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ANNUAL ECONOMIC DEVELOPMENT REPORT 2012

2012

Table of Contents

List of Tables

List of Figures

List of Abbreviations

ECD	Early Childhood Development
ETSIP	Education and Training Sector Improvement Programme
GDP	Gross Domestic Product
GNI	Gross National Income
IPPs	Independent Power Producers
MCA	Millennium Challenge Account
MDG	Millennium Development Goals
MGECW	Ministry of Gender Equality and Child Welfare
MTEF	Medium Term Expenditure Framework
MW	Megawatt
NAMCOL	Namibia College of Open Learning
NDP4	Fourth National Development Plan
PSIP	Public Sector Investment Programme
SADC	Southern African Development Community
SME	Small Medium Enterprises
TIPEEG	Targeted Intervention Programme for Employment & Economic Growth
VET	Vocational Education and Training
VTC	Vocational Training Centers

PREFACE

The Economic Development Report 2012 is the first in the series of reports the National Planning Commission will be producing since the introduction of the Fourth National Development Plan (NDP-4). The main objective of the Annual Economic Development Report is to quantify and account for the development and achievements in the Namibian economy as a whole. It's second objective, is to synthesize the developmental issues as informed by the current situation and inform policy makers about the developmental challenges. Last, but not least, the report is an essential part and parcel of the overall national system for monitoring and evaluation of our development plans, in particular, that of NDP-4.

The current report confirms the findings of NDP-4's formulation process. That is, our past moderate economic growth has not been sufficient enough to raise the standard of living of our people to the desired levels. Our nation is still tormented by social evils with unprecedented high levels of unemployment, inequalities and poverty. The economic structure has barely changed. Namibia still has a high dependence on raw materials which are exported with minimum beneficiation. The report brings to the fore that, although Namibia has been re-classified as an upper middle income country, it is at the lowest end of the middle upper income group. This calls for no complacence in our developmental efforts.

Furthermore, although Namibia shows some steady improvements in several indicators, it is worth to note that in many cases the improvements have been slower than that of other developing countries. If the current trends in competitiveness are things to go by, Namibia will soon lag behind most of its contemporaries.

It is therefore our humble request, from the National Planning Commission to all our partners, public agencies and private sector to embrace and execute the NDP-4 with the determination it deserves. Together we can make things better.

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TOM ALWEENDO
DIRECTOR-GENERAL

INTRODUCTION

Namibia is classified as an upper middle income country with an estimated annual GDP per capita of USD 5,293. This relatively high income status however, masks extreme inequalities in income distribution, standard of living, and quality of life. In terms of the Human Development Index (HDI) 2012, Namibia is ranked 128th out of 186 countries with a HDI of 0.608. The incidence of poor individuals is estimated at 28.7% of the population, with a poverty gap of 8.8% of the poverty line, while about 15% of the population is estimated to be living in severe poverty. Namibia is rated as one of the unequal countries in the world with a Gini-Coefficient of 0.597. While at the aggregate level inequality appears to be declining, it has increased slightly in seven out of the thirteen regions, namely in Khomas, Kunene, Ohangwena, Omusati, Caprivi, Karas and Otjozondjupa.

Over the last ten years, the Namibian economy grew by an average rate of 5% while recording an inflation rate of below 10%. The economy is characterized by heavy reliance on natural resource extraction for the export market, a large non-tradable sector (government services) and heavy dependence on imports, mainly from South Africa, to meet domestic demand for goods and services. The Namibian export is dominated by the primary industry – mainly comprising of mining, fisheries and agriculture. The primary industry contribution to GDP has been declining while that of the secondary industry has increased. The tertiary industry continues to be the largest contributor to GDP, accounting for more than half of GDP. However, the primary industry, especially the agricultural sector, remains an important source of livelihood supporting more than half of the population.

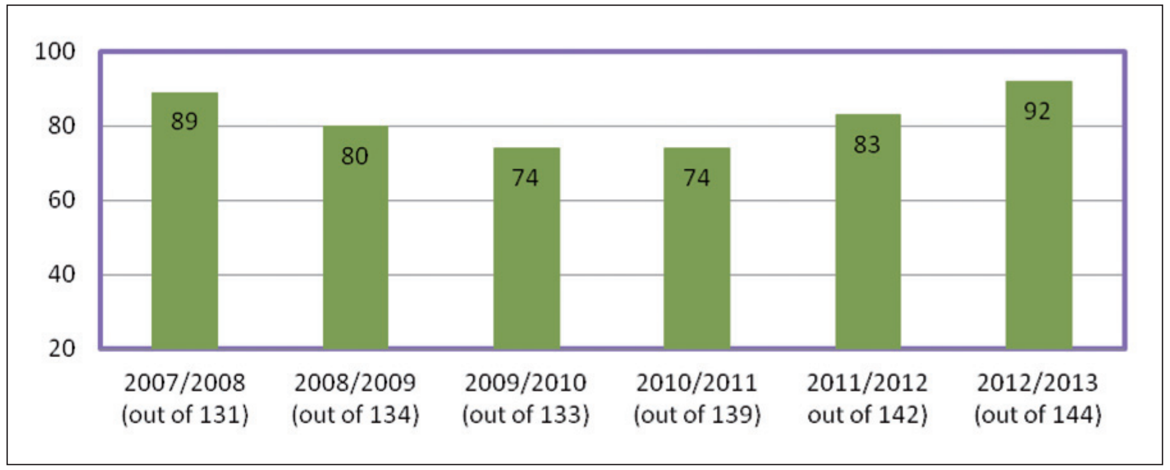
With relatively high poverty levels estimated at 29% of the population, a high unemployment rate of 27.4%; HIV/AIDS prevalence rate of 18.2%; and a largely skewed income distribution with a Gini Coefficient of 0.597, a large proportion of the Namibian population are particularly vulnerable to unfavorable developments in the global economy. Life expectancy at birth has improved and is now estimated at 62.5 years. Infant and under-five mortality rates have also improved and are now estimated to be 32 and 42 deaths per 1000 live births, respectively. With an adult literacy rate of 89 percent, Namibia is one of the countries with the highest adult literacy rates in Africa, with an estimated 2.1 million people, the majority (62%) of whom live in the rural areas.

CHAPTER ONE: NAMIBIA IN THE GLOBAL ECONOMY

1.1 Namibia's competitiveness

Namibia's economic competitiveness continues to decline. In 2012, the Rand Merchant Bank's (RMB) ladder for the best African countries to invest in ranked Namibia the 20th most attractive investment destination out of 53 countries, dropping one spot from last year on RMB's overall index. Between 2007/2008 and 2010/2011, the country exhibited an upward trend in competitiveness rating, from 89 in 2007/2008 (out of 131), to 80 in 2008/2009 (out of 134), remaining constant in 2009/2010 and 2010/2011 (out of 133 and 139, respectively). The rating has since gone down by nine places to 83 (out of 142) in 2011/2012 and yet again by the same number to 92 in the current 2012/2013 (out of 144). The 2012/2013 ranking is the lowest the country has been ranked over the years.

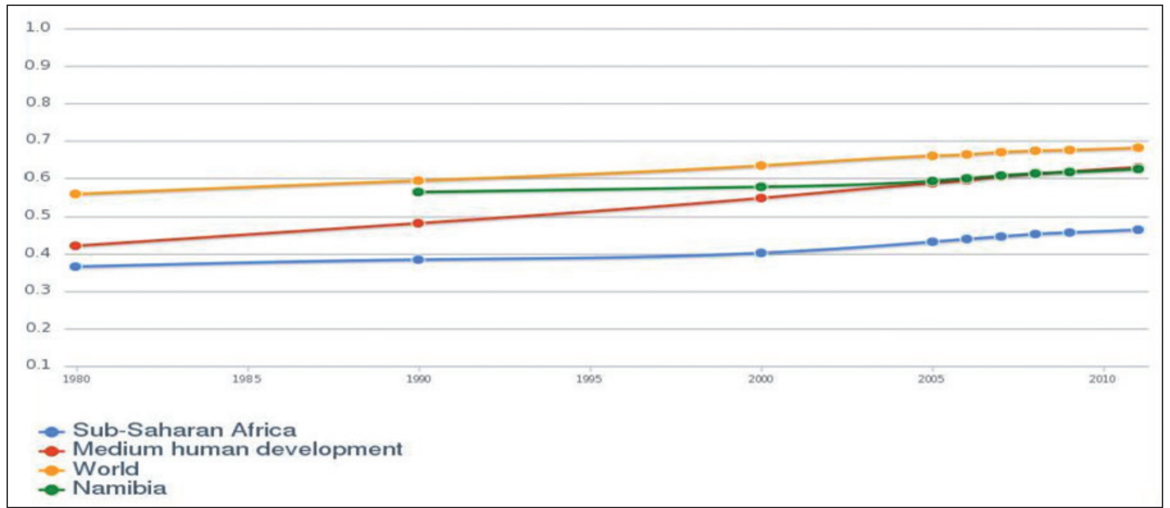
Figure 1: Overall Competitiveness



Source: Global Competitiveness Report 2007-2013

Figure 2 shows Namibia's Human Development Index (HDI), recorded at 0.625 in 2011. This gives the country a ranking of 120 out of 187 countries with comparable data. However, the country's HDI trend is relatively flat as compared to that of the sub-Saharan African average.

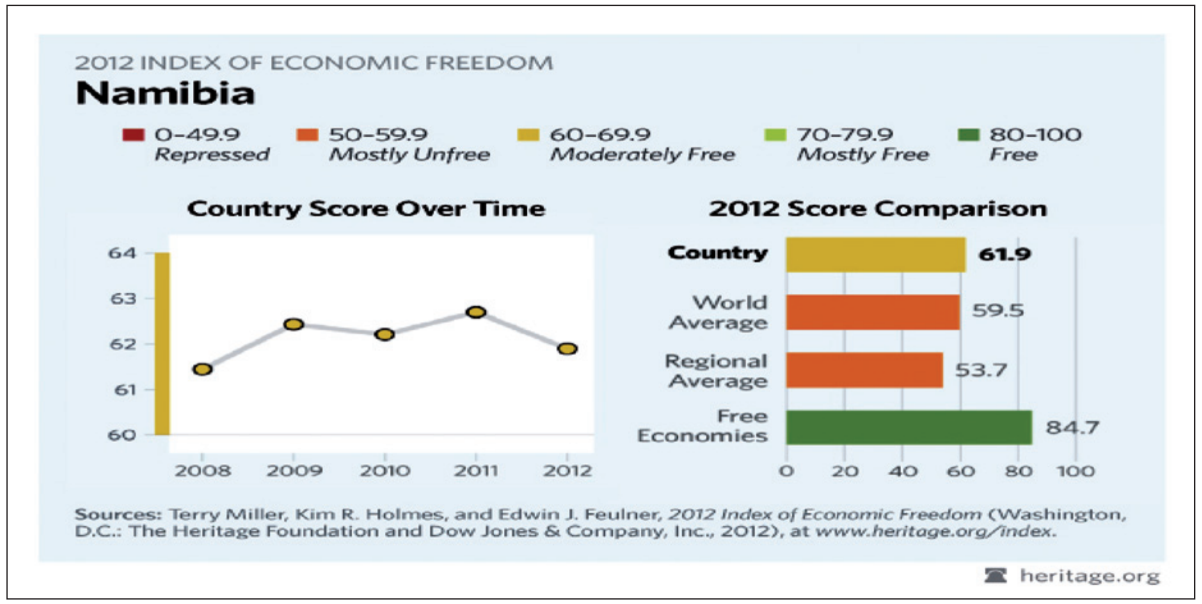
Figure 2: Namibia HDI Trend over Period 1980 - 2011



Source: UNDP © Human Development Indicators

Namibia's economic freedom score stands at 61.9, making the economy the 76th freest in the 2012 Index. This score is 0.8 points worse than that of 2011, with declines in five of the 10 categories of economic freedom. Namibia is thus ranked 7th out of 46 countries in the Sub-Saharan Africa region, and its overall score is above the world and regional average of 1.

Figure 3: Namibia's Score over Period 2008 – 2012[1]



Source: 2012 Index for Economic Freedom

There are several causes for Namibia's overall declining competitiveness; among others these include: high infant mortality and fall in life expectancy, low net secondary school enrolment and completion, limited access for locally produced goods to markets and an increasing government budget deficit. However, the underlining main reason is that Namibia has stagnated in many areas compared to other countries.

Namibia intends to reverse this trend of declining competitiveness by pursuing long and short term goals as articulated in Vision 2030 and recently through NDP-4 and other sectoral interventions. Some of the long term interventions include

i. Increased investment in education and training

The Government has committed to improve this sector by allocating a huge chunk of the national budget (currently above 25% of the national budget) to this sector with the ultimate aim of overhauling the whole educational system. Emphasis during NDP-4 will be to increase the passing rate for Grade 10 and 12 and development of skills through enhanced vocational training. The support from US funded project, The Millennium Challenge Account, and the EU funded project, Education & Training Sector Improvement Programme (ETSIP), are a welcomed gesture from Namibia's development partners.

[1] *The Heritage Foundation: 2012 Index for Economic Freedom*

ii. Increased investment in health sector

Increase access to health services is a priority for the Government and this is being tackled from two angles; 1) through affordability of health services; and 2) through provision of health facilities within reasonable distance. The Government has taken concrete steps to enhance the capacity for the supply of health professionals. The opening of the Medical School, a collaboration between the Ministry of Health and Social Services and the University of Namibia, and ongoing recruitment in the health training centre, are true testimony of such commitment.

iii. Investment in infrastructure

Infrastructure development is the key to economic growth through its leverage for private investment, lowering business costs, efficiency in facilitating movements of goods and services and easier access to markets. The Government, through the Ministry of Works and Transport, is putting in place a Transport Master Plan and Logistic Master Plan. The expected outcome is to transform Namibia into a Transport and Logistic Hub.

iv. Broad based incentive strategy

The Government, under the leadership of the Ministry of Trade and Industry, is spearheading the review of the Foreign Investment Act of 1990, as amended in 1993, the review of the Export Processing Zone (EPZ) and has finalized the Industrial and Public/Private Partnership Policies. These initiatives will bear fruit by creating a conducive environment for businesses but only if they will be implemented with the vigor they deserve. There seems to be only a lukewarm attitude when it comes to some of these policies.

