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High Level Statements

Mandate

To plan and spearhead the course of national development

The NPC Mandate is derived from the Article 129 of the Constitution of the Republic of Namibia and the National Planning Commission Act 2013 (Act 2 of 2013).

Vision

To be a centre of excellence at the forefront of the course of national development

Mission

To plan, prioritise and direct national development through effective coordination, monitoring and evaluation by providing advisory services to achieve sustainable socio-economic development

Core Values

Accountability  To be answerable for the mandate and resources entrusted to NPC.

Professionalism  Being objective and neutral in performing official duties, using competency and capacity to adhere to set targets and standards in order to deliver quality services.

Integrity  Serving with honesty without fear or favour.

Transparency  Ensuring openness, communication and provision of information relating to the planning and coordination of national development processes and programmes

Teamwork  Recognizing that our effectiveness as an institution is not determined by individual performance but by our collective performance as a team.
Opening Statement by the Minister and Director General

Economic planning is a multifaceted and complex undertaking requiring everyone to pull together towards our national development dreams. For the National Planning Commission to carry out its Constitutional mandate, that of planning the priorities and direction of our national development, we need to ensure that our national development planning processes are up to the requisite level of sophistication to ensure that we attain our developmental desired outcomes.

Similarly, for economic planning to be successful, we need to become better at prioritization and synchronization of activities given the scarce resources at our disposal.

As a developing and relatively young Nation, we are certainly in a privileged position where we have financial resources – although not sufficient - to enable us to build the future we want. There are countries that are in a precarious position where up to 40% of their budget is funded with donated financial resources. We thus ought to be proud of ourselves

So far what is clear to us is that, in order for us to overcome our remaining development challenges, we need a total transformation of our economy. We need a transformation that is fundamental in nature and not minor tweaking of the status quo. The process of transforming the economy is complex and will require a transformational leadership. It requires our development planning process to remain adaptive in an ever changing and competitive environment.

We are aware that the prevailing wisdom about economic development is that sustainable economic development is more likely to happen only when a country follows free-market economic policies – a system that prescribes that the state plays a minimal role in economic development and leaves the rest to the private sector.

Given our economic transformation agenda, it is our contention that it will be naïve of us to believe that a strict free-market economic development model will yield the desired results. What we need is a state-led economic development – where the state does much more than just providing a conducive environment for the private sector.

It is for us to continue improving our process of identifying those economic sectors where there are untapped potential for economic growth and employment creation. We also need to continue to strengthen our collaboration with the private sector.

Another important aspect of our development planning process is monitoring and evaluation. Without an effective monitoring and evaluation system, we will not be in a position to know if we are making progress or not. Monitoring and evaluation will work only when all of us make it part of our responsibility.

On the economic development front, two industries of the economy, the secondary and tertiary industries posted positive growth in 2015. The tertiary industry, which is the most
significant source of GDP growth rate in the economy grew by 5.4 percent and accounted for 58.3 percent of GDP in the same period while the secondary industry registered 8.3 percent growth rate while accounting for only 15.8 percent of GDP.

Although the primary industry recorded a contraction in terms of growth, the overall contribution of the industry was 18.7 percent, which is about 3.0 percent higher than the secondary industry contribution to GDP. A notable high contribution of primary industry to GDP despite negative growth is attributed to the sectoral export value as the sector produces products which are exported to other countries, thereby bringing the much-needed injections to the economy through revenue.

Despite the positive growths, Namibia is still lagging behind in many social development indicators such as poverty which is currently at 28.0 percent, social inequality and very high unemployment at 28.1 percent. It is crystal clear that the positive GDP growth has not trickled down to reach the lowest segments of the society. This could likely be as a result of capital-intensive methods in major sectors of the economy involving the use of machinery and other latest technological advances as opposed to human capital.

However, the agriculture sector is expected to continue playing its traditional role of addressing food security in the country. It also provides inputs (raw products) to be used in the production of manufactured products in the manufacturing sector. Moreover, the raw products continue being a source of foreign earnings through exports, although the sector registered contractions of 1.8 and 3.2 percent in 2014 and 2015 respectively. The contraction in the sector during 2015 implies that the drought situation which started in 2013 got worse in 2015 resulting in lower production in both the crop and livestock farming sectors in Namibia.

We however remain optimistic that the drought situation in the country subside thereby enabling production in the sector to recuperate.

I would, therefore, like to implore all National Planning Commission stakeholders to actively participate in the role of economic development in order to construct a confident future for all the Namibians.

Tom K. Alweendo

MINISTER OF ECONOMIC PLANNING AND DIRECTOR GENERAL OF THE NATIONAL PLANNING COMMISSION
Preface by the Permanent Secretary

The primary function of the National Planning Commission is planning and directing national development. In the 2015/16 Financial Year, the NPC has carried-out its planned activities and the Commission is proud to report on those activities.

While taking pride in what has been achieved, the Commission is acknowledging the support provided by other Government Offices, Ministries and Agencies (O/M/As) because the role of the NPC borders more on coordination of such institutions.

Despite challenges experienced during the period of reporting, a number of activities have been successfully implemented. Among others, the National Planning Commission has produced five research studies/policy briefs which are key instruments indicating development successes and informing national planning thereof. Summaries of these studies are contained in this report, while full versions are on the Commission’s website.

As the Fourth National Development Plan (NDP4) is nearing its conclusion, the white paper on the formulation of the fifth national development plan (NDP5) was produced. The White Paper outlined the principles for developing NDP5 which includes, among others, wider consultations, transparency in setting the agenda for NDP5, clear implementation strategy, stakeholder engagement throughout the planning cycle and synchronization of policies.

In monitoring the implementation of the NDP4, the Commission produced two bi-annual progress reports. The 6th and 7th NDP4 bi-annual progress reports. The 6th bi-annual runs from April – September 2015 while the 7th bi-annual covers the period between October 2015 and March 2016.

Another milestone worth reporting is the development of guidelines for policy formulation and review by the NPC. The developed guidelines outline the structure of a policy and what each component must contain. This was done in order to bring harmony and standardize the structure of policy documents across the O/M/As.

Since monitoring and evaluation serves as the catalyst of planning, the NPC has visited various capital projects across the country, in order to monitor progress made in such projects. This was crucial especially in making sure that the budget execution correlates with developmental projects. This exercise further informed the NPC in the preparation of the Development Budget for the 2016/2017 – 2018/2019 MTEF period.

Namibia, as a friend of the international community has continued to enjoy support from cooperating Development Partners. In the past year, our development partners have committed overwhelming support in the form of technical and financial provision to augment Government’s development efforts with the ultimate aim of uplifting the standards of living of the Namibian population. We therefore extend our profound gratitude for their assistance.

Andries Leevi Hungamo
PERMANENT SECRETARY
Commissioners of the National Planning Commission

Hon. Tom Alwendo
Chairperson of the Commission

Mrs Inge Zamwani-Kamwi
Dr. Helena Ndume
Ms. Dagmar Honsebein
Mr. Jonny Smith

Dr. Leake Hangaula
Mr. Mihe Goomab II
Prof Joseph Diescho
Dr. Eino Mvula

Dr. Elijah Ngurare
Mr. Sven Thieme
Mr. A Visser
Mr. Vilho Hipondoka
Commissioners of the National Planning Commission...continues

Bishop Zephania Kameeta
Ms. Tulimevava Nghiyoonanye
Mr. Eckhart Mueller
Ms. Maureen Hinda
Adv. Bience Gawanas
Ms. Veronica De Klerk
Top Management

Hon. Tom Alwendo
Minister and Director General

Hon. Lucia Iipumbu
Deputy Minister

Andries Leevi Hungamo
Permanent Secretary

Mr. Sylvester Mbangu
Chief: National Development Advice
Department: Microeconomic Planning

Annelly Haiphene
Chief: National Development Advice
Department: Regional and Sectoral Planning, and Policy Coordination

Mr. Ned Sibeya
Chief: National Development Advice
Department: Monitoring & Evaluation and Development Partners Coordination

Michael Mutonga
Director: Administration and Finance
Overview of the National Planning Commission

Article 129 of the Constitution of the Republic provides for the establishment of a National Planning Commission, which is tasked to plan the priorities and direction of national development. The Namibian Constitution further states that the members, powers, functions and personnel of the National Planning Commission shall be regulated by the Act of Parliament. Pursuant to this constitutional provision, the National Planning Commission Act 2013 (Act No. 2 of 2013) was promulgated.

As the Agency tasked with the task of spearheading and coordinating national development and economic planning, the NPC has worked and continue to work closely with all sectors as well as state-owned enterprises to ensure a coordinated approach to national development.

The National Planning Commission (NPC) is structured into the following interrelated Departments and Directorate:

**Macroeconomic Planning:** The objectives of this Department are to conduct socio-economic research to inform national development through knowledge creation and evidence based planning for the formulation of short, medium and long term development goals.

**Regional and Sectoral Planning and Policy Coordination:** The objectives of this Department are to ensure the implementation of NDP4, through the formulation and implementation of Annual Sectoral Execution Plans (ASEP’s). Strengthen integrated regional planning and coordinate the formulation and review of policies.

**Monitoring and Evaluation and Development Partners’ Coordination:** The objectives for this Department are to mobilize, coordinate and manage external development resources and to develop and maintain a national integrated monitoring and evaluation system for the whole government.

**Supervision, Coordination and Support Services:** The objectives for this Directorate are to provide supervision and coordination of NPC support services by rendering human resources management and development function, auxiliary services, financial services, maintaining and safe keeping of computerized information system and public relation services.
Part 0ne (1): Operations of the National Planning Commission
1. MACRO-ECONOMIC RESEARCH AND POLICY ANALYSIS

1.1 Fiscal Policy and the Economy

The brief on Fiscal Policy and the Economy departed from a premise that an effective fiscal policy is the one which promotes and maintains macroeconomic stability which is a prerequisite for high and sustainable economic growth. It is argued that fiscal policy influences economic growth through its impact on technical know-how, progress in technical production and accumulation of productive resources such as human capital. It also plays a critical role in ensuring equitable resource allocation which can potentially lead to increased income equality and poverty alleviation. Fiscal policy can also increase income equality and reduce poverty through progressive taxation, tax relief, social transfers and grants to vulnerable members of the society and spending on social services such as education and health, water, housing and sanitation etc.

The paper, therefore, concludes that Namibia’s fiscal policy impact on economic growth is limited by balanced allocation between recurrent and development expenditure of which the former seem to command a greater share and that it has been very difficult to change the status quo. The effect of fiscal policy on employment creation in Namibia is limited by the fact that unemployment in Namibia is structural, thus, the demand side oriented fiscal policy has less effect in employment creation at least in the short term. The supply side interventions to enhance the productive potential of the economy seem to be a viable option for the Government to increase demand for labour and ultimately increase output levels.

The fiscal policy in Namibia to a greater extent has demonstrated its effectiveness in poverty reduction and reducing inequality through spending on social services. However, the sustainability of such spending depends on the continuous expansion of the economy.

1.2 Population Dynamics Policy brief

The brief examines, in a qualitative manner, the linkages between population dynamics with economic development, in particular economic growth and poverty reduction. Population dynamics refers to characteristics of the population and their changes and interactions among themselves such as population size, growth, age/sex composition and distribution. The brief discusses the relationship between population dynamics and development by addressing pertinent questions such as:

- How do change in population influence economic and social well-being of Namibians?
- Does population growth enhance or diminish economic growth?
- How does population changes/composition impact on development?
- How can Namibia benefit from its demographic dividend?

The underlining fact is that the nature and significance of the effects of population dynamics on development remain difficult to be quantified, however, these effects depend upon the prevailing conditions in a society and policy space. A large population with a low dependency ratio can positively contribute to economic growth. Namibia has a high dependence ratio of around 77.0%. This is not good for Namibia as it negatively affects economic growth due to unproductive human capital.
Namibia is one of the most rapid urbanizing countries in Africa at the rate of close to 5.0% above the African average of 3.0%. Urbanization on its own is not bad provided it is planned for and happens in a more controlled manner. It is estimated that one third of the Namibian population by 2030 will leave in Khomas and Erongo. If this situation is not managed it will lead to increased urban poor and polarization between urban and rural.

The situation is worrisome in Namibia with regard to adult mortality in that there are more deaths in the economically active population. This potentially increases dependency ratio, limits production capacity and hence negatively affects the economic growth of the country. Namibia, on the other hand, still has high number of working age population which potentially gives a country a demographic dividend advantage. Demographic dividend is, unfortunately not automatic. The high level of unemployment in this age group, especially the youth (aged 15-34) wipes out the benefits from demographic dividend. The chain reaction from these negative effects permeates the entire economic fabric.

The brief, therefore, advocates the concept of sustainable development which considers economic, social and environmental goals as a better approach to national development. Population dynamics should not be at the periphery when considering national development. The brief puts, at the centre of development planning, human resource development as a catalyst of economic expansion.

1.3 Balance of Payment (BoP) Policy Brief

The brief on BoP is a statistical statement that summarizes the economic transactions of an economy with the rest of the world for a specific period (typically for a year or a quarter). In case of Namibia, these transactions include earnings for Namibia’s exports from the rest of the world and payments for the imports of goods and services as well as the financial capital and financial transfers from and to the rest of the world. This measure is important as it shows the stand of Namibia with regard to the rest of the world.

Namibia experienced a current account surplus from 2000 to 2008. In other words, Namibia was a net saver during that period. This situation is attributed to the higher demand for Namibia exports during that period. However, during the period 2009 to 2014 (period covered by the study), the current account experienced a deficit. The current account deficit has been persistent since 2009 due to structural weakness of the economy attributable to significant deterioration of the trade balance. In this instance, the persistent current account deficit for Namibia is not good.

By 2014, the deficit had grown to N$9.6 billion thereby translating to 6.6% of GDP attributed to significant deterioration of the country’s trade balance. A persistence current account deficit recorded is not good in view of maintaining a healthy BoP position. In 2014 it exceeded the international threshold of 5.0% of GDP thereby making it unsustainable. However, as stated earlier, it is inconclusive on whether a deficit or surplus on a current account is good or bad. A deficit can only be a problem in the following conditions:

- If it is persistent;
- When it forms a large share of Gross domestic Product; and
- When there are no compensating inflows of investment income or inward capital account flows.
Current account surplus, on the other hand, on the capital and financial account which is as a result of increased direct investment and long term investment has been sufficient to compensate the current account deficit.

The overall balance of payment over the period 2000 to 2014 has been in deficit only in three years, that is, in 2003, 2010 and 2014. This is as a result of the compensatory ability from the capital and financial accounts. A worrisome development, however, is that the level of official foreign reserves which could cover 5.3 months of import in 2008 could only cover 1.8 months of imports in 2014. The 1.8 months of import cover is well below the acceptable international standard of at least 3 months. However, according to the Bank of Namibia (2014) the assurance is that the amount of foreign exchange reserves is still sufficient to support the fixed exchange rate peg and to meet international obligations.

The brief corroborates conclusions and policy recommendations in other papers that Namibia should continue to pursue prudent macroeconomic policies, provide a conducive environment to attract direct foreign investment, develop the service sector especially tourism and deepen the financial markets, address the structural weaknesses of the economy. These should be done as a way of maintaining a healthy BoP.

1.4 Labour Dynamics Policy Brief

This brief examines the effect of education on labour market. The Namibian labour market is characterized by high levels of unemployment of around 28.0%, low labour participation by advanced economies standards and relative lower economically active population. The higher levels of unemployment continue unabated despite that the economy experiencing moderate economic growth. This high level of unemployment is one of the reasons for lack of progress in addressing socio-economic challenges such as poverty and inequalities in the country.

The characteristic of unemployment in the country is that it affects much the active segment of the population, which is the youth. Youth unemployment has been as high as more than 50.0% in some years while it stood at 39.0% in 2014. This high unemployment in the most economically active population in the country is not only worrisome, but, limits the realization of the full potential of human capital in the country thus constraining economic expansion.

Unemployment levels in the country seem to increase by age and it is high among those who have been unemployed for longer periods. Most of the unemployed (above 60.0%) have been unemployed for more than two years a fact indicating that Namibia is suffering from chronical unemployment. What is however striking is that there has been low unemployment (unemployment of less than 5.0%) in respect of those with university and post graduate education are concerned. The high unemployment among those with secondary education is due to high levels of dropouts especially for grade 10. It is also revealed that 10.0% of the students are 15 years old and above suggesting that dropouts may be as a result of continuous repetitions. The high dropouts and lack of technical skills exacerbates unemployment in the country, but also brings to question the quality of education.

The policy brief furthers examines the impact of policy stance of declaring priority sectors under NDP4 in perspective of employment creation. Despite agriculture sector which employs about third of the employed citizens, other priority sectors of tourism, logistics
(transport), manufacturing each employs at most 5.0% of the total employment in the country. However, over NDP4 all these sectors have shed off employment.

Wholesale and retail trade and repair and construction sectors are the most contributors to employment levels after agriculture, however, like agriculture, these are the lowest paying sectors in the economy- suggesting lowest paying jobs. The status quo, with all likelihood, seems to remain even beyond 2030, unless there is a policy shift which will dramatically transform the Namibian economy. The brief concludes by advocating that education still remains an important catalyst in employment creation both in the short and long term.

**1.5 Namibia Competitiveness Ranking Policy Brief**

The policy brief aims at breaking down the Global Competitiveness Reports from 2010/11 to 2014/15 in respect of Namibia to determine in which competitive pillars and factors the country should improve. Namibia, through its national development plans in particular NDP3 and NDP4, has identified the improved competitiveness as a catalyst for economic activity expansion through investment attraction and production of goods and services.

The brief departs from the premise that Namibia boosts prudent macroeconomic management, hence, experiences macroeconomic stability, invested so much in institutional development and rule of law since independence, promoted property rights and good governance, invested and continues to invest in human resource development i.e. education and healthcare, endowed with natural resources in terms of minerals and environment and many more. The ranking in competitiveness among SADC countries and globally, however, with all these efforts, is still not satisfactory. The question which may be raised is whether we are addressing the real issues?

Namibia due to its relative high per capita GDP of about US$5,667 is categorized as an Efficiency-Driven Economy, which is stage 2 of the three developmental stages. The average per capita GDP in this stage 2 ranges from US$ 3000 to US$8,999 which indicates that Namibia is just in the midst of that stage, but in many cases still shows the characteristics of stage one which is factor-driven economy. The competitiveness at this stage is mainly driven by the following pillars:

- Higher education and training;
- Goods market efficiency;
- Labour market efficiency;
- Financial market development;
- Technological readiness; and
- Market size.

In this stage 2, the above factors weigh 50.0% out of the total score, while basic requirements weigh 40.0% and only 10.0% for innovation and sophistication. This explains Namibia’s overall poor ranking which stood at 88th (out of 144 countries) in 20014/15, although this has been an improvement from 92 and 90 in 2012/13 and 2013/14 respectively. Although Namibia has improved in all main components of the index in 2014/15, the ranking in all components is still worse than the ranking Namibia has in 2009/2010. This implies that Namibia’s competitiveness on average has been on the decline.

Namibia compared with other four SADC countries, namely, Botswana, South Africa, Mauritius and Zambia, comes third after Mauritius and Botswana in Basic Requirements but
the score and rank is not very far from Botswana using the 2014/15 global index. It comes in the 5th place in Efficiency Enhancer after Zambia which seemed to have made a tremendous progress in 2014/15 ranking. Namibia comes in the fourth place in Innovation and Sophistication component beating only Botswana.

In recommending the policy agenda for Namibia to improve its competitiveness, the brief used the threshold of over 70 in ranking across all factors as reflected in three categories (basic requirements, efficiency enhancers and innovation and business sophistication). Even though, the performance of the 12 pillars in Namibia between 2009/2010 and the 2014/2015 reveals an overall improvement in the ranks for the majority of the pillars. However, Namibia does poorly on the pillars for basic requirement and efficiency enhancers’ category. The country also performed poorly in the pillars that determine technology adoption, innovation and business environment. This is a concern given the importance of attaining competitiveness to spearhead the attainment of major key initiatives that should transform the economy into an industrialized and knowledge based economy.

1.6 White Paper on the formulation of the Fifth National Development Plan (NDP5)

The NPC continues to discharge its constitutional mandate of directing the course of the national development. Efforts commenced in 2015 with the preparations for the development of the new plan to succeed NDP4 when it comes to an end in March 2017. Preliminary consultations were made with the Presidency and the Office of Prime Minister (OPM). These preliminary consultations gave birth to the drafting of a White Paper on the preparation of NDP5.

The White paper on the preparation of NDP5 motivated the importance and rational for economic development in the country. The state plays a very important role in the development of the country as much as is the private sector. While the state, in a mixed economy like Namibia, continues to play its role of providing a conducive environment for the private sector to prosper, due to market failure in the provision of essential services, structural unemployment, poverty and so forth, it is required that there is some targeted interventions, hence the promotion of a “developmental state.”

