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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>FY</td>
<td>Financial Year</td>
</tr>
<tr>
<td>IOM</td>
<td>International Organisation for Migration</td>
</tr>
<tr>
<td>MAWF</td>
<td>Ministry of Agriculture, Water and Forestry</td>
</tr>
<tr>
<td>MEAC</td>
<td>Ministry of Education, Arts and Culture</td>
</tr>
<tr>
<td>MEF</td>
<td>Macroeconomic Framework</td>
</tr>
<tr>
<td>MHSS</td>
<td>Ministry of Health and Social Services</td>
</tr>
<tr>
<td>MITSMED</td>
<td>Ministry of Industrialization, Trade and SME Development</td>
</tr>
<tr>
<td>MICT</td>
<td>Ministry of Information and Communication Technology</td>
</tr>
<tr>
<td>MLR</td>
<td>Ministry of Land Reform</td>
</tr>
<tr>
<td>MLIREC</td>
<td>Ministry of Labour, Industrial Relations and Employment Creation</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>MURD</td>
<td>Ministry of Urban and Rural Development</td>
</tr>
<tr>
<td>NaCC</td>
<td>Namibian Competition Commission</td>
</tr>
<tr>
<td>NCRST</td>
<td>National Commission on Research, Science and Technology</td>
</tr>
<tr>
<td>NHIES</td>
<td>Namibia Household Income and Expenditure Survey</td>
</tr>
<tr>
<td>NLFS</td>
<td>Namibia Labour Force Survey</td>
</tr>
<tr>
<td>NSA</td>
<td>Namibia Statistics Agency</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub Saharan Africa</td>
</tr>
</tbody>
</table>
National Planning Commission is an Agency resorting under the Office of the President established by Article 129 of the Namibian Constitution specifically to “plan the priorities and direction of national development.” To this end, NPC takes the lead in crafting our development agenda as well as the associated implementation thereof.

Article 129 further states that the members, powers, functions and personnel of the National Planning Commission shall be regulated by an Act of Parliament. As such, NPC is regulated by the National Planning Commission Act 2013 (Act No. 2 of 2013). Section 15 of the NPC Act specifically requires that the Director-General must as soon as practicable after the end of each financial year, but not later than 30 June of each year, compile a report on the Commission’s activities during the preceding year for approval by the Commission and such report must contain a report on regional activities for that financial year.

It is against this background that the National Planning Commission’s Annual Report 2017/18 detailing the Commission’s activities undertaken during the Financial Year was prepared. During the 2017/18 Financial Year, the National Planning Commission, with the involvement of other stakeholders, continued to embrace its Constitutional mandate of planning for our economy earnestly, to secure a better future for all Namibians in the spirit of HARAMBEE.

The Fifth National Development Plan (NDP5), which is one of the building blocks of the country’s long-term vision (Vision 2030), was developed immediately at the end of the Fourth National Development Plan (NDP4). The development of NDP5 was informed by global, continental, regional and national development frameworks. Furthermore, it was also informed by the successes, challenges and lessons learnt from NDP4.

The National Planning Commission prepared the NDP4 Terminal Report which sought to summarise the performance towards the achievement of NDP4 targets. In this regard, mixed results (successes and challenges) were recorded. Notable progress, although below NDP4 target, was achieved in terms of economic growth, reduction in poverty, inequality and creation of employment opportunities. However, addressing socio-economic challenges (i.e. reduction of unemployment, poverty and income inequality) to desired levels requires renewed vigour, unorthodox interventions and determination by all stakeholders to pull in one direction in view of providing the panacea to these socio-economic challenges as we march towards Vision 2030 which is just 12 years away.

The National Planning Commission remains committed to delivering on our Constitutional mandate that is, planning the priorities and direction of national development. Herein, NPC endeavors to embrace...
Government’s role in consultation with other stakeholders in translating the goals of NDPs and Vision 2030 into reality. We will, therefore, continuously advocate for prioritizing public investments in sectors we believe have the greatest potential of addressing key socio-economic challenges affecting the majority of our people.

I would like to express profound appreciation to all our International Development Partners for their continued and unwavering support of our socio-economic developmental agenda. In light of addressing the country’s plethora of socio-economic challenges, a detailed synopsis of development projects undertaken with our International Development Partners in this regard is outlined in the report.

In the same vein, I would also like to thank all stakeholders who made meaningful contribution to the national development agenda during the 2017/18 Financial Year. We have to continue striving for the achievement of our goals as set in our NDPs and Vision 2030 so that we can move our economy towards an upward trajectory coinciding with our long-term Vision of becoming an Industrialised nation. It is against this background that, we should renew our dedication and tenacity towards addressing socio-economic challenges which will ultimately uplift the standards of living of the masses of our people.

OBETH MBUIPAHA KANDJOZE
MINISTER OF ECONOMIC PLANNING AND DIRECTOR-GENERAL
As has been the norm, the National Planning Commission has continued working closely with all Offices, Ministries and Agencies (O/M/As), Regional Councils, State-Owned Enterprises, private sector and civil society in line with ensuring a co-ordinated approach to national development. The National Planning Commission has prepared the Annual Report for 2017/18 Financial Year which I have the pleasure of presenting to you, our esteemed stakeholders.

This Annual Report provides a synopsis of socio-economic developments which gives analysis of developments in global, regional and domestic economies. Specifically, in view of the domestic economy, it looks at the performance of different economic and social sectors for the financial year under review.

The Annual Report also provides a detailed summary of operational activities undertaken by NPC in fulfilment of its Constitutional and Statutory Mandates during the year. During 2017/18 Financial Year, the National Planning Commission prepared the Development Budget for 2017/18 – 2019/2020 MTEF which was tabled before Parliament in March 2018.

As one of its objectives, the National Planning Commission reviewed and coordinated a number of Government socio-economic policies which are presented herein. Moreover, the Annual Report briefly presents various socio-economic research reports completed during the year as well as their key findings and recommendations.

In line with assessing and tracking progress made in the implementation of NDP4, National Planning Commission in consultation with sectors produced and submitted to Cabinet and Parliament the NDP4 Terminal Report which reflected progress towards the achievement of NDP4 targets. The National Planning Commission finalised and launched the country’s Fifth National Development Plan through wider stakeholder consultations.

In conclusion, the National Planning Commission, on behalf of Government would like to thank the Development Partners for their continuous technical and financial support towards the realisation of the country’s developmental agenda.

Similarly, the National Planning Commission would like to thank OMAs, civil society, private sector for the support rendered during the course of 2017/18.
1. **Legislative Mandate**

1.1 **Establishment of the National Planning Commission (NPC)**

The establishment of the National Planning Commission, whose task is to plan the priorities and direction of national development is done in terms of Article 129 of the Constitution of the Republic of Namibia. The membership, powers, functions and personnel of the National Planning Commission is regulated by the National Planning Commission Act, 2013 (Act No. 2 of 2013).

1.2 **Objectives of the National Planning Commission**

The objectives of the NPC, in terms of Section 4 of the National Planning Commission Act, 2013 (Act No. 2 of 2013) are to:

- Spearhead the identification of Namibia’s socio-economic development priorities;
- Formulate short-term, medium-term and long-term national development plans in consultation with regional councils;
- Develop monitoring and evaluation mechanisms to ensure effective implementation of the national development plans;
- Evaluate the effectiveness of Government socio-economic policies;
- Coordinate the development of government socio-economic policies to ensure consistency; and
- Mobilise, manage and coordinate international development cooperation.

2. **Constitution of the National Planning Commission**

In terms of Section 2 of the Act, the Commission shall consist of the Director General appointed by the President in terms of Article 32(3) of the Constitution of the Republic of Namibia. The Director General is the Head of the Commission and presides over its meetings. The Commission also constitute members not numbering less than 15 and not more than 19, appointed by the President, who shall have expertise or experience in the areas of economics, social sciences, political sciences, environment, law or other areas relevant to the objectives of the Commission.

3. **Commissioners of the National Planning Commission**

Section 2(1)(b) of the National Planning Commission Act, 2013 (Act No. 2 of 2013) provides for the appointment of members of the Commission to hold the office for a term of three years and are on the expiry of the term of office eligible for reappointment. In this regard, seventeen (17) members of the Commission were appointed on 01 June 2017 to hold the office up to 31 May 2020. One resignation was recorded during the Financial Year as a result of assignment of a member to the United Nations (UN).

The following were Members of the Commission during the year under review:
COMMISSIONERS OF THE NATIONAL PLANNING COMMISSION

Hon. Tom Alweendo
Hon. Obeth Mbuipaha Kandjoze
Hon. Itah Kandjii-Murangi
Hon. Lucia Witbooi

Hon. Leon Jooste
Ms. Daisry Mathias
Dr. Charmaine Villet
Mr. Jerome Mutumba

Mr. Bisey Uirab
Mr. Johny Smith
Mr. Daniel Motinga
Mr. Mandela Kapere

Mr. Ryno van der Merwe
Ms. Kauna Ndilula
Dr. Marius Kudumo
Dr. Eino Mvula
4. Corporate Mandate of the Commission

**Mandate**

“To plan and spearhead the course of national development”

The NPC mandate is derived from Article 129 (1) of the constitution of the Republic of Namibia and the National Planning Commission Act, 2013 (Act No.2 of 2013).

**Vision**

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

**Mission Statement**

To plan the priorities and direct national development through effective coordination for sustainable socio-economic development.

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<table>
<thead>
<tr>
<th>CORE VALUES</th>
<th>DESCRIPTION</th>
</tr>
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<tbody>
<tr>
<td>Accountability</td>
<td>To be answerable for the mandate and resources entrusted to NPC.</td>
</tr>
<tr>
<td>Professionalism</td>
<td>Being objective, efficient and effective in performing official duties, using competency and capacity to adhere to set targets and standards in order to deliver quality services and provide timely feedback.</td>
</tr>
<tr>
<td>Integrity</td>
<td>Serving with honesty without fear or favour.</td>
</tr>
<tr>
<td>Transparency</td>
<td>Ensuring openness, communication and provision of information relating to the planning and coordination of national development processes.</td>
</tr>
<tr>
<td>Teamwork</td>
<td>Recognizing that our effectiveness as an institution is not determined by individual performance but by our collective performance as a team.</td>
</tr>
</tbody>
</table>
FUNCTIONS OF THE NATIONAL PLANNING COMMISSION

As the Agency tasked with spearheading and coordinating national development efforts, the National Planning Commission continuously work closely with all stakeholders in view of ensuring a coordinated approach to national development. The National Planning Commission has the following three (3) Departments and a Directorate:

MACROECONOMIC PLANNING: The department is responsible for the identification of national socio-economic development priorities; formulation of short-term, medium-term and long-term national development plans; analysis of macroeconomic issues, trends and phenomenon for improved macroeconomic management and analysis of socio-economic impact of national policies and programmes.

REGIONAL AND SECTORAL PLANNING AND POLICY COORDINATION: The department is responsible for the coordination of development and review of government socio-economic policies; evaluation of the effectiveness of Government socio-economic policies; Overseeing the implementation of National Development Plans; promote regional and sectoral economic development activities; assist in the formulation of Regional and Sectoral plans and ensure their alignment to the National Development Plans.

MONITORING AND EVALUATION AND DEVELOPMENT PARTNERS COORDINATION: The department is responsible for developing and maintaining a national integrated monitoring and evaluation system for the Government as well as mobilising, coordinating and managing external development resources.

ADMINISTRATION AND FINANCE (SUPPORT SERVICES): The directorate is responsible for providing support services through the rendering of human resources management and development, auxiliary and financial services, maintaining and safe keeping of computerized information, and public relations.

ORGANISATION OF THE ANNUAL REPORT

This annual report consists of the two sections namely; Section 1 – which outlines National Planning Commission’s operational activities undertaken during the financial year 2017/18 in fulfilment of its mandate; and Section 2 – which presents a Summary of Socio-economic Developments which outlines an overview of global, regional and domestic economies.
SECTION 1: NATIONAL PLANNING COMMISION OPERATIONAL ACTIVITIES

This section outlines the operational activities of the National Planning Commission undertaken during 2017/18 financial year in fulfilment of its Constitutional and Statutory mandates according to the following six (6) thematic focus areas:

- Development Planning;
- Macroeconomic Research & Policy Analysis;
- Monitoring the implementation of the Fifth National Development Plan (NDP5);
- Policy Coordination;
- Development Corporation; and
- Support Services.

1. DEVELOPMENT PLANNING

1.1 Fifth National Development Plan (NDP5)

The fifth National Development Plan (NDP5) builds on the successes and achievements of the five previous NDPs, starting with the Transitional National Development Plan (TNDP) to the Fourth National Development Plan (NDP4). NDP5 is thus another building block towards realisation of the country’s long-term aspirations of becoming an industrialised nation as articulated in Vision 2030. NDP5 is specifically informed by global, continental and national development frameworks. These include Global Sustainable Goals (Agenda 2030), African Union Agenda 2063, Southern African Development Community (SADC), Regional Indicative Strategic Development Plan (RISDP), Vision 2030, Harambee Prosperity Plan (HPP) and the SWAPO Party Manifesto.

