### 1. Name of the Project

Country: The Republic of Namibia  
Project: Rundu-Elundu Road Upgrading Project  
(Loan Agreement: August 9, 2006; Loan Amount: 10,091 million yen; Borrower: The Government of the Republic of Namibia)

### 2. Necessity and Relevance of JBIC’s Assistance

Thirty-eight percent of the households in the Republic of Namibia are poor, and the majority of those are concentrated in the north of the country, formerly the area for black residents. In the north, the Kavango and Ohangwena regions, which lie along the border with Angola, constitute semi-arid lands in which the majority of residents engage in subsistence agriculture and stock-farming. In both of these regions, the poverty rate is roughly 70% and 42% respectively, higher than the national average percentage of poor households and accounting for 27% of all poverty in Namibia. When measured according to “Human Poverty Index,” out of Namibia’s 13 regions, Kavango and Ohangwena occupy the second and fourth poorest rankings in the nation (as of 2000). Moreover, the spread of HIV/AIDS has had a major impact on poverty (as of 2001, 22.5% of all adults were infected).

National Road (NR) 110 and District Roads 3405 and 3407, which pass through the above regions, are major thoroughfares for everyday life for the local residents. They are the primary roads that connect the eastern and western portions of the northern part of the country where economic activity is gradually becoming more vigorous, because the section between Rundu and Elundu, which is the target of the present project, is unpaved. The road, however, constitutes a major impediment to improving local residents’ living standards and economic activity for residents in the vicinity. In addition, in terms of its role in the distribution of goods, NR 110 is not limited to Namibia’s internal borders, but rather is also an extension of the Trans-Caprivi Highway, which serves as an international corridor joining Namibia to neighboring landlocked countries. In addition, although the western end of the road is the main traffic route to Angola, it is inevitable that people and goods circulate via a detour route that passes through Grootfontein, because the NR 110 is currently unpaved. The lack of a paved road thus constitutes a major impediment to the active flow of goods to and from neighboring countries. If this section of the road could be paved through the present project, one would expect that the flow of goods to neighboring countries, including Angola, would become faster and more efficient.

Namibia’s National Development Plan II (NDP II, 2001-2005) places poverty reduction through economic growth based on the provision and improvement of economic and social infrastructure as one of its major objectives and the road sector as a critical sector for Namibia’s socio-economic development as well as for the realization of economic integration with countries participating in the Southern African Development Community (SADC). Moreover, poverty reduction through the construction, operation and maintenance of transportation infrastructure in the southern African region is positioned as a long-term objective in Namibia’s Poverty Reduction Strategy. Further, the construction, operation and maintenance of transportation infrastructure (in particular, that of the Trans-Caprivi Highway) as well as the improvement of regional disparities are included in the National Poverty Reduction Action Program (NPRAP) of 2001-2005. In addition, the direction of road sector development in the coming 10 to 15 years is revealed in the Mid- to Long-Term Road Master Plan, which was designed based on the abovementioned NDP II and other plans; from the standpoint of improving regional disparities, the importance of improving the infrastructure of roads between states and regions is also apparent.
In JBIC’s current Medium-Term Strategy for Overseas Economic Cooperation Operations (2005-2007), “infrastructure development for sustainable growth” and “assistance for poverty reduction” are mentioned as priority areas. The bank provides aid that promotes economic growth through the outfitting of social and economic infrastructure, including that for roads. JBIC’s assistance for this project, which is consistent with the above policy, is highly necessary and relevant.

3. Project Objectives

The objective of this project is to contribute to poverty reduction within the Republic of Namibia and help promote trade and commerce within SADC countries. The project will improve living standards for the residents of these two poverty-stricken regions and facilitate smooth traffic flow through the shortest trade route connecting Namibia and its neighbors by providing asphalt pavement to the section of unpaved road between Rundu in the Kavango region and Elundu in the Ohangwena region of the Republic of Namibia.

4. Project Description

(1) Target Area
Kavango region and Ohangwena region (the northern part of Namibia)

(2) Project Outline
The paving with asphalt of an existing stretch of unpaved road approximately 370km long between Rundu, in the Kavango region, and Elundu, in the Ohangwena region.
(a) Civil works
(b) Consulting services (detailed design, construction supervision, formulation of an environmental management plan and countermeasures against HIV/AIDS)

(3) Total Project Cost/Loan Amount
13,455 million yen (Yen Loan Amount: 10,091 million yen)

(4) Schedule
August 2006-December 2010 (53 months)

(5) Implementation Structure
(a) Borrower: The Government of the Republic of Namibia
(b) Executing Agency: Roads Authority
(c) Operation and Maintenance System: Same as (b)

(6) Environmental and Social Consideration
(a) Environmental Effects/Land Acquisition and Resident Relocation
(i) Category: B
(ii) Reason for Categorization
This project is classified as Category B under the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations” (established April 2002). This categorization is assigned, because the project is not expected to have a significant adverse impact on the environment when taking into account its sector, project and regional characteristics. The project is also classified as Category B under the “JBIC Environmental Guidelines for ODA Loans” (established October 1999), which is applied to
this project, because loan aid was requested during the transitional stage of the Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations.

