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HAROLD PUPKEWITZ GRADUATE SCHOOL OF BUSINESS (HP-GBS)

**The Impact of Namibian Reclassification as an Upper-middle Income Country
on Official Development Assistance**

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of International Business in the Harold Pupkewitz Graduate School of Business at
the Polytechnic of Namibia

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June, 2014

DECLARATION

I, Bertha Kazauana hereby declare that the work contained in the thesis entitled, **The impact of Namibian reclassification as an Upper Middle Income Country on Official Development Assistance** is my own original work and that I have not previously in its entirety or in part submitted it to any university or other higher education institution for the award of a degree.

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DEDICATION

This study is dedicated to my mother Rejarihe Kazauana
Though uneducated she has seen value in education and always inspired me to study.
Love you mom!!

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ABBREVIATIONS AND ACRONYMS

| | |
|-------|---|
| ADB | African Development Bank |
| CPA | Country Programmable Aid |
| DAC | Development Assistance Committee |
| EC | European Commission |
| EU | European Union |
| FA | Foreign Aid |
| FDI | Foreign Direct Investment |
| FGD | Focus Group Discussion |
| GDP | Gross Domestic Product |
| GNI | Gross National Income |
| HDI | Human Development Index |
| IMF: | International Monetary Fund |
| LDC | Least Developed Country |
| LIC | Low Income Country |
| LMIC | Lower Middle Income Country |
| MCA | Millennium challenge Account |
| MDGs | Millennium Development Goals |
| MFDP | Ministry of Finance and Development Planning |
| MICs | Middle Income Countries |
| NDP | National Development Plan |
| NHIES | National Households Income and Expenditure Survey |
| NPC | National Planning Commission |
| ODA | Official Development Assistance |

| | |
|--------|---|
| OECD | Organisation for Economic Cooperation and Development |
| PEPFAR | Presidents Emergency Plan for HIV/AIDS Relief |
| PICNI | Pakistan, India, China, Nigeria and Indonesia |
| PPP | Purchasing Power Parity |
| SADC: | Southern African Development community |
| SDA | Secondary Data Analysis |
| SIDA: | Swedish International Development Assistance |
| SSA | Sub-Saharan Africa |
| UMIC | Upper Middle Income Country |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| WB | World Bank |

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ABSTRACT

The aim of the study was to analyse the impact of Namibian reclassification as an Upper Middle Income Country on Official Development Assistance (ODA). This study was prompted by the negative perception that was going on in the country about the reclassification and how it reduces ODA while on the contrary having the knowledge that Namibia is striving to become an Industrialised country with a high income status by 2030.

In order to address the issue of the negative perception about the reclassification as the contributor to reducing ODA, the research approach selected was a descriptive qualitative interpretivist approach. A mix of primary and secondary data analysis was employed to gather information on the subject matter. Interviews were conducted with experts in the field of foreign aid to obtain views and feelings on the reclassification and how Namibia could better manage ODA.

However the study revealed that although there were some donors who phased out traditional assistance to Namibia, the reason is not necessarily because of the reclassification. Hence the perception that the reclassification reduces ODA could not be proven, since ODA flows to Namibia after the reclassification were even higher than before.

Given that ODA will eventually reduce because of global changes in the ODA architecture, the study recommended that Namibia start positioning herself to influence the ODA architecture in her favour. It is also recommended that the National Planning

Commission (NPC) prepares an ODA strategy that will be aligned to the National Planning and Budgeting system to guide policy makers and to avoid donors to drive the development cooperation agenda in Namibia.

It was further recommended that timely communication and proper consultations be held with donors in preparation of donor exits.

CHAPTER 1

1. INTRODUCTION AND BACKGROUND

1.1. Introduction to the chapter

This chapter will firstly give a short background to the research. The chapter further highlights the statement of the research problem, definition of the main concepts, central questions, research objectives, significance of the study followed by the outline of the study.

1.2. Background

A lot has been written recently regarding the motives for aid allocation (Doucouliagos, 2013) and despite the huge commitments and declarations that have been made since the Monterrey consensus¹; fears remain that very little progress might have been achieved in terms of meeting goals of the consensus which were ownership, alignment, transparency, harmonisation, managing for results and mutual accountability.

Sagasti F. (2005), states that the number, structure, size, priorities and orientations of development partner countries and organizations engaged in ODA activities have changed over time. The weight and influence of specific donor countries has shifted, new actors have emerged and others faded, and there have also been significant changes in aid delivery instruments.

The National Planning Commission (NPC) in its 2007 report "An analysis of the Economic Challenges of Namibia and how the donor community should assist", stressed that the development challenges faced by Middle Income Countries (MICs) were diverse

¹ The Monterrey Consensus was signed in March 2002 in Monterrey, Mexico with the main aim of addressing the challenges of financing for development around the world, particularly in developing countries.

and tailor-made interventions are needed to address country specific requests. In Namibia, there are different interpretations regarding the economic reclassification and the impact thereof; some were of the opinion that reduction in ODA caused by the '*unjustified*' reclassification led to the country not meeting some of its developmental goals i.e. Millennium Development Goals (MDGs) whereas others were of the view that the reclassification was indeed good for the country as it unlocks other opportunities such as higher Foreign Direct Investment (FDI), capital flows and increased raising of domestic resources.

Supporters of the first view reason that the usage of per capita income as a classification method was unjustified as the country was facing comparable challenges faced by poor countries dependent on ODA because of their lower per capita income and hence they would want to see more aid flowing to Namibia to address these similar challenges. To mention but a few of these challenges, Namibia has a Gini-coefficient of 0.58 according to the latest (2010/11) household income and expenditure survey classifying the country among the highest unequal economies in the world. Furthermore, Namibia also encountered other human developmental challenges as it was ranked 128 out of 187 countries by the Human Development Index (Human Development Report, 2011). The Human Development Index measures the countries level of development in terms of longevity (life expectancy at birth), education and income. The unemployment rate in Namibia stood at an alarming 51.2% (Labour Force Survey, 2008) and HIV AIDS was among the highest in the world at 13% in 2011.

1.3. Research problem statement

The reclassification as an Upper Middle Income Country in 2009 has impacted the Official Development Assistance (ODA) coming to Namibia and this created a

negative perception within policy makers in Namibia especially the impact it has on foreign aid. This negative perception is created without the necessary knowledge of the movements within the ODA architecture of Namibia and also the various implications and opportunities that arise from a higher economic status.

The study examines how the reclassification has impacted on ODA to Namibia and how Namibia could comprehend this transformation.

1.4. Research questions

1.4.1. Main Research Question

What is the impact of the reclassification of Namibia as an upper middle income country (MIC) on Official Development Assistance (ODA)?

1.4.2. Sub-questions

- What are the different methods of evaluating countries' economic statuses and what are the specific benefits for being Upper MIC?
- What is the perception in Namibia regarding the impact of the reclassification on ODA?
- What are the trends in ODA flows into Namibia before and after the reclassification?
- How did other countries in similar grouping deal with the management of ODA?

- What do various stakeholders- Government, Economists, Private Sector, Civil Society and Development Partners think about the reclassification, reduction of ODA and its impact on development?

1.5. Research objectives

The study highlights the different methods used to classify countries economic status in order to gain an understanding on how Namibia got her classification as Upper MIC as background and to establish whether this reclassification has caused a decrease in ODA. Based on that, the specific research objectives are:

- To describe the different methods of country economic classification and highlight the benefits applicable to Upper Middle Income Countries;
- To highlight the negative perception created in Namibia on economic status;
- To analyse ODA trends in Namibia in terms of volume of aid, number of donors and sectors/focus before and after the reclassification in 2009;
- To look at how other countries in a similar situation dealt with management of reduced ODA (if any); and
- To provide possible recommendations on the future of ODA in Namibia and how the country could effectively benefit from the privileges derived from having a higher income status.

1.6. Significance of the study

Namibia's Vision 2030 (2005) proudly underscored the fact that Namibia was not an aid dependent country and in fact was striving to assist others in need. However, there was still an outcry for more aid especially to address developmental challenges faced by the country.

In order for Namibia to effectively reap the benefits of being an Upper MIC, there was a need to create an understanding among policy makers and Namibians in general as to what this status encompasses in order to determine whether there was a real need for aid or whether there were other opportunities that comes with this improved status that would even assist the country to meet these challenges faster. Basically, the study established whether there was any connection between economic status and reduced ODA flow to Namibia and if there was any reduction, how it could be managed efficiently. The study further examined how Namibia could reap the benefits of an improved status rather than focusing on the inevitable.

The study is significant in the sense that it is addressing an area that has never been researched before in Namibia and that would add value to the local and international ODA agenda. This study will also add knowledge, creating awareness of those impacts and trying to provide possible measures to address them. It would assist policy makers in government and other stakeholders in taking informed decisions when dealing with Development Partners. It could furthermore be used as basis for further research by other researchers or economists.

Additionally, this research is aimed at fulfilling the requirement of the Master's degree in International Business.

1.7. Definition of key terms

This section seeks to clarify key terms that are used in the thesis in order to provide a thorough explanation of my understanding of research study and the following terms are understood the way they are defined herein.

Middle Income Countries:

For the purpose of this study, a Middle Income Country is a country grouping designed by the World Bank using the Atlas Method of classifying countries according to per capita gross national income. Middle Income Countries are divided in two, namely:

- The “lower middle income countries” (LMIC), with per capita incomes ranging between \$1,006 and \$3,975.
- The “upper middle income countries” (UMIC), with incomes between \$3,976 and \$12,275.

Official Development Assistance (ODA)

The standardized definition of ODA of 1972 agreed upon by the Development Assistance Committee (DAC) is used. ODA consists of grants (cash or in kind), loans and technical assistance to developing countries. The loan should be on the concessional financial terms having a grant element of at least 25%.

For the purpose of this study, the words ODA and foreign aid derives the same meaning and are used interchangeably.

Development Partners

Development Partners and Donors are used as synonyms throughout the thesis and are defined as developed countries and international organisations providing ODA to a developing country (in this case Namibia).

Organisation for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC)

The purpose of the OECD is to promote policies that would improve the economic and social well-being of people around the world. Besides the supranational European Union, the DAC consist of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, South Korea, Spain, Sweden, Switzerland, United Kingdom and United States.

1.8. Organisation of the thesis

This thesis consists of seven chapters:

Chapter One introduces the study and highlights the differences in economic classification as well as providing a historical background of ODA in Namibia.

Chapter two outlines the theoretical framework and provides the literature review of academic literature in the area of economic classifications and ODA especially to MIC.

Chapter three describes the methodology: the research design and instruments of data collection to be used in the collection of data and the analytical approach.

Chapter four reports on the findings from the application of the research instrument, validity and reliability of the research.

Chapter five reports on the meaning of the results and how they contribute to the wider body of knowledge.

Chapter six deals with the conclusions to be drawn from the study and provided recommendations for possible integration by Namibian policy makers and further research.

1.9. Conclusion

In the first chapter, I pointed out the introduction of this study. Areas such as the historical background, context of the study, objectives, research questions and the significance were clearly explained. It is my intention to carry out the theoretical framework of economic classifications of countries based on level of development, ODA related theories and literature review so as to collect previous ideas from other researchers in relation to this topic in order for me to have an opportunity to either disagree or agree with other researchers and authors' points of view. Additionally, it would be utilised to underpin and analyse the data.

CHAPTER 2

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1. Introduction to the chapter

In the literature review, I conducted a desk review to look at how economic classifications are done by the World Bank and other Development Partners in order to gain an understanding of Namibia's classification. I provided a description of the different methods of how countries' economic statuses are classified based on their level of development by different development partners. The essence of the study primarily focused on the World Bank Atlas classification method. The study relied on the most recent data published by the International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), the World Bank, and United Nations (UN) statistical agencies. The researcher highlighted the potential benefits derived by Upper MICs.

I conducted a detailed secondary data analysis of the ODA flows in Namibia and analysed the data over a period of five years (2007-2011). Although most of the data were derived from the OECD Development Assistance Committee (DAC) Database, some aspects of the literature review relating to aid trends specifically for some development partners (i.e. China) were taken from the NPC ODA database. The analysis provided a comprehensive picture on the aid flows and sectors involved. The preliminary OECD data revealed that not all Development Partners reduced their support to Namibia; on the contrary there were other development partners that have even increased their support after the reclassification while others have just changed their area of focus. Before the analysis of the data, I briefly gave some highlights on the negative perception some Namibians have on the impact of the reclassification.

I also examined how other countries in SSA that were in the same economic classification of UMIC i.e. Botswana and South Africa (due to geographic proximity and similarities in economic structure) were affected and how they dealt with the transformation by narrating literature on the subject matter and analysing their ODA data from the Organisation for Economic Cooperation and Development (OECD) Database that is trusted and widely used by most governments and researchers as reference.

2.2 Economic classification of countries

The study by Nielsen L (February, 2011) *Classification of countries based on their level of development: How it is done and how it could be done*, compares country economic classifications according level of Development by the World Bank, United Nations Development Programme (UNDP) and the IMF and it further emphasized that before the classification, there must be a clear understanding of what constitutes development.

Vasquez & Sumner (2012) stated that it was difficult to classify countries according to their level of development as the definition of development is complex and the socio-economic realities of developing countries were becoming more diverse and heterogeneous. This makes universally valid analysis even more difficult and unreliable.

The World Bank's main criterion for classifying countries' economies was Gross National Income (GNI) per capita and based on this criterion, every country was classified as low income, lower middle income, upper middle income and higher income (World Bank). The two middle income groups are what constitute the middle income (MIC) grouping. One has to note that classification by income does not necessarily reflect development status. According to Kanbur (2010), as a country progress from the

threshold US\$ 995, it moves from the category of low income to lower middle income. A country becomes upper middle income when it reaches the threshold of US\$ 3,945 and finally at US\$ 12, 195, it crosses to the high income group.

However, according to the World Bank website on how they classify countries, income classifications were set every year on July 1 and the countries remain in those categories which they were classified irrespective of any revisions to their per capita income data. These thresholds have been revised as follows (WB, 2012):

Table 2.1: World Bank definition of income categories in 2012

| Low-income (LIC) | Lower-middle-income (LMIC) | Upper-middle-income (UMIC) | High-income (HIC) |
|-------------------------|-----------------------------------|-----------------------------------|--------------------------|
| \$1,025 or less | \$1,026 - \$4,035 | \$4,036 - \$12,475 | \$12,476 or more |

Glennie, J (2011) raised a concern that the rationale for these thresholds was not available and seemed fairly arbitrary. He further highlighted that the MIC band (which covers LMIC and UMIC) was particularly broad, with those at the top of the band over 12 times as wealthy (in GNI per capita terms) as those at the bottom. Although these classifications were primarily used to define eligibility for concessional lending from the World Bank and similar development banks, it was also used by many development partners to help assess how 'poverty focused' their aid programme were.

The World Bank also realised that the current method of classification of countries left much to be desired as it was based on the current trend in another decade and it was likely that no country would remain below the current low-income threshold,

even though absolute poverty, whether measured by dollars or life expectancy or education levels, would definitely persist. Hence, this called into question the usefulness of the current classification scheme and the Data Group at the World Bank, is currently reviewing the income classification system looking basically at the following questions:

- Does a classification of economies by development status have some usefulness in analysis and research?
- Should the classification be based on average income or some other indicator or combination of indicators? Should income be measured by exchange rates or purchasing power parities (PPP). Should we go “beyond GDP,” and, if so, how should such a measure be constructed?
- Should poverty rates be used as a classification criterion? Does Martin's analysis of “capacity for redistribution” have any application?
- How should the categorical thresholds be set? Were there “natural” dividing lines between categories measured along a GNI per capita scale or by some other indicator?
- How frequently should the classification be updated? Should the thresholds be updated or only the rankings of countries?

According to Vasquez & Sumner (2012), the OECD's Development Assistance Committee (DAC) uses the WB income classification in order to distinguish two groups of countries (DAC, 2011): the “developing countries” (LIC, LMIC and UMIC, according to the World Bank), and the “developed countries” (basically high-income countries). The former were potential recipients of Official Development Assistance (ODA).

Furthermore, the UNDP ranks countries by levels of “human development” by means of a composite index –the Human Development Index (HDI) – that tries to capture the multidimensionality of the development process highlighted earlier. Specifically, the index includes 3 dimensions of development: health, education and living standards. According to UNDP 2011 reports as reiterated by Vasquez & Sumner (2012), the HDI breaks the conventional classification of countries according to per capita income levels, and, instead, classifies countries into four relative groups of human development as follows:

- Very high human development countries, with HDI greater than 0.79 in 2011.
- High human development countries, with HDI between 0.698 and 0.79
- Medium human development countries, with HDI between 0.52 and 0.698.
- Low human development countries, with HDI less than 0.52.

The UN has a further classification of countries called the Least Developed Countries which uses a sophisticated methodology that combines human assets (including nutrition, child mortality, school enrolment and adult literacy), economic vulnerability (including measures of the instability of agricultural production, population displaced by natural disasters, instability in exports, the share of agriculture in GDP and exports), and proxies for economic ‘smallness’ (less than 75 million people), ‘remoteness’ and GNI per capita. However, the graduation criteria make it very difficult to leave the category and a third of the 48 LDCs were MICs (Vasquez & Sumner (2012).

There are seven (7) UMIC in SSA according to the WB classification method namely Angola, Botswana, Gabon, Mauritius, Namibia, Seychelles and South Africa, however out of the 7, Angola was the only one that was still classified as Least Developed Country (LDC) by the

OECD.