Some of the short term interventions include: shortening the process of registering businesses, easy availing of land for businesses in urban and peri-urban centres, faster processing of work permits for skills not available in the country, courtesy by immigration officers at points of entry, etc.

1.2 Comparisons of important socio-economic indicators

Per capita income

With a population of just over two million people, Namibia is classified as an upper middle income country with an estimated annual GDP per capita of USD 5,293. Table 1 shows GDP per capita, for the period 1980-2011. From 1980 – 1990, Namibia had a GDP per capita which is higher than that of China and Thailand but comparable to that of Mauritius. However, by 2011, GDP per capita in both China and Thailand rose much higher than that of Namibia, while Mauritius' GDP per capita rose to twice higher than that of Namibia. This implies that Namibia's per capita growth during the period under review has been slow compared to China, Mauritius, Thailand, Malaysia and Bostwana.

The slow growth in per capita income for Namibia can be attributed to the combination of small and low population density and lack of skilled labor. The small and low population density constrains business due to limited absorption capacity of the local economy, while lack of skills for the majority of the population confines labor to less productive economic activities.

Table 1: GDP Per Capita, PPP (constant 2005 international $) over Period 1980 - 2011

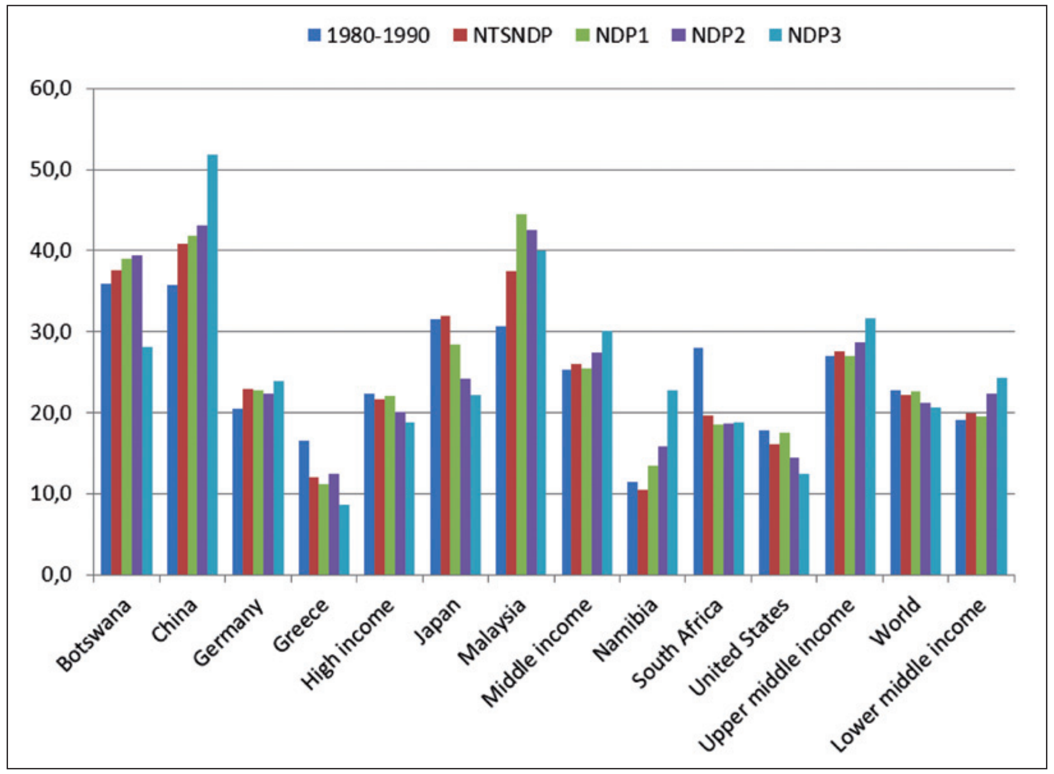
COUNTRY	1980-1990	1991-1994	1995-1999	2001-2005	2007-2011
Angola	3,120	2,384	2,334	2,844	5,071
Botswana	4,936	7,236	8,248	10,841	12,427
China	808	1,429	2,169	3,441	6,279
Ghana	869	945	1,013	1,140	1,443
Malaysia	5,583	7,762	9,609	10,754	12,982
Mauritius	4,713	6,722	7,954	9,722	11,892
Namibia	**4,420**	**4,223**	**4,387**	**4,815**	**5,772**
South Africa	8,372	7,478	7,569	8,081	9,501
Thailand	2,815	4,715	5,586	6,114	7,419
Zambia	1,379	1,169	1,041	1,099	1,333

Source: World Bank Database 2012

Gross domestic savings

Savings are important to economic progress because of their relation to investment: an increase in productive wealth requires that some individuals abstain from consuming their entire income and make their savings available for investment. Figure 4 depicts gross domestic savings as a percentage of GDP from 1980 to 2011. It is observed that China recorded the highest savings rate compared to any other country. In comparison, though Namibia indicates an increasing trend, the rate of growth was slow and not comparable to other middle income countries. Notwithstanding, the short term fluctuations, savings in Namibia have been lower than 20 per cent in relation to GDP except during the NDP-3 period.

Figure 4: Gross Domestic Savings (% of GDP in US$) over Period 1980 - 2011

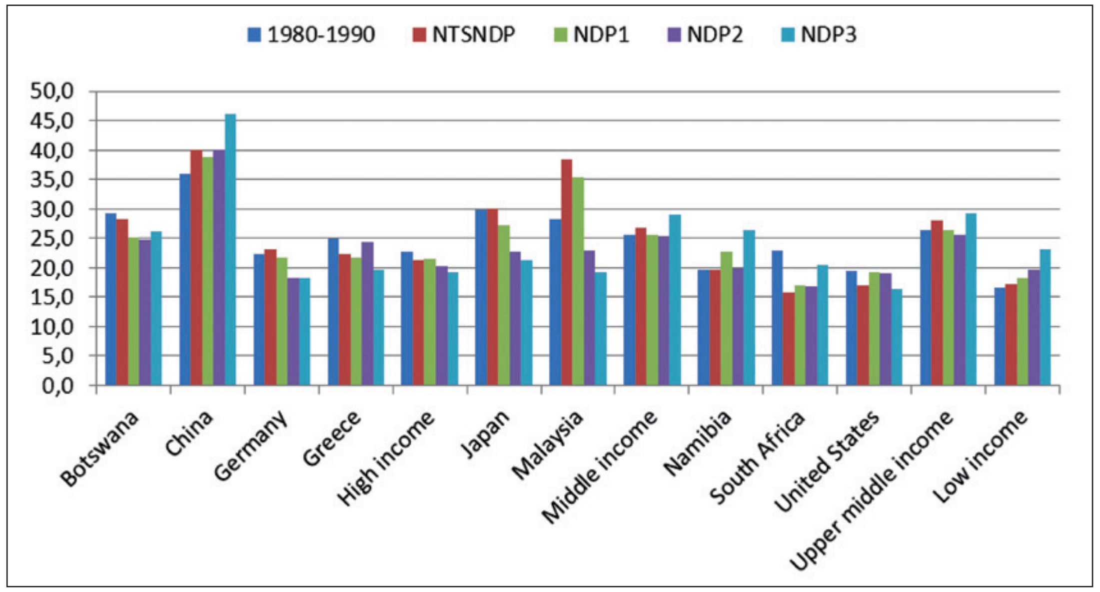


Source: World Bank Database 2012

Gross fixed capital formation

Investment is one of the determinants of economic growth; the more countries invest or receive investments, the faster their economies grow. Figure 5 illustrates gross fixed capital formation as percentage of GDP. While other upper middle income countries recorded investments of more than 25% of GDP, Namibia's investment hovered below 20% throughout the periods reaching 26 per cent on average during the NDP3 period. Furthermore, Namibia's investment is still lower than average investments by middle income countries.

Figure 5: Gross Fixed Capital Formation (GFCF)[2] (as % of GDP in US$) over period 1980 - 2011



Source: World Bank Database 2012

Current account balance

Namibia is one of the countries running a healthy current account balance. Other countries which have consistently run a positive current account balance[3] are China, Botswana, Malaysia and Angola. The average value of the current account balance for the period 2007 to 2011 for Namibia is however 3.5 times less than that of Botswana.

Table 2: Current Account Balance (BoP, current US$) over period 1991 - 2011

COUNTRY	1991-1994	1995-1999	2001-2005	2007-2011
Angola	-580 669 000	-297 949 800	703 707 610	4 406 224 369
Botswana	287 301 489	453 839 604	647 655 205	601 955 449
Brazil	876 500 000	-26 220 800 000	-190 323 470	-30 175 705 204
China	3 743 000 000	19 682 278 000	59 438 807 059	291 306 468 627
Germany	-24 448 883 214	-19 662 945 557	70 991 477 132	215 316 941 494
Ghana	-360 613 000	-468 008 800	-425 163 329	-2 523 599 186
High income	-40 779 068 791	-17 357 106 956	-210 787 214 126	-128 354 891 773
Malaysia	-3 465 305 236	618 307 680	12 583 423 535	31 960 094 839
Namibia	**87 595 130**	**103 257 966**	**228 350 597**	**168 111 989**
South Africa	1 553 013 977	-1 854 633 448	-3 158 729 313	-15 045 730 492
Sub-Saharan Africa (all income levels)	-4 957 271 124	-9 654 414 127	4 249 306 461	-11 510 822 587
United States	-63 794 812 500	-179 140 240 000	-549 448 605 928	-541 667 351 000
World	-105 245 191 768	-78 178 611 878	-88 254 751 499	168 817 147 026

Source: World Bank Database 2012

[2] *Gross capital formation (formerly gross domestic investment) consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress*

[3] *The current account figures for the planning periods are average figures, Namibia experienced deficit on its current account balance in 2009 and 2011 due to the global financial crisis.*

School enrolments

At independence in 1990, Namibia introduced the "Education for All" policy with the main objective of improving access to education for every Namibian child. However, over two decades later this policy statement is not closer to being realized. Comparison of the Gross Enrolment Ratio (GER)[4] in the secondary and tertiary education reveals that close to 40 per cent of school going age at secondary level are not in school, while over 90 per cent of those who should be at tertiary institutions are not enrolled. Table 3 below indicates that there has been some improvement from a pre-independence era in terms of enrollment at both secondary and tertiary level; however it has remained fairly stagnant over the past two decades. This is in contrast to what other developing countries such as Malaysia and Tunisia have achieved.

Table 3: School Enrolment Secondary and Tertiary (% gross) over period 1980 - 2011

School enrollment, secondary (% gross)					
Country	1980-1990	1991-1994	1995-1999	2001-2005	2007-2011
Botswana	38.0	49.4	67.4	75.6	80.5
China	36.0	45.0	56.9	64.9	79.0
Malaysia	55.6	55.4	60.4	69.9	69.1
Namibia	37.7	49.9	56.0	63.5	63.6
Spain	103.4	108.8	113.4	114.4	120.0
Tunisia	43.9	48.3	65.2	80.8	90.1
United Kingdom	83.3	94.8	100.4	103.3	99.3
School enrollment, tertiary (% gross)					
Botswana	0.0	4.8	5.3	7.0	7.4
China	2.6	3.1	5.6	15.1	23.7
Malaysia	6.9	9.2	18.6	29.2	35.3
Namibia	**0.0**	**4.5**	**6.1**	**6.4**	**7.6**
Spain	34.8	40.6	51.1	63.9	70.2
Tunisia	7.5	10.2	14.5	26.4	32.9
United Kingdom	25.6	35.7	53.1	60.1	58.3

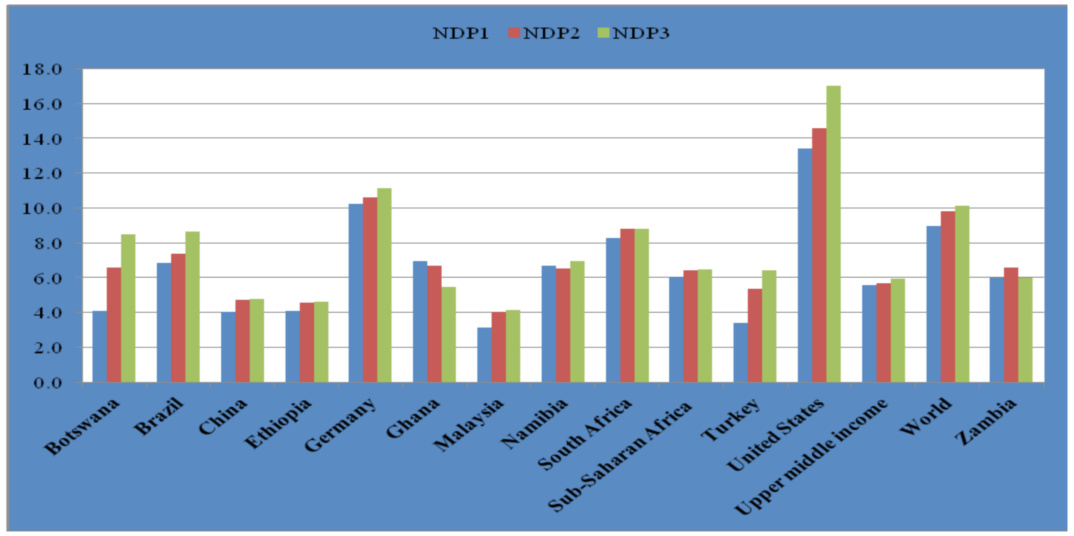
Source: World Bank Database 2012

Health expenditure

Namibia's average spending in the health sectors is above the Sub-Saharan Africa and that of the upper-middle income countries as depicted by Figure 6. Namibia spends more than 6% of her national budget on health. However, in comparison with other countries, health expenditure in Namibia remained the same while other countries like Botswana have increased their expenditure over the same period.

