primarily by the Direct Payment method for the activities under the project. The PIU will be responsible for certification of invoices submitted and preparation of disbursement application which will be reviewed and signed off by Government designated staff and submitted to the Bank for payment. The Special Account method to be managed by the PIU will be limited to financing the smaller and recurring operating expenses. The opening of the Special Account denominated

in ZAR together with the associated local currency account denominated in NAD will be “other condition” to the loan. Other methods of disbursement including the Reimbursement method will also be available with the agreement of the Bank. All disbursements under the Loan would be made in accordance with the Bank’s rules and procedures as laid out in the Disbursement handbook as applicable. In addition, the Bank will issue a Disbursement Letter of which the content will be discussed and agreed during negotiations.

4.2 Monitoring and Evaluation

4.2.1 The project is scheduled for implementation over a 60-month period, from January 2018 to December 2022. This schedule is reasonable, given the scope of activities to be implemented and project implementation capacity in Namibia. The Ministry of Education, Arts and Culture through its Planning Directorate coordinates education data collection and management, monitoring and evaluation and reporting. There is a Monitoring and Evaluation unit, which is linked to the Monitoring and Evaluation offices from each directorate to coordinate data collection and research, strategic planning and reporting on annual basis. In this environment the project will use the existing Education Management Information System (EMIS) for monitoring the performance of this project. Monitoring indicators in terms of outputs, outcomes and impact have been drawn from the sector strategic documents that are also consistent with the NDP5. The project will also have its own M&E system to collect specific data and feed into the larger sector monitoring framework. Monitoring of project implementation and results will be done jointly by the Ministry of Education, Arts and Culture, Ministry of Higher Education, Innovation and Vocational Training and the NTA. The M&E officer to be assigned to the project implementation unit, will have principal responsibility for project monitoring and reporting. The Bank’s monitoring will be periodic; including six-monthly supervision missions, a mid-term review, a beneficiary impact assessment and evaluation at completion. The logical framework in this document will be the basis for monitoring and assessing project performance against set targets Table 4.2 presents the project implementation and monitoring schedule.

Table 4.1: Key Milestones

Timeframe	Milestone	Monitoring process/feedback loop
December 2017	Board Presentation	AfDB
February 2018	Signature	GRN/AfDB
February 2018	Launching	GRN/AfDB
June 2018	Works commencement	GRN
December 2022	Completion	GRN/AfDB

4.3 Governance

4.3.1 Namibia is one of the countries with the best governance record in Africa and has continually been ranked within the top ten performers on the Mo Ibrahim Index of African Governance (IIAG), which measures the quality of governance in every African country. Namibia has been ranking 6th since 2000 and improving to 5th in 2015 (2016 IIAG report) based on 4 categories of governance, namely, (a) Safety & Rule of Law (score 76.1/100, rank 4th/54), (b) Participation and Human Rights (score 76.1/100, rank 2nd/54), (c) Sustainable Economic Opportunity (score 62.2/100, rank 7th/54), and (d) Human Development (score 64.7/100, rank 10th/54). The 2013 Corruption Perception Index by Transparency International ranked Namibia as the 7th least corrupt country in sub-Saharan Africa. In January 2017, Namibia unconditionally acceded to the African Peer Review Mechanism (APRM), which provides for self and peer-assessment of governance policies and practices in Africa.

4.3.2 To achieve inclusive and sustainable development, Namibia has put in place strong accountability systems in line with the Constitution and the State Finance Act of 1991 (amended 1995). The Minister of Finance presents accountability report, together with other budget documents at the National Assembly every year. The Country's efforts to reform the Public Financial Management (PFM) system are yielding results. This is testified by a transparent, consultative, and inclusive fiscal budgetary process that is succeeded by well-controlled and coordinated budget execution mechanisms, which have resulted in the decline in public sector over-expenditures. The modernization of the public procurement system is being pursued through the new Public Procurement Act 2015, which became effective on 1st April 2017, following issuance of Regulations. The Constitution clearly defines the legal and institutional framework for the fight against corruption. The Namibia Anti-Corruption Commission, established under the Anti-Corruption Act No. 8 of 2003, is mandated to combat and prevent corruption. The 2016 Corruption Perception Index ranks Namibia 53 out of 176 countries, with an overall score of 52/100.