Table 2.2: Classification of countries according to the WB and OECD

| Sub Saharan Africa: Classification of countries according to World Bank and OECD DAC | | | |
|--|-----------------------------|-----------------------------|-----------------|
| Country | World Bank | OECD/DAC | Sub-Region |
| Angola | Upper Middle Income Country | Least Developed Country | Central Africa |
| Benin | Low Income Country | Least Developed Country | Western Africa |
| Botswana | Upper Middle Income Country | Upper Middle Income Country | Southern Africa |
| Burkina Faso | Low Income Country | Least Developed Country | Western Africa |
| Burundi | Low Income Country | Least Developed Country | Eastern Africa |
| Cameroon | Lower Middle Income Country | Lower Middle Income Country | Central Africa |
| Cape Verde | Lower Middle Income Country | Lower Middle Income Country | Western Africa |
| Central African Republic | Low Income Country | Least Developed Country | Central Africa |
| Chad | Low Income Country | Least Developed Country | Central Africa |
| Comoros | Low Income Country | Least Developed Country | Eastern Africa |
| Congo, Democratic Republic | Low Income Country | Least Developed Country | Central Africa |
| Cote d'Ivoire | Lower Middle Income Country | Lower Middle Income Country | Western Africa |
| Eritrea | Low Income Country | Least Developed Country | Eastern Africa |
| Ethiopia | Low Income Country | Least Developed Country | Eastern Africa |
| Gabon | Upper Middle Income Country | Upper Middle Income Country | Central Africa |
| Gambia, The | Low Income Country | Least Developed Country | Western Africa |
| Ghana | Lower Middle Income Country | Lower Middle Income Country | Western Africa |
| Guinea | Low Income Country | Least Developed Country | Western Africa |
| Guinea-Bissau | Low Income Country | Least Developed Country | Western Africa |
| Kenya | Low Income Country | Low Income Country | Eastern Africa |
| Lesotho | Lower Middle Income Country | Least Developed Country | Southern Africa |
| Liberia | Low Income Country | Least Developed Country | Western Africa |
| Madagascar | Low Income Country | Least Developed Country | Eastern Africa |
| Malawi | Low Income Country | Least Developed Country | Eastern Africa |
| Mali | Low Income Country | Least Developed Country | Western Africa |
| Mauritania | Lower Middle Income Country | Least Developed Country | Western Africa |
| Mauritius | Upper Middle Income Country | Upper Middle Income Country | Eastern Africa |
| Mozambique | Low Income Country | Least Developed Country | Eastern Africa |
| Namibia | Upper Middle Income Country | Upper Middle Income Country | Southern Africa |
| Niger | Low Income Country | Least Developed Country | Western Africa |
| Nigeria | Lower Middle Income Country | Lower Middle Income Country | Western Africa |
| Rwanda | Low Income Country | Least Developed Country | Eastern Africa |
| Sao Tome and Principe | Lower Middle Income Country | Least Developed Country | Central Africa |
| Senegal | Lower Middle Income Country | Least Developed Country | Western Africa |
| Seychelles | Upper Middle Income Country | Upper Middle Income Country | Eastern Africa |
| Sierra Leone | Low Income Country | Least Developed Country | Western Africa |
| Somalia | Low Income Country | Least Developed Country | Eastern Africa |
| South Africa | Upper Middle Income Country | Upper Middle Income Country | Southern Africa |
| South Sudan | Low Income Country | Low Income Country | Eastern Africa |
| Sudan | Lower Middle Income Country | Least Developed Country | |
| Swaziland | Lower Middle Income Country | Lower Middle Income Country | Southern Africa |
| Togo | Low Income Country | Least Developed Country | Western Africa |
| Uganda | Low Income Country | Least Developed Country | Eastern Africa |
| Zambia | Lower Middle Income Country | Least Developed Country | Eastern Africa |
| Zimbabwe | Low Income Country | Low Income Country | Eastern Africa |

Nielsen (2011) further highlighted that another possible explanation for the absence of a generally accepted classification system was the inherent normative nature of any such system. The word pair developing/developed countries became in the 1960s the more common way to characterize countries, especially in the context of policy discussions on transferring real resources from richer (developed) to poorer (developing) countries (Pearson et al, 1969). Where resource transfers were involved countries have an economic interest in these definitions and therefore the definitions were much debated.

In the absence of a methodology or a consensus for how to classify countries based on their level of development, some international organizations have used membership of the Organization of Economic Cooperation and Development (OECD) as the main criterion for developed country status. While the OECD has not used such a country classification system, the preamble to the OECD convention does include a reference to the belief of the contracting parties that "economically more advanced nations should co-operate in assisting to the best of their ability the countries in process of economic development."

According to Abuzeid Farah (2009), ODA was generally given to promote the economic development and welfare of developing countries, and consist of both bilateral aid that flows directly from donor to recipient governments and multilateral aid that was channelled through a multilateral or intermediary lending institution like the World Bank.

Although many researchers have challenged with good justification, the use of income per capita as the primary proxy for development, this study merely highlighted but not venture into that debate.

2.2. The role of ODA to Middle Income Countries (MICs)

A lot of literature has been written on the ODA to MICs but not specifically how countries dealt with the reclassification and how that impacted ODA flows to their countries.

According to the benchmark used by the World Bank (2005), the middle-income group comprises 93 countries or territories where per capita income lies between \$766 and \$9,385 (in 2003 dollars). This group was further broken down into two subgroups: lower-middle-income, embracing 56 countries with per capita incomes between \$766 and \$3,035, and upper-middle-income, comprising 38 countries with per capita incomes between \$3,035 and \$9,385. Thus, the MIC group as a whole accounts for nearly 60% of what were conventionally regarded as developing countries. Of this total, 77 countries (and seven territories) were also considered as middle-income by the OECD's Development Assistance Committee (DAC).

Glennie J. (2011) indicated that the question of how much aid and for which sectors remains unanswered and were among the mostly debated issues by the development cooperation partners' minds, especially the European Union). He further iterated the fact that some argue that aid should be concentrated on poverty reduction in the poorest countries irrespective of the income grouping. Supporters of this view were of the opinion that since poverty exists in MICs although they were perceived to be rich enough to tackle their poverty challenges, this group would find the resources to assist these countries. Providing aid to MICs was both legitimate and necessary to address the

Millennium Development Goals and, other development needs. Others were of the view that as donor budgets were squeezed, scarce resources must be allocated where they were most needed and hence MIC should fund their own developmental needs.

Thomas A. (2013) also pointed that European Commission (EC) aid should be provided to the poorest irrespective of their geographical location; hence eligibility of MIC for ODA must be based on a poverty assessment considering GNI but also inequality levels, social development indicators, long term development and flexibility of a country.

Internationally, the debate has been brought to the fore by the financial crisis affecting most donor countries and forcing them to reassess the size of aid budgets, and by the growing wealth of the larger MICs, like China and India. According to the OECD (2009), the year 2009 was marked by many global events that influenced development assistance and to which development assistance should contribute solutions i.e. the global financial and economic crisis, food insecurity, and climate change. A series of UN conferences on MICs, hosted by Spain and El Salvador in 2007 and Namibia in 2008, analysed common priorities, and looked at how the international community could best support progress and Aid emerged as one part of the answer.

Glennie (2011) also stressed that the effectiveness of aid continues to be the critical challenge. Aid volume was still increasing, but incentives change, new donors appear on the scene, aid flows were fragmented, and data was not captured and analyzed.

Many donor countries pledged to provide aid equivalent to at least 0.7 percent of GNI, but the average remains around 0.31 percent. In 2010, only five countries—Denmark, Luxembourg, the Netherlands, Norway, and Sweden—fulfilled their pledge. Aid received by low-income countries in 2010 constituted 9.5 percent of their GNI. In middle-income countries, aid was only 0.3 percent of GNI (WB Atlas 2013).

Although the great differences among MIC countries suggest that no single, universal response would be adequate, the UN (2007) suggested three aspects that could be said to be crucial to their development strategies: (i) consolidating efficient and credible institutions for bringing coordination and quality to collective efforts, enhancing social cohesion, and lowering current levels of poverty and inequality; (ii) reducing the vulnerabilities associated with their integration into international financial markets; and (iii) improving their competitive capacity through productive transformation and technological progress. While the primary responsibility for moving forward on these fronts undoubtedly lies with the countries concerned, international cooperation could play a role in supporting national efforts and helping to create an international framework that will encourage and stimulate such efforts. This would require sound analysis and an accurate definition of objectives, and the adoption of cooperation mechanisms targeted at MICs.

However, this was less of a chance that it might appear because many countries have graduated from low to middle-income status in the last decade or so. Today there are 35 low-income countries; compared to 63 in 2000. "Middle income" is a very broad classification, ranging from about US\$1000 to US\$12,000 GNI per person per year. (The dividing line between lower and upper-middle income comes at about \$4000 GNI per

person per year). Poor people have not moved; their countries have crossed an (almost) arbitrary dividing line in GNI.

The poor people in middle-income countries were almost all in five large countries; Pakistan, India, China, Nigeria and Indonesia (PICNI) - which all graduated (or re-graduated) to middle-income country status since 1999.

The policy of cooperation with MICs must begin with recognizing the heterogeneity of this group as it embraces countries with widely divergent development possibilities, very different sizes, and contrasting economic and social achievements. Consequently, there could be no single diagnosis of them, nor were they susceptible to any attempt at shared therapy. Nonetheless, there were five reasons that justified an active policy of development cooperation with middle-income countries, compatible with the preference that must be given to the poorest countries.

Characteristics of MICs (*Development Cooperation with Middle Income Countries, UN 2007*)

Despite their obvious differences, MICs could be characterized by the following number of traits:

- They were at an advanced point along the demographic transition curve, and now have fertility and population growth rates lower than the world median, and a life expectancy at birth that was slightly higher than the world average. The age structure of the population was midway between that of low-income countries (where the younger strata predominate) and those of high-income countries, with older populations.

- Their technological capacity indicators were very close to the world average, although they still fall short of those in high-income countries. There were moreover notable differences among the countries in the group.
- The intermediate positioning of the MICs was improved especially when it comes to social variables: their Human Development Index was above the world median. The same holds for the infant mortality rate, the adult literacy rate, and the proportion of the population with access to drinking water.
- The above-mention social indicators would be better if these countries exhibited greater equity: as it is, they have high inequality indicators, even greater than those for low-income countries. This high degree of inequality means that poverty rates were above those corresponding to their level of development. In both cases, the average figures conceal highly divergent national situations.
- Finally, the available indicators on institutional quality, even with their inherent shortcomings, indicate that MICs (especially the lower-income ones) fall well short of high-income countries, and the indicators were dispersed widely around the world median.

Kharas H & Linn J.F (2008) stressed that while the Paris Declaration has many good ideas, in practice they were implemented too slowly to make a material difference for achievement of the Millennium Development Goals (MDGs)—eight international development goals set by the United Nations. What was worse, the Paris Declaration excludes more than half of all aid that actually reaches countries—the private foundations, NGOs and humanitarian groups who give almost \$60 billion to the poorest

countries and non-DAC official donors like China, India and some of the oil-rich countries.

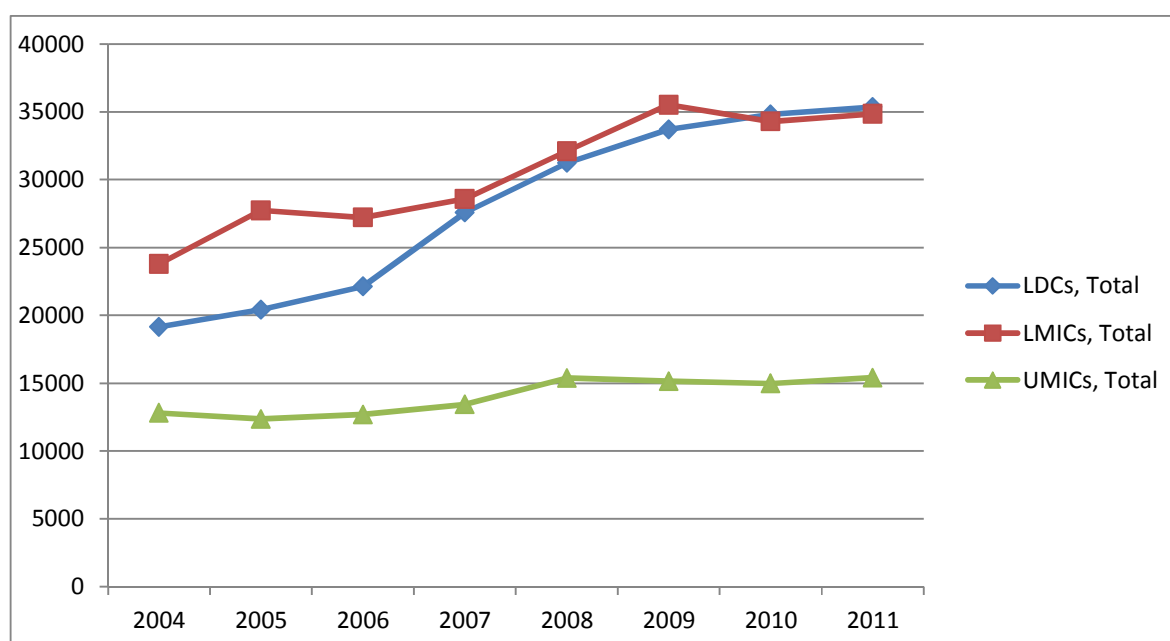
As a result, knowledge about and coordination with and among private donors was even more of a problem than for official donors. It seems clear that a different strategy was needed to improve aid effectiveness. They proposed a two-pronged approach which entails the paying of more attention to the allocation and delivery of aggregate official aid; and to filling the huge gaps in the aid architecture with a special focus on the role of private institutions (Kharas H & Linn J.F, 2008).

In order to fill these gaps and turn promise into action, a new strategy was needed. The future looks bleak for many of the world's poor with the ensuing impact of the global financial crisis, rising food prices, and the changing climate. Now, more than ever, effective sustainable development to alleviate global poverty was essential. Using a two-pronged approach as outlined by Kharas and Linn, aid architecture could be strengthened, gaps filled, flows coordinated, and development sustainable and effective—ultimately making aid better.

Between 1998-99 and 2008-09, the percentage of DAC aid (bilateral plus imputed multilateral) directed at LDCs and other LICs increased from 45.2% to 57.8%, despite the fact that major recipients like India shifted to MIC. The EU donor countries raised their aid to LDCs and other LICs from 49.9% to 55.5% in the same period. Aid to MICs went down as a consequence of this shift.

The major donor to have most reduced its aid to MICs was Japan, halving the proportion of aid to MICs from over 66% to just below 34% in ten years. Canada and the

Netherlands cut the share of aid given to MICs by about one third, while the UK, Norway and the US cut theirs by about one quarter. Despite cutting its aid allocation to MICs significantly from almost 70% in 1998-99, Spain still has the highest allocation with 57% in the most recent figures, followed by France and Germany. It is worth noting that DAC aid to the UMIC category increased by 26% during this period, possibly because the number of countries in that category increased from 37 in 2003 to 48 in 2011.



Source: Researcher's own analysis using OECD data

Figure 2.1: Total ODA flows: Various income groupings

The EU's new policy of differentiation approach with MICs proposes to cut grant-based bilateral aid to UMICs and LMICs from 2014. These countries would still be eligible for funds through other modalities. However, this policy would fundamentally change the nature of the relationship by modifying the volume of funds, modalities and sectors.

It is also worth noting that the vast majority of FDI (85%) was directed towards MIC clusters according to Commons Consultants (2013).

2.3. The role of ODA in Namibia

2.3.1 The history of ODA in Namibia

The National Planning Commission (NPC) as mandated by Act 2 of 2013 is responsible for the mobilization, management and coordination of ODA to augment government resources. However, according to the Namibia Vision 2030, external assistance should not perpetuate dependency or undermine national priorities or policies.

The Namibia ODA policy defines the purpose of official development assistance in Namibia and the criteria that would be applied in accessing ODA. Accordingly, the Namibian government is striving to become self-sufficient and to use ODA merely as a source to augment domestic resources which would be fully aligned with government's development priorities as outlined in the National Development plans. Furthermore, these funds should be managed effectively and efficiently in a manner that supports the country's chosen development path.

Likewise, the Monterrey Consensus stressed the role of ODA as a compliment to other sources of financing for development especially for countries with limited capacity to attract private direct investments (Sachs, 2005). Based on the earlier chapter looking at the role of ODA to MIC, it is essential to look at how foreign aid could help mitigate these challenges. The OECD 2011 report on Namibia indicates that Net ODA received as a percentage of GNI was 2.4 as of 2011 as highlighted in the figure below. Since the common practice was to assume that countries where ODA as percentage of GNI was

below 10% were not Aid depended, this indicated that Namibia was not depended on ODA. Health and Education was the biggest receivers of ODA amounting to 40% of total bilateral ODA while the USA was the highest contributor of ODA to Namibia amounting to US\$115 million for the 2010/11 financial year.

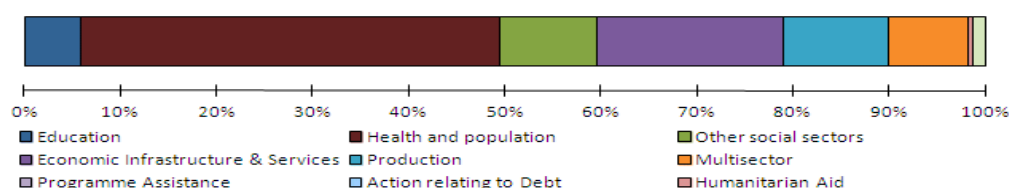
Namibia

| Receipts | 2009 | 2010 | 2011 |
|---------------------------------|------|-------|------|
| Net ODA (USD million) | 326 | 256 | 285 |
| Bilateral share (gross ODA) | 76% | 82% | 83% |
| Net ODA / GNI | 3.7% | 2.4% | 2.4% |
| Net Private flows (USD million) | 307 | - 360 | 431 |

| For reference | 2009 | 2010 | 2011 |
|----------------------------|-------|-------|-------|
| Population (million) | 2.2 | 2.3 | 2.3 |
| GNI per capita (Atlas USD) | 4 060 | 4 250 | 4 700 |

| Top Ten Donors of gross ODA (2010-11 average) | | (USD m) |
|--|-----------------|---------|
| 1 | United States | 115 |
| 2 | Germany | 51 |
| 3 | Japan | 36 |
| 4 | EU Institutions | 21 |
| 5 | Global Fund | 19 |
| 6 | Luxembourg | 10 |
| 7 | Spain | 6 |
| 8 | Finland | 4 |
| 9 | Sweden | 4 |
| 10 | UNHCR | 2 |

Bilateral ODA by Sector (2010-11)



Sources: OECD - DAC, World Bank; www.oecd.org/dac/stats

Figure 2.2: Namibia ODA at a glance

According to the OECD Development Cooperation Report 2011: 50th Anniversary Edition, aid was seen as a post-colonial and temporary provision during the initial stages of transition from colonialism to independence and immediately afterwards. Equally, ODA played a very predominant role in Namibia ever since the transition from the colonial South African Government in 1990. According to the Namibian Vision 2030 (2005), between 1990 and 1998, ODA to Namibia doubled from N\$ 283 million to N\$ 780 million focusing on human resources, infrastructure and social sectors.

The UN General Assembly during the Second United Nations Conference on Least Developed Countries, held in Paris in September 1990, recommended that Namibia although a lower middle income country be given special consideration of a scope for a number of years which was comparable to that given to a least developed country in support of its economic and social development (UN resolution 46/204 of 20 1991).

Even though significant progress has been made since independence, Namibia continues to experience challenges of inequality in distribution of income, poverty and unemployment. These challenges were clearly articulated in the government's 4th National Development Programme (NDP4). Namibia has been labeled as one of the most unequal economies in the world with a Gini-coefficient of 0.58 according to the 2010/11 National Households Income and Expenditure Survey (NHIES). The same survey puts the poverty rate (percentage of the population living in households below the poverty line) at 28.7%. The unemployment rate continues to be the major challenge to Namibia's development. The 2012 Namibia Labour Force Survey indicated that unemployment stood at 27.4%.