[4] *Is the total enrolment in a specific level of education, regardless of age, expressed as a percentage of the eligible official school-age population corresponding to the same level of education in a given school year.*

Figure 6: Health Expenditure, total (% of GDP) over period 1995 - 2011



Source: World Bank Database 2012

Life expectancy

Life expectancy is an important factor in the computation of the human development index and on its own it is an indicator of a better living standard in a particular nation. Life expectancy in Namibia deteriorated during NDP1 and NDP2 periods before it starts picking up during the NDP3 period as indicated by Table 4.

Table 4: Life Expectancy over period 1980 - 2011

Countries	1980-1990	1991-1994	1995-1999	2001-2005	2007-2011
Angola	40.7	41.4	43.2	47.3	50.2
Botswana	62.7	62.3	55.7	49.7	52.8
Brazil	64.4	67.3	69.1	71.0	72.8
Cuba	74.2	74.7	75.7	77.1	78.7
Ethiopia	44.9	48.2	50.2	53.7	58.1
Ghana	54.7	57.7	58.0	59.8	63.3
Malaysia	68.8	70.6	71.6	72.7	73.8
Namibia	**59.6**	**60.8**	**59.4**	**57.7**	**61.4**
Nigeria	45.8	45.4	45.4	47.9	50.9
Qatar	72.8	74.7	75.7	76.9	77.9
Turkey	60.0	64.5	67.4	71.1	73.4
Zambia	50.6	45.3	42.7	43.0	47.7
Zimbabwe	60.8	57.4	49.3	43.5	48.5

Source: World Bank Database 2012

Infant mortality

Table 5 indicates the trends in infant mortality per 1,000 live births. The table shows a declining trend for different countries from 1968-2011. Namibia's infant mortality is lower than that of Sub-Saharan Africa and other low and middle income countries but significantly higher than that of high income countries.

Table 5: Trends on infant mortality rate (per 1,000 live births) over period 1968 - 2011

Countries	1980-1990	1991-1994	1995-1999	2001-2005	2007-2011
Angola	40.7	41.4	43.2	47.3	50.2
Botswana	62.7	62.3	55.7	49.7	52.8
Brazil	64.4	67.3	69.1	71.0	72.8
China	68.3	70.0	70.8	71.8	72.9
Cuba	74.2	74.7	75.7	77.1	78.7
Ethiopia	44.9	48.2	50.2	53.7	58.1
Ghana	54.7	57.7	58.0	59.8	63.3
Malaysia	68.8	70.6	71.6	72.7	73.8
Namibia	**59.6**	**60.8**	**59.4**	**57.7**	**61.4**
Nigeria	45.8	45.4	45.4	47.9	50.9
Qatar	72.8	74.7	75.7	76.9	77.9
Turkey	60.0	64.5	67.4	71.1	73.4
Zambia	50.6	45.3	42.7	43.0	47.7
Zimbabwe	60.8	57.4	49.3	43.5	48.5

Source: World Bank Database 2012

BOX 1: Profiles of Countries by World Bank Income Categories

Profiles of Countries by World Bank Income Categories

Income categories	Income classification criteria: gross national income per capita in 2009 (US$)*	Number of countries	Country examples	Total population	Average income in 2010 (constant PPP 2005 international $)	Secondary school enrolment rate, 2010**	Life expectancy at birth (years, 2009)	Infant mortality rate (per 1,000 live births, 2009)
High-income countries (rich countries)	Higher than $12,276	70	Canada, Poland, U.S.	1.1 billion	$33,232	100%	79.8	5.8
Upper-middle-income countries	$3,976 to $12,275	54	Brazil, China, Russia	2.5 billion	$8,731	90%	71.5	17.5
Lower-middle-income countries	$1,006 to $3,975	56	Guatemala, India, Nigeria	2.5 billion	$3,287	64%	64.8	51.7
Low-income countries (poor countries)	$1,005 or less	35	Bangladesh, Cambodia, Kenya	817 million	$1,099	39%	57.5	76.5

*The World Bank calculates gross national income using the Atlas conversion factor, which reduces the impact of exchange rate fluctuations when comparing national incomes across different countries.
**Ratio of enrolment in secondary school (regardless of age) to the population of the age group that corresponds to that level of education.
Source: World Bank, World Development Indicators; The Conference Board of Canada.

Source: World Bank 2012

Looking at the above Box 1, Namibia is classified as one of the upper-middle income countries along with Brazil, China and Russia. However, Namibia still lags behind in terms of secondary school enrolment with 63.6% as compared to 90.0% for the upper-middle income group. Life expectancy at birth, Namibia still records a lower figure of 61.4 as opposed to the 71.5 for the group. The other indicator which opposes Namibia's qualification to upper-middle income country is the infant mortality that is high 34.0%, as compared to 17.5% for the upper-middle income group. Income inequality clearly shows the position of Namibia in terms of being one of the highest in the world.

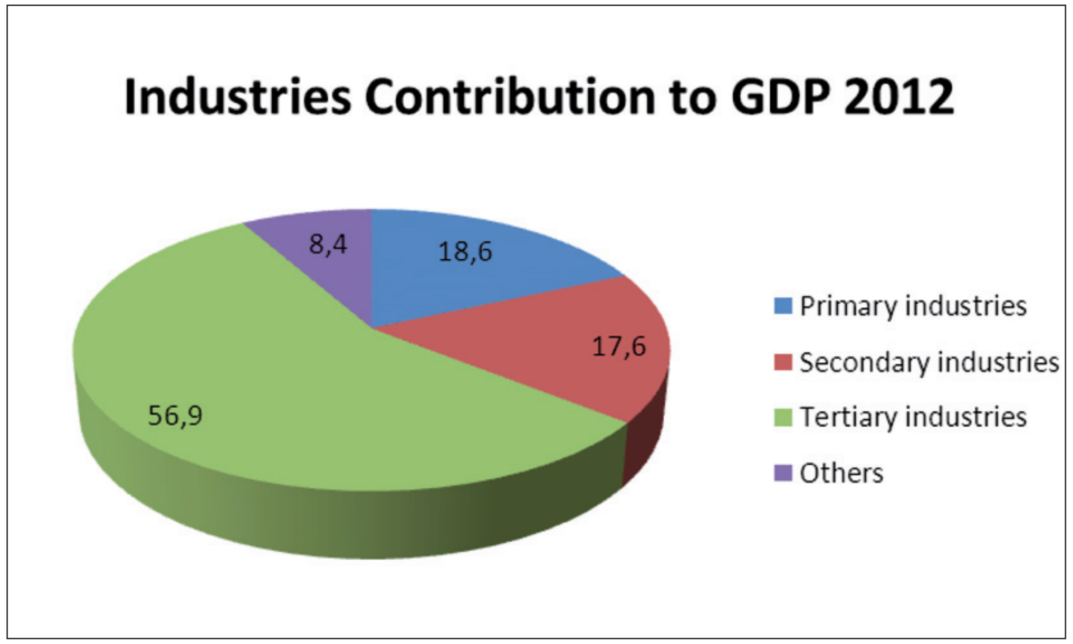
CHAPTER TWO: PERFORMANCE OF THE DOMESTIC ECONOMY

2.1 Industrial performance

The Namibian economy is characterized by a large non-tradable sector (government services) and an export oriented primary industry. Over the past ten years there have been no significant changes in the structure of the economy. The tertiary industry continues to be the largest contributor to GDP, accounting for about 56.9% of GDP. The primary industry contribution to GDP declined from about 24% in 2002 to about 19% in 2012.

While the relative contribution of the primary industry declined over the 2002-2011 period, the contribution of the secondary industry to GDP increased from 16% to about 18% over the same period.

Figure 7: Industries Contribution to GDP, 2012

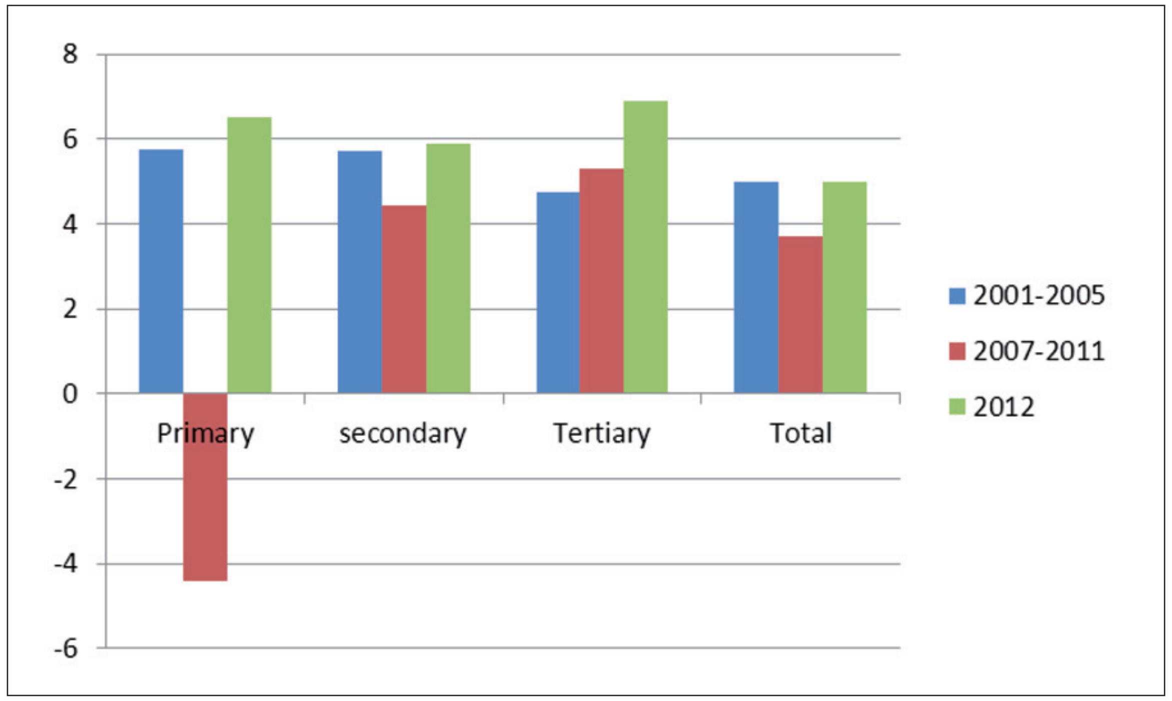


Source: Preliminary National Accounts 2012

The economy recorded an average growth of 3.9% during 2007-2012, which is low compared to 6.2% recorded during 2002-2006. This is a result of the economic crisis which started in 2009 and continued through 2011. The average growth during 2007-2012 was mainly driven by the secondary and tertiary industries which recorded a growth of about 4.6% and 5.2% respectively, while the primary industry contracted by about 4.6%.

While both tertiary and secondary industry have registered consistent growth over the last ten years, in contrast the primary industry contracted almost every second year mainly due to external shocks such as drought, exchange rates, international oil prices and the global economic crisis.

Figure 8: Industrial Growth rates, 2001-2012



Source: National Accounts 2012

2.2 Recent domestic economic development

The economy grew by 5.0% in 2012 compared to 4.9% recorded in 2011. This growth is still lower than the 6.0% recorded in 2010. The growth is still twice lower than the magnificent growth experienced nine years ago in 2004 of 12.4%. Although this high growth in 2004 is partially explained by the rebasing of the national accounts, it demonstrates the unrealised potential growth for Namibia.

The growth in 2012 cements the expansionary economy for the consecutive three years after a trough in 2009 which was caused by the global financial crises and the aftermath debt crisis in the Euro Zone. The crisis in 2009 affected mainly mining, construction and hotels and restaurant sectors which grew by -42.2%, -18.4% and -2.0% respectively. The economic growth of 5.0% is also an average growth for 2012 for Africa[5] as a whole and puts Namibia among the middle performers of African countries. This growth is good news for NDP-4's performance, as it is above 4.6% which was the forecast for 2012/13 financial year, and thus indicates that NDP-4's average growth of 6% maybe well within reach.

The 6% growth forecasted by NDP-4, may be hampered by several factors including a looming drought in the 2012/13 rainfall season, the increasing fuel prices, falling commodity prices, tension in the Korean peninsula which may affect the sale of uranium exacerbating the situation triggered by Japan's nuclear accident, the continued uncertainties in the Euro Zone and uncertainties in the negotiations of Economic Partnerships Agreements.

2.2.1 Primary industries

The primary industry grew by 6.5% in 2012 propelled by growth in other mining and quarrying (18.8%), diamond mining (9.0%) which recovered from a negative growth of 2.6%, and Agriculture and Forestry (5.3%). The primary industries' growth in 2012 was pulled down by negative effects in the fishing and fish processing on board. The primary industries rebounded from a close to zero growth in 2011, which was mainly affected by the mining and quarrying sectors.