4.3.3 The necessary systems that ensure accountability and transparency for project implementation are in place within Government and its agencies. The Government has established performance contracting which includes high ranking officials in these institutions. This project will be implemented jointly by the Ministry of Education, Arts and Culture and the NTA, having delegated powers from the Ministry of Higher Education, Training and Innovation. A Project Steering Committee and Project Coordination team of these two ministries and the NTA will discharge their duties and responsibilities within the framework of performance monitoring and accountability that exists.

4.3.4 The Ministry of Education Arts and Culture has various institutional mechanisms for the implementation of its programmes and projects that include the Management Policy Coordination Committee, the Capital Project Committee, Procurement Management Committees recently established, and the Cluster on Gender mainstreaming. These committees deal with cross cutting mandates and all report to the Permanent Secretary who in turn reports to the Executive Committee of the Ministers and Permanent Secretaries. On the other hand, the NTA has established management and governance structures that monitor all strategic projects. The NTA Board, through its strategic committee, will oversee implementation of the project at a strategic level. It is therefore foreseen that there will be no major issues with regard to governance that may affect project implementation. Any minor governance issues shall be mitigated in the Project through measures such as: (i) designation of an experienced accounting officer (ii) provision of a financial management guidelines to guide Project staff; (iii) making full utilisation of Internal Audit capacity to pre-empt audit transaction issues; (iv) regular supervision and submission of progress reports, and (v) designation of qualified and experience procurement and M&E experts.

4.4 Sustainability

The sustainability of the Project outcomes and the continuation of the major actions of the Project are partly ensured by the Government's commitment to continue financing education systems improvement interventions in the country. Teachers, principals and instructors shall be trained under the Project to strengthen the delivery of the revised curricula and syllabuses in order to improve and sustain the performance of learners at all levels of the TVET and basic education subsystems. There are existing maintenance plans with budget lines from MoEAC and NTA for the maintenance of the various facilities to be developed under the Project. The gender specific activities to be implemented under the Project will equally contribute to the sustainability of its outcomes through improving the internal efficiency of the system with the efforts geared at reducing the dropout rates resulting from teenage pregnancy and other gender-based violence causes. Finally, the Project includes recruitment of key project implementation

human resources and has the appropriate systems in place to ensure its effective implementation and the sustainability of its outputs and outcomes.

4.5 Risk management

During the project formulation process, a thorough assessment of potential risks was conducted. The project builds on lessons learned from other similar operations financed by the Bank in the education sector within the SADC region since there has not been a previous project in Namibia. The potential risks and mitigation measures are shown in Table 4.2.

Table 4.2 Risk and Mitigation

Potential Risks	Level	Mitigating Measures
The PIU to be set up has limited experience of the Bank's rules and procedures for project implementation	Medium	Country systems will be used as much as possible and adequate training provided to the PIU on the Bank's rules and procedures.
Low teacher competence in new curriculums and syllabuses	Low	Project includes appropriate training for teachers, which will be monitored.
Government budgetary constraints could limit GRN contribution to expansion programme	Low	Steering Committee will be properly constituted and sensitized to ensure GRN maintains TVET as a priority for funding.
Entrenched gender biases and vulnerabilities could limit the gender gains of the project	Medium	The project includes specific gender activities aimed at girls and the communities they come from to school.
Inadequate number of females enrolling in TVET	Low	Targeted approach of enrolling females using multi-faceted methods will be employed.

4.6 Knowledge building

4.6.1 The project will contribute to the generation of knowledge building and innovation, which is in line with the country's vision of a knowledge-based economy. Furthermore, as part of the over-arching objective pertaining to the development of VTCs, it is envisaged that incubation centres will be established to be used for entrepreneurship development, growth, mentoring and support towards maturity. The Project will thus contribute to generation of relevant data, information and evidence in the areas of curriculum reviews and implementation as well as in the establishment of technical and vocational training facilities with private sector participation in the development of TVET curricula that minimize skills mismatch in the labour market.

4.6.2 The information and knowledge generated under the Project will be captured through progress reports, monitoring reports, field supervision and exchange of experience between the Project staff and experts in Namibia. Also, stakeholder and other Development Partner forums in the country in the Basic Education and training sector will provide a platform for sharing of best practices and lesson learnt. Key knowledge generation processes envisaged under the project include the impact assessment of the gender inclusion activities; project reviews; and the final project evaluation by independent evaluators. The knowledge generated through this project will be disseminated through the websites of the Ministry of Education, Arts and Culture and the African Development Bank. The project Team will also organize interactive sessions with stakeholders to disseminate reports and other knowledge products developed under the Project.

V LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

The legal instrument to be used for the Project is the Loan Agreement between the Republic of Namibia (“Borrower”) and the African Development Bank (the “Bank”)

5.2. Conditions associated with Bank’s intervention

5.2.1 Condition Precedent to Entry into Force of the Loan Agreement

- The loan agreement shall enter into force subject to fulfilment by the Borrower of the provisions of section 12.01 of the General Conditions Applicable to Loan Agreements and Guarantee Agreement of the African Development Bank.

5.2.2 Conditions Precedent to First Disbursement for the Loan

- The obligations of the Bank to make the first disbursement of the Loan shall be conditional upon the entry into force of this Agreement.

5.2.3 Other Conditions

- The Borrower shall prior to the request for disbursement of advance to the special account provide evidence of having opened one (1) foreign currency denominated Special Account and one (1) local currency denominated Special Account, at the Bank of Namibia into which the proceeds of the Loan will be deposited.

5.2.4 Undertakings

- The Borrower undertakes to implement the Project in accordance with (A) national legislation, (B) provisions and conditions of any environmental licenses issued in relation to the Project and (C) the Environmental and Social Management Plan (ESMP).

5.3. Compliance with Bank Policies

This Project complies with all applicable Bank policies.

VI RECOMMENDATION

Management recommends that the Board of Directors approve the proposal for an ADB loan of NAD/ZAR 1 billion to the Republic of Namibia for the purposes and subject to the conditions stipulated in this report.

Appendix I. Country's comparative socio-economic indicators

Indicators	Unit	2000	2011	2012	2013	2014	2015	2016 (e)
National Accounts								
GNI at Current Prices	Million US \$	4,005	11,134	12,489	13,446	13,624	12,811	...
GNI per Capita	US\$	2,110	4,970	5,450	5,730	5,670	5,210	...
GDP at Current Prices	Million US \$	3,909	12,410	13,016	12,720	12,838	11,546	10,414
GDP at 2000 Constant prices	Million US \$	3,909	6,439	6,765	7,149	7,611	8,014	8,121
Real GDP Growth Rate	%	4.1	5.1	5.1	5.7	6.5	5.3	1.3
Real per Capita GDP Growth Rate	%	1.9	2.9	2.7	3.2	4.0	2.9	-0.9
Gross Domestic Investment	% GDP	17.1	22.4	26.7	25.2	33.0	34.0	26.5
Public Investment	% GDP	5.1	8.2	7.2	6.8	4.3	5.3	5.5
Private Investment	% GDP	12.0	14.1	19.5	18.4	28.7	28.8	21.0
Gross National Savings	% GDP	25.0	19.3	21.0	21.2	22.3	21.2	16.8
Prices and Money								
Inflation (CPI)	%	9.3	5.0	6.7	5.6	5.4	3.4	6.7
Exchange Rate (Annual Average)	local currency/US\$	6.9	7.3	8.2	9.7	10.9	12.8	15.1
Monetary Growth (M2)	%	66.4	11.3	9.7	6.5	7.7	10.5	11.4
Money and Quasi Money as % of GDP	%	58.8	98.9	91.4	84.7	80.4	84.0	87.6
Government Finance								
Total Revenue and Grants	% GDP	29.6	27.7	31.7	33.0	33.4	35.4	34.9
Total Expenditure and Net Lending	% GDP	31.1	39.0	34.0	37.3	42.0	43.6	39.0
Overall Deficit (-) / Surplus (+)	% GDP	-1.5	-7.2	-1.0	-3.9	-6.6	-8.7	-4.7
External Sector								
Exports Volume Growth (Goods)	%	-0.9	-4.3	-1.1	0.8	-4.1	0.4	9.5
Imports Volume Growth (Goods)	%	-5.2	-0.6	19.0	1.1	8.5	1.0	3.4
Terms of Trade Growth	%	12.7	5.7	1.5	4.7	3.5	-8.3	5.9
Current Account Balance	Million US \$	308	-379	-742	-509	-976	-1,582	-1,011
Current Account Balance	% GDP	7.9	-3.1	-5.7	-4.0	-7.6	-13.7	-9.7
External Reserves	months of imports	1.9	3.4	2.9	2.4	1.7	2.6	2.8
Debt and Financial Flows								
Debt Service	% exports	16.0	33.2	40.6	30.7	38.7	42.7	43.8
External Debt	% GDP	20.4	41.5	35.5	39.1	42.9	50.6	60.3
Net Total Financial Flows	Million US \$	127	708	-769	280	-777	394	...
Net Official Development Assistance	Million US \$	152	278	252	261	226	142	...
Net Foreign Direct Investment	Million US \$	186	1,120	1,133	801	432	1,078	...
<div> <p>Real GDP Growth Rate, 2004-2016</p> </div> <div> <p>Inflation (CPI), 2004-2016</p> </div> <div> <p>Current Account Balance as % of GDP, 2004-2016</p> </div>								