The International Monetary Fund (IMF) Country Report No. 13/292 (2013) defines the economy of a small MIC in sub-Saharan Africa (SSA) as often characterized by the following features: (i) low population (ii) per capita income in the range of \$3000–\$10,000 (PPP basis); (iii) somewhat undiversified; and (iv) structural and institutional weaknesses that often resemble those of low-income countries (LICs). Beyond the narrow criteria of per capita income level, there were a number of areas including macroeconomic policy implementation capacity, where small MICs in SSA were a lot

stronger than the low-income countries in the region and were in fact closer to large MICs elsewhere.

2.3.2 The perception on the reclassification of Namibia as UMIC on ODA

Namibia became an upper middle income country (UMIC) in 2009 when her per Capita GNI reached US\$4, 060. This reclassification created some negative perception within Namibia's Policy Makers that ODA was reducing when some of the development partners started reducing their assistance, without looking at the holistic ODA architecture both at global level and in Namibia.

His Excellency Ambassador Emvula, in his statement to the general debate of the second committee of the 66th session of the UN General Assembly stressed that although Namibia has been reclassified as UMIC; the social imbalances of unemployment, poverty and inequality although high on government's development agenda still needs assistance by international community. The Prime Minister of the Republic of Namibia in his meeting with the World Bank Country Director for Namibia lashed out on the WB for the unjustified classification of Namibia as UMIC and urged the World Bank to reconsider moving back Namibia to LMIC status in order for the country to benefit from concessional loans and other privileges that were forfeited due to the upgraded status (www.namibiasun.com).

This research only concentrated on the impact of the reclassification on ODA and highlighted opportunities that could be explored rather than looking at and suggesting details on other alternatives to ODA that the country could embark upon i.e. borrowing, raising domestic finance etc. Flaaen et.al (June, 2013) cautioned that there were

currently concerns that Malaysia has successfully transitioned from low to a middle income country might fall into a situation called a “middle income trap”. This was a situation whereby a country was unable to move ahead and achieve higher level of growth and economic transformation due to lack of capacity, capital markets etc. subsequently leading to these countries to grow slowly and lagging behind. This literature review further indicated that the two common mistakes done by MIC were; that they sometimes cling to long to old policies or they exit too quickly from industries that could assist in the specialization process. This experience could serve as a caution for Namibia not to linger or try to hold on to lower middle income status or fighting to be treated as if least developed but rather to embrace the acquired status and look out for modalities to grow the economy at that level and to secure the interest of her citizens.

2.4. Rationalizations for ODA exits

2.4.1. Example of the EU

Andris Piebalgs, European Commissioner for Development (2012) said “We cannot work with India or Brazil in the same way we work with the Democratic Republic of Congo or Mali. Some countries can now afford to fight poverty themselves and, as a result, this would allow us to focus on places that need more of our help”.

Herbert S (2012) stated that the new European Commission (EC) policy of ‘differentiation’ aims to recalibrate its development cooperation with middle-income countries (MICs). The policy responds directly to recent changes in global economic flows, geopolitical realities and poverty patterns, and would influence the allocation of significant amounts of aid. ‘Differentiation’ is a technical term used by the EC to mean

the policy of identifying different policy mixes and cooperation arrangements for different developing countries.

He further indicated that Differentiation has gained more eminence since 2011, but has now become a key feature of the EC's new development strategy called 'An Agenda for Change'. This strategy states that the EU should seek to target its resources where they were needed most to address poverty reduction and where they would have greatest impact as there were a spectrum of situations requiring different policy mixes and cooperation arrangements. A differentiated EU approach to aid allocation and partnerships were therefore essential in achieving maximum impact and value for money (European Commission, 2011a: 9).

Herbert further explained that the new aid allocation criteria would lead to some countries 'graduating' from receiving grant-based bilateral aid from 2014. However, these countries could still receive funding under thematic programmes and through 'differentiated development partnerships'. Countries would now graduate from grant-based bilateral aid if they were (European Commission, 2011c):

- Upper-middle-income countries (UMICs) according to the OECD-DAC classification; and
- Countries with more than 1% of the world's gross domestic product (GDP).

However, other factors would be considered, including the Human Development Index (HDI), the Economic Vulnerability Index, aid dependency, economic growth levels and foreign direct investment.

Based on the European Commission communication on increasing the impact of EU Development Policy: an Agenda for Change (2011), the EU is striving to target its resources where they were needed most to address poverty reduction and where they could have greatest impact. Consequently, grant-based aid could not feature in cooperation with more advanced developing countries already on sustained growth paths and were able to generate enough own resources. Conversely, many other countries remain heavily reliant on external support to provide basic services to their people. In between, there was a spectrum of situations requiring different policy mixes and cooperation arrangements. A differentiated EU approach to aid allocation and partnerships were therefore core to achieving maximum impact and value for money.

More precisely, EU development assistance should be allocated according to:

- Country needs: assessed using several indicators, taking into account, inter alia, economic and social/human development trends and the growth path as well as vulnerability and fragility indicators.
- Capacities: assessed according to a country's ability to generate sufficient financial resources, notably domestic resources, and its access to other sources of finance such as international markets, private investment or natural resources. Absorption capacities should also be considered.
- Country commitments and performance: positive account should be taken of a country's investment in education, health and social protection, its progress on the environment, democracy and good governance, and the soundness of its economic and fiscal policies, including financial management.
- Potential EU impact: assessed through two cross-cutting objectives:

- (1) Increasing the extent to which EU cooperation could promote and support political, economic, social and environmental policy reforms in partner countries;
- (2) Increasing the leveraging effect that EU aid could have on other sources of finance for development, in particular private investment.

2.4.2. Example of Sweden

Sweden Ministry of Foreign Affairs (2007) issued a communication that Sweden's development cooperation should be characterised by quality, effectiveness and efficiency.

The Government of Sweden carried out an extensive study in 2007 on how best to administer ODA in order to make development cooperation more effective. The aim of the reform efforts was increased goal realisation in the form of reduced poverty and achievement of the Millennium Development Goals.

The Communiqué further directed that a '*Country focus*' approach be advised as it was viewed as one of several measures being taken to increase effectiveness, efficiency and quality in Swedish development cooperation. Through the country focus approach, Sweden could strengthen partnership with their most important partner countries and continue to be a leading donor with high quality development cooperation, without increasing the administrative resources used to steer and carry out development cooperation. In this way, enhanced poverty reduction would be achieved. Since resources would be freed, deeper involvement in the areas where Sweden continued its cooperation would become possible.

Since the implementation of the principles of the Paris Declaration was a central priority of Swedish development cooperation, limiting efforts to fewer sectors and fewer partner countries was therefore in line with the principles of alignment and harmonisation. The aim of the Paris Declaration was to identify each donor's comparative advantages, and in the long term to achieve a division of labour that saves resources both for the partner country and the donors.

In the period from 1988 to 2005, the percentage of total Swedish bilateral aid that went to their 20 largest partner countries fell from 90 to 45 per cent. This was a result of Swedish aid being spread among more countries. The consequence of this was that their role as donor to a number of countries had changed, in particular as total international aid volumes have continued to increase. Up to the beginning of the 1990s, Sweden was one of the two largest and hence most prominent donors in Tanzania, for example. Today, Sweden is the seventh largest donor in a growing circle. Sweden has spread aid resources over a large number of countries and sectors, without sufficient focus while they could not do everything, everywhere. Caring about quality in development cooperation requires that we review the possibilities of using their resources in bilateral development cooperation in a more concentrated and well thought-out way.

The Swedish government further stressed the fact that the country focus approach contributed to better quality and effectiveness in development cooperation on several levels. Focusing aid on fewer countries meant that Swedish aid management could be rationalised. Resources could be concentrated on managing a smaller number of countries, which provided the conditions for better quality throughout the aid management system, both at home and in the field. In line with the Paris Declaration,

Sweden's phasing out of aid to certain countries means that the administration in these countries would be able to administer the aid provided by the remaining countries in a more effective manner. In other words, Sweden could be considered to be taking its share of the responsibility for achieving the goals of the Paris Declaration. One condition for this was that, continued close dialogue with other aid donors takes place and that a reasonable division of labour between donors was achieved.

During the 2007 study, an analysis was made of the potential for successful development cooperation with the countries in which Sweden was involved. The choice of partner countries was based on an overall assessment of a large number of central factors to identify countries where Sweden has special qualifications for conducting development cooperation.

Firstly, the assessment was based on the needs of the individual partner country in terms of the extensiveness of poverty and where the greatest needs were. In that, factors such as the average income, infant mortality, income distribution and the access of girls to formal education formed part of the assessment.

Secondly, the assessment looked at the expectations regarding the effectiveness of their aid. The most important aspect was whether the country's own development policy could be expected to lay a foundation for growth and reduced poverty, and also whether the country could be described as having good governance and that corruption was being combated.

The third question concerned democracy and respect for human rights: Was democratic development going in the right direction and do we otherwise have the potential to influence it? The degree of political democracy, the extent to which conventions on human rights were complied with and the role of civil society in the country's democratic development were examples of specific areas that was analysed.

The fourth question focused on whether Swedish aid has added value in relation to the individual partner country. Important factors have been the country's demand for Swedish expertise (from the business sector, government agencies or organisations) as well as Swedish comparative advantages and Swedish know-how in relation to other donors.

In addition, Sweden's overall links with each country have been considered focusing on cooperation to countries in which Sweden has the best potential to contribute to development, and to create scope for initiatives in countries in which Sweden could be expected to do the most good and contribute more deeply to the country's poverty reduction efforts.

Botswana, Namibia and South Africa were some of the countries where Swedish Aid was phased out and other selective modes of cooperation were introduced i.e. cooperation with civil society and private sector in areas of environment and democracy/human rights. However, Sweden maintained and developed relations in various ways with countries in which development cooperation was phased out.

As a consequence of the country focus approach, some changes were made in Sweden's foreign representation. These changes were also linked to the general review of foreign representation conducted alongside the work on country focus. In some cases, Sweden needed to strengthen its presence in the countries where they chose to continue their cooperation. At the same time changes were made in relation to aid representation in countries to be phased out.

The above scenarios basically highlighted the fact that being a MIC was not the only or main justification for donors to reduce or phase out their cooperation. There were other factors that influenced that decision.

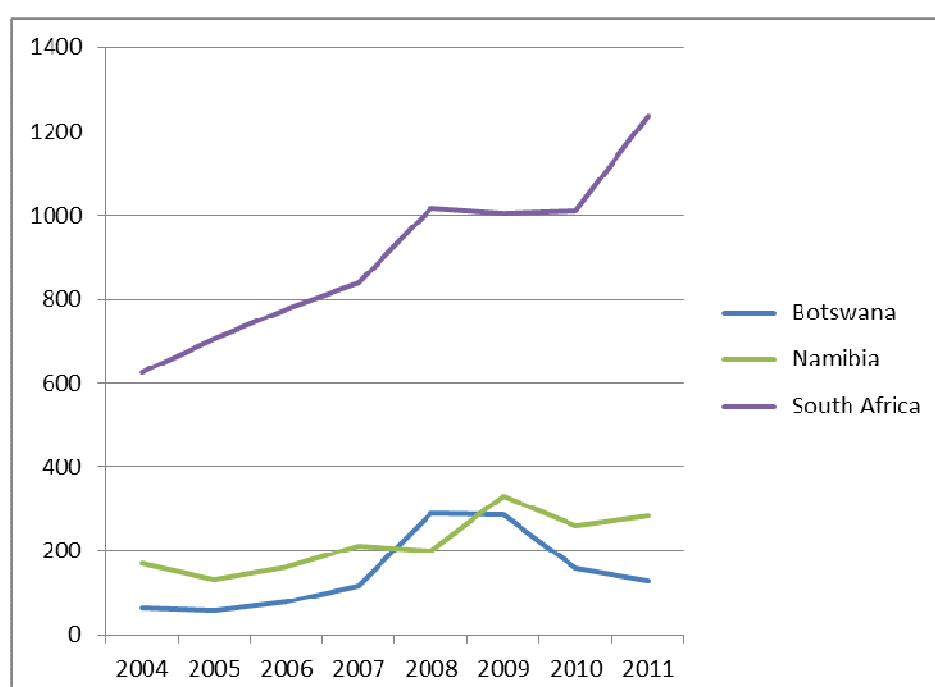
2.5 Cross-country analysis

I will provide a narrative descriptive scenario from two neighbouring countries i.e. South Africa and Botswana to determine how they handled their reclassification and how ODA was managed in order to draw some practical lessons that could serve as recommendations for Namibia. Although there were a few countries in SSA and many in other regions that were facing the same challenge of reduction in ODA, I chose to focus on SA and Botswana because of the relatedness in many facets though distinct i.e. geographical, size of economies, inequality in income distribution.

A cross-country clustered look should provide an opportunity to discuss the common policy challenges facing them and to facilitate peer learning.

Table 2.3: ODA flows from Botswana, Namibia and South Africa (2004-2011)

| Dataset: Country Programmable Aid (CPA) | | | | | | | | | |
|--|--|--------------------------------------|--------|--------|--------|---------|---------|---------|---------|
| Donor | | All Donors, Total | | | | | | | |
| Amount type | | Current Prices (USD millions) | | | | | | | |
| Year | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Recipient | | | | | | | | | |
| Botswana | | 62.37 | 56.93 | 79.07 | 116.31 | 289.78 | 287.11 | 159.45 | 129.21 |
| Namibia | | 170.35 | 130.67 | 160.9 | 213.17 | 200.43 | 330.61 | 259.52 | 284.35 |
| South Africa | | 624.87 | 703.68 | 776.58 | 837.72 | 1015.91 | 1003.83 | 1011.78 | 1235.58 |



Source: Researcher's own based on above table

Figure 2.3: ODA flows from Botswana, Namibia and South Africa (2004-2011)

The data above shows that ODA to South Africa is increasing while for Botswana is decreasing although they are both UMIC. One reason could be the strategic importance of South Africa as a regional hub which makes it attractive to ODA.

Table 2.4: ODA as percentage of GNI: SADC Upper Middle Income Countries (2001-2011)

| Year | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------|------|------|------|------|------|------|------|------|------|------|------|
| Botswana | 0.45 | 0.41 | 0.68 | 0.37 | 0.35 | 0.32 | 0.35 | 0.55 | 5.33 | 1.94 | 0.72 |
| Namibia | 2.48 | 2.21 | 2.54 | 2.16 | 1.88 | 1.26 | 1.37 | 1.69 | 1.78 | 2.82 | 1.99 |
| South Africa | 0.27 | 0.27 | 0.35 | 0.29 | 0.21 | 0.19 | 0.22 | 0.22 | 0.33 | 0.31 | 0.23 |

Source: Researcher's own work based on data from the OECD Data Base

In most works, an economy is assumed to be aid dependent when the ratio of aid to GNI rose above 10 per cent. In the table above, it is clear that all three countries are not aid dependent.

2.5.1 South African experience

Herbert S (2013) while citing Mbeki 2003, stated that South Africa was a key country in the debate on aid in MICs as it was characterised by two parallel economies ;one that was modern, produced the bulk of the country's wealth, and was integrated within the global economy and the other (or the Marginalized Economy) which was characterised by underdevelopment, contributed little to the GDP, contained a big percentage of the population, incorporated the poorest of the rural and urban poor, was structurally disconnected from both the First and the global economy, and was incapable of self-generated growth and development.

Herbert stressed that South Africa still faced many serious development challenges. Ten per cent of the population suffers from HIV/AIDS; the rate of murders of women by intimate partners was six times the global average; unemployment was 25% in 2012; 39% of the population lived under the national poverty line; and life expectancy

in 2008 was 62 for women and 55 for men (Republic of South Africa, 2012). The HDI ranks South Africa 121st out of 187 countries. These socioeconomic ills were much more prevalent in Mbeki's 'Second Economy'. At the same time, South Africa was a UMIC with a GNI per capita of \$6,960 (USD) in 2011.

GNI per capita was an aggregate indicator that masks unequal income distribution. This was particularly important in South Africa, as it was one of the world's most unequal countries with a Gini coefficient of 0.69. Despite being classified as a UMIC, South Africa was eligible for funds not usually available to MICs, e.g. the Global Fund.

South Africa is a regional anchor and the largest trading partner for the rest of sub-Saharan Africa, accounting for over a third of the region's GDP and about 40% of its exports (Herbert 2013). It is the 27th largest economy in the world and the EU's largest trading partner in Africa.

Herbert 2013 further highlighted that aid in South Africa fulfils a variety of roles, depending on how it was administered, the beneficiary and the sector chosen. It is interesting to compare the two distinct roles of the two largest donors – the EU and USAID: the EU delivered aid largely through budget support (focusing more on upstream activities), while USAID delivered aid through non-state actors (focusing more on downstream activities). It is important to note that the total aid received from all donors in South Africa makes up less than 1% of government expenditure. These impacted on the role aid could play: in countries with low (or no) aid dependency, aid has a more limited capacity to fill a financing gap, for example.

The EU administered the majority of aid in South Africa through budget support. In the current multi-year budget period (2007 until mid-2012) the EU has so far administered 84% of its aid through budget support, including general, sector and sector-wide approach programme budget support; 9.4% in the form of projects (including grants – direct centralised); 3.5% in the form of projects (decentralised); and 3.1% in the form of projects (indirect centralised management by executive agencies and others).

The theory was that EU aid in South Africa fulfilled a 'value-added' role, funding innovation, pilot projects, and high-risk projects; providing seed funding for projects; and unblocking bottlenecks. In this sense it could fill a non-essential financing gap, provides a multiplier effect and facilitates budget flexibility. If the projects were successful, the government could then choose to replicate or scale them up through other budgetary resources (the 'heavy lifting'). In the words of an interviewee, aid via budget support 'fast tracks' initiatives that the government would like to undertake, but could not prioritise funding for. In relation to the stated 'value-added' role of EU aid in South Africa, one way of evaluating success would be to review the innovative, pilot projects that have subsequently been taken over, replicated or scaled up by the government or other donors.

Alternatively, USAID administers the majority of its aid budget in South Africa through NGOs and technical cooperation. USAID provided around €396 million (\$541 million (USD)) in 2009, with 96% of this spent on HIV/AIDS initiatives (USAID, 2012). USAID's largest programme – the US President's Emergency Plan for HIV/AIDS Relief (known as 'PEPFAR') – was established in 2003 in response to the HIV/AIDS epidemic. In this area USAID has provided an essential financing gap in the delivery of health services.

The focus of the USAID approach was to provide services directly or through civil society in order to target particular health development needs. In contrast to the EU model, the USAID model was more of a bottom-up approach to development, with a direct focus on the people and using civil society as the entry point for development initiatives.

International donors play a significant role in supporting CSOs in South Africa where funding would not normally be available, therefore aid in this context fills an 'additional' financing gap that the government would not provide. At present, funding goes towards CSOs working on human rights issues and general rights-based advocacy, think tanks, CSOs working on policy, and those that carry out service delivery (e.g. the USAID model, among other donors).

Some of Herbert's respondents argued that upon review of South Africa's development indicators, there was no reason to stop or reduce aid now. All respondents recognised that South Africa has many serious national development needs, referring especially to multi-dimensional poverty factors and people poverty data. Using GNI per capita as a proxy for development was particularly inadequate in the South African context due to the 'dual economy' and the strategic underdevelopment of the 'Second Economy'.