The White Paper gave some highlights on the development since independence starting from the transitional period up to NDP4. It further expanded on the preliminary outcomes of NDP4. The economy is growing very much closer to the economic growth target, however, this growth has not fully tricked down to create more employment. As a result the impact of growth on poverty and inequality in the country is minimal and suppresses the positive impact of social investment the government is putting in. The paper highlighted further lessons learned in the formulation, implementation and monitoring and evaluation of NDP4 which will be discussed in details under Section 3 below dealing with Monitoring and Evaluation of NDP4.

The White Paper on the Preparation of NDP5 outlined the principles for developing NDP5 which includes, among others, wider consultations, transparency in setting the agenda for NDP5, clear implementation strategy, stakeholder engagement throughout the planning cycle and synchronization of policies. In conclusion, the paper chronological outlined the stages of NDP5 formulation and an Action Plan.
2. COORDINATION OF THE FOURTH NATIONAL DEVELOPMENT PLAN (NDP4) IMPLEMENTATION

2.1 Execution of the Development Budget

The Development Budget is relatively modest in size at 18% of the National Budget; however, it is expected to have a significant impact on poverty reduction, promoting economic growth and the overall development of the country in a sustainable manner.

The budget is one of the tools used toward the achievement of the national priorities that are highlighted in NDP4 and Vision 2030. During the review period, seventy three (73.0%) of the development budget was allocated to basic enablers and only twenty seven (27.0%) was allocated to economic priorities. Out of the basic enablers the sectors that received the largest share of the national budget include the transport, housing and sanitation, education and poverty sectors, while the economic priorities that received large shares include the agriculture and water sectors amongst others.

The Development Budget allocation for FY2015/16 is N$ 11.1 billion and, of this, N$3.32 billion has been spent during the review period, which translates to an execution rate of 29.7%. In an effort to address the development needs of the country, a total investment of N$ 36.2 billion is earmarked for development from the state revenue fund during MTEF period. It is also worth noting that the allocation shows an increase of 14.0% from the previous period. The total number of development projects for the 2015/2016 to 2017/2018 MTEF is 723 and of this number, 647 are ongoing and only 76 are new projects. Despite the fact that projects are implemented according to the 3-year MTEF, there is a concern with majority of ongoing projects as they reflect low completion rates that are likely to hamper the achievement of NDP4 targets.

The execution rate is placed in categories ranging from, 0 to 50% (poor); 51 to 80% (satisfactory); and 81 to 100% (excellent). An overwhelming majority of twenty nine (29) votes fall within the first category; one vote falls within the second category; and no votes fall within the third category.

2.2 Policy Formulation Coordination

During the period under review, the NPC developed guidelines for policy formulation and review. The guidelines outline the structure of a policy and the content of each component. The purpose is to bring harmony and standardize the structure of policies documents across the O/M/As.

The NPC coordinated and participated in the review of National Nutrition Policy; White Paper on Transport Policy; Research, Science and Technology; Foreign Policy; development of Renewable Energy Policy and Draft Consumer Protection Policy.
The details of the objectives and progress made on the policies are contained in the following table:

<table>
<thead>
<tr>
<th>Name of the policy</th>
<th>Objectives and Rationale</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revision of Food and Nutrition Policy for Namibia, 1995</td>
<td>The overall objectives of the policy is to improve the nutritional status of the population; improve the quantity and quality of food eaten by the population with the aim of ensuring an adequate diet for all; to empower households to use the resources available to them to improve childcare, feeding practices and their environmental sanitation; and to provide an adequate level of social and supporting services. The policy is being revised because it is outdated and there is a need to align it to the current emerging developmental and related policies that have been formulated or revised since 1995.</td>
<td>A first draft is in place and it will be validated with all relevant stakeholders in due course.</td>
</tr>
<tr>
<td>Revision of White Paper on Transport Policy, 1995</td>
<td>Overall objective is to ensure that Namibia has safe, effective and efficient transport services in balance with the needs of the country, and to improve efficiency in the provision of transport services by removing barriers to healthy competition. The purpose of revision is to propose policies which are in line with and in support of the basic objectives of the Government, i.e. to revive and sustain economic growth, create employment opportunities, alleviate poverty, reduce inequalities in incomes and promote an efficient use of scarce resources.</td>
<td>Consultation on-going.</td>
</tr>
<tr>
<td>Revision of Research, Science and Technology, 1999</td>
<td>The overall objective of this policy is to grow Namibia national system of innovation into a dynamic and strong configuration of public and private institution that produce, procure, use and science, technology and innovation for sustainable development. The policy is being revised in order to facilitate mainstreaming of science, technology and</td>
<td>A final draft policy is in place. Currently busy crafting the policy implementation action plan.</td>
</tr>
</tbody>
</table>
### Table 1: Policies Reviewed

<table>
<thead>
<tr>
<th>Policy</th>
<th>Description</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revision of Namibia’s Foreign Policy, 2004</td>
<td>The overall objectives of the policy are to safeguard Namibia’s sovereignty, territorial integrity and national unity; Promote Namibia’s economic growth and development; Foster international relations, peace and security, and regional harmony; Build a positive image of Namibia abroad and to attract to it economic partners as well as tourists and other visitors; Protect and assist Namibian citizens abroad; and optimise a modern and flexible diplomatic apparatus that has the capacity to implement Namibia’s foreign policy.</td>
<td>A conference to discuss the revision of the policy has taken place and the ministry is busy collate the information gathered into the first draft.</td>
</tr>
<tr>
<td>Development of Renewable Energy Policy</td>
<td>The overall objective of this policy is to grow the share of renewable energy to provide the required primary energy/electricity to 100% of the population and to enable the prosperity agenda of the country. The rationale to develop this policy is to ensure universal sustainable energy access for all Namibians.</td>
<td>The final draft is in place and has been approved by the Electricity Control Board and the Ministry of Mines and Energy will submit it to Cabinet for approval</td>
</tr>
<tr>
<td>Development of Consumer Protection Policy</td>
<td>The overall objectives of this policy is to create market transactions that strive to obtain a fair balance of power between sellers and consumers; protect vulnerable consumers from marketplace conduct that takes advantages of unsophisticated, less educated or uninformed consumers; provide an incentives for honesty and fair dealing by all sellers; promote efficiency and transparency in the Namibian economy and marketplace; ensure accessible, transparent and efficient redress for consumers; and promote consumer participation in decision making processes concerning the regulation of the marketplace in the interest of consumers.</td>
<td>The draft policy has been submitted to Cabinet Committee on Trade and Economic Development for consideration.</td>
</tr>
</tbody>
</table>
2.3 Projects Site Visits for Validation

The National Planning Commission (NPC), in its role of ensuring the effective implementation of national development plans, continuously monitors the progress of projects and programmes aimed at contributing to the desired outcomes and goals of the NDP. A key activity in monitoring entails the undertaking of Monitoring and Evaluation (M&E) visits to project implementation sites as well as to other Government interventions.

The purpose for undertaking M&E visits is to provide information that can be useful in:

- Analysing the status of project implementation;
- Determining whether the inputs of interventions are well utilized;
- Identifying problems facing implementers and helping find solutions; and
- Helping to appropriately apply lessons learned from one project’s experience to another; and Conducting oversight over M&E activities

The National Planning Commission undertook project visits during the period 21 September to 09 October 2015 in all fourteen regions covering a total number of 89 projects. The mission focused on projects in the Agriculture, Education, Housing, Health and Transport sectors. Projects in other sectors such as the Security, Manufacturing, Financial Intermediation, Mining, Energy sectors were also visited as well as projects within the Rural Development Programme.

The overall assessments made under the various key selected sectors are discussed below:

Agriculture

The project monitoring mission incorporated visits to selected projects in the agriculture sector in various locations with specific focus on the Green Scheme Programme. Nine Green Scheme Projects were visited which include; Kalimbeza Rice Project and the Shadikongoro, Ndonga Linena, Mashare, Uvhungu-Vhungu, Sikondo, Musese, Orange River Irrigation, Etunda Irrigation Green Scheme Projects. The Hindjou gardening project was also visited.

Figure 1: Vegetable Plantation, Uvhungu-Vhungu Green Scheme Project
It was found that Green Scheme Projects were progressing well with the exception of the Ndonga Linena project where significant cash flow problems were noted. It was noted that in order for food security objective to be reached Green Scheme farms require expansion for the planting of increased amounts of maize and wheat in order to meet the estimated annual production target of 50,000 tons. High value crops such as potatoes which were seen to be suitable for soil conditions by farmers can also be planted as these are largely imported from South Africa.

Several challenges were noted regarding high electricity costs as well as high transport and delivery costs. Government should consider subsidizing the transportation of products such as cattle feed especially during times of drought.

It was noted that Green scheme farms send produce to fresh produce hubs in Rundu and Ongwediva where the produce is assessed for quality before it is accepted and stored in the cold storage facilities. The produce is then sold to retailers mainly in Swakopmund and Windhoek or directly to consumers. It was however discovered that AMTA limits the amount of produce accepted to the hubs and it is unclear what happens to the remaining produce. A clear marketing strategy needs to be developed by AMTA to make green scheme products and branding known to consumers. The pricing of products should also be considered such that locally produced products do not cost more than the imported products. Government should also move towards making the Green Scheme farms self-sustainable and eventually profitable.

**Education**

The project monitoring mission incorporated visits to selected education sector projects in various locations with a focus on teachers’ housing. Twelve teachers housing projects were visited at various schools including; Sanjo Secondary School, Martin Ndumba Combined School, Peumba Primary School, Omahenge Combined School, Enguwantale Combined School, Ompandakani Combined School, Kalkveld Combined School, Gam Combined School, Mateus Nashandi Secondary School, Okayupa Combined School, Epya Combined School and David Xamugab School. Other projects (5) visited include the construction of a secondary school in Orwetoveni location, the construction of hostels at the Mkata and Gam Combined Schools as well as the construction of a school in the Otuzemba informal settlement and renovation works at Mureti Secondary School.

*Figure 2: Traditional Dwellings used as Teachers Houses, Martin Ndumba, Kavango East*
The projects visited revealed that the slow provision of teachers’ houses has had an adverse effect in attracting qualified teachers to schools in rural areas. It is therefore recommended that the MoEAC speedily resolve; the outstanding payments to contractors, the incomplete houses that were abandoned by contractors and accelerate the provision of further housing for teachers.

A policy guiding the provision of teachers’ houses should be drafted. This policy should include guidance on the submission of needs and priorities by schools to regional directorates and the criteria to be used for the allocation of houses. Funds earmarked for teacher housing construction should be decentralised to Regional Councils and a strong monitoring component is required to monitor funds and construction.

The design of the teacher houses needs to be reconsidered. Bachelor apartments with a demarcated living area, bedroom, kitchen and bathroom were found to be preferred by the teachers. The current design is unconducive as the living area also serves as the bedroom in a confined space.

**Housing**

The project monitoring mission incorporated visits to selected housing sector projects in various locations amounting to 23 in total. Five Build Together housing projects were visited in Opuwo, Helao Nafidi, Bukalo, Okamatapati and Epukiro. Mass Housing Development Projects in Bukalo and Nkurenkuru were also visited as well as the three pilot towns (Oshakati, Walvis Bay, Windhoek) selected for the Mass Land Servicing Initiative. Twelve constructions of services projects were visited in Nkurenkuru, Groot Aub, Otjiwarongo, Okakarara, Tsumeb, Oniipa, Omuthiya, Onayena, Outapi, Opuwo, Khorixas and Outjo.

The project visits revealed that the halting of the Mass housing programme has had detrimental effects in these locations. Houses were constructed and left incomplete and the incomplete structures are being vandalized, electrical cables and door frames have been stolen from some houses. Local authorities are also bearing the brunt as the revenue envisaged to come from the payment of rates and taxes is not coming in and the cost of servicing the land cannot be recouped as in the case of Nkurenkuru Town Council.
Key challenges with the BTP implementation were noted in Helao Nafidi where progress has been largely hampered by a land dispute between the Town Council and land inhabitants. The Helao Nafidi Town Council serviced land for BTP housing construction without concluding compensation negotiations with existing households.

Figure 4: Serviced Land under Dispute, Helao Nafidi, Ohangwena

In Bukalo, some beneficiaries got the entire loan amounts however mismanaged the funds provided for the construction of housing as initially planned resulting in incomplete structures. Another worrisome case in Bukalo was that ten beneficiaries have not received their loans funds and yet the Village Council claims that these beneficiaries need to pay back the loans provided to them. The funds provided which are limited to a maximum of 40,000 are also insufficient for beneficiaries to construct their houses given the increase in material and transport costs.

Health

A total of 13 health sector projects were visited in nine (9) regions. These include the construction and upgrading of primary health care centres in Ngoma, Shadikongoro, Eloolo, Elavi, Aminius and the upgrading of hospitals including; the Oshakati State Hospital, Rundu Hospital, Okahandja Hospital, the Onandjokwe Hospital, the Okahao Hospital, the Keetmanshoop Hospital, St Mary’s Hospital in Rehoboth and the Gobabis Hospital.

Figure 5: Unused Building Material left for Months, Okahao Hospital

It was observed that eight (8) of the projects are characterised by delays that have resulted in the extension of completion dates and five (5) are due for completion in 2015. Major concerns were raised regarding the upgrading of hospitals where the
activities planned for the FY 2015/16 have not commenced. Another concern that arose is hospital facilities that are susceptible to flooding such as the Oshakati and Gobabis Hospitals.

Figure 6: TB Ward in progress, Keetmanshoop Hospital

Transport

A total of 9 transport sector projects were visited in nine (7) regions. These include the construction and upgrading of roads including the Izimwe-Nakabolelwa, Elundu-Enhana, Otjinene-Okamatapati, Opuwo-Sesfontein, Gobabis- Aminius roads, as well the Aus-Luderitz Railway Line, the construction of Maritime offices in Luderitz and Walvis Bay and the construction of the Department of Works Offices in Aranos.

Figure 7: A section of the Levelled Opuwo-Sesfontein Road

Six (6) of the projects are characterised by delays, while one (Otjinene-Okamatapi road) is expected to be completed on time and another one has been completed (Maritime offices in Walvis Bay).
Major concerns were raised regarding the extension of the Department of Works offices where the activities planned for the FY 2015/16 have not commenced.

### 2.4 Bi-Annual Report

During the period under review, NPC prepared the 7th and 8th NDP4 Bi-annual Monitoring & Evaluation Progress reports. The reports summarise the performance of the sectors towards the achievement of the targets set in NDP4. They provide insight into NDP4 performance, including progress on the three main Goals: High and Sustained Economic Growth, Employment Creation and Increased Income Equality as well details on sectoral performance and Development Budget execution. Below is a summary of performance at goal level of the NDP during the period under review.

*High and Sustained Economic Growth:* In the 7th NDP4 Bi-annual report (April to September 2015), Namibia registered economic growth of 4.2% of GDP by second quarter of 2015 to the 5.0% in the same quarter of 2014. This represents a decline of 0.8% in economic growth attributed mainly to declines in the mining and quarrying, manufacturing and fishing sectors that recorded declines of 10.2%, 5.7% and 2.8% respectively.

While in the 8th Bi-annual report (October 2015 to March 2016), Namibia registered economic growth of 5.7 percent for 2015 compared to the 6.3 percent recorded in 2014. The slow performance can be attributed to the tertiary, secondary and primary industries that recorded slower growths of 5.9 percent, 8.0 percent and a decline of 3.1 percent respectively.

*Employment creation:* The Labour Force Survey (LFS) of 2014 showed an improvement in employment creation, with an increase in the number of jobs from a baseline of 630,094 to the current (2014) status of 712,752, exceeding the 2014/2015 target of 666,094. The survey showed that the sectors that employed the highest number of persons were the agricultural, forestry and fishing sectors, employing 31% of the labour force collectively. However, due to lack of data the status of Employment during the 8th, Bi-annual Report it was difficult to assess progress as we await the results for the 2015 Namibia Labour Force Survey (NLFS).

In terms of *Income equality*, the Gini coefficient remains at 0.58 as per the 2009/2010 Namibia Household Income and Expenditure Survey (NHIES), which is carried out every 5 years while the NDP4 target is to attain a Gini coefficient of 0.48 by 2017.

### 2.5 Preparation of the Development Budget for the 2016/2017 – 2018/2019 MTEF period

The Development Budget for the 2016/2017 – 2018/2019 MTEF came at a time when the world economy, including Namibia, is experiencing slowing economic growth and increase in commodity prices such as oil, uranium, copper are generally experiencing weak prices. Financial markets have become volatile and currencies of emerging markets have become weak including the Namibia Dollar. The prices of diamond and other minerals that we sell to the rest of the world have dropped significantly and continue to be low. Similarly, our economy is affected by other factors such as severe drought which has caused a major blow to our productive capacity in the agricultural sector.
The economic challenges being experienced, has led to the reduction in the Global Development Budget allocations for 2016/2017 and 2017/2018 financial years by 28.0 and 13.0 percent respectively. Despite the reduction, the government has allocated considerable resources, which if utilized effectively will bring about infrastructure development and improved service delivery.

A total amount of N$30,9 billion from Inside State Revenue Fund is earmarked for Development Budget and N$1,5 billion from Outside State Revenue Fund. A total amount of 9,4 billion is earmarked for 2016/2017 financial year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Expenditure (N$ 000)</th>
<th>Inside State Revenue Fund</th>
<th>Outside State Revenue Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/2017</td>
<td></td>
<td>9,057,127</td>
<td>297,087</td>
<td>9,354,214</td>
</tr>
<tr>
<td>2017/2018</td>
<td></td>
<td>10,906,128</td>
<td>649,937</td>
<td>11,556,065</td>
</tr>
<tr>
<td>2018/2019</td>
<td></td>
<td>11,007,792</td>
<td>565,419</td>
<td>11,573,211</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>30,971,047</td>
<td>1,512,443</td>
<td>32,483,490</td>
</tr>
</tbody>
</table>

*Table 2: Global Development Budget Ceilings for the 2016/2017 to 2018/2019*

### 3. COOPERATION WITH THE DEVELOPMENT PARTNERS

The National Planning Commission (NPC) is responsible for the mobilization, management and coordination of external resources as Official Development Assistance (ODA) to augment Government’s development efforts with the ultimate aim of uplifting the standards of living of the Namibian population.

The following table indicates the amount committed as ODA by development partner during the period under review:

<table>
<thead>
<tr>
<th>Names of Development Partners</th>
<th>Amount disbursed (N$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>5,251,050.00</td>
</tr>
<tr>
<td>China</td>
<td>304,931,000.00</td>
</tr>
<tr>
<td>Germany</td>
<td>559,690,000.00</td>
</tr>
<tr>
<td>USA</td>
<td>554,021,000.00</td>
</tr>
<tr>
<td>World Bank</td>
<td>11,850,000.00</td>
</tr>
<tr>
<td>European Union</td>
<td>507,578,968.00</td>
</tr>
<tr>
<td>United Nations</td>
<td>92,879,500.00</td>
</tr>
</tbody>
</table>
3.1 Cooperation with Government of the Federal Republic of Germany

Namibia’s bilateral cooperation with the Government of Federal Republic of Germany aims to support the Namibian Government in its efforts to reduce poverty, to improve infrastructure and the sustainability use of natural resources and to foster sustainable economic development. The German-supported projects are mainly in the focus areas of Natural Resources Management, Transport and Sustainable Economic Development as well as cross cutting ones like HIV and AIDS and education. The sectors of energy, climate, environment and the Namibia-Germany Special Initiative Programme all fall outside the focus areas.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Programme</th>
<th>2015/2017(€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Economic Development</td>
<td>Sustainable use of Namibia’s Mineral Potential and Vocational Training.</td>
<td>4 000 000</td>
</tr>
<tr>
<td>Transport</td>
<td>Labour – Based Construction VII, Strengthening of Institutional Development and Management Capacity in the Road Sector</td>
<td>30 500 000</td>
</tr>
<tr>
<td>Natural Resource Management</td>
<td>UNAM Campus Katima Mulilo Project, Solid Waste Management in Namibia's Protected Areas, National Parks, Biodiversity Management and Climate Change, Support to Urban Land Reform, Support to Conservancies, and Groundwater Management in Northern Namibia</td>
<td>37 800 000</td>
</tr>
<tr>
<td>Others</td>
<td>Cooperation outside the focal areas.</td>
<td>8 400 000</td>
</tr>
</tbody>
</table>

Namibia-German Special Initiative Programme (NGSIP) for Community Driven Development

NGSIP is a programme under the cooperation with German implemented by NPC aimed at developing projects in the following regions Erongo, Hardap, //Kharas, Khomas, Kunene, Omaheke and Otjozondjupa. These regions have historic ties with the German Colonial government whereby the current German Government considered it a moral attempt to make amends on the atrocities committed in the past. This is in the form of developmental projects identified by communities of these regions. An additional amount of EURO 5 million has been committed by the German Government for the finalization of the NGSIP during the period under review. The projects are schools and other public infrastructure, agriculture, water and Capacity building.
One hundred and Fifty-one (151) comprising of schools constructions, renovations and hostel buildings, traditional and SME sites as well as distributing livestock and drilled boreholes have been completed and handed over to the beneficiaries. The remaining Fifty-one (51) projects are under implementation. The Inauguration of completed projects in Erongo (2), Omaheke (4) and Kunene Regions (8) was done during the period under review.
3.2 Cooperation with the Government of the Peoples Republic of China

<table>
<thead>
<tr>
<th>Sector</th>
<th>Programme</th>
<th>2015/2016 (RMB Yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>The Gymnasium School in Otjomuise</td>
<td>99 000 000</td>
</tr>
<tr>
<td></td>
<td>UNAM Equipment,</td>
<td>10 000 000</td>
</tr>
<tr>
<td>Youth</td>
<td>Youth Training Center</td>
<td>7 300 000</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Hardap Aquaculture project</td>
<td>18 000 000</td>
</tr>
<tr>
<td>Security</td>
<td>Defense Academy</td>
<td>10 000 000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Meteorological weather Project</td>
<td>16,100,000</td>
</tr>
</tbody>
</table>

The Government of the People’s Republic of China has been providing development support to the Government of Namibia, mainly through grants, interest-free and concessional loans as well as technical assistance.