NDP5 was developed under the principle of sustainable development. It has four key goals: achieve inclusive, sustainable and equitable economic growth; build capable and healthy human resources; ensure sustainable environment and enhance resilience; and promote good governance through effective institutions. NDP5 was developed in two volumes: Volume I – Policy document and Volume II – Implementation Plan. After formulation, it was launched and disseminated to stakeholders including all regions during 2017/18.

1.2 Consolidation of the Development Planning Manual and Integrated National Planning and Performance Framework

Recognizing its role to spearhead the course of national development through coordinating national development planning, the National Planning Commission led a team of Namibian institutions responsible for planning, performance management and statistics on a study tour to South Africa’s Department of Planning, Monitoring and Evaluation (DPME). The purpose of the visit was to share experiences, good practices, challenges faced and how these could best be addressed, in order to pave the way for establishing a formal modus operandi of working together in the areas of Planning, Monitoring & Evaluation, Macroeconomic Modelling and statistics. This study tour enlightened the Commission on the need to align planning and streamline related implementation and reporting practices through consolidation of all existing planning, implementation and performance management initiatives into an Integrated National Planning and Performance Framework (INPPF). The institution resolved to consolidate the reviewed Development Planning Manual and Performance Framework into a single INPPF. A draft INPPF has been prepared and will be finalized in the 2018/19 Financial Year.
1.3 Economic Development Report 2015/16

The report is a detailed account of the economic performance. Notable real growth has been achieved between 2012 and 2015 albeit lower than SADC’s macroeconomic convergence target for real GDP growth of 7.0 percent. The country’s size in terms of real GDP and GDP per capita grew significantly thereby indicating overall improvement in the well-being of the people.

The Secondary and Tertiary industries posted positive growth in 2015 despite the primary industry slowing down. The tertiary industry which 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 percentage points higher than that of the secondary industry.

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.

The country has recorded notable progress in terms of social development given that for selected countries in Southern Africa, it recorded the third highest Human Development Index (HDI) closely following South Africa and Botswana respectively. However, the country has the highest Gini-coefficient, which is indicative of the worrying fact that the country remains among the most unequal societies globally.

1.4 Multi-stakeholder Forum

In line with the theme “The Status of the Namibian economy – what does the future hold?” the Multi-stakeholder forum was undertaken during the last quarter of 2017/18 financial year. It was specifically undertaken with a view of bringing together key stakeholders in both public and private sectors of the Namibian economy under one roof to deliberate on the status of socio-economic developments so as to propose solutions and identify opportunities as panacea. In attendance were experts in both public and private sectors and the media.

The following presentations were made at the forum:

- Status of the economy report (National Planning Commission);
- Analysis on Namibia’s latest Fitch Ratings (Economic Association of Namibia);
- Debt Analysis (Ministry of Finance);
- Challenges in the construction sector (Construction Industries Federation of Namibia); and
- Perspective on private sector growth and challenges (Namibia Chamber of Commerce & Industry).

Overall, the Multi-stakeholder forum was a success and aroused considerable interest from most of the invited stakeholders after which there was general consensus and recommendation that it should be made a permanent annual event on NPC calendar.

2. DEVELOPMENT BUDGET / CAPITAL PROJECTS

2.1 Mid-Term Review of 2017/18 Financial Year (FY) Budget

During 2017/18 Financial Year, the National Planning Commission conducted a Mid-Year Review on the Development Budget. The review was undertaken at a time when the global economy was undergoing a slow economic growth. Namibia in particular experienced economic and fiscal difficulties since 2016 thereby putting pressure on fiscal measures undertaken through the Mid-term budget reviews. The 2017/18 Mid-term review was conducted amidst some major developments prevailing at the time, namely: the country’s slow economic growth performance, the country’s downgrade to junk status by the rating Agencies, the outstanding invoices for various capital projects and
widening budget deficit and public debt. The developments in the investment grade as well as fiscal indicators called for the need to put in place measures to avoid further downgrading which could deter prospective investors from investing in the economy.

In efforts to reduce expenditure especially on non-priority items and re-allocate funding to the pressing needs at the time, the Mid-Year Budget Review brought about a 5.5 percent reduction in the 2017/2018 FY approved Development Budget. The revision targeted projects with lower implementation rates, where a proper due diligence was given to project phases that could be deferred to subsequent financial years without posing any negative consequences on the economy or fiscal space. The overall development budget ceiling was revised as follows:

**Table 1: Development Budget Mid-Year Budget Review**

<table>
<thead>
<tr>
<th>Development Budget (N$ 000)</th>
<th>Total downward revision</th>
<th>Total Revised Ceilings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Appropriation</td>
<td>Total downward revision</td>
<td>Total Revised Ceilings</td>
</tr>
<tr>
<td>N$6, 672,000</td>
<td>365,441</td>
<td>N$6,306,559</td>
</tr>
</tbody>
</table>

The reduced budget was re-allocated to critical areas requiring additional funding for the financial year. Additionally, a total of N$2.2 billion was allocated to cater for outstanding invoices that resulted from the 2016/17 expenditure arrears.

1.2 Development Budget 2018/2019-2020/2021 Medium Term Expenditure Framework (MTEF)

The preparation of the Development Budget is one crucial activity that the National Planning Commission undertakes on an annual basis. Development Budgeting is a component of the National Budget that presents information on development programmes and projects that the government of the Republic of Namibia planned to embark on during a specified period. It is a crucial component of the National Development process, as it indicates priority and financing plan of the developmental programmes and projects aimed at boosting the economy as well as promoting social welfare of the Namibian people.

During the 2017/18 FY, the National Planning Commission facilitated the formulation of the Development Budget for the 2018/2019-2020/2021 MTEF. This Development budget presented a total amount N$24.3 billion sourced from both inside and outside state revenue fund that is earmarked for the MTEF Period. The total Development Budget earmarked for the 2018/19-2020/21 MTEF is 1.7 percent higher than the N$23.7 billion allocated in the previous MTEF. The decrease was mainly as a result of stringent government measures to ensure that fiscal indicators remain within the set ceilings and that prioritization is strictly adhered to especially in the midst of economic challenges. Table 2 presents the global Development Budget allocation:

**Table 2: Global Development Budget Ceilings for the 2018/2019 to 2020/2021 MTEF**

<table>
<thead>
<tr>
<th>Financial 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>2018/2019</td>
<td>7, 324,011</td>
<td>513,195</td>
<td>7, 837,206</td>
<td></td>
</tr>
<tr>
<td>2019/2020</td>
<td>7,794,747</td>
<td>384,064</td>
<td>8, 178,811</td>
<td></td>
</tr>
<tr>
<td>2020/2021</td>
<td>8, 184,485</td>
<td>142,800</td>
<td>8, 327,285</td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>23, 303,243</td>
<td>1, 040,059</td>
<td>24, 343,302</td>
<td></td>
</tr>
</tbody>
</table>

1.3 Guidelines for the Preparation and Submission of Capital/Development Projects

During the 2017/18 FY, the National Planning Commission prepared the Guidelines for the preparation and submission of Capital/Development Projects. The guidelines aim to guide and direct implementers on the procedures to be followed when submitting Capital/Development projects that are to be funded through the Development Budget. These guidelines are to be rolled-out to the stakeholders during the 2018/19 FY.
3. MACROECONOMIC RESEARCH AND POLICY ANALYSIS

3.1 Namibia’s untapped resource: Analysing youth unemployment Policy Brief

Namibia has one of the youngest and fastest-growing populations in southern Africa given that 62 percent of the working-age population in the country are between 15 and 34 (youth) and projections indicate that the number of 15 – 24 year-olds will have doubled by 2045 (Ighobor, 2013). This youthful population constitutes a crucial resource. But, without sufficient job prospects, it is a resource that will remain untapped.

The policy brief’s key findings are as follows:

- **Youth unemployment in Namibia is high and rising:** 43.4 percent of Namibia’s youth are unemployed - nearly 3 times as many as the global average. Of even greater concern is that youth unemployment in the country appears to be on the rise. High rates of youth unemployment represent both widespread personal misfortune for individuals and a lost opportunity for critical national and global economic development. High numbers of economically frustrated youth may also contribute to social instability.

- **Youth unemployment rates differ substantially between regions:** the highest youth unemployment being in Zambezi and Kunene regions are attributable to less economic activities while Erongo and Karas recorded the lowest youth unemployment because of diverse job opportunities in sectors such as fishing, mining and quarrying, manufacturing, agriculture and tourism as the major employers in these regions.

- **Women and the very young are particularly vulnerable to unemployment:** Gender and age are two additional dimensions along which disparities in youth unemployment are evident. Specifically, youth unemployment is higher among females than males, and particularly severe among the youngest youth.

These findings suggest two broad areas that warrant potential policy intervention:

- Target job creation programmes at the most vulnerable groups (younger individuals, women, and those residing in rural areas); and
- Promote policies that support educational attainment (provision of quality education, retention of learners of school-going age and expansion of opportunities for adult education).

3.2 Inside the gender pay gap: what explains disparities in gender pay in Namibia? Policy Brief

The persistence of the gender pay gap in Namibia is surprising given the advancements in both educational attainment and workforce participation; Namibian women still earn less than their male counterparts. The gender pay gap remains a permanent fixture of the Namibian labour market and currently stands at 11.4 percent per annum. On average, this implies that women would have to work an additional 47 days per year in order for their annual earnings to equal that of their male counterparts.

Namibian women have achieved parity with men in education and health according to the Global Gender Gap Index, but do not fare as well in economic participation and opportunity or political empowerment. Women also currently outnumber men at universities and achieve higher marks across the board throughout their schooling years. Legislation has been enacted to prohibit discrimination based on gender, government policies have sought to support women’s participation in the paid labour force through childcare and social transfers, and numerous organisation have continued to advocate for gender equity within the workplace.

The Labour Act of 2007 and the Social Security Act (1994) have been enacted to boost economic and employment inequalities between men and women. Moreover, in 1998, the Affirmative Action Act established the establishment of the Employment Equity Commission, which was legislated to promote and improve among other designated groups, female participation in Namibian workplaces. This is in terms of enjoying equal employment opportunities at all levels of employment and equal representation in organisations. However, despite these policy instruments, there still remains a gender pay gap in Namibia.
In view of this noted gender pay disparity, this policy brief's main objective was to add and strengthen the evidence of gender pay gaps in Namibian workplaces. Using data from the Namibia Statistics Agency's Namibia Labour Force Survey (NLFS 2014), this brief investigated the nature and extent of Namibia’s gender pay gap. In addition, gender pay gaps across employment and industry sectors are compared and the potential causes of these gender pay gaps are explored.

The policy brief's key findings are enumerated below:

- **Women work fewer hours and are less-likely to be full-time employed than men:** on average, employed women in Namibia work 42 hours per week while employed men work nearly 48 hours per week. Women are also less likely to be engaged in full-time work than men. To this end, while 82 percent of male workers are full-time employed, only 72 percent of employed female workers are full-time employed. These differences suggest that men could be expected to have higher monthly earnings, on average, based purely on the fact that they generally work more hours per month than women.

- **Men earn more per hour than women and have significantly higher monthly earnings, on average,** men have marginally higher average hourly earnings rates than women, with women earning 1.7 percent less per hour on average than men. However, because of the aforementioned differences in the average number of hours worked per month, men have significantly higher average monthly earnings than women.

- **Among the people in the labour force the most common occupation, regardless of gender, is skilled agriculture, followed by Elementary occupations and Services shops & market sales workers.** Very few women work as Craft trade workers, Plant and Machine operators and Armed forces. Thus only 17.3 percent of the 136,418 people working in these occupations are women. The situation is more balanced among those working as professionals, technicians and associate professionals. Thus 4.2 percent of professionals and 2.9 percent of technicians and associate professionals in Namibia are women. This is not surprising as professionals and associate professionals include nurses and teachers. Women clearly dominate as clerks 3.3 percent and service shops and market sales workers 8.3 percent. On the other hand, women dominate in skilled agriculture & fishery workers.

- **Men earn more than their female counterparts in most industries.** Out of a total of 21 industries in Namibia, 14 have a gender pay gap in favour of men. Evidence from the World Bank Development Report 2012 suggests that gender pay gap disparities are likely to be prevalent in industries that are either female or male-dominated. However, this does not seem to be the case in Namibia where men earn more than women in most industries, not just those traditionally dominated by men.

- **Men earn significantly more than women, even after accounting for differences in educational attainment, type of employment and occupation:** the results from multivariate analysis show that men earn 24 percent more per hour and 30 percent more per month than women, on average, after differences in factors such as educational attainment, age, regional location, employment sector and industry and occupation have been taken into account. These findings imply that Namibia’s gender pay gap is unlikely to be the result of productive differences or differences in the nature of employment for men and women.