[5] *Top Five High performing African countries include: Ethiopia, Sierra Leone, Libya, Ghana, Rwanda, while Bottom 5 performers include Swaziland, Sudan, Madagascar, Comoros and South Africa.*

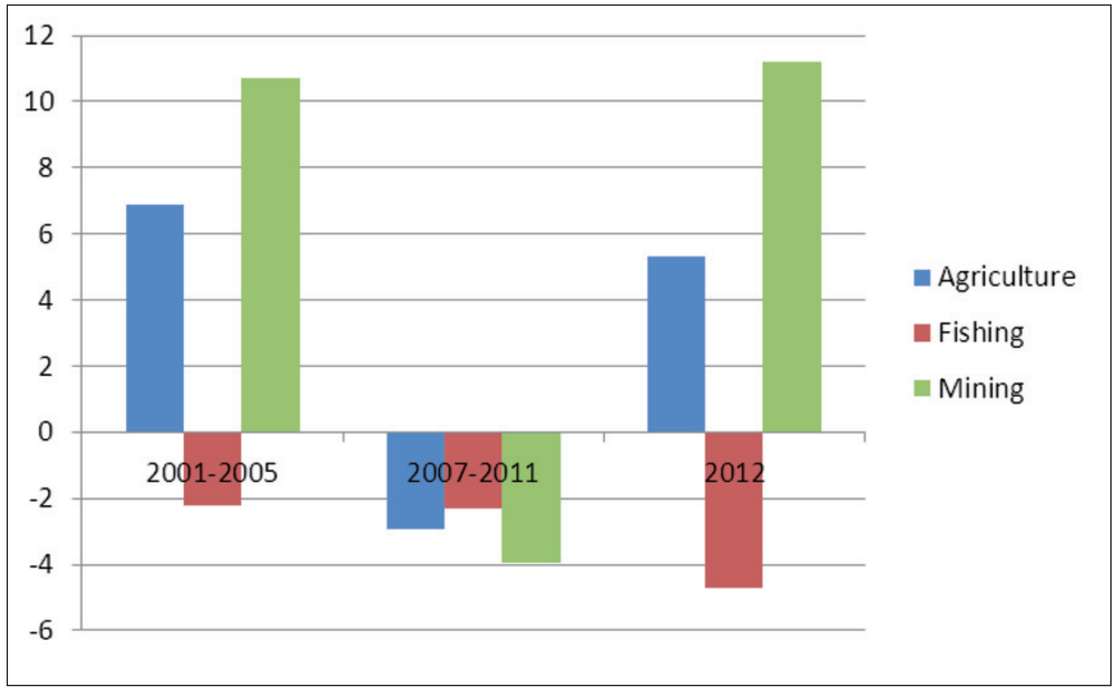
Primary industries experienced rough times during the entire period of NDP-3, on average the industries contracted by 4.4%, this could have been worse if it was not for a once off growth of 14.2% in 2010. The mining sector, especially the diamond sub-sector, has been the most vulnerable during NDP-3 because of the "one way traffic" of exporting commodities with minimum benefit. Despite the creation of the Namibia Diamond Trading Company (NDTC)[6] in 2007, only about 20% of local production is processed through cutting and polishing.

Of the five years of NDP-2, the primary industries recorded a positive growth for three years again owing to the performance of the mining sector. The performance of the agricultural and forestry sector, a priority sector for NDP-4, was very poor during NDP-3's period, recording a positive growth only in 2009 and 2011 at 0.6% and 10.6% respectively. However, during NDP-2's period, the performance was much better, recording a positive growth in four out of the five years.

The primary industry is dominated by the mining sector with more than half (about 57%) of the sector's contribution to GDP arising from mining and quarrying. Thus, the performance of the primary industry follows closely those of the mining sector especially those of the diamond mining sub-sector.

The primary industry as a whole contributes 29% of total employment according to the 2012 Labour Force Survey. While mining contributes a large chunk to the value added, it merely contributes 1.8% to the total employment in the country, while the combination of agriculture and fisheries contributes 27%. The majority of the employed in agriculture are in subsistence agriculture. It is worth noting that per capita income in the subsistence agriculture was N$6,533 in 2010 compared to N$111,483 from commercial farming. This calls for speedy reform in the agricultural sector and land distribution to eradicate the dualism in the agricultural sector for poverty reduction and uplifting the standard of living for the majority of the citizens.

Figure 9: Primary Industry Real Growth 2001-2012



Source: National Account 2011

[6] The key focus of the NDTC is to drive the growth of domestic diamond manufacturing industry and the creation of a sustainable downstream diamond industry in the country. The aim is to ensure the maximum, long term value from Namibian diamonds through world class sorting, valuing and sales practices in Namibia. This strategy supports the development of new employment opportunities and a broadening of the skills base of Namibian citizens.

2.2.2 Secondary industries

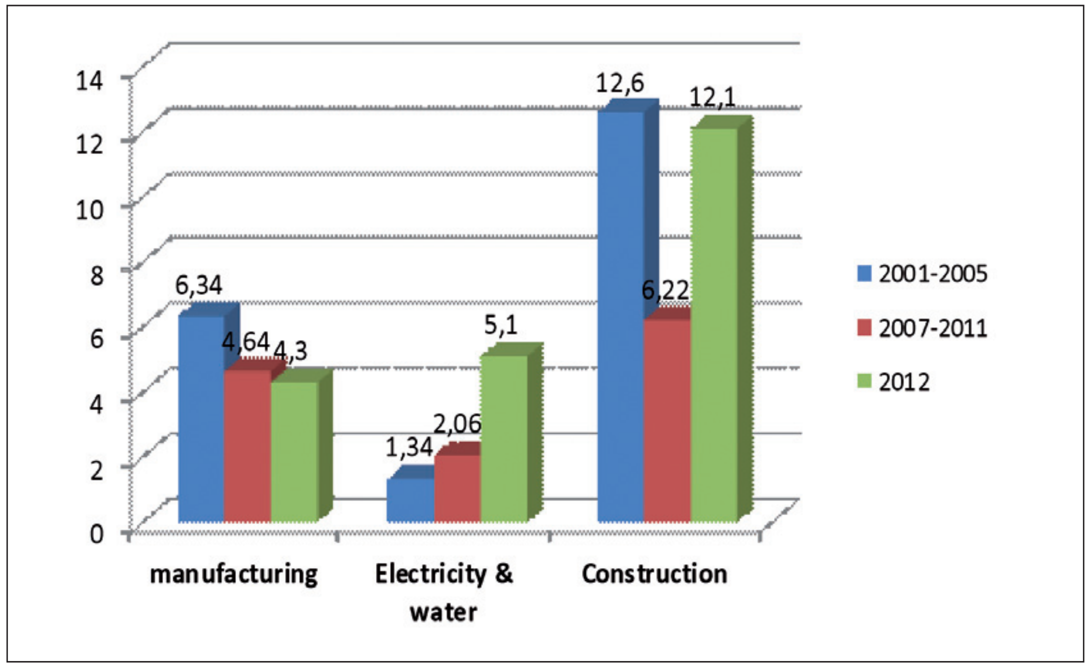
The secondary industries grew faster in 2012 by 5.9% compared to 3.3% in 2011 but still fell short of 0.5% to reach the mark of the 2010 growth of 6.4%. The growth in these industries was higher except for fish processing which experienced a further decline for the second year in a row. The impressive growth was registered by the construction subsector of 12%. The manufacturing sector, a priority sector under NDP-4, grew by 4.3% in 2012 compared to the negative growth of 0.6% recorded in 2011. This growth is lower than the 4.7% envisaged in NDP-4, it is expected to grow even higher in subsequent years.

During the NDP-3's period, the secondary industries grew by 4.4% lower than the 5.7% during NDP-2. The growth during the NDP-3 period could be attributed to the construction and manufacturing sectors which grew by 6.2% and 4.6% respectively, while the electricity and water sector grew by 2.1%. In comparison to NDP-2, the construction and manufacturing sectors grew by 12.6% and 6.34% respectively, while the electricity and water sector grew by 1.34%.

The manufacturing sector dominates performance of the secondary industry as it accounts for more than one third of the industry's contribution to GDP. However, contribution of manufacturing has been decreasing slowly since 2008, a sign of de-industrialization in contrast with Vision 2030's aspirations. NDP-4 calls for the analysis of the value chains, especially starting with mining inputs and adding value to commodities from both mining and agriculture. The manufacturing sector contributes 37% and 5% in terms of employment to the industry and to total employment respectively. It contributed, however, 38% (N$16 billion) of the total value of exports in 2012 compared to 31% in 2011.

The current manufacturing activities in the country have a lower propensity for employment creation than for income. The high share of manufacturing exports in total exports, combined with a 19% of imports of manufactured goods, indicates a high demand for manufactured goods, hence the country will not go wrong for pursuing manufacturing in the country. However, there is a need to diversify manufacturing activities too to gain from employment opportunities.

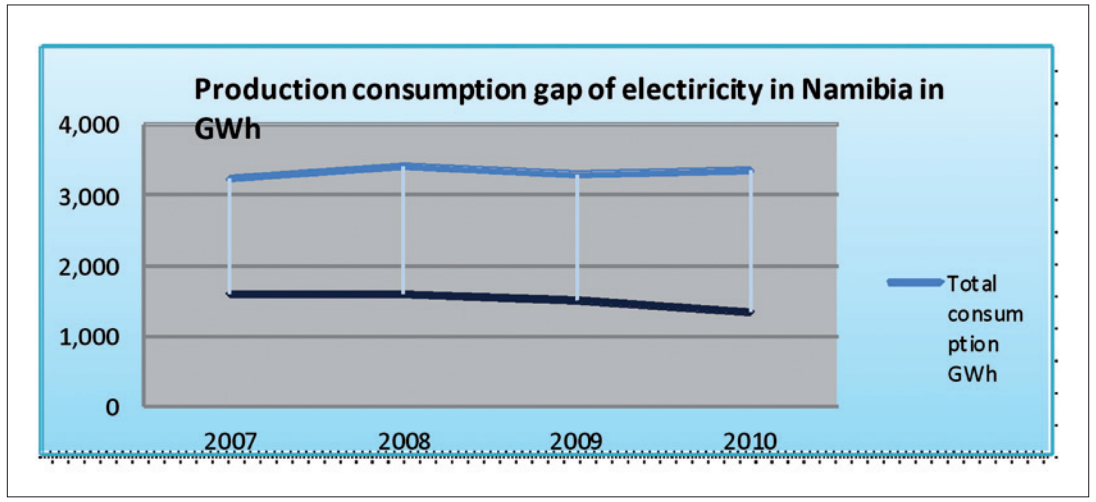
Figure 10: Secondary industry real growth 2001-2012



Source: National Accounts 2012

The electricity and water sub-sector which accounts for just over 10% of the industry's contribution to GDP recorded a growth of 5.1% in 2012 compared to 4.5% observed in 2011. This growth is attributed to the increased demand of electricity and water consumption by commercial, public and private sectors. Between 2007 - 2010, Namibia could only produce up to 1513 GWh on average, while demand for electricity consumption remains above 3000 GWh and the trend is estimated to continue increasing as economic activities such as commercial and public services, agriculture, fishing and mining manufacturing expand. The country imports above 60% of the electricity energy from neighbouring countries, mostly South Africa. It is imperative that the country should consider "green energy" and mechanism to allow Independent Power Producers (IPPs) in power generations should be fast tracked.

Figure 11: Electricity Production Gap 2007-2010 in GWh over 2007 - 2010

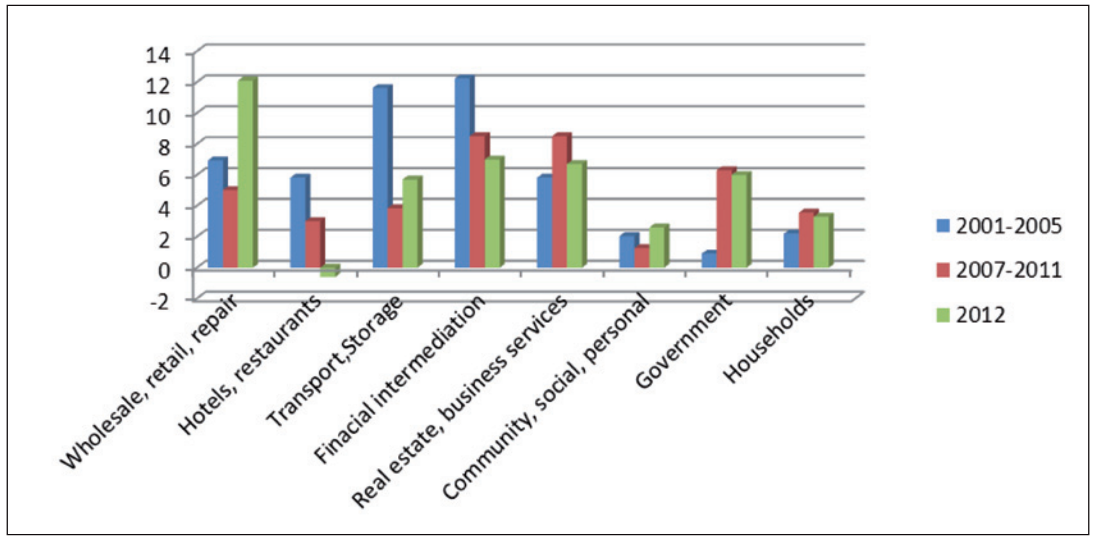


Source: Ministry of mines and energy report

2.2.3 Tertiary industries

The tertiary industries recorded a growth of 6.9% in 2012 compared to 4.5% observed in 2012. The main pushers of this growth were wholesale and retail trade and repair, financial intermediation and real estate and business services subsectors. During the NDP-3 period, the industry grew by 5.3% owing to growth in the financial intermediation, wholesale and retail, government services, and transport and communication. In comparison to NDP-2's period, the industries grew by 4.8% on average.