The Forum China-Africa Relations (FOCAC) is one of the instruments through which China provides support to African countries. FOCAC was jointly established in October 2000, as a consultative partnership between African countries and China aimed; at the mutual development of the partners.


3.3 Cooperation with Japan

The International Logistic Master Plan: The Master Plan for Development of an International Logistics Hub for SADC Countries in the Republic of Namibia has been developed with the assistance from the GOJ. The master plan provides a detailed future plan of Namibia as an international logistics and distribution centre.

Northern Crop and Livestock Development Master Plan Study: The purpose of the study is to undertake a study to identify appropriate agricultural production system and/or cropping system which can contribute to increasing income and livelihoods for the small scale farmers in the northern Namibia started in 2014.

Flood-and Drought-Adaptive Cropping Systems to Conserve Water Environment in semi-arid regions (SATREPS Project): The research project aims to develop a “Flood- and Drought-Adaptive Cropping System” which can preserve water resources and cope with the yearly fluctuation of flood and drought in northern Namibia. It is highly anticipated that the new mixed
cropping system will contribute to food self-sufficiency and promote economic self-reliance of small scale farmers in northern Namibia.

**ABE Initiative:** Three young Namibians successfully passed a highly competitive assessment in 2015, studying for Master of Information Science and Technology at Tokyo University, Masters in Regional Development Studies at Toyo University and Master of Education at the International Christian University.

**Training Programs:** A number of short term technical training programs are offered by the GOJ on a yearly basis to Namibians. Seventeen (17) courses for group and region focused training and two (2) courses for young leaders training were offered in 2015. Twenty two (22) Officials attended and completed the training courses.

**Activities of Japan Overseas Cooperation Volunteers in Namibia:** This is a standing programme to support Namibia’s capacity development in the priority areas of infrastructure development, engineering and science fields with Japanese volunteers attached to GRN institutions for two years. As at 2015, sixteen (16) volunteers were in action in agriculture, education and the local authorities.

### 3.4 Cooperation with the United States of America

<table>
<thead>
<tr>
<th>Sector</th>
<th>Programme</th>
<th>(In US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health (PEPFAR)</td>
<td>HIV/AIDS in the areas of Prevention, Treatment, Care and Support, Impact Mitigation as well Response Management under the framework.</td>
<td>13,980,314.23</td>
</tr>
<tr>
<td>Health USAID Programme:</td>
<td>Support for projects aimed at addressing the challenges and needs for alleviating HIV/AIDS and TB.</td>
<td>19,497,478.88</td>
</tr>
</tbody>
</table>

The Government of United States of America (USG) provided funding amounting to US$33,477,793.11 to the Namibian Government. This funding was committed in the fields of HIV/AIDS and TB.
3.5 Cooperation with the Kingdom of Spain

<table>
<thead>
<tr>
<th>Sector</th>
<th>Programme</th>
<th>2015 (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening of Aquaculture</td>
<td>Institutional strengthening, productive and managerial enablement and promotion of extensionism among small scale rural producers</td>
<td>298,592</td>
</tr>
<tr>
<td>Water and Sanitation</td>
<td>Water Supply and Sanitation Coordination</td>
<td>66 000</td>
</tr>
<tr>
<td>Education</td>
<td>Lectureship and the Spanish section at UNAM</td>
<td>10 000</td>
</tr>
</tbody>
</table>

The Spanish Agency for International Development Cooperation (AECID) has been actively involved in various developmental project supports towards the Namibian Government, as indicated in the table.

3.6 Cooperation with the European Union

<table>
<thead>
<tr>
<th>Programme</th>
<th>Budget (N$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Finance Management (PFM) Support programme</td>
<td>9 884 024</td>
</tr>
<tr>
<td>Rehabilitation of Roads in the North</td>
<td>17 487 932</td>
</tr>
<tr>
<td>Namibia Civil Society Support Programme (NCSSP)</td>
<td>46 879 132</td>
</tr>
<tr>
<td>Namibia Water and Sanitation Sector Programme</td>
<td>390 895 835</td>
</tr>
<tr>
<td>Parliamentary Support Programme</td>
<td>14 050 569</td>
</tr>
<tr>
<td>Performance Management Support Programme</td>
<td>28 381 472</td>
</tr>
</tbody>
</table>

The European Union provided support to Namibia under the 10th European Development Fund (EDF10) and made commitments for EDF11 mainly in the areas of education, agriculture, transport and others.
3.7 Cooperation with the United Nations

<table>
<thead>
<tr>
<th>UNPAF Pillar/Sector</th>
<th>Total budget (US$)</th>
<th>Total Expenditure (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNPAF Pillar 1: Institutional &amp; Environmental</td>
<td>2,413,979.02</td>
<td>1,084,597.09</td>
</tr>
<tr>
<td>UNPAF Pillar 2: Education, Skill</td>
<td>1,028,000.00</td>
<td>1,694,026.68</td>
</tr>
<tr>
<td>UNPAF Pillar 3: Health sector</td>
<td>10,204,007.84</td>
<td>2,647,547.94</td>
</tr>
<tr>
<td>UNPAF Pillar 4: Poverty Pillar</td>
<td>3,736,767.25</td>
<td>2,732,581.41</td>
</tr>
<tr>
<td>Grand total</td>
<td>17,382,754.11</td>
<td>8,158,753.11</td>
</tr>
</tbody>
</table>

Expenditures per UNPAF Pillars/ Sectors for FY 2015

The United Nations Partnership Framework (UNPAF) 2014-2018 with a total budget of US$79,450,000.00 is the third strategic programme framework prepared by the Government of the Republic of Namibia (GRN) and the United Nations (UN) system. UNPAF is a vehicle for strategic partnership and resource planning driving programmes through which the UN Country Team (UNCT) supports Namibia in the implementation of NDP 4 and the realization of its development goals under Vision 2030.

The UNPAF support in Namibia is built around the following four pillars:

- Improving the institutional environment including improved governance and monitoring and evaluation;
- Education and skills development
- Health, including health systems strengthening and promotion of multi-sectoral mechanisms for reducing the burden of priority diseases.
- Poverty Reduction, including research into root causes of poverty, promotion of food security and income generation and strengthening on national capacities for environmental management.

4. ACCOUNTABILITY AND DISCLOSURE

4.1 Budget

During the 2015/16 Financial Year, an amount of NS$232,128,000 was allocated to vote 26 (National Planning Commission) of which NS$ 215,708,886 was spent. The execution rate for the budget allocation was 93%.

4.2 Audit Reports

The Auditor General of the Republic of Namibia, certified, in May 2015, the auditing of the financial statements of the NPC for the year ended 31 March 2014 as in accordance with the terms of Article 127(2) of the Namibian Constitution and Section 25(1) of the State Finance Act, Act 31 of 1991. The financial position of the NPC at 31 March 2014 and its financial performance and its cash flows for the year then ended in accordance with the State Finance Act and provided an unqualified audit opinion.
Part Two (2): ANNUAL ECONOMIC DEVELOPMENT REPORT 2015
GLOBAL ECONOMIC REVIEW

1.1 OUTPUT AND TRADE DEVELOPMENTS

The International Monetary Fund’s (IMF’s) revised the forecast for world economic output to 3.1 in 2015 from 3.4 percent in 2014. The revision is due to slow growth in emerging markets and developing economies, particularly the Chinese economy coupled with weak growth in oil exporting countries. The steady and gradual increase in terms of global weight of the fastest growing emerging market and developing economies like China and India significantly boost global growth. In 2016, world output growth is projected to pick up marginally by 0.1 percent to 3.2 percent and will continue to pick up to 3.5 percent in 2017. This is in line with the expected gradual recovery of the global economy in the short term.

A positive growth of 1.9 percent in advanced economies was recorded in 2015 which is expected to be the same in 2016 due to expected recovery in the Euro area and improvements in the Japanese economy. A positive growth of 0.5 percent is recorded in Japan in 2015 from a 0.0 percent growth in 2014 attributable to improvement in private consumption.

While the emerging market and developing economies have been and continues growing at a faster pace than the developed world, the associated growth gap between the two groups of economies, is expected to narrow as the emerging market and developing economies approach their maximum growth potentials.

Table 4: Output growth (percent)

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>World</td>
<td>3.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Advanced economies</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td>United states</td>
<td>2.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Euro area</td>
<td>0.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Japan</td>
<td>-0.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Emerging market and developing economies</td>
<td>4.6</td>
<td>4.0</td>
</tr>
<tr>
<td>China</td>
<td>7.3</td>
<td>6.9</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>5.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Nigeria</td>
<td>6.3</td>
<td>2.7</td>
</tr>
<tr>
<td>South Africa</td>
<td>1.5</td>
<td>1.3</td>
</tr>
</tbody>
</table>

*Source: IMF Economic Outlook Database (2016)*

Growth in the emerging markets and developing economies remained positive although 2015 indicates a slowdown of 0.6 percentage points from 4.6 percent in 2014. The major emerging and developing economy, China’s economic growth slowed down to 6.9 percent in 2015 from 7.3 percent registered in 2014. Output growth in China is projected to decelerate further
to 6.5 percent in 2016 and 6.2 percent in 2017. This slowdown has been due to rebalancing from export and investment-led growth to domestic consumption driven economy. China appears to have somewhat exhausted its ability to expand due to overinvestment and borrowing.

The slowdown of China has brought about global trade spillovers i.e. reduced demand for trading partners’ goods and impact on world prices for commodities China imports, effect on exchange rates and asset markets of other countries. These had negative effects on global and regional growth patterns of significant proportions. Furthermore, in view of sub-Saharan Africa region’s persistent infrastructure gap, China’s slowdown will negatively impact on the region’s growth prospects, given that it has been and continues being a the region’s key source of financing for African infrastructure.

In 2015, SSA economies grew less than the average of emerging market and developing economies. The slowdown growth reflects declines in both nominal and real per barrel oil prices (table 2) which affected major oil exporting SSA economies such as Angola and Nigeria. The declines in oil prices are as given by the Organization of the Petroleum Exporting Countries (OPEC). Moreover, the slowdown is also attributable to declines in other commodity prices, geopolitical and domestic discord in a few countries in the region.

Table 5: OPEC Reference Basket in nominal and real terms (US$/b)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal oil price</td>
<td>96.29</td>
<td>49.49</td>
</tr>
<tr>
<td><strong>Nominal price adjusted for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rates</td>
<td>75.36</td>
<td>43.35</td>
</tr>
<tr>
<td>Inflation</td>
<td>76.77</td>
<td>39.40</td>
</tr>
<tr>
<td>Combined</td>
<td>60.09</td>
<td>34.52</td>
</tr>
</tbody>
</table>

Source: OPEC (2016)

South Africa’s growth has also dropped in 2015 and is projected to drop further in 2016. The South African economy is faced with challenges such as electricity-load shedding and other supply constraints (IMF, 2016). The electricity challenges are attributable to some failures in terms of bringing new generating capacity timeously congruent with the ever-increasing socio-economic demand, the high maintenance costs and associated maintenance backlogs of the ageing electricity infrastructure. Other notable challenges include the pronged strikes in mining and manufacturing sectors.
### Table 6: Trade developments - Volume of imports of goods and services (percent change)

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Projections</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advanced economies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United states</td>
<td>3.5</td>
<td>4.3</td>
<td>3.4</td>
<td>4.1</td>
<td>4.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>-8.1</td>
<td>2.5</td>
<td>2.0</td>
<td>2.8</td>
<td>3.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro area</td>
<td>4.2</td>
<td>5.9</td>
<td>4.3</td>
<td>4.3</td>
<td>4.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>6.4</td>
<td>7.5</td>
<td>5.1</td>
<td>4.1</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>7.2</td>
<td>0.2</td>
<td>0.6</td>
<td>2.6</td>
<td>2.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Emerging market and developing economies</strong></td>
<td>3.7</td>
<td>0.5</td>
<td>3.0</td>
<td>3.7</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>5.4</td>
<td>2.0</td>
<td>2.3</td>
<td>2.1</td>
<td>3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub-Saharan Africa</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nigeria</td>
<td>22.8</td>
<td>-1.9</td>
<td>9.7</td>
<td>1.5</td>
<td>1.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>-0.5</td>
<td>3.1</td>
<td>0.9</td>
<td>1.2</td>
<td>2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Botswana</td>
<td>0.5</td>
<td>-19.0</td>
<td>20.9</td>
<td>3.2</td>
<td>4.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>World</strong></td>
<td>3.6</td>
<td>2.9</td>
<td>3.3</td>
<td>3.9</td>
<td>4.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IMF Economic Outlook Database, April 2016

IMF reported a positive growth in world volume of imports of goods and services in 2015 as was recorded in 2014. However, this growth is 0.7 percent lower than what was achieved in 2014, mainly due to a negative growth in volume of imports in sub-Saharan Africa and a lower positive growth in emerging markets and developing economies. Overall, import volumes in 2015 declined, reflecting weakening domestic demand and depreciation of the exchange rates. Imports in Namibia are mainly sourced from South Africa and China, according to NSA (2015).

Given the slowdown of the Chinese economy, SSA in general and Namibia in particular will likely suffer from reduced demand for export goods thereby impacting negatively on growth and volume of exports and foreign reserves. Going forward, the world imports volume for 2016 and 2017 are both expected to increase as compared to 2015 as a result of the expected global recovery. Botswana in the sub-Saharan Africa is one of the top importers of goods from Namibia in 2015. It is expected to increase the volume of imports in 2016 to 20.9 percent from a negative growth of 19.0 percent in 2015.
Table 7: Trade developments -Volume of exports of goods and services (percent change)

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
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<tr>
<td><strong>Advanced economies</strong></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>3.5</td>
<td>3.4</td>
</tr>
<tr>
<td>United states</td>
<td>3.4</td>
<td>1.1</td>
</tr>
<tr>
<td>Switzerland</td>
<td>-6.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Euro area</td>
<td>3.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Spain</td>
<td>5.1</td>
<td>5.4</td>
</tr>
<tr>
<td>Japan</td>
<td>8.3</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Emerging market and developing economies</strong></td>
<td>3.1</td>
<td>1.7</td>
</tr>
<tr>
<td>China</td>
<td>4.8</td>
<td>-2.1</td>
</tr>
<tr>
<td><strong>Sub-Saharan Africa</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.3</td>
<td>5.9</td>
</tr>
<tr>
<td>Nigeria</td>
<td>-6.1</td>
<td>11.4</td>
</tr>
<tr>
<td>South Africa</td>
<td>2.6</td>
<td>8.6</td>
</tr>
<tr>
<td><strong>World</strong></td>
<td>3.4</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Source: IMF Economic Outlook Database, April 2016

World exports volume recorded a growth of 2.8 percent in 2015 from 3.4 percent in 2014. China, the world’s second largest economy and the main world trading partner with more than 100 countries, recorded a slowdown in export volumes of goods and services due to a decline in goods demanded by its trading partners.

For SSA economies which are largely commodity-based, the increase in SSA’s exports is attributable to notable declines in commodity prices, as they recorded revenue increases and became competitive at the same time. In the short-term, world exports volumes are expected to further pick up in 2016 and 2017. For South Africa, an economy which is about 30 times the Namibian economy, volume of exports is expected to grow slowly by 2.4 percent while China’s export volumes is projected to be positive in 2016 from a negative growth in the previous year.

REGIONAL ECONOMIC REVIEW

During the four-year period (2004-2008) before the global financial crisis, the sub-Saharan Africa (SSA) region recorded an average real GDP growth of 6.8 percent (IMF, 2015). After the world economic meltdown of 2009, the region rebounded to maintain an economic growth of 5.1 percent, with the exclusion of the two largest economies (Nigeria and South Africa) in the region. This growth was mainly driven by strong investment in mining and infrastructure and by strong private consumption, especially in low-income countries. The year 2016 is estimated to improve (figure 1) to a growth of 6.4 percent due to the anticipated recovery of oil price by major oil exporting countries.
2.1 SUB-SAHARAN AFRICA

Growth in the sub-Saharan Africa (SSA) region averaged a steady growth of 5.1 percent over the 7 year period (figure 1). However, real growth slowed down to 4.5 percent in 2015 from 5.0 registered in 2014. The deceleration in 2015 was as a result of economic slowdowns in South Africa and Nigeria, the region’s two biggest economies. Some of the problems were the passive commodity prices, security threats, a slowdown in the region’s main trading partners and adverse weather conditions, in particular in the southern part of the continent (Focus Economics, 2016).

The constant reduction in oil prices may have devastating effect on the seven (7) exporting countries¹ in the region, thus might compel these countries to adjust their monetary and fiscal policies in order to buffer the shock. Countries would prefer the optimal mix of both fiscal and monetary policies. This could either be expansionary or contractionary measures depending on economic characteristics and fundamentals in their respective economies. Some of these measures include reverting to their external reserves, cutting on expenditure, reducing fuel subsidies or completely scrapping it off as a mitigation measure. To the contrary, low oil prices presents an opportunity to boost their growth in terms of bulk commodity transported to markets, large amounts of oil as input to manufacturing plants, more so as cheap substitution for energy generation that is used for production purpose.

In 2015, the appreciation of the US$ and other currencies exacerbated the exchange rate thereby having a negative effect on the trading sectors. This is in view of the fact that the appreciation makes goods expensive, and then reduced imports. Since the share of revenue from oil export accounts for more than a quarter of regional GDP, thus the effect brought the slowdown of growth in 2015.

¹ Angola, Cameroon, Chad, Republic of the Congo, Equatorial Guinea, Gabon, Nigeria
Table 8: Regional blocs’ real GDP growth over time period

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>WAEMU</td>
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<td>1.1</td>
<td>6.7</td>
<td>5.8</td>
<td>6</td>
<td>6</td>
<td>6.2</td>
</tr>
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<td>4.1</td>
<td>5.1</td>
<td>3.1</td>
<td>4.4</td>
<td>3.1</td>
<td>5.3</td>
</tr>
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<td>EAC-5</td>
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<td>4.5</td>
<td>5.8</td>
<td>6</td>
<td>6.6</td>
<td>6.8</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>8.8</td>
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<td>5</td>
<td>5.7</td>
<td>6</td>
<td>4.6</td>
<td>5.3</td>
</tr>
<tr>
<td>SADC</td>
<td>4.2</td>
<td>4.3</td>
<td>3.7</td>
<td>4.1</td>
<td>3.4</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>SACU</td>
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<td>2.4</td>
<td>2.5</td>
<td>1.8</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>COMESA</td>
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<td>7.2</td>
<td>5.8</td>
<td>6.3</td>
<td>6.4</td>
<td>6.7</td>
<td>6.8</td>
</tr>
<tr>
<td>SSA</td>
<td>6.7</td>
<td>5.0</td>
<td>4.2</td>
<td>5.2</td>
<td>5.0</td>
<td>4.5</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Data source: IMF 2016 Report

There are, however, some notable differences across blocs of the region (Table 5). Although real GDP growth among oil exporters slowed down during 2015, blocs with non-oil exporting countries saw improvement in their economies, as there was acceleration in economic activity. Unlike the notable exception of 2008/09 global financial crisis when growth declined across the region, the current low global oil price is viewed as a relief, especially to consumers. This is confirmed by the IMF (2015) which indicates that countries that have ties in global chain value are benefiting and their economies are growing. Regional blocs benefit countries that have made the largest strides into global value chains, such as Ethiopia, Kenya, Seychelles, South Africa and Tanzania have benefited the most from deeper integration.

