

AFRICAN DEVELOPMENT BANK



**PROJECT: TRANSPORT INFRASTRUCTURE IMPROVEMENT
PROJECT**

COUNTRY: NAMIBIA

PROJECT APPRAISAL REPORT

PICU/RDGS

November 2017

TABLE OF CONTENTS

I – STRATEGIC THRUST & RATIONALE.....	1
1.1. Project linkages with country strategy and objectives.....	1
1.2. Rationale for Bank’s involvement.....	2
1.3. Donor coordination.....	3
II – PROJECT DESCRIPTION	3
2.1. Development Objectives and Project components	3
2.2. Technical solution retained and other alternatives explored.....	4
2.3. Project type	5
2.4. Project cost and financing arrangements	6
2.5. Project’s target area and population	7
2.6. Participatory process for project identification, design and implementation	7
2.7. Bank Group experience, lessons reflected in project design	8
2.8. Key performance indicators	9
III – PROJECT FEASIBILITY	9
3.1. Economic and financial performance	9
3.2. Environmental and Social impacts.....	11
IV – IMPLEMENTATION.....	14
4.1. Implementation arrangements.....	14
4.2. Monitoring	17
4.3. Governance	17
4.4. Sustainability	18
4.5. Risk management.....	19
4.6. Knowledge building	19
V – LEGAL INSTRUMENTS AND AUTHORITY.....	20
5.1. Legal instrument	20
5.2. Conditions associated with Bank’s intervention.....	20
5.3. Compliance with Bank Policies.....	20
VI – RECOMMENDATION	20
Appendix I: Country’s comparative socio-economic Indicators	I
Appendix II: Table of ADB’s portfolio in the country	II
Appendix III: Key related projects financed by the Bank and other development partners in the country	III
Appendix IV: Map of the Project Area.....	IV
Appendix V: Project Components Description.....	V

Currency Equivalents

As of July 2017

UA 1	=	ZAR 18.1749
UA 1	=	US \$ 1.39139
US \$ 1	=	ZAR 13.06241

Fiscal Year

1st April – 31st March

Weights and Measures

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

AADT	Average Annual Daily Traffic	MET	Ministry of Environment and Tourism
ADB	African Development Bank	MoWT	Ministry of Works and Transport
ADF	African Development Fund	MTR	Mid Term Review
AIDS	Acquired Immune Deficiency Syndrome	NAD	Namibia Dollar
CSP	Country Strategy Paper	NDC	Nationally Determined Contribution
EA	Executing Agency	NPV	Net Present Value
EIRR	Economic Internal Rate of Return	RA	Roads Authority
ESAL	Equivalent Standard Axle Load	RFA	Road Fund Administration
ESIA	Environmental and Social Impact Assessment	RUC	Road User Charges
ESMP	Environmental and Social management Plan	STI	Sexually Transmitted Infection
EU	The Commission of European Union	TAL	Tons per Axle Loading
FY	Financial Year	TEU	Twenty-tonne Equivalent Unit
GBV	Gender Based Violence	TB	Tuberculosis
GDP	Gross Domestic Product	UA	Units of Account
GHG	Green House Gas	USD	United States Dollar
HDM	Highway Development and Management	VOC	Vehicle Operating Costs
HIV	Human Immunodeficiency Virus	WB	World Bank
HKIA	Hosea Kutako International Airport	ZAR	South African Rand
IRI	International Roughness Index		
ISBP	Integrated Strategic Business Plan		

Loan Information

Client's information

BORROWER:	Government of Republic of Namibia
EXECUTING AGENCY:	Ministry of Works and Transport

Financing plan

Source	Amount (ZAR) Million	Instrument
ADB	2,000.00	Loan
GRN	3,522.00	Counterpart Funding
TOTAL COST	5,522.00	

Key financing information for ADB

Loan Currency	South African Rand (ZAR)
Loan Type	Fully Flexible Loan
Tenor	20 years (inclusive of Grace Period)
Grace period	5 years
Average Loan Maturity*	12.62 (function of the amortization profile)
Repayments	Consecutive quarterly payments after grace period
Interest Rate	Base Rate +Funding Cost Margin+ Lending Margin + Maturity Premium
Base Rate	Floating Base Rate (3-month JIBAR reset each 1st February, 1st May, 1st August and 1st November) A free option to fix the Base Rate is available
Funding Cost Margin	The Bank funding cost margin as determined each 1st January and 1st July and applied to the Base Rate each 1st February, 1st May, 1st August and 1st November
Lending Margin	80 basis points (0.8%)
Maturity Premium	0% if Average Loan Maturity <= 12.75 years
Front-end fees	0.25% of the loan amount payable at latest at signature of the loan agreement
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
EIRR (base case)	19.70%, ZAR 849.68 million

Timeframe - Main Milestones (expected)

Project approval	December, 2017
Effectiveness	March, 2018
Completion	December, 2022
Last Disbursement	June, 2023
Last Repayment	December, 2037

Project Summary

Project Overview

The Namibia Transport Infrastructure Improvement Project (NTIIP) encompasses two priority interventions in the rail and road transport sub-sectors: (i) Upgrading of the Walvis Bay – Kranzberg railway section (210km); and (ii) Upgrading of the Windhoek to Hosea Kutako International Airport (HKIA) Road – Phase 2A (23.8 km). The two interventions are part of the priority projects as identified in the Government of the Republic of Namibia (GRN)'s Harambee Prosperity Plan (HPP), an action plan launched in April 2016 to accelerate the delivery of the targets under NDP4. The NDP4 priorities have been retained in the current and successor NDP5.

The Walvis Bay-Kranzberg railway section, of cape gauge¹, is presently constrained due to its structural condition. This has resulted in speed restrictions imposed on more than 50% of the length of line. The 16.5 ton per axle load (TAL) of the line is below the SADC standard of 18.5 TAL, with the branch lines having smaller load capacity estimated as 11.5 TAL. The project will contribute to improving the capacity of the line to 18.5 TAL, and train speeds of up to 80km/hr for freight and 100km/hr for passengers. Currently only about 48% of the total rail network (2,630km) meets the SADC requirements, with a medium term target to upgrade 70% of the network in line with the long term “Vision 2030”, which aims to make Namibia a transport and logistics hub. The road sub-sector intervention will involve upgrading of a 23.8km section – Phase 2A of the 48.8km road between Windhoek and HKIA. The road comprises three phases: Phase 1 (8km), Phase 2A (23.8km), and Phase 2B (17km). Phase I is currently being implemented by GRN, who are also sourcing financing to implement Phase 2B. The project will contribute to the improvement of transit times between Windhoek and HKIA.

The Ministry of Works and Transport (MoWT) shall be the Executing Agency for the project that is estimated to cost ZAR 5,522 million. The Bank will contribute ZAR 2,000 million (36%) and GRN will contribute ZAR 3,522 million (64%). The rail upgrading works will be under two contracts implemented over a period of 36 months, whilst the road construction works will be implemented over a period of 42 months under one contract. Other project activities include Technical Assistance to support MoWT in the implementation; skills development and training with focus on women; and integration of measures to promote the sustainability of the rail and road network. The project also includes activities to position the rail operator Trans-Namib, a key stakeholder, to perform better. The overall project implementation period is five years.

Needs Assessment

Transportation of goods to and from the port of Walvis Bay and beyond in the SADC region is constrained by the poor condition of the railway line and culminates in high transportation costs which negatively affects Namibia's economic competitiveness. The infrastructure bottlenecks need to be addressed to better harness the dividends from the transport sector, to contribute to the growth of the economy. The opportunities that shall be potentially unlocked by undertaking the intervention, are anticipated to contribute towards reduction of poverty and also inequality which is one of the highest in the world (at 57%). The proposed infrastructure improvements have a direct linkage to the Walvis Bay Port.

Bank's Added Value

The Bank has built experience in delivery of large infrastructure projects and promoting regional integration, as well supporting technical capacity development in the region through various technical assistance interventions to improve performance and develop best practices.

¹ 1067mm single track line -initially constructed in the 1900s as narrow gauge and upgraded to cape gauge in 1960s

The project complements the efforts for improving trade in the Southern region; and poverty alleviation through targeting women and youth through defined activities. The Bank is providing support to Namibia in the expansion of the container terminal at the Port of Walvis Bay and the lessons learnt so far under this project will be critical to implementing follow-up projects. The Bank supporting the upgrade of the Phase 2A of the road between Windhoek and HKIA, the mid-section, shall assist GRN leverage the financing to implement Phase 2B to complete the 48 km road.

Knowledge Management

The experience that will be obtained from implementation of the project will add to the Bank's knowledge in designing, and implementing large scale projects in the transport sector.

Country and project name: NAMIBIA: TRANSPORT INFRASTRUCTURE IMPROVEMENT PROJECT

Purpose of the project: To promote linkages of the ports (Walvis Bay sea port) to the hinterland and to the neighbouring countries; to support the Namibia's Vision 2030 of becoming a regional logistics hub

	RESULTS CHAIN	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES	
		Indicator (including CSI)	Baseline	Target			
IMPACT	Contribute to economic growth	Real GDP growth rate	1.1% ² (2016)	> 3% (2025)	Namibia Statistics Agency (NSA). Development Reports; Ministry of Finance and Economic Development; National Planning Commission; International Monetary Fund; World Economic Outlook Database; Bank of Namibia		
	Rail						
OUTCOMES	Outcome 1: Improved performance of railways	Average train speed for freight	20 – 30km/hr	> 80km/hr (2022)	Train speed surveys	Risks: i. The rolling stock is not adequately provided or available to meet the capacity demands and Inadequate provisions for the maintenance of the upgrade railway line ii. Inadequate provisions for the sustenance and maintenance of the road network iii. Planned Upgrading works for Phase 2B (17 km) connecting extent of Phase 2A to HKIA not undertaken as planned iv. Ineffective axle load control resulting in accelerated failure of rehabilitated road network. Mitigation: i. GRN and Trans-Namib implementing a turn-around strategy to address rolling stock locomotives and wagons constraints ii. Provisions for road maintenance continuing to be made through the Road Fund Administration and Proposed development of the Road Sustainability Strategy iii. GRN is seeking grant financing for Phase 2B that is leveraged on implementing Phase 2A iv. GRN continuing to implement axle load control measures on the road corridor by monitoring performance of weighbridges and enforcing effective control.	
		Rail transport market share	24% (2015)	30% (2022)	National Statistics		
	Outcome 2: Increased railway transported cargo	Percentage of railway line with speed restrictions between Walvis Bay and Kranzberg	50% (2016)	< 10% (2022)	Ministry of Works and Transport Travel Time Surveys		
		Modal split for cargo between railway and road (%) between Walvis Bay and Tsumeb	5:95	At least 15:85 (2025)	Roads Authority Reports Post-completion M & E Report		
	Road						
	Outcome 3: Reduced Road Transport costs between Windhoek and HKIA	Average travel time for through traffic	1.5 hrs in 2017	Less than 1 hr (2022)	Progress reports		
Composite VOCs (NAD)		NAD 37.63/veh-km	NAD 17.00/veh-km (2022)				
Outcome 4: Improved skilled labour force in the transport sector	Increased No. of skilled youth and women in rail and road infrastructure maintenance	Nil	100 youth (30% female by 2022)				
OUTPUTS	Output 1: Upgraded Railway line to 18.5 TAL, SADC standard	Length of rehabilitated and upgraded railway line between Walvis Bay and Kranzberg	0 km	210 km (2022)	Executing Agency Quarterly Reports Monthly Progress Reports		
	Output 2: Upgraded dual carriageway freeway 2 x 12.4m wide roadway, 23.8 km length	Length of constructed freeway between Windhoek and HKIA	0 km (2017)	23.8 km (2022)	Project Completion Report		