Managing ODA represents a significant commitment for local development actors, especially the government. Any reduction in aid volumes would inevitably reduce the incentives for dialogue and donor leverage over policy issues.

2.5.2 Botswana experience

Ken Togo & Yoshio Wada (2008) paper focuses on Botswana as a case study of aid effectiveness because of its success in SSA Sub-Saharan Africa to overcome heavy dependence on foreign aid and achieved sustained economic development after political independence according to Ohno 2006, p.201 as cited by Ken Togo & Yoshio Wada (2008)).

The UN Annual Report in Botswana 2010-2012 highlighted that Botswana was an upper middle income country with a real per capita Gross Domestic Product of \$8 680. The situation was not always this way, as at independence in 1966 Botswana was the second poorest country in the world after Bangladesh. In 1967 diamonds were discovered and the country developed at a remarkable pace and within just 30 years attained middle income country status. A key feature of middle income countries was that they have reached a relatively high level of infrastructure development, were well resourced and able to fund most of their developmental needs. The countries however often faced problems of high levels of inequality and slowdowns in productivity requiring entry into new higher productivity industries. A feature of Botswana that was somewhat at odds with the country's upper middle income status was the high level of unemployment.

Botswana's status as an upper middle income country has had a significant impact on aid flows into the country. The amount of development assistance flowing into the country has been declining and this was dramatically reflected in the volumes of aid received by Botswana between 2008 and 2010. In 2008 net aid inflows amounted to US\$720 million representing 5.6% of Gross National Income. By 2010 net aid flows \$157

million representing just 1.1% of Gross National Income. Declining aid flows have had a significant effect on development agencies and civil society who have been unable to adapt fast enough to the changing context.

The changed aid context calls for development agencies active in Botswana to be more strategic and better coordinated if the country was to realize meaningful benefits from the available aid. The declining volume of aid in relation to the country's development expenditures meant that the 'power of the purse' was declining. This challenges development agencies to exhibit other strengths that would be valued by Botswana and her citizens. Valued contributions were more likely to be those that assist the citizens of Botswana attain their aspirations. While such interventions might be plentiful, the more critical question was: which of those interventions would not take place if specific actors were not present?

To add value in this context, various agencies needed to do more with less and ensure that their products fill a gap that was constraining on progress. The United Nations family has been and continues to be eager to play an organising and coordinating role in bringing together development actors to dialogue with each other and formulate strategies to support the people of Botswana. The value of civil society was well understood and the concerns about the survival of civil society organisation understood. There are emerging best practices in ensuring that civil society (or at least that section that deals with access to basic social services for the most vulnerable) continued to thrive and serve its constituencies. A model that might be worthwhile for Botswana to explore might be the civil society funding model of Mauritius. The Government of Mauritius has an arrangement in place where companies could utilize a

fixed percentage of tax revenue to support civil society organisations to undertake programmes within prescribed areas of concern to the state. A team approves projects and tracks performance. Where companies fail to partner with civil society organisations the funds were collected by the state as part of the taxes. The model, while not perfect, has served to ensure that specialized services provided by civil society organizations continue to be available despite the fall in aid flows into the country. United Nations family would be engaging with various actors to explore various types of partnerships for the benefit of the most vulnerable members of society.

Dr. Anthony Land (2002) stated that most donors have withdrawn their assistance from Botswana, and aid constitutes only a very small proportion of development expenditures. However, the country still faces significant capacity 'gaps' in both the public and private sectors, and therefore continues to purchase expertise from around the world.

During the 1980s, Botswana received one of the highest per capita aid allocations of any developing country, estimated at US\$ 200 per capita. However, as a percentage of government expenditure, aid represented 45% in 1973, but this fell rapidly to 20% in 1982 and just 5% in 1993. Over the same period the number of donors active in the country proliferated, at least ten of which provided significant amounts of aid.

Technical assistance was probably the most significant component of aid to Botswana. Although the country had established a financial base, it faced critical shortages of skilled personnel. Despite the widespread localisation of Technical

Assistance personnel, the continued growth of the public sector and increasing competition from the private sector have meant that capacity 'gaps' remain, and the country still relies on the recruitment of expatriates.

Based on a search of the literature, one could identify four features of aid management in Botswana that have contributed to the government's comparative success in remaining in the driver's seat (Dr. Anthony Land, 2002).

- **Integration of Aid into the National Planning and Budgeting System**

Probably the most significant factor has been the fact that almost all external resources have been integrated into the country's national planning system. Thus there has been no separate system for aid and for nationally funded activities. This has been possible by virtue of a robust and centralised national development planning system, which has provided the 'backbone' for the country's development efforts and a framework for coordinating and managing the implementation of government's development priorities. The successive five- and six-year national development plans that have been implemented since independence have offered a framework for matching policy, plans and budgets. Their establishment was seen as a way not only to allocate scarce resources in the period immediately after independence, but also as a mechanism for attracting foreign assistance.

- **Integration of TA into the Public Service Establishment**

Consistent with the principle of integrating all external aid into the national development plans, technical assistance, whether free-standing or linked to specific

projects, has been integrated into the human resources plans of the public service. In this respect;

- TA requirements were considered within the perspective of overall sectoral and institutional needs, rather than solely in terms of individual projects;
- TA personnel were generally assigned to established posts (line positions) rather than to projects or advisory positions; and
- TA personnel were contracted by, and were responsible to the government in the first instance and to the sponsoring donor second. It should be noted, however, that with the withdrawal of donor assistance in recent years, the government now directly sources expertise internationally where it was unable to fill posts locally.

- **Centralised Coordination and Bilateral Negotiations**

As coordinator of the national planning process, Ministry of Finance and Development Planning (MFDP) has assumed a central coordinating function for all dealings with external agencies. The Ministry plays a leading role in identifying, negotiating monitoring and reporting all forms of external assistance through its Aid Coordination Unit. Thus, although line ministries were free to identify potential partners, they could not enter a contract with a donor. Instructions on how to handle external assistance were spelt out in the Planning Officers' Manual. In this respect, and in view of the fact all donor commitments have to be channeled through the national planning system, the government has been able to 'coordinate' the donors.

- **Government seeking Compromise, but willing to Say 'No'**

By dealing with the donors on a bilateral basis, the Government of Botswana has been willing to enter into negotiations in order to work out arrangements that were

satisfactory to both parties. Further, and perhaps crucially, it has been willing to turn down offers of aid where it feels that the recognised 'costs' of assistance would outweigh the potential benefits. It has likewise insisted on sometimes lengthy processes of negotiation and consultation in order to ensure that adequate agreements were reached.

The relationship has therefore been more one of equals, conducted in a comparatively transparent and business-like way, with the government probably holding the greater leverage. In principle, separate procedures and standards for aid-funded programmes have been avoided. The government might make concessions to particular donors to accommodate their specific conditions or requirements – such as in relation to accounting procedures, implementation approaches or policy concerns – as long as they were not considered to harm national interests.

Based on the above principles, the problems of lack of ownership, too many stand-alone projects, parallel structures, burdensome procedures and accounting requirements, and lack of coordination often associated with technical cooperation have, by and large, been avoided in Botswana. This has helped to ensure that TA makes a positive contribution to the strengthening of local institutional capacities, and that donors respect the country-driven development agenda and the principles of national execution.

Factors that aided in Botswana's success

Togo K. & Wada Y. (2008) noted that many other developing countries have tried to incorporate external aid into their national budget systems, but with little success. Some commentators have also remarked that the structures put in place in Botswana for

planning and managing public investment have been the same as in many other African countries, but with the difference that they have not collapsed. It has therefore been suggested that:

- ✓ Governance

There was evidence that Botswana's overall political climate has engendered confidence among donors, facilitating the development of a relationship of trust, and a positive climate for cooperation.

- ✓ Administrative considerations

Although Botswana was still suffering from severe human resources constraints, the civil service has demonstrated a satisfactory implementation capacity, such that donors have had confidence in the system to manage and account for its development resources.

- ✓ Economic considerations

Apart from the period immediately after independence, public expenditure programmes have not been dependent on injections of aid resources. Donors have seen their resources being used as stimulants or supplements to domestic efforts.

- ✓ Economic factors

Apart from during the early years, before the discovery of diamonds, Botswana has never been dependent on aid, nor has it suffered from a debt-servicing problem. With its own growing resource base, donor inputs have not dominated the economy. In particular, the government has been able to take care of recurrent costs and has been able to pay civil servants reasonable levels of remuneration.

This has given the government leverage in its negotiations with donors, and the donors have never been in a position to impose policy conditionalities. As such, donors have not had to challenge fundamental domestic policy making, nor have they been perceived to be 'interfering' in issues of national sovereignty, such as macroeconomic policymaking or administrative reforms.

✓ Geopolitical context

It has been argued that the peaceful transition from colonial rule to independence, as well as the fact that the country was not subject to large-scale European settlement during the colonial period, helped to create a positive climate for cooperation with the donor community.

Togo K. & Wada Y. (2008) reiterated the point made by Maipose et al. 1997 that Botswana's economic growth was driven by large-scale investment in the mining projects, and that while such projects were funded by capital in the private sector, development assistance provided infrastructure required for these projects. They also pointed out that Botswana effectively used aid, and cited as its reason the fact that in Botswana, assistance was centrally managed by the MFDP and was also integrated in its national development plan and budgetary process. Other features cited by them that led to effective use of assistance include: that the government gave higher priority to grants than loans; that it diversified donors by receiving assistance from China and Russia as well; and that it declined unnecessary aid.

In sum, at the beginning of independence, development assistance was very important for Botswana because the government then had no other revenue source. In the 20 years after independence, its importance declined as there were growing fiscal

revenues from diamonds and other mineral resources. However, it was development assistance that enabled the country to increase revenues from mineral resources by laying down infrastructure for mineral resource development. In this sense, it could be said that aid was effectively used as investment funds, enabling subsequent economic growth centered on diamonds.

2.5.3 Aid exit strategies administered in South Africa and Botswana

According to Slob A & Jerve A.M. (2008), Denmark, Netherlands, Norway and Sweden took the initiative to undertake a joint donor evaluation of the management of country level exit processes in development cooperation. In 2008, Anekke Slob and Alf Morten Jerve were hired to conduct the synthesis study on managing aid exit and transformation using lessons from Botswana, Eritrea, India and South Africa. Country level aid exits were understood as processes of phasing out and terminating ODA-funded government-to-government bilateral aid relationships.

I am going to highlight some of the salient issues in that study especially those that applies to Botswana and South Africa below in order to draw lessons that assist Namibia in taking informed decisions when dealing with aid exits.

Slob A & Jerve A.M. (2008) underscored the fact that when exits were dictated by graduation and/or the decision of the recipient country to phase out the traditional aid relationship, sustainability issues still need to be addressed but might be less problematic than in the case of aid-dependent countries. If the aim was to strengthen and reshape bilateral relations, the need for new and temporary cooperation instruments

arose. In these transformation cases both donors and recipients saw the need for a transitional phase, where aid in new forms supports consolidating and broadening of relations.

The four donors (Denmark, Netherlands, Norway and Sweden) phased out ODA in the late 1990s as a result of Botswana's graduation to the status of a Middle Income Country. Botswana graduated lower middle income country (LMIC) in 1992 and Upper middle income (UMIC) in 1998. Declining needs for development assistance was the main reason for exit in all the four cases. At the present time ODA has been completely phased out by all the four donors, but local efforts to deal with the HIV/AIDS crisis were supported by Sweden and Norway.

It is often helpful to find out if there were negative consequences resulting from the exit of donors. In the case of Botswana, most donor activities were already managed by government, budget allocations were made, project or programme approaches at community level were integrated into sector policies and strategies, etc. Financial support was mostly delivered through the budget, and thus managed by Botswana's planning system. Under the circumstances, it was relatively easy to plan for a withdrawal and fill the gap with local financial resources that were available.

The Swedish exit was a gradual process initiated with the preparation of the new five-year country programme agreement for the period 1994–1998. The Swedes put forward their vision to change relations from being based on traditional grant aid to broader cooperation focusing on the private sector and NGO relations.

In the case of South Africa generally, the phasing out of external financial resources appears not to have been a major problem in relation to government institutions. South Africa has the required financial resources to carry on. Lack of capacity and human resources on the South African side, in part also due to high turnover of key staff, was putting constraints on the ability to manage the transition and ensure sustainability.

It should, however, be noted that because of the attention to new forms of cooperation, there was a risk that less attention was paid to the consequences of activities that were phased out as part of the aid transformation processes. This requires careful management of the various aspects of aid transformation. In this country study, information on consequences of phase out was limited.

The following main lessons regarding phasing out were formulated:

The first important lesson was that phasing out was demanding and time consuming and required dedicated staff at the Embassy. It was therefore important to maintain sufficient staff levels at the Embassy through-out the phasing out.

Secondly, the country might have financial resources, skills and political commitment but unless the phasing out was carefully prepared and managed

achievements might be lost and sustainability weakened. A main bottleneck in some, but far from all, aid interventions in South Africa, was insufficient capacity in government institutions. This was due to staff shortages in key positions and high staff turn-over in many government departments. It is important that this issue is addressed when closing aid programmes.

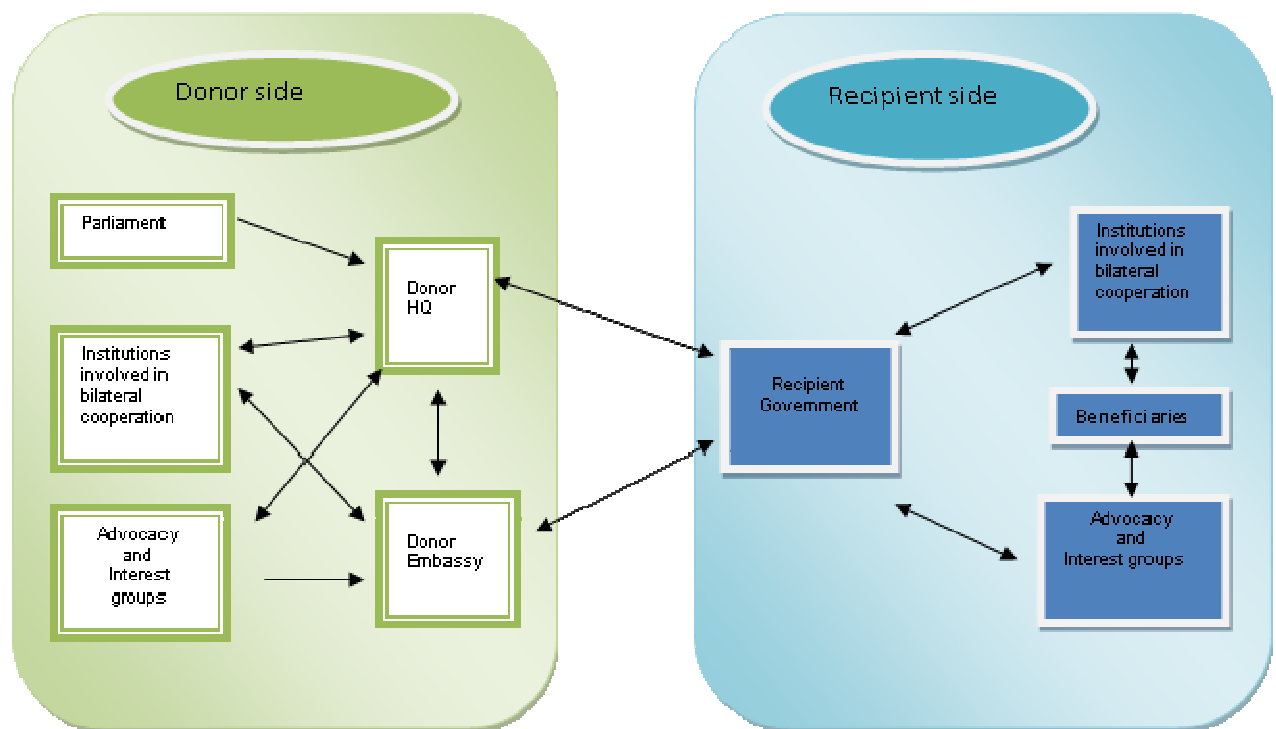
Thirdly, the team has observed that the process of phasing out has followed a “normal” closure – or a ‘natural phase out’. Adjustment to time frames and budgets have been allowed if required, but a main principle has been to avoid additional funding.

Fourthly, phasing out of the support programme tended to be implemented more or less in accordance with a time bound plan. In the Swedish case there was five year plan with a clear deadline. Denmark and Norway were developing similar time frames, but appears to be less focused on a cut-off date. In practice the difference between the three Scandinavian countries should not be overestimated. More open-ended phase outs, however, might run the risk of becoming delayed phase outs.

Fifthly, the issue of continued aid funding to South Africa for some types of activities such as regional and trilateral cooperation, and NGO funding needed to be addressed.

Regarding phasing in, it was concluded that phasing in new forms of co-operation was generally given far more attention than phasing out in the South African case. This does not necessarily imply that management of aid programmes was suffering. However, this might lead to tensions at the level of the Embassy. Major

challenges for the management of the Swedish phase-in were linked to uncertainties of future Swedish funding and efforts needed to be in place to ensure quality assurance and support to institutional co-operation. Swedish institutions have a mandate through the Swedish Policy for Global Development to engage in such co-operation, but these institutions do not have dedicated funds for this. The institutional responsibility in Stockholm and the role of Swedish International Development Assistance (SIDA) was also unclear. Lack of policy guidelines and clarity on these issues has weakened the ambitious Swedish efforts to transform the implications for the Paris agenda and SA's Aid harmonisation efforts.