The policy brief makes the following conclusion and policy recommendations:

- **The existence of a gender pay gap in Namibia is self-evident from the available labour market data and is clearly discernible across most sectors and industries.** The extent and the nature of this gender pay gap have at least three important policy implications.

  » First, on the basis that there is little evidence to support the notion that a gender pay gap is justified by differences in observable characteristics between men and women, there is a strong case to be made for wage differences to be addressed directly by explicitly reducing the gender pay differential within most sectors and industries. This could be done by encouraging more gender-aware career counselling especially in the male-dominated industries to enable increased women labour force participation and reduce poverty in the household headed by female.
Second, in order to reduce the gender pay gap in the parastatal sector, there is a need to develop detailed national wage statistics to be made available to the public. This would be made possible if confidentiality clauses in employment contracts should be made illegal or employers should be obligated to make wages data public.

Third, males have greater endowment in terms of the number of hours of work; contributing to females to have fewer returns on hours worked. It is therefore recommended that policies that will increase female participation rate in the labour market are introduced, such as providing females with greater incentives in order to reduce time spent on household activities.

3.3 Increasing enrolments in Early Childhood Development (ECD): How far have we come? Policy Brief

Many crucial stages of human development occur in early childhood. Lack of opportunities and interventions, or poor quality interventions, during early childhood can therefore significantly disadvantage young children and reduce their potential for success. Early childhood development (ECD) - a comprehensive approach to policies and developmental programs for children from birth to six years of age - has a pivotal role to play in ensuring that children lead full and productive lives. Moreover, ECD has also been recognized internationally as one of the most powerful tools for breaking the intergenerational cycle of poverty.

Vision 2030 envisages that all 0 – 6 years old Namibian children should have opportunities for ECD. The Namibian government has also shown great commitment towards the wellbeing of children by being a signatory to the Convention on Children's Rights as well as having ratified several international conventions and treaties on the wellbeing of children. Nonetheless, ECD participation in Namibia not only exhibits stark regional inequalities, but also remains low overall, particularly among children between the ages of 0 and 4.

NDP 5 has identified key strategies to be implemented in the next five years regarding ECD which include upgrading the curriculum for 0 - 4 years old children and aligning it to the revised pre-primary curriculum. These strategies will ensure that about 40 percent of 0 - 4 years old children access ECD services. One of the programmes identified in NDP5 is the Integrated Early Childhood Development, with the objective of improving the management and quality of ECD. The ministry of Gender and Child Welfare is responsible for ECD programs of the 0 – 4 years old, while the Ministry of Education Arts and Culture takes care of the children between 5 – 6 years old. The responsibility for pre-primary education was transferred from the Ministry of Education to local communities under the jurisdiction of the Ministry of Regional, Local Government and Housing in 1995.

The policy brief’s key findings are as follows:

- **ECD participation in Namibia is low**: Based on the most recent available nationally representative data (Census 2011), only 13 percent of all 0 – 4 years old children in Namibia were attending ECD in 2011. While data from the Ministry of Gender Equality and Child Welfare (MGECW) suggest that there has been a national drive to increase and improve the provision of ECD since 2011. Using the 2016 population projections and actual data of children enrolled in ECD obtained from the MGECW, enrolment in ECD has increased to 23 percent in 2016.

- **ECD participation rates differ substantially between regions**: large rural-urban disparities in ECD participation are apparent, with 0 – 4 years old children in urban areas being more than twice as likely (19.9 percent) to access ECD than those in rural areas (9.9 percent).

- **The ratio of children to ECD centres differ significantly between regions**: from a total of 2 372 centres in Namibia, the number of ECD centres per region range from 375 in Omusati to 62 in Hardap and Omaheke. Regions with the highest number of ECD centres do not necessarily have the largest populations of 0 – 4 years old. There is considerable variation in the ratio of 0 – 4 years old children to ECD centres across regions. Despite these differences, the numbers of ECD centres per region and the ECD participation rates among 0 – 4 years old children are only weakly correlated: regions with the most ECD centres do not always have the highest ECD participation rates. This implies that a large number of ECD centres in a region do not necessarily translate into a large percentage of children attending ECD.
These findings suggest three broad areas that warrant potential policy intervention:

- **Increase investment in ECD, especially in the poorest communities and most rural regions:** There appear to be substantial differences in the opportunities for ECD across regions in Namibia. Efforts need to be focused on ensuring that there are sufficient numbers of accessible, quality ECD centres in each region, particularly in rural and remote areas. This investment can be in the form of government subsidies and training of educators as well as from developmental partners and private sector.

- **Increase awareness of the importance of ECD:** To increase participation in ECD, parents, guardians, and communities must be adequately informed about the importance of ECD and of the available opportunities for ECD in their areas.

- **Improve ECD evaluation and monitoring systems:** In order to understand and monitor changes in ECD participation over time and evaluate the effectiveness of specific ECD interventions, there is a need for a more systematic approach to capturing and analysing data on enrolments in ECD and integrating this data with other available sources of population data.

3.4 **Assessing Namibia's fiscal consolidation Where are we and how did we get here? Policy Brief**

This policy brief sought to assess Namibia's current fiscal consolidation with emphasis on historical and current fiscal developments. It detailed growth decomposition of public expenditure; composition of fiscal consolidation; Implications of fiscal consolidation on economic growth, public investment and employment; as well as simulated impact of fiscal consolidation on selected key variables.

The policy brief makes the following conclusions:

- **Following windfall revenue from the SACU revenue pool in 2012/13, public expenditure growth has outpaced public revenue growth resulting in deterioration in key fiscal aggregates.** The civil servants salary improvements/adjustments have played a lead role in driving public expenditure growth. It has become necessary to reverse the fiscal position to what is deemed sustainable. Fiscal consolidation has been adopted to be pursued over the medium term.

- **The composition of the fiscal consolidation plan is more biased towards expenditure measures and impacting more on development expenditure.** It seems to reflect the inefficiencies and wasteful spending on both the operational and development expenditure in public expenditure over the years. In the short to medium term, fiscal consolidation will contribute to weak growth performance; unemployment rate is most likely to increase due to the reduction in construction activities, affecting mainly the poor and low income earners. This will further increase the vulnerability of the poor and low income earners, resulting in increased poverty incidence.

The policy brief recommends the following two (2) measures to be undertaken in view of complementing the ongoing fiscal reforms:

- **Mechanisms to reduce the cyclicality in SACU revenue, by introducing a Sovereign Wealth Fund (SWF) where a portion of revenue from SACU pool can be saved, particularly in years of good SACU revenue performance.** This can reduce the pressure of increasing expenditure, particularly the inflexible recurrent spending, and can create fiscal space for essential spending over time. Exports from mineral resources accruing to the economy (Uranium and Diamond) could be pooled in the SWF to provide for future generations, provide economic stabilization, as well as serve as important buffers against economic shocks among others; and

- **Enhancing capacity for capital projects identification, scoping and costing in order to maximize the efficiency and effectiveness of the limited public resources available for investment.**
3.5 Budget Efficiency Analysis - A case of the Education sector Policy Brief

As an objective, this policy brief sought to analyse the trends that emerge from the education sector budget expenditure in terms of planned spending compared to actual spending, trends in spending as percentage of GDP and of total government spending, share of spending by different levels – primary, secondary and tertiary, efficiency in the education sector and finally to conclude and make overall recommendations. The policy brief’s methodology was desk based research that mainly used secondary data obtained from the Ministry of Finance’s various estimates of revenue, income and expenditure reports, and the two Ministries of Education (Ministry of Higher Education, Training & Innovation and Ministry of Education, Arts and Culture). The policy brief detailed the policy framework as well as Educational sector objectives and priorities. It also looked at regional comparison with selected countries in Southern African Development Community (SADC).

The policy brief makes the following findings:

- Expenditure on education has been on the rise between 2000/01 and 2016/17 of which a larger portion is mainly channelled towards operational budget (95 percent) as compared to 5 percent which is spent on developmental activities;

- For the period 2000/01 – 2016/17, Namibia’s share of public expenditure in total government spending and as a proportion to GDP averaged 22.3 percent and 7.7 percent respectively. Thereby surpassing both the target of 6 percent of GDP and 20 percent share to total government expenditure as set by the global partnership for education.

  - Lesotho and Swaziland registered a similar trend as Namibia in terms of the public expenditure on GDP which is above 6 percent and as a share of government expenditure above 20 percent.

  - South Africa is falling behind with 0.2 percent share of expenditure on GDP.

  - Mauritius has a special case whereby expenditure on education as a share of GDP is 3.8 percent, while the share in total government spending is 15 percent both below the targets by the Global Partnership for education but the performance in the education sector in Mauritius especially at post-secondary level is better than in other countries. However, the Tertiary education Gross Enrolment in Mauritius was 36.7 percent in 2016 and above the global ratio of 30 percent.

- Given that a larger amount of allocation in the education sector in Namibia goes to operational expenditure, of which a larger portion is for wages, this might not be sustainable in the long run especially this time when the country is experiencing challenging economic climate.

- Looking at the performance for both basic and high education, there is evidence of high dropout rate especially in Grade 10.

- Gross enrolment at primary level is high but only few learners make it to tertiary education. This is seen through Tertiary Education Gross Enrolment Ratio (TEGR) of 16.2 percent in 2016 lagging behind the worldwide Gross Enrolment Ratio in high education of 30 percent. The number of students qualifying for university is low at 39.3 percent in 2017 and the NDP5 target is that by the year 2022, 60 percent of learners will qualify for university.

- Literature indicated the role the government plays in ensuring equitable distribution of educational opportunities to the entire population through increasing expenditure in the sector. Although that has been a case for Namibia, analysis has shown some level of inefficiency in the education sector in the country. This is evident from the high dropout and repetition rates in grade 10 and low Tertiary Education Gross Enrolment Ratio. However this investment has helped meet the goal of universal primary access in school.

Based on the findings above, the policy brief makes the following recommendations:
• General education has yet to provide the quality and quantity of output as desired. It will therefore be crucial that the government provide such a service at certain level and quality at a minimum cost.

• There is a need to improve efficiency in the education sector, that is, improve accountability and efficiency in the use of public funds as well as monitoring of spending.

• Another recommendation is to create fiscal space for operational expenditure other than personnel expenditure and these are quality inputs such as equipment, laboratories, IT centres textbooks and other study materials.

• Cost-effectiveness of the education sector needs to be improved upon by way of increasing leaner teacher ratio to ensure efficiency of public resources.

• The teacher employment and deployment policies should be based on a target leaners teacher ratio of 35:1 for secondary grades and 40:1 for primary grades.

• In view of reducing the high dropout rate, there is a need to promote quality early childhood programmes to ensure a successful start.

• Lastly, in order to increase performance and competition among educators, there is a need to develop performance appraisal systems as well as introducing fiscal incentives for performance.

3.6 Analysing labour productivity trends by industries and sub-industries in Namibia policy brief

This policy sought to analyse Namibia’s productivity performance trends by industries and sub-industries. It also investigated labour intensity trends by industries and sub-industries as well as exploring possible policy solutions to increase productivity growth, a key driver of much-needed long-term growth prospects in the economy. Labour productivity is a representation of the amount of goods and services produced by the number of people employed. Productivity addresses the question of how efficiently resources are used in the production of goods and services, measuring the change in outputs in relation to the change in labour employment. If output is increasing while labour employment remains static, it could be a sign “productivity gains” that the economy is advancing technologically and should continue to do so.

To achieve the afore-mentioned, the brief adopted a standard method of calculating productivity as outlined by Kucera & Roncolato (2012), and Barnes & Williams (2004). Herein, Labour productivity is obtained by calculating the total amount of real GDP per year divided by the number of employed persons in that year. GDP data from the Annual National Accounts and employments data from the Namibia Labour Force Survey (NLFS) from 2000 – 2016 were used.

The policy brief’s key findings are as follows:

• **There is a negative relationship between productivity and employment.** Output and employment recorded a growth rate of 4.8 & 2 percentages respectively, since 2012. By contrast, labour productivity recorded a negative growth of 5.3 percent, on average over the same period.

• **Overall average labour productivity has recorded an increasing trend,** from 12 percent in 2000 to 16 percent in 2016. This productivity was mainly driven by secondary industries which recorded the highest average productivity of 20 percent.

• **Primary industries recorded the lowest productivity levels with agriculture and forestry being the least productive sector.** Since 2008, primary industries productivity levels have been declining and only improved between 2015 & 2016. The decline was instigated by low productivity levels in agriculture and forestry sector due to minimal rainfall the country has been receiving since 2011 which negatively impacted farmer’s production activities.

• **Secondary industry recorded the highest productivity levels than any other industries.** Labour productivity levels for the Namibian economy have been constantly high in the secondary industry, with an average
labour productivity of 0.20, followed by tertiary and then lastly primary industry, average 0.16 and 0.11 respectively. It is important to note that growing labour productivity depends on investment in physical capital, new technology and human capital. The Manufacturing sector had the third-highest productivity levels among the sectors, behind Mining and Fishing.