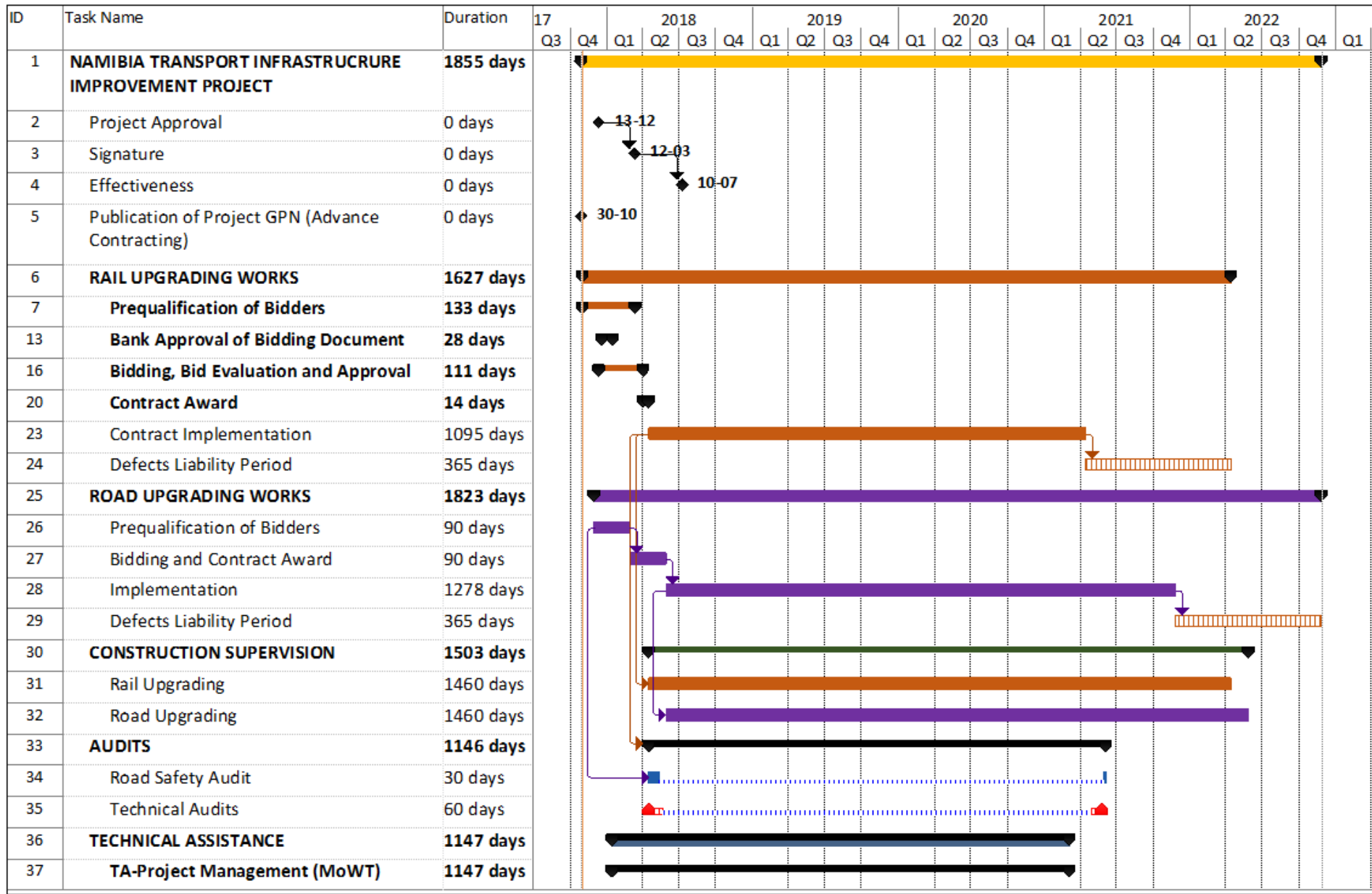
² Revised from preliminarily reported 0.2% to 1.1% in August 2017

Country and project name: NAMIBIA: TRANSPORT INFRASTRUCTURE IMPROVEMENT PROJECT

Purpose of the project: To promote linkages of the ports (Walvis Bay sea port) to the hinterland and to the neighbouring countries; to support the Namibia's Vision 2030 of becoming a regional logistics hub

	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
	RESULTS CHAIN	Indicator (including CSI)	Baseline		
	Output 3: New traffic interchanges under Phase 2A section of the Windhoek to HKIA freeway	Number of interchanges constructed	Nil	4 (2022)	ix. Project cost overruns x. Poor delivery of sensitisation programmes. Mitigation: v. Periodic Financial and Technical Audits vi. Adoption of best practice in identification of contractor's and establishment of a rigorous supervision regime vii. Inclusion of a Technical Assistant to support MoWT in the implementation of the project viii. Establishment of a Technical Assistant to assist the Executing Agency in Project Implementation. ix. Use of contractor's with proven performance records in similar assignments to be considered in the procurement process (pre-qualification) x. Engagement of well qualified and experienced personnel, and involvement of various stakeholders (NGOs, CBOs) in carrying out the sensitisation programme
	Output 4: Training and outreach programmes for youth and women in rail and road maintenance	Number of training programmes	Nil	2 Training programmes conducted by 2022	
	Output 5: Sensitisation of project area inhabitants on HIV/AIDS	Number of persons sensitised	Nil	At least 200 persons along project railway corridor sensitised by 2022. (At least 50% female)	
	Output 6: Gender mainstreaming Guidelines for Road Sub-sector	Gender mainstreaming guidelines	Nil	1 No. Guideline developed (2021)	
	Output 7: Feasibility and Updated Detailed Design Study Reports for (a) Commuter railways and (b) Grootfontein Rundu railway.	Study Reports	N/A	2 (2021)	
	Output 8: Sector Reports: (a) Railway Sector Institutional Review and (b) Road Sustainability Strategy	Final Reports	N/A	2 (2021)	
	COMPONENTS				
KEY ACTIVITIES	<ul style="list-style-type: none"> ▪ <i>Component A1: Railway Upgrading Works</i> (i) Upgrading of 210 km of railway permanent way between Walvis Bay and Kranzberg and (ii) Rehabilitation of bridge structures ▪ <i>Component A2: Consulting Services</i> (i) Construction Supervision for Walvis Bay – Kranzberg upgrading works; (ii) Project Financial Audits; (iii) Technical Audits and (iv) Sensitisation on HIV/AIDS ▪ <i>Component A3: Institutional Support and Capacity Building</i> (i) Technical Assistance to support MoWT in project management; (ii) Update of the Design for Grootfontein – Rundu Railway; (iii) Feasibility Study for the Rundu – Katima Mulilo (Zambia border) Railway - (Trans-Zambezi Corridor); (iv) Market Analysis for Rail Operations Study; (v) Railway Sector Institutional Setup review support; (vi) Skills Development Promotion and Training for Railway Infrastructure Maintenance; and (vii) Feasibility Study for the commuter rails; Windhoek – Rehoboth and Windhoek - Katutura ▪ <i>Component A4: Resettlement and Compensation</i> Provision Compensation of PAPS ▪ <i>Component B1: Road Upgrading Works</i> (i) Construction of 23.8km of upgraded freeway – Phase 2A section between Windhoek and HKIA (ii) Road lighting improvement works in urban sections of freeway corridor ▪ <i>Component B2: Consulting Services</i> (i) Design and Construction Supervision for road upgrading works; (ii) Road Safety Audit; and (iii) Technical Audits ▪ <i>Component B3: Institutional Support and Capacity Building</i> (i) Development of a Road Sustainability Strategy; and (ii) Skills Development Promotion ▪ <i>Component B4: Resettlement and Compensation</i> Provision Compensation of PAPS 				ADB Loan : ZAR 2,000 million GRN : ZAR 3,522 million Total : ZAR 5,522 million
					<i>Component A1</i> ZAR 3,228.00 million <i>Component A2</i> ZAR 157.515 million <i>Component A3</i> ZAR 59.90 million <i>Component A4</i> ZAR 15.30 million
					<i>Component B1</i> ZAR 1,720.00 million <i>Component B2</i> ZAR 51.25 million <i>Component B3</i> ZAR 12.00 million <i>Component B4</i> ZAR 16.00 million
					(excluding contingencies)

Project Timeframe (Indicative)



REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED LOAN TO NAMIBIA FOR THE TRANSPORT INFRASTRUCTURE IMPROVEMENT PROJECT

Management submits the following Report and Recommendation on a proposed ADB Loan of ZAR 2,000 million to the Government of the Republic of Namibia to finance the Transport Infrastructure Improvement Project.

I – STRATEGIC THRUST & RATIONALE

1.1. *Project linkages with country strategy and objectives*

1.1.1. The Government of the Republic of Namibia (GRN) recognized that the country’s geographical position; with direct access to the sea (the Atlantic Ocean to the west), and having good ports and a good transport network would improve its competitiveness to becoming an international logistics hub. Namibia shares borders with Angola, South Africa, Botswana and Zambia (the latter two being landlocked). Namibia in 2004 adopted a long-term plan - *Vision 2030*, which articulates the country’s aspirations of becoming an industrialized country. The Vision sets the target: “*To transform Namibia as a whole nation into an international logistics hub for SADC region by 2025*. This is transcribed through medium terms plans as National Development Plans (NDPs), which outline prioritized policies and programmes for specified time periods.

1.1.2. The Logistics Master Plan (LMP) was developed under NDP4³ with one of the desired outcomes stipulated as *to enable Namibia to take a sizeable share of the regional logistics and distribution market*. This goal drives to a large extent the developments in the transport sector. The current NDP5 (2017/18-2021/22) retained the NDP4 focus as the upgrading and expansion of infrastructure needed to respond to increased flow volumes with Namibia as a logistics hub.