Figure 12: Tertiary industry real growth 2001-2012

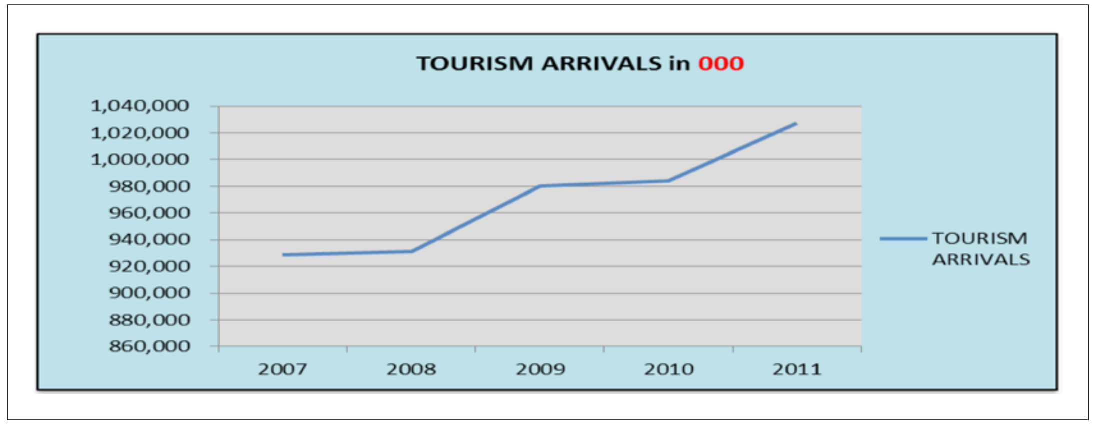


Source: National Accounts 2012

The transport and communication sector, an NDP-4 priority sector which accounts for about 10% of the industry's contribution to GDP, recorded a growth of 4.9% in 2012. As a proxy for logistics it contributes 6% and 4% to total employment to tertiary industries and to total employment respectively.

The financial intermediation sector which recorded the highest growth during both NDP2 and NDP3 slowed down in 2012 recording a growth of 5.3%. The hotels and restaurant sector, the proxy for the tourism sector, which is another NDP4 priority sector, recorded a negative growth of -0.6% in 2012 compared to 3.0% recorded in 2011. This sector contributed 11% and 7% in terms of employment to tertiary industries and total employment in 2012. The growth in 2011 was due to the total number of tourist arrival as shown by Figure 13. The graph depicts the total number of tourist arrival in Namibia since 2007 to 2011. Tourist arrival in Namibia increased by 4.0% in 2011 from 984,099 tourists in 2010 to 1,027,229 tourists in 2011. This is however low compared to a growth of 5.3% recorded in 2009.

Figure 13: Tourism arrival for the period 2007-2011



Source: Ministry of environment and tourism: tourism satellite account and ministry of Environment and Tourism statistical report 2011

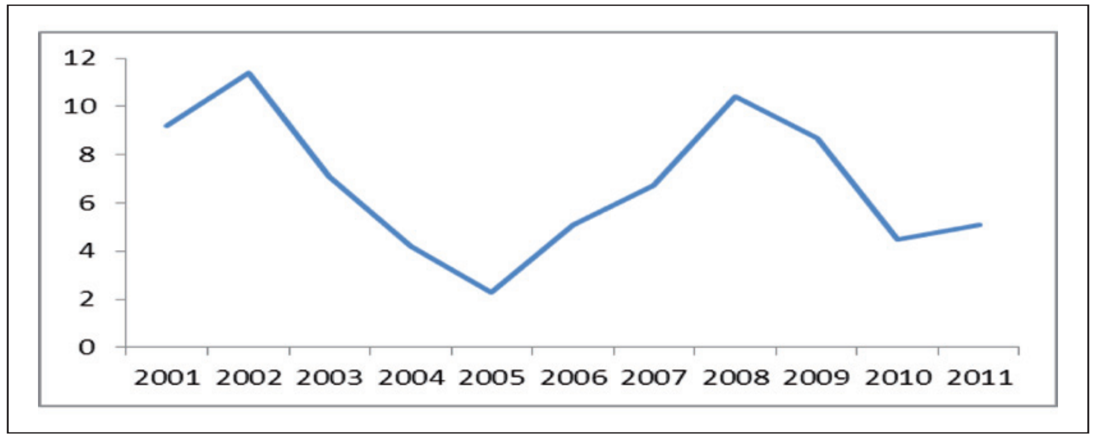
2.3 Inflation developments

With the exception of unemployment and poverty, inflation is one of the economic indicators being closely monitored by policy makers. Inflation results mainly from an increase in aggregate demand and a contraction of aggregate supply. It is caused by either an increasing demand of goods exceeding the supply or by an increase in the cost of production. About two thirds of the inflation weights are accounted for by foods, energy and transport, and thus any major changes in these items determines the direction of the inflation rate in the country. Given Namibia's trade relationship with South Africa, the trend in inflation rate follows closely those in South Africa. During the NDP2 period, Namibia experienced a declining trend in inflation recording its lowest rate of 2.3% in 2005 before it started picking up during NDP3 reaching 10.4% in 2008. Inflation rate averaged 7.08% during the NDP3 compared to 6.85% recorded during NDP2. In 2012, the first year of NDP4, Namibia recorded an inflation rate of 6.5%.

It is generally argued that high inflation is not good for the economy. However, it is equally true that zero inflation, commonly known as deflation, is not good for the economy since it indicates economic stagnation. High and fluctuating inflation rates are bad for the economy because it increases uncertainty which makes economic decisions more difficult and makes the price signal role less efficient. This may result in lower levels of investment and growth. Furthermore, in a country with high poverty rates like Namibia, high inflation affects the poor disproportionately more than the non-poor given their food consumption levels and their wealth status.

Therefore, a stable inflation rate is good both for investors as well as for the poor. Generally, high and variable inflation rates causes uncertainty. This increased uncertainty will make both individuals and firms reluctant about taking up new investments. This results from the fact that high and variable inflation is regarded as a signal of poor economic policy.

Figure 14: Inflation rates, 2001 - 2011



Source: National Accounts 2011

2.4 Economic outlook

Note: The outlook is based on the central (baseline) growth scenario of the macroeconomic Framework 2013, compiled by the macroeconomic working group.

Table 6: Sectoral projections for the period of 2013 to 2016

	2012[7]	2013	2014	2015	2016	Average
Primary	**6.5**	**2.0**	**3.1**	**2.6**	**3.0**	**2.7**
	The primary industry is projected to maintain a steady growth of between 2% and 3.1% due to the expansion in meat exports to international markets such as United States of America, and People's Republic of China as well as the promotion of the green scheme as a priority sector under NDP-4.					
Secondary	**5.9**	**7.2**	**6.2**	**5.7**	**4.3**	**5.9**
	The secondary sector is projected to be the driver of economic growth during NDP-4 and thus projected to grow at 5.9% on average. The growth will mainly be sourced from the construction and electricity sectors which are projected to grow due to the implementation of NDP-4 major projects such as Walvis Bay's port expansion, the construction of Gecko and Old Mutual projects. Electricity and water sector is projected to grow due to the commencement of the Kudu Gas Project.					
Tertiary	**6.9**	**3.1**	**3.1**	**3.6**	**3.9**	**3.4**
	The tertiary industry is projected to record a slow growth of 3.4% due to a projected slow growth in the Euro Zone which will affect the tourism sector. However, financial intermediation, transport and communication and wholesale and retail sectors, are expected to register average growth rates of 5.2%, 3.8% and 3.3% respectively, due to pipeline project such as WACs					
GDP	**5.0**	**4.3**	**4.3**	**4.4**	**4.4**	**4.4**

Source: National Accounts 2011 and Macroeconomic Working Group 2012

[7] *Estimate from the Preliminary National Accounts 2012*

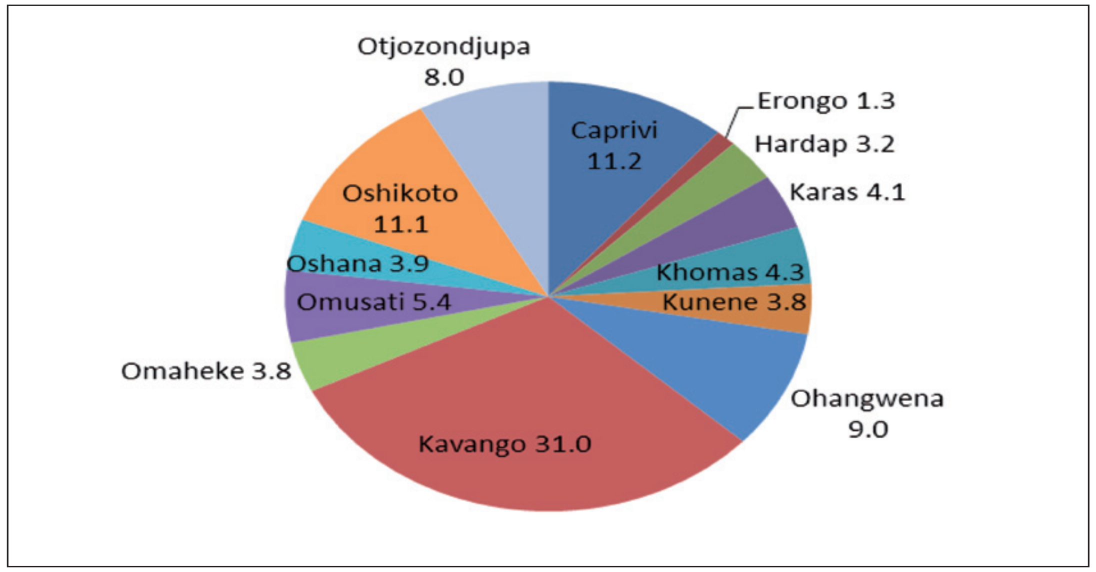
CHAPTER THREE: SOCIAL DEVELOPMENT IN NAMIBIA

3.1 Poverty levels in Namibia

Poverty reduction remains an overarching government priority. Government's main target is to reduce the proportion of severely poor individuals to below 10% by the year 2017. Currently, about 29.0% of the Namibian population lives below the poverty line while about 15.0% are severely poor. The poverty gap which estimates the consumption shortfall relative to the poverty line is estimated at 8.8%. Poverty levels are highest in Kavango and lowest in Erongo at 55.2% and 7.1%, respectively and are highest in rural areas where more than one third (37.4%) of the population are poor compared to 15% in urban areas. Furthermore, poverty is highest among women, subsistence farmers, pensioners, those with no formal education and those who speak Khoisan and Rukavango as their main language. On average, poverty has declined in almost all regions except in Khomas and Caprivi regions which showed an increase.

Although only 15% of the population is severely poor, more than one third of the population in Kavango and Caprivi regions are severely poor while the rate is at 22% in both Oshikoto and Otjozondjupa. Figure 15 depicts the population with severely poverty shares by region. The figure indicates that given its population share of about 13.7%, a severely poor prevalence rate of 34.6%, the Kavango region accounts for about 31% of the severely poor people in Namibia. Oshikoto and Caprivi accounts for about 7.8% and 4.9% of the population with prevalence rates for severely poor individuals of 21.8% and 35.2%, respectively and thus contributes about 11% to the total number of severely poor individuals. The next highest region in terms of its share of severely poor is Ohangwena with 9% owing to its population share. Although Khomas is the most populous region in Namibia with about 16.5% of the population, its contribution is among the lowest owing to its low level of severely poor individuals of about 4%. Therefore, if we are to achieve our target of reducing the proportion of severely poor individuals to below 10%, our interventions should target Kavango, Caprivi, Oshikoto and Ohangwena region.

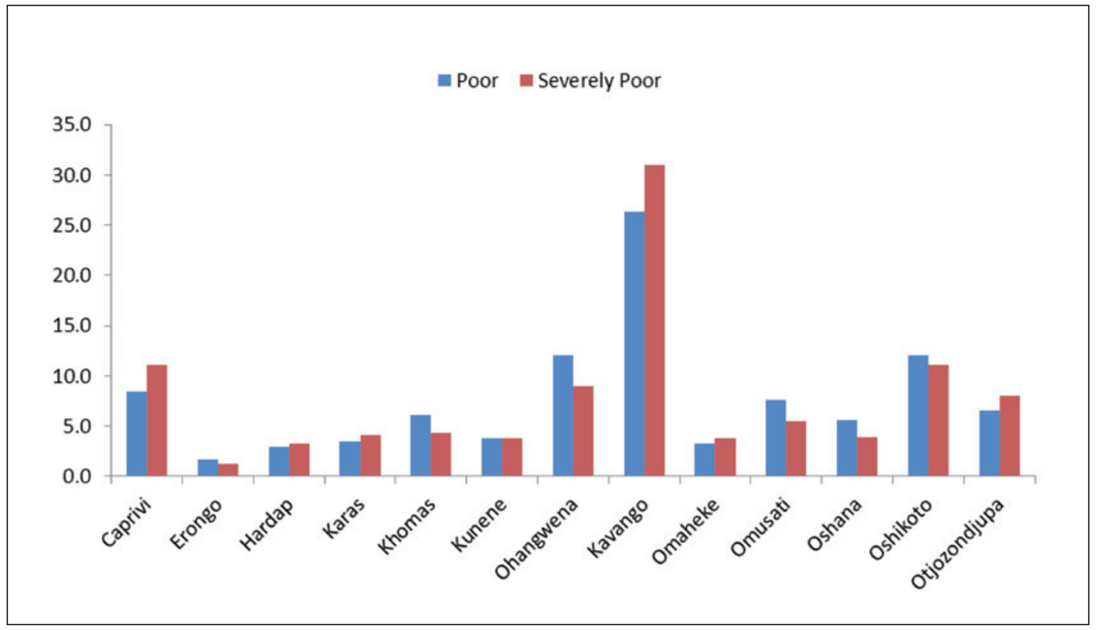
Figure 15: Severely Poor Population Shares by Regions, 2009/10



Source: NHIES 2009/2010

If one compares poverty shares for the poor and severely poor among regions, Figure 16 below indicates Kavango, Caprivi and Oshikoto are among the regions which contribute more to the total number of severely poor people compared to the number of poor people.