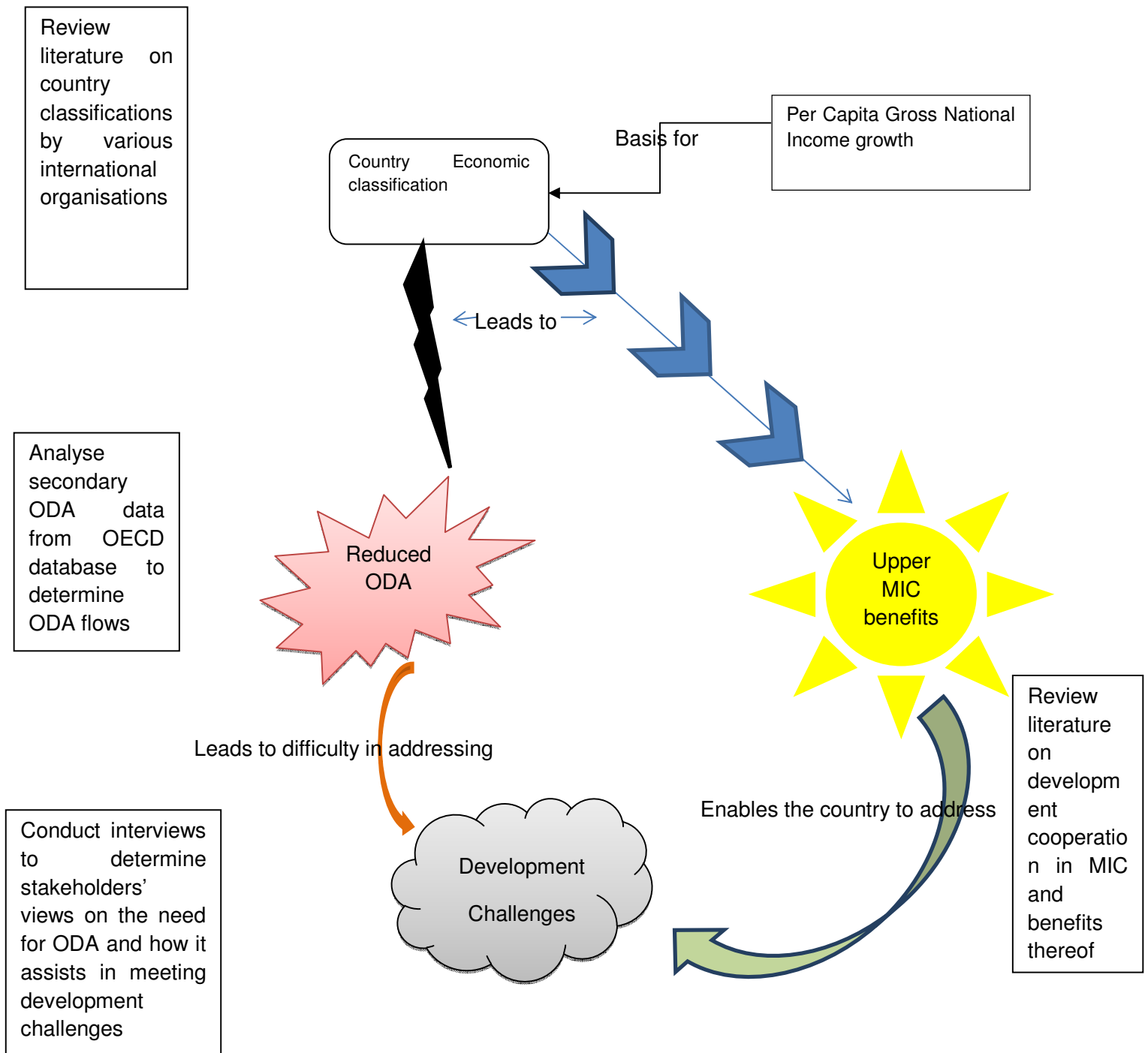
Source: Adapted from Slob A & Jerve A.M. (2008)

Figure 2.4: Actors in the exit strategy

2.6 Theoretical framework

2.6.1 Conceptualisation framework

In their book, *Complete your thesis or dissertation successfully: practical guidelines*, Athanasou et.al. (2012) gives a good description of a conceptualization framework depicting it as a source of creating aspect of the whole research because it was demonstrating the extent of the researcher's thinking process in the research build-up in terms of the research's originality, logic and criticality. According to O' Leary (2005) a concept mapping was an essential tool as it facilitates brainstorming, highlight linkages and build themes.



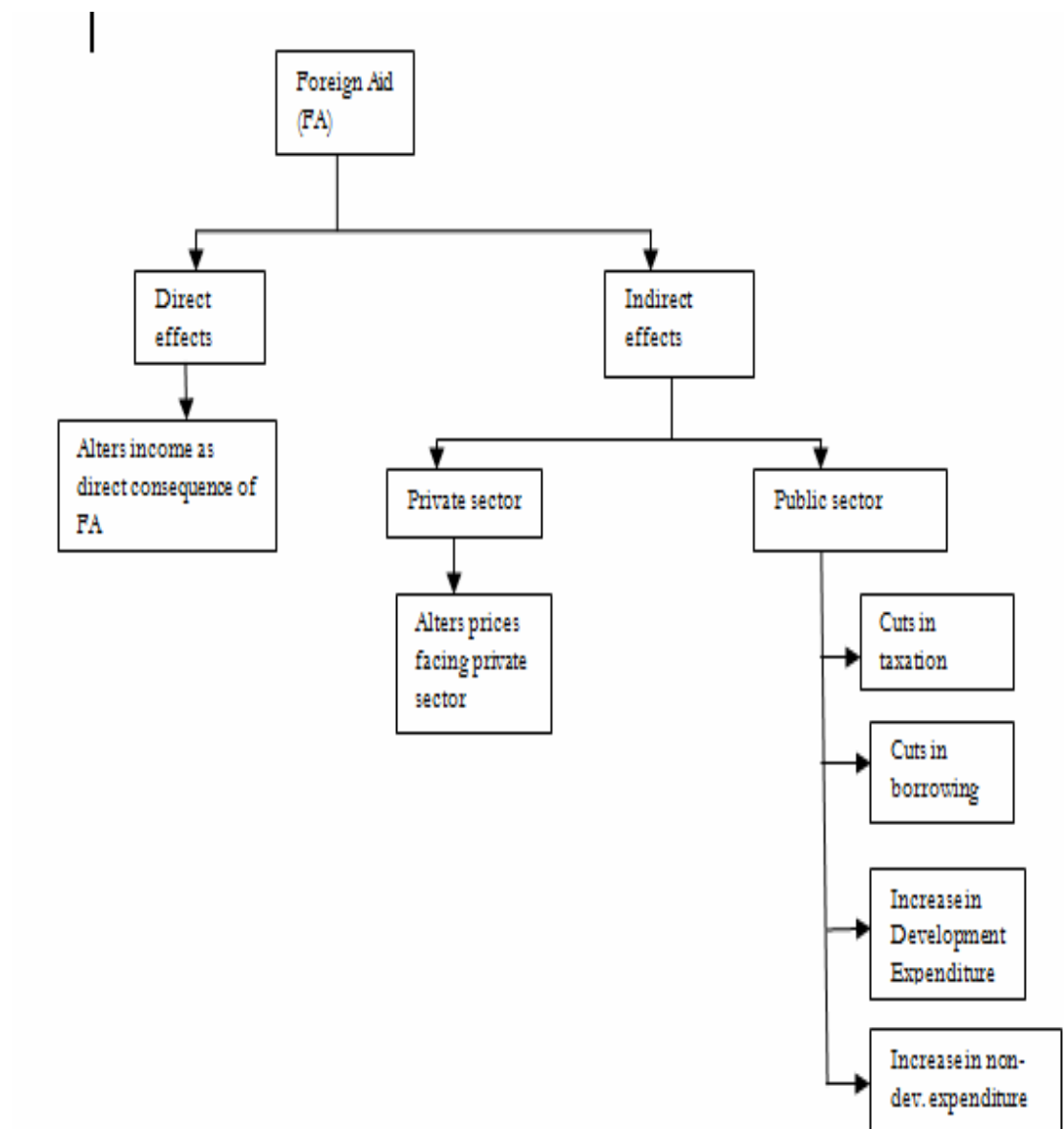
Source: Researcher's own drawing

Fig. 2.5: Conceptual framework

2.6.2 Theories

The purpose of this section is to present the theories that would form the basis of interpretation of this study. The section would present three theories underlying ODA and effectiveness in addressing development challenges faced by countries. The section would look at theories that were pro-ODA and others that were anti-ODA. Paul Collier (2006) trying to address the question of Africa's slow growth and how external actors or aid could assist, has clustered Doucouliagos and Paldam (2006) meta-analysis of aid into four groups; namely:

- Aid is a trigger- Large increase in volume and delivery of aid would trigger growth. This option faces credibility problem as the aid effectiveness literature finds that the contribution of aid to growth has been at the modest.
- Aid is a critical inhibitor-Huge aid inhibits growth has some empirical evidence to support it but mainly depend on other theoretical analogies.
- Aid is marginal or irrelevant to change - although the most reasonable interpretation of aid effectiveness literature, it has been ignored in policy debates and governments of developing countries should pay more attention to other options for growth rather than focusing on aid.
- Aid is conditionally important or detrimental – depending on the circumstances. Although with aid Africa seems to have barely grown, without aid it would have experience a stark decline. Therefore it means that aid has kept many African countries afloat. This scenario shows that although aid has a minimal effect on growth, increasing it would be less effective.



Source: Adapted from Kabete C.N. (2008)

Figure 2.6: Channels through which aid affects the recipient economy

2.6.2.1 Pro-ODA

Jeffrey Sachs is special advisor to UN Secretary-General Ban Ki-moon and former UN Secretary-General Kofi Annan. Sachs is former Director of the UN Millennium Development Project. Furthermore, he is the President and Co-Founder of the Millennium Promise Alliance and Director of The Earth Institute.

Sachs in his book *"The end of poverty- how we can make it happen in our lifetime"* argues that the poor countries were caught in a poverty trap, which they could only escape if aid efforts were increased. Sachs believes that a big push strategy would be the best way to reduce poverty. The principle element in Sachs' big push theory was a doubling of foreign aid to about \$100 billion a year and again almost a doubling by 2015. This aid, Sachs argues, would fill the financing gap between what a country needs and what it could afford on its own. Meaning that if a country was given more aid, the public spending would be increased, which result in a demand for more jobs, which then would create incomes for the poor and a minimum household consumption. This again creates a demand for more products and services (healthcare, schools), which result in more jobs, income and finally result in private savings, which would enable the poor to create their own security nets. Eventually the poor would be able to escape the poverty trap and live a decent life.

Like Collier, he believed that some countries were poorer than others due to culture, geography and governance reasons. They also agree on the idea that aid should be given as grants and not loans as was done under the Marshall Plan. However,

Sachs presents a fifty-four item checklist of barriers to development, which he believes should be overcome with the "big push".

The past failures of Big Pushes in foreign aid clearly suggest that mega reforms do not work out well in poor countries. Sachs also suggested that the first step should be to learn what the country actually need in foreign aid before the development partners start raising funds for the country. In addition, one of the major critiques of Sachs was his way of doing things: fast, big, comprehensively and with a lot of Western money (Lynge K, 2009).

2.6.2.2 Anti-ODA

Ndambisa Moyo has a PHD in Economics from Oxford University and a Master's from Harvard University's John F. Kennedy School of Government. She is a former consultant at the World Bank and worked at Goldman Sachs. In her book *Dead Aid* (2010), Moyo describes step by step the assumptions and arguments that have supported the worst decisions of modern development and she also offers a model for financing development for the world's poorest countries.

In her fight against aid, she highlighted four main economic challenges that poor economies face as a consequence of aid, namely i) reduction of domestic savings and investment in favour of greater consumption, ii) inflation, iii) diminishing exports, and iv) difficulties in ODA consumption (absorption capacity). Aid has a crowding-out effect on investment as it decreases with increases in ODA.

Accordingly, aid inflows have adverse effects on overall competitiveness, wages, export sector employment and ultimately growth. According to Moyo (2010) aid dependency weakens the country's sovereignty in policy and decision-making. Moyo further stressed that Dead Aid was not the first critique to be leveled against aid as a development tool; however others have also experienced the same. One such critique, Peter Bauer argued that aid-based theories and policies were inconsistent with sound economic reasoning and reality as aid always ended up in the hands of few. Moyo also highlighted another case of former World Bank economist Bill Easterly, who provided a lot of case studies on the failures of aid policies in the developing countries.

Paul Collier had problems with the homogenous approach to aid delivery and recommended heterogeneous approach that would take into account the unique circumstances of each country (Moyo, 2010.)

Moyo proposes that countries should come up with economic plans which reduce the countries dependence on Foreign Aid, among others.

2.7 Justification and Contribution

Namibia is striving to become an industrialized country by 2030 according the country's Vision 2030; hence the reclassification should be welcomed greatly as it showed that the country was indeed growing and on the right path of its intended vision of becoming a High Income country by 2030. However this was not the case, as there seemed to be lack of knowledge regarding the new status and the only time when the policy makers heard about the new economic status was when Development Partners were reducing their support to the country.

For a country that was still having major social challenges prevalent in least developed countries, the issue of reduction in ODA brought a negative connotation to the economic classification status as the country would still need support to be able to meet these social developmental challenges especially poverty.

Hence, the study aims to contribute to the ODA agenda in Namibia by highlighting the impact of the reclassification on ODA and the lessons that Namibia could draw from while undergoing the transformation process.

CHAPTER 3

3 RESEARCH METHODOLOGY

3.1 Introduction to the chapter

This chapter deals with the research methodologies that were employed in the study. I intend to highlight, discuss and evaluate the methods used in data collection for this study. I selected methods suitable for the study and also those which suited the time available to accomplish this study.

3.2 Research Design and methodology

The research design lays the foundation for conducting an effective and efficient research. According to Punch K. F. (2004), research design means connecting the research questions to the data and what tools and procedures to use in answering the questions. It is therefore essential to highlight a Research Approach Matrix to indicate the linkages.

3.3 Approach

One important decision that a researcher would have to make is to decide on the research paradigm or rather the approach to be engaged in the doing the research. The researcher would have to decide whether to conduct a qualitative or a quantitative research. Ghauri and Grønhaug (2002) argued that a qualitative method of data collection was more subjective in understanding matters while quantitative approach was objective. Additionally, the authors emphasised that a quantitative approach was mostly used to gather data in a large sample while qualitative could be used in a small sample whereby an in- depth analysis of the study could be obtained through interview, observation, focus group and other instruments. O'Leary Z (2005) defines qualitative

data as data represented through pictures, words or icons analysed using thematic exploration.

On the other hand some of the researchers argued that both quantitative and qualitative could be used in the data collection because it increases the value and justification of the research. Qualitative analysis would enable the researcher to gather data which focus on participants' attitudes and perceptions whilst quantitative data collection could be used to measure its frequencies (Cooper and Schindler, 2008).

The research approach selected for this study is a descriptive qualitative interpretivist approach.

3.4 Method

The research was mainly done through analysis of secondary data gathered through desk research and interviews. O' Leary further states that many researchers who collect qualitative data in order to understand populations were not looking for representativeness but rather a rich understanding that might come from a few rather than the many and the nature of qualitative research limits sample size.

3.4.1 Secondary Data Collection and Analysis

Secondary data analysis is any further analysis of an existing dataset which presents interpretations, conclusions or knowledge additional to, or different from, those produced in the first report on the inquiry as a whole and its main results (Hakim 1982a:

1). Stewart and Kamis (1993) argued that using secondary sources of data has an advantages for example it was less expensive compared to primary sources of data.

Additionally, the authors emphasised that it helps the researcher to make a comparative analysis between the new data and the previous data whereby differences could be examined.

3.4.2 Semi-structured interviews

In-depth interviews were most appropriate when the researcher wants to ask open-ended questions that elicit depth of information from relatively few people. The key characteristics of in-depth interviews were open-ended questions and semi-structured format which allows for respondents to use their own words and keeping the interview conversational. The interviewer seeks understanding and interpretation hence the need for active listening to reflect upon what was said. The responses were typically audio-recorded and complemented with written notes by the interviewer. Guion, L.A, Diehl, D C & McDonald, D (2011)

3.4.3 Focus Group Discussion (FGD)

According to Family Health International, this method was effective in eliciting data on the cultural norms of a group and in generating broad overviews of issues of concern to the group represented.

3.5 Data collection

Data were the basic material with which researchers work (Terre Blanche M et al, 2012). I used both primary and secondary sources of data to enable useful information for this study to be obtained. Secondary data collection was primarily done through an

empirical study based on Secondary Data Analysis (SDA) i.e. accessing secondary data from journal articles and databases and through asking questions. Primary data was collected using a non-probability (judgmental) sampling method for interviews as I was trying to establish facts from experts in the field of foreign aid and development cooperation. Interviews were either done physically or via the telephone depending on the availability of the interviewee.

- **Secondary Source of Data**

For secondary data my aim was to find out other studies related to the topic area such as journals, books, newspapers and any other document which allowed me to gather relevant data for this study.

- **Primary source of Data**

Primary source data were collected by conducting interviews with experts in the field of Development Cooperation and Foreign Aid.

3.6 Population, Sample size and Selection

The population for this study consisted of individuals and institutions that have been selected based on their substantial knowledge of Foreign Aid matters. The inclusion of participants in the study focused on the researcher's conception of their ability to provide necessary and quality information. I looked at judgment sampling of key experts in the area of Foreign Aid due to the technical nature of the research to be conducted that called for a special effort to locate and gain access to the individuals who have the requisite information (Sekaran, 2003). It was the only viable sampling method for obtaining the type of information that was required from very specific pockets of people who alone possess the needed facts and could give the information for me to make meaningful conclusions and recommendations.

The sample consists of key experts from National Planning Commission (NPC), Ministry of Finance, Development Partners, Bank of Namibia and local economists looking primarily on the understanding of the reclassification and the role that ODA could play within the current dynamics of Namibia. The interviews attempted to ascertain from stakeholders, the potential benefits that Namibia could capitalize on as an Upper MIC.

3.7 The data Collection instrument and design

The primary research instruments of data collection were semi structured questionnaires used for interviews. A mixed of closed and open-ended questions were used to interview respondents. Open ended questions were the most frequently used in this case as they allowed respondents to generally express their views and ideas about the topic and not do confine them to a certain range of answers (Saunders et al., 2000).

3.8 Data analysis

According to Terre Blanche et al (2012), there were many qualitative analytic traditions that come under the umbrella of interpretive analysis i.e. phenomenology, grounded theory and thematic content analysis. Details of the data analysis are presented in Chapter 4 and the interpretation of results is carried out through the use of tables, bar charts, graphs, pie charts and descriptive analysis (Naoum, 1998; Cooper and Schindler, 2008).

3.9 Limitations of the Methodology

This research might be more effective if I would have had enough time to conduct a more in depth investigation. Hence time was one of the limiting factors; however I tried to overcome this problem by utilizing effectively the time given so as to fulfill the objectives of the study.

The bias of the researcher might also be one of the limitations because of my subjectivity to gather certain information; therefore it was likely that I designed the interview questions focusing on the objectives of this study and from my own perception of the situation.

Costs were also a limitation factor since I wanted to interview participants from other countries that were in a similar situation as Namibia for usage of comparative purposes. I was not able to accomplish that objective and had to rely on secondary data analysis for the comparison.

3.10 Ethical considerations

I took note of relevant ethical considerations and ensured that all information was kept confidential. Punch (2004) states that data collection procedures need to be organized both to maximize the quality of data, and to deal with the related issues of access and ethics. Relevant ethical questions were included in the research planning process and throughout the research study.

3.11 Results of the pilot study

I conducted a pilot study to test the questionnaire by interviewing three staff members in the National Planning Commission that are well exposed to the research area. Although the pilot interviews revealed that the questions were clear and well-constructed, it also highlighted the fact that some of the questions were not relevant to Namibia specifically and interviewees could not provide satisfactory answers to these questions i.e. *how do you agree with the statement that 'instead of assisting countries in meeting development goals, ODA rather create a dependency syndrome?* Hence, I adapted these questions and removed some of the questions from the questionnaire before conducting the actual research. The interviewees also provided me with some ideas of people/ institutions that could be included in the sample.