1.1.3. In April 2016 GRN launched the **Harambee Prosperity Plan (HPP) 2016 – 2020** as a mechanism to accelerate the attainment of the NDP4 results. The GRN transport sector goals and outcomes are articulated through HPP #13 that identifies the **good condition of infrastructure as an enabler for economic growth** with specific targets⁴. The NDP5 subsumed the HPP aspirations and furthers the role of transport and logistics in promotion of trade, industrialization and socio-economic development; as well as regional integration. The NDP5 desired outcome is by 2022 “... *have a safe, reliable, affordable and sustainable transport infrastructure, a world-class logistic hub connecting SADC to international markets*.” GRN identified two priority interventions in the short term as to include the (a) Upgrade of the Walvis Bay – Tsumeb (612 km) Railway line, and (b) Upgrade of the Windhoek – Hosea Kutako International Airport Road. These are complementary in the context of the strategic Vision 2030 to service the 400 million SADC market. The upgrade of rail infrastructure is prioritised with due cognisance of the effect rail infrastructure would have to the operation of the Walvis Bay Port, harnessing the linkages and synergies. The intervention under this project is the **Walvis Bay – Kranzberg section** (210 km), which forms the spine of the railway network in Namibia with the link to the port of Walvis Bay for

³ 2012/13 – 2016/17;

⁴ i) Expansion of the port of Walvis Bay (ongoing); (ii) Rehabilitation/ upgrading of 526 km of road; (iii) Upgrading of 612 km of rail and; (iv) Improvement of air safety standards

both the north-south and the east-west line. The project's other intervention is the **Windhoek to Hosea Kutako International Airport Road – Phase 2A**.

1.1.4. The intervention is aligned to the objectives of the Bank's Strategy – specifically inclusive growth, as well as Pillar 1 of the Country Strategy Paper (CSP). The CSP for Namibia (2014-2018) pillars are (i) Infrastructure Development and (ii) Private Sector. It also aligns with the Bank's High Fives⁵ that also have a good alignment with the HPP. In the context of the project, it supports *integrate Africa* – by improving the accessibility through addressing bottlenecks in the identified transport infrastructure (rail and road). The proposed intervention in this respect aims to provide reliable physical links. The project also supports *improving the quality of life of the people of Africa* - through the creation of the employment opportunities for temporary jobs during construction, the indirect jobs for goods and services during and after construction, as well as the opportunities for routine maintenance activities after construction through the training to be provided that shall inculcate the necessary skills to enhance engagement of the target groups.

1.2. Rationale for Bank's involvement

1.2.1. The target markets for international logistics for Namibia are the landlocked countries in SADC⁶ that would primarily be serviced by the Walvis Bay Port. The other target market being the Northern Cape region of South Africa. This would be served by the Lüderitz Port and the Trans-Orange Corridor. [Details on the corridors included in Technical Annex 11]. Considering the other gateways in the SADC region, Namibia needs to present very strong and clear selling points. The main factors identified to make Namibia competitive include good infrastructure and highly integrated trade support systems. It is therefore critical to address bottlenecks on the key corridors.

1.2.2. The Bank is supporting the ongoing expansion of the container terminal at the Walvis Bay Port (approved July 2013), that would increase the capacity from 355,000 TEUs to at least 750,000 TEUs. The Walvis Bay port is recognised as a regional hub in the SADC Regional Infrastructure Development Master. The approximately 2,630 km rail network in Namibia comprises: (i) 1,203 km (46%) with 48kg/m rails and 18.5ton/ axle load; and (ii) 1,423 km (54%) with 30kg/m rails. A significant portion of the network is in a poor state of maintenance, with more than 50% of the network on speed restrictions. In order to be competitive and also be attractive, the port improvements need to be supported by efficient transport links. The current condition of the railway line between Walvis Bay and Tsumeb with speed restrictions and the track capacity limitations, coupled with the safety aspects that manifested in several derailments do not promote the efficiencies, and is thus the bottleneck. There is therefore need of redress by addressing identified bottleneck in the promotion of efficiencies and attractiveness of the rail for bulk goods especially, to promote a modal shift from road to rail – presently estimated as 95/5 for the logistics chain.

1.2.3. The Bank's comparative advantage lies in the synergy between the ongoing Walvis Bay Port container terminal expansion works financed by the Bank, and the proposed intervention that would support the transfer of the cargo inland (to and from port). The Namibian Ports Authority (Namport) a State-Owned Enterprise (SoE) with the mandate to manage and operate the ports in Namibia has echoed that the main shippers have consistently pointed out that efficient transport linkages to the port are key considerations in the cargo movement strategies. This underscores the need for the good rail linkages. The rationale for the road upgrade is premised on the same principles of efficient transport networks in the

⁵ , Light Up and Power Africa; Feed Africa; Industrialize Africa; Integrate Africa; and Improve the quality of life for the people of Africa

⁶ Zambia, Zimbabwe as well as the 'inland' regions of Angola and DRC

context of local and through traffic along the Trans-Kalahari Corridor in the environs of the capital city and the HKIA that is projected to have increased passengers with the new airline operators being provided with landing rights. The proposed interventions are aligned with the Bank's Strategy core priority area (specifically Infrastructure development, Regional Integration and Skills development), the Bank CSP and the High Fives as discussed above.

1.3. Donor coordination

1.3.1. Donor coordination in Namibia is predominantly carried out at the national level with the National Planning Commission (NPC) playing a key role in the coordination of the Annual High Level Development Partner Forum that is attended by select Ministers and representatives from Donors.

1.3.2. The United Nations Development Programme (UNDP) office in Namibia is the de facto lead of the donors active in Namibia. The German Embassy – through the German Development Bank – Kreditanstalt für Wiederaufbau (KfW) has presence and is one of the largest contributors of external support to Namibia. They have for a long time provided support to programmes in the transport sector, including the labour-based road maintenance programme in the north of the country. Other donors active in the country include the United States, European Commission, Spain, China, Finland and Japan. The World Bank is also engaged with the Government, but as is the case with the Bank, does not have physical presence in the country. The World Bank and many of the UN Agencies scaled down their support to Namibia following its classification as an upper MIC in 2009.

Table 1.1: Transport Sector Donor Participation

Sector or subsector	Size		
	GDP	Exports	Labor Force
Transport sub-sector	NAD 7.2 billion [4.5%]	[N/A]	[N/A]
Players - Public Annual Expenditure (average)**			
Government	Donors		
388.70 million UA	74 million UA	KfW	
84%	16%	AfDB	
Level of Donor Coordination			
Existence of Thematic Working Groups			Y
Existence of SWAPs or Integrated Sector Approaches			N
ADB's Involvement in donors coordination***			N/A

*** for the sub-sector; ** Donor figures based on total project commitments

II – PROJECT DESCRIPTION

2.1. Development Objectives and Project components

2.1.1. The overall objective of the intervention is to contribute to reduction of poverty and inequality, and boost economic growth through addressing bottlenecks in the transport infrastructure. The specific objective is to promote linkages of the ports (specifically Walvis Bay sea port) to the hinterland and to the neighbouring countries; to support Namibia's Vision 2030 of becoming a regional logistics hub. This project is part of the Government's medium term plan to develop and modernize an integrated transport network so as to enhance Namibia's business environment and trade competitiveness. It strongly compliments on-going Government's efforts under the 'Growth at Home' Industrialization Strategy which aims at promoting the creation of quality jobs in value-adding market oriented activities.

2.1.2. The project includes two main interventions (A) Upgrade of the Walvis Bay – Tsumeb Railway Line and; (B) Upgrade of the Windhoek to Hosea Kutako International

Airport Road Phase 2A. The Walvis Bay – Tsumeb line (612 km)⁷ has been conceptualised in two sections; (i) Walvis Bay to Kranzberg and (ii) Kranzberg to Tsumeb. This intervention is for the **Walvis Bay – Kranzberg Section (210 km)**. The proposed works for the road upgrade is the link between the Capital City Windhoek and the HKIA (48 km). This shall entail the construction of the TR9/1 freeway with a new alignment. The existing road to be used for local traffic. The road development has been divided into three sections viz.: (i) Phase 1 – 8 km (ongoing); (ii) **Phase 2A – 23.8 km**; and (iii) Phase 2B – 17 km. GRN is currently implementing Phase 1 and are in advanced stages of negotiating financing for Phase 2B. The project consists of components as detailed in Appendix 5 and outlined in Table 2.1 below.

Table 2.1: project components

nr.	Component name	Est. cost (ZAR million)	Component description
A. Upgrade of the Walvis Bay – Tsumeb Railway Line			
A1	Railway Upgrading Works	3,228.00	<ul style="list-style-type: none"> ▪ Upgrading of 210 km of railway permanent way between Walvis Bay and Kranzberg ▪ Rehabilitation of bridge structures
A2	Consulting Services	157.515	<ul style="list-style-type: none"> ▪ Construction Supervision for Walvis Bay – Kranzberg upgrading works ▪ Project Financial Audits ▪ Technical Audits ▪ Sensitisation on HIV/AIDS
A3	Institutional Support and Capacity Building	59.90	<ul style="list-style-type: none"> ▪ Technical Assistance to support MoWT in project management ▪ Update of the Design for Grootfontein – Rundu Railway ▪ Feasibility Study for the Rundu – Katima Mulilo (Zambia border) Railway - (Trans-Zambezi Corridor) ▪ Market Analysis for Rail Operations Study ▪ Railway Sector Institutional Setup review support ▪ Skills Development Promotion and Training for Railway Infrastructure Maintenance (targeting women and youth) ▪ Feasibility Study for the commuter rails; Windhoek – Rehoboth and Windhoek - Katutura
A4	Resettlement and Compensation	15.30	<ul style="list-style-type: none"> ▪ Provision for compensation
B. Upgrade of the Windhoek to Hosea Kutako International Airport Road Phase 2A			
B1	Road Upgrading Works	1,720.00	<ul style="list-style-type: none"> ▪ Civil works for construction of 23.8km of upgraded freeway - Phase 2A section ▪ Road lighting improvement works in urban sections
B2	Consulting Services	51.25	<ul style="list-style-type: none"> ▪ Design and Construction Supervision ▪ Road Safety Audits ▪ Technical Audits
B3	Institutional Support and Capacity Building	12.00	<ul style="list-style-type: none"> ▪ Development of a Road Sustainability Strategy ▪ Skills Development Promotion
B4	Resettlement and Compensation	16.00	<ul style="list-style-type: none"> ▪ Provision for compensation

2.2. Technical solution retained and other alternatives explored

2.2.1. The technical solution adopted for the rail upgrade is following the existing alignment and providing the following: (i) Replacement of all the rails (30kg/m railhead) with rails of 48kg/m configuration; (ii) Replacement of all steel sleepers with concrete

⁷ Forms part of the Trans-Cunene Corridor and Trans-Zambezi Corridor

sleepers (Type P2 Pandrol concrete sleepers); (iii) Screening and re-use of the existing ballast and replenishment as may be required to achieve the 1,200m³/km specification – 200mm thickness; (iv) Replacement of all turnouts and replacing with 1:12 angle turnouts and (v) strengthening and localised widening of the formation (earthworks) supporting the ballast. The rail gauge⁸ in Namibia is Cape Gauge (1067mm). This is to be retained for the intervention in order to retain the regional and cross-border network connectivity to promote regional inter-operability. The Cape Gauge is predominant in Southern Africa for main rail infrastructure. An example of departure from this is the Standard Gauge (1,435 mm) adopted for the Gautrain in South Africa for the passenger rail service between Johannesburg and Pretoria.