2.2 SOUTHERN AFRICA DEVELOPMENT COMMUNITY (SADC)

According to IMF (2016), real GDP growth weakened in 2014 and 2015. This slowdown is likely to continue in 2016 and 2017. The 15 member countries of SADC have different economic status, ranging from middle income, low income and fragile economies. These put together, depending on how many are economically better, the blocs’ economic status and to be bias. The regional real GDP was expected to improve by 0.4 percent point in 2015, although trade balance on goods shows a downward trend until 2017 (Table 6). This could be attributed to the region’s persistent net import, coupled with the appreciated US$. Angola being the biggest oil exporter in the region was hard hit by the low oil price. As a result, it experienced a slow growth from 6.8 percent in 2013 to 4.2 percent in 2014. It is expected to continue slowing down to approximately 4.0 percent in 2015 and 2016.
South Africa being the economic giant of the region has been struggling with its weak economic performance over the past three years (2013-2015), yielding an average of 1.9 percent GDP growth. As the super power is one of the export-led economies, it’s prone to the global reduction in demand and trade that is taking place.

Table 9: Selected SADC economic indicators

<table>
<thead>
<tr>
<th>SADC region</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016E</th>
<th>2017P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth</td>
<td>4.2</td>
<td>3.5</td>
<td>2.7</td>
<td>2.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Non-oil importing GDP growth</td>
<td>4.7</td>
<td>3.9</td>
<td>2.6</td>
<td>2.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Real per capita GDP growth</td>
<td>2.2</td>
<td>1.5</td>
<td>0.7</td>
<td>0.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Total investment (% of GDP)</td>
<td>21.7</td>
<td>21.9</td>
<td>20.2</td>
<td>20.3</td>
<td>21.3</td>
</tr>
<tr>
<td>Revenue excluding grant (% of GDP)</td>
<td>27.7</td>
<td>27.2</td>
<td>25.9</td>
<td>25.2</td>
<td>25.4</td>
</tr>
<tr>
<td>Govt Expenditure (% of GDP)</td>
<td>31.1</td>
<td>31.6</td>
<td>30.1</td>
<td>29.7</td>
<td>29.5</td>
</tr>
<tr>
<td>Govt Debt (% of GDP)</td>
<td>39.1</td>
<td>42.5</td>
<td>49.2</td>
<td>51.0</td>
<td>50.9</td>
</tr>
<tr>
<td>Export of goods &amp; services (% of GDP)</td>
<td>36.5</td>
<td>35.3</td>
<td>31.6</td>
<td>34.2</td>
<td>35.0</td>
</tr>
<tr>
<td>Import of goods &amp; services (% of GDP)</td>
<td>38.4</td>
<td>38.6</td>
<td>36.7</td>
<td>40.1</td>
<td>40.6</td>
</tr>
<tr>
<td>Trade balance on goods (% of GDP)</td>
<td>2.4</td>
<td>1.0</td>
<td>-1.6</td>
<td>-2.6</td>
<td>-2.3</td>
</tr>
<tr>
<td>Net FDI (% of GDP)</td>
<td>0.6</td>
<td>1.2</td>
<td>2.3</td>
<td>2.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Inflation (Annual average % change)</td>
<td>6.3</td>
<td>6.0</td>
<td>5.5</td>
<td>8.3</td>
<td>7.1</td>
</tr>
</tbody>
</table>

Source: IMF 2016 Report

Comparing region’s total revenue and expenditure, one can deduce that the region is slightly heavy on the consumption side, which might explain also the increasing domestic and foreign debt. Though most member countries managed to meet public debt convergence criteria of less than 60.0 percent of GDP, the region’s average is at 43.6.0 percent during the period 2013-2015, which shows an increase from 35.7 percent in 2012 (Central Bank of Lesotho, 2014). On the inflation front, annual average inflation rate for the region decelerated from 8.0 percent in 2012 to 5.5 percent in 2015, which is within the 3-7 percent band.

Figure 2 below shows SACU countries’ real GDP growth from 2010 to 2016 from which it can be noted that although Namibia has maintained a steady growth, it is estimated to decrease to 3.9 percent in 2016. Botswana and Lesotho are expected to register growth of slightly over 4.0 percent apiece. South Africa and Swaziland’s growth is expected to be about 2.0 percent. With the dwindling cereal production, SACU is expected to import big volumes of cereals from the international community to honor its food security pledge.
Figure 11: SACU countries’ real GDP growth over time

<table>
<thead>
<tr>
<th>Year</th>
<th>Botswana</th>
<th>Lesotho</th>
<th>Namibia</th>
<th>South Africa</th>
<th>Swaziland</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>8.6</td>
<td>6.9</td>
<td>6.0</td>
<td>3.0</td>
<td>1.9</td>
</tr>
<tr>
<td>2011</td>
<td>6.2</td>
<td>4.5</td>
<td>5.1</td>
<td>-0.6</td>
<td>-0.6</td>
</tr>
<tr>
<td>2012</td>
<td>4.3</td>
<td>5.3</td>
<td>5.1</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>2013</td>
<td>5.9</td>
<td>3.5</td>
<td>5.7</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>2014</td>
<td>4.9</td>
<td>2.2</td>
<td>6.5</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>2015</td>
<td>4.2</td>
<td>4.0</td>
<td>5.3</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>2016</td>
<td>4.0</td>
<td>4.4</td>
<td>3.9</td>
<td>2.1</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Data source: IMF 2016 Report

*Data for Namibia is from NSA (2015) as well as NPC’s projections.

Several factors including fluctuations in commodity prices, exchange rate, political environment, climate change, strikes and lock-outs are some common occurrences that continue to weaken growth in some economies in the SACU region. In addition, currency movements and macroeconomic developments may have played major implications for some economies in 2015. Against this backdrop, the regional food import bill is forecast to increase tremendously in 2015 (FAO, 2015).

DOMESTIC ECONOMIC REVIEW

3.1 OVERALL ECONOMIC PERFORMANCE

The Namibian economy has displayed a positive economic growth during the period under review (2015). It has recorded a growth rate of 5.6 percent on average over the NDP4 period (2012-2015), but unemployment, income inequality and poverty remains the key challenges hindering further economic development. After recording a strong positive real GDP growth rate of 6.5 percent in 2014, the economy slowed down to 5.3 percent in 2015. Despite the country having recorded significant growth rates, the country has yet to attain SADC’s macroeconomic convergence target for real GDP growth of 7.0 percent.

Although investment and total consumption remained positive during 2015, the effect of drought, lower commodity prices and lower global output growth affected major sectors of the economy i.e. mining, agriculture, fishing and manufacturing, thus resulting in a contraction from these sectors in 2015. However, despite this, the economy remained resilient and withstood external shocks.
Sources of Growth in 2015

Two industries of the economy, the secondary and tertiary industries posted positive growth in 2015. The tertiary industry, which is the most significant source of GDP growth rate in the economy grew by 5.4 percent and accounted for 58.3 percent of GDP in the same period while the secondary industry registered 8.3 percent growth rate while accounting for only 15.8 percent of GDP. Although the primary industry recorded a contraction in terms of growth, the overall contribution of the industry was 18.7 percent, which is about 3.0 percent higher than the secondary industry contribution to GDP. A notable high contribution of primary industry to GDP despite negative growth is attributed to the sectoral export value as the sector produce products which are exported to other countries thereby bringing the much-needed injections to the economy through revenue unlike the secondary industry.

The stagnant structural transformation, which has been characteristic of the Namibian economy, remains virtually unchanged from its pre-independence and post-independence eras. In 2014 and 2015 the leading sectors in respect of contribution to GDP were: mining and quarrying, wholesale and retail trade and repair, public administration and defense, education and manufacturing. Namibia was able to record a favorable GDP growth rate of 5.3 percent for the reporting period and the GDP per capita is also following the same positive trend as it grew by 3.7 percent on average during the same period of NDP4.

Despite the positive growths, Namibia is still lagging behind in many social development indicators such as poverty which is currently at 28.0 percent, social inequality and very high unemployment at 28.1 percent. It is crystal clear that the positive GDP growth has not trickled down to reach the lowest segments of the society. This could likely be as a result of capital-intensive methods in major sectors of the economy involving the use of machinery and other latest technological advances as opposed to human capital.

3.1.1 REAL SECTOR

Primary Industries

Agriculture sector: The agriculture sector is expected to continue playing its traditional role of addressing food security in the country. It also provides inputs (raw products) to be used in the production of manufactured products in the manufacturing sector. Moreover, the raw products continue being a source of foreign earnings through exports. The sector registered contractions of 1.8 and 3.2 percent in 2014 and 2015 respectively.

The agricultural sector consists of crop, livestock and forestry production, and it remains the leading employer of labour in the Namibian economy. However, given that crop production in the sector heavily depends on rainfall through mainly rain-fed irrigation; this makes the sector highly vulnerable to changes in weather and climatic changes. The contraction in the sector during 2015 implies that the drought situation which started in 2013 got worse in 2015 resulting in lower production in both the crop and livestock farming sectors in Namibia.

The livestock farming registered a negative growth of 14.0 percent in 2015 from a positive 13.9 percent in 2014. This contraction can be attributed to the foot and mouth disease, a fluctuation in prices of cattle and small livestock in 2015. As indicated in figure 3 below,
The total number of cattle marketed increased by 43.0 percent from a total of 243,929 in 2014 to 423,491 heads of cattle marketed in 2015 due to drought. The small stock marketed which constitute goats and sheep increased from 982,232 per head in 2014 to 1,152,531 heads in 2015. Though there has been an increase in the total stock marketed, the unavailability of feed resulted in low quality livestock leading to unfavorable price thus affecting the livestock sector thereby leading to a negative growth in 2015.

Figure 12: Livestock marketed per head of cattle/small stock for 2014 and 2015

The crop subsector was also heavily hit by the drought disaster as most crop farmers (both commercial and subsistence farmers) especially those relying on rain-fed irrigation did not cultivate at full capacity. Thus output from crop farming producers, green schemes and subsistence farming turned out to be low as area planted declined. According to AMTA (2016), the local production of white maize declined to 39,161 tons in 2015/16 from 69,433 tons produced and marketed in 2014/15 financial year. Thus resulting in the crop subsector to record a contraction of 5.2 percent in 2015 compared to a positive growth of 7.6 percent observed in 2014.

The traditional way of farming which is characterized by lack of latest equipment and technology in farming, lack of fertilizers, animal feeds and also lack of funds to subsistence farming investment may also have played part in agriculture experiencing low output and thereby failing to produce enough food for the mere 2.3 million people. There is thus a need for the country to invest in the latest, efficient and effective technologies which are less-dependent on rain for production.

**Fishing sector:** Despite the lower oil price and dollar depreciation which made Namibia competitive in the fish export markets, the fishing and fish processing on board sector still recorded a contractions of 2.5 and 2.8 percent in 2014 and 2015 respectively. The quota allocation and the total landing could be attributed to this contraction in the fishing sector. Figure 4 below describes that, the total allowable catch (TAC) increased by 13.7 percent from 528,500 in 2014 to 600,746 in 2015. The TAC increased due to the TAC of the Hake fish which was increased from 140,000 to 210,000 and the Monk and Crab which increased by 2000 and 296 metric tons respectively.
The lower growth in the fishery sector is a result of lower total landing in the Pilchard, Monk and Rock Lobster fish as depicted by figure 4 above. The proportion of total landings to TAC is lower in 2015 at 80.0 percent as compared to 84.0 percent in 2014. Just like all other primary sectors, production and growth in the fishery sector also heavily relies on international market to which the fish are being exported. The fishery sector recorded negative growth rates in 2014 and 2015 on the back of low demand of fish from international markets like German, Italy, Netherlands, Mozambique, DRC and Angola for Namibian fish as well as the persistent strike. On aggregate the fish export declined by 1.0 percent in 2015.

**Mining sector:** The mining sector which has predominately been the main source of growth in the primary industries’ performance contracted by 6.2 and 0.3 percent in 2014 and 2015 thereby presenting gradual improvement. The improvement in the mining sector is attributed to the expansion in the metal ores mining in which the gold and copper mining production increased. The increase in gold production is due to the B2Gold mining which increased production during 2015 to reach full capacity and also the Tschudi mine which started production in the first quarter of 2015.

**Uranium mining:** Despite strong growth from the metal ores mining, this growth was not enough to cover up the high negative growth which was observed in the uranium mining. Growth in uranium mining contracted significantly and recorded negative 18.1 percent. The uranium production declined by 8.0 percent in 2015 and its total export declined by 35.0 percent in 2015 resulting in a contraction in the uranium mining. A reduction in the uranium production is due to Rossing and Langer Heinrich mines whose production were lowered due to low price of uranium in addition to cost cutting measures employed to accommodate revenue loss from low price. The low price is currently at US$28 /tonne according to IMF data 2016. Overall, lower demand in the international market also contributed to negative growth in the uranium mining.
Figure 14: Uranium production and exports/lb for 2014-2015

Diamond mining: This sub sector is the main player in the mining sector, it contracted by 3.4 percent in 2015 from modest growth of 6.2 percent recorded in 2014. The contraction is attributed to low production in carats, affected by the low demand in the international market.

Figure 15: Total diamond production in Carats

Secondary Industries

The secondary industry performance was satisfactory, although it recorded a lower growth rate in 2015 which is slightly lower to that of 2014. The secondary industry recorded a positive growth rate of 8.3 percent in 2015 from 9.5 percent in 2014. Growth in the secondary industry was mainly driven by electricity and water sector as well as the construction sector which grew by 9.7 and 33.7 percent respectively. In 2015, the manufacturing sector recorded a contraction of 6.6 percent as most of the major sub-sectors under manufacturing recorded negative growths. Meat processing, other food products, beverages, diamond
processing and textiles and wearing apparel all recorded negative growths. The meat processing negative growth is strongly linked to the poor performance of the agriculture sector as most farmers preferred selling live livestock and some farmers are still allowing their livestock to recover following a persistent drought since 2013. The continued drought continue to affect various sub-sectors in the manufacturing sector more especially the grain mill products sub-sector which recoded a slower growth of 7.6 percent in 2015 as compared to 13.7 percent recorded in 2014. This slower growth is attributable to high input cost imported from other countries and also an increase of more grain products/food imported in the country by Namib mills a result of poor harvest from the local domestic crop farmers.

Diamond processing which recorded a negative 47.0 percent in 2015 is as a result of low production in diamond mining and low international demand of processed diamond as the international market is experiencing economic challenges.

Electricity and water: although electricity and water remains to be the main basic enablers to industries’ production inputs. Namibia continues to face challenges of both electricity and water shortages in the country. Despite the country experiencing a severe drought in 2015, the heavy flow from neighboring Angola had a positive impact on the flow-of-the-river Ruacana hydro power station, which is the main electricity generation station in Namibia with a capacity of 332 MWh. The electricity generation from the Ruacana hydro power station increased to 1 503 GWh in 2015 as compared to 1 485 GWh generated in 2014. The other three stations generated about 34 GWh in 2015 resulting in the increase of total electricity generation in the country to 1 537 GWh. The increase in power generation in 2015 was also due to Van Eck and Paratus stations which did not generate any electricity in 2014 after some refurbishments and only started generating in 2015.

The improvement in local generation as depicted in figure 7 resulted in the electricity imports reducing by 7.2 percent in 2015. In the water sector, the improvement in water demand by the agriculture sector especially the green schemes resulted in the water and electricity sector recording a positive growth of 9.7 percent in 2015, as compared to contractions observed in the past two years.

Figure 16: Electricity generation, import and local consumption in GWh from 2014-2015
Although there has been a positive growth in 2015, water and electricity shortages remains to be a blockage to many government developmental plans like NDP4, HPP and Vision 2030. Going forward, projects that bring about water and electricity developments and maintenance should be encouraged in view of ensuring sustainable supply necessary to ensure the realization of industrialization to greater heights of prosperity as envisioned in Vision 2030.

**Construction:** Over years, both the construction sector’s growth and contribution to gross domestic product is observed to have increased gradually, see figure 8 below. The positive performance of the construction sector is attributable to major construction works i.e. houses, shopping malls etc. in all parts of the country.

*Figure 17: Construction growth rate and percentage contribution to GDP since 2012-2015*

The GDP contribution of the construction sector has been low, averaging 4.0 percent, from 2008 to 2015. However, the percentage contribution started picking up thereby registering growth of 5.0 and 6.1 percent in 2014 and 2015 respectively. The sector recorded a
tremendous growth averaging 16.6 percent annually over the same period. The sector recorded a positive growth of 42.9 and 33.7 percent in 2014 and 2015 respectively. The slower growth recorded in 2015 is attributed to some mining construction projects such as Tschudi mine, Husab mine and the Namibia Dundee precious sulphuric acid plant which were completed in early 2015 financial year.

Tertiary Industries

The performance of the tertiary industries was also positive, although slightly lower than the growth recorded in 2014. Overall, the tertiary industry recorded a positive growth of 5.4 percent on account of 13.1 growth observed in the public administration and defense as well as 5.7 percent recorded in the wholesale and retail trade, repairs. In 2014, these sectors registered a contraction of 0.7 and 14.6 percent respectively.

The strong growth in the public sector is due to the observed increase in government expenditure such as an increase in government administration caused by an introduction of new ministries. The slower growth in the wholesale and retail trade, repair, sector; is affected by the weak exchange rates which have an effect of high price of imported goods as producer pass it on to consumers, thus resulting into lower demand from consumers. The increase in interest rates by the Bank of Namibia also resulted in lower disposable income to consumers in 2015, thereby leading to lower consumer purchasing power. This is evident as most sub-sectors recorded reductions in revenue.

The supermarket recorded a slowdown in revenue by 2.8 percent while the vehicle sub-sector recorded a 9.2 percent slow growth. Other sub-sectors such as clothing, furniture and other retails also recorded lower growths in 2015, consequently causing the wholesale and retail trade sector to record low growth.

**Figure 18: Tertiary industries sectoral growth rate 2014 and 2015**

*Source: Namibia Statistics Agency, Annual National Accounts 2015*
Tourism sector recorded a lower growth of 4.1 percent in 2015 from a 10.8 percent observed in 2014. Many challenges in the sector are attributed to a slow growth in the global output more specially the European as they become more conservative to travel.

The transport sector also recorded a growth rate of 4.0 percent in 2015. The growth was driven by the transport sub-sector which grew by 4.2 percent as compared to 3.6 percent in 2014. The travel agents, tour operators, telecommunication, transport by road and airport services were the main contributors to this growth.

The storage sub-sector, however registered a contraction of 0.7 percent in 2015, while a lower growth of about 2.0 percent was observed from the post and courier services resulting in lower growth of 5.9 percent to post and telecommunications sub-sector in the same period under review. Other sectors in the tertiary industries such as, the education, health and financial services sectors had all recorded a lower growths in 2015 compared to growth recorded in 2014.

3.1.2 DEMAND SECTOR

3.1.2.1 FINAL CONSUMPTION EXPENDITURE

Total final consumption which is expenditure by private sector and general government remained the main contributor to GDP, accounting for 89.6 percent of total expenditure on GDP with private consumption constituting 62.5 percent of total final consumption expenditure in 2015. Public consumption averaged 6.5 percent of GDP over the last three years. Government expenditure size and pattern has a major impact on other economic actors as it has a direct influence on both investment and consumption. Thus government has a major role to play in an economy as it can be used as a policy measure to smoothen aggregate demand especially during periods of poor economic performance.

It is always a concern when the share of expenditure by general government in GDP is increasing. The share has increased marginally from 23.9 percent in 2007 to 27.1 percent in 2015. This increase indicates that government is spending more on wages and goods and services. This upward trend in the share can be explained by the continuous growth in general government expenditure, and over the last two years Government expenditure growth has surpassed that of the private sector. This growth pattern needs to be curtailed in view of maintaining a lower expenditure share to GDP.
3.1.2.2 GROSS FIXED CAPITAL FORMATION

Investment is essential for shaping the current and future development of the country as it indicates an economy’s future developmental potential. Investment expenditure is measured by Gross Fixed Capital formation (GFCF). GFCF at constant prices increased to N$43.8 million in 2015 from N$39.8 million in the preceding year, representing 9.8 percent growth.

The improvement in total investment was attributed to expansions in the production activities from sectors such as construction, metal ores, transport and an increase in asset investment, like machinery i.e. mineral exploration equipment, construction and transport equipment for production. Furthermore, the rise in production activities such as the private constructions of houses, shopping malls, roads and mining resulted in an increase in total investment in the economy.
3.1.2.3 GROSS SAVINGS

Savings is the difference between disposable income and consumption. Savings is vital for economic development because it is the main source for investment which stimulates economic growth and development. Namibia’s net savings as a percentage of GDP declined from 57.3 percent in 2014 to 11.9 percent in 2015. The net savings at current prices decreased to N$19.5 million in 2015 from N$22.2 million in 2014. The decline was attributed to deterioration in the domestic private savings as a ratio of GDP by 21.8 percent in 2015 from 21.9 percent in 2014 (Bank of Namibia, 2015). This will lead to an increase in prime lending by commercial banks to consumers; this in turn negatively increases the mortgage rates leading to consumers to spend less on consumption and savings.

3.1.3 MONETARY SECTOR

3.1.3.1 DOMESTIC PRICES

Inflation is the increase in the general price levels in a given period usually a year or quarter. Generally, high inflation affects mostly the welfare of the poor given that it erodes the purchasing power of their money the most.