- **Tertiary industry recorded the second highest productivity levels following the secondary industry.** Productivity levels have been increasing since 2013, on average with 15 percent. Output growth on average has been above 6 percent from 2013 to 2016, with employment growth slowed down with 3.4 percent over the same period. This means the industry becomes production efficient with fewer resources due to decline in employment growth. Productivity in the hotels and restaurant increased marginally at an annual rate of 1 percent from 2012 to 2016, a reduction from 2 percent of productivity levels recorded in 2000-2011.

- **Overall average labour intensity has recorded a declining trend, from a high 8.2 in year 2000 to a 6.2 in 2016.** On average, during the years under observation, average labour intensity stood at 6.5. A declining labour intensive may be linked to a declining labour force or in terms of production processes becoming more productive.

- **Average labour intensity for primary industries has scored a declining trend since 2013.** An average of 10.3 was recorded as labour intensity for the primary industries between 2000 and 2016. Agriculture and forestry is the most labour intensive sector in the primary industries with an average labour intensity of 36.2 percent (2000-2016). The highest level of labour intensity for the sector was recorded during 2013, and stood at 56.5 percent.

- **Overall secondary industries have registered an average labour intensity level of 5.0 percent for the eight years under observation.** There have been no major fluctuations in the overall labour intensity for the secondary industries. However, on the sub industries level, major fluctuations can be seen in the construction sector which is the most labour intensive in the secondary industries. Manufacturing and the electricity and water sectors are less labour intensive.

- **For the tertiary industries, average intensity recorded for the period under observation stood at 6.2.** This is primarily driven by labour intensity in transport and hotels and restaurants sectors while the financial intermediation sector is less labour intensive.

The policy brief makes the following three (3) policy recommendations:

- **Strong partnership between Industry-training institutions:** There is a need to enhance skills development in the areas that are critical to economic development such as the agricultural sector. This will require strong partnership between industries and training institutions such as Ogongo and Neudam campuses of the University of Namibia.

- **Establish awareness programmes that will increase agricultural productivity:** Given the fact that no knowledge, lack of availability and the cost of better seed varieties were the main reasons why the smallholder do not use better agricultural crop practises to enhance their productivity, it is essential to strengthen awareness programme within the communal farmers, and subsidize the cost of better technologies.

- **Improve access to markets:** Given that 70 percent of the agricultural households do not have access to local & regional produce market as well as to agricultural development centres, there is a need for new accessible markets.

### 3.7 Namibia Labour Market Outlook (Skills Gap) Report

This study was commissioned in line with Namibia’s ultimate objective as articulated in the country’s long term Vision (Vision 2030) to have a well-educated, skilled, and proactive population with a broad range of talents. Vision 2030 foresees the country to operate a totally integrated, unified, flexible and high quality education and training system that would prepare Namibian learners to take advantage of a rapidly changing global environment. The demand for qualified human resources in Namibia is high and will become even more intense in response to increase in economic growth. However, the scarceness of skilled labour hinders effective and efficient development
in the country. The Namibian dream is for all people to have employment opportunities and for the unemployment rate to have been reduced to less than 5 percent of the labour force.

The knowledge based economy that the country is striving for requires sufficient skills that the economy demands and that the supply side is sufficiently resourced to deal with the ever increasing demand. To achieve this objective, the country has policies in place which promote human capital development and which develop targeted skills sets for its workforce. These policies include the National Human Resources Plan, the Human Resources Development Policy, and strategic plans from institutions of higher learning etc., which need accelerated implementation. The paper starts by looking at trends in economic growth and the accompanied labour requirement. It then highlights the skills gap that the economy is likely to experience over the next five years by 2022. Herein, the main objective of the study was to forecast potential future occupational shortages in the country.

This is a desktop review using the Namibia Occupational Demand and Supply Outlook Model (NODSOM) and Macro Economic Framework forecast. It employed secondary data from annual national accounts, population and housing censuses and the Labour Force Survey as well as primary data sources from industry surveys. NODSOM is developed to forecast and plan National Human Resources Development needs and Economic growth and employment.

The study makes the following findings and recommendations:

- During NDP4 period (2012 – 2016), the economy demanded about 680 289 employees. It is projected that about 762 567 employees will be demanded during NDP5 period (between 2017 – 2022) translating to 14 000 jobs per year;
- Agriculture continues to be the biggest employer;
- The supply and demand excluding the unemployed indicates skills shortage in occupations that requires vocational training which can be addressed through:
  » harmonisation of TVET curricula,
  » rebranding TVET,
  » re-modelling of some VTCs into TVET colleges,
  » re-introduction of pre-vocational subjects in schools,
  » enhancing and strengthening STEM, ICT, entrepreneurship and, articulation arrangements, attracting qualified artisans into TVET and upskilling current trainers.
- There is a need to critically evaluate the occupations that have reached their saturation point in the market most specifically those occupations that are least demanded in the labour market. This could best be achieved through tracer studies and good interrelationships between educational institutions and the private sector.
- There is also a need to reduce high drop-out rates in light of improving the quality of education.

3.8 NODSOM Update and Training of Ugandan delegates

During 2017/18 financial year, the Namibia Occupational Demand and Supply Outlook Model (NODSOM) was updated with the latest labour market data. After this activity, National Planning Commission hosted delegates from Uganda who were provided technical assistance on the updated NODSOM. The delegates were keen to acquaint themselves with NODSOM and learn its applicability in relation to the Ugandan labour market perspective. To this end, the appreciation by the Ugandan delegates was overwhelming. Overall, NODSOM remains a useful tool for Namibia’s labour market planning.
4. MONITORING THE IMPLEMENTATION OF THE FIFTH NATIONAL DEVELOPMENT PLAN (NDP5)

4.1 Monitoring the implementation of NDP5

The continued desire of the Government of the Republic of Namibia (GRN) to perform better and be more accountable to the Namibian people enhanced the need for a monitoring and evaluation (M&E) system that tracks not only what is being done but also whether or not it is making the intended difference. To this effect, during the period under review, the Implementation Plan and its underlying results and Indicator Framework which were developed, were applied by O/M/As in the process of reporting implementation progress. The NDP5 Interim progress report, summarizing implementation progress during the interim period of NDP5 was drafted. To aid the compilation of the Interim report, a project field visit was undertaken, where numerous projects were visited and progress assessed. During the period under review, the NDP4 Terminal report, reflecting progress towards the achievement of NDP4 targets was compiled in consultation with sectors. The report was eventually submitted to Cabinet and Parliament respectively. It was then shared and uploaded on the Website for public dissemination. In the same vein, to strengthen the capacity of O/M/As in M&E, OPM and MURD were capacitated in M&E and technical assistance in terms of M&E was also provided to various O/M/As.

4.2 Strengthening of Regional Planning

During the year under review, the NDP5 was rolled out to the regions, with the aim of sensitizing regions on the strategies and desired outcomes outlined in the NDP5 as well as to inform the stakeholders on the implementation, monitoring and evaluation ideals of the Plan. The roll out was also meant to generally raise stakeholder awareness on the NDP5 document in order to instil ownership of the Plan by the regional leadership and the entire nation in view of expediting the implementation thereof. The financial institutions also took part in the popularization and discussions with the main focus on financing the implementation of the Plan.

5. POLICY COORDINATION

5.1 Review of Government socio-economic policies

In line with its mandate of evaluating Government Socio-economic policies to establish their effectiveness, the Regional Planning and Development Policy (RPDP) of 1998 has been evaluated and a Policy Brief on its implementation was produced. The evaluation of the policy was necessitated by observations that the RPDP is dormant, implying that it was not known and/or used by the implementers. The RPDP was analyzed and evaluated for its implementation, effectiveness and relevancy to the current national, sectoral and regional planning system in Namibia.

The review found that, since the adoption of this policy, efforts have been made specifically to achieve the objectives set in the policy. However, the evaluation also established the objectives were only partially achieved due to various challenges. The Policy Brief presents recommendations that should be employed in order to enhance the implementation capacity of the policy.

5.2 Coordination of Government socio-economic policies

NPC is mandated to coordinate the formulation and review of socio-economic policies and to evaluate such policies in view of establishing their effectiveness. During the financial year 2017/18, NPC provided advisory services in respect of the development and revision of socio-economic policies to ensure that all relevant stakeholders are invited and engaged and that the Guidelines for the Structure of a Public Policy Document is followed and that every policy that is being developed or revised has accompanying Implementation Action Plan (IAP) that serves as a tool to guide the implementation of policies.

The following is a list of the policies which were formulated or revised with guidance from NPC:
5.2.1 Labour Migration Policy
The Ministry of Labour, Industrial Relations and Employment Creation (MLIREC) in collaboration with the International Organisation for Migration (IOM) and all relevant stakeholders finalized the process of formulating the policy to give a clear description of the patterns of labour migration that takes place within, into, out of, and through Namibia.

5.2.2 National Productivity Policy
The Ministry of Labour, Industrial Relations and Employment Creation (MLIREC) in collaboration with all relevant stakeholders are formulating the policy to enhance productivity growth to further drive economic growth and pioneer new productivity standards as a model for Namibia.

5.2.3 Namibian Space Science and Technology Policy
The Ministry of Education, Arts and Culture (MEAC) in collaboration with the National Commission on Research, Science and Technology (NCRST) and all relevant stakeholders are at the final stages of formulating the policy to create a supportive platform that would enable the country to exploit its space resources in a more coordinated and systematic manner.

5.2.4 Namibia School Feeding Policy
This Policy is being formulated under the Custodian of the Ministry of Education, Arts and Culture (MEAC). The purpose of this policy is to provide a framework for improving equitable access, learning and quality education for all children in Namibia. It also provides guidance for addressing short-term hunger among school going children and emphasizes the role of school feeding as a social safety net particularly for food insecure households.

5.2.5 Inter-Governmental Fiscal Transfer Policy
The Ministry of Urban and Rural Development (MURD) in consultation with all relevant stakeholders are developing the policy to advance the process of decentralisation by devolution through the introduction of a formula–based grant system to increase the efficiency, equity, transparency, and predictability of fiscal transfers from the centre to the regions for improved service delivery.

5.2.6 National Policy on Utilization and Subdivision of Agricultural Land
The Ministry of Agriculture, Water and Forestry (MAWF) in collaboration with all relevant stakeholders are formulating the policy to serve as a framework that safeguards the sustainable existence of agriculture for current and future generations in Namibia. The ultimate aim is to prevent unrestricted continual physical subdivision, illegal fencing, that lead to the reduction in size of agricultural land into small ecologically and economically non-viable farming units.

5.2.7 National Land Use Planning Policy
The Ministry of Land Reform (MLR) in collaboration with all relevant stakeholders are formulating the policy to promote cross sectoral spatial planning among different institutions in the country. Overall, Namibia lacks coordinated planning regarding the use of land, such as use classification and Zoning. Locally, this leads to depletion of available resources and land degradation, while underutilize areas are not yet brought into production.

5.2.8 Development of the National Competition Policy
The Ministry of Industrialization, Trade and SME Development (MITSMED) in collaboration with Namibian Competition Commission (NaCC) are formulating the policy to ensure that Namibian markets, of which many are relatively concentrated due to the small demographics and country size, operate as efficiently as possible to the benefit of consumers and enterprises.

5.2.9 Occupation Safety and Health Policy
The Ministry of Labour, Industrial Relations and Employment Creation (MLIREC) in consultation with all relevant stakeholders are formulating the policy to fulfil the Decent Work Country Program (DWCP) priorities and address the legislative, technical and administrative gaps as identified by the situational analysis and the country aspiration to attain the effective occupation and safety health system in accordance with International Labour Organisation (ILO) Convections 155 and 187, and related instruments.
5.2.10 Public Sector Internal Audit Policy
The Ministry of Finance (MoF) in consultation with all relevant stakeholders are formulating the policy to provide unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results and also to promote the appropriate ethics and values within the public sector. The purpose of the Policy is to strengthen an internal audit function in accordance with the provision of the State Finance Act (Act 31 of 1991).

5.2.11 National Broadband policy
The Ministry of Information and Communication Technology (MICT) in consultation with all relevant stakeholders are formulating the policy to respond to the need of a framework for holistic development of broadband in the Republic of Namibia which is universally available and affordable; and which will ensure the transformation of Namibia into digital economy with ICT (as standalone sector and an enabler of other sectors of the economy) becoming the most important sector of the economy by 2030 through its contribution to socio-economic development of the country.

5.2.12 Implementation Strategy for Health in All Policies
The Ministry of Health and Social Services in collaboration with World Health Organization (WHO) and all relevant stakeholders are developing an Implementation Strategy for Health in All Policies. The strategy aims to provide a roadmap on how to engage other sectors into national health planning processes, with the objectives of ensuring better health outcomes and equity.