2.2.2. The options considered for the road intervention are based on the alignment to be adopted. The alternative retained is the upgrade to a freeway on new alignment (“greenfield”) with the retention of the existing road as an alternative to service local traffic. The new road is a dual carriageway with two lanes (2 x 3.7m width) with 3m wide shoulders and 2m wide verge in each direction with a separation (median) of 22.6m that incorporates provision for a future third lane. The pavement construction consists of a cape seal surfacing, 150mm crushed stone base, 200mm natural gravel subbase, 150mm upper selected natural gravel subgrade and 150mm lower selected natural gravel subgrade. The other technical options explored for both the rail and road interventions are described in Table 2.2 below.

Table 2.2: project alternatives considered and reasons for rejection

Alternative name	Brief description	Reasons for rejection
Rail		
(i) Rail upgrade on new alignment	Construction of a railway line on a new alignment	(i) Substantially increased investment cost (ii) Need to construct new formation
(ii) Ballastless rail track construction	Construction of the railway line without use of ballast	(iii) Increase in whole life costs: Extensive sand build up, makes the sand cleaning cumbersome and costly; Geometric fault repairs after installation would be difficult and costly. (i) Challenges with wash-away repairs.
(iii) Sleepers replacement	Existing rail sections with replacement of steel sleepers	(i) Formation also requires to be rehabilitated.
Road		
(iv) North Alignment	Alignment of section of the freeway to the north of existing road.	(i) Number of people affected would be higher (ii) The earthworks with fills and cuts of up to 20m and 500m long would result in higher costs.
(v) Existing alignment	Upgrading of the existing road	(i) Would require construction of two parallel roads, the cost of which and upgrade of the existing road to freeway standards, would exceed the cost of chosen option.

2.3. Project type

2.3.1 The project is designed as a standalone operation, an approach that is similar to other projects previously prepared by the Bank in the sector. This has been chosen in consideration of the Bank’s experience. The participation of the private sector through a PPP arrangement has not been considered since the current model of the railway sub-sector, with the Government wholly responsible for the rail infrastructure does not have a mechanism for private sector players. The PPP arrangements could be considered for the operational phase.

⁸ Spacing between the rails as measured between the inner faces perpendicularly

2.4. Project cost and financing arrangements

2.4.1. The estimated total cost for the Project is **ZAR 5,522.0 million**, equivalent to **UA 303.83 million** (August 2017). The project cost details are presented in Tables 2.3, 2.4 and 2.5 below, with further details included in Annex B2. The project cost estimates were determined following a detailed design of the civil works, with unit rates referenced to ongoing and recently completed similar works. The costs for the supervisions services were based on contract amounts for the awarded services.

2.4.2. The Bank financing for the project of **ZAR 2,000 million** (equivalent to UA 110 million). The GRN counterpart funding for the project is **ZAR 3,522 million**. The GRN financing contribution to the project represents 64% of the total project cost. The expected financing outlay for each component and source of financing is provided in Table 2.6.

Table 2.3: Project cost estimates by component [amounts in million ZAR equivalents]

Components	Foreign currency costs	Local currency costs	Total Costs	% foreign
A1. Railway Upgrading Works	2,582.40	645.60	3,228.00	80
A2. Consulting Services	15.75	141.76	157.52	10
A3. Institutional Support and Capacity Building	47.92	11.98	59.90	80
A4. Resettlement and Compensation	-	15.30	15.30	0
B1. Road Upgrading Works	1,376.00	344.00	1,720	80
B2. Consulting Services	7.69	43.56	51.25	15
B3. Institutional Support and Capacity Building	9.60	2.40	12.00	80
B4. Resettlement and Compensation	-	16.00	16.00	0
Total Base Cost	4,039.36	1,220.61	5,259.97	77
Physical contingency	121.18	36.62	157.80	77
Price Contingency	80.05	24.19	104.24	77
Total project cost	4,240.59	1,281.41	5,522.00	77

Table 2.4: Project cost by category of expenditure [amounts in million ZAR equivalents]

Categories of expenditure	Foreign currency costs	Local currency costs	Total Costs	% foreign
Works	3,645.82	920.73	4,566.56	79.84
Goods	503.95	126.07	630.01	79.99
Services	91.81	202.95	294.76	31.15
Miscellaneous Cost (Compensation)	-	31.66	31.66	-
Total project cost	4,241.59	1,281.41	5,523.00	76.80

Table 2.5: Sources of financing [amounts in million ZAR equivalents]

Sources of financing	Foreign. currency costs	Local currency costs	Total Costs	% total	Contribution (%)
ADB Group	1,614.26	385.74	2,000.00	81	36
GRN	2,513.13	1,008.87	3,522.00	71	64
Total project cost	4,127.39	1,394.61	5,522.00	75	

Table 2.6: Expenditure schedule by component [amounts in million ZAR equivalents] – Base Costs

Components	2018	2019	2020	2021	2022	Total
A1. Rail Upgrading	708.06	770.52	1,093.32	557.16	98.94	3,228.00
<i>AfDB</i>	312.30	374.76	499.68	62.46	-	1,249.20
<i>GRN</i>	395.76	395.76	593.64	494.70	98.94	1,978.80
A2. Consultancy Services	31.50	55.67	62.64	7.70	-	157.52
<i>AfDB</i>	0.72	1.81	1.08	-	-	3.62
<i>GRN</i>	30.78	53.87	61.56	7.70	-	153.90

Components	2018	2019	2020	2021	2022	Total
A3. Institutional Support and Capacity Building	14.98	17.97	23.96	3.00	-	59.90
<i>AfDB</i>	8.23	9.87	13.16	1.65	-	32.90
<i>GRN</i>	6.75	8.10	10.80	1.35	-	27.00
A4. Resettlement & Compensation	15.30	-	-	-	-	15.30
<i>GRN</i>	15.30	-	-	-	-	15.30
B1. Road Upgrading	374.85	405.70	577.70	306.60	55.15	1,720.00
<i>AfDB</i>	154.25	185.10	246.80	30.85	-	617.00
<i>GRN</i>	220.60	220.60	330.90	275.75	55.15	1,103.00
B2. Consultancy Services	10.25	25.63	15.38	-	-	51.25
<i>AfDB</i>	0.25	0.63	0.38	-	-	1.25
<i>GRN</i>	10.00	25.00	15.00	-	-	50.00
B3. Institutional Support and Capacity Building	3.00	3.60	4.80	0.60	-	12.00
<i>AfDB</i>	2.00	2.40	3.20	0.40	-	8.00
<i>GRN</i>	1.00	1.20	1.60	0.20	-	4.00
B4. Resettlement & Compensation	16.00	-	-	-	-	16.00
<i>GRN</i>	16.00	-	-	-	-	16.00
Total (excl. Contingency)	1,173.94	1,279.09	1,777.80	875.05	154.09	5,259.97

2.5. Project's target area and population

2.5.1. The Walvis Bay to Kranzberg railway section traverses the Erongo region in Namibia which has an estimated population of about 150,400. The Windhoek to HKIA Road - Phase 2A lies in the Khomas Region which registered a population of 342,141 from the 2011⁹ population census. The populace residing and working in these two regions are anticipated to be the primary beneficiaries of the project. However, with due consideration of both the rail and the road being part of the Trans-Kalahari Corridor, the project also has immediate relevance to inter-regional trade and transit traffic between Namibia and its neighbours.

2.5.2. The key outcomes of the intervention are identified as (i) the efficient movement of people, goods and services, (ii) reduction in time of travel and vehicle operating costs and (iii) benefits to local populations through capacity building and access to local employment during construction period. The intervention, particularly the rail, is expected to increase government tax revenues due to efficiency gains in the rail transport.

2.6. Participatory process for project identification, design and implementation

2.6.1. The involvement of all stakeholders was an overriding concern at all stages of the project development. The various stakeholders were actively engaged during project design and preparation for both interventions. Consultations and information exchange sessions were organized with the key players at both the national and local levels. A number of actions were taken to engage key stakeholders and the public regarding the proposed project.

2.6.2. Rail Upgrade: Consultative meetings included the following: (i) Ministry of Environment and Tourism (MET); (ii) local authorities located in the project limits; (iii) NamWater; National Heritage Council, and the business community in the project area among others; and (iv) adjacent landowners. Public meetings were conducted in Swakopmund, Stingbank and Usakos with Notice Boards with information on the project also

⁹ The most recent census

erected. The public consultation process indicated that the Interested and Affected Parties (I&AP) welcomed the proposed development. No objections were raised against the Project. The key issues raised mainly concerned safety of the rail line within urban areas: (i) Preferences were expressed in favour of implementing by-pass to avoid urban areas (Swakopmund); (ii) Preferences pertaining to develop community-based infrastructure; and (iii) Preference for optimizing the use of local labour. The feedback from the consultations was taken into consideration in the finalisation of project design. The implementation of the bypass was not found to be a viable option, whilst the community based infrastructure is to be addressed through broader GRN development programs.

2.6.3. Road Upgrade: The public participation process adopted existing communication channels between the appointed project consultants, the stakeholders and I&AP; as well as personal interviews conducted by the appointed Environmental and Social Consultants (M/s Enviro Management Consultants Namibia). The objective of the meetings was to inform the various stakeholders and the general public about the project and to receive any comments or concerns with regard to the design of the proposed route, the natural environment that will be affected by the project as well as the social impact this project might have.

2.7. Bank Group experience, lessons reflected in project design

2.7.1. The Bank's operations in Namibia commenced in 1991. Whilst there was slow down in the operations between 2001 and 2009, there has been growth in the recent years. The active portfolio is currently estimated at UA 563.5 million with six operations in four sectors Transport (28.3%), Finance (43%), Multi-sectoral (28.5%) and social (0.1%). The portfolio performance is rated as **satisfactory** with 71% "green" in the portfolio flashlight (August 2017). A Policy Based Operation (PBO) of ZAR 3,000 million - *Economic Governance and Competitiveness Support Program* was approved in May 2017. The PBO request catalysed the dialogue between the Bank and GRN that led to the formulation of the Infrastructure Development Investment Support, which has been considered under three sectors – Agriculture, Education and Transport (this project), all underpinned by the HPP. The policy prior actions included in the PBO look into creating an enabling environment in the country for efficient and effective economic growth and national development.