3.12 Conclusion

This chapter highlighted the research design adopted and the methods used in data collection. The research instruments that were employed have been exposed and efforts have been made to explain how the data was collected. The succeeding chapter deals with the presentation, interpretation and analysis of research findings hence it is hoped that these findings would provide insights on the impact of the reclassification of Namibia as upper MIC on ODA.

CHAPTER 4

4 FINDINGS AND RESULTS

4.1 Introduction to the chapter

In the previous chapter I explained the methods and instruments used to collect data. In this chapter I seek to present and analyse research findings based on the aim of the study which is analysing the impact of the reclassification of Namibia as an UMIC on ODA.

Secondary data analysis was utilized in order to outline the movements within the ODA architecture in Namibia and make cross regional comparisons with two other countries in Sub-Saharan Africa (SSA) who have undergone similar reforms in ODA. Semi-structured interviews with experts in the field were also conducted whereby I was successful in obtaining relevant information regarding the views on the reclassification and the future of ODA in Namibia. Interviews were conducted with experts from National Planning Commission, Ministry of Finance, Bank of Namibia, World Bank, European Union, local economist and a private individual with keen interest in the research area.

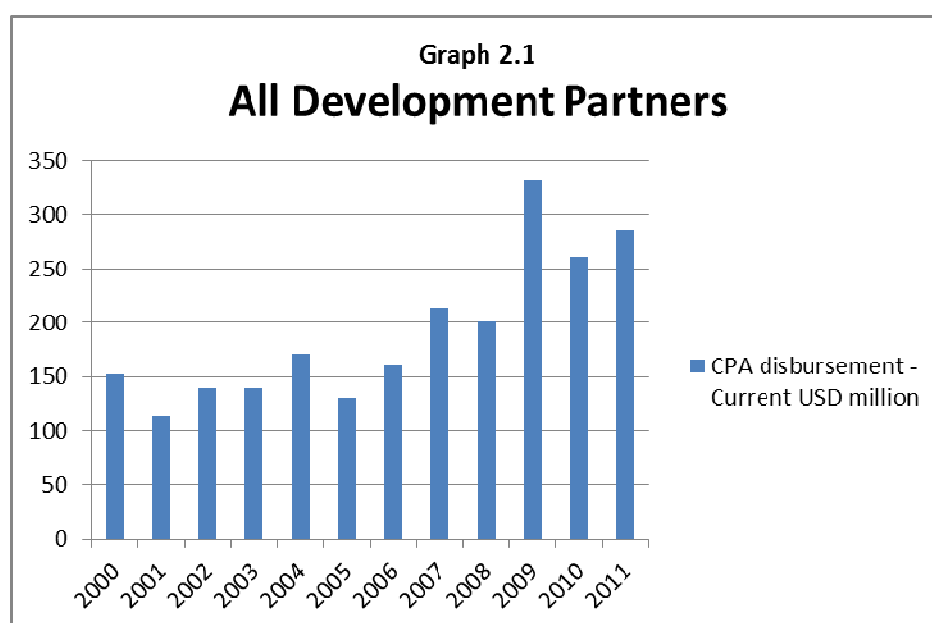
4.2 Description and analysis of ODA Architecture in Namibia

ODA in Namibia has undergone a rapidly changing reform since the 1990s in terms of how much aid was provided, by whom, using which modalities and the purpose thereof.

4.2.1 Fluctuations in the volume of Aid

Even though the period 2007- 2011 showed some volatile relationship to ODA flows to Namibia as per below graph, it is not clear if this was caused by the

reclassification or by other movements in the global ODA arena. The effect of this decrease on growth is minimal as ODA forms a small portion of capital flows to Namibia. What is of interest to note on the below graph is the fact that ODA after the reclassification seems to be high and on an increasing trend when compared to the period before the reclassification. Worth noting is also the fact that 2009 was the year that Namibia received the most ODA during the period 2000-2011.



Source: Researcher's own analysis using OECD data

Figure 4.1 ODA flows to Namibia 2000-2011

4.2.2 Reduction in the number of donors

The table below depicts donors who provided foreign aid to Namibia since independence in 1990 until 2011. Although the data for the period before the reclassification is integrated (1990-2003), it is evident that there were more donors during that period compared to the period after. There were twenty-eight donors during the period ending 2003 compared to twelve in during 2009/10 and 2010/11. The presence of more donors during that period was caused by the interest donors had in

Namibia in the surge to assist with the reconstruction and building of new economy addressing the various challenges of inequality, poverty, unemployment, among others.

We have to keep in mind that although there is a reduction in the number of donors, some of the donors that were prominent after independence were still present in the country but have just change their mode of cooperation from pure grant aid to other forms of cooperation i.e. Russian Federation now involved in South-South Cooperation arrangements (provision of medical personnel).

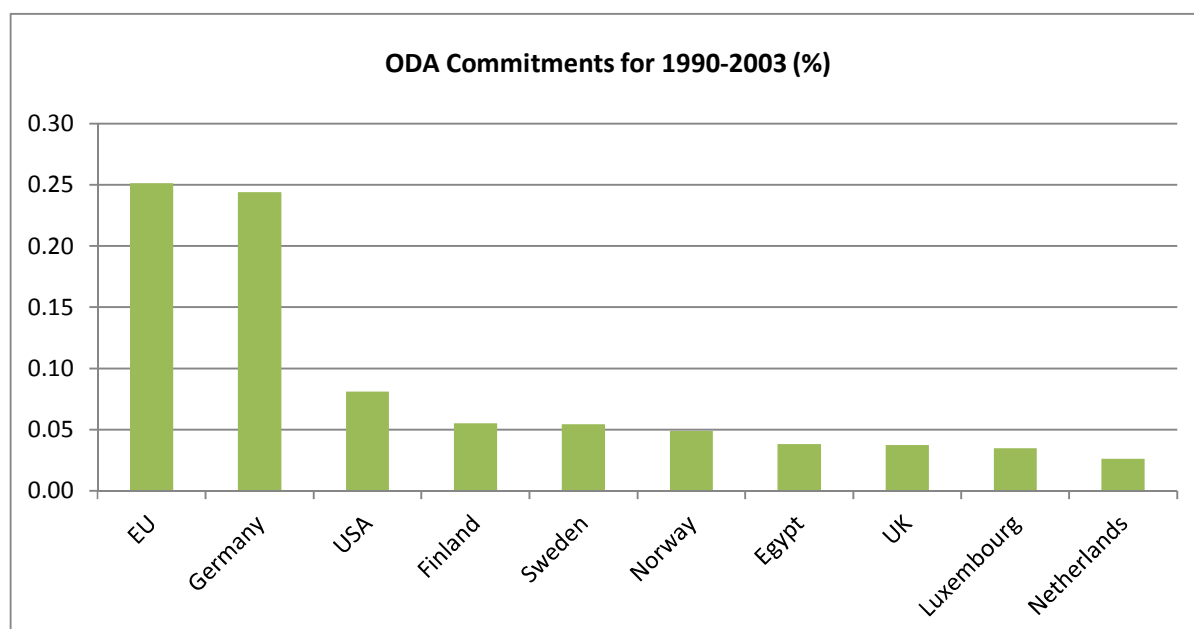
Table 4.1 ODA flows to Namibia

| ODA flows to Namibia | | | |
|----------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Development Partner | ODA Commitments for 1990/2003 (N\$) | ODA Commitments for 2009/2010 (N\$) | ODA Commitments for 2010/2011 (N\$) |
| China | 85,270,000 | 108,974,411 | 83,384,500 |
| Finland | 589,350,000 | 36,882,339 | 11,640,510 |
| France | 263,510,000 | 8,725,814 | 6,437,265 |
| Germany | 2,607,050,000 | 166,950,000 | 383,942,520 |
| Luxembourg | 371,780,000 | 42,222,364 | 81,304,703 |
| Spain | 140,230,000 | 55,216,179 | 23,147,590 |
| Sweden | 579,920,000 | 27,872,900 | 9,424,014 |
| Iceland | 85,570,000 | 16,330,000 | - |
| USA | 866,510,000 | 886,753,792 | 1,350,823,376 |
| UN* | 269,730,000 | 127,485,466 | 190,607,010 |
| EU | 2,687,190,000 | 199,826,020 | 701,321,305 |
| WB | 6,000,000 | 23,476,998 | 39,792,350 |
| Norway | 523,850,000 | - | - |
| Egypt | 410,570,000 | - | - |
| UK | 402,780,000 | - | - |
| Netherlands | 279,630,000 | - | - |
| Denmark | 265,970,000 | - | - |
| Cuba | 62,420,000 | - | - |
| Japan | 48,890,000 | - | - |
| Austria | 46,340,000 | - | - |
| Belgium | 38,360,000 | - | - |

| | | | |
|---|-----------------------|----------------------|----------------------|
| India | 30,860,000 | - | - |
| IAEA | 7,850,000 | - | - |
| IMF | 9,810,000 | - | - |
| Australia | 7,320,000 | - | - |
| Commonwealth | 5,370,000 | - | - |
| New Zealand | 2,030,000 | - | - |
| Russian Federation | 1,490,000 | - | - |
| Grand total | 10,695,650,000 | 1,700,716,283 | 2,881,825,143 |
| *figures for the whole UN system have been added together | | | |

Source: Researcher's own analysis using various NPC Development Cooperation reports

4.2.3 Major donors before and after the reclassification

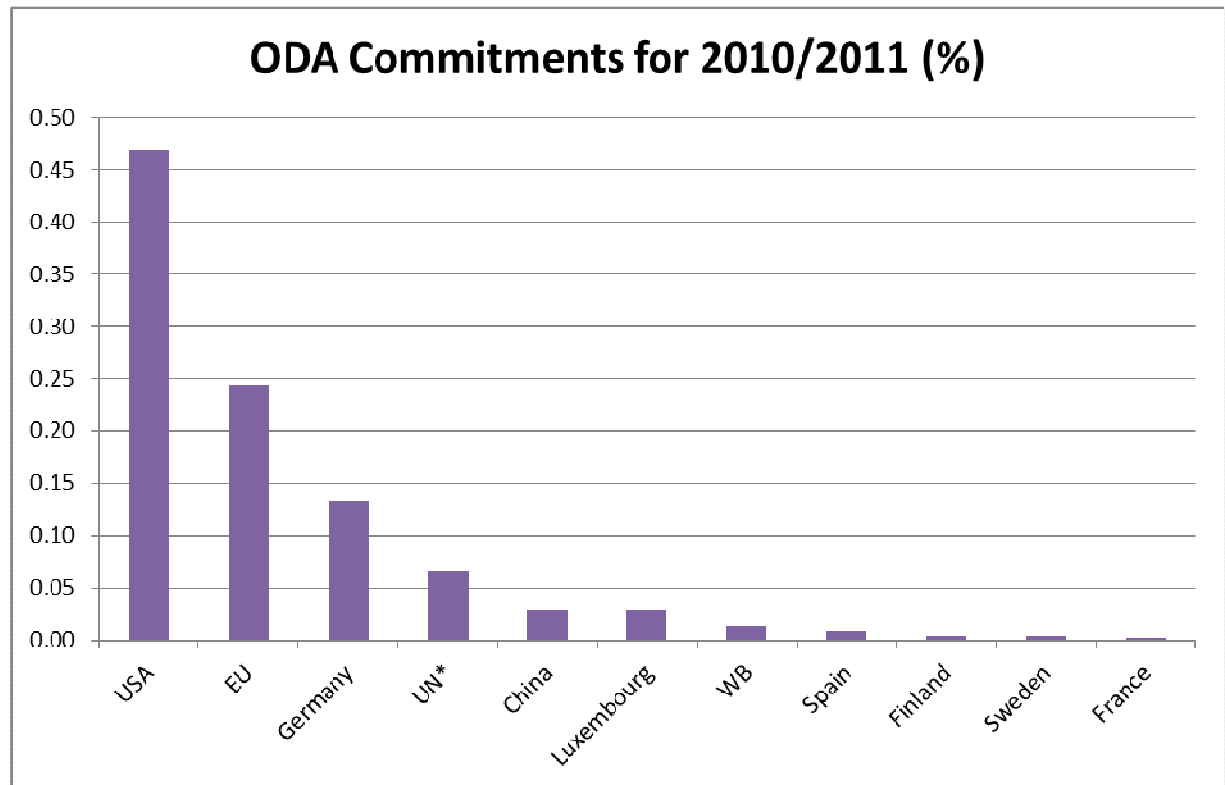


Source: Data from NPC Annual Report 1990-2003

Figure 4.2: Top Ten providers of ODA to Namibia (1990 to 2003)

The African Development Bank 2009 report on Namibia indicates that for the period from 1990 up to 2003 the European Union countries were the largest donors of ODA to Namibia. However for the period between 2010 and 2011 as indicated in figure 4.1, the United States tops the list on providing ODA to Namibia. The increase in ODA

from the USA (Fig. 4.3) might be attributed to the huge influx of the competitive Millennium Challenge Corporation funding that came in during that period.

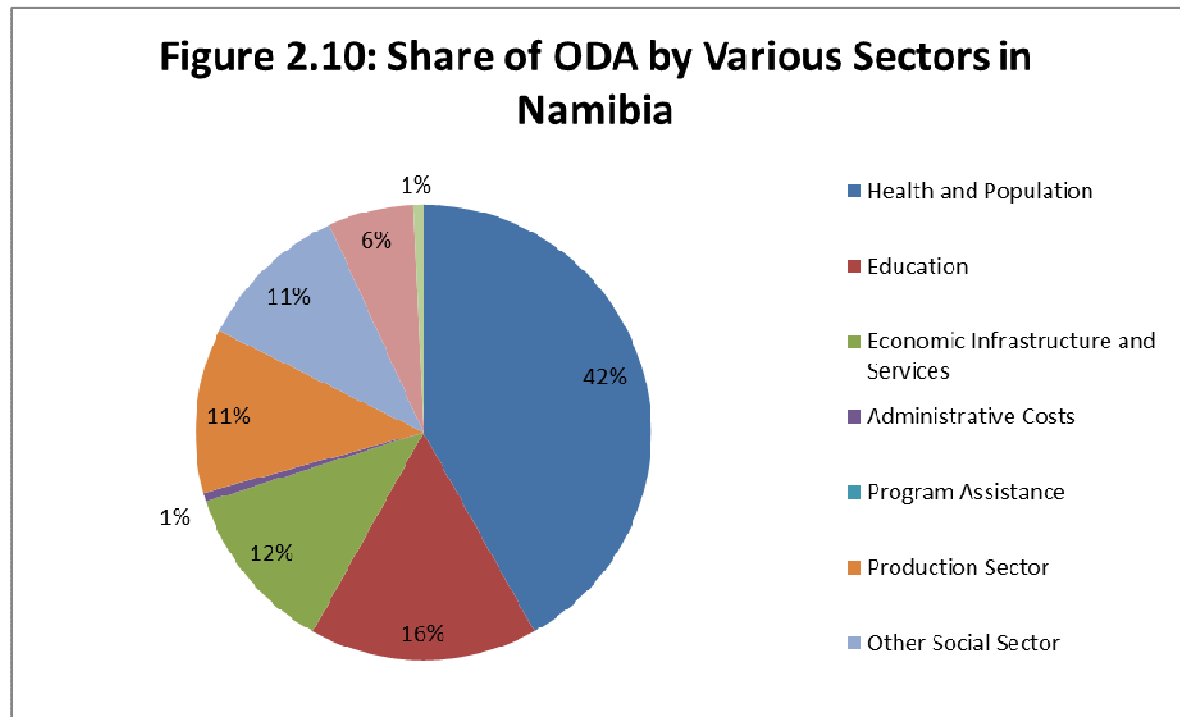


Source: Data from NPC Annual Report 2010/11

Figure 4.3: Top Ten providers of ODA to Namibia (2010 to 2011)

The data further reveals that new donors like China emerged among the top 10 ODA providers in Namibia, while for example Norway that was among the top 6 during the period 1990-2003 have disappeared from the list.

4.2.4 Sectoral distribution of ODA for period 2010-2011



Source: OECD-DAC, World Bank (2012)

Figure 4.4 Share of ODA by sectors during 2010/11

Prior to 2011, the education sector was the largest recipient of ODA flows to Namibia attracting more than 20% between 2008 and 2010. However during the period 2011 to 2012 health and population has attracted close to 40 % followed by economic infrastructure and services. When we combine education and health, the sector absorbs close to 60 per cent of total aid disbursements. When scholars analyse aid at global level, the results were more promising especially for the social sectors where aid have increased outcomes. Aid needs to be tailored to the key challenges in each country (NPC 2007).

4.3 Results from the interviews

Due to the tight timeframe, not all the people initially identified were available and therefore only eight people were interviewed. Although I managed to interview quite a good representative, the non-availability of experts from the civil society sector is a notable gap in the findings as it one of the sectors with the greatest need and utilisation of ODA.