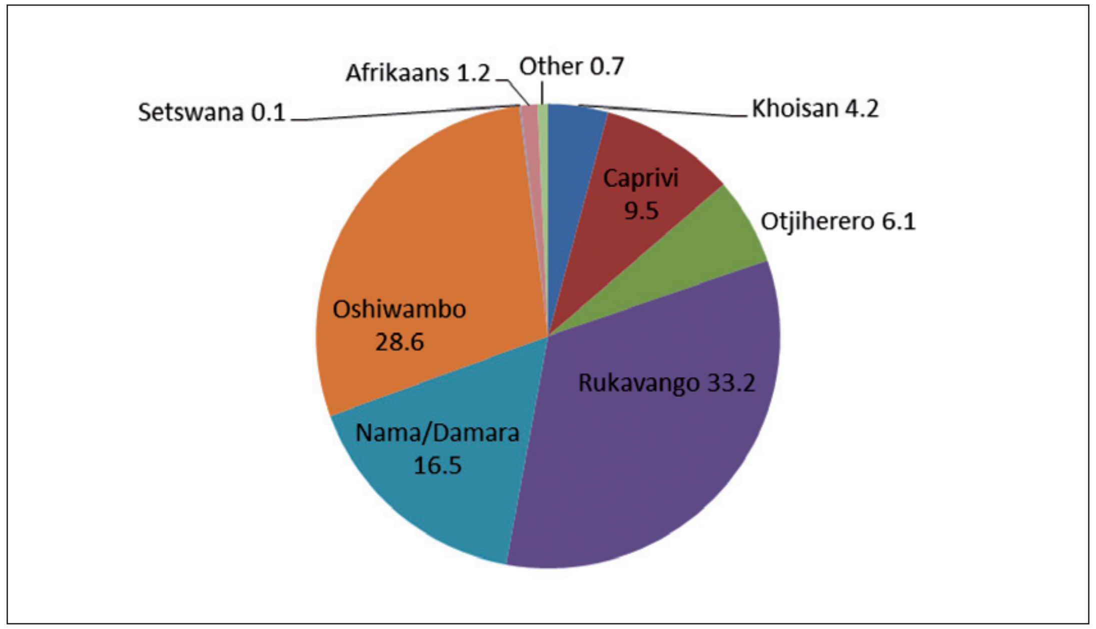
Figure 16: Poor and Severely Poor Population Shares by Region



Source: NHIES 2009/2010

Figure 17 depicts population's severely poor shares by main language spoken. About 15% of the population indicates Rukavango as their main language. About 34% of this group are severely poor and thus people who indicated Rukavango as their main language accounts for about one third of severely poor people in Namibia. Those who speak Oshiwambo as their main language account for about 48% of the population, and contributes about 29% to the total number of severely poor while those who speak Nama/Damara accounts for about 12% of the population and contributes about 17% to severely poor individuals.

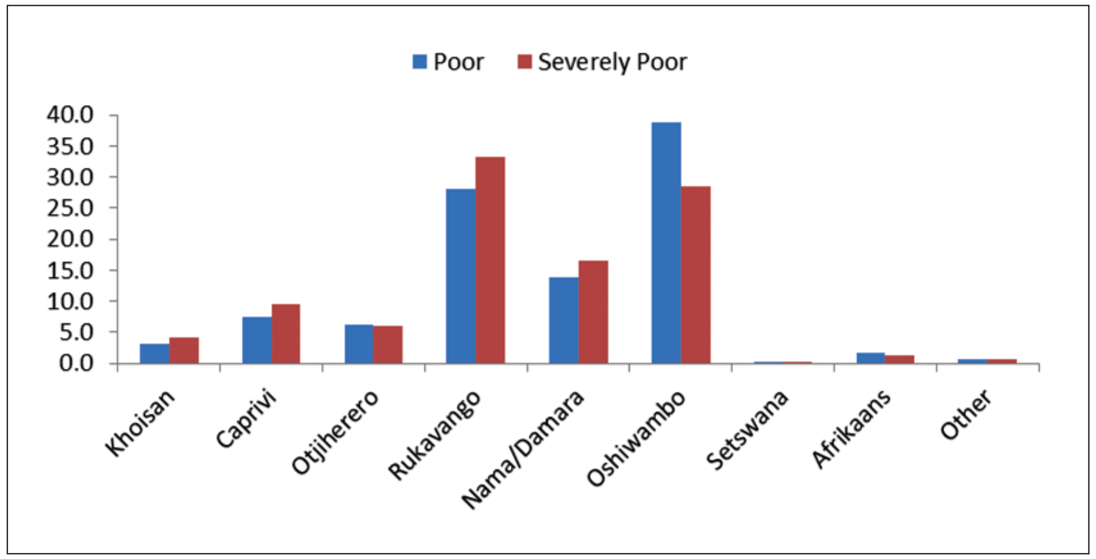
Figure 17: Severely Poor Population Shares by Main Language Groups



Source: NHIES 2009/2010

Figure 18 indicates that Rukavango, Nama/Damara and Caprivi languages contributes more to the total number of severely poor than to the total number poor individuals.

Figure 18: Poor and Severely Poor Population Shares by Main Language Groups



Source: NHIES 2009/2010

Poverty is not only measured in terms of monetary dimensions of well-being but could also be defined in terms of deprivations. Using the 2001 census data, an Index of Multiple Deprivation was constructed to produce a profile of relative deprivation across Namibia in order to identify the most deprived areas. Five dimensions or 'domains' of deprivation namely, material deprivation, employment deprivation, health deprivation, education deprivation, and living environment deprivation were used for the construction of the index.

The analysis which was conducted at small area levels, areas within constituencies known as datazones, revealed that the 20 most deprived datazones were found in Caprivi, Kavango, Kunene, Ohangwena, Omusati and Oshikoto regions. The most deprived datazone in Namibia is located in Ndiyona constituency in Kavango Region. Two other Ndiyona datazones and five other datazones from the Kavango Region (four in Mukwe constituency and one in Mashare constituency) are in the most deprived 20 datazones. In terms of allocating and targeting development resources and interventions, the Kavango region comes out as the region with the highest levels of poverty and the most deprived region in Namibia.

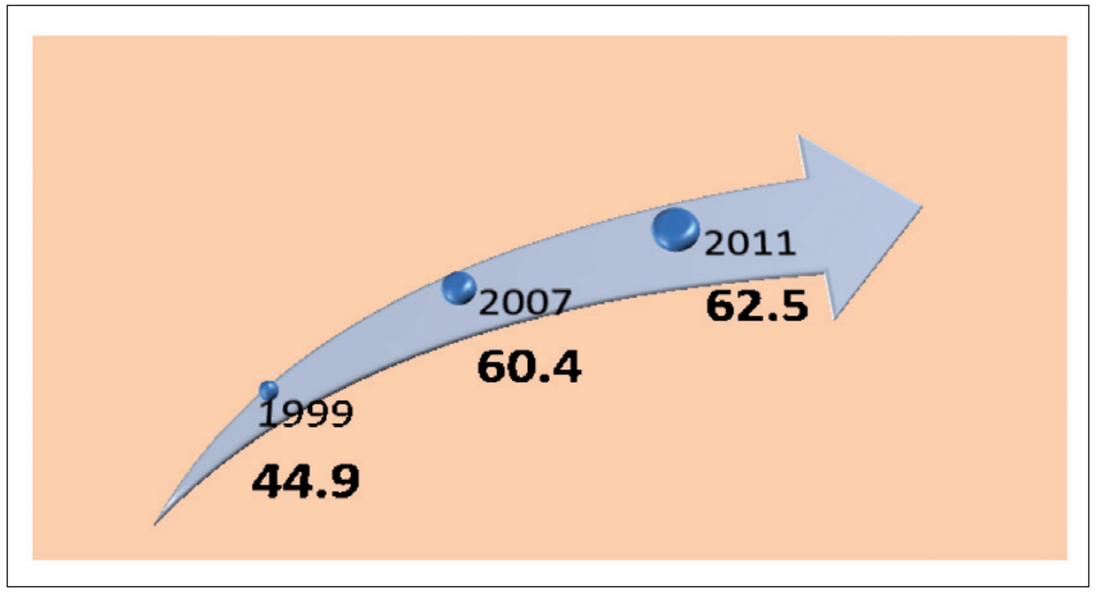
3.2 Health situation in Namibia

Good health is important in order to live a comfortable and productive life. Poor health reduces productivity and increases dependence and the costs of health service. Since independence Namibia has focused more on preventative care and on expanding the services provided to all people. Despite a relatively high rate of health spending[8], Namibia is struggling to meet its health-related Millennium Development Goals with respect to maternal, infant, and child mortality rates. The illustration in figure 19 indicates the life expectancy at birth which is also a measure of overall quality of life in a country.

In 2011 life expectancy was estimated at 62.5 years. This marks an increase from the 44.9 years reported in 1999 and 60.4 years recorded in 2007. This improvement can be attributed to the improved access to health services, ARVs, and antenatal care.

[8] Health vote receives the second highest allocation from the National Budget, however allocation has remain fair constant.

Figure 19: Life Expectancy



Source: Human Development Report, 2004, 2009, 2011

3.3 Housing situation in Namibia

Following Namibia's independence in 1990, the rate of urbanization has been estimated to be 4.5% per year, which is higher than the average population growth of 3.3%. The urbanization rate in Namibia is projected to rise to almost 60% in 2025, up from 41% in 2001, which suggests that the challenges of orderly urban development will intensify. Most local authorities experience an influx of people and are not yet in a position to catch up with the task of increasing basic amenities to urban newcomers.

In development, the most powerful form of economic empowerment is to enable individual members of a society to own long term asset-land, which in turn can be used to mobilize more resources (capital) in order to build up wealth for families and communities. But with the situation in the Namibian housing sector that is characterized primarily by limited financial support for the low income groups as well as limited capacity to meet the demand for land and housing development, many are deprived of such an economic empowerment tool. Low incomes and extremely high costs for services have excluded many citizens from acquiring land and subsequently a house.

This state of affairs has been worsened by the fact that the local economy in most local authorities have been stagnant or growing at low rates, limiting the abilities of such urban centers to deliver service infrastructure at the pace and magnitude housing developers would require[9].

A major aspect in housing is the informal settlement which is threatening to become a permanent feature of the urban landscape especially in Windhoek. It was estimated that the total number of families living in informal settlements without secure tenure in Namibia was around 30,000 in 2003 or an estimated 150,000 people[10].

The existing systems through which land is acquired (land tenure) in Namibia includes customary land rights, freehold title (by individuals or communities) leasehold title, and land owned by government or local authorities. About 70.0% of the Namibian population can neither access nor afford conventional home loan facilities offered by the financial institutions nor can they access urban freehold land and professional services due to limited disposable income.

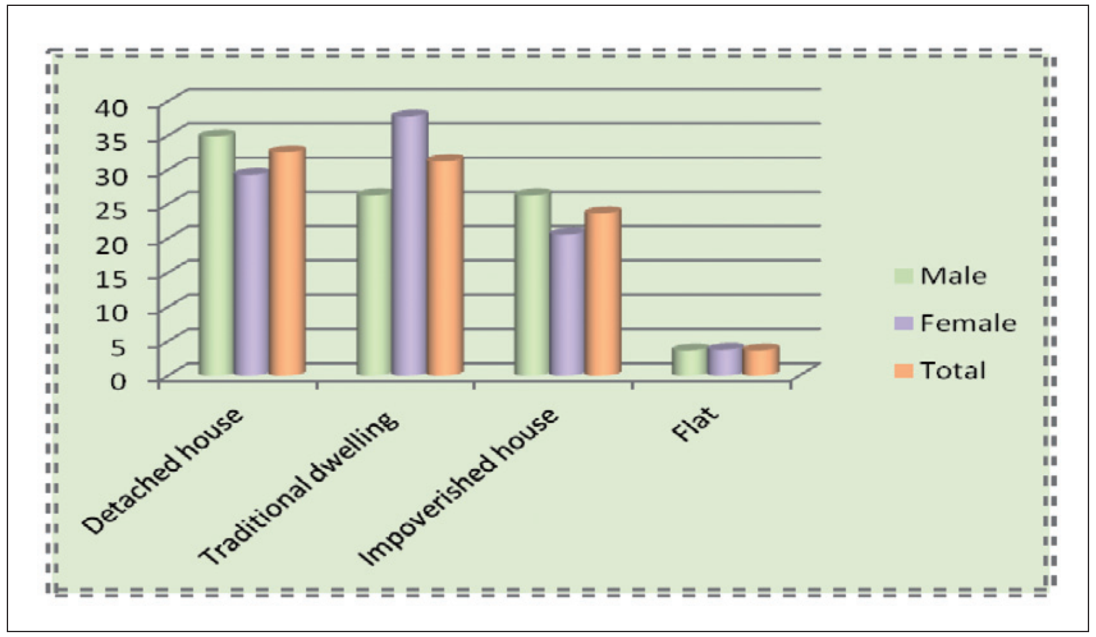
[9] Namibia National Housing Policy, MRLGHRD, 2009
[10] Namibia National Housing Policy, MRLGHRD, 2009

The housing provision efforts have concentrated to date in urban centres, thereby excluding approximately 62.0% of the populace residing in the rural areas. This has resulted in urban-rural imbalances.

In order to gauge the welfare of households, the Namibia Household Income Expenditure Survey (NHIES) collects information on type of dwelling categorized by traditional dwelling, detached house, semi-detached house, improvised house and flat as well as the type of tenure or ownership. In the 2009/10 survey, the proportion of household that were recorded to live in traditional dwellings (made from animal dung or mud with thatched roof/corrugated iron) decreased with over 10.0% from the previous survey. In the same period, about 42.0% of households live in modern structures of housing (flat, detached house, semi-detached house); most of these households are concentrated in urban areas while a higher number of traditional houses are found in rural areas.

Figure 20 shows that more men than women live in modern houses, 44.0% and 38.0% respectively, while more women in rural areas live in traditional dwellings than their male counterparts, 62.0% and 47.0% respectively.

Figure 20: Type of dwelling structure



Source: NHIES 2009/10

From the above analysis it can be concluded that the welfare of Namibians measured by type of dwelling is improving. More households are moving away from traditional dwellings to other forms, especially in rural areas, from 70.1% to 53.8%.