2.7.2. The Bank's on-going portfolio includes the expansion of the Walvis Bay Port container terminal (ADB Loan and MIC Grant) and a Line of Credit to the Development Bank of Namibia that is financing strategic infrastructure projects including the development of a Liquid Bulk terminal at the north Walvis Bay Port. The delays experienced in the construction works for the port have been duly addressed through the provisions of the contract. The implementation delays experienced with some of the activities under the logistics and capacity building component financed through the MIC Grant necessitated the extension of the disbursement deadline, and are now expected to be completed as per revised plan.

2.7.3. In the project design, due regard has been given to specific Bank experience in addition to that of other development partners in the country. The key lessons learned and how they have been considered include; (i) Need to act with pragmatism and being responsive in project design to respond to the country's specificities – Bank responded to GRN request with a combination of a PBO and Investment Programme – illustrated as Figure 1 below; (ii) Institutional Capacity - the project integrates TA to strengthen MoWT in the management of the project; (iii) Project type choice; (iv) Financing Conditions structuring; (v) Advance Contracting (based on adoption of Bank Procedures) to facilitate early procurement for the supply of rails and prequalification of bidders, to mitigate start-up delays.

Bank Support to GRN = ZAR 10 billion	
<i>Policy Based Operation [6 billion]</i>	<i>Investment Programme [4 billion]</i>
Economic Governance and Competitiveness Support Programme (EGCSP) Approved May 2017 [ZAR 3 billion - 2017; ZAR 3 billion - ~2018]	Agricultural Mechanisation and Seed Improvement Project [ZAR 1 billion]
	Education and Training Quality Improvement Project [ZAR 1 billion]
	Transport Infrastructure Improvement Project [ZAR 2 billion]

Figure 1: Project Linkages

2.7.4. A lesson learned that cuts across is the need to clearly articulate what partnering with the Bank brings on board. In this regard there is need for an intervention that not only supports the infrastructure needs but that would also demonstrate addressing of other sectoral issues and institutional challenges towards addressing sustainability. To this end the development of specific Strategies have been included. The details on how these have been addressed are summarized in Annex B1.

2.8. Key performance indicators

2.8.1. The key performance indicators for the project are presented in the results-based log-frame. The expected project outcomes are (i) Improved performance of railways and cargo share; (ii) Reduced transport costs; and (iii) Enhanced skilled labour force. Others are improved transit transport and improved transport sector performance. The indicators identified for the purposes of measuring (and monitoring) the expected project outcomes are: Travel time, Vehicle Operating Costs, and transit time. The development of skilled youth and women shall also be monitored. These shall be progressively monitored during implementation and also, for some cases after completion.

III – PROJECT FEASIBILITY

3.1. Economic and financial performance

3.1.1. The economic analysis for the road upgrade was conducted using HDM-4 software and on the basis of a cost – advantage analysis of scenarios with and without project. The analysis period was 20 years, with a discount rate of 12%. A residual value (salvage value) of 30% was considered. The road upgrade includes five bridges structures at interchanges that account for about 10% of the upgrade costs.

3.1.2. In the analysis the costs taken into account were; (i) investment costs; (ii) maintenance costs and (iii) operation costs of vehicles. The AADT on the road section is 2,118 veh/day. In the analysis it was assumed that all traffic from existing road will divert to the newly constructed freeway. The HGV at HKIA is estimated to be around 15% of the traffic mix. It is projected that HGV is likely to increase significantly with the envisaged airport developments. Traffic growth is estimated at 7.24% and 3.54% per annum for heavy and light vehicles respectively; bound to increase with the planned HKIA development. The upgrading of the airport will result in an increase in generated road traffic and additional time savings from this road traffic. The diverted traffic, that will become the normal traffic of the new facility, is estimated to be in the order of 75% of the light traffic and 100% of all HGV traffic as measured at the HKIA.

3.1.3. Assessment of investment costs, at current prices index, for the construction of the road for the dual carriageway with standard improvement/Standard maintenance alternative yields an economic internal rate of return (EIRR) for the project of 19.7%. A sensitivity

analysis assuming a simultaneous increase in investment cost of 10% and a decrease of 10% in the benefits gives an EIRR for the project of 14%. Therefore given the above, the standard of construction opted for, the road project is economically justified. The economic analysis for the project is summarized in Table 3.1 below. The robustness of the adopted option was tested, through a sensitivity analysis the details of which are summarised in Table 3.2 below. The switch value (increment in cost) that would render the project not viable was determined as ZAR 79,907,126.01, which is economic cost per kilometre for 4 lanes. The cost per km represents an 18.4% increment in cost.

Table 3.1: Summary of Economic Analysis

Net Present Value (NPV) in ZAR Million (USD million)	849.683 (65.048)
Economic rate of return (ERR)	19.7%
Discount rate	12%
Residual value of investment after 20 years	30%

Table 3.2: Summary of Sensitivity Analysis

Scenario	Parameters		
	EIRR (%)	B/C Ratio	NPV (000 ZAR)
Base Case	19.7	1.471	849,683
Cost + 10%	15.5	1.371	669,132
Cost +10% and Benefits - 10%	14.0	1.202	364,449
Cost - 10%	18.1	1.571	1,030,233

3.1.4. Sections of the railway line have already been (partially) upgraded through the emergency interventions undertaken, for example after the 2011 derailments, and as such it may be prudent to defer the upgrade of such (localized) sections to optimize the financing. The cargo considered to be transported over the rail section includes (i) Containerised cargo; (ii) Bulk and Break Bulk; (iii) Petroleum and (iv) Sulphuric acid. The proposed scope under the project has taken into account the budgetary constraints, and as such the recommendation to include under this Phase, the upgrade of the Walvis Bay – Kranzberg section. The interventions is for the rail infrastructure with no provision for the stations refurbishment. The GRN however needs to continue the ongoing works (by D&M Rail Construction) on the Kranzberg – Tsumeb section as an interim measure as planning progresses to source the financing for the full upgrade. Upgrading of the railway was considered economically viable, because of the strategic nature of the only link to the port. The “do-nothing” option would result in the likely complete collapse of the line that would paralyse the north-south and the east-west line which connect at Kranzberg.

3.1.5. From economic trends of the freight business and passenger rail transport, it is clear that the freight will yield bigger benefits in comparison to passenger trains. The main contributor to the growth over the past decade has been the construction and mining sectors, although the global commodity slowdown has impacted the volumes negatively over the last 3 years. Positive developments such as the uranium mining industry and corridor development such as the Walvis Bay Corridor Group raised the prospects for stronger rail volume growth up to 2025, provided the required capacity in terms of rolling stock can be provided. The economic viability of the project has been considered in respect of the “without” project case and what it would potentially cost the economy, identified as: (i) Lost potential revenue for the freight operator (Trans-Namib); (ii) Associated loss of employment opportunities as a result of the lower volumes, and its knock on effect; (iii) Cost of limited network capacity contributing to increasing the generalised transport costs; (iv) Potential increment in the road maintenance costs with traffic/cargo that would optimally be on rail being on the road; (v) Potential increased cost associated of road safety as a consequence of road crashes (higher number of HGV in the traffic mix). The benefits identified for the

“with” project case are identified as (i) Stimulation of rail freight volumes growth that is now constrained; (ii) Enhancing the competitiveness of Namibia as a logistics hub with the increases attractiveness to the big shippers for port calls; (iii) Reduction in road maintenance costs and long term performance of the road pavements with the reduced axle loads (shift from road to rail) and associated potential accident savings.

3.1.6. The economic analysis considered the benefits in respect of (i) Expenditure avoidance – on the road network for maintenance by having a modal shift from road to rail; (ii) Economic efficiency gains that considered project TEU movements that with a modal shift would change from current capacity of 13% to 51% capacity; and (iii) Job creation – estimated minimum 4,000 jobs (1,350 direct jobs). Further analysis considered the cost savings that would accrue to the economy derived from cost of transporting a container from the port to Windhoek. There is an estimated 55%¹⁰ cost differential which yields an estimated potential cost saving to the local economy in 2018 of NAD 86 million. The resulting EIRR based on realising the full modal split target of the NDP5 projection yields a positive NPV with an EIRR of 36%.

3.2. Environmental and Social impacts

Environment

3.2.1. The preparation and categorization of the environmental and social risks as a Category 1 was guided by the Bank's policy requirements and the relevant Namibia legal framework. Overall, the project has a multitude of environmental and socio-economic positive impacts such as promoting economic development through efficient movement of people, goods and services; creation of employment during construction and in the operation phases of the project; reduction in net GHG emissions resulting from improved transport system; and other typical spin-off benefits related to infrastructure development. Both the rail and road do not transverse virgin lands and are not within any environmentally sensitive areas and therefore, overall, the project is considered to have limited environmental and social negative impacts. However, considering the structure of the project, the scope and nature of the two interventions, the likely E&S impacts and risks of were further scrutinized independently and appropriate instruments prepared in accordance with the Bank's ESAP

3.2.2. *Rail Upgrade*: No work will occur outside of the existing railway servitude; and only existing service and public roads will be used when transporting construction materials from appropriate material staging areas. There shall not be any involuntary resettlement. However, on the basis of the fact that railway line to be upgraded exceeds the 50km length stipulated in the ESAP, and will involve transportation of cargo, a full ESIA was prepared. A summary of the ESIA has been posted on the Bank's website on 10 August 2017.

3.2.3. *Road Upgrade*: The upgraded road will not transverse any environmentally sensitive areas. The Right of Way (RoW) has already been proclaimed by the GRN, and has been in existence since 1974. As a result of necessary alignments reviews, the intervention will impact on land (and other assets) of two (2) individuals. The identified likely impacts, which are well articulated in an Environmental and Social Management Plans (ESMP) can easily be managed through a series of appropriate mitigation measures including compensation of the 2 PAPs. Detailed information on the E&S categorization, assessment and review process is included in Technical Annex B8.

¹⁰ Moving a standard container by road from Walvis Bay to Windhoek cost NAD 11,000 and by rail (TransNamib) rates cost NAD 6,044.

Climate Change

3.2.4. In compliance with the Bank's Climate Safeguards System, the project has been classified as Category 2 requiring the implementation of practical risk mitigation measures in project design – measures proposed include (i) increasing the capacity of drainage structures, (ii) incorporating lower viscosity bitumen for the surfacing of road works; and (iii) use of concrete sleepers for the rail upgrade works. Namibia is recognized as one of the countries in Sub-Saharan Africa most vulnerable to the impacts of climate change and cognizant of this challenge, the GRN approved the country's National Policy on Climate Change in 2011.

3.2.5. The goal of the National Policy on Climate Change is to contribute to the attainment of sustainable development in line with Vision 2030 through strengthening of national capacities to reduce climate change risk and build resilience for any climate change shocks. The NDP5 commits to ensure sustainable environment and to enhance climate change resilience through conservation and sustainable use of natural resources. This is consistent with the Bank's climate change safeguards system and the climate risk management and adaptation strategy. Further details on this aspect are included in Technical Annex B8.