5.2.13 National Action Plan for Health Security
The Ministry of Health and Social Services in collaboration with World Health Organization (WHO) and all relevant stakeholders are developing the National Action Plan for Health Security. It is being developed to prevent and reduce the likelihood of outbreaks and other public health hazards and events defined by International Health Regulations (IHR).

5.2.14 Namibia Arts, Culture and Heritage Policy, 2001
The Ministry of Education, Arts and Culture (MEAC) in consultation with all relevant stakeholders are revising the policy to strengthen the sense of identity, social cohesion and belonging amongst the Namibian people and align contemporary arts, culture and heritage policy with other key current government objectives and policy documents.

5.2.15 National Resettlement Policy, 1998
This Policy is being revised under the custodian of the Ministry of Land Reform to take into account the presence of a large number of Namibian people that are without land and those with varying interest and expectation as far the land reform is concerned. In addition, the policy is being revised to enhance guidance and give further direction to the ongoing implementation of land reform and resettlement programme, while tapping from implementation experiences and lessons learned so far and also to address the land reform and resettlement issues which remain a complex issue since independence.

5.2.16 Food and Nutrition Policy for Namibia, 1995
The policy is being revised by the Ministry of Health and Social Services (MHSS) together with other stakeholders to align it to the current emerging developmental and related policies that came about since its implementation in 1995. The overall objective of the policy is to improve the nutritional status of the population; improve the quantity and quality of food consumed 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.

5.3 Guideline on the Public Policy Making Process (PPMP) in Namibia
The Guidelines on the PPPM in Namibia have been developed during the 2017/18 and will be rolled out during the 2018/19FY. The development of the Guideline was necessitated by the fact that in Namibia, the PPMP is not documented. There has thus been an outcry from Offices, Ministries and Agencies (OMAs) on lack of documented
and standardized procedures that guide the drafting or revision of Policies in the country. In line with this sentiment, the National Planning Commission as a custodian of policy coordination in the country, initiated the development of PPMP Guidelines. The purpose of the guidelines is mainly to document and standardize the public policy formulation process to ensure that all Offices, Ministries and Agencies (O/M/As) developing or revising policies follow the same processes. A standardized process is essential as it does not only ensure that all Public Policies are developed in the same manner, but may also lead to a smooth policy making process and enhance effective implementation of the developed public policies. The PPMP clearly stipulates various stages that should be followed by O/M/As when developing and revising policies.

6. DEVELOPMENT COOPERATION

NPC is responsible for Namibia's overall coordination of Development Cooperation. This entails to efficiently cultivate domestic and external partnerships in order to mobilize, coordinate and manage development resources to augment Government development efforts for the improvement of the standard of living for all Namibians.

6.1 Cooperation with the Federal Republic of Germany

The bilateral cooperation between the Government of the Republic of Namibia and the Government of the Federal Republic of Germany is mainly in the focus areas of Natural Resources Management, Road Transport and Logistics and Sustainable Economic Development. Energy, Climate and Environment, Water and SDG Initiative, fall outside the focus areas.

Governmental negotiations on development cooperation were held between the Government of the Republic of Namibia and the Federal Republic of Germany. An amount of €133.5 million (equating to N$2.1 billion using the exchange rates by then) for bilateral Technical and Financial Cooperation for the period 2018 and 2019 was committed. Of the €133.5 million, €73.5 is grant support while €60 million is interest reduced loan. The projects supported are NDP5 support programme to Road Maintenance and Rehabilitation, Promotion of Vocational Education and Training (ProVET), Promotion of Business Advisory and Transformational Services (PBATS), Support to management of State-owned Enterprises (Automated integrated performance monitoring system), Programme for Communal Land Development (PCLD) IV, Integrated Wildlife Protection Management in Namibia to support anti-poaching, Bush Control and Biomass Utilisation, Windhoek Water Supply-Direct potable Reclamation Plant at Gammams, GET FIT Namibia Programme, Studies and Expert Fund, and the SDG Initiative programme.

6.2 Cooperation with the United States of America
The seventeenth and eighteenth Amendments to the Strategic Objective Grant Agreement to the tune of US$40, 220, 987.00 (N$542, 983, 324.00) were jointly signed during the reporting period. The grant is meant for reducing the impact of HIV/AIDS and Tuberculosis in Namibia.

6.3 Cooperation with the People’s Republic of China

The Government of the People’s Republic of China through our Economic and Technical cooperation signed the following grant agreements with Namibia during the review period:

a. Hosea Kutako Airport dual carriage road (Phase 2B, 21km), RMB ¥450 million (N$830 million);  
b. Donation of wildlife protection equipment to the total amount of (N$13 million); 
c. The emergency aid (food) – additional amount of RMB ¥30 million (N$56 million) was provided during the review period; and 
d. Human Resources Development - where 212 Namibians attended both official and qualifying trainings in China on different bilateral and multilateral programmes as agreed by the two Governments in various fields.

6.4 Cooperation with the European Union

The Delegation of the European Union to Namibia made commitments through the signing of Financing Agreements: Euro 20 Million for Support to the Livestock Sector in the Northern Communal Areas (NCAs) of Namibia and Euro 6.625 000 for Enhancing Participatory Democracy in Namibia all covering a six year period. The objective of the Support is to promote the entrepreneurship and enhance the livelihood of NCAs’ livestock farming communities in a sustainable way and to contribute to the achievement of national development goals for education, skills development and rural development respectively.

6.5 Sustainable Development Goals (SDGs) coordination and reporting

Namibia as a member of the United Nations and signatory to the development agenda 2030 called Sustainable Development Goals (SDGs) is required to provide progress reports on their implementation in Namibia. To this end, the SDG baseline report indicating the implementation of SDGs at national was produced during the period under review through multi stakeholder consultations.

6.6 Facilitate the Development Partners Forum

In line with the Principles of Paris Declaration on Aid Effectiveness, the Development Partners Forum during the period under review as a formal mechanism for Government and its development partners to engage at the highest level. The forum served to share the output of NDP5 and its implementation plan (IP), which must be the prime focus of their support to ensure effectiveness of development assistance to Namibia in line with new emerging issues such as the Sustainable Development Agenda and African Union Agenda 2063.
7. SUPPORT SERVICES

6.1 Budget Allocation

During the year under review, NPC was allocated with an amount of N$176,220,000 to carry out its operational activities, of which N$105,984,000 was for subsidy to Namibia Statistic Agency (NSA). An amount of N$172,627,499, which represents 98%, was spent. NPC has managed its finances in accordance with the State Finance Act, 1991 (Act 31 of 1991) and received a clean audit opinion for the year 2016/17 financial year.

Table 3: Financial performance: Expenditure by Standard Items

<table>
<thead>
<tr>
<th>Subdivision</th>
<th>Annual Appropriation</th>
<th>YTD Expenditure</th>
<th>Variance</th>
<th>Execution rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenditure</td>
<td>55,478,885</td>
<td>52,775,139</td>
<td>2,703,746</td>
<td>95%</td>
</tr>
<tr>
<td>Goods and Other Services</td>
<td>14,321,932</td>
<td>13,457,177</td>
<td>864,755</td>
<td>94%</td>
</tr>
<tr>
<td>Subsidies and Other Current Transfers</td>
<td>106,419,183</td>
<td>106,395,183</td>
<td>24,000</td>
<td>100%</td>
</tr>
<tr>
<td>Total Operational</td>
<td>176,220,000</td>
<td>172,627,499</td>
<td>3,592,501</td>
<td>98%</td>
</tr>
</tbody>
</table>

7.2 Human Resources

The approved staff establishment has 142 permanent positions and 3 positions additional to the establishment, of which 116 permanent positions and 2 of the additional positions were filled. A total of ten (10) vacancies were filled during the year under review. In terms of staff development, 14 staff members were capacitated in different areas such as Gender – Responsive Economic Policy Management, Financial budget and Management, Supervisory development Programme and Customer Care Service.

7.3 Auxiliary Services

During the year under review, the Agency implemented the Public Procurement Act, Act 15 of 2015 accordingly. In view of this, the Procurement Committee was designated as prescribed and a database consisting of 742 companies/suppliers profiles was established. The annual procurement plan was prepared, approved and uploaded on the Agency’s website. Furthermore, the Agency acquired a new telephone system (PABX) and three (3) new central photocopy machines. The annual stock taking was also conducted.
SECTION 2: SUMMARY OF SOCIO-ECONOMIC DEVELOPMENTS

1. INTRODUCTION

The global economy maintained its modest above 3.0 percent growth in the past two years, estimated to have registered 3.2 and 3.7 percent real growth in 2016 and 2017 respectively. Global output growth was driven by cyclical upswing which has continued strengthening since 2016, among others. Regionally, sub-Saharan Africa (SSA) recorded growth of 1.4 percent in 2016, its slowest growth since 2012, after which it is estimated to have recovered to 2.7 percent in 2017. The improved growth performance was on the back of recovery in the region’s largest economies Angola, Nigeria and South Africa.

The domestic economy registered a slow growth of 0.7 percent growth in 2016 attributable to declines in the primary and secondary industries as well as slow growth in the tertiary industry. According to Preliminary National Accounts, the economy was estimated to have contracted by 0.8 percent in 2017 largely on the back of declines in secondary and tertiary industries. To this end, contractions were recorded in key growth driving sectors i.e. construction and wholesale and retail trade, as well as slow growth in manufacturing and utility sectors, among others.

Despite the sluggish growth, fiscal developments indicate that expenditure to GDP and budget balance to GDP remains within sustainable levels. To this effect, the developments in respect of expenditure and revenue performance led to an improvement of the overall budget balance as a ratio of GDP. The expenditure-to-GDP ratio was kept below the national cap of 40.0 percent and is projected to remain within the national cap in the medium term. The ongoing fiscal consolidation measure currently being pursued will likely drive the budget balance-to-GDP ratio to within the threshold of 5.0 percent which is deemed sustainable. Public debt stock to GDP ratio is also estimated to increase, albeit marginally, over the MTEF thereby indicating above 10.0 percent increase above the Sovereign Debt Management Strategy’s debt-to-GDP ratio of 35.0 percent national cap.

On the external sector front, by the end of 2017, foreign reserves would cover 4.6 months of imports from 3.2 months in 2016 thereby exceeding the international benchmark of 3.0 months and on course for achievement of SADC convergence target of at least 6.0 months. Moreover, the weakening expenditure on imports whose result was a 9.0 percent decrease in the import bill combined with a 5.0 percent decrease in exports led to an improvement in the trade deficit. Moreover, the balance of payment recorded an increased surplus of N$5.4 billion in 2017 as compared to a surplus of N$906 million in 2016 on account of improvement in the current account deficit.

Although Namibia recorded a contraction in 2017 which subsequently led to a reduction in real GDP per capita, the country managed to register a decline in income inequality, albeit marginally. However, despite the noted marginal decline in income inequality, the country was ranked the second most unequal country in the world after South Africa. In terms of income levels, the average monthly wage has increased since 2014. However, despite great strides by women with regards to educational attainment and economic participation, data from the Namibia Labour Force Survey 2014 indicates that there is an observed gender pay gap. Females are lowly paid as compared to male counterparts in the same industry.

During 2016, unemployment rate worsened to 34.0 percent for which youth (aged 15-34) unemployment is 43.4 percent, which is an increase of 4.4 percent from 2014. In terms of employment, noted decreases were observed for agriculture sector (which is the biggest employer), wholesale and retail trade as well as Public administration and defense among others. However, sectors such as Real estate, Professional, scientific and technical activities, Accommodation & food service activities and Water supply & related industries recorded employment increases in 2016. Although the country has been able to significantly increase access to education, quality of education remains a challenge resulting from high dropout and repetition rates as well as low survival rates by leaners. Moreover, education remains a challenge given that above 70.0 percent of the unemployed in Namibia have not passed junior secondary education.
2. PART I: ECONOMIC DEVELOPMENT

2.1 Global economy

According to IMF’s World Economic Outlook update for January 2018, World output grew by 3.2 and 3.7 percent in 2016 and 2017 respectively, thereby maintaining above 3.0 percent growth which has historically become its benchmark average growth rate. Key drivers of world output growth includes stronger global household income, improved labour markets and overall demand among others. The ballot in favor of the Brexit threat has shaken international markets, putting pressure on the interest rates. Going forward, world output is estimated at 3.9 in both 2018 and 2019; this indicates that the growth forecast have been revised upward by 0.2 percent point from the October 2017 update. The revision reflects increased global growth momentum and expected impact of recently approved U.S. tax policy change. This expected improved performance is to be driven by activities in both advanced economies and emerging markets and developing economies which are projected to accelerate stronger growth.

Growth in commodity exporters is projected to pick up while growth in commodity importers is expected to remain strong in 2018 and 2019. Downside risks to global economy continue to dominate as they are associated with policy uncertainty, financial market disruptions and sudden capital outflows which could be felt disproportionately more by emerging and developing economies with external vulnerabilities i.e. those with foreign-exchange-leveraged firms and high sovereign borrowing. In terms of commodity price developments, most mineral prices with the exception of uranium recorded price increases between 2016 and 2017 (table 1). The increase in commodity prices is attributable to increase in demand from emerging markets especially China and India as a result of emergence of electric motor vehicles and renewable energy storage solutions. The increase in commodity prices is a positive development for Namibia which is ideal for driving mining activities in the medium term.