Most of the households that live in dwellings that are not standard rely on pension, subsistence farming and drought or in-kind support for an income. Latest data has shown that of the 32.6% that live in detached modern homes, 42.6%, 87.3% and 36.2% are recipients of salaries/wages, commercial farming and business income respectively. This trend still continues though somehow an increase in those with low incomes is observed. In 2003/4, for instance, the households depending on pension, subsistence farming and drought or in-kind support picked up from 19.6%, 4.2% and 6.3% respectively.

CHAPTER FOUR: HUMAN RESOURCES DEVELOPMENT AND SHORTAGE OF SKILLS

Employment creation provides a direct channel for distributing the benefits of economic growth broadly throughout the population. Evidence from around the world suggests that the greater the employment focus, the more effective economic growth becomes in fighting poverty and inequality. A country's prosperity depends on how many of its people are employed and how productive they are, which in turn rests on the skills they have and how effectively those skills are used. Although the precise path to poverty reduction differs from country to country, most developing countries that have dramatically reduced their poverty levels have done so by improving employment opportunities for their population. According to Labour Force Surveys conducted over 1997 to 2012, the unemployment situation is very high as can be seen in the table below.

Table 7 shows that youth (15-34) are the most affected with unemployment and so require quick measures to arrest the situation. At these ages, these categories of people should be either at high school or at tertiary level. The option for Namibia is to expand access and passing rates in both secondary and tertiary institutions. Not only will the unemployment rates be reduced but a stronger foundation for growth through creating skills will be developed. Namibia like many African countries, should invest in young people to reap the demographic dividend.

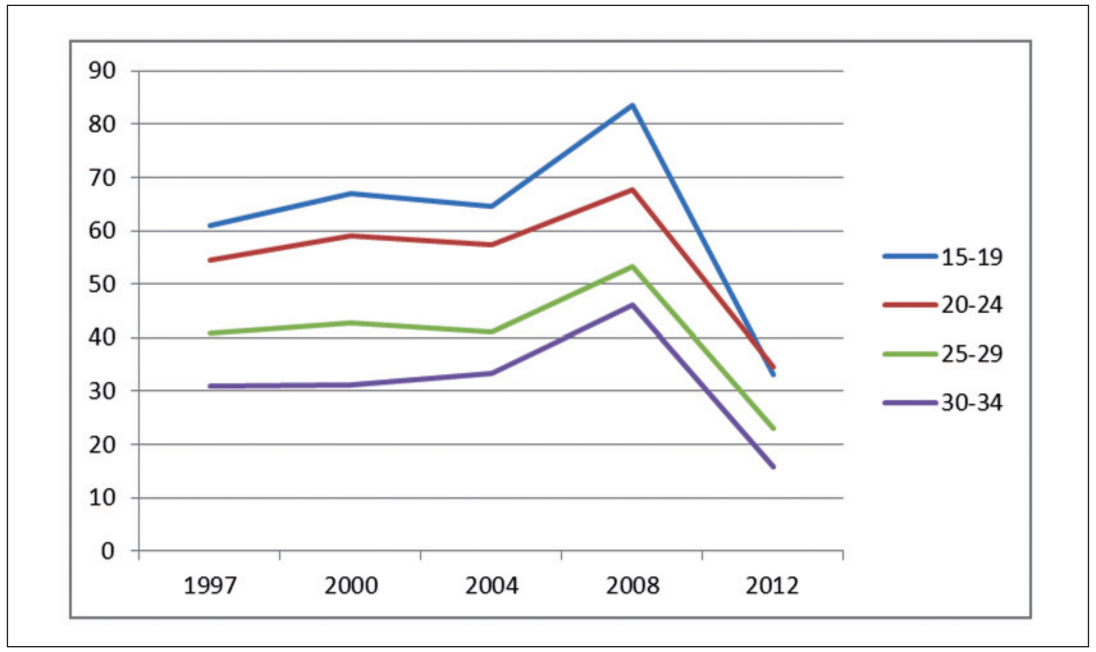
Table 7: Unemployment Rates by Age Group over period 1997-2012

Age Group	years				
	1997	2000	2004	2008	2012
15-19	61	67	64,6	83,6	33,2
20-24	54,4	59,1	57,4	67,6	34,6
25-29	40,8	42,8	41,1	53,3	23
30-34	30,9	31,3	33,3	46	15,8
35-39	26,9	21,6	26,4	43,6	12,4
40-44	22,5	19,1	21,9	34,5	10,7
45-49	18,8	16,7	20,8	38	8,3
50-54	22,1	16,6	17,8	35	6,3
55-59	21,4	14,4	16	36,1	5,5
60-64	18,6	11,4	27,5	34,4	2,6
65+	13,6	7,4	14,4	27,3	7,1
Total	**34,5**	**33,8**	**36,7**	**51,2**	**27,4**

Source: NLFS 1997-2008

The lack of skills for the majority of the youth constrain both employment creation and economic growth and therefore exacerbates poverty and inequality. An "army" of unemployed youth is not only a social and economic concern, but also threatens the national security, peace and stability of a country and is a potential for reversal of developmental progress.

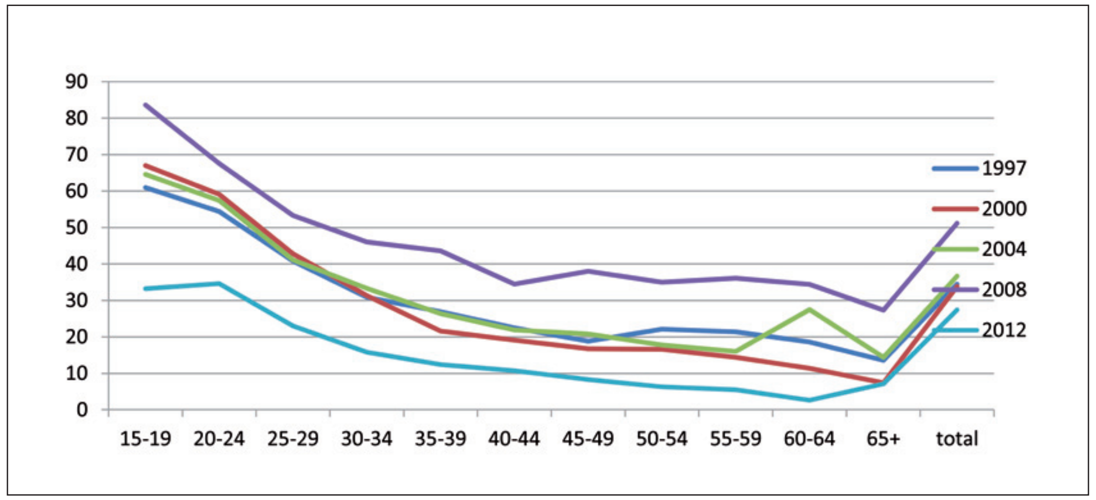
Figure 21: Total Unemployed Youth (15-34) by Age Group over Period 1997-2012



Source: NLFS 1997-2012

The unemployment levels decreases with age as can be seen in Figure 22. However, the levels of unemployment in the age categories of 40 years and above although lower than those in 39 years and below are still significant, and can still pose future risks of higher dependency and vulnerability, thus trapping the nation in poverty cycles.

Figure 22: Unemployed Persons by Age Group over Period 1997 - 2012



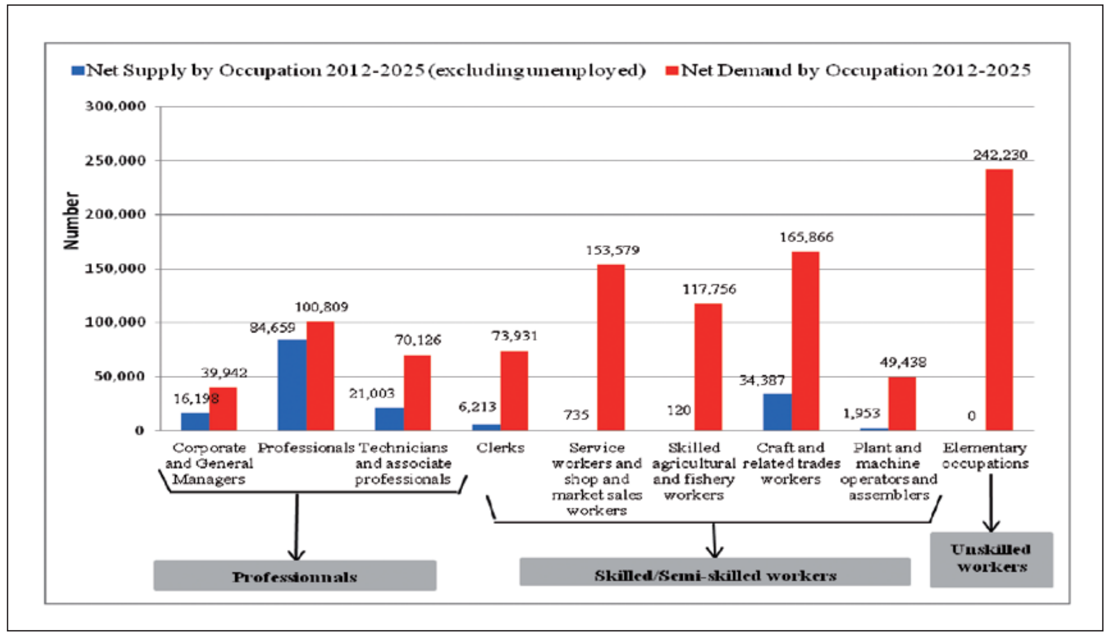
Source: NLFS 1997-2012

4.1 Shortages/surpluses in key occupations

Although Namibia experiences a high and increasing unemployment rate, the country has skills shortage as depicted by Figure 23. According to the recently published National Human Resource Plan 2012 to 2025, under existing conditions, supply is unlikely to meet demand in all occupations when excluding the unemployed.

There are shortages of professionals (mainly technicians and associate professionals) and critical shortages in even elementary occupations and in occupations requiring skilled workers (clerks, service workers and shop and market sales workers, skilled agricultural and fishery workers, craft and related trades workers and plant and machine operators and assemblers). Thus, there is a need to urgently address skills shortage by developing and improving vocational training, along with the introduction of initiatives connecting the training and education with the labour market.

Figure 23: Labour Demand and Supply 2012-2025 excluding the unemployed



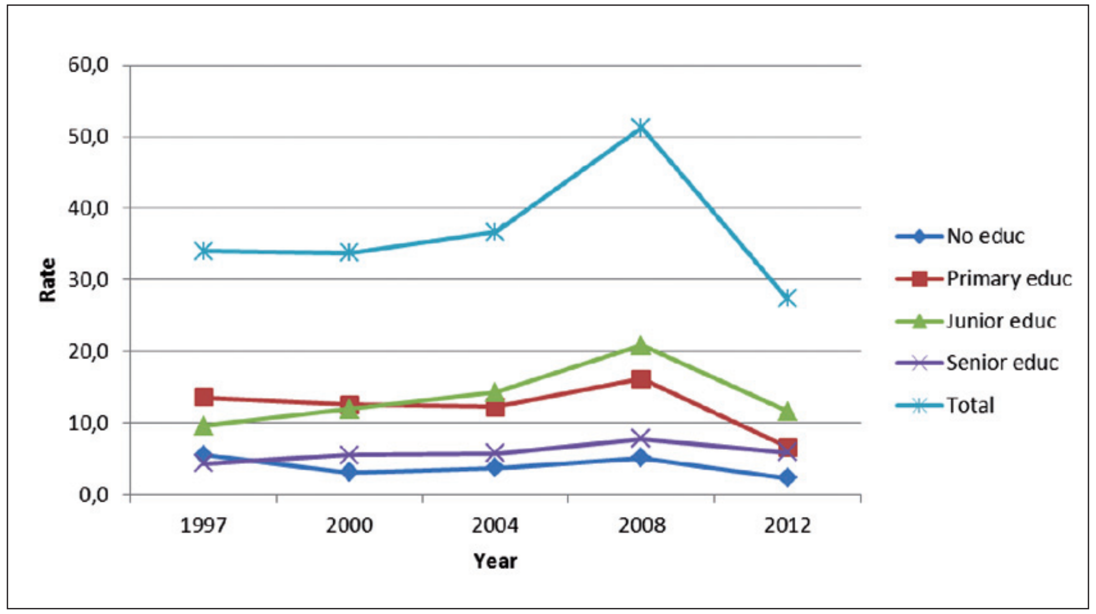
Source: Namibia's ODSOM 2012

Careful attention should be given to elementary occupations which continues to represent the bulk of employment considering the importance of the informal sector for the Namibian economy. Traditionally, the educational system does not supply such occupations. They are supplied by the unemployed, dropouts (who did not complete their training) and/or school leavers (who left the education system with a Grade 10 or 12 qualifications). However, if the unemployed are taken into account, the supply exceeds the demand for almost every occupation, except for technicians and associate professionals and clerks for which the shortage is insignificant.

Unemployment reduces with the level of education. The unemployment rate for those with certificates and diplomas and post-school is low at 8.6% and 4.7% respectively in 2012. The unemployment levels in the category of people with primary, junior and senior secondary are high mainly because of Grade 10 dropouts and Grade 12 leavers failing to progress to tertiary institutions. It is difficult for dropouts and school leavers to enter the labour market, firstly because the formal labour market requires specialised skills of which they do not possess, while the informal market is too small to absorb them and the level of earnings are too small to make a decent living.

Figure 24, indicates the proportion or contribution of persons by educational attainment to unemployment in the country over the period 1997 to 2012. Those with primary and junior secondary education level contribute more than those with senior secondary level, confirming the notion that unemployment in Namibia is structural, and needs much investment in education, especially vocational training.

Figure 24: Proportion of Persons by Educational Attainment to Unemployment, 1997-2012



Source: NLFS 1997-2008

The National Human Resource Plan proposes short to long term strategic intervention in the areas of 1) addressing labour market shortages and information gaps in the formal and non-formal sectors, 2) developing and implementing a plan to target the unemployed, 3) developing and implementing a plan to formalise informal businesses; and 4) developing and implementing a framework for SMEs start up.