Gender

3.2.6. Namibia has made commendable progress in advancing gender equality especially in legal frameworks and NDPs. Namibia's long term Vision 2030 commits to make opportunities for equitable social and economic development and employment creation available for men and women. There are a number of progressive laws – both home-grown and regional/international instruments that have been signed/ratified – which if implemented will result in major advances for gender equality. The constitution of Namibia recognizes the equality of all persons and states that nobody shall be discriminated because of sex. It also commits to ensuring that women and men are well represented in the work place at all levels, and in decision-making positions, including the political arena.

3.2.7. The transport and construction sectors are both areas where the employment of women is presently limited¹¹. In the transport sector only 16 % of employees are female. This is despite the Affirmative Action (Employment) Act¹². The main entry point for gender mainstreaming in the project will be through the promotion of employment and skills building for young women. The project incorporates features to enhance the safety of women and other non-motorised road users. It includes road lighting improvement works for the urban sections and interchanges, which shall enhance the safety of women and girls.

3.2.8. To address the long term gender issues in the transport sector, the RA will develop institutional guidelines for gender mainstreaming in road projects, including in the institution. The rail operator Trans-Namib will implement an outreach programme to draw female students to enrol into their accredited training institution. Targets in line with prevailing circumstances, will be set for employment of females during construction.

Social

3.2.9. The Khomas region where the project road lies is considered to be the most affluent in Namibia, and Windhoek is by far the biggest urban settlement in Namibia. It is the seat of government and the gateway to Namibia. The population of the city is growing rapidly at about 3% per annum, estimated at 342,141 in the last national census of 2011. The employment level

¹¹ The 2015 -2016 report by the Equal Employment Commission showed that women comprised only 11% of employees, and only 8% of those hired in the construction sector

¹² Compels employers with 25 or more employees, to conduct an analysis of their workforce to determine representation in all group level

in Khomas at the time was established as 70%. Main source of income in Khomas region is salaries and wages which make up 73%. The region also has the largest number of manufacturing establishments in the country, which also reflects in the large number of people that are employed in the sector.

3.2.10. The rail project is in the Erongo region which is one of the largest in Namibia and yet it is sparsely populated (1.7 persons/km²). The economy of the Erongo region is mainly based on natural resources and is slowly becoming more diversified due to expansion in the mining industry. The fishing industry is the largest in the region, followed by the mining and exploration industry. Tourism is the third biggest income generating activity. The unemployment rate in Erongo is 30%. During the public consultation meetings, an issue raised was the expectation that the Contractor would hire locals during construction.

HIV/AIDS

3.2.11. It is expected that construction works will lead to an increase in the number of migrants in the project areas. This factor combined with increased mobility could accelerate the spread of HIV/AIDS in the project area. Particular attention will be paid to changes in HIV prevalence and the challenge will be to keep the prevalence rate for the both regions low. The project will implement a health management system for the construction workforce. This will also include conducting training and awareness raising for workforce and their dependents on HIV/AIDS and other communicable diseases; also a health awareness campaigns will be conducted for communities along the project areas on similar topics. A schedule of activities and budget to address HIV Risk is included in the works contracts.

Employment Opportunities

3.2.12. The rail upgrade works is expected to yield an estimated 4,000 employment opportunities¹³ created directly or indirectly. This includes skilled technicians and unskilled jobs for casual workers; livelihoods earned by the railway side communities and technical and non-technical jobs during the railway operation phase. The construction of the road will invariably also lead to the creation of a number of employment opportunities during construction. In general, it is expected that the total workforce required during the project will be about 250 – 300 people; (150 – 200 unskilled and 100 – 150 skilled). Between 10% and 25% of the workforce could be permanent employees, with the rest likely to be recruited locally. The construction contract provisions shall promote local recruitment.

Road Safety

3.2.13. The road upgrade is expected to lead to improved road safety environment in comparison to the existing single carriageway. There is however potential risk of increased road accidents with increased travel speeds. In recognition of this, the project has integrated road safety measures. An independent road safety audit shall also be conducted in accordance with the Bank's Road Safety Manuals – prior to construction, prior to opening to traffic and post opening. Namibia has put in place concerted efforts by various stakeholders, including the Motor Vehicle Accidents (MVA) Fund of Namibia, the Road Safety Council, Roads Authority and the Namibian Police Force to ensure safety. The Bank is currently supporting the assessment of road safety on the Trans-Cunene corridor through a MIC grant. The findings shall be referenced in the safety audit.

¹³ Based on estimate of NAD 1,000,000 investment per job opportunity

Involuntary Resettlement

3.2.14. The rail upgrade will not cause any involuntary displacement of individuals or communities since the rehabilitation will follow the existing alignment. The road upgrade will however impact on land (and not other assets) of two individuals as a result of indispensable alignments outside the already proclaimed servitude. Compensation of the two PAPs is planned for under this project.

Table 3.2: Summary of Project Affected Persons

	Total	Male	Female
Walvis Bay – Kranzberg Railway line	0	0	0
Windhoek to HKIA (Phase 2A)	2	1	1
Total Number of PAPs	2	1	1

IV – IMPLEMENTATION

4.1. Implementation arrangements

Project Execution

4.1.1. The Project will be implemented through the existing Government structures. As is the case for the strategic government projects, the oversight at strategic level shall be provided through a Programme Steering Committee (PSC).¹⁴The PSC shall be responsible for the overall policy and strategic direction of the project. The Ministry of Finance will serve as the secretariat of the PSC. The Ministry of Works and Transport (MoWT) shall be the Executing Agency for the project. The MoWT Permanent Secretary shall be co-opted for the PSC deliberations on this project. A similar arrangement is in place for the other Bank financed projects for the Agriculture and the Education sectors.

4.1.2. The MoWT as the EA shall exercise their role through the Department of Transport; (i) Directorate of Rail and (ii) Directorate of Transport Infrastructure for the rail and road interventions respectively. The two Directors shall be the Project Coordinators for the respective sub-sector. The Ministry has nominated the persons to be part of the Project Implementation Team (included in Technical Annex B4). The Directorate of Rail shall be supported by a Technical Assistant (Individual Consultant) in the management of the project. The TA shall support the Directorate in all aspects of the project management. For the Directorate of Transport Infrastructure, responsible for the road intervention, the day to day implementation shall be carried out by the Roads Authority (RA). The RA is mandated through the Roads Authority Act (Act 17 of 1999), with the statutory objective of "*To manage the national road network so that it is safe and efficient.*" The RA shall designate a Project Control Engineer and a Senior Project Manager that shall be reporting to the CEO through the Executive Engineering. The existing communications protocol between the Ministry and the RA shall be applied. The project is to be implemented over 60 months period. The project implementation flow chart is included in Technical Annex B3.

Procurement

4.1.3. 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*"

¹⁴ Comprising 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).

(BPM), dated October 2015 and following the provisions stated in the Financing Agreement. Specifically, Procurement would be carried out as outlined below:

4.1.4. 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 group of transactions to be entailed under the project. The Bank’s PBO intervention that was approved in May 2017, included the issuance of the Regulations for the Public Procurement Act (2015) and its publication in the Official Government Gazette as a *prior action*.

4.1.5. 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) above the thresholds indicated in Annex B5, Para. B.5.3.2, 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.

4.1.6. 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. Further details on Procurement are included in Annex B5.

Works Implementation and Supervision

4.1.7. The rail upgrade civil works will be under two Packages; Package 1: Walvis Bay – Arandis (91 km) and Package 2: Arandis - Kranzberg (119 km). The two Packages shall be implemented in an estimated duration of 36 months simultaneously by contractors. The civil works encompass all the earthworks, formation works, ballast construction, and the laying of the sleepers and rails. A separate Package (as Goods) has been designated for the supply of the rails and fasteners. It is important for the timing of the rail supply contract procurement to be launched substantially in advance of the works, to alleviate the risk of the works contractor being delayed through the unavailability of the rails. The reason for the disaggregation of the rail supply is to harness better quality control for the rails, and guarantee homogeneity in the 48kg/m rails to be used for the rail upgrade. The recovered existing rails shall be kept in storage for maintenance or network expansion for branch lines. The packaging of the rail upgrade works allows for the mitigation of the implementation delay (delivery) risk; and also from a value for money view point potentially a larger number of qualified contractors (globally) with the capacity to undertake the works to enhance competition. The reduced scope infers less rigorous capacity requirements to successfully undertake the works. Furthermore, with two packages the contract size are deemed large enough to be attractive for the medium to large contractors. Splitting further would likely risk losing this element. The road upgrade is to be tendered as one contract.

4.1.8. The GRN has already awarded the construction supervision services contracts; for the rail (M/s Bigen Kuumba) and the road (M/s VKE Namibia Pty Ltd). The services are to be wholly financed by GRN.

Project Management

4.1.9. MoWT will have a day-to-day direct responsibility for project management (including procurement, safeguards management, financial management, and M&E) for the rail while

the RA will have a day-to-day direct responsibility for the road upgrade A TA as described above shall support the MoWT in the implementation. The TA shall be engaged for a period of not more than 24 months, subject to renewal based on performance every 12 months. The RA is well experienced in the implementation of similar projects, with ongoing projects including the Phase 1 of the road upgrade. The MoWT shall furthermore constitute a Technical Working Group that shall include the rail operator Trans-Namib and the Supervision Consultant to deliberate on technical project matters as need requires.

ESMP Implementation

4.1.10. An ESMPs was prepared for each of the interventions to mitigate all the identified potential negative impacts. The ESMPs will be implemented independently by nature of the interventions. The Supervision Consultants shall responsible for monitoring the environmental aspects of the project as delegated. The MoWT and RA will have overall responsibility of ensuring that the ESMP is implemented. GRN has appropriate institutional arrangements and capacity to implement the ESMPs.

4.1.11. The MET will also monitor the construction activities. The Bank supervisions will validate whether the agreed mitigation measures have been carried out. The ESMP Implementation costs are to be included under the respective contracts (estimated as ZAR 36.2 million and ZAR 1.5 million for rail and road respectively) as detailed in the Annex. The provisions for compensation related issues are ZAR 15.3 million and ZAR 16 million for the rail and road respectively.

Financial Management and Audit

4.1.12. The overall conclusion of the FM assessment (that included a review of the budgeting, accounting, treasury systems, internal controls, reporting and external audit arrangements) is that MoWT's capacity to handle the FM aspects satisfies the Bank's requirements as per the FM guidelines. It will be further improved for project implementation after carrying out the proposed mitigation measures. MoWT's FM performance in managing donor-funded projects has been generally satisfactory. The ministry is adequately staffed, and make use of functional computerized accounting system (IFMIS) to record and process transactions for financial reporting. The IFMIS together with a suitable system that will include the use of spreadsheets will be used for supplementing the proper recording and reporting of the project transactions. An experienced and qualified staff within the department of finance has already been identified and nominated to handle the accounts and financial management functions of the project. The internal control environment from budget preparation, execution and reporting is adequate. In that regard, the Bank will make use of the existing systems within the ministry under the overall responsibility of the Director of Finance, to manage the project's FM including accounting for project resources and submitting the required financial reports to the Bank. 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) no later than 45 days after the end of each quarter. The FM function will be based at the MoWT to oversee both the Rail and Road activities. The overall residual FM risk for the project is assessed as Moderate. The detailed FM assessment is included in Annex B4.