Table 4.2: Interview results

| Theme | Substantiating evidence |
|---|---|
| Method of the reclassification | The respondents found and agreed with various literatures written on the matter that the method of the reclassification is not the best one as it ignores other important indicators that determine the real growth of a country. Poverty in Namibia remains a great challenge. |
| Reclassification good or bad for the country and benefits of UMIC | <p>Although most of the interviewees agreed that there could be some negative aspects that could come with the higher status i.e. some level of reduction in ODA, but the benefits outweighs the negatives. The following benefits or opportunities were highlighted by the interviewees:</p> <ul style="list-style-type: none"> • Eligible to borrow at international capital market as the country also gains a better credit rating |

| | |
|--|---|
| | <ul style="list-style-type: none"> • Increase investment opportunities • Increase Foreign Direct Investment • Enough domestic resources to reinvest in the economy • Increase confidence in the country systems • Pure grants or concessional loans have conditions that were not applicable to lending. • Still have access to other initiatives that were not linked to a country's economic status i.e. Global Environment Facility, WB, MIGA and IFC facilities • Increase your negotiation power with donors and your policy space (determine your needs yourself based on your own priorities rather than the donors'. • Increased voice at International fora (MIC were asked for their advice while LIC were only asked their need) |
| Has ODA reduced because of reclassification? | Although there were some donors that have phased out their support from Namibia, apart from the EU that have indicated that they were reducing because |

| | |
|--|--|
| | <p>of the reclassification; it is not clear whether the reduction is caused by the reclassification or global changes in ODA. In any case, some respondents felt that rather than thinking about the reclassification, Namibia should better start thinking how she could influence the ODA architecture as Namibia has the power unlike other poorer countries could do that due to their dependability on ODA.</p> <p>There will always be donors that were friends of Namibia (Germany) that understands the unique challenges facing the country and that would always provide assistance. New donors were also emerging i.e. China.</p> |
| Sectors affected by the reduction in ODA | <p>The study found that only the social sectors were affected by the reduction on ODA especially the HIV/AIDS sector that is heavily dependent on ODA especially with the PEPFAR and Global Fund support. However it is also found that government has the capacity to fill that gap that is left by the reduction in ODA through government resources. "In fact, that is what was done with Health sector", reiterated one of the respondents. The study found that Namibia have enough resources to address development needs.</p> |

| | |
|--|--|
| Development Partners that have phased out/reduce support | Spain, Sweden and Luxembourg phased out, USA is reducing support (PEPFAR, MCA) however would still be involved in Namibia maybe supporting health sector. Although some of these countries have ceased their bilateral support, they were still involved in other forms e.g. direct support to Civic Organisations. |
| Sustainability of ODA | <p>There is consensus among the interviewees that ODA in its traditional form is no longer sustainable.</p> <p>However it is also noted that there will always be some inflows, it just depends how the country influences that support.</p> <p>Not sustainable. The international setting is changing, we should be moving to joint ventures, trade, and partnerships. Even when one reads the development policies of some of the development partners, they were using ODA as a facilitating measure to boost their trade. The focus was on trade and investment, partnerships etc.</p> <p>Aid should not be viewed as permanent solution to our challenges. Donors were rechanneling their support to poorer countries and hence Namibia</p> |

| | |
|--|---|
| | <p>should not continue relying on aid as it doesn't really help us achieve our goals.</p> |
| <p>Future of ODA architecture in Namibia</p> | <p>The future of ODA is not in Namibia's hands. What Namibia could do is to look at how government influence aid received in the medium and long term. Focus could be more towards regional level support rather than focus on the national level or country as a whole. Target at the lowest level where poverty still persist.</p> <p>Based on the Lisbon treaty and the European External services, the EU would still be involved in Namibia. Spanish, Germans, Finish might still have an interest in Namibia. The EU Delegation would still continue but with more focus on budget line and special facility.</p> <p>Namibia should strive to remain Aid independent. Learn from the example of Korea that was Aid dependent but moved on to become a donor. Embrace aid effectiveness by matching donor and government interest.</p> <p>Increased GRN funding for those areas where ODA is reducing. Exit strategy should be put in place.</p> |

| | |
|--|--|
| | <p>Domestic Capital Formation. Make use of Domestic funds i.e. pension funds could be reinvested in the economy. International Capital Borrowing with increased focus on flagship programmes like the Logistics hub or the railway with Botswana. Focus on regional level and community development. Create an enabling environment for investors. Narrow focus on NDP i.e. Mass housing, Electricity, Water, Infrastructure (Public Private Partnership (PPP) initiative).</p> <p>NPC need to come up with cooperation agreement that coordinate aid. Identify priority areas that could be shared with the donors. The Financial Literacy Initiative funded by the Germans that could be termed as a success of such a cooperation agreement. Namibia as a market economy creates a conducive environment for private sector to prosper and investors have confidence in the economy.</p> <p>Determine the agenda yourself, remaining persistent to your demands and if donors don't want it should be fine with you. The problem remains with us as we were not driving the agenda.</p> <p>We need to move into partnerships. The world we live in now is a global village. We need to position</p> |
|--|--|

| | |
|--|--|
| | <p>ourselves with those partners that were important partners to us. Partnerships in terms of technical know-how transfer of skills and also partnering with big companies. Partnership to get access to certain facilities, to export better or increase our production capacity. We need to look at not aid as such but partnerships but teaming up with institutions and experts to leverage resources and know how without which we could not survive.</p> <p>We appreciate more donor aid coming to Namibia, however accountability should be strengthened.</p> <p>Government should be proactive in determining the terms of the funding. Promote intra-regional trade, value addition of our products, strengthen manufacturing base and export finished goods.</p> |
|--|--|

| Do you think ODA to Namibia reduced as a result of the reclassification? | | | |
|--|-----|-----|------------|
| | Yes | No | Don't know |
| Responses | 4 | 1 | 3 |
| | 50% | 13% | 38% |

Below were some of the justifications for the responses to the above question.

Financially, it is difficult to say whether the reclassification affected ODA to Namibia due to the global ODA movements. However, one could see that in some programmes i.e. PEPFAR is changing, MCA is time bound, Finland is moving to

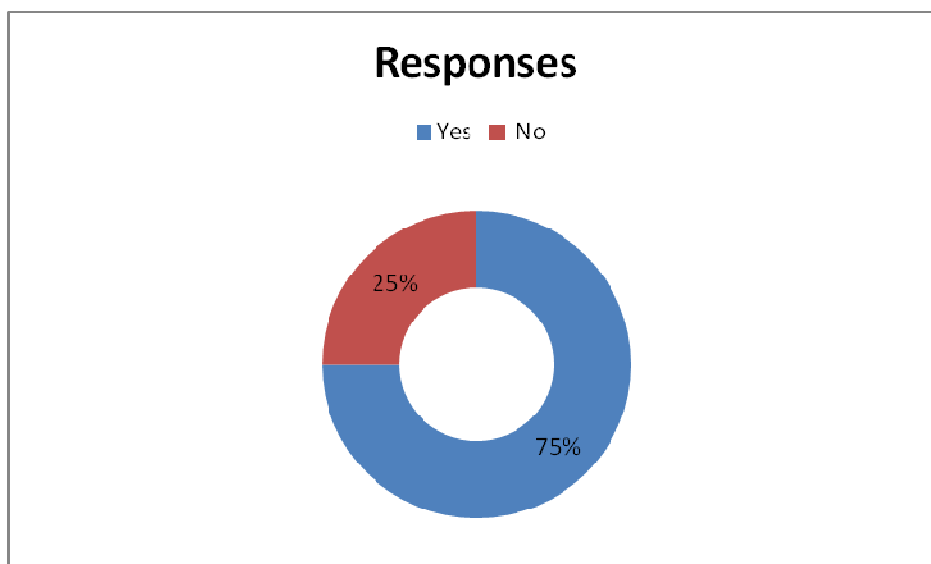
technical cooperation, EU would not do budget support if policies were not addressed.

USA is now providing support through NGOs rather than governments.

The Dutch has reduced support but not because of the reclassification but its policy of reducing embassies and where economic interest is low. So, it is for cost-cutting reasons and not really because of UMIC.

MCA support is going down and there is no way Namibia could qualify for that funding again. PEPFAR support is also going down. Germany insists that Namibia takes up more of their loans and the Namibia German Special Initiative is coming to an end. There is no clear policy in the country on borrowing.

| Do you think Namibia still needs ODA? | | |
|---------------------------------------|-----|-----|
| | Yes | No |
| Responses | 6 | 2 |
| | 75% | 25% |



The Government of Namibia raises a lot of tax revenue. The government has access to financial resources that other countries do not have access to. Namibia does not need grant aid to meet development challenges. However the loans that donors give comes with TA that could assist in managing domestic resources better.

Although there still might be a need for support, traditional ODA is no longer the answer but there is an increased demand for other forms of cooperation i.e. The Finish twinning agreement. There is a need to move to a system where government is the regulatory body while private sector and Civil Society are implementing projects. For CSOs, support remains critical as they are not really profit-generating and hence cannot sustain themselves without support of some sort. However, if they were to be funded by government, their independence would be compromised. ODA in the form of TA might still be required for specific activities.

However, ODA should not be our main source of finance but supplementary to our own resources. Technical Assistance is still needed however we have enough resources to fund development needs.

ODA is still needed, but with a change of mindset within policy makers. More focus on civil society and private sector.

Namibia revenue streams were strong and hence we could not sacrifice growth because of ODA. ODA would be appreciated as long as it is not tied to donors' own agendas. TA support is needed.

As long as it is driven by the country and no strings attached. We couldn't build our country on ODA. ODA for infrastructure development welcomed. ODA doesn't build the economy as it addresses symptoms rather than problems/causes.

Use ODA to leverage for areas where we were doing well i.e. maternal health, education. But for that government has to take strategic decision. Government has to decide what our biggest challenge is and use own resources to those strategic areas. Namibia has capital to invest in economic areas. Areas such as education, orphanages,

Broadly speaking, aid is not bad but needs regulation. We need a proactive government that drives the reform agenda. Aid should build capacity and not worsen the situation. Aid givers determine the agenda and there is no accountability by receiving governments. Aid should assist in infrastructure development that is permanent and long-lasting.

On the issue of the reclassification, local economist Martin Mwinga in an interview with New Era (02 November 2012) alluded to the fact that Namibia is not aid dependent and that the envisaged exit by some donor agencies does not pose a threat apart from putting extra pressure on government resources. He however reiterated that Namibia has the capacity and resources to continue with projects left by donors.

He further explained that the high status provided positive publicity, encouraged foreign direct investment and built confidence in the banking system. Unlike other countries where close to 50% of their budgets were funded by donors, Namibia is

fortunate in the sense that the budget is fully funded by own resources while donors provide project specific funding.

The United Nations Resident Coordinator, Musinga Bandora also agreed with Mwinga that Namibia is not aid reliant. He further stressed that donors would eventually reduce their funding because they want to focus inwards on their own problems. Although donor funding only contributes to four percent of the budget, Namibia would still need partnerships to address the challenges of high unemployment, HIV/AIDS to mention but a few.

Still in an interview with New Era, the Permanent Secretary of the National Planning Commission, Hungamo alluded to the fact that the assumption is that when you were UMIC, you have less need for aid. He said that this has resulted in many development partners closing down their offices, reducing support or changing mode of cooperation in Namibia i.e. Sweden, Luxembourg, Spain, France, Finland and the EU. Furthermore, Hungamo agreed with Mwinga that being an UMIC allows Namibia to attract investors who could assist in Namibia's transformation to become a manufacturing country.

4.4 Conclusion

In this chapter I gave an analysis of the different data using the methods indicated in the previous chapter. Secondary data analysis and the results from the interviews were analysed to guide me in forming an opinion based on the analysis of the data collected. Due to the tight schedule, I did not manage to conduct the focus group discussion as most of the Committee members were out of office on official duties.

CHAPTER 5

5 DISCUSSION

5.1 Introduction to the chapter

In this section, I will discuss the results presented in the previous chapter by relating them to the recent empirical literature of foreign aid and development practice. I will also provide a linkage between the Research questions and Results. I would further highlight the contribution of this research to knowledge in the area.

5.2 Method of the classification of countries

The research found that the real issue is not the reclassification as the perception has been but rather the method used in classifying countries for development. It is found that the method used by the WB is not a good measure as it ignores some other important variables especially related to issues of poverty. Even the WB has realised that there could be some flaws in the system and is currently reviewing it. MIC hosts most of the poor people and if they have to be excluded from receiving ODA based on that, poverty would instead deteriorate. Further research could be done in how countries would feature when different classification methods were employed.

Although most if not all respondents agree that the method could be wrong, they all feel that the reclassification of Namibia as UMIC is indeed good for the country even though there might be some repercussions like the reduction in ODA. The benefits of being an UMIC far outweigh the negative. Even with ODA, there would always be inflows as not all countries use the WB classification for their development cooperation. Most donors that have closed offices in Namibia is still operating through different modes of

cooperation now. Namibia should not judge or measure its development based on the amount of ODA she receives as the country is capable of meeting its developmental challenges.

5.3 Potential Benefits of being UMIC

The study found the following benefits or opportunities:

- Eligible to borrow at international capital market as the country also gains a better credit rating
- Increase investment opportunities
- Increase Foreign Direct Investment
- Enough domestic resources to reinvest in the economy
- Increase confidence in the country systems
- Still have access to other initiatives that were not linked to a country's economic status i.e. Global Environment Facility, WB, MIGA and IFC facilities
- Increase your negotiation power with donors and you maintain your policy space (determine your needs yourself based on your own priorities rather than the donors'.
- Increased voice at International fora (MIC were asked for their advice while LIC were only asked their need).

5.4 Namibia ODA architecture

The data reveals that in overall, the period after the reclassification saw more Aid coming to Namibia as the ODA received during 2009-2011 was much higher than any other period before that. This is even more so when considering that there was a reduction in donors after 2003, meaning that those that remained increase their funding. The Nordic countries namely Denmark, Finland, Iceland, Norway and Sweden have either phased out or moved to new modes of cooperation. They now work directly with NGOs on for example human rights issues.

Although the above are some of the movements in the ODA architecture of Namibia, the reclassification has not really affected the overall development cooperation environment in Namibia. There is still scope for ODA in Namibia, however since the global ODA architecture is also changing; there is a need for Namibian policy makers to take strategic decisions on the mobilization, coordination and management of ODA as mandated by the NPC Act. NPC should drive the ODA agenda in Namibia as some of the respondents alluded to. There is a need for an ODA roadmap linked to the national development plan and budget that would guide all stakeholders involved in ODA. There is a need for a focused approach as the funding is becoming more limited and as donors would want to see impact from their support, likewise government should want to see increased impact from the assistance received.

Since most of the respondents alluded to the fact that Namibia has sufficient resources to meet development challenges, the task is to put internal measures in place to increase allocation of funding to sectors that would be affected by donor exit. The EU

envisaged reduction of traditional aid is one such example where government could start engaging to determine an exit strategy and increase such lost funding. Communication is mentioned as one core element of a successful exit strategy.

5.5 Lessons learned from South Africa and Botswana

The study found that, although both countries have been MIC for some time, they still face the same challenges that Namibia is facing. Although Botswana has managed to tremendously reduce aid dependency and Aid only constitute a small portion of government expenditures, South Africa because of its strategic position in the region still seem to attract a lot of donor aid.

Botswana is counted as one of the countries in SSA that have migrated from being aid dependent in the 1970's to becoming virtually self-sufficient. There were indeed a lot of lessons that Namibia could draw from the Botswana experience i.e. incorporating of donor funds in the government planning and budget systems. There was also a strong political will in Botswana in terms of the management of ODA. The 'seeking compromise but willing to say no' principle is an imperative one that most of the other countries seems to struggle with. As witness from some of the respondents, Namibia is one such country that is not driving the ODA agenda and hence the possibility of succumbing to donor demands is high.

Since the system of donor exit is complex as witnessed by the examples of South Africa and Botswana, there is a need for a timely communication and consultations to avoid projects being jeopardize because of lack of proper planning.

5.6 Views by stakeholders in ODA

The study tends to agree with Sachs' theory of filling a financial gap, as most respondents highlighted the need for cooperation especially where there was a great need. Sachs also said that there was a need to first determine what a country needs before giving assistance and that is what the study concluded as well.

Only one of the respondents agreed with Moyo's theory that ODA is not assisting Namibia, as there is still abject poverty in the light of all the donor assistance Namibia received to address poverty. On the contrary, the study also agreed with Moyo's proposal for countries to come up with economic plans to manage ODA better and hence guard against aid dependence.

The research contributes to the current knowledge in the sense that it highlights the fact that the relationship between UMIC status and ODA is not automatically negative. One need to search deeper and there were always other modes that were advantageous to a country that desires to grow and become self-sustaining i.e. partnerships.

5.6 Conclusion

In this chapter, I attained the objectives and research questions as stated in chapter one through an in depth analysis of the findings. In the next chapter I would draw conclusions and provide possible recommendations on how Namibia could embrace the UMIC status and effectively manage the limited and dwindling ODA.

CHAPTER 6

6 CONCLUSION AND RECOMMENDATIONS

6.1 Introduction to the chapter

This chapter will focus on the conclusion of the main themes that emerged from the study and discuss the results around these themes and making recommendations on the issues.

The declining trend in ODA flows to Namibia which coincided with the reclassification of the country as an upper middle income economy constitutes the basis for investigation in this study.

The purpose of the study is to determine whether this reclassification has caused a decrease in ODA, hence the study attempted to address to the following questions:

- How countries' economic statuses evaluated and what are the specific benefits for being Upper MIC?
- What is the perception in Namibia regarding the impact of the reclassification on ODA?
- What are the trends in ODA flows into Namibia before and after the reclassification?
- How did/do other countries in similar grouping manage ODA?
- What do locals (various stakeholders- Government, Economists, Private Sector, Civil Society and Development Partners) think about the reclassification, reducing ODA and its impact on development challenges?

The inductive qualitative study was conducted through in-depth verbal and telephone interviews using a semi-structured questionnaire and secondary thematic literature analysis. I was able to conduct eight interviews of which one was done by telephone.

6.2 Conclusion of the study

The study concludes that although on a declining trend, ODA in Namibia is not really negatively affected by the reclassification as Upper MIC. The perception that the reclassification of Namibia as UMIC is negatively affecting ODA has no empirical evidence.

Most of the donors that have exited or reduced their assistance to Namibia had started doing so even before the reclassification. The reason was because of the economic crises and internal policies of reduction in foreign representation while trying to address their own problems. Interestingly, the volume of aid after the reclassification has reached high levels never experienced before the reclassification.

The conclusion therefore is that the reduction is mostly caused by movements in the global ODA architecture rather than the reclassification. Some of the donors that have phased out bilateral support from Namibia and have closed embassies were still operating in Namibia however under different modes of cooperation. Most of them were now working through NGOs. Based on the interview responses, this is a welcomed initiative as there is a feeling that with the general reduction in global ODA, future support could focus on civil society among others to preserve their economy.

From the interviews, it is evident that Namibia should stop focusing on a reclassification back to LMIC but as a dynamic resource endowed country rather look at how it could influence the ODA architecture. Namibia is funding her own budget from domestic resources and also has overflowing capital reserves that could be invested in the economy without relying on donor aid.

Taking from the experience of Botswana who had been classified in the 90's, ODA is still present. Hence there will still be a presence of donors in Namibia for some time; there should just be some level of decision-making within government on how they should deal with the management of these now meager resources.

There is a strong consensus among the interviewees that there is still scope for ODA in Namibia but it is suggested that Namibia should drive the agenda regarding the utilization and management of ODA. Namibia has no strategy for management of ODA; hence there is an urgent need for government to come up with a strategy that would guide all stakeholders involved in the implementation and management of ODA. The study identified that social sectors especially education and health were to a certain extent affected by the reduction in funding from the donor contribution; NPC should be the one to advise government on this eminent changes in order for a remedial action to be taken on time.

One factor that Namibia could learn from Botswana is the integration of Aid into the National Planning and Budgeting System rather than keeping it in isolation like it is the current practice in Namibia.

6.3 Recommendations of the study

Namibia's reclassification as an UMIC is in alignment with the country's vision of becoming an industrialised nation by 2030. Namibia Vision 2030 alluded to the fact that by 2030, Namibia would be a development partner assisting others in need rather than depending on ODA. Hence, Namibia should embrace the UMIC status and reap the benefits that come with it to avoid being stuck in the MIC trap.

Taking into consideration that the reclassification has minimal to do with the movements in ODA flows in Namibia and it is mostly to do with donors' own interests and global developments in foreign aid architecture, Namibia should start positioning herself in how best to influence the ODA architecture in her favour.

It is also recommended that NPC prepares an ODA strategy and roadmap that is aligned to the National Planning and Budgeting system to guide policy makers and to avoid donors to drive the development agenda in Namibia.

It is further recommended that proper and timely communication and consultations be held with donors in preparation of donor exits i.e. EU.