The average inflation rate for the first quarter of 2016 is estimated at 6.0 percent compared to 3.8 percent for the corresponding first quarter of 2015. This indicates a general price increase in 2016 as compared to the same period in 2015. An average of 3.4 percent inflation rate was recorded for the year 2015. This rate prolongs the downward inflation trend observed since 2012. The 2015 inflation rate is some 2.0 basis points lower than the previous rate recorded for 2014, which was 5.4 percent.
The decline in the average rate of inflation for 2015 is attributed to lower rates of inflation recorded in most inflation baskets. The transport basket recorded the lowest average rate of inflation of -2.4 percent, a decline coming from a positive average rate of 7.2 percent. This decline is due to a fall in international oil prices. This is a favorable condition to the Namibian economy which depends on oil importations, although this positive effect might be inverted by the depreciation of the Namibian dollar. Other inflation baskets that recorded declining average rates of inflation are the food and non-alcoholic beverages, although remains the second largest contributor to overall inflation, and the Housing, water, electricity, gas and other fuels basket.

The alcoholic and tobacco basket recorded an increase in 2015 from 2014 of 0.6 percentage points between the years under review. The food and non-alcoholic beverages basket average inflation rate declined by 2.6 percentage points from 8.3 to 5.6 percent. Of this basket, the food category recorded a lower average rate of 5.7 percent in 2015 from a higher average rate of 8.8 percent in the preceding year, whereas the non-alcoholic beverages recorded an increase in the average inflation rate from 3.2 percent in 2014 to 4.2 percent in 2015.

Table 10: Sub-basket average inflation rate

<table>
<thead>
<tr>
<th>Sub-basket</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>8.8</td>
<td>5.7</td>
</tr>
<tr>
<td>Bread and cereals</td>
<td>8.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Meat</td>
<td>12.4</td>
<td>6.7</td>
</tr>
<tr>
<td>Fish</td>
<td>3.3</td>
<td>7.1</td>
</tr>
</tbody>
</table>
When prices for basic necessities like food, water and shelter go down, it means that those basic necessities now become widely affordable. The effect is largely felt by the low income earners who would normally not be able to afford. This fall is even more welcomed during this time of draught, since food shortages are being experienced in a greater part of the country. Bigger parts of the population, which largely depend on agricultural products now, have to rely on other food products. Spending a little that they have on food, which they normally get from their harvests, will leave them with fewer resources to afford other services. So although food prices went down, household are still likely to fall deeper into poverty. It is therefore, of extreme importance in ensuring that efforts to achieve food security are maximized in order to counteract multi-dimensional draught effects.

Inflation can be due to cost push or demand pull factors. When the cost of production rises, producers are faced with the option of increasing prices of final good to cover the cost of production. Similarly, when there is increased demand of a service or product, providers of such services or products are faced with the option of increasing prices to mitigate the excess demand. However, high rates of inflation have discouraging effects to economic agents. It is mostly felt by consumers of final products because of the reduced purchasing power, such that the same amount of money buys them fewer goods and services. The standards of living are likely to be compromised and this will have a negative impact on economic prosperity. On the other hand, extremely low rates of inflation also discourage producers and entrepreneurs to partake into economic activities because there are limited profits. This will negatively affect total production of the economy, and consequently low national income.

### 3.1.3.2 INTEREST RATES

Interest rate simply refers to the cost of borrowing. In other words, it is an incentive (in terms of risk) to the lender so that the borrower parts with the lender’s money which will have to be repaid at a future date. Economic agents usually borrow money for different purposes. We focus our analysis on the three types of interest rates, namely the Repo rate, which is the rate
at which the central bank lends money to commercial banks; the lending rate, which is the rate at which commercial banks extend credit to the private sector; as well as the deposit rate, which is the rate that depositors earn for depositing money into investment accounts.

Figure 22: Selected Interest Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Lending rate</th>
<th>Repo rate</th>
<th>Deposit rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>8.65</td>
<td>5.79</td>
<td>4.21</td>
</tr>
<tr>
<td>2013</td>
<td>8.29</td>
<td>5.5</td>
<td>3.98</td>
</tr>
<tr>
<td>2014</td>
<td>8.7</td>
<td>5.75</td>
<td>4.25</td>
</tr>
<tr>
<td>2015</td>
<td>9.32</td>
<td>6.38</td>
<td>4.71</td>
</tr>
</tbody>
</table>

Source: BoN, 2015

The average rates of interest recorded for the year 2015 all show an increase from the rates recorded for the year 2014. This increasing trend of the rates of interests continued from the year 2013. The repo rate averaged 6.38 percent for the year 2015, which is high from an average of 5.75 percent in 2014. When the repo rate is adjusted, commercial banks adjusts both the lending and the deposit rate. During the first quarter of 2016, the repo rate has been increased to 7.00. The repo rate is a policy instrument used to contain inflation, curtail borrowing and savings. When the lending rate is falling, this means that the cost of acquiring credit is lower; therefore, demand for credit extension goes up. Credit extended to the private sector therefore increases (or falls) when lending rate decreases (or increases).
Credit extended to the private sector recorded a slowed average growth of 13.5 percent. Both business and household credit extended maintained high but lower growth rates when compared to the rates recorded during 2014. Credit to the business sector grew more than the credit extended to the household because interest rates have been increased to discourage credit to the households, which is usually unprofitable.

3.1.4 FISCAL DEVELOPMENTS

The developments in the global and regional economies in terms of economic growth prospects impacts on the domestic economy. In turn, the economic growth performance in the domestic economy is a key determinant of public revenue. Furthermore, the economic growth performance in the regional economy, South African economy in particular, influences taxes on international trade and transactions which has been one of the main contributors to revenue growth over the years.

Total revenue for the financial years 2014/15 and 2015/16 is estimated at 34.2 and 34.3 percent of GDP, respectively, with tax revenue representing an average of 32.0 percent of GDP for these two years. As clearly illustrated in Figure 15, total revenue as percent of GDP is expected to decline in the medium term and tax revenue is expected to decline to about 29.0 percent of GDP.
Decomposition of total revenue growth indicates the various revenue components’ percentage point contribution to total public revenue growth. Thus, as illustrated in Table 8, revenue growth has slowed down between 2014/15 and 2015/16, and is expected to slow down further in 2016/17. The decline in taxes on international trade and transactions component starting in 2015/16 is the main reason for this. However, domestic taxes on goods and services and the taxes on incomes are expected to drive revenue growth in the medium term, though these depend on the economic growth outturn. In particular, good performance of the wholesale and retail trade sub-industry impacts positively on the domestic taxes on goods and services in the form of increased Value Added Tax (VAT) income.

Table 11: Decomposition of total public revenue growth

<table>
<thead>
<tr>
<th></th>
<th>2014/15</th>
<th>2015/16 prl</th>
<th>2016/17est</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes on international trade and transactions</td>
<td>8.0</td>
<td>-2.4</td>
<td>-5.6</td>
</tr>
<tr>
<td>Personal Income taxes</td>
<td>1.6</td>
<td>5.9</td>
<td>4.6</td>
</tr>
<tr>
<td>Corporate Income taxes</td>
<td>8.4</td>
<td>5.9</td>
<td>-2.6</td>
</tr>
<tr>
<td>Domestic taxes on goods and services</td>
<td>1.9</td>
<td>5.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Other taxes</td>
<td>-1.3</td>
<td>0.1</td>
<td>-0.4</td>
</tr>
<tr>
<td>External Grants</td>
<td>-0.4</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Non-tax revenues</td>
<td>-0.5</td>
<td>-1.7</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Total Revenue growth</strong></td>
<td><strong>17.7</strong></td>
<td><strong>13.6</strong></td>
<td><strong>1.9</strong></td>
</tr>
</tbody>
</table>

Figure 16 below highlights the trends in revenue and expenditure for SACU countries over the past two years and includes the estimates for 2016/17. Lesotho has the highest levels for both revenue and expenditure. The decline in SACU revenue has impacted revenue collection in all four small economies of the SACU region, with Lesotho seemingly affected the most. These economies all depend on the SACU revenue pool as a major source of public revenue.

IMF (2016a) has warned that unless major fiscal adjustments are implemented, this decline could pose a threat to macroeconomic stability in these economies and possibly the entire region. Fiscal adjustments could however be a serious challenge for an economy like Lesotho given the fact that it has the largest government’s wage spending as a share of GDP (about 20.0 percent) among the SACU countries (IMF, 2016a).

Figure 25: Public revenue and Expenditure

The expansionary fiscal stance over the past few years have seen expenditure reach the ceiling of 40.0 percent of GDP for the years 2014/15 and 2015/16. Operational expenditure components which represent over 80.0 percent of total public expenditure are also the main contributors to expenditure growth and will pose a challenge to the fiscal policy consolidation efforts proposed for the medium term expenditure framework. In particular, the concern is with regard to the public wage bill which represents an average of around 14.0 percent of GDP and reportedly one of the largest in Sub-Saharan Africa countries (IMF, 2016a).
The relatively high level of expenditure has resulted in a persistent fiscal deficit of about 6 percent over the last two financial years and the growing public debt, which is estimated to have exceeded the set ceiling of 35.0 percent of GDP in 2015/2016. This has further resulted in increasing interest payments. Therefore, fiscal space is constrained in the medium term and public expenditure management and prioritization, amid potential decline in public revenue, should be enhanced.

The medium-term budget review in November 2015 introduced some measures to reallocate public expenditure to priority areas in order to enhance public spending effectiveness and efficiency. Furthermore, the 2016/17 budget has introduced expenditure cuts, with overall public spending set to decline by about 0.5 percent in 2016/17. These consolidation efforts will however be limited and hampered by the inflexibility of the recurrent expenditure which makes up a huge proportion of the total expenditure thus rather resulting in reduced capital expenditure. This is evident from the fact that the largest budget cut for the 2016/17 financial year was in capital expenditure.

4. MACROECONOMIC OUTLOOK

4.1 DOMESTIC DEMAND PROSPECTS

The demand for goods and services by any nation (Namibia included) is the sum of final consumption expenditure by individuals, government expenditure, gross fixed capital formation also known as investment expenditure, net inventory and net imports which is exports minus imports.
In 2016 final consumption expenditure is projected to increase by 2.7 percent compared to 2015, this is as a result of an increase of public servants salaries, Namibian consumers have a higher marginal propensity to consume for which most of the increment will be spent on goods and services and less will be saved even though saving is more attractive given the continual rise in interest rates as anticipated during the year.

The Bank of Namibia conducted a survey during the first quarter of 2016. One of the main issues raised was the fluctuating exchange rate which to some extent has an effect on their decision to import. The depreciating Namibian dollar against major trading partners will likely make imports unfavorable due to high prices. Moreover, the purchase of a new mining fleet by B2Gold to the value of N$300 million will positively impact imports in 2016. As a result of this, imports are projected to increase by 1.0 percent point in 2016.

Exports are projected to increase slightly by 0.2 percent point in 2016 as can be seen in table 9 below. Reasons in support of this projection include the following: it is in line with the assumption that the drought that transpired in 2015 will be experienced in 2016, low demand for commodities such as diamond on the world market, as well as the fact that Nam Gem Manufacturing has not managed to polish any carats.

The reductions of quota allocations to fishing companies will also negatively impact exports in 2016 and 2017. From 2017 going forward exports are expected to rise on the back of mainly the expected recovery of commodity prices, production expansion by the Namibia Grape Company, development of a Gecko mining site and further widening of the mining pit by Novachab mine.

Table 12: Prospect of the demand side

<table>
<thead>
<tr>
<th></th>
<th>2015*</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final consumption expenditure</td>
<td>4.7</td>
<td>2.7</td>
<td>4.3</td>
<td>4.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Private consumption expenditure</td>
<td>2.8</td>
<td>2.2</td>
<td>4.3</td>
<td>4.4</td>
<td>2.0</td>
</tr>
<tr>
<td>General government expenditure</td>
<td>9.9</td>
<td>4.2</td>
<td>4.1</td>
<td>4.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>9.8</td>
<td>4.9</td>
<td>4.0</td>
<td>3.2</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Gross Domestic Expenditure</strong></td>
<td><strong>6.2</strong></td>
<td><strong>3.4</strong></td>
<td><strong>4.2</strong></td>
<td><strong>4.1</strong></td>
<td><strong>3.2</strong></td>
</tr>
<tr>
<td>Exports of goods and services</td>
<td>-11.4</td>
<td>0.2</td>
<td>2.9</td>
<td>2.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>-2.6</td>
<td>1.0</td>
<td>0.5</td>
<td>0.9</td>
<td>1.1</td>
</tr>
<tr>
<td>GDP in constant prices 2010</td>
<td><strong>5.3</strong></td>
<td><strong>3.9</strong></td>
<td><strong>6.2</strong></td>
<td><strong>5.5</strong></td>
<td><strong>3.8</strong></td>
</tr>
</tbody>
</table>

*Note: Actual 2015 Data

Data source: NSA Annual National Accounts 2015, Macro ABC Model and NPC projections

Going forward consumption expenditure is projected to be positive throughout the mid-term period following the stabilization of exchange rates, rising wage rates and as a result of consumers adapting and adjusting to prevailing interest rates and prices. Public consumption
expenditure will be driven by the wage bill in 2016 and 2017, going forward it is expected to see a rise in public expenditure over the mid-term period due to the implementation of Harambee Prosperity Plan and the Fifth National Development Plan. The implementation of key development plans i.e. HPP and NDP5 will likely lead to increase in imports given that machinery required in the implementation process will likely be imported.

4.2 SECTORAL PROSPECTS

All three industries recorded weaker growths in 2015. The secondary industry had the high growth rate of 8.3 percent followed by the tertiary industry (5.4 percent). The primary industry experienced a contracting growth of 3.2 percent in 2015 due to contractions of 10.3, 2.8, and 0.3 percent in real value added recorded in agriculture, fishing and fish processing on board, and mining respectively. However, primary industry is projected to record positive growth in 2016 with the expectation of positive growth of mining and quarrying as well as other mining and quarrying sectors.

The secondary sector is expected to record slow growth in 2016 with the expectation of a contraction in construction as well as slow growth in electricity and water sectors. Figure 18 below shows that from 2016 to 2019, the tertiary sector is assumed to grow at an average of 5.0 percent. This is on the back of the expected completion of major projects i.e. the expansion of the Port of Walvis Bay which is likely to increase the demand for transport during the mid-term period.

Figure 27: Sectorial projections

4.2.1 PRIMARY INDUSTRIES

The Agricultural sector will contract in 2016 with the assumption of the continuation of drought and thus causing reductions in the number of livestock and slaughters for meat. The assumed drought will continue to cause drastic losses of livestock due to lack of water and insufficient grass for grazing. The drought effects may spill over to the transport sector thereby reducing demand for transport by firms. The Diary industry being water intensive will heavily be negatively impacted by the prevailing drought thereby reducing milk production.
As water and electricity tariffs rise, costs of production for farmers will rise which may be passed on to the consumers through high prices causing a reduction in commodity demand. The fishing sector being the third largest contributor to GDP will improve in 2017 albeit marginally as the commodity price recovers.

The recovery of prices on the international market will boost the mining sector leading to a rise in production especially given that Husab mine is expected to be fully operational in August or September 2016. Metal ores from B2 gold and Tschudi mines are expected to drive growth in 2016 and 2017. The expectation that B2 gold will likely reach its production capacity in 2017, overall growth will be slightly impacted. Thus the mining sector will likely grow positively.

Rosssing and Langer Heinrich are expected to recover in 2016 following the contraction experienced in 2015, coupled with the assumption that there will likely be recovery in international commodity prices and global demand will be restored. Figure 20 below shows the primary industries growth actual for 2015 and forecasts for the years 2016 to 2019.

Figure 28: Primary Industry growth forecasts

Data source: Macro ABC Model and NPC projections

4.2.2 SECONDARY INDUSTRIES

The secondary industry is projected to record marginal growth of 0.7 percent in 2016 with the assumption of the continuation of the drought and the negative development on international markets. The slow growth of the Secondary industry can also be accounted for by the low commodity prices on the international market as it was noted earlier that Nam Gem Diamond manufacturing has not to date polished any carats in 2016. However, diamond processing is projected to growth by 1.8 percent in 2017 and assumed to be positive over the mid-term period.

Growth in the manufacturing sector in 2016 will mainly be driven by Leather and related products, Non-metallic minerals products, Wood and wood products as well as Chemicals and related products. The commencement of a new composite cement plant for Ohorongo cement and sulphuric acid plant at Dundee precious metals at Tsumeb should significantly
account for a chunk of the growth in the manufacturing sector. The production of beverages and dairy products is projected to be impacted by water crisis but an improvement is expected from 2016 going forward.

The electricity and water sector is projected to grow by 3.2 percent in 2016 with the assumption of the occurrence of drought countrywide, thus leading to high demand of water. Thereafter, it is expected to see improvement in the water and electricity sector as Van Eck comes to full operation as well as the likely implementation of renewable energy projects that are being on high agenda. In the construction sector, capital projects such as the resumption of the mass housing project, continuation of the expansion of Walvis Bay Port, mass servicing of plots country wide, construction of roads especially SADC gateway projects, expansion of mines such as Rossing and Scorpion, the remaining phases of the Neckatal dam and other capital projects.

Going forward under the mid-term period, growth in the secondary industry is assumed to be positive mainly as a result of the implementation of the Harambee Prosperity Plan and NDP5. Figure 20 below is a graph with growth forecasts for the secondary industry for the years 2016 to 2019 starting with the actual growth for 2015. The secondary sector is expected to record slow growth of 3.2 percent in 2016 from 8.3 percent in 2015 with the expectation of a contraction in construction as well as slow growth in electricity and water sectors.

Figure 29: Secondary Industry growth forecasts

![Secondary Industry growth forecasts](image)

*Data source: Macro ABC Model and NPC projections*

### 4.2.3 TERTIARY INDUSTRIES

The tertiary industry which contributes more than 50.0 percent to GDP is projected to grow by 5.6 and 5.0 percent in 2016 and 2017 respectively. The growth in the industry during this period will be brought by the increase in remuneration of civil servants, thereby leading to increases in disposable incomes which will increase their purchasing power. The hotels and restaurants sector which is the proxy for tourism sector is expected to grow as a result of the depreciation of the Namibia dollar as well as the expected improvement in economic conditions in the economies from where Namibian tourists originates. From 2017 going
forward, as the Namibia dollar is envisaged to appreciate against major hard currencies, the number of tourists to Namibia may start declining causing growth to slow down in the sector.

Other projects in the construction sector such as Namport expansion are expected to be completed by 2017, thus causing an increase in the demand for transport and cargo handling. The implementation of the Harambee Prosperity Plan (HPP) and the Fifth National Development Plan (NDP5) will cause an increase in economic activities thereby leading to an upswing in the demand for transport and other logistical arrangements. The resumption of the mass housing and mass land servicing will lead to an escalation in the demand for real estate services. The implementation of the HPP and NDP5 will likely drive public expenditure upward from 2017 onwards.

Moreover, the introduction of free primary and secondary education envisaged to see an increase in enrolment rate from 2016 going forward. This implies that government expenditure on education will remain the highest going forward. Figure 21 below shows the growth forecasts for the tertiary sector for the years 2016 to 2017 as well the actual growth for 2015.

Figure 30: Tertiary Industry growth Projections

![Tertiary Industry growth Projections](image)

*Data source: Macro ABC Model and NPC projections*

Growth prospects will continue to slow down in 2016 due to a number of developments emanating from the global and regional economies for which the economy has no control over.

Table 13: Middle Case Scenario showing the demand side

<table>
<thead>
<tr>
<th></th>
<th>2015*</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final consumption expenditure</td>
<td>4.7</td>
<td>2.7</td>
<td>4.3</td>
<td>4.4</td>
<td>2.3</td>
</tr>
</tbody>
</table>
### 4.3 ALTERNATIVE SCENARIOS OF PROJECTIONS

The direction of economic growth can never be projected with 100.0 percent precision as economies are subject to impulses of nature such as drought and developments in other countries with which it trades. However, for efficient planning it is important to encompass all three scenarios: Low, Middle and High cases. By so doing, the government can equip itself to better deal with any negative economic adversity that may arise. Table 8 below shows all three scenarios and growth forecasts in each scenario.

Table 14: Three projection scenarios

<table>
<thead>
<tr>
<th>Growth Scenarios</th>
<th>2015(^2)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Case Scenario</td>
<td>5.3</td>
<td>3.4</td>
<td>4.7</td>
<td>4.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Middle Case Scenario</td>
<td>5.3</td>
<td>3.9</td>
<td>6.2</td>
<td>5.5</td>
<td>3.8</td>
</tr>
<tr>
<td>High Case Scenario</td>
<td>5.3</td>
<td>4.8</td>
<td>6.6</td>
<td>6.0</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Data source: Macro ABC Model and NPC projections

In case the current economic conditions continue, the low case scenario will be experienced in 2016 with a slow but positive GDP growth of 3.9 percent. The investment platform will grow at a moderate rate due to on-going investment in the construction sector. Private consumption expenditure is expected to grow in 2016 as a result of salary increments for civil servants but will slightly be impacted by higher interest rates as those with higher incomes opt to save than spend. It is however projected to be positive throughout the mid-term period as the exchange rates stabilizes, inflation is likely to fall.