4.1.13. MoWT has been audited annually by the Office of Auditor General (OAG) in line with its mandate. In this regard, the project financial statements will also be subject to audit by the OAG (or a private independent audit firm under the oversight of the OAG) 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.

Disbursements

4.1.14. The flow of funds to finance the MoWT follows the national treasury and appropriation procedures. Controls over the use of funds were found to be generally adequate. Overall disbursement performance by the ministry has been generally satisfactory. Specific to this project, Bank funds will be made primarily by direct payment where the Bank will pay contractors/consultants and suppliers directly based on satisfactory performance in accordance with the Bank’s Disbursement Handbook. Disbursements would be made upon preparation and submission of all relevant documentations by MoWT to the Bank. The Reimbursement method will also be available. The use of a different disbursement method must receive prior approval of the Bank. A Disbursement Letter will be issued by the Bank the content .of which will be discussed and agreed during negotiations.

4.2. Monitoring

4.2.1. The EA shall monitor all aspects of the project through active participation in the monthly progress and coordination meetings, as well as any required Special Meetings the situation may demand. The meetings shall involve the Borrower, the Contractors and the Supervision Consultant, as well as other stakeholders that are contributory to the achievement of the project objectives. The statutory organ for environmental matters, MET shall also monitor the project vis-a-vis compliance with the ESMP. The M&E function shall commence with the establishment/ validation of the defined baseline indicators that shall be adopted for the subsequent periodic monitoring, up to and including post-construction (at end of the defects liability period).

4.2.2. An Audit firm shall also be engaged to carry out Technical Audits for both the rail and road. The purpose shall be to independently determine the compliance with technical provisions of the contract, as well as good practice. The output of the technical audit shall be to determine any corrective timely actions that would be required to ensure quality is enhanced, and the sustainability of the assets is not compromised. The Bank shall conduct Supervision Missions as part of its role in portfolio management. The key planned Bank monitoring activities are summarized in Table 4.1 below with indicative timelines.

Table 4.1: Key Monitoring Activities

Timeframe	Milestone	Monitoring process / feedback loop
Q1 - 2018	Project Launching	Supervision and Progress Report
Q3 - 2018	Procurement of Civil Works Completed	Procurement Plan/Progress Report
Q4 - 2019	50% of Civil Works completed	Midterm Review & Progress Report
Q3 - 2021	Substantial completion of civil works	Supervision and Progress Report
Q3 - 2022	End of Defects Liability period	Supervision and Progress Report
Q4 - 2022	Project Completion	Project Completion Report

4.3. Governance

4.3.1. Namibia is reputed as one of the countries with the best governance record in Africa. The country was ranked 5th out of 54 countries in the 2016 Ibrahim Index of African Governance (IIAG), with an overall score of 69.8. 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 on the Continent. This demonstrates the country’s commitment to good governance. Namibia has also put in place strong accountability systems in line with the Constitution and the State Finance Act of 1991 (amended 1995).

4.3.2. The sector governance structure embodies the widely accepted model for efficient service delivery. The sector policies and direction are defined and driven by the MoWT that is mandated to oversee the transport sector. The RA (established through the *Roads Authority Act - Act 17 of 1999*) has the obligation through the Act to manage the national road network. The Road Fund Administration (RFA) was established in April 2000 through an Act of Parliament; the Road Fund Administration Act, (*Act 18 of 1999*), is mandated with the primary aim of managing the road user charging system, to secure and allocate sufficient funding for a safe and efficient road sector in Namibia. There is clear separation of the roles to be played by each entity, which promotes transparency and accountability. The annual reports of the entities are tabled in parliament, including that for the rail operator Trans-Namib.

4.3.3. At project level, to ensure transparency, competition, economy and accountability, the works, goods and services will be procured in a competitive manner, disbursement of the proceeds of the loans will be done mostly by Direct Mode, and Annual Financial Audit reports will be used to ensure that the loans are used for the intended purposes.

4.4. Sustainability

4.4.1. The sustainability of the project depends on three key elements - the quality at implementation, the financial provisions made for maintenance. The primary responsibility of RA is the maintenance of the road network in Namibia. The RFA main objective is to manage the Road User Charges (RUC)¹⁵ in such a manner as to secure and allocate sufficient funding for the payment of expenditure as contemplated in Section 17(1) of the RFA Act. This underpins the road maintenance regime in Namibia and the central role played by RFA. The performance of the RFA has been good over the past years with recent reports indicating a reduction in the accumulated Fund deficit from NAD 550 million to NAD 66 million. The funding is allocated to *inter alia* maintenance and rehabilitation of the country's national road network. The total revenue for FY 2015/16 was NAD 2.1 billion, an increase of 17% year on year growth, and importantly 2.1% against the budget. The bulk of the revenue is from the fuel levy (NAD 1.3 billion - 62%).

4.4.2. The 2015/2016 Global Competitiveness Report ranked Namibia's road network as 28th out of 144 countries globally. This positions Namibia as having one of the best networks in the continent and attests to the sustainability regime. A notable issue in the sub-sector however, has been the funding challenges to timely meet the network development (upgrading and rehabilitation), and the development of a mechanism to sustainably manage the road maintenance backlog. The project therefore includes support to the development of a **Road Sustainability Strategy** that shall look at (a) Determining the *optimal approach* to balance road network development and rehabilitation; (b) Defining a *new approach for interventions that shall combine rehabilitation and post-construction maintenance* for a 3-5 year period in a performance-based approach. The objective shall include the *development of local construction industry* through institutionalised involvement of local contractors in the implementation of the new approach.

4.4.3. The maintenance of the rail network is the responsibility of the rail operator – Trans-Namib. To enhance sustainability, two activities have been included (i) Market Analysis for Rail Operations to analyse and prepare traffic and cargo projections for the rail networks; and (ii) Railway Sector Institutional Setup review to also consider the viability of a establishing a **Rail Fund** that could enhance the long term viability and sustainability of the sub-sector.

¹⁵ Road User Charges includes (i) fuel levies, (ii) vehicle registration and licencing fees, (iii) Cross Border Charges (CBC), (iv) Mass Distance Charges (MDC) and abnormal load fees

Trans-Namib has prepared an Integrated Strategic Business Plan (ISBP – 2016-2021) identifying 16 strategic objectives, which look at the organisation as a whole and from various perspectives including Asset Management. The need to undertake the above Market Study was also identified in the ISBP. The expected outcome of the study is the empowerment of Trans-Namib to create well-informed, robust growth strategies. This requires that they pursue strong market intelligence to drive innovation and uncover opportunities for growth that would be informed by the proposed Study. The recent governance issues are considered coming to finality with the imminent appointment of a substantive CEO.

4.4.4. The roll-out of the ISBP is deemed critical for the operator to deliver competitively and play their role in growing the economy. There is need for firm commitments towards turning around the performance of TransNamib, in line with the strategic plan. The success of railway operation requires appropriate and reliable infrastructure and rolling stock, as included in the ISBP. The performance of the operator is to be monitored, with an Undertaking included in the Loan Conditions.

4.5. Risk management

4.5.1. The potential risks have been identified at the various levels as presented in Table 4.3. The identified risk is also rated at three levels Low/moderate/high.

Table 4.3: Project Risk Management Summary

Risk Identified	Risk Rating	Mitigation
<i>Outcome</i>		
The rolling stock is not adequately provided or available to meet the capacity demands.	Moderate	Refurbishment of rolling stock ongoing, Trans-Namib
Inadequate provisions for the sustenance and maintenance of the road network	Low	RFA revenue streams showing upward trend; 10% increase approved
Planned works for adjoining Phase 2B not undertaken as planned	Moderate	Phase 1A ongoing with GRN financing, and discussions ongoing with potential financiers for Phase 2B.
Ineffective axle load control resulting in accelerated failure of road network.	Low	Axle load control undertaken effectively
<i>Outputs</i>		
Poor performance of selected Contractors	Moderate	Procurement arrangements with prequalification
Upgrades of the Kranzberg to Tsumeb section of railway not completed	Moderate	GRN has in place a maintenance contractor
Project cost overruns	Moderate	Review of cost estimates with incorporation of contingencies; and Competitive bidding process to manage the initial costs.
Poor delivery of sensitisation programmes.	Low	Engagement of experienced and well qualified service providers.

4.6. Knowledge building

4.6.1. The project is to further increase knowledge in preparation and management of transport infrastructure projects in the region. Baseline data shall be collected for defined indicators and monitored during implementation, and at completion. This shall be used to evaluate the performance of the project and analysed to improve future projects. Data disaggregated by gender shall be collected to measure the outcomes of the project on socio-economic development and its impact.

4.6.2. The Analytical work included under the project shall also harness knowledge through the feasibility and detailed design processes for the railways, and Strategies to be developed.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. *Legal instrument*

The Bank instruments to finance this operation shall be an ADB Loan of ZAR 2,000 million.

5.2. *Conditions associated with Bank's intervention*

A. Conditions Precedent to the Entry into Force of the ADB Loan Agreement

The entry into force of the Loan Agreements shall be subject to the fulfilment by the Borrower of the provisions of Section 12.01 of the General Conditions Applicable to Loan Agreements and Guarantee Agreements of the Bank.

B. Conditions Precedent to First Disbursement of the Loan Agreements

The obligation of the Bank to make the first disbursement of the Loans shall be conditional upon entry into force of the Loan Agreements, and the provision by the Borrower of evidence of fulfilment of the following condition in form and substance acceptable to the Bank:

- (i) The Borrower shall develop and deliver to the Bank a schedule detailing when the compensation is to be effected for the road intervention and shall present a timeframe for the compensation of Project Affected Persons (PAPs); and
- (ii) Compensation and/or resettlement of all Project Affected Persons in respect of the construction works under the first section for the road intervention part of the Project.

C. Other Conditions

- (i) The Borrower shall make timely provisions in its annual budgets for the funds required as the Borrower's counterpart contribution to the cost of the Project in accordance with the projected cost outlay to ensure timely Project implementation. [Para 2.4.2]

D. Undertaking

- (i) The Borrower shall provide evidence in form and substance acceptable to the Bank, confirming that prior to commencement of construction on any section of the upgrading works, compensation has been carried out for the identified PAPs;
- (ii) The Borrower shall submit to the Bank within four (4) months of the signing of this Loan Agreement an update on the progress and Implementation Plan for Trans-Namib Integrated Strategic Business Plan;
- (iii) The Borrower shall finalise the Revised Transport Policy and obtain cabinet approval within twelve (12) months of the date of signature of the Agreement, or such other date as shall be agreed upon by the parties; and
- (iv) The Borrower shall provide updates on a quarterly basis to the Bank on the plans to carry out the upgrade works for (i) the Kranzberg to Tsumeb railway line (400km); and (ii) Windhoek to Hosea Kutako International Airport Road – Phase 2B (17km).