Source : AfDB Statistics Department; IMF: World Economic Outlook, April 2017 and International Financial Statistics, April 2017;

AfDB Statistics Department: Development Data Portal Database, March 2017. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations (p) Projections

Last Update: June 2017

Appendix II: Table of ADB's portfolio in Namibia

N	Division	Long name	Status of Project	Finance project	Loan Number	Sector Name	Window	Approval date	Planned project completion date	Amount App.
1	PISD	DEVELOPMENT BANK OF NAMIBIA (DBN) - CORPORATE LOAN	OnGo	P-NA-HAA-004	2000130014230	Finance	ADB	7/9/2015	1/1/2028	245,182,170.4
2	PISD	CORPORATE LOAN TO TRUSTCO FINANCE LIMITED	OnGo	P-NA-HB0-001	2000130008080	Finance	ADB	12/7/2011	8/1/2019	3,541,520.2
						Finance				248,723,690.6
3	ECST	STATISTICAL CAPACITY BUILDING PROGRAM PHASE II (SCB-II)	OnGo	P-NA-K00-001	5500155004654	Multi-Sector	ADB	7/7/2011	9/30/2016	490,600.0
4	ECGF	MIC GRANT INSTITUTIONAL STRENGTHENING FOR PPP	OnGo	P-NA-KA0-001	5500155009151	Multi-Sector	ADB	7/8/2015	12/31/2019	787,671.0
5	ECGF	ECONOMIC GOVERNANCE AND COMPETITIVENESS SUPPORT PROGRAM	APVD	P-NA-IAD-004	5500155009951	Multi-Sector	ADB	5/10/2017	12/31/2019	163,454,780.2
						Multi-Sector				164,733,051.2
6	AHHD	MIC - SUPPORT TO THE NAMIBIA NATIONAL COUNCIL ON HIGHER EDUC	OnGo	P-NA-IAD-004	5500155009951	Social	ADB	2/3/2016	9/30/2018	396,985.0
						Social				396,985.0
7	PICU	NEWPORT OF WALVIS BAY CONTAINER TERMINAL PROJECT - LOAN	OnGo	P-NA-DD0-002	2000130010780	Transport	ADB	7/22/2013	12/31/2017	162,474,051.6
					5500155006651	Transport	MIC	7/22/2013	6/30/2018	1,000,000.0
						Transport				163,474,051.6
						Grand Total				577,327,778.4

Appendix III. Map of the Namibia



Appendix IV – Justification for Government Contribution less than 50%

The project's financing information indicates that the level of financing to be provided by GRN amounts to NAD 300 million, representing about 23% of the total project cost and covers cost of equipment for TVET and basic education infrastructure constructed or rehabilitated, cost of education curriculum reviews and teacher training and the value of land developed for TVET infrastructure. This amount is less than the recommended 50% minimum counterpart contribution specified in the Bank's 2008 Policy on Expenditure Eligible for Bank Group Financing. The policy further stipulates that the **ADB may finance more than 50% of the total project costs on a case-by-case basis and up to a limit that does not exceed 100%.**

Following a request received from GRN and discussions with the authorities, the recommendation is for the Bank to finance up to 77% of the project cost, with the GRN financing the remainder (23%). The overarching basis for this recommendation is informed by the status of Namibia's current deteriorated fiscal and debt position due to a recent slump in economic activity and a decline in fiscal revenues. The GRN is currently implementing a strong fiscal turnaround program, curbing non-productive spending, slowing some capital spending while aiming to preserve its capacity to finance growth-enhancing capital investments without further overburdening public debt. The justification for the reduced Government contribution is further rationalised on the following considerations:

1. The Government's commitment to implement its development programme

The Government of Namibia's (GRN) development agenda is articulated in the Harambee Prosperity Plan and the Fifth National Development Plan (NDP5: 2017/18-2021/22). The Namibia Harambee Plan outlines under Goal 10 [HPP10] the important role of technical education and training in driving the growth of the economy and equipping the youth with the skills necessary to engage in economic activities and create wealth. Namibia's Sector Policy on Inclusive Education (2013) aims to expand access to and provision of quality education, especially for educationally marginalised learners; and to support learners with a wide range of individual abilities and needs in compulsory education at Early Childhood Development (ECD), pre-primary, primary and secondary levels. The Government has mobilised considerable amounts of resources to implement these strategies, particularly for the Education and Training sector, demonstrating its commitment to the sector.