In 2016 and 2017 public consumption expenditure will be driven by the wage bill, but going forward it is expected to see a rise in public expenditure over the mid-term period due to the

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\(^2\) 2015 actual growth, while 2016-2019 are projections
implementation of Harambee Prosperity Plan and the Fifth National Development Plan once launched.

5. SOCIAL DEVELOPMENTS IN NAMIBIA

5.1 OVERVIEW OF HUMAN RESOURCES DEVELOPMENTS IN NAMIBIA

Economic growth and development cannot be achieved without substantial investment in human capital development or skills development. Productive and competitive human resources and institutions are key result areas associated with the third objective of Vision 2030 of human resources development and institutional capacity building. For an economy to grow, the necessary skills are needed and should be developed in accordance with the desired economic development path.

In most cases when countries take up skills development, they do not have records of what skills are currently being demanded, and thus lead to skills shortages and surpluses. Skill shortages are a major constraint to economic development and the effects of such a gap intensify as the economy develops. The absence and or lack of required skills to meet the changing environment and emerging occupation categories can be a serious threat to economic growth. This equally applies to skills in established occupational categories, for which demand is growing.

Table 12 below shows the estimated skills needed by major occupations in Namibia between 2012 - 2017 and 2018 - 2022 periods. The table indicates that a large number of occupations especially skilled agricultural workers, service workers, plant and machine operators and Clerks, are expected to face labour shortage (excess labour demand) over the projected period.

Table 15: Aggregate Occupation imbalances in Namibia 2012 - 2022

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate and general managers</td>
<td>1 806</td>
<td>6 494</td>
</tr>
<tr>
<td>Professionals</td>
<td>17473</td>
<td>28 435</td>
</tr>
<tr>
<td>Technical and associate professionals</td>
<td>3 241</td>
<td>18 045</td>
</tr>
<tr>
<td>Clerks</td>
<td>-5 862</td>
<td>377</td>
</tr>
<tr>
<td>Service workers and shop market sales workers</td>
<td>-17 567</td>
<td>-6 992</td>
</tr>
<tr>
<td>skilled agricultural and fishery workers</td>
<td>-28 386</td>
<td>-27 462</td>
</tr>
<tr>
<td>craft and related trades workers</td>
<td>930</td>
<td>13 361</td>
</tr>
<tr>
<td>plant and machine operators and associates</td>
<td>-8 628</td>
<td>788</td>
</tr>
</tbody>
</table>
Namibia will continue to experience skills shortage (excess labour demand) in the professional category which includes the following occupational categories: architects, medical practitioners and pharmacists. Similarly for trade category; electrical and electronic technicians will be in short supply while computer assistants are likely to be in excess labour supply over a projected period.

The elementary occupations are occupational categories which requires less skills, over the projected period, estimates shows a big labour shortage when one exclude the unemployed, which is the major supply for this occupation category. This suggests that the Namibian economy is still much labour intensive especially in agriculture, however due to large army of unemployed, still the majority of less educated still could not be absorbed. Therefore there is a need to increase productivity especially in the agriculture sector and retrain and equip the unemployment with minimum skills.

5.2 GENDER DISPARITIES

5.2.1 WOMEN IN DECISION MAKING

The Universal Declaration of Human Rights recognizes the right of every person to take part in the government of his or her own country. Equal access of men and women to power, decision-making and leadership at all levels is a necessary precondition for the proper functioning of democracy. Empirical study (Alam, 1998) argues that there is a strong positive correlation between an individual member's participation in household decision making process and his/her economic contribution to household income in addition to "pure gender bias".

Since 1995, when the Beijing Platform for Action was adopted, the global average for women’s participation in national politics has gradually increased from 11.3 percent to almost 17.0 percent in 2006 with nineteen countries, half of them in developing countries, meeting the 30.0 percent target. Figure 23 show that Namibia has the second highest female representation in local government in the region after Lesotho. This has been consistent over time: 43.0 percent in 2005 and 42.0 percent in 2014.

*Figure 31: Women in local government in SADC 2005-2014*
The proportion of women in Parliament in Namibia increased markedly from 18.1 percent in 1995 to 41.3 percent in 2015. Although the representation fluctuated between 2004 and 2009, overall there is an observed increased trend between 1995 and 2015.

Figure 32: Namibia’s Women representation in parliament

Source: 2014 SADC Gender Protocol Barometer / 2015 Inter-Parliamentary Union for Democracy for Everyone
5.2.2 GENDER INEQUALITY INDEX (GII)

Gender Inequality Index (GII) is a measure of inequality in achievement between women and men using three dimensions, namely: reproductive health, empowerment and the labour market. For interpretation, the higher the index value, the higher is inequality between women and men. The first dimension of the GII is the reproductive health, measured by maternal mortality ratio and the adolescent fertility rate. Empowerment is the second dimension of the GII and is measured by proportion of parliamentary seats occupied by females and proportion of adult females and males aged 25 years and older with at least some secondary education. The last dimension is the economic status, expressed as labour market participation and measured by labour force participation rate of female and male populations aged 15 years and older.

The index measures the human development costs of gender inequality, thus the higher the GII value the more disparities between females and males and the higher the loss to human development. Namibia, a medium human development country alongside Botswana and South Africa is ranked number 81 out of 188 countries with a value of 0.401. There is not much difference on educational attainment between men and women. However, significantly more men than women are participating in the labour market. Furthermore, maternal mortality and adolescent birth rate is quite high, thereby pushing up the index value. It is therefore important to equip women to participate in the labour market, address maternal mortality and adolescent pregnancy.

Table 16: GII for SADC countries, 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>Mauritius</th>
<th>Botswana</th>
<th>South Africa</th>
<th>Namibia</th>
<th>Congo</th>
<th>Zambia</th>
<th>Zimbabwe</th>
<th>Lesotho</th>
<th>Malawi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>0.419</td>
<td>0.48</td>
<td>0.407</td>
<td>0.401</td>
<td>0.593</td>
<td>0.587</td>
<td>0.504</td>
<td>0.541</td>
<td>0.611</td>
</tr>
<tr>
<td>Rank</td>
<td>88</td>
<td>106</td>
<td>83</td>
<td>81</td>
<td>137</td>
<td>132</td>
<td>112</td>
<td>124</td>
<td>140</td>
</tr>
</tbody>
</table>

Source: 2015 Human Development Report

5.3 INCOME DISPARITIES

5.3.1 INEQUALITY ADJUSTED HUMAN DEVELOPMENT INDEX

Human Development Index (HDI) has been introduced as a better measure of development compared to income as it measures both social and economic progress by looking at longevity, knowledge and the standard of living. With the recognition that inequality could retard developmental progress, Inequality Adjusted Human Development Index (IHDI) was introduced to account for the loss in potential human development due to inequality. The difference between the IHDI and HDI, is the loss to human development due to inequality usually referred to as the human development cost of inequality. Thus, IHDI indicates the level of human development given the prevailing inequality.

Table 14 indicates HDI and IHDI among selected Southern Africa Development Community member countries. The table indicates that Namibia has a relatively high HDI, third highest in the group. However, the country is comparable to Zambia, Swaziland and Zimbabwe in terms of IHDI given that the country loses about 0.44 of human development due to inequality.
This indicates the impacts of inequality on human development and it shows that the higher the inequality levels, the lower the human development index.

Table 17: Inequality-adjusted Human Development Index and other socio-economic indices

<table>
<thead>
<tr>
<th>Country</th>
<th>HDI</th>
<th>IHDI</th>
<th>OVERAL LOSS</th>
<th>GINI</th>
<th>Inequality in life expectancy (%)</th>
<th>Inequality in Education (%)</th>
<th>Inequality in income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Namibia</td>
<td>0.624</td>
<td>0.352</td>
<td>0.44</td>
<td>0.597</td>
<td>22</td>
<td>28</td>
<td>68</td>
</tr>
<tr>
<td>Zambia</td>
<td>0.561</td>
<td>0.365</td>
<td>0.35</td>
<td>0.575</td>
<td>37</td>
<td>24</td>
<td>43</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.658</td>
<td>-</td>
<td>-</td>
<td>0.631</td>
<td>26</td>
<td>18</td>
<td>-</td>
</tr>
<tr>
<td>Botswana</td>
<td>0.683</td>
<td>0.422</td>
<td>0.382</td>
<td>-</td>
<td>22</td>
<td>32</td>
<td>56</td>
</tr>
<tr>
<td>Swaziland</td>
<td>0.530</td>
<td>0.354</td>
<td>0.333</td>
<td>0.515</td>
<td>35</td>
<td>27</td>
<td>38</td>
</tr>
<tr>
<td>Angola</td>
<td>0.526</td>
<td>0.295</td>
<td>0.44</td>
<td>0.427</td>
<td>46</td>
<td>35</td>
<td>50</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>0.492</td>
<td>0.358</td>
<td>0.272</td>
<td>-</td>
<td>35</td>
<td>27</td>
<td>38</td>
</tr>
<tr>
<td>Lesotho</td>
<td>0.486</td>
<td>0.313</td>
<td>0.356</td>
<td>0.525</td>
<td>34</td>
<td>24</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: UN Data 2013 and Namibia Statistics Agency, NHIES 2009/10

5.3.2 INEQUALITY BY SOURCE OF INCOME

Although, Namibia is rated as one of the countries with high levels of inequality, Table 15 indicates that overall there has been a general decline in inequality most specifically at national levels and in rural areas. Despite this trend, inequality appears to have remained the same or increased slightly in urban areas and among those whose main source of income is salaries and wages, and among subsistence farmers. This has implications for poverty reduction efforts and wealth creation. Inequality is lowest in rural areas and among subsistence farmers.

Inequality is not always bad, as it may provide incentives to work harder, invest and undertake risks to take advantage of high rates of return. For example, if highly educated people are much more productive, the high differences in rates of return may encourage more people to seek education, Cingano (2014).

Table 18: Inequality in income by percentile group

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>1993/4</th>
<th>2003/4</th>
<th>2009/10</th>
<th>Income per capita</th>
<th>Population %</th>
<th>Average Household size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>0.6035</td>
<td>0.5666</td>
<td>0.5676</td>
<td>20 668</td>
<td>43.0</td>
<td>4.1</td>
</tr>
</tbody>
</table>
5.4 POVERTY IN NAMIBIA AND IMPACT OF SOCIAL SAFETY NETS

Social safety nets are defined as non-contributory transfers provided to people vulnerable or living in poverty and other forms of deprivation. A growing number of countries are introducing and expanding safety net programmes globally. They mostly consist of school feeding, public works programs, cash transfers, in kind transfers, health and education subsidies. In Namibia they have expanded remarkably, with approximately 400 000 beneficiaries.

The large body of literature on the social safety nets highlights a large number of ways in which the safety nets can be helpful. According to Rahman et al (2011), one of the prime justifications is that they play a well-recognized redistributive role which is supported strongly by moral philosophy. The World Bank has estimated that social safety nets in developing countries lift about 50 million people from absolute poverty each year. Table 16 indicates the impact of social grants (old age pension) on poverty in Namibia.

The value of social grants received was subtracted from household expenditure to determine the without social grants status. Although, social grants do reduce poverty in general, the table indicates that it is more effective as an intervention to reduce severe poverty. Without social grants, poverty levels in Namibia could have been 35.0 percent in 2009/10 and severe poverty could have been 22.0 percent compare to 29.0 percent and 15.0 percent respectively.

Table 19: The impact of social grants (old age pension) on poverty in Namibia

<table>
<thead>
<tr>
<th></th>
<th>Severely poor</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>With</td>
<td>Without</td>
</tr>
<tr>
<td>Erongo</td>
<td>2.87</td>
<td>3.94</td>
</tr>
<tr>
<td>Hardap</td>
<td>15.15</td>
<td>20.99</td>
</tr>
<tr>
<td>Karas</td>
<td>16.84</td>
<td>22.88</td>
</tr>
</tbody>
</table>

Source: Namibia Statistics Agency, NHIES 2009/10
Although safety nets may have less impact in reduction of income poverty due to the value of
the amount given, child grants for instance may reduce stunting; improve health and early
entry in school. In Bangladesh and Cambodia school attendance increased by 12.0 and 31.0
percent, respectively as a result of social grants.

Providing safety nets even in small amounts to the vulnerable have effects that go far beyond
just addressing consumption poverty and income inequalities. These include investments in
individual-level human capital – such as greater education, health and nutrition for children –
that would not have been otherwise affordable. Despite, its importance on poverty reduction
social safety nets, while extremely useful, are not the panacea of poverty eradication. Rather,
they are part of a country’s development policy and should be viewed as such.

6. CLIMATE AND ENVIRONMENTAL SUSTAINABILITY

Climate change also known as global warming is the increase in mean annual surface
temperature of the earth’s atmosphere, caused by various activities that produce greenhouse gases (Betsill, 2003). According to Betsill, human activities such as combustion of fossil fuels have increased the concentration of these gases into the atmosphere, though there other natural occurrences contributing. Furthermore, these gases absorb long-wave radiation and disrupt the earth energy balance, which in turn influences the climate system. The consequences of such disruption result in many catastrophes that negatively impact natural habitats, environment as well as humans; these are pro-longed drought and sea level rise.

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3 Any of the atmospheric gases that contributes to the greenhouse effect by absorbing infrared radiation produced by solar warming of the earth's surface. They include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (NO₂), and water vapor, CFC, e.t.c
6.1 GLOBAL AGREEMENTS ON CLIMATE CHANGE AND THEIR IMPACT ON NAMIBIA

Given the global nature of the problem, solutions have been sought through coming together of nations and deliberate on what should be done, or rather seek for answers. Agreements have been reached for countries to reduce emission of greenhouse gases in order to minimize their contribution to climate change and its effect thereof. The international political response to climate change began at the Rio Earth Summit in 1992, where the ‘Rio Convention’ included the adoption of the United Nations Framework Convention on Climate Change (UNFCCC). This convention outlined a framework for action aimed at stabilizing atmospheric concentrations of greenhouse gases (GHGs) to avoid “dangerous anthropogenic interference with the climate system.”

The UNFCCC which came into force on 21 March 1994 now has a near-universal membership of 196 parties (Figueres, 2015). Namibia ratified the UNFCCC in 1995 and as a result became legally obligated to adopt and implement policies as well as measures in view of mitigating effects of climate change.

In line with the UNFCCC is the annual Conference of Parties (COP21). The main objective of the annual Conference of Parties (COP) is to review the Convention’s implementation. The first COP took place in Berlin in 1995 and significant meetings since then have included COP3 where the Kyoto Protocol was adopted, COP11 where the Montreal Action Plan was produced, COP15 in Copenhagen where an agreement to attain Kyoto Protocol was unfortunately not realized and COP17 in Durban where the Green Climate Fund was created.

The COP21 that was held in Paris, France in December 2015 was to agree on way forward with renewable energy that will have little or no emission of greenhouse gases that contributes to climate change. With the COP21 Paris, parties agreed to reduce the dependence on fossil fuels as well as cutting greenhouse gas emissions from combustive energy producing processes that are responsible for the greenhouse effect of trapping radiation in Earth’s atmosphere. The agreement stipulates that finance to developing nations will be provided to help them cut greenhouse gas emissions by investing in renewable energy, also to help cope with the effects of extreme weather dry, hot, cold or wet, the agreement stipulates. Thus countries affected by climate-related disasters will gain urgent aid.

Moreover, in view of the COP21, there is the provision for a Green Climate Fund where Namibia can benefit by being a member of the fund. The needed contribution from the fund is projected to approximately NS495 billion, for Namibia’s utilization for climate adaptation and mitigation measures which includes renewable energy. This amount is quite huge if taken from the government budget; it will mean to shift money from some of the priority areas, which will compromise the country’s development and industrialization plans (NAMPA, 2015). This means education targets such as free tertiary education, poverty eradication by 2025 and Vision 2030 aspirations will not be realized.

6.2 CLIMATE CHANGE AND AGRICULTURE

Namibia relies heavily on groundwater reserves, which currently supply more than 50.0 percent of the country’s water demand (New era, 2015). Lack of water is identified by the Government of Namibia as one of the biggest limitation to country’s development. Furthermore, the New era Article says if Namibia does not adapt sound mitigation measures, its GDP growth will slow down to 3.5 percent per year due to the effect of climate change. In turn, this could exacerbate the already high income inequality; also slow the poverty
eradication process and may even show that NDPs’ implementations are ineffective. Climate change has devastating effect especially that agricultural activities are the main land users with approximately 64 million hectares, or 78.0 percent of the total land area, being used for farming (animals and crops), with estimated 59.0 percent of the population living in rural area practicing subsistence farming.

About 14,455 hectares (ha) of land was cultivated and planted with white maize in 2015 for which the yield was about 38,100 metric tons (Namibia Agronomic Board, 2015). Of the total hectares planted, 10,451 ha was for rain fed (dry land), while 4,004 ha was for irrigation. The low yield in dry land can be attributed to drought.

Figure 33: White maize local production, import export and consumption

![White maize local production, import export and consumption](image)

Data source: Namibian Agronomic Board

If local production is not boosted to catch up with consumption, then millers are compelled to import white maize grain in order to meet the local demand, (figure 24). During a typically good year, Namibia produces an average of 65,000 metric tons of white maize. While production under irrigation is anticipated to yield slightly less because of the harsh climatic conditions, the total estimated harvest for the entire production period during the current drought is estimated at 45,000 metric tons. This number has been recently adjusted from 37,000 metric tons and is in line with an anticipated slight increase in yield due to late rains that have led to a more optimistic outlook by rain fed producers (Brock, 2016). “Nevertheless, this pushes up the import requirements from 85,000 metric tons during a normal good year to 135,000 metric tons to meet current end consumer needs” says Brock.

6.3 ENVIRONMENTAL SUSTAINABILITY

Environmental sustainability and management is a multidisciplinary academic field which focuses on finding solutions to the world’s most pressing environmental problems, such as land degradation, deforestation, climate induced adverse on the environment, etc. At the same time, it put emphasis on real-world problem solving and the development of applied solutions to environmental issues at local, national and international levels (Deakin University, 2016).
Skills and knowledge are needed to manage the complex interaction between people and the environment, and to satisfy society’s needs for clean water, fresh air and healthy soils through the sustainable use of natural resources, environments and ecosystem services.

Namibia, like other countries has come to realize that climate change (CC) is a global problem that has already started affecting the environment, impacting even on the country’s economic interventions which are critical in triggering the achievement of national plans. At the same time, the effects of climate change also continue to deteriorate social wellness of human beings as well as other living organisms which are threatened to extinct. To find unswerving mitigation, one needs to understand the inter-linkages among economic, social and the environment. An article by Einstein of Thwink Organization elaborates this inter linkage involving internal forces (Harich, 2014). Below is a snapshot of what interlinks are talked about.

“The principle of The Three Pillars of Sustainability says that for the complete sustainability problem to be solved all three pillars of sustainability must be sustainable. The three pillars are social sustainability, environmental sustainability, and economic sustainability.

Of the three pillars, the most important is environmental sustainability. If this is not solved, then no matter how hard we try the other pillars cannot be made strong because they are heavily dependent on the greater system they live within, which is the environment.”

In order for the country to understand the effects of climate change, an integrated approach has to be embarked on, of course backed by empirical evidence on how the impacts of climate change especially on social, affects directly or indirectly affect the environment. Factors of mitigation measures are necessary to be put in place, such as impact modelling. It is for that reason that Threshold 21 (T21) Namibia Model has been developed for this purpose, to guide the planning of environmental sustainability, by modelling impact mitigations of climate change. The T21 model strengthens the institutional capacity to develop an integrated climate change adaptation strategy, and to reach agreement on comprehensive national plans that deals more effectively with the impacts, both on human being and environment.

Here are some of the sectors for which measures can be taken to adapt climate change: Water sector, the responsible line ministry should build and improve water management system, as well as improving water conservation techniques. Agricultural sector need increased research on harsh weather resistant crops, in order to increase yield. Farmers also need to be educated by extension officers on how to adapt to climate change through encouragement in rearing
drought resistant animals such as Karakul sheep and Nguni cattle, that’s from the agricultural perspective. Introduction of communal conservancies tackles more than one problem, be it from economic, social or environment. Education becomes the key in succeeding with environmental sustainability.
PART 2: SECTION B – FOCUS ON AGRICULTURE
GLOBAL AGRICULTURAL OUTPUTS

World agriculture production remained favorable in 2014 and is estimated to increase in 2015 and 2016. Oilseeds production reached the highest value of 930,970 million tonnes since 2000; it is further estimated to continue increasing in 2015 and 2016. Figure 1 below shows the state of agriculture production from 2000 to 2014 and also projections of global agricultural production for the period 2015 to 2016.

The production of sugar did not really grow much in 2014, it is also expected that sugar producers will cut on production as the price of sugar decreases. At global level, a significant 7,957.3 million tonnes of agriculture products was produced in 2014 and more than 8,000 of global agriculture products will be produced in 2015 and 2016.