Table 1: Mineral commodity prices

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Units</th>
<th>Actuals</th>
<th>Year-On-Year Projections (%change)</th>
<th>Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper</td>
<td>US$/MT</td>
<td>2016 4,867.90</td>
<td>2017 6,169.94</td>
<td>%26.7</td>
</tr>
<tr>
<td>Aluminium</td>
<td>US$/MT</td>
<td>2016 1,604.18</td>
<td>2017 1,967.65</td>
<td>%22.7</td>
</tr>
<tr>
<td>Iron Ore</td>
<td>US$/MT</td>
<td>2016 58.42</td>
<td>2017 71.76</td>
<td>%22.8</td>
</tr>
<tr>
<td>Tin</td>
<td>US$/MT</td>
<td>2016 17,933.76</td>
<td>2017 20,067.71</td>
<td>%11.9</td>
</tr>
<tr>
<td>Nickel</td>
<td>US$/MT</td>
<td>2016 9,595.18</td>
<td>2017 10,409.64</td>
<td>%8.5</td>
</tr>
<tr>
<td>Zinc</td>
<td>US$/MT</td>
<td>2016 2,089.98</td>
<td>2017 2,890.87</td>
<td>%38.3</td>
</tr>
<tr>
<td>Lead</td>
<td>US$/MT</td>
<td>2016 1,866.65</td>
<td>2017 2,314.67</td>
<td>%24.0</td>
</tr>
<tr>
<td>Uranium*</td>
<td>US$/lb</td>
<td>2016 26.31</td>
<td>2017 21.7</td>
<td>%17.5</td>
</tr>
<tr>
<td>Gold+</td>
<td>US$/toz</td>
<td>2016 1,250.80</td>
<td>2017 1,257.15</td>
<td>%0.5</td>
</tr>
<tr>
<td>Coal</td>
<td>$/MT</td>
<td>2016 70.10</td>
<td>2017 86.7</td>
<td>%23.7</td>
</tr>
</tbody>
</table>

Source: International Monetary Fund Near Term Commodity Price Baseline
+World Gold Council (2018 projections: average of first two months of the year)

Growth in Advanced economies stood at 1.7 percent in 2016, marginally weaker than the economies’ historical growth levels of above 2.0 percent. Growth in 2016 is attributable to weaker trade and persisting low interest rates as well as decreasing investments. Accommodative monetary policies pursued have not been sufficient to upswing economic activities. Advanced economies continue to record low inflation as well as an increase in uncertainty about future policy direction. However, in 2017 output recovered to historical growth levels estimated at 2.3 percent attributed to growth pickup in United States, Europe and Japan. Going forward, output is estimated to maintain its historical levels at 2.3 and 2.2 percent in 2018 and 2019 respectively. However, policy uncertainty could dampen U.S and international growth prospects.
Emerging markets and developing economies (EMDE) recorded 4.4 and 4.7 percent growth in 2016 and 2017 respectively. China’s growth remained strong, posting 6.8 percent in 2017, which reflects the economy’s continued macroeconomic policy support. India, on the other hand decelerated, albeit marginally to 6.7 percent from 7.1 percent in 2016. Activity slowed in India due to the impact of the currency exchange initiative (demonetization), while Brazil has been mired in a deep recession. Notwithstanding these developments in China and India, going forward, growth in EMDE is projected at 4.9 and 5.0 percent in 2018 and 2019 respectively. This projected growth is attributable to improved conditions in large commodity exporters\(^1\) that experienced recession caused by declining commodity prices and stronger external demand. China’s growth is projected at 6.6 and 6.4 percent in 2018 and 2019 respectively while India’s is projected at 7.4 and 7.8 percent in 2018 and 2019 respectively. Regions with large numbers of commodity importing economies such as East Asia, the pacific and South Asia are estimated to experience solid growth. Growth in Latin America, the Caribbean, Europe and central Asia picked up in 2017 and is expected to be on a rise going forward.

Growth in Sub-Saharan Africa is estimated at 2.7 percent for 2017 from 1.4 percent in 2016. The growth pick up in 2017 was driven mainly by marginal improved growth performance in the region’s largest economies, Angola, South Africa and Nigeria, estimated at 1.5, 0.8 and 0.9 percent respectively.

<table>
<thead>
<tr>
<th>Table 2: Growth rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>World Output</td>
</tr>
<tr>
<td>Advanced Economies</td>
</tr>
<tr>
<td>U.S.</td>
</tr>
<tr>
<td>Euro Area</td>
</tr>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>Emerging markets &amp; developing economies</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>India</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
</tr>
<tr>
<td>Angola</td>
</tr>
<tr>
<td>Namibia(^*)</td>
</tr>
<tr>
<td>Nigeria</td>
</tr>
<tr>
<td>South Africa</td>
</tr>
</tbody>
</table>

Source: IMF World Economic Outlook, January 2018

\(^{*}\) Annual National Accounts 2016 & Preliminary Annual National Accounts 2017 (NSA) and Macroeconomic Framework (MEF) projections

\(^1\) Commodity exporters refer to the following countries as classified by the IMF (2016):
- "Commodity-Dependent" Exporters: Nigeria Uzbekistan, Sudan, Yemen Bolivia Zambia, DRC
- "Diversified" Exporters: Bangladesh, Vietnam, Myanmar Ethiopia, Kenya, Tanzania, Ghana
2.2 Regional Economy

Sub Saharan Africa (SSA) posted a slower-than historical average growth of 1.4 percent in 2016, which was the weakest growth since 2012. This weak growth was driven mainly by weak performance in the region’s largest economies, Nigeria and Angola contracted by 1.6 and 0.7 percent respectively, while South Africa recorded marginal growth of 0.3 percent. Moreover, the decline in the overall performance reflects insufficient policy adjustments, increase in public debt, declining international reserves, contractions in economic activities as most oil exporting countries experienced recession. Public debt is rising thus reliance on domestic financing has increased borrowing costs while foreign financing declines.

After recording growth of 1.4 percent in 2016, the slowest in the past decade, growth in the SSA economies was estimated at 2.7 percent in 2017 thereby improving gradually towards its historical growth levels averaging at least 3.0 percent in the medium term. As such, it is projected at 3.3 and 3.5 percent in 2018 and 2019 respectively. This estimated growth is to be driven by a recovery in oil production in Nigeria and higher public spending in Angola whereas South Africa’s growth prospects remain subdued due to political uncertainty, weak consumer and business confidence.

Angola and Nigeria were the worst hit countries by low oil prices hit which resulted in revenue loss and balance of payments pressure in 2016. During 2017, Angola, Nigeria and South Africa recorded 1.5, 0.8 and 0.9 percent respectively. In the medium term, Nigeria is estimated to grow by 2.1 percent in 2018 on the back of recovery in oil production. Growth in Angola is expected to recover in the medium term due to better terms of trade and recovery in crude oil prices. Despite having recorded a weak growth in 2016, South Africa is estimated to grow by 0.9 percent in both 2017 and 2018 on the back of stabilization of commodity prices, favourable weather conditions and expansion in electricity supply. Given that South Africa has historically been Namibia’s largest trading partner, the slow growth performance of the South African economy directly affects the Namibian economy. Botswana’s economy recovered to 4.3 percent in 2016 after it suffered a contraction of 1.7 percent the previous year. The recovery is supported by a rebound in diamond exports which resulted from expansion of mining activities. Growth prospects for the medium term are promising as it is expected to rise moderately with continued expansion in construction activities. In turn, the Botswana economy is estimated to maintain growth of above 4.0 percent, estimated at 4.5 and 4.8 percent in the next two years.

Table 3: SSA Growth rates

<table>
<thead>
<tr>
<th>Region &amp; Country</th>
<th>Actual</th>
<th>Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Sub Saharan Africa</td>
<td></td>
<td>3.4</td>
</tr>
<tr>
<td>Angola</td>
<td>3.0</td>
<td>-0.7</td>
</tr>
<tr>
<td>Botswana</td>
<td>-1.7</td>
<td>4.3</td>
</tr>
<tr>
<td>Namibia*</td>
<td>6.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Nigeria</td>
<td>2.7</td>
<td>-1.6</td>
</tr>
<tr>
<td>South Africa</td>
<td>1.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Source: IMF Regional Economic Outlook, January 2018

2.3 Domestic Economy

Namibia recorded its slowest growth in recent years, registering an estimated growth of 0.7 percent in 2016 and a contraction of 0.8 percent in 2017. The weak performance in 2017 was mainly due to poor performance by the secondary and tertiary industries. The secondary and tertiary industries contracted by 6.7 and 1.1 percent respectively while primary industries performed relatively well thereby recording growth of 10.7 percent.

Figure 1: Annual GDP growth rates

![Graph showing annual GDP growth rates from 2014 to 2017.](image)

Source: Namibia Statistics Agency, Preliminary annual national accounts 2017

The observed contraction of 0.8 percent in 2017 was driven by significant declines in sectors such as construction, manufacturing, wholesale and retail and trade, utility real estate and business activities and hotels and restaurants sectors as well as public sector among others, which have predominantly been key growth drivers. Weak growth performance in construction include base effects resulting from completion of major mines and fiscal consolidation stance, while wholesale and retail suffered from weaker spending power of consumers and government and weaker growth in public sector credit extension (PSCE). The real estate sector was affected by slowdown in housing market, the Angolan effect and the reduction in overall housing transactions. Going forward, the economy is expected to rebound in the medium term owing expected recovery in key sectors of the economy. In turn, it is projected at 1.2 and 2.3 percent in 2018 and 2019 respectively (MEF projections). Given the contraction recorded in 2017, real per capita income declined slightly from to N$47, 089 in 2016 to N$45, 851 in 2017, thereby indicating a decline of 2.6 percent. This regressing development in real per capita income does not augur well with the currently high income inequality in the country if looked at in relation to Vision 2030 goals and aspirations.

2.3.1 Sector performance

Primary Industry

For Namibia to realize economic transformation, the primary sector is crucially important to both secondary and tertiary industries in terms of provision of input for further processing and value addition activities. The primary industry contributed 19.1 percent to GDP in 2017 with the largest contributor being mining and quarrying sector which contributed an overall 12.2 percent to GDP and 63.7 percent to gross primary industry contribution to GDP. Despite a contraction of 1.5 percent in 2016, primary industry improved in 2017 registering an estimated significant growth of 10.7 percent driven by significant growth of 12.7 and 12.8 percent in agriculture and mining sectors respectively. Growth in the agriculture sector on the other hand has been boosted by increase in average rainfall in 2017 which improved production especially for rain-fed crop farming thereby resulting in a bumper harvest. Moreover, the livestock subsector benefitted from improvements in export prices of livestock.
The stronger growth of 12.8 percent in 2017 from a contraction of 5.8 percent in 2016 in the mining and quarrying sector is attributable to strong growth in all sub-sectors. Herein, strong growth in diamond and uranium sub-sectors is attributable to an increase in carats produced and overall increase in production respectively, among others. However, uranium prices remain subdued. According to Fraser Institute's Investment Attractiveness Index which is informed by an annual survey of mining companies globally, the mining sector improved in view of policy factors from its ninth ranking in 2016 to second in 2017 after Botswana. This improvement is ideal for further attracting potential investors to the sector.

**Secondary Industry**

Secondary industries contributed 16.3 percent to GDP in 2017 for which manufacturing sector’s contribution to GDP and to total secondary industry contribution to GDP was 10.8 and 66.4 percent respectively. This clearly indicates that the manufacturing sector remains one of the major sectors of the economy.

On the growth front, the industry declined by 6.7 percent in 2016 and 2017 driven by most notably significant contractions in construction sector, one of the sectors which has been the economy’s key growth drivers in recent years. The construction sector performed dismally as it is estimated to have contracted by 26.3 and 25.6 percent in 2016 and 2017 respectively. Performance in the sector remains subdued, attributable to government expenditure cuts arising as a result of fiscal consolidation measure being pursued as well as 2016/17 expenditure arrears (unpaid invoices) of N$2.2 billion among others. Government capital projects which were to drive growth in the construction sector came to a halt in 2016 and 2017 thereby straining the performance of the sector even more.

The utility sector (electricity and water) recorded a slow growth of 1.8 percent in 2017, on the back of weak performance by both the electricity and water subsectors. The utility sector is expected to play a significant role in the country’s industrialisation drive to support the achievement of NDP5 and Vision 2030 targets. Therefore, the noted slow growth performance of the sector as suggested by latest statistics does not bode well with national targets and aspirations. The slow growth especially in view of electricity sub-sector for which over 50.0 percent is imported from neighbouring countries will continue exerting pressure on the countries’ foreign reserves thereby affecting the import cover.