2. The Country's Financing Allocation to the Education and Training Sector

The GRN has consistently invested a significant share of the national budget in the social sectors for human capital development, improvement of the quality of life for Namibians and overall living standards. In the 2017/2018 budget, 47.7% of total non-interest expenditure is allocated to the social sectors to, among others, support programmes in education, health and poverty eradication. The total budget to the social sectors is N\$27.44 billion, or N\$83.71 billion over the MTEF (2017/18 – 2019/20); N\$11.98 billion is allocated to the Ministry of Basic Education and Culture and N\$36.17 billion over the MTEF. This is the highest budget allocation, in keeping with the historical priority accorded to Education; N\$3.07 billion is allocated to the Ministry of Higher Education, Training and Innovation, which amounts to a total of N\$9.26 billion over the MTEF. Out of this allocation, a total of N\$926.04 million is allocated to University of Namibia and N\$533.58 to Namibia University of Science and Technology to support expanded access to tertiary education and vocational training. The Ministry of Health and Social Services received the second highest allocation of N\$6.51 billion and N\$20.26 billion over the MTEF; and N\$3.28 billion is allocated to the Ministry of Poverty Eradication and Social Welfare for the provision of Social Safety Nets and other antipoverty intervention measures. Over the MTEF, this allocation amounts to about N\$10.00 billion⁶.

⁶ 2017/2018 Government of the Republic of Namibia Budget Speech

3. The Government's budget situation and debt level

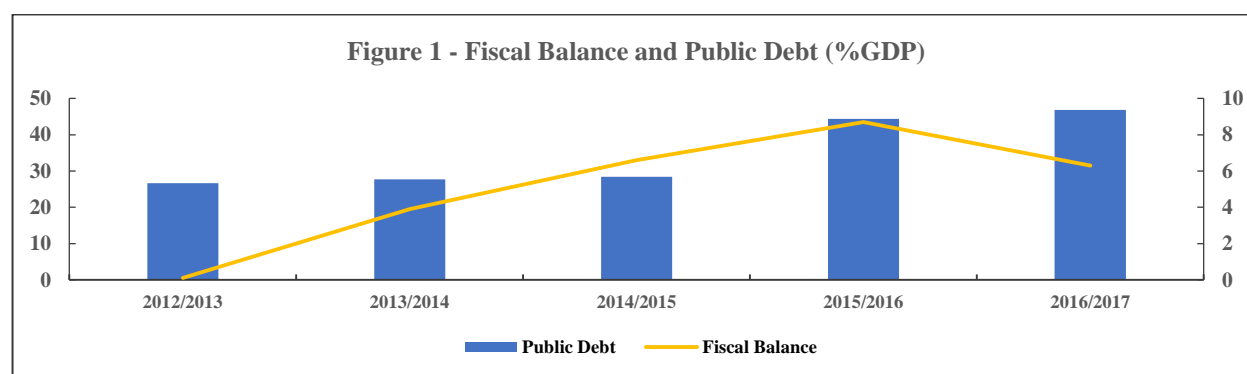
Namibia's small and open commodity-driven economy is revealing its vulnerabilities with resulting challenges to its macroeconomic stability. Economic growth stalled at 0.2% real GDP growth in 2016, down from 5.3% in 2015, as mega construction projects ended, weak commodity prices and drought persisted and the subdued economic activity in South Africa and Angola sharply reduced Namibia's Southern African Customs Union (SACU) revenue inflows and services sector activity, respectively.