Figure 34: Global agricultural output (Mt)

According to the Organisation for Economic Co-operation and Development (OECD) report (2015) world agricultural output grew at 2.2 percent per annum (p.a.) on average in the past 10 years. It is also expected to go down by 1.5 percent in the next 10 years due to slower growth in all regions, especially in Eastern Europe and Russia, Asia and Pacific. Africa, Latin America and Caribbean are expected to lead growth in the next decade. The slow agricultural growth will exert pressure on regions to feed the increasing population.

Investment in agricultural production in Africa could possibly increase output in the region. Sub-Saharan African remains the region with abundant land and total crop area in the region and is expected to expand by more than 10.0 percent in the next ten years (OECD/FAO outlook, 2015). Agenda 2063 advocates for increased agricultural production by using modern technology. This point to the level of ample and secured food security where there is no hunger in the African continent. By achieving full agricultural production, it means financial resources meant to buy food will be channeled to other developmental programmes.
and projects. Agricultural exports will be boosted thereby increasing revenue and foreign reserves.

GLOBAL AGRICULTURAL TRADE VOLUMES

Figure 26 below depicts exports and imports of world agricultural output. Exports and imports include both crop and animal produce. The highest exports of agriculture output of 896.5 million tonnes were recorded in 2012 which translated into a highest positive trade surplus of 52.2 million tonnes in the same year. The year 2000 and 2012, the only two years recorded fewer exports as compared to imports. This led to a negative trade balance in 2000 and 2012.

Figure 35: Global agricultural trade volumes

![Global agricultural trade volumes](image)

Source: OECD-FAO (2015)

The trade volumes of most agricultural commodities are expected to expand in the next ten years. The growth will be led by a strong growth in commodities such as sugar, cotton and poultry which are expected to grow by 3.0 percent per annum in volume terms.

According to the OECD/FAO report, exports of agricultural products tend to be concentrated in a few countries as compared to imports. Few exporters of the commodity reflect comparative advantages in those countries mainly due to resources endowment and good climatic conditions. The report further indicated that countries that mainly depend on imports increases the risk when supply is disrupted by natural disasters or trade protective measures. The United States, the European Union and Brazil remain among the key exporters of agricultural products. China will be the main importer of many agricultural outputs for the next 10 years.

INTERNATIONAL AGRICULTURAL COMMODITY PRICES

The price of cereals (rice and wheat) declined in 2014. World wheat price declined from US$318 per ton in 2013 to US$290 per ton in 2014 (representing the lowest wheat price since 2010), it is expected to go down again in 2015. Rice prices have also recorded the lowest price since 2008 from US$695 per ton to US$435 per ton in 2014. The decline in cereal
prices is due to bumper and greatest harvests for both maize and wheat in 2014 which ensured an increase in supply.

Prices of oilseeds have also declined further in 2014 due to a notable decrease in consumption of oilseed. Meat prices which include beef, pork, poultry and mutton increased in 2014. The increase in price is due to reduced herd numbers and disease outbreaks which restricted the supply (OECD-FAO outlook, 2015). The prices of fish and cotton are expected to decline slightly in 2015. Sugar prices continue to decrease as production exceeds consumption.

Figure 36: International agricultural commodity prices

Source: OECD-FAO (2015)

4. REGIONAL AGRICULTURAL TRENDS

Africa’s cereal production was estimated to fall from 173.3 million MT of 2014 to 161.8 million MT in 2015, representing 6.6 percent decrease (Food and Agriculture Organization, 2015) reflecting the impact of adverse weather conditions in Southern Africa’s cereal output that reduced (23.4 percent) and the ongoing reduced (13.2 percent) harvest in East Africa, FAO\(^4\) researcher indicates. Harvests in West and Central Africa are forecast to remain close to the levels of 2014 (52.5 million MT), while a production recovery in North Africa, from 32.7 million MT in 2014 to 37.1 million MT in 2015 represent 13.5 percent increase (Figure 28). FAO researcher further wrote that conflicts in several African countries continued to severely affect food security and the agriculture sector, while drought conditions in East Africa have severely impacted pastoralist livelihoods.

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\(^4\) Food and Agriculture Organization of the United Nation, the UN organ responsible for global food security
4.1 SADC AGRICULTURAL OUTPUTS

The Sub-region experienced late and low precipitation during the planting rain season (October-March), which exacerbated the already depleted soil moisture, leaving dryland farmers with hopeless situation of continued drought as many did not plough their fields. This early season dryness has interrupted planting activities, while in cases where sowing had already taken place, adversely affected early crop development.

The current prevailing El-Niño seem to take its toll, thereby requiring countries to gear themselves and be prepared for another drought, meaning food imports outside the region will increase, which might in turn lead to high food prices. The sub-region experienced a short fall of 22.7 percent on cereal production in 2015 when compared to the production (36.1 million MT) of 2014.

South Africa being the largest cereal producer in the SADC region had a reduction of 26.1 percent in cereal production followed by Zambia (19.6 percent). Zimbabwe’s political situation on farming land has affected its cereal production such that the reduction was recorded at 50.4 percent in the same period, and its cereal import was estimated at 700 000 tons in 2015.
Across the region, cereal imports have increased as major cereal producers continue to experience short falls in their production. Large import volumes are forecast in the deficit-producing countries\(^5\) with needs expected to be satisfied by South African grain supplies (from local production and imports), as in most drought seasons.

4.2 SADC AGRICULTURAL INTER TRADE VOLUMES

FAO report recorded that Zambia has emerged as a major exporter of maize grain in 2015, with approximately 320 000 tons exported between April and August 2015, about 77 percent of this volume was shipped to Zimbabwe, while Malawi imported about 70 000 tons of maize grain from the same country. Despite Zambia’s reduced maize harvest and larger volumes of exports, the country managed to cushion grain price by stock carry over from the previous harvesting season. Due to the steep cereal reduction in the region, many countries will require food assistance from within the region, in the continent and from elsewhere in the world.

The Ministry of Agriculture, Water and Forestry had revealed that Namibia was to import about 210 000 tons of cereal until the next harvest in July 2016 to ensure food security in all

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\(^5\) Botswana, Lesotho, Namibia and Swaziland are cereal deficit-producing countries in the SADC region
regions (New Era, 2015). The situation reflects how steep cereal production has declined in the country, particularly in the subsistence sector. While in Zimbabwe, the national Vulnerability Assessment Committees (VAC) estimates that nearly 1.5 million persons, up from a low of 560 000 in 2014, will require assistance during the peak lean period between January and March 2016, FAO (2015).

5.3 SACU AGRICULTURAL INTER TRADE VOLUMES

The five member Southern Africa Customs Union (SACU), the oldest customs union in the world, within SADC region has started the year 2016 with concerns over the erratic rainfall distribution, which compelled all previous projections of maize production to be revised downwards to either “severe” or “disastrous” scenarios. Not only SACU states predicted it as such, but also many other Southern African states fear that the region is on the brink of the worst drought in recorded history, surpassing the impact levels reached in 1992 (Mureverwi, 2016).

Mureverwi further says that given these structural changes in national, regional, and global food markets, the region faces what could be an entirely new challenge to what is fundamentally an old problem. To gear for these challenges, countries should by now already have determined the level of production and import requirements. There is a need to start thinking of possible strategies that would ensure that food is available to the entire regional population at an affordable price.

Figure 39: Namibia’s agricultural trade (percent) within SACU during 2012-2015

Namibia’s agricultural export value within SACU accounted for 50.7 percent in 2015, which is the highest when compared to the average of 41.0 percent registered from 2012 to 2014 (figure 30). This shows some major strides undertaken by Namibia towards intra-trade among SACU member states. Imports of agricultural goods, on the other hand averaged 84.0 percent from 2012 to 2015 period. It shows that on average it’s only about 16.0 percent of its imports were from outside the SACU area. Furthermore, an average of 90.0 percent of live animals during 2012 to 2015 period were exported to South Africa, Botswana and Swaziland, while an average of 10.0 percent were exported to non SACU countries.
Of all the live animal exports, 99.0 percent were destined to South Africa while an average of 95.0 percent of live animals were imported to Namibia from SACU member states especially South Africa (96.0 percent), while only about 5.0 percent was sourced from outside SACU area. This picture shows that a major chunk of Namibian trade on live animals, such as goats, sheep or cattle is traded within the SACU area thereby contributing to an increase in SACU receipts for member-states.

Looking at the trend, one can conclude that much of Namibia’s agricultural trade (export and import) is mainly done with South Africa, a characteristic trend given the historical ties between the two countries.

4.4 GOVERNMENT EXPENDITURE ON THE AGRICULTURE SECTOR

4.4.1 REGIONAL COMPARISON

Agriculture is undoubtedly the most important sector in Africa, with majority of the population’s depending on this sector for food security, food self-sufficiency and employment and overall livelihood. It is for this reason that in 2003 the African Union adopted the Comprehensive Africa Agriculture Development Programme (CAADP) and made a commitment to enhance agricultural expenditure’s share in total public expenditure with a target of at least 10 percent by 2008 (Fan, Omilola & Lambert, 2009). This was aimed at increasing the sector’s productivity and growth rates, with a target of 6 percent annual agricultural growth.

Analysis by Fan et. al (2009) found that by 2008 only a handful of countries had achieved the set target of at least 10 percent agriculture spending as percentage of GDP. Namibia is among the countries that fell short of the target of achieving expenditure shares between 5.0 and 10.0 percent. Even by 2013, most of the African countries’ public agriculture expenditure remains short of the set target.

Table 20: Agriculture Public Expenditure and Value Addition (2004-2013)

<table>
<thead>
<tr>
<th>Country</th>
<th>Average agriculture percentage share of government expenditure</th>
<th>Average Agriculture, Forestry and Fishing Value Added, USD, constant 2005 prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>1.96</td>
<td>3 758</td>
</tr>
<tr>
<td>Botswana</td>
<td>3.15</td>
<td>230</td>
</tr>
<tr>
<td>Kenya</td>
<td>3.64</td>
<td>4 866</td>
</tr>
<tr>
<td>Lesotho</td>
<td>3.28</td>
<td>118</td>
</tr>
<tr>
<td>Mauritius</td>
<td>3.68</td>
<td>332</td>
</tr>
<tr>
<td>Namibia</td>
<td>5.2</td>
<td>670</td>
</tr>
<tr>
<td>South Africa</td>
<td>1.7</td>
<td>6664</td>
</tr>
<tr>
<td>Swaziland</td>
<td>6.11</td>
<td>184</td>
</tr>
</tbody>
</table>

These are Burkina Faso, Ethiopia, Ghana, Guinea, Malawi, Mali, Niger and Senegal.
The seemingly negative correlation between agriculture public spending and the sector’s value addition presents an interesting scenario. One is to say that perhaps some countries have relatively well established and developed agricultural infrastructure such that their productivity is already at the required level and therefore they do not need further substantial investment in agriculture, suggesting possible convergence and catch up from countries with relatively higher levels of expenditure. However, it could be something to do with the quality of agricultural spending in the sense that with only a relatively smaller share of public resources committed to the sector, it is able to yield higher returns.

6. NAMIBIA AGRICULTURAL SECTOR

The Namibia agricultural sector comprises of livestock, crop and mixed farming for both subsistence and commercial farmers. The goals the agricultural sector seeks to achieve include food security and self-sufficiency, contribution to GDP and growth, poverty reduction, increased incomes and creation of employment opportunities among others. These goals have always received high priority status with Government since independence in 1990. As such, great strides have been made by Government in furtherance of these noble national goals by view of development of relevant growth targeted policies.

To achieve these national goals requires that the country develops relevant policies applicable and customized to the country’s ever-changing agricultural dynamics. Government has thus been trying to stimulate agricultural production through the development of supportive infrastructure and policies which seek to remove unnecessary bottlenecks while ensuring that investors in the sector are allowed to flourish thereby contributing significantly towards the achievement of important socio-economic national goals.

6.1 NAMIBIA AGRICULTURAL POLICY DEVELOPMENTS

At independence in 1990, as a new country was born, a review of the existing policy frameworks indicated the need to usher in new policies in view of redressing past imbalances and inequities from the colonial era. It thus became necessary to initiate mechanisms to boost the agricultural sector and ensure that maximum benefits are derived. The Namibian agricultural sector has been developing relevant policies in view of being dynamic, ensuring the sustainable increase in production and boosting foreign earnings, and in keeping abreast of major developments in the sector. The post-independence policy developments/policy reforms of the Namibian agricultural sector revolve around some of the following key policies (Box 1).

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7 http://www.fao.org
Box 1: Namibian policies and strategies to enhance agriculture

**National Agricultural Policy (1995)** provided an enabling environment for increased food production by smallholder producers, as a means of improving employment opportunities, incomes, household food security and the nutritional status of all Namibians.


**Green Scheme Policy (2008)** is an initiative of the Ministry of Agriculture, Water and Forestry (MAWF), to encourage the development of irrigation-based agronomic production in Namibia.

**National Drought Policy and Strategy (1997)** is concerned with developing an efficient, equitable and sustainable approach to drought management in line with Namibia’s National Agricultural Policy.

**Namibia Agricultural Marketing and Trade Policy and Strategy (2011)** is a policy that seeks to ensure that better planning in the agricultural marketing is adopted, as it is vital to adopt a market oriented approach as opposed to a production orientation approach.

**Strategy on value addition by Meat Industry (2006)** is a strategic tool aiming at value addition in the country’s meat industry.

The country’s **Vision 2030 (2004)** aspires to have a thriving and modernized agricultural sector. In light of this, the government through the Ministry of Agriculture, Water and Forestry has set entities that will fast track the marketing of fresh food produce in the country. Agro-Marketing and Trade Agency (AMTA) does coordinate and manage the marketing and trading of Agricultural Produce in Namibia. AMTA’s mandate is to manage the Fresh Produce Business Hubs (FPBHS) and National Strategic Food Reserve (NSFR) infrastructure, towards the attainment of food safety and security. In performing its role, AMTA works closely with other institutions such as Agricultural Business Development (AgriBusDev) and the Namibian Agronomic Board (NAB). It is also working towards having food banks where sufficient agricultural produce will be stored and then distributed to the needy in times of food crisis. The development of the FPBHS has its roots in the Vision 2030, National Development Plans and Strategic plans of the MAWF.
Green Schemes in the country have also made significant strides in the diversification of crops. A number of farms have introduced various cultivars to increase yield and satisfy the national food security agenda. “A whopping N$5.4 billion will be required from government and private entities over the next 14 years if Namibia’s Vision 2030 target of putting 27 000 hectares of land under irrigation is to be achieved” (New era, 2016). In NDP 4, agriculture is prioritized and hoped to grow at 4.0 percent per annum, but due to drought induced by climate change, the sector has over the past seven years (2007-2014) recorded an average slow growth of -1.5 percent. This growth calls for concerted efforts if the country is to realize its set objectives.

6.2 INVESTMENT IN AGRICULTURAL SECTORS IN NAMIBIA

Agriculture is one of the priority sectors in NDP4 given its potential to grow the economy, provide jobs for low skilled labours and reduce poverty. It is thus crucial to invest in agriculture as a strategic sector. The economic growth of the agriculture sector has been shown to be at least twice as effective in reducing poverty compared to growth originating in other sectors (World Development Report 2015). Thus, it is crucial to invest in agriculture as a developmental strategy. Investment in agriculture has been fluctuating between 2008 and 2014 with no clear pattern. Although investment has increased since 2011, at N$1 047 million the 2013 investment was lower than that of 2009 at N$1 351 million.

Looking at the share of investment in agriculture during NDP4 when agriculture is a priority sector and the period prior to NDP4, it has averaged 4.9 percent from 2009 to 2015. Agriculture being the mainstay of Namibia’s economy, both in terms of employment and livelihood of the masses of the people, there is need to consistently invest in agriculture in an effort to modernise it and increasing its potential for further job creation and driving an increase in economic growth.

Figure 40: Percentage share contribution of Agriculture to GFCF
6.3 FINANCING OF AGRICULTURE IN NAMIBIA

6.3.1 THE ROLE OF FINANCIAL INSTITUTIONS

Financial institutions are firms that provide a mechanism for surplus-lending units to transfer funds to deficit-spending units, (Levine, Loayza, & Beck, 2000). The functions of this part of the financial sector range from capital allocation, mobilisation of savings to monitoring and evaluation of borrowers, (Eita & Jordaan, 2007; Klein & Olivei, 2008). In Namibia, agricultural financing is provided by state-owned Agricultural Bank of Namibia (AgriBank) and other private-owned commercial banks. Financing is specifically to provide the capital to ultimately boost the performance of the agricultural sector towards the attainment of NDP4 targeted real annual growth of at least 4.0 percent.

6.3.2 GOVERNMENT FINANCING SCHEMES BENEFITING THE AGRICULTURAL SECTOR

A number of government subsidized schemes, in collaboration with AgriBank, provides further benefit to farmers. These loans under special subsidized schemes are meant to improve the livelihood of farmers and deliberately seek to increase agriculture sector contribution to GDP, create employment opportunities and increase in incomes.

Some of the major Government schemes benefiting the agricultural sector include the Affirmative Action Loan Scheme (AALS), National Agriculture Credit Programme (NACP), Drought Relief Scheme, Green Scheme, to mention a few. The AALS is meant to benefit emerging commercial farmers who are previously disadvantaged. This scheme is also to ensure that farmland is distributed equally and is optimally used for improved living standards. The NACP focuses on providing financial assistance for production purposes, livestock acquisition and infrastructure investment to enhance production and safeguard food security. The drought relief program is aimed at relieving farmers from pressure brought about by droughts which possibly have distressing effects on farmers and the farming activities. The green scheme is a commitment to create public private partnership for developing and managing irrigation infrastructures as well as to promote private investment into the agriculture sector.

<table>
<thead>
<tr>
<th>Scheme</th>
<th>2013/2014</th>
<th>2014/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>AALS</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>NACP</td>
<td>3.3</td>
<td>2.7</td>
</tr>
<tr>
<td>DLS</td>
<td></td>
<td>39</td>
</tr>
<tr>
<td>GS</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>11.8</strong></td>
<td><strong>51.7</strong></td>
</tr>
</tbody>
</table>

Source: Agribank Annual Reports (2014, 2015)
Loans expanded toward the AALS have increased from N$4 million in 2013/14 to N$10 million in 2015. This is attributed to an increasing demand of farmland. This is an increase of some 125.6 per cent between the two periods (AgriBank, 2015). The performance of the NACP was worrisome during the past year as loans extended through this initiative declined by 14.4 per cent from N$3.3 million in 3013/2014 to N$2.7 million during 2014/2015. This is due to farmers being cautious about the drought conditions.

6.4 SCIENCE AND TECHNOLOGY IN AGRICULTURE SECTOR

6.4.1 MECHANISATION OF SUBSISTENCE AGRICULTURE

The uses of improved technologies have a positive direct impact on yields and area under production. Such technological interventions are commonly referred to as agricultural mechanization. In a rural context the term is extended to cover other closely related small scale activities such as the primary processing of agricultural products, on-farm storage, and the delivery of irrigation water.

In Namibia, households engaged in subsistence agriculture form a large group of the total number of households. The total population who live in agricultural households in the communal area accounts for more than 40.0 percent of the total Namibian population. More than 40.0 percent of total subsistence farmers’ uses hoe by hand to produce their outputs and close to 50.0 percent uses tractors to plough.

Out of all fourteen regions of Namibia, Omusati and Ohangwena contain the largest numbers of subsistence agricultural households in Namibia. Mechanisation penetration is very slow. About 6.0 percent of all households use fertilizers, while 42.0 percent boost soil fertility using limited amounts of manure, often from livestock grazing stubble after the harvest. The use of better seed varieties is also very low. Out of subsistence farmers growing millet, more than 81.0 percent still used local seed varieties, 17.8 percent used improved seed varieties while 1.1 percent used hybrid seeds. For maize, more than 80.0 percent of subsistence farmers used local seeds.

In order to improve the livelihood of the subsistence farmers in Namibia and to facilitate migration from subsistence to commercial farming, there is a need to educate the subsistence farmers in usage of fertilizers and better seeds varieties. Only 4.5 percent and 23.0 percent of subsistence farmers applied fertilisers for Maize and Millet respectively (Agricultural Census 2015/2016). There is a scope to increase investment and modernize subsistence agriculture and thus increase productivity and achieve food security in the country.

6.4.2 TECHNOLOGICAL PENETRATION IN AGRICULTURE SECTOR

The production of food in Namibia is generally very labour intensive particularly in subsistence agriculture. The manual work carried out by farmers and their families is very arduous and time consuming and this is a major constraint to increasing agricultural production. One possibility that could potentially be limiting the use of better technologies is
a lack of access to modern technologies. The results from the Agricultural census survey suggests that out of all households interviewed, 29.0 percent do not use better seeds varieties because they are too expensive whilst 27.0 percent do not have knowledge of better seeds varieties. Unaffordability indicates an inhibiting factor to technological penetration. Furthermore, no knowledge implies another inhibiting factor resulting from lack of access to education and information.