5.3. *Compliance with Bank Policies*

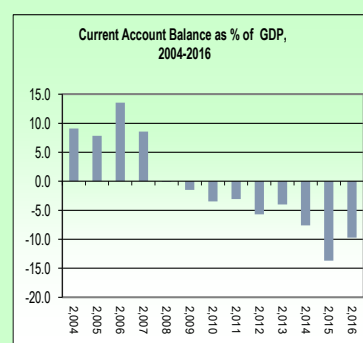
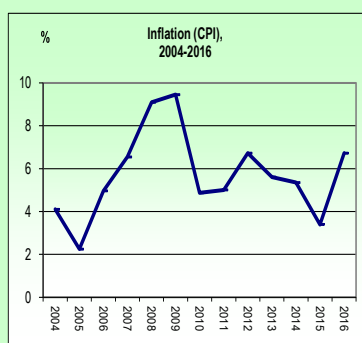
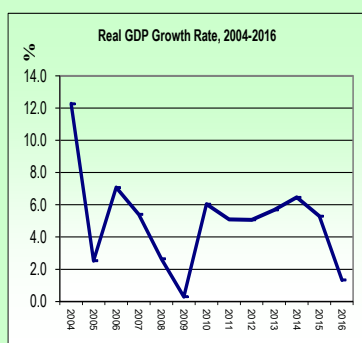
This project complies with all applicable Bank policies.

VI – RECOMMENDATION

Management recommends that the Board of Directors approve the proposed ZAR 2,000 million ADB Loan to the Government of Republic of Namibia subject to the conditions stipulated for the project.

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	...



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

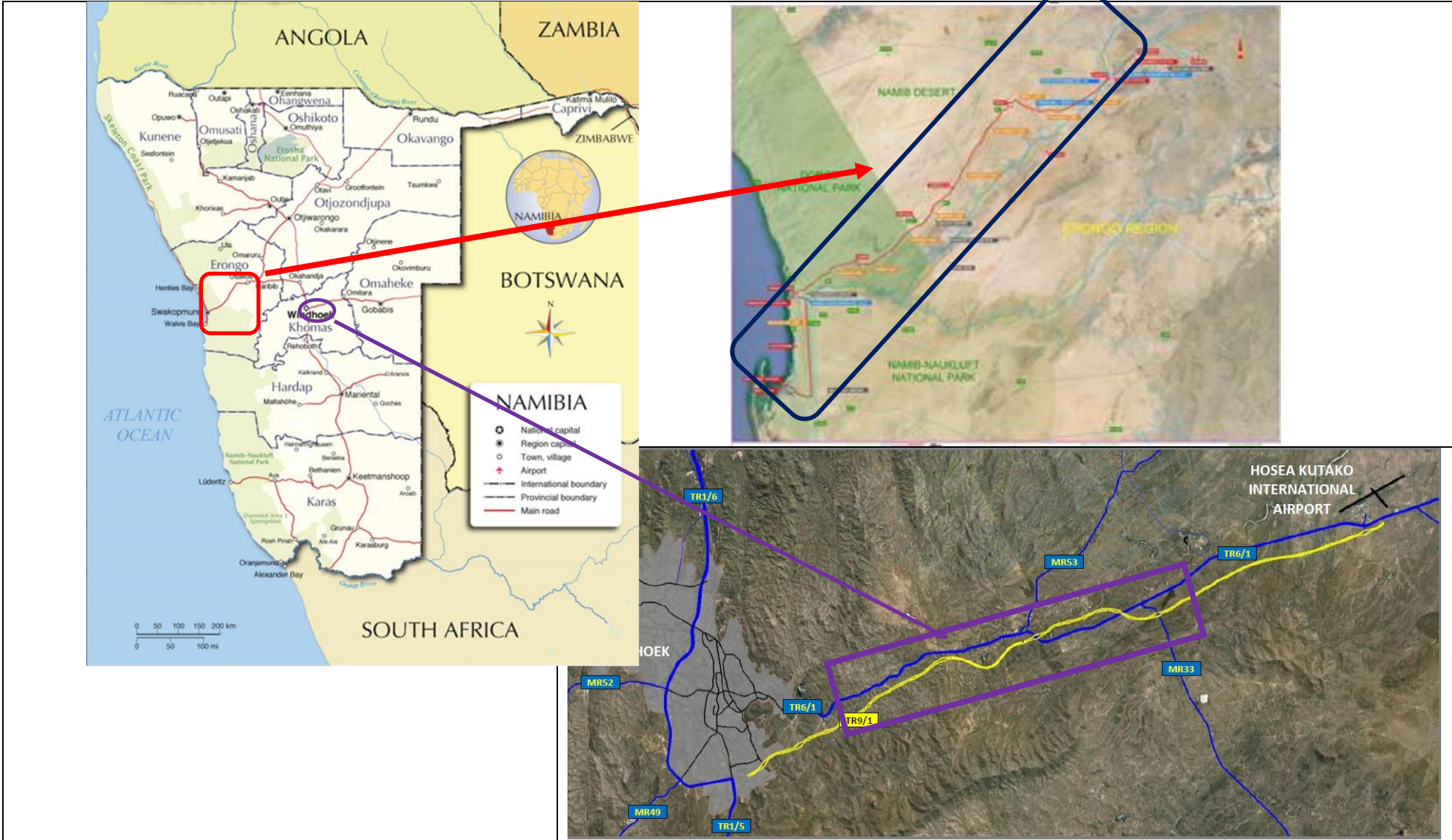
Appendix II: Table of ADB's portfolio in the country

N	Division	Long name	Status of Project	Finance Project	Loan Number	Sector Name	Window	Approval date	Entry into force	Project completion date	Amount (UA) Approved	Amount (UA) Disbursed	Disb. Ratio	Age (Yrs)
1	PIFD	Development Bank of Namibia (DBN) - Corporate Loan	OnGo	P-NA-HAA-004	2000130014230	Finance	ADB	7/9/2015	7/22/2016	1/1/2028	245,182,170.4	190,697,243.6	77.8	2.0
2	PIFD	Corporate Loan to TRUSTCO Finance Limited	OnGo	P-NA-HB0-001	2000130008080	Finance	ADB	12/7/2011	12/12/2012	8/1/2019	3,541,520.2	3,541,520.2	100.0	5.6
Finance											248,723,690.6	194,238,763.9	78.1	2.0
3	ECST	Statistical Capacity Building Program Phase II (SCB-II)	OnGo	P-NA-K00-001	5500155004654	Multi-Sector	ADB	7/7/2011	3/2/2012	9/30/2016	490,600.0	490,600.0	100.0	6.0
4	ECGF	MIC Grant Institutional Strengthening for PPP	OnGo	P-NA-KA0-001	5500155009151	Multi-Sector	ADB	7/8/2015	11/9/2015	12/31/2019	787,671.0	149,493.8	19.0	2.0
5	ECGF	Economic Governance and Competitiveness Support Programme	APVD	P-NA-IAD-004	5500155009951	Multi-Sector	ADB	5/10/2017		12/31/2019	163,454,780.2	0.0	0.0	0.1
Multi-Sector											164,733,051.2	640,093.8	0.4	2.7
6	AHHD	MIC - Support To The Namibia National Council On Higher Education	OnGo	P-NA-IAD-004	5500155009951	Social	ADB	2/3/2016	5/10/2016	9/30/2018	396,985.0	184,055.2	46.4	1.4
Social											396,985.0	184,055.2	46.4	1.4
7	PICU	New Port of Walvis Bay Container Terminal Project - Loan	OnGo	P-NA-DD0-002	2000130010780	Transport	ADB	7/22/2013	11/8/2013	12/31/2017	162,474,051.6	100,147,878.8	61.6	3.94
					5500155006651		MIC	7/22/2013	11/8/2013	6/30/2018	1,000,000.0	489,936.2	49.0	3.94
Transport											163,474,051.6	100,637,815.0	61.6	3.9
Grand Total											577,327,778.4	295,700,727.7	51.2	3.0

**Appendix III: Key related projects financed by the Bank and other development partners
in the country**

Project Title	Financier	Cost
New Port of Walvis Bay Container Terminal Expansion Project	AfDB	ZAR 2,982 million (ADB Loan)
New Port of Walvis Bay Container Terminal Expansion Project (Logistics and Capacity Building Component)	AfDB	UA 1 million (MIC Grant)
Labour-based Road Maintenance Project	KfW	EUR 100
Labour-Based Road Program Phase I – Phase VII	KfW	EUR 70.28 million (Total EUR 147 million)
Access Roads (adaptation to Climate Change)	KfW	EUR 8.8 million
NDP4 Support to Road Rehabilitation and Maintenance (focus on major roads)	KfW	Phase 1 – EUR 30 million; Phase 2 – EUR 30 million Phase 3 – EUR 20 million).

Appendix IV: Map of the Project Area



Appendix V: Project Components Description

Component A1: Railway Upgrading Works

Rail upgrading works divided into three packages: (i) Package A: Walvis Bay – Arandis (91 km); (ii) Package B: Arandis – Kranzberg (119 km) and (iii) Supply of rail tracks and accessories. The scope of works also includes the rehabilitation of 9 No. bridge structures across the section. These bridge works are incorporated under the two Packages; 4 No. bridge structures (Kahn river, Ebony river, Stingbank 1 and Stingbank 2) in Package A and 5 No. structures (Desert, Swakop, Slang river, Kranzberg river and Usakos river) in Package B.

Component A2: Consultancy Services

Construction supervision of works services; technical audits, financial audits and sensitisation of project area inhabitants on HIV/AIDS.

Component A3: Institutional Support and Capacity Building

Activities identified to strengthen the rail sub-sector governance and performance; the management of the project; building of capacity and skills development promotion for youth and women in the rail sub-sector. The component also includes specific priority studies to develop a pipeline of bankable projects, responsive to the GRN Vision 2030 as detailed in Table 2.1.

Component A4: Resettlement and Compensation

This component covers the compensation to persons that are to be affected by the project.

Component B1: Road Upgrading Works

Road upgrading works for the Phase 2A section 23.8 km. The works are to be implemented under one contract, entailing the construction of a freeway – dual carriageway construction between Sam Nujoma Interchange and the Dordabis Interchange, and the structures. The component also includes Road Lighting Improvement works for urban sections in the corridor, to be implemented independent of the upgrading works.

Component B2: Consultancy Services

Construction supervision of works services; technical audit, financial audit and a road safety audit.

Component B3: Institutional Support and Capacity Building

The Institutional Support and Capacity Building component comprises the activities identified to enhance the sustainability of the sub-sector, through the development of a Road Sustainability Strategy and skills development promotion.

Component B4: Resettlement and Compensation

The compensation to persons that are to be affected by the project.