Table 1: Budget Outturn

	2016/17	2017/18 (estimate)
Total Revenues and Grants (% of GDP)	31.0	32.2
SACU revenues (% of total revenues)	27.7	34.5
Total Expenditure (% of GDP)	38.0	38.0
Fiscal Balance (% of GDP)	-6.90	-5.62

Source: Ministry of Finance

The slump in economic growth contrasted with the expansionary fiscal policy environment, generating a fiscal deficit and widening public sector debt. In 3 years (2012/13 to 2015/16) Namibia evolved from a nearly zero fiscal deficit of 0.1% to 8.3% share of GDP, as revenue inflows failed to keep pace with increasing public spending. Total expenditure increased from 33.8% of GDP to 43.3%, driven by rapid growth in capital spending, subsidies and transfers and public sector wages and salaries. At the same time total revenues grew only marginally from 33.7% of GDP in 2012/13 to 35.5% in at the end of 2015/16 weighed down by a sharp reduction in the SACU and domestic tax receipts.⁷



The fiscal deficit financing nearly doubled public debt ratio to GDP. The Government tapped into the domestic capital market and used proceeds from the US\$750 million Eurobond issued in 2015 and the Johannesburg Stock Exchange (JSE) bonds issued in 2015 and 2016 to finance the deficit. The capital market issuances, combined with the depreciation of the currency sharply increased public debt from 24% of GDP in 2012/13 to 39.8% at the end of 2015/16 breaching the government's own fiscal limit of 40% of GDP. Current Public and Public Guarantee Debt stands at 46.9% of GDP. Nonetheless, the latest Debt Sustainability Analysis carried out by the IMF in 2016 show that Namibia's public debt sustainability and outlook remain below the distress threshold of 70% of GDP.

⁷ As a share of total government revenues, SACU receipts represent about 35% in Namibia. In 2015/16 they slowed down to 8.6% of GDP from 11.6% in 2013/14 while tax revenues moderated to 32.7% of GDP from 33.1%. During the period subsidies transfers increased to 11.9% of GDP in 2015/16 from 10.7% of GDP in 2014/15 while wages and salaries increased from 15.3% of GDP to 16%.

Table 2: Public Debt

	2016/17	2016/17 (estimate)
Domestic Debt (% of GDP)	25.37	26.11
External Debt (% of GDP)	16.00	16.04
Total Debt (% of GDP)	41.4	42.10

Source: Ministry of Finance and Bank of Namibia

The GRN is addressing these imbalances through a vigorous fiscal consolidation and public financial management reforms to improve the efficiency of spending, strengthening domestic resource mobilization, and putting public debt on a downward trajectory. The 2017/18 budget Measures include cutting non-priority spending of up to 2.8% of GDP while realigning spending plans in line with the revenue stream and introducing some levies and taxes. The bold measures aim at reining in current non-productive spending, slowing some capital spending while preserving growth-enhancing capital investments and strengthening domestic revenue mobilisation. The MTEF for 2017/18 targets a zero net increase in the size of the civil service, with wage increase capped to a maximum of the annual inflation rate. These measures which also aim at protecting social spending, are expected to put the fiscal deficit on a declining path, to be in compliance with the fiscal limit of 5% of GDP by 2018/19 and a fiscal deficit of 1% in 2019/2020.

In view of the above considerations, there is a case for the Bank to reduce the Government's counterpart funding of this critical project to 23%. It is expected that this amount will ensure requisite ownership by the authorities and expedite the project's implementation process.

Appendix V – List of Basic Education and TVET Infrastructure for Development

A. Basic Education Infrastructure for Rehabilitation

No.	School Name	Region	Estimated Costs from Bills of Quantities (NAD)
1	Linus Shashipapo SSS	Kavango East	91,000,000.00
2	Himarwa Lithete SS	Kavango West	33,454,004.50
3	Erenst Meyer PS	Omaheke	59,415,142.50
4	EpukiroPost 3 JSS	Omaheke	64,954,260.00
5	Ashipala SS	Omusati	19,770,517.90
6	Andimba Toivo Ya Tivo	Oshana	140,000,000.00
7	National Library & Archives	Head Office	18,505,377.80
8	Caprivi SSS	Zambezi	68,052,121.90
9	Omuhonga PS	Kunene	76,353,847.50
10			-
11			-
12	Augustineum SS	Khomas	28,308,858.96
			-
13	Nehale SS	Oshikoto	14,000,000.00
14	Ongha SS	Ohangwena	15,000,000.00
	Cost of Works (sub-total)		628,814,131.06

B. TVET Infrastructure for Construction Works

1. Zambezi Vocational Training Centre;
2. Keetmanshoop Vocational Training;
3. Hardap Vocational Training centre; and
4. Extension of UNAM School of Veterinary Medicine.