(iii) Environmental Permit
The Environmental Impact Assessment report is not obligatory under the domestic laws of Namibia.

(iv) Anti-Pollution Measures
As this project constitutes the paving of an existing unpaved road, major adverse impacts in terms of air pollution or noise during operation are not expected. In addition, the project is also expected to meet national environmental standards because it is being conducted by implementing measures based on an environmental management plan including measures such as the provision of drainage ditches for water runoff from road surfaces.

(v) Natural Environment
The project site is not located in or around sensitive areas, such as a natural reserve. Adverse impacts on the natural environment are assumed to be minimal.

(vi) Social Environment
For this project, land must be acquired along a 10km stretch of road, and necessary formalities will be taken for land acquisition. No resettlement of residents is, however, expected to be necessary.

(vii) Other/Monitoring
The Roads Authority will monitor noise, water quality, and soil erosion during the construction process.

(b) Promotion of Poverty Reduction
As described above, the poverty rate for households in the project’s target area (the Kavango and Ohangwena regions) exceeds that for Namibia as a whole. Because local residents, including the poor, are expected to benefit from the project directly, the project constitutes an anti-poverty measure. Conducting this project is expected to contribute to poverty reduction by increasing income for farmers in the target region, by improving access to social services such as schools and hospitals, and serving as a means for public transportation.

(c) Promotion of Social Development (e.g. Gender Perspective)
Based on the request of the Roads Authority, the present project will incorporate components for countermeasures against HIV/AIDS in the terms of reference for consulting service. This includes: (1) execution of studies on HIV/AIDS countermeasures (in particular, preparation of an HIV/AIDS countermeasure program, drafting of clauses to be included in construction contracts and a survey on NGO activities in the target region); (2) execution of HIV/AIDS countermeasure program targeting construction laborers and the local community; and (3) formulation of a follow-up report on the effect of these activities.

The Roads Authority will convene meetings of residents to reflect the voices of local residents into formulation of this project. Based on the detailed design to be forged in the future, meetings will be convened to obtain the consent of residents on project implementation, as necessary.

5. Outcome Targets
(1) Evaluation Indicators (Operation and Effect Indicator)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline (2005)</th>
<th>Target (2011, two years after project completion)</th>
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<tbody>
<tr>
<td>Annual average of daily traffic volume</td>
<td>222</td>
<td>717</td>
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<tr>
<td>(vehicles/day)</td>
<td></td>
<td></td>
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<tr>
<td>Reduction in time required (hours)</td>
<td>5.4</td>
<td>3.8</td>
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<tr>
<td>Reduction in travel costs (1,000N$/year)</td>
<td>0</td>
<td>54,545</td>
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<tr>
<td>Traffic accident rate (cases/million vehicle kilometers)</td>
<td>1.65</td>
<td>0.99</td>
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</tbody>
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(2) Internal Rate of Return
Economic Internal Rate of Return (EIRR): 15.37%
(a) Cost: project costs (tax excluded), operation and maintenance costs
(b) Benefit: reduction in time required, reduction in travel costs, and reduction in traffic accidents
(c) Project life: 20 years

6. External Risk Factors
(1) Delays or changes to the development plan for the target region
(2) Delay in project completion owing to natural disasters

7. Lessons Learned from Findings of Similar Projects Undertaken in the Past
In the past, when target countries received an ODA loan for the first time, there are cases where lack of familiarity regarding procurement and disbursement procedures proved a hindrance to smooth project implementation. Accordingly, for the present project, which is the first ODA loan to the Government of the Republic of Namibia, assistance will be given in the form of seminars and consulting services designed to enhance sufficient understanding of procurement and disbursement procedures.

8. Plans for Future Evaluation
(1) Indicators for Future Evaluation
   (a) Annual average of daily traffic volume (vehicles/day)
   (b) Reduction in time required (hours)
   (c) Reduction in travel costs (1000N$/year)
   (d) Traffic accident rate (accidents/million vehicle kilometers)
   (e) Internal rate of return EIRR (%)

(2) Timing of Next Evaluation
After project completion.