The fact that seeds tend to be expensive may imply that there is a lack of access to credit and or lack of knowledge on the existence of such facilities. Of all agricultural households in the communal sector, less than 1.0 percent applied for credit. The low levels of loan applications suggest that the credit market is not well developed and that the available credit might be too expensive. This challenge hinders technology penetration in the agriculture sector.

Although the government enhanced capacity building in agricultural training there is a need to further strengthen the extension services. Figure 34 depicts the number of households received extension services. The figure indicates a general low technological penetration in the agriculture sector.

Through extension services\textsuperscript{8} we can increase productivity of farmers for example using fertiliser and improved seeds. Yet, as figure 32 shows, the number of households receiving extension services is very low. No more than 8 040 households (out of 159 484) received extension services on any topic. This is a very low proportion of households.

Food insecurity in Namibia is due to low investment in agriculture and the use of traditional technologies leading to low output. Therefore it is vital need to increase the productivity in agriculture as agriculture provides the best opportunity for economic growth, employment creation and poverty alleviation.

\textit{Figure 41: Number of households that received any specific extension service}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure41}
\caption{Number of households that received any specific extension service}
\end{figure}

\textsuperscript{8} In the agricultural context, extension services are services aimed at improving the welfare of rural households by improving agricultural productivity. This is done mainly by educating farmers on more efficient farming methods and business management skills.
5.1.1 HUMAN RESOURCES AND SKILLS GAP IN AGRICULTURAL SECTOR

Skills need in the Agriculture Sector

Namibia’s agricultural sector displays a dualistic nature where a well-developed, technologically endowed and relatively productive commercial sector co-exists with a subsistence sector characterized by low productivity where manual labour and the use of traditional methods of production are still predominant.

In 2014, agriculture accounted for about 30.0 percent of the employed population with approximately 170 000 people actively engaged in the primary agricultural sector of which approximately 40 000 are in the commercial farming sector; and an estimated 30 000 in the small scale emerging farming sector (producing for the market) while an estimated 100 000 are involved in subsistence agriculture. Due to the informal nature of the subsistence agriculture which is the biggest employer, the agriculture sector is mainly comprised of elementary and low skilled agricultural workers as the main workforce. At N$2,114, the sector has the lowest monthly average wage.

The combination of long working hours and poor compensation in the agriculture sector has translated into a relatively high staff turnover. There is high mobility among the low skilled workers in this sector and this is problematic for long-term staff development and sustainable training efforts, which is a costly investment. Common occupations in the agriculture sector can be categorized into five broad groupings: (1) Manager; (2) Skilled Agricultural Workers; (3) Machine Operators; (4) Craft and Related Trade; and (5) Elementary Workers.

The agriculture sector will continue to absorb persons with low skills in elementary skills category. More people will be absorbed in the sub categories of mahangu growers which includes animal producers. The entry into this sub category may not necessarily be an employment choice, but a cultural and means of survival for many. There is an opportunity to further increase employment in sector by commercializing mahangu production and value addition.

Table 22: Total demand by occupation in the Agriculture sector in 2015

<table>
<thead>
<tr>
<th>Agricultural Occupations</th>
<th>2012-2017</th>
<th>%</th>
<th>2018-2022</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers &amp; Professionals</td>
<td>2 622</td>
<td>100</td>
<td>2 582</td>
<td>100</td>
</tr>
<tr>
<td>Technicians</td>
<td>3 607</td>
<td>100</td>
<td>3 208</td>
<td>100</td>
</tr>
<tr>
<td>Elementary workers</td>
<td>526 100</td>
<td>100</td>
<td>837 654</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s own calculation using NODSOM 2016

6.4.3 THE ROLE OF WOMEN IN AGRICULTURE
The agricultural sector is one of the strategic sectors contributing about 30.0 percent to total employment and supporting about 70.0 percent of the population in terms of livelihoods. The sector is considered by the Food and Agriculture Organisation (FAO) as an engine of growth and poverty reduction. However, the sector is underperforming in many African countries partly because women, who are often a central resource in agriculture and the rural economy, face constraints both in terms of participation and in terms of access to inputs of production which affects their productivity.

Figure 42: Gender representation in Agriculture

In Namibia, the agricultural sector has historically been heavily dominated by males. Figure 33 above illustrates the gender disparities in employment in the agricultural sector. However, the gap has slowly narrowed down over the last three years. Although on a national level males are more involved in the agricultural sector, further analysis shows that in rural areas, women are more employed in the agricultural sector than males. This indicates that when it comes to commercial farming, males are dominating while the subsistence agriculture which is less productive is dominated by females.

Although commercial farming is crucial for developing the economy, subsistence farming is equally important in alleviating poverty and improving food security in the country. It is thus important for women to be fully participating in programmes aimed at improving agricultural production as well as involvement in any policy implication including agricultural research and extension.
6.4.4 HORTICULTURE PRODUCTION

In 2002, the Government of the Republic of Namibia, through the Namibian Agronomic Board (NAB) under the auspices of the Ministry of Agriculture, Water and Forestry, embarked on the National Horticulture Development Initiative (NHDI). The primary objectives were two-fold as follows:

increase the local production of fruits and vegetables; and

reduce the country’s dependence on imported horticultural fresh produce.

6.4.4.1 HORTICULTURE MARKET SHARE PROMOTION (MSP)

By the end of 2005, the Namibian Horticulture Market Share Promotion (MSP) scheme was implemented in view of regulating, growing and creating marketing mechanism for local production in the horticulture industry. The MSP requires that all importers of horticulture fresh produce buy a certain minimum percentage of Namibian cultivated produce in a given quarter or their imports would be curtailed pro rata in the subsequent quarter.

The implementation of the Horticulture MSP scheme has helped local production and marketing of fresh produce to grow significantly. The MSP was premised on an understanding that local horticulture producers cannot compete with well-established foreign producers on equal footing. This was in view of the fact that foreign producers often enjoy massive economies of scale. There was thus a need to protect local producers (infant) through the creation of the MSP.

At the start of MSP scheme, the compulsory percentage (threshold) was a mere 5.0 percent but has increased steadily by mutual consensus between traders and producers and by 2015/16 reached a level of 44.0 percent. It is estimated that the MSP percentage could be increased to at most 60.0 percent in the long-term thereby signaling the potential of increasing local production in the horticulture industry.

6.4.4.2 HORTICULTURE PRODUCTION STATISTICS

Figures 34 and 35 shows the performance of the horticulture industry in terms of total tonnages and monetary values for both local production and imports for 2011/12 to 2015/16 financial years. Clearly, imports have continued to exceed local production thereby implying that the country remains a net importer of fruits and vegetables. The country has not attained food self-sufficiency as desired for the agricultural sector.

Figure 43: shows the performance of the local and import in tonnages during 2015/2016 Financial Year
Figure 44: Figure 4 shows the performance of the local and import in monetary value during 2015/2016 Financial Year.

Figure 36 below shows product lines imports versus domestic production for 2014/15 financial year. In terms of imports, the top 5 crops are: washed potatoes, apples, banana, onions, and oranges. For local production, the top 5 crops are: potatoes, onions, tomatoes, carrots and cabbages.
Figure 45: Product line market share analysis, imports versus local horticultural produce in tonnage for the 2014/15 financial year


Figure 37 below shows the trends of MSP (percentage) as well as monetary value (N$) for local fresh produce versus imports from the first quarter of 2006 to the first quarter of 2016. Additionally, the figure shows the MSP threshold versus actual MSP achieved per quarter. It can be clearly seen that local purchases have been on an upward trajectory in line with growing the domestic purchases.
Figure 46: Shows the trends of MSP % and monetary value (NS) for local fresh produce versus import from 2006 quarter 1 to 2016 quarter 1

6.4.5 NAMIBIAN GRAIN MARKETING SCHEMES

6.4.5.1 WHITE MAIZE

White maize has been and continues being a major staple food for the masses in Namibia in terms of consumption. However, the country remains a net importer of 75.5 percent of white maize from neighboring countries i.e. South Africa and Zambia. The remainder 24.5 percent is sourced from local purchases. This status presents food security risk and of recent this risk has been heightened by the persistent drought experienced in Namibia.

Figure 47: indicates the trend white maize imports versus local sourced tonnage for the period of 2010 to 2016

![Graph showing white maize: Local versus imported tonnage for the period 2010 to 2015 financial year.]

*Source: AMTA Annual Report (2015/16) Draft*

6.4.5.2 WHEAT

Similarly, the country continues being a net importer of wheat (*figure 39*). The gap between local production and imports has somewhat remained the same since 2010/11 with virtually no signs of convergence. This indicates that there is undeniable demand for wheat and as such this presents an opportunity for increased production.
Figure 48: Wheat imports versus local purchases in tonnage for the period 2010 to 2016 financial year

![Wheat Import versus Local Tonnage](image)


6.4.5.3 PEARL MILLET (MAHANGU)

Pearl millet, which is known as Mahangu, is the major staple food for over 50.0 percent of the Namibian population. Figure 40 below shows the trend of imports versus locally sourced pearl millet. Imports have continued growing exponentially whereas local purchases have remained somewhat constant. It should be noted that the declining local purchases (in tonnages) could be attributed to the negative effects of drought especially during the 2014/15 growing season.

Figure 49: Pearl millet import versus local tonnage for the period 2010 to 2016 financial year

![Pearl Millet Import versus Local Tonnage](image)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/2011</td>
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<td>1.064</td>
</tr>
<tr>
<td>2011/2012</td>
<td>1.060</td>
<td>0.975</td>
</tr>
<tr>
<td>2012/2013</td>
<td>1.040</td>
<td>0.532</td>
</tr>
<tr>
<td>2013/2014</td>
<td>5.485</td>
<td>7.50</td>
</tr>
<tr>
<td>2014/2015</td>
<td>2.987</td>
<td>111.34</td>
</tr>
</tbody>
</table>
6.4.6 EXPORTS OF FRESH PRODUCE

6.4.6.1 POTATO AND ONION EXPORTS

Potato and Onions have consistently been the top two products consumed locally. As such, a Potato and Onions scheme has been implemented by NAB / AMTA in view of closely monitoring the performance of the two products. Depending on the significant success record, the same principle could be extended to other products. In 2015, total export tonnage of Potatoes (unwashed) 2 715 while 9 288 was in respect of Onions.

6.4.6.2 TABLE GRAPES EXPORTS

According to AMTA (2016), 85.0 percent of the table grapes produced locally were sold in the European markets; 5.0 percent in the Middle East, the Far East and the African markets. Local purchases of table grapes have historically been low due to seasonality as well as the perception that they are expensive and often considered a luxury fruit. Of note is the fact that Namibian table grapes have a competitive advantage in that they are the first to reach European markets already in November whereas those from other countries of the southern hemisphere mature about a month later. There has been notable growth in terms of both tonnage and monetary values (N$ millions) in grape exports from 2010/11 to 2015/16 marketing seasons.

Figure 50: Trend of total table grapes exported in tonnage and value during the 2010/11 to 2015/16 period

7. CONCLUSIONS AND POLICY RECOMMENDATIONS

7.1 CONCLUSIONS

GLOBAL AND REGIONAL ECONOMY

The global economic growth grew by 3.1 percent in 2015, with 0.3 percent point lower than that of 2014. This slow growth is mainly attributed to slow growth in emerging markets and developing economies, exacerbated by the oil price per barrel that has drastically dropped by almost 50 percent on average during the last quarter of 2015. However, the steady and gradual increase in terms of global weight of the fastest growing emerging market and developing economies like China and India have significantly boosted the prospects of global growth. In 2016, the world output growth is projected to pick up marginally by 0.1 percent point to 3.2 percent and is projected to continue picking up to 3.5 percent in 2017.

Generally, the global economy nurtured its positive growth despite numerous challenges which include lower prices of oil and other commodities, political turmoil that continues to displace people to other parts of the world. Sub-Saharan Africa, although grew less when compared to that of last year, posted positive growth, a seemingly characteristic of developing economies during the period under review.

Global exports on agriculture output for 2015 recorded 875.5 million tons while imports were 858.7 million which translated into a positive trade surplus of 16.8 million tons. The year 2016 projected a surplus (15.8 million tons) which is slightly lower than that of 2015. Despite drought in some parts of the world, trade in agricultural produce still records a surplus which ensures global food security.

The sub-Saharan African (SSA) countries registered a slow growth in 2015 recording 3.4 percent. Growth in the region is expected to further drop to 3.0 percent in 2016 mainly due to the oil and commodity prices that are still staggering to pick up and enticing increased production with high returns thereof. The slow growths in major economies (Nigeria and South Africa) of the sub-region’ spill-over is negatively affecting their trading partners. The slow growth in the sub-region is also induced by persistent drought conditions which affected both crop and livestock production. Africa’s cereal production fell by 6.6 percent in 2015, which means financial resources had to be devoted to meeting the short fall in the food demand. Coupled to drought are the political instability in some countries of the sub-region, which hampers investment and development.

The South African economy being the giant of SADC is also faced with a number of challenges such as electricity-load shedding and other supply constraints. Other notable challenges include the pronged strikes in the mining, transport and manufacturing sectors that have negative impact hence slows growth.

DOMESTIC ECONOMY
The Namibian economy continued on a positive trajectory, thereby averaging 5.6 percent over the period 2012 to 2015. Although a notable real growth has been achieved, however, the country has yet to attain SADC’s macroeconomic convergence target for real GDP growth of 7.0 percent. The country’s size in terms of real GDP grew from N$78 billion to N$108 billion between 2008 and 2015 while GDP per capita also grew significantly thereby indicating overall improvement in the well-being of the people.

Despite these notable successes, however, the structural transformation of the economy still leaves a lot to be desired. Although Investment and total consumption remained positive during 2015, the effect of drought, lower commodity prices and lower global output growth affected major sectors of the economy, such as, mining, agriculture, fishing and manufacturing, thus resulting in a contraction from these sectors in 2015. However, the economy remained resilient and withstood external shocks and natural phenomena.

The Secondary and Tertiary industries posted positive growth in 2015 despite the primary industry slowing down. The tertiary industry grew by 5.9 percent, accounted for about 58.0 percent of GDP, while the secondary industry registered 8.0 percent growth rate, but with only 15.9 percent contribution to GDP in 2015. Although the primary industry recorded a contraction in terms of growth, its contribution was 3.0 percent point higher than that of the secondary industry.

SOCIAL DEVELOPMENT

The country has recorded notable progress in terms of social development. For selected countries in Southern Africa, Namibia has the third highest Human Development Index (HDI) following South Africa and Botswana, clearly indicating progress. However, the country has the highest Gini-coefficient, which is indicative of the worrying fact that the country is among the most unequal societies on earth. As this may also be construed to be more linked with poverty, it’s for that reason the Government of Namibia, like many developed countries increased the old age monthly pay-out by 53.8 percent in 2015. Many researches have it that social safety nets in developing countries do lift about 50 million people from absolute poverty each year. This situation observed in Namibia where a considerable amount of households are uplifted from being severely poor through the old age pension (social grant).

Furthermore, studies have shown that providing safety nets even in small amounts to the vulnerable groups have effects that go far beyond just addressing consumption poverty and income inequalities. These include investments in individual-level human capital – such as greater education, health and nutrition for children – that would not have been otherwise affordable. Therefore, social safety nets are important on poverty reduction, though not the only solution for poverty eradication, but rather as part of many other interventions implemented in the country.

AGRICULTURAL PRODUCTION

The country remains a net importer of horticulture (fruits and vegetables) and grain products (maize, wheat, and pearl millet). This situation is exacerbated by continued drought and it pose food security risk in the country. On the other hand it presents an opportunity for increased production of both horticulture and grain products from which local producers can tap into.
7.2 POLICY RECOMMENDATIONS

The slow global and regional economic growth will have negative impact on domestic economy; Namibia should develop some resilient mechanisms which include the diversification of the economy.

Although, the domestic debt has surpassed the limit, Namibia should aggressively invest in infrastructure such as energy, transport, water and housing to enable the economy to be competitive, but at the same time propel the economic growth high and sustainably. Attraction of private sector investment coupled with PPP initiatives should be advanced.

There is still scope to increase investment in agriculture sector in line with global and regional conventions in terms of share of investment, mechanization and modernization of subsistence agriculture. For the rest of the agriculture sector there is a need to initiate cross border initiative with neighboring countries as the region especially Southern African region experience more severe drought than any other region.

While the country contributes less to environmental damage, it possesses a great potential to excel in renewable energy. Being a member, Namibia can benefit from the Green Climate Fund in terms of climate change adaptation and mitigation.
8. ANNEXES

Appendix Table 1: Real GDP growth of SADC countries and their status

<table>
<thead>
<tr>
<th>Status</th>
<th>Country</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 E</th>
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<tbody>
<tr>
<td>Fragile</td>
<td>Zimbabwe</td>
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<td>3.2</td>
<td>2.8</td>
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<td>5.5</td>
<td>5.7</td>
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<tr>
<td>Low income</td>
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<td>7.2</td>
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<td>Mozambique</td>
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<td>Swaziland</td>
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<td>1.7</td>
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<td>1.8</td>
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<td>Seychelles</td>
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<td></td>
<td>Botswana</td>
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<td>4.2</td>
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<td>Oil exporter</td>
<td>Angola</td>
<td>6.8</td>
<td>4.2</td>
<td>4.5</td>
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</table>

Source: IMF Data 2015

Appendix Table 2: Namibia’s agricultural export and import in SACU
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<th>HS CODE AND DESCRIPTION</th>
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<th>2013</th>
<th>2014 (P)</th>
<th>2015 (P)</th>
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<tr>
<td>01: Live animals</td>
<td>672,290,032</td>
<td>40,129,939</td>
<td>1,001,082,776</td>
<td>39,512,640</td>
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<tr>
<td>02: Meat and edible meat offal.</td>
<td>1,100,502,561</td>
<td>424,482,489</td>
<td>857,114,003</td>
<td>275,691,117</td>
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<tr>
<td>03: Fish and crustaceans, mollusc and other aquatic invertebrates</td>
<td>971,666,771</td>
<td>81,774,914</td>
<td>995,831,402</td>
<td>91,624,006</td>
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<tr>
<td>10: Cereal</td>
<td>82,384</td>
<td>235,590,049</td>
<td>596,887</td>
<td>727,119,457</td>
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<tr>
<td>17: Sugar and sugar confectionery</td>
<td>5,892,044</td>
<td>820,617,470</td>
<td>9,060,635</td>
<td>857,831,544</td>
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<td>Namibia agric. export and import value</td>
<td>2,750,433,792</td>
<td>1,602,594,861</td>
<td>2,863,685,793</td>
<td>1,991,778,764</td>
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<tr>
<td></td>
<td>2,236,844,036</td>
<td>1,998,577,846</td>
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<td><strong>Data source:</strong> NSA National Accounts</td>
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Appendix Table 3: Middle Case Scenario, Demand Side

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<th>2016</th>
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<th>2018</th>
<th>2019</th>
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<tr>
<td>General government expenditure</td>
<td>4.2</td>
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<tr>
<td>Gross fixed capital formation</td>
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<td>4.0</td>
<td>3.2</td>
<td>5.2</td>
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<tr>
<td><strong>Gross Domestic Expenditure</strong></td>
<td><strong>3.4</strong></td>
<td><strong>4.2</strong></td>
<td><strong>4.1</strong></td>
<td><strong>3.2</strong></td>
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<tr>
<td>Exports of goods and services</td>
<td>0.2</td>
<td>2.9</td>
<td>2.5</td>
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<tr>
<td>Imports of goods and services</td>
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<td>1.1</td>
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<tr>
<td><strong>GDP in constant prices 2010</strong></td>
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<td><strong>6.2</strong></td>
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Appendix Table 4: Middle Case Scenario, Supply Side

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<th>Industry</th>
<th>2016</th>
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<th>2018</th>
<th>2019</th>
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<td>4.7</td>
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<tr>
<td>Crop farming and forestry</td>
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<td>4.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Fishing and fish processing on board</td>
<td>-1.8</td>
<td>-0.7</td>
<td>-0.5</td>
<td>0.3</td>
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<td>Mining and quarrying</td>
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<td>Diamond mining</td>
<td>-4.2</td>
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<td>2.3</td>
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<tr>
<td>Uranium</td>
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<td>51.2</td>
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<td>Metal Ores</td>
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<tr>
<td>Other mining and quarrying</td>
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<tr>
<td>Publishing and Printing</td>
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<td>4.0</td>
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<td>Non-metallic minerals products</td>
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<td>Industry</td>
<td>2015</td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>------</td>
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<td>------</td>
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<td>Other manufacturing</td>
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<td>6.2</td>
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<td>Electricity and water</td>
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<td>4.2</td>
<td>4.5</td>
<td>4.8</td>
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<tr>
<td>Construction</td>
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<td>-1.9</td>
<td>-0.8</td>
<td>1.1</td>
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<td><strong>Secondary industries</strong></td>
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