In 2017, the manufacturing sector recorded a slow growth of 1.4 percent compared to a strong growth of 5.2 percent in 2016. The sector’s lower performance for 2017 is attributable to a contraction in real value added of meat processing and fabricated metals which recorded declines of 14.4 and 6.4 percent respectively. Diamond processing is estimated to have slowed significantly to 14.6 percent in 2017 from 86.0 percent in 2016 attributable to increased rough diamond supply resulting from Namibia Diamond Trading Company (NDTC), the new diamond sales agreement between Government and De Beers. The manufacturing sector contributed N$19 billion (10.8 percent) to GDP in 2017. The manufacturing sector contribution to GDP target under NDPS is to contribute N$20.6 billion by 2021/22. To this end, the latest growth statistics suggests that the country appears to be on the right track towards the achievement of that target. Therefore, the country should continue boosting manufacturing and industrialisation through the “Growth at Home” strategy if the “Growth at Home and NDP5 targets are to be realised. The achievement of these targets will place the country on course towards the achievement of industrialised country status as articulated in Vision 2030.

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2 According to Fraser Institute, the top ranked eight countries in Africa are: Ivory Coast, Botswana, Ghana, DRC, Zambia, Eritrea, Mali and Burkina Faso.
Tertiary Industry

Tertiary industry still emerges as the main contributor to GDP accounting for 58.4 percent in 2017, significantly higher than both primary and secondary industries' combined contribution. Wholesale and retail trade contributed 11.4 and 19.5 percent to GDP and overall tertiary industry contribution respectively, thereby making it the largest sector in the industry.

In terms of growth, after posting a strong growth of 3.4 percent in 2016, it registered a contraction of 1.1 percent in 2017 on the back of a decline in growth of most sectors including wholesale and retail trade repairs which has historically been one of the industry's key growth drivers. Wholesale and retail trade sector registered contraction of 7.1 percent in 2017 from 2.7 percent estimated in 2016. The declines are attributable to a contraction in the total revenues of wholesale and retail trade due to low domestic demand as a result of slower economic activity. Moreover, slower growth was notable in the sales of vehicles and supermarkets which recorded contractions of 24.5 and 3.0 percent respectively.

The tourism (hotels and restaurant) recorded 3.2 and a contraction of 2.0 percent in 2016 and 2017 respectively. The subsectors hotels and restaurant recorded strong growth of 1.5 and 6.9 percent in 2016 before registering declines of 2.4 and 1.3 percent in 2017 which drove the sector's decline in 2017. Attributable to hotel and restaurant subsector's decline is poor consumer confidence and reduction in demand for private services. This is reflected in the decrease in tourism activities in which resulted from low tourist arrivals as well as due to poor performance in the number of rooms and beds nights sold as they registered a slow growth.

The transport and communication sector is estimated to have slowed from 7.0 percent in 2016 to 0.8 percent in 2017. The sector's slow growth is attributable to subsectors such as post and courier services, freight transport by road and telecommunications which realised slow growths of 2.7, 1.7 and 1.9 percent respectively. Moreover, port services, air transport, and travel and tour operators contracted. For as long as performance of the construction sector remains subdued, slow performance will be reflected in the transport sector due to interconnectedness of the sectors. Overall, activities in the transport sector decreased in 2017 attributable to decline in total cargo volumes resulting from lower export volumes of major mineral products such as uranium, zinc and copper.

Financial Intermediation sector is estimated to have realised constant 2.8 percent growth in both 2016 and 2017 attributable to mixed growth performance of the two sub-sectors. The insurance subsector registered a strong growth of 4.1 percent compared to 1.7 percent in 2016 whereas the banking sector slowed from 3.6 percent in 2016 to 2.0 percent in 2017.

Figure 2: Industry annual growth rates

Source: Namibia Statistics Agency, Preliminary annual national accounts 2017
2.3.2 Fiscal developments

Revenue and expenditure interventions can be used to achieve the macroeconomic and national development objectives in an economy. Government introduced fiscal consolidation in 2016/17 financial year to stabilise growth in public debt through reduction of budget deficit (expenditure reduction on non-core operational expenditure items), leveraging alternative forms of financing as well as implementing structural policy reforms.

During 2017, government continued with the fiscal consolidation policy, through aligning expenditure closer to revenue, with the main goal being to reduce growth in public debt to within sustainable levels. However, it is important to note that the budget continues to support service delivery by realigning public expenditure to key national development priorities. It is therefore a challenge when you are faced with issues related to the reduction of debt through cutting expenditure while simultaneously trying to execute Government’s mandate towards socio-economic development. However, tough choices/decisions have to be made by the government in view of striking a favourable balance on these which will yield optimal results in the medium to long term.

Total revenue comprises of both tax and non-tax revenue with tax revenue being the largest and most significant revenue source. Total revenue for 2017/18 is estimated to increase to 33.1 percent of GDP from 31.2 percent in 2016/17 attributed to better SACU receipts. Going forward, due to projected growth, it is estimated at 30.7 and 31.5 percent in 2018/19 and 2019/20, respectively. The medium-term SACU revenue outlook is a priori (conceived beforehand) as decided by the SACU Council in line with SACU revenue sharing formula.

![Figure 3: Total revenue and expenditure](source: Budget Revenue, Income and Expenditure 2018/2019–2020/2021)

On the expenditure side, total expenditure for 2017/18 is estimated at 38.4 percent of GDP, of which operational expenditure alone accounts for over 90 percent of total expenditure. Total expenditure as a ratio of GDP is expected to decline to 35.2 percent and further to 32.7 percent in 2018/19 and 2019/20 respectively. These projected declines will place the country within sustainable levels as per the national benchmark of expenditure to GDP ratio of below 40.0 percent which the country seeks to maintain through its prudent macroeconomic stance. Moreover, the developments in respect of expenditure and revenue performance led to an improvement of the budget balance as a ratio of GDP which improved from -6.9 percent in 2016/17 to -5.4 percent in 2017/18. It is worth noting that had it not been for unforeseen spending arrears amounting to N$3.2 billion which were carried forward from the previous financial year, the budget balance to GDP would have been at -3.6 percent and within the threshold of 5.0 percent. However, at -5.4 percent to GDP level, the budget deficit to GDP ratio remains on course to falling within the threshold of 5.0 percent which is deemed sustainable. Furthermore, the ongoing fiscal consolidation measure currently being pursued will likely help bring the budget balance to GDP to within the threshold of 5.0 percent.
Public debt stock to GDP is also estimated to increase, albeit marginally, over the MTEF from 42.9 percent in 2016/17 to 46.2 percent in 2019/20 thereby indicating above 10.0 percent increase above the Sovereign Debt Management Strategy's debt-to-GDP ratio of 35.0 percent national cap. However, at the current level, the country's public debt to GDP ratio is within SADC's convergence target of less than 60.0 percent and on par with the average for Emerging markets and developing economies.

2.3.3 External sector developments

Annual trade statistics for 2017 show that both exports and imports slowed by 4.7 and 9.0 percent compared to 2016 respectively. Overall this led to an improvement in the trade deficit amounting to N$24,449 million in 2017 from N$29,996 million in 2016. Figure 4 shows that in the third quarter of 2017 trade deficit increased as compared to the third quarter of 2016 mainly due to a decrease in goods exported. The fourth quarter of 2017 recorded a significant improvement in trade deficit from N$10.2 million to N$3.6 million reflected by an increase in exports of 28.6 percent. In 2017, the key market in terms of both exports and imports was South Africa. Herein, the shares were 24 and 56 percent in respect of exports and imports respectively. The main exported products to South Africa are diamond, gold and precious metals; live animals; and Fish and crustaceans while the main imported products were vehicles; machinery and mechanical appliances; and electrical machinery and equipment. Due to low demand for goods, imports from South Africa declined by 4.4 percent in the fourth quarter of 2017.

Figure 4: Exports and Imports (N$ M)

Source: Namibia Statistics Agency, quarterly trade statistics 2016 & 2017

Balance of payment (BoP) recorded an increased surplus of N$5.4 billion in 2017 as compared to a surplus of N$906 million in 2016. The increased surplus in the BoP is attributable to a significant improvement in the current account deficit from N$23 billion in 2016 to N$3.9 billion in 2017 which was on the back of improvement in net services, secondary income (SACU receipts) and trade balance. On quarterly basis, the fourth quarter of 2017 registered an improved trade balance as compared to the same quarter in 2016. The financial account continues showing a net outflow on yearly and quarterly basis due to low inflows of foreign direct investments (FDIs). The capital account, on the other hand, maintained a net inflow which kept the overall balance of payment in a positive trajectory in 2016 and 2017. The fourth quarter of 2017 recorded overall balance of payment deficit of N$1.3 billion compared to N$ 1.8 billion in the fourth quarter of 2016.
Namibia’s foreign exchange reserves were N$30.2 billion at the end of 2017, an increase of 22.1 percent from N$24.7 billion at end of 2016. Increase in foreign reserves was supported by SACU receipts inflows, inflows from the African Development Bank (AfDB) loan to the Government of Namibia as well as debt repayment from the Banco National de Angola. This level of reserves is estimated to cover 4.6 months of import cover from 3.2 in 2016. In other words, the reserves were estimated to be 6.5 times higher than currency in circulation thereby remaining sufficient to sustain and maintain the one-to-one currency peg with the South African Rand. Of significance is to note that, Namibia has consistently maintained the international benchmark of 3 months of import cover for some time now. These positive developments in view of import cover suggest that Namibia appears likely to achieve the SADC convergence target of more than 6 months’ import cover, set from 2012.

At the end of 2017, Namibia’s international investment position which records foreign assets and liabilities recorded a reduced net liability position attributable to growth in foreign assets which was faster than that of foreign liabilities. Foreign assets increased by 13.1 percent on the back of increase in reserves while foreign liabilities increased by 11.0 percent attributable to increase in other investment resulting from a rise in long term loans mainly the AfDB loan. To this end, the country’s external balance sheet stood at N$18.1 billion from N$18.7 billion at the end of 2016 (BoN, 2017).

2.3.4 Gross Fixed Capital Formation (GFCF) – Investment

Gross fixed capital formation (GFCF) contributed 34.1 and 24.3 percent to GDP in 2015 and 2016 respectively. GFCF as a percent to GDP is an important indicator indicating a country’s future development potential at a particular point in time. After posting a significant 8.6 percent growth in 2015, it declined by 25.3 percent in 2016 attributable to declines in most industries, with the most significant being mining and quarrying which declined in real terms from N$16.0 billion in 2015 to N$7.8 billion in 2016 thereby indicating a contraction of 51.4 percent.
Table 4: Gross Fixed Capital Formation by activity – N$ millions (real terms)

<table>
<thead>
<tr>
<th>Industry</th>
<th>2015</th>
<th>2016</th>
<th>Growth rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>2,060</td>
<td>1,779</td>
<td>-13.6%</td>
</tr>
<tr>
<td>Fishing</td>
<td>1,107</td>
<td>599</td>
<td>-45.9%</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>15,998</td>
<td>7,775</td>
<td>-51.4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4,257</td>
<td>3,517</td>
<td>-17.4%</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>514</td>
<td>1,170</td>
<td>127.6%</td>
</tr>
<tr>
<td>Construction</td>
<td>531</td>
<td>424</td>
<td>-20.2%</td>
</tr>
<tr>
<td>Wholesale and hotels</td>
<td>1,377</td>
<td>716</td>
<td>-48.0%</td>
</tr>
<tr>
<td>Transport</td>
<td>4,875</td>
<td>4,396</td>
<td>-9.8%</td>
</tr>
<tr>
<td>Finance; real estate</td>
<td>3,317</td>
<td>2,869</td>
<td>-13.5%</td>
</tr>
<tr>
<td>Community</td>
<td>233</td>
<td>201</td>
<td>-13.7%</td>
</tr>
<tr>
<td>Government services</td>
<td>8,905</td>
<td>8,795</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Total</td>
<td>43,174</td>
<td>32,241</td>
<td>-25.3%</td>
</tr>
</tbody>
</table>


The mining sector realised noteworthy investments in 2015 which include N$ 2.9 billion Dundee Precious Metals Tsumeb’s sulphuric acid plant and N$150 million Ohorongo Cement new plant expansion among others. The contraction in GFCF in respect of mining and quarrying resulted from the completion of these investments as well as new mines which were under construction.

2.3.5 Price developments

Price developments generally reflect movement (increase or decrease) of prices of goods and services over a time period. They are specifically captured by the inflation rate which is simply a sustained increase in the general price level of goods and services in an economy over a period of time. During 2017, average inflation decreased, albeit marginally, to 6.2 percent from 6.7 percent in 2016 on account of decline in inflation for food and non-alcoholic beverages whereas inflation for the housing and transport categories increased. However, despite this low inflation, the SADC convergence target for 2018 which member states seek to achieve is 3.0 percent. Therefore these developments in annual inflation suggest that Namibia appear less likely to achieve the SADC target. It is also important to note that in terms of quarter-quarter figures, average inflation for the quarter ending March 2018 (January - March 2018) is 3.5 percent compared to 7.7 percent in the quarter ending March 2017 (January – March 2017).