6.4 Limitations of the Study

Time constraint was the main limitation factor as the study was conducted within a very short timeframe to meet the course deadline. This hindered me from seeking

more information which could have provided more in depth results leading to stronger understanding of the situation and of the problems faced thus improving data and analysis.

6.5 Areas of further Study

This study strictly focused on the impact of the reclassification on ODA, further studies could be done on the impact the reclassification has on economic growth in Namibia i.e. positive impact of the reclassification on the foreign direct investment.

Due to the time constraint mentioned above, it was impossible to obtain the views from the civil society, hence further research could be done on the impact of the reduction of foreign aid on the operations of Civil Society Organisations in Namibia.

6.6 Conclusion of the chapter

The conclusion and recommendations were provided in this chapter based on the data analysis. It is the researcher's belief that policy makers in Namibia would consider the recommendations above as it might eliminate the negative perception that goes in hand with the reclassification and strengthen the management of ODA in Namibia.

I learned throughout the whole experience of carrying out this study and I felt that if more time was provided, I could have explored more pertinent issues which could have brought about greater depth to the study. However within the time frame, the objectives and research questions are successful attained.

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APPENDICES

DISBURSEMENTS, UNLESS OTHERWISE STATED IN MILLIONS OF USD

NAMIBIA

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|--------|-------|-------|--------|-------|------------------|-------|-------|--------|-------|
| 1. TOTAL RECEIPTS NET (ODA + OOF + Private) | | | | | | 2. TOTAL ODA NET | | | | |
| DAC COUNTRIES | | | | | | | | | | |
| Australia | 0.1 | 0.2 | 0.3 | 0.1 | 1.2 | 0.1 | 0.2 | 0.3 | 0.1 | 1.2 |
| Austria | 0.1 | 0.3 | 0.2 | - | 0.1 | 0.1 | 0.3 | 0.2 | - | 0.1 |
| Belgium | 0.6 | -1.9 | 0.7 | 1.3 | 22.4 | 0.6 | 0.5 | 0.7 | 0.6 | 0.8 |
| Canada | 1.9 | 1.1 | 0.7 | 0.5 | 1.3 | 1.9 | 1.1 | 0.7 | 0.5 | 1.3 |
| Denmark | 1.2 | 0.8 | - | -0.1 | - | 1.2 | 0.8 | - | -0.1 | - |
| Finland | 24.0 | 6.8 | 5.8 | 3.8 | 4.6 | 5.6 | 6.8 | 5.8 | 3.8 | 4.6 |
| France | 3.0 | 5.6 | 111.6 | -3.5 | 254.5 | 2.8 | 1.9 | 50.1 | 0.4 | -2.5 |
| Germany | -100.9 | 46.3 | 260.6 | -56.8 | 250.2 | 21.2 | 22.2 | 36.7 | 24.0 | 68.7 |
| Greece | 0.1 | - | 0.1 | 0.0 | 0.0 | 0.0 | - | 0.0 | 0.0 | 0.0 |
| Ireland | - | - | - | - | - | - | - | - | - | - |
| Italy | 0.8 | 1.6 | 1.5 | -0.2 | 2.5 | 0.7 | 0.6 | 0.9 | 0.0 | 0.5 |
| Japan | 29.5 | 9.6 | 40.3 | 86.8 | 25.2 | 5.7 | 9.7 | 39.8 | 40.6 | 25.2 |
| Korea | - | - | 0.1 | 0.1 | 0.1 | - | - | 0.1 | 0.1 | 0.1 |
| Luxembourg | 7.9 | 5.9 | 10.0 | 12.5 | 7.0 | 7.9 | 5.9 | 10.0 | 12.5 | 7.0 |
| Netherlands | 17.4 | -5.5 | 4.7 | 0.2 | 19.9 | 1.0 | 0.3 | 1.9 | 1.6 | 1.8 |
| New Zealand | 0.0 | 0.0 | - | - | - | 0.0 | 0.0 | - | - | - |
| Norway | 1.7 | 10.3 | -6.7 | -3.0 | 2.3 | 1.7 | 10.3 | -6.7 | -3.0 | 2.3 |
| Portugal | 0.5 | 2.9 | 0.4 | 1.5 | 0.7 | 0.1 | 0.1 | 0.1 | - | 0.1 |
| Spain | 28.5 | 15.1 | 12.0 | 8.5 | 4.3 | 28.5 | 15.1 | 12.0 | 8.5 | 4.3 |
| Sweden | 3.0 | 295.5 | 1.5 | -279.7 | 3.4 | 4.1 | 2.3 | 2.5 | 3.3 | 4.9 |
| Switzerland | 0.8 | 1.4 | 2.5 | 2.9 | 0.7 | 0.7 | 0.2 | 0.6 | 0.7 | 0.7 |
| United Kingdom | 76.8 | 1.0 | 17.9 | 5.4 | -49.3 | 0.9 | 1.0 | 0.7 | 0.6 | -0.7 |
| United States | 58.8 | 71.0 | 90.3 | 117.2 | 112.9 | 58.8 | 71.0 | 90.3 | 117.2 | 112.9 |
| TOTAL (DAC COUNTRIES) | 155.7 | 467.8 | 554.3 | -102.4 | 663.9 | 143.5 | 150.0 | 246.5 | 211.3 | 233.3 |
| MULTILATERAL | | | | | | | | | | |
| AfDB | 16.5 | 0.6 | -30.4 | -6.7 | -6.5 | -0.2 | -0.2 | -0.4 | -0.4 | 0.5 |
| AsDB | - | - | - | - | - | - | - | - | - | - |
| CarDB | - | - | - | - | - | - | - | - | - | - |
| EU Institutions | 16.3 | 17.8 | 90.3 | 120.4 | 31.6 | 27.3 | 26.6 | 32.6 | 10.8 | 31.6 |
| GAVI | - | - | - | - | - | - | - | - | - | - |
| Global Fund | 30.8 | 14.6 | 38.5 | 29.5 | 8.1 | 30.8 | 14.6 | 38.5 | 29.5 | 8.1 |
| IBRD | - | 7.5 | - | -7.9 | 0.1 | - | - | - | - | - |
| IDA | - | - | - | - | - | - | - | - | - | - |
| IDB | - | - | - | - | - | - | - | - | - | - |
| IFAD | -0.2 | -0.7 | -0.4 | -2.1 | - | -0.2 | -0.7 | -0.4 | -2.1 | - |
| IFC | -1.0 | - | -1.0 | 4.7 | 4.4 | - | - | - | - | - |
| IMF | - | - | - | - | - | - | - | - | - | - |
| UNDP | 1.1 | 1.7 | 1.7 | 1.1 | 0.7 | 1.1 | 1.7 | 1.7 | 1.1 | 0.7 |
| UNFPA | 0.6 | 1.3 | 1.4 | 1.3 | 1.5 | 0.6 | 1.3 | 1.4 | 1.3 | 1.5 |
| UNHCR | 0.9 | 1.1 | 1.2 | 1.0 | 3.2 | 0.9 | 1.1 | 1.2 | 1.0 | 3.2 |
| UNICEF | 0.8 | 1.3 | 1.1 | 0.8 | 0.9 | 0.8 | 1.3 | 1.1 | 0.8 | 0.9 |
| WFP | 1.4 | 1.3 | 0.3 | 0.2 | 0.3 | 1.4 | 1.3 | 0.3 | 0.2 | 0.3 |
| Other Multilateral | 10.4 | 10.9 | 1.9 | 2.1 | 2.2 | 10.4 | 10.9 | 1.9 | 2.1 | 2.2 |
| TOTAL (MULTILATERAL) | 77.5 | 57.3 | 104.5 | 144.3 | 46.7 | 72.8 | 57.8 | 77.7 | 44.2 | 49.2 |
| Other Donor Countries | 1.1 | 2.4 | 1.3 | 0.9 | 2.1 | 1.1 | 2.4 | 1.3 | 0.9 | 2.1 |
| GRAND TOTAL | 234.3 | 527.5 | 660.0 | 42.8 | 712.7 | 217.4 | 210.2 | 325.5 | 256.4 | 284.6 |
| Memo: EU Inst. + DAC EU Members | 79.2 | 392.2 | 517.2 | -188.6 | 551.8 | 101.8 | 84.2 | 154.2 | 65.9 | 121.2 |
| 3. ODA LOANS GROSS | | | | | | 4. ODA GRANTS | | | | |
| DAC COUNTRIES | | | | | | | | | | |
| Australia | - | - | - | - | - | 0.1 | 0.2 | 0.3 | 0.1 | 1.2 |
| Austria | - | - | - | - | - | 0.1 | 0.3 | 0.2 | - | 0.1 |
| Belgium | - | - | - | - | - | 0.6 | 0.5 | 0.7 | 0.6 | 0.8 |
| Canada | - | - | - | - | - | 1.9 | 1.1 | 0.7 | 0.5 | 1.3 |
| Denmark | - | - | - | - | - | 1.2 | 0.8 | - | - | - |
| Finland | - | - | - | - | - | 5.6 | 6.8 | 5.8 | 3.8 | 4.6 |
| France | - | - | 49.0 | - | - | 3.8 | 3.0 | 2.3 | 1.4 | 1.3 |
| Germany | 1.2 | 1.7 | 5.7 | 0.0 | 41.7 | 21.8 | 26.2 | 35.5 | 28.7 | 32.4 |
| Greece | - | - | - | - | - | 0.0 | - | 0.0 | 0.0 | 0.0 |
| Ireland | - | - | - | - | - | - | - | - | - | - |
| Italy | - | - | - | - | - | 0.7 | 0.6 | 0.9 | 0.0 | 0.5 |
| Japan | 3.0 | 7.2 | 36.1 | 36.4 | 27.7 | 2.7 | 2.5 | 3.7 | 4.2 | 3.5 |
| Korea | - | - | - | - | - | - | - | 0.1 | 0.1 | 0.1 |
| Luxembourg | - | - | - | - | - | 7.9 | 5.9 | 10.0 | 12.5 | 7.0 |
| Netherlands | - | - | - | - | - | 1.0 | 0.3 | 1.9 | 1.6 | 1.8 |
| New Zealand | - | - | - | - | - | 0.0 | 0.0 | - | - | - |
| Norway | - | 7.8 | -8.8 | -5.6 | - | 1.7 | 2.5 | 2.1 | 2.6 | 2.3 |
| Portugal | - | - | - | - | - | 0.1 | 0.1 | 0.1 | - | 0.1 |
| Spain | 3.1 | 2.7 | 0.8 | 0.4 | - | 25.4 | 12.4 | 11.2 | 8.2 | 4.3 |
| Sweden | - | - | - | - | - | 4.1 | 2.3 | 2.5 | 3.3 | 4.9 |
| Switzerland | - | - | - | - | - | 0.7 | 0.2 | 0.6 | 0.7 | 0.7 |
| United Kingdom | - | - | - | - | - | 0.9 | 1.0 | 0.7 | 0.6 | 0.2 |
| United States | - | - | - | - | - | 58.8 | 71.0 | 90.3 | 117.2 | 112.9 |
| TOTAL (DAC COUNTRIES) | 7.3 | 19.3 | 82.8 | 31.2 | 69.4 | 139.0 | 137.5 | 169.3 | 185.9 | 180.0 |
| TOTAL (MULTILATERAL) | 5.2 | - | - | - | - | 69.2 | 59.3 | 79.3 | 47.4 | 50.5 |
| Other Donor Countries | - | - | - | - | - | 2.5 | 3.9 | 2.7 | 2.3 | 3.2 |
| GRAND TOTAL | 12.5 | 19.3 | 82.8 | 31.2 | 69.4 | 210.7 | 200.6 | 251.2 | 235.7 | 233.7 |
| Memo: EU Inst. + DAC EU Members | 4.3 | 4.3 | 55.5 | 0.4 | 41.7 | 101.2 | 86.6 | 104.3 | 71.4 | 89.6 |
| 5. BILATERAL ODA COMMITMENTS: BY PURPOSE | | | | | | | | | | |
| Social Infrastructure & Services | 129.0 | 148.1 | 279.3 | 144.8 | 131.6 | | | | | |
| Education | 9.7 | 22.1 | 150.3 | 17.9 | 9.7 | | | | | |
| Health & Population | 95.5 | 108.6 | 106.3 | 98.4 | 103.0 | | | | | |
| Water Supply & Sanitation | 3.7 | 8.2 | 12.0 | 15.4 | 7.7 | | | | | |
| Economic Infrastructure & Services | 14.7 | 88.4 | 7.6 | 65.7 | 24.3 | | | | | |
| Energy | 0.0 | 51.0 | 0.1 | 47.3 | 0.8 | | | | | |
| Transport & Communications | 2.9 | 27.7 | 4.7 | 11.7 | 16.3 | | | | | |
| Production Sectors | 14.6 | 7.0 | 123.2 | 18.0 | 32.4 | | | | | |
| Agriculture, Forestry, Fishing | 7.4 | 3.2 | 49.3 | 15.7 | 30.3 | | | | | |
| Industry, Mining, Construction | 0.5 | 1.0 | 9.1 | 1.7 | 1.0 | | | | | |
| Trade & Tourism | 6.7 | 2.8 | 64.8 | 0.5 | 1.1 | | | | | |
| Multisector | 27.7 | 12.5 | 6.4 | 22.5 | 15.7 | | | | | |
| Programme Assistance | 0.1 | - | 0.0 | - | 0.0 | | | | | |
| Food Aid | 0.1 | - | 0.0 | - | - | | | | | |
| Action Relating to Debt | - | - | 0.0 | - | - | | | | | |
| Humanitarian Aid | 0.4 | 0.4 | 3.1 | 0.3 | 2.3 | | | | | |
| Other & Unallocated/Unspecified | 2.5 | 2.8 | 3.8 | 3.3 | 2.3 | | | | | |
| TOTAL | 169.0 | 259.2 | 423.5 | 254.4 | 206.6 | | | | | |
| 6. REFERENCE SECTION: INDICATORS | | | | | | | | | | |
| Population (thousands) | 2159 | 2200 | 2242 | 2283 | 2324 | | | | | |
| GNI (current \$ million) | 8629 | 8622 | 8849 | 10709 | 11898 | | | | | |
| GNI per capita (Atlas \$) | 3970 | 4080 | 4060 | 4250 | 4700 | | | | | |
| Energy Use (Kg oil equiv. per capita) | 747 | 836 | 764 | - | - | | | | | |
| Average Life Expectancy | 60 | 61 | 62 | 62 | 62 | | | | | |
| Adult Literacy Rate (%) | - | - | 89 | - | - | | | | | |
| | | | | | | 2007 | 2008 | 2009 | 2010 | 2011 |
| REFERENCE SECTION (Continued) | | | | | | | | | | |
| DAC COUNTRIES COMBINED | | | | | | | | | | |
| OFFICIAL & PRIVATE | | | | | | | | | | |
| GROSS: | | | | | | | | | | |
| Contractual Lending | | | | | | 48.9 | 314.0 | 83.3 | 78.7 | 69.5 |
| Export Credits, Total | | | | | | 18.4 | 294.2 | - | 1.2 | 0.1 |
| Export Credits, Priv. | | | | | | - | 294.2 | - | 1.2 | 0.1 |
| NET: | | | | | | | | | | |
| Contractual Lending | | | | | | 44.9 | 306.4 | 76.7 | -211.3 | 51.8 |
| Export Credits, Total | | | | | | 17.3 | 293.2 | -1.0 | -282.9 | -1.6 |
| PRIVATE SECTOR NET | | | | | | -29.3 | 317.3 | 307.3 | -359.9 | 430.5 |
| Direct Investment | | | | | | 24.0 | 9.8 | 200.3 | -82.6 | 353.1 |
| Portfolio Investment | | | | | | -52.9 | 14.9 | 108.1 | 5.6 | 79.0 |
| Export Credits | | | | | | -0.5 | 292.6 | -1.0 | -282.9 | -1.6 |
| ODA COMMITMENTS | | | | | | 192.8 | 259.2 | 424.9 | 254.5 | 208.6 |
| ALL DONORS COMBINED | | | | | | | | | | |
| OOF GROSS | | | | | | 62.8 | 19.9 | 58.9 | 161.4 | 12.0 |
| OOF NET | | | | | | 46.2 | 0.1 | 27.2 | 146.3 | -2.5 |
| TC GRANTS | | | | | | 34.9 | 40.5 | 42.7 | 44.0 | 47.4 |
| ODA COMMITMENTS | | | | | | 304.9 | 298.3 | 434.0 | 395.3 | 246.0 |

POLYTECHNIC OF NAMIBIA



Harold Pupkewitz Graduate School of Business (HP-GBS)

INTERVIEW QUESTIONNAIRE

**THE IMPACT OF NAMIBIAN RECLASSIFICATION AS AN UPPER MIDDLE
INCOME COUNTRY ON OFFICIAL DEVELOPMENT ASSISTANCE**

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Dear Participant

The researcher's name is Bertha Kazauana, a Masters student in International Business at the Polytechnic of Namibia. As part of the requirement for this course, I am expected to write a thesis on the topic of the researcher's choice. The researcher's topic is **"The impact of the reclassification as an Upper Middle Income Country on Official Development Assistance to Namibia"**.

Issues' surrounding the mobilisation of Official Development Assistance (ODA) is essential during this stage of Namibia's development. ODA is critical for the implementation of the country's development agenda (NDP4) and Millennium Development Goals (MDGs). Namibia's economic status at a per capita Gross National Income of \$6,520 has been reclassified to that of an upper Middle Income Country (MIC) in 2009. This reclassification created an impression within the country that it (reclassification) has a negative impact on ODA flows to Namibia.

The researcher appreciates your precious time in talking to her to discuss issues surrounding Official Development Assistance in Namibia particularly on; the reclassification to Upper MIC and its impact on ODA and the future of ODA in Namibia. This discussion would help the researcher to get a better understanding regarding the views on the reclassification and how that impacted ODA flows to Namibia. This would help the researcher to

come up with recommendations for her study which might be used to improve the management of foreign aid in Namibia.

Part A

Information on the reclassification of Namibia as Upper Middle Income Country (UMIC)

1. Namibia has been reclassified as Upper Middle Income Country in 2009, what is your personal view on this (was it good or bad for the country)?

2. What do you see as the potential benefits/opportunities for being in the UMIC grouping?

3. What are your views on the perception that Namibia's reclassification as UMIC has negatively affected Official Development Assistance (ODA)?

Part B

Information on Official Development Assistance in Namibia

4. Do you think ODA to Namibia reduced as a result of the reclassification?
- ☐ Yes
 - ☐ No
 - ☐ Don't know
5. If yes in (4), do you know any Development Partners that have reduced their development assistance to Namibia?

Do you know any sectors of our economy that were affected by reduction in ODA as a result of the reclassification?

6. How sustainable is ODA now that Namibia is an UMIC?

7. Do you think Namibia still needs ODA?

- ☐ Yes
- ☐ No

8. Give reasons for your answer in (8)

9. How do you foresee Namibia's future regarding ODA?

Thank you for your valuable time