CCT programs provide cash to poor families conditional on behavior, usually investment in human capital (that is, education, job training, and health), thereby helping prevent both current and future poverty. They address existing poverty by providing income support to smooth consumption and inequity by targeting resources to the poor; they restore efficiency by providing incentives for parents to invest in their children's health and education. Political support for the programs in Latin America is strong, and administrative costs have been low.

Namibia, with its high incidence of poverty and limited social safety net, appears to be a good candidate for a CCT program, which could help it make progress toward the MDGs. By targeting the two most vulnerable population groups—poor children and HIV-affected individuals—a CCT program could reduce poverty and improve the distribution of income.

Cash grants could be targeted to young children (through the female head of household) and nursing and pregnant women contingent on, for example, visits to health centers, health and nutrition workshops, yearly checkups, and prenatal health care. Separate grants could be targeted to older children (also through the female head of household) who attend school regularly to help them pay school fees, which are prevalent in Namibia.

To reduce poverty among those with HIV/AIDS, Namibia could provide them with cash grants on the condition that they visit a health center regularly. Such grants, which would enable them to eat regularly, would make treatment more effective and would thus benefit society as a whole. This approach would combine an investment in future health with immediate poverty reduction.

The Namibian authorities would do well to consider conditional cash transfers as an alternative to the recent proposal for universal income grants. They would need to think carefully about who the potential beneficiaries should be and what conditions should apply to the transfers. If Namibia introduces a CCT program, the authorities should take into account other grants and streamline other welfare programs to free up resources. Finally, the IMF study recommends that such a program be rolled out gradually so that fiscal costs, quality of services, and targeting can be monitored. ■

This article is based on "Dimensions of Poverty and Social Policy Toward the Poor," in *Namibia: Selected Issues and Statistical Appendix* (IMF Country Report No. 06/153). Copies are available for $15.00 each from IMF Publication Services; see page 192 for ordering details. The full text is also available on the IMF's website (*www.imf.org*).

Namibia enjoys macroeconomic stability, needs to tackle poverty and AIDS

According to the IMF's annual economic review, Namibia has recorded robust growth, falling inflation, a substantial current account surplus, and low external indebtedness over the past two years. But GDP growth slowed in 2005, as diamond production fell, currency appreciation hurt fishing and commercial agriculture, and higher oil prices affected the transportation sector. Inflation moderated in 2004–05, and growth is projected to strengthen in 2006 as diamond production picks up.

Namibia's current account surplus peaked in 2004 as surging diamond exports and buoyant receipts from the Southern African Customs Union (SACU) offset a large increase in imports, including oil. As for the capital and financial accounts, outflows remained high as financial institutions invested heavily in South African financial markets.

Namibia	2002	2003	2004	Est. 2005	Proj. 2006
			(percent change)		
Real GDP	6.7	3.5	5.9	3.5	4.5
Consumer prices (end of period)	12.5	2.6	4.3	4.0	5.0
			(percent of GDP)		
Overall fiscal deficit[1]	–3.3	–7.5	–4.1	–3.7	–3.4
Public debt[1]	23.9	29.5	33.6	35.1	35.5
Current account balance	5.4	5.1	10.2	5.7	6.6

[1]Figures are for the fiscal year, which begins April 1.
Data: Namibian authorities and IMF staff estimates.

The fiscal deficit for FY2004/05 (April–March) was larger than expected but smaller than a year earlier, partly because of windfall SACU receipts and higher tax revenues. But value-added tax collections were lower than budgeted, owing to administrative problems.

The IMF Executive Board commended the authorities' prudent macroeconomic policies. Medium-term prospects are promising, the Directors said, if the authorities maintain a stable macroeconomic environment and implement structural reforms to address poverty, unemployment, and HIV/AIDS.

They welcomed Namibia's reduced fiscal deficit and the commitment to further fiscal consolidation. They reiterated the importance of realistic budgets, efforts to shore up revenues and reprioritize spending, and measures to contain the civil service wage bill, strengthen tax administration, and restructure and/or divest public enterprises. Directors encouraged the authorities to consider new approaches to alleviate poverty, including well-targeted cash grants, if deemed appropriate.

The Directors noted that the Namibia dollar's peg to the South African rand had anchored macroeconomic policymaking and helped reduce inflation, but reiterated the importance of ensuring adequate levels of international reserves.

The Directors welcomed Namibia's conclusion of a review under the Financial Sector Assessment Program. They also stressed the need to raise the quality of education, enhance the flexibility of labor markets, further liberalize trade, and improve Namibia's business climate. ■