2.3.6 Exchange rates

Between 2016 and 2017, the Namibia Dollar/South African Rand traded favourably against major currencies such as the US Dollar, British Pound and the Euro. This is evidenced by the year-to-year appreciation of 9.5, 13.2 and 7.4 percent against the US dollar, the British pound and the Euro respectively. The appreciation is attributed to base effects and moderate increase in commodity prices. In 2017, the Namibian dollar traded on average N$13.3 per US dollar, N$17.1 per British Pound and N$15.0 per Euro. The appreciation of the Namibia Dollar makes imports into Namibia (i.e. machinery, food products etc.) cheaper while exports of Namibian products (i.e. meat products, mineral products etc.) expensive.

2.3.7 Private sector credit extension (PSCE)

Private sector credit includes loans extended to both businesses (corporates) and individuals (households). Growth in PSCE slowed during the first quarter of 2017 while the annual growth rate stood at 8.5 percent on average lower than the 12.5 percent recorded over the same period in 2016. The slow growth is attributed to reduced growth in credit advanced to both household and corporate sectors in the form of mortgage and instalment credit. Growth in private sector credit extended slowed at the end of the first quarter of 2017 whereby mortgage loans constituted
more than half of total PSCE. Growth in credit extended to businesses slowed to 8.4 percent at the end of first quarter in 2017. The slow growth is attributed to a contraction in instalment credit, slower growth in mortgage credit and other loans. At the end of 2017, PSCE stood at 6.6 per cent, lower than the recorded 11.4 PSCE in 2016. This is due to continued reduced growth in credit advanced for mortgages and instalments credit.

2.3.8 Interest Rates
The average repo rate was 7.0 percent in 2016 after which it was reduced to 6.75 percent in 2017. The level of the repo rate is deemed appropriate in view of supporting domestic economic growth and maintaining the one-to-one peg with the South African Rand. Similarly, the prime lending rate which averaged 10.75 in 2016 was reduced to 10.50 percent in the third quarter of 2017. These developments which stem from the Bank of Namibia’s Monetary Policy Statements bode well with stimulating the much needed growth in the Namibian economy.

3. PART II: SOCIAL DEVELOPMENT

3.1 Employment
Namibia’s labour market looks more vulnerable with unemployment increasing over the years and employment decreasing. Latest data for 2016 show that the number of people in employment declined over the past year, with the employment level now stands at 676,885 from 708,895 in 2014. The country recorded a higher unemployment rate of 34 percent in 2016, which is a 6.6 percent increase from that of 2014 with Kunene and Zambezi regions having the highest unemployment rates of 62.8 and 58.3 percent respectively. Unemployment is estimated to increase further to 37.3 percent in 2017 before it starts declining to 35.9 percent in 2018.

The working age population has increased by 55,593 new entrants into the labour market. A significant share of the youth population is unemployed at 43.4 percent (aged 15-34 years), which is an increase of 4.4 percent from 2014, and almost twelve percentage point difference between males and females. More than 70 percent of the unemployed in Namibia have not gone past junior secondary education. These variances are also significant between urban and rural areas, with urban areas having low unemployment rates. High rates of youth unemployment represent both widespread personal misfortune for individuals and a lost opportunity for critical national and global economic development. High numbers of economically frustrated youth may contribute to social instability.

The decrease in employed persons for 2016 is heavily affected by the decrease in the employment in the agriculture sector, which is the biggest employer in the country and recorded a slowdown in employment of 9.4 percent. Another significant decline is observed in the Wholesale & retail trade as well as Public administration, defense, compulsory social Security with -3.9 percent and -1.4 percent respectively (Table 5). In contrast, sectors such as Real estate activities, Professional, scientific and technical activities, Accommodation & food service activities and Water supply & related industries doubled their employment in 2016.
Table 5: Employed persons by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>people employed 2014 (%)</th>
<th>people employed 2016 (%)</th>
<th>difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture forestry &amp; fishing</td>
<td>29.5</td>
<td>20.1</td>
<td>-9.4</td>
</tr>
<tr>
<td>Mining &amp; quarrying</td>
<td>2.0</td>
<td>2.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.0</td>
<td>6.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Electricity &amp; related industries</td>
<td>0.4</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Water supply &amp; related industries</td>
<td>0.3</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td>Construction</td>
<td>8.0</td>
<td>9.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade</td>
<td>13.6</td>
<td>9.7</td>
<td>-3.9</td>
</tr>
<tr>
<td>Transport &amp; storage</td>
<td>3.7</td>
<td>3.3</td>
<td>-0.4</td>
</tr>
<tr>
<td>Accommodation &amp; food service activities</td>
<td>4.1</td>
<td>7.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Information &amp; communication</td>
<td>0.6</td>
<td>0.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Financial and insurance activities</td>
<td>1.9</td>
<td>2.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Professional, scientific and technical activities</td>
<td>0.9</td>
<td>1.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Administrative &amp; support services activities</td>
<td>4.4</td>
<td>6.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Public administration, defense, compulsory social Security</td>
<td>5.9</td>
<td>4.5</td>
<td>-1.4</td>
</tr>
<tr>
<td>Education</td>
<td>5.8</td>
<td>6.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Human health &amp; social work activities</td>
<td>3.0</td>
<td>2.8</td>
<td>-0.2</td>
</tr>
<tr>
<td>Art, entertainment &amp; recreation</td>
<td>0.3</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Other services activities</td>
<td>1.8</td>
<td>6.4</td>
<td>4.6</td>
</tr>
<tr>
<td>Private households</td>
<td>9.4</td>
<td>8.7</td>
<td>-0.7</td>
</tr>
<tr>
<td>Extraterritorial organization &amp; bodies</td>
<td>*</td>
<td>0.2</td>
<td>*</td>
</tr>
<tr>
<td>Not Recorded</td>
<td>0.1</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

Source: Authors calculations using NLFS 2014 & 2016 data

In terms of income levels, the average monthly wage has increased with N$133 since 2014 at a national level from N$6 626 to N$6 759, but there is a significant difference between sex, professions and industries. Females are lowly paid as compared to male counterparts in the same industry. With the professionals mean monthly wage of N$19 907 being the highest, while people employed in private households earn the lowest at N$1 334. The position of labour in the current economy is actually worrying; the trends over the last years (reported above) indicate that the economic activities in the Labour market did not favour most participants in the labour market, as characterized by low employment figures.

3.2 Income Inequality

While poverty analyses the situation of individuals at the bottom of the income distribution, inequality looks at the income distribution of the entire population. Thus inequality looks at the homogeneity with regards to income of various groups within the population which is crucial for policy intervention. Namibia has been ranked the second most unequal country in the world after South Africa (UNDP 2016). This is despite the observed declining trend in income inequality of over the last twenty three years where the Gini-coefficient (which is a measure of inequality) is estimated to have declined from 0.713 in 1993/94 to 0.56 in 2015/16 (Figure 6). This observed trend shows a decline about 21.5 percent over that period which translates to a marginal decline of 0.9 percent annually. Vision 2030 target is to achieve a Gini-coefficient of 0.3 which according to projections was to be achieved upon realisation of average annual reductions of at least 3 percent.
The slow reduction in the Gini-coefficient for the period 1993/94 to 2015/16 suggests the likelihood of non-achievement of Vision 2030 target in the remaining 12 years. Furthermore, the NDP5 target is to reduce the Gini-coefficient from 0.572 in 2016 to 0.500 in 2022. This is a 7.0 percentage point reduction in a period of five years translating to an annual reduction of 1.4 percent. This is a challenge when compared to the historical annual average inequality reduction trend of less than 1.0 percent. Therefore, this means that the NDP5 implementation, monitoring and evaluation need to be enhanced to achieve our inequality targets.

Figure 6: Gini-Coefficient (Gini Index - %)

Another social issue of concern relates to gender pay gap that exists in Namibia. Despite great strides by women with regards to educational attainment and economic participation, data from the Namibia Labour Force Survey 2014 indicates that there is an observed gender pay gap, the amount by which women’s salaries falls below or exceeds men’s salaries. Table 6 indicates that on average men earns marginally higher per hour than women, with women earning 1.7 percent less per hour on average than men. To address inequality in the country, policy intervention needs to be devised aimed at addressing the observed wage differences.

Table 6: Gender pay gap in Namibia

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
<th>Gender Pay Gap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly earnings (N$)</td>
<td>36.0</td>
<td>36.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Monthly earnings (N$)</td>
<td>6 164</td>
<td>6 962</td>
<td>11.4</td>
</tr>
</tbody>
</table>

3.3 Education

Namibia has increased access to education with almost all children (about 98.6 percent enrolment rate) accessing education in 2015. While access has improved, the same cannot be said about the quality of education with dropouts, repetition, and survival rates remaining persistently high. Dropout rates is a major challenge for Junior Secondary education averaging between 7 percent and 9 percent over the last five years while about one third (32 percent) of learners are dropping out in grade 10 annually. Of a major concern is that about 2 percent of all learners in grade one are dropping out every year. In 2016, this represents about 1600 children dropping out in grade one. While dropout is relatively low for grade 2-4 it increased to 3 percent in grade 5. Namibia experienced these high rates of dropouts despite education being free for the last five years for primary education and the last two years for secondary education.

Figure 7: Dropout rates

![Dropout rates graph]

Source: Education Management Information System, 2015

Over the last five years average repetition rates has been above 10 percent for all grades except grade 11, reaching 20 percent for grade one, five and nine and 30 percent for grade eight. These high rates of repetition discourage learners and could fuel dropping out of school thereby affecting the survival rates.

Figure 8: Survival rates

![Survival rates graph]

Source: Education Management Information System, 2015

Survival rates over the last five years are estimated at 90 percent and above for primary education. However, only 87 percent of the learners over the last five years have survived to grade eight dropping further to 75 percent for grade nine and 67 percent for grade ten while less than half (43 percent) of the learners survived to grade twelve.
4. CONCLUSION AND POLICY IMPLICATIONS

Despite the global economy recording above 3.0 percent growth in the past two years, sub-Saharan Africa (SSA) recorded its slowest growth of 1.4 percent in 2016 before accelerating to 2.7 percent in 2017. This noted improved growth performance in SSA has been driven by improved growth performance, albeit marginally, in the region’s largest economies, Angola, Nigeria and South Africa.

During 2017, the economy is estimated to have contracted by 0.8 percent on the back of declines in the secondary and tertiary industries. This resulted from contractions in construction and wholesale and retail sectors among others. Primary industries, on the other hand, recovered to 10.7 percent supported by strong growth of agriculture and mining sectors. Going forward, gradual recovery is estimated in the medium term.

Although a contraction was recorded in 2017, the country managed to record some notable achievements i.e. a marginal decline in income inequality, improvement in expenditure-to-GDP ratio to within the national cap among others. Moreover, at the end of 2017 foreign reserves would cover 4.6 months of imports from 3.2 months at the end of 2016. Although inflation remained single digit in 2017, the SADC convergence target for 2018 which Namibia as a member state seek to achieve is 3.0 percent which at the current level appears less likely to be achieved in the medium term. The Namibia Dollar traded favourably against major currencies such as the US Dollar, British Pound and the Euro during 2017.

Namibia realised improvement in respect of investment attractiveness according to the Fraser Institute’s Annual Survey of Mining Companies. In this context, Namibia was ranked second in Africa after Botswana during 2017. This is an improvement in ranking from fourth and ninth in 2015 and 2016 respectively, towards top spot it occupied in 2014. The improved ranking is attributable to policy factors.

On the social front, given the slow growth in 2016, unemployment increased while real GDP per capita declined. In 2016, Namibia was ranked by UNDP as the second most unequal country in the world after South Africa. Moreover, in terms of income levels, the average monthly wage has increased since 2014. However, females are generally lowly paid as compared to their male counterparts in the same industry. In view of addressing the noted inequalities in the country, policy interventions need to be devised aimed at addressing the observed wage differences.

Unemployment remains one of the country’s biggest challenges given that it recorded 34.0 percent in 2016 which is 6.6 percentage points increase over the 2014 rate. Unemployment rate is highest in Kunene and Zambezi Regions, which recorded 62.8 and 58.3 percent respectively. It is expected to remain above 34.0 percent in the next two years, with estimations placing it at 37.3 and 35.9 percent in 2017 and 2018.

Namibia has significantly managed to increase access to education evidenced by 98.6 percent enrolment rate achieved in light of children accessing education in 2015. However, quality of education remains a challenge stemming from persistently high dropout, repetition, and survival rates in almost all school phases (primary, junior and secondary education). The high dropout rates are notwithstanding primary and secondary education being free in the last five and two years respectively. The education sector also experienced high rates of repetition in almost all grades which has the potential of discouraging learners and could ultimately fuel dropping out of school thereby affecting learners’ survival rates.