4.2 Implications of shortage/scarcity of skills

The issue of skills, in particular, is seen as the perceived inability of the country's training authorities to produce graduates with skills of the right type and quality, and has become something of a hot topic in Namibia over the last decade or so. Compounding the controversy over the years, has been the importation of expatriate skills by major employers in various local industrial sectors. This is happening in a country with an exceedingly high unemployment rate, by broad definition officially unemployement is pegged at 27.4% by the NLFS 2012. This is despite assurances that the importation of a skilled personnel can create up to 15 additional jobs down the line.

In the face of all this, it is apparent that there is a need to clearly establish whether there actually is a skills shortage or not. In considering this question, and cognizant of the very high unemployment rate, it goes without saying that a society's ability to create jobs is necessarily closely tied to its ability to produce enough high quality skills to satisfy existing demand and to grow businesses. Stated another way, a country's ability to produce or attract skills is tied to its ability to innovate towards the attainment of higher levels of economic and social sophistication.

CHAPTER FIVE: MAJOR NDP-4 PROGRAMMES

5.1 Introduction

With the launch of the Fourth National Development Plan (NDP-4), the country is preparing itself for a long and challenging journey towards the realization of Vision 2030. Pinning its economic and development strategy around the three pillar goals of sustaining high economic growth, employment creation and improved equalities, the plan's spirit is a "Big Bang" development strategy. In pursuance of a "Big Bang" development strategy, the plan carefully embodies three principles of 1) prioritization, 2) assertiveness and 3) simplicity and or flexibility. In other words, the plan advocates for doing more with less; concentrating resources and "energy" on things that matter and have greater impact; "walking the talk" by implementing what has been agreed to be done, spend less time on planning but on implementation.

In order to actualize these principles four economic sectors are prioritized; namely, transport and logistics, agriculture, tourism and manufacturing. At the same time, the plan recognizes fundamental requirements of development in the form of education, health, water and sanitation, housing and energy requirements. Underpinning all these choices is the principle of sustainability.

The plan recognizes the role of the private sector in the achievement of the NDP-4 goals and the role of the public sector in providing an enabling environment. In fulfilling this role public sector (i.e. government and its agencies) have agreed upon the following "Flagship Projects".

5.2 Logistics

(i) Expansion of the Port of Walvis Bay.

As highlighted in NDP-4, Walvis Bay could be a major entry port on the West African coast and be attractive to countries like Zambia and Botswana. The project "Expansion of the Port of Walvis Bay" comprises of a new container terminal. This project is in line with the country's aspiration of becoming a logistics hub which will result in the doubling in volume in cargo handling and rail-transported cargo by 2017.
Estimated cost: N$ 3 billion.

(ii) Maintaining and improving transport infrastructure (logistics hub)

This programme will look at fixing the core rail network and ensure compliance with SADC standards in order to transport goods safely and efficiently from the port to various destinations, and take pressure off the road network; ensuring an appropriate balance between the construction of new roads and the maintenance of existing ones; ensuring aviation security and upgrade airport facilities to create synergies between the maritime, road and rail transport of goods, and to be able to handle more traffic in line with increased tourist arrivals.

5.3 Transport

Breakdown of railway infrastructure development

i. Construction of railway linking Namibia to Angola
   Estimated cost N$ 1.4 billion
ii. Construction of railway linking Namibia to Botswana
   Estimated cost N$ 130 million
iii. Upgrading and rehabilitation of Aus-Luderitz Railway line
   Estimated cost: N$ 1 billion
iv. Upgrading of nationwide railway infrastructure to meet international standards
   Estimated cost: N$ 4.5 billion
   Total Rail estimated cost N$ 12 billion

Breakdown of road infrastructure

i. Road maintenance, preservation and construction in accordance with the Road Master Plan
   Total Road Estimated cost: N$ 33 billion

Breakdown of aviation infrastructure

i. Upgrading of Airport infrastructure (terminals, security and runways)
   Estimated cost: N$ 2.5 Billion
   Total Aviation estimated cost: N$ 3.8 billion.

5.4 Education

(i) Construction of Education Centers of Excellence

In order to fast-track students of exceptional academic ability, it is recommended that centres of excellence be accessible to all, with exceptionally high standards and requirements being developed in the fields of mathematics, science and languages. This is in line with addressing key area skills knowledge.
Estimated cost: N$ 5 billion.

5.5 Agriculture

(i) Expansion of Green Scheme

The Green Scheme aims to encourage the development of irrigation based agronomic production in Namibia with the aim of increasing the contribution of agriculture to the country's GDP. The project is in line with NDP-4's agricultural objectives of addressing food security and increasing the average sector growth to 4% per annum over the NDP-4 period.
Estimated cost: N$ 2.5 billion.

(ii) De-bushing

De-bushing, as a strategy for increasing grazing land in order to improve productivity and create employment in the sector, will be encouraged and supported. These activities will be pursued and scaled up across the country, with a specific focus on labour-intensive de-bushing.
Estimated cost: N$ 2.5 billion.

(iii) Neckartal Dam

The objective of the project is to ensure that sufficient bulk water is available for growth and development. The project interventions are: construction of a large dam; bulk water supply schemes to larger settlements and agricultural activities. Communities involved and the agricultural sector as a whole will benefit from this project.
Estimated cost: N$ 3 billion.

5.6 Energy

(i) Kudu Gas Project

The aim of this project, situated on the offshore gas field approximately 170 kilometres north-west of Oranjemund, is to exploit the gas and feed into the 800 megawatt (MW) power plant. The field is estimated to contain up to 3 trillion cubic feet with potential to reach up to 9 trillion cubic feet.
Estimated cost: N$ 10 billion.

(ii) Coal Plant Project

The project consists of a construction of a coal-fired power station with a capacity of either up to 200,400 or 800MW at the coast in response to the country's power requirements. The plant will have a coal stockyard, an ash-disposal facility and transport systems to deliver coal and, potentially, seawater to and from the plant.
Estimated cost: N$ 1.2 billion.

5.7 Manufacturing

(i) Agro and Fish Processing

Agro- and fish processing should be encouraged through suitable support and incentive regimes. For example, there are currently some imported fish products to which Namibia adds value before they are exported; such activities can be expanded significantly through suitable incentives. Very little value addition is carried out in Namibia at present with regard to agricultural products. Through suitable support and incentives, agro-processing could also serve as a strategic manufacturing industry for Namibia.
Estimated cost: N$ 5 billion.

5.8 Tourism

(i) National Parks Maintenance and Development

The efficient and effective maintenance and development of national parks will be addressed through additional capital (development) budget allocations, with an eye on ensuring the predictability and consistency of such allocations.
Estimated cost: N$ 2 billion.

CHAPTER 6: CONCLUSION

Namibia's declining competitiveness is a concern to the country and threatens to reverse the achievements so far realized and constrain potential future growth. The speed with which, and boldness in the implementation of NDP-4, to create a conducive business environment, is the key for the reversal of the situation both in the short and long term.

Although the country has experienced long term growth over two decades, the speed by which the economic growth, the per capita income and growth in investments and savings, including accomplishments in the social arena, have been surpassed by other developing countries. There is a need to "change the gear" as propagated by NDP-4. Although Namibia was reclassified as a middle income country, it is at the lower end of the ladder of the group.

The structure of the economy has barely changed after 20 odd years or so. Although the secondary industries seem to have increased its share, the manufacturing sector, which is supposed to drive industrialisation, de-industrialized over NDP-3's period. Both the growth and contribution to value addition and employment has been disappointing over the period. The manufacturing sector contributed only 5% to the total employment in 2012.

The tertiary sector is still dominated by government sector and renders the economy to have a large non tradable sector. However, contrary to other recommendations from other quarters of reducing the size of Government or reducing the spending, this report advocates for the shift in spending towards an economic priority sector.

The economy registered yet another positive economic growth of 5% beyond the expectation of NDP-4. However, this growth is still lower than the 6% growth of 2010, when the country rebounded from a recession in 2009 which emanated a global financial crisis in the developed world. The growth of 5% in 2012 places Namibia among the middle performers on the African continent. This happens to be the average growth for NDP-4. Vision 2030 targets, however, will remain elusive.

Although the NDP-4 target growth of 6% seems to be within reach, there are still some downside risks to the higher growth. These include continued turbulence in the Eurozone due to debt crisis in some countries, the slow growth in the United States and Japan, high oils prices fueled by tensions in Iran, conflict in the Korean peninsula which may affect China and other developing countries, including uncertainties in EPAs negotiations with the European Union. Namibia therefore needs to diversify its exports to other countries besides its traditional trading partners.

Namibia does not seem to break the cyclical problem of poverty, unemployment and lack of housing. These problems exacerbates deep rooted problems of inequalities in society. Although these problems are socio-economic problems, they will need strong political leadership.

In Namibia unemployment seems to be of a structural nature as a result of the mismatch between skills and the requirements of the job opportunities. Structural unemployment is long-lived and is not sensitive to changes in aggregate demand. It refers to the overall inability or inflexibility of the economy to provide or create employment due to structural imbalances in the economy. Structural unemployment is generally believed to be caused by structural factors such as the nature of the educational system and its interface with the needs of the labour market. Even during periods of high economic growth, employment opportunities do not increase faster. This indicates that the employment propensity in Namibia is very low (no positive relationship between economic growth and employment growth).

It is evident that poverty levels are declining. The status of the health sector is worrisome because it is far from reaching the 2015 MDG targets. Notwithstanding its slow progress, it recorded an improvement in many indicators, such as HIV/AIDS prevalence rate, access to services and facilities, etc. The demand and supply of housing has over the years not been pleasant. There is still a majority of Namibians that do not have a decent roof over their heads, calling on the government and actors in the housing sector to improve upon delivery.

The NDP-4 aims to address these problems building on the success of the previous plans and learning from failures. The current Plan was crafted on the principles of prioritization, assertiveness and flexibility. The success and failure of NDP-4 will by and large be judged on the implementation of the so-called NDP-4 flagship projects. All activities are important and contribute to the achievement of NDP-4, but if the earmarked projects are to be realized during NDP-4, will put Namibia on a faster economic growth path.

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GLOSSARY

Agro Processing
The processing of Agricultural Products.

De-bushing
The removing of bushes that evades once productive grasslands and causes bush encroachment that reduces commercial farming activities.

Medium Term Expenditure Framework
A transparent Namibian planning and budgeting process within which Ministries and other government agencies are allocated public resources for the strategic priorities while ensuring financial discipline. The process entails two main objectives: the first aims at setting fiscal targets, the second aims at allocating resources to strategic priorities within these targets.

Public Service Investment Programme
This is a Namibian government programme designed to provide details for on-going and pipeline projects for a three year period.

Targeted Intervention Programme for Employment & Economic Growth
A government programme aimed at arresting the escalating unemployment conditions in the country.

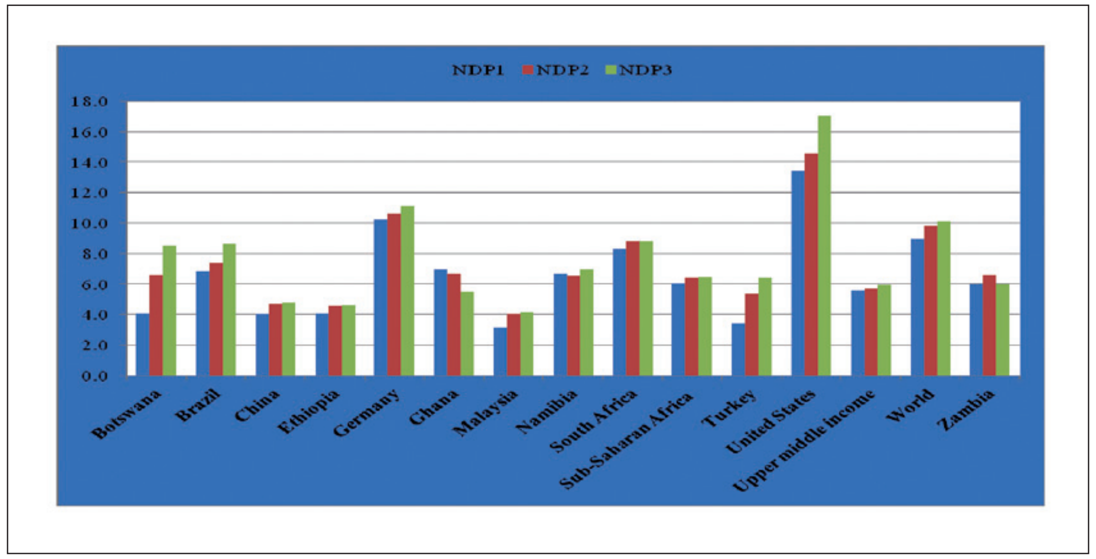
APPENDICES

App. Table 1: Namibia's Global Competitiveness Ranking

	Overall Ranking and 12 Pillars	Switzer-land	Singa-pore	South Africa	Mauri-tius	Bot-swana	Namibia	Ghana	Kenya
	Overall Rank/142 Countries	1	2	52	54	79	92	103	106
	Scores for Each pillar of Competitiveness								
	Basic requirements	**6.22**	**6.34**	**4.28**	**4.80**	**4.38**	**4.31**	**3.85**	**3.62**
1	Institutions	5.75	6.07	4.42	4.59	4.82	4.19	3.82	3.43
2	Infrastructure	6.22	6.50	4.13	4.32	3.58	4.18	2.87	3.09
3	Macroeconomic environment	6.38	6.06	4.63	4.41	4.52	4.50	4.07	3.39
4	Health and primary education	6.54	6.73	3.93	5.85	4.60	4.44	4.65	4.58
	Efficiency enhancers	**5.48**	**5.65**	**4.53**	**4.14**	**3.82**	**3.64**	**3.77**	**3.97**
5	High education and training	5.90	5.93	3.98	4.29	3.74	3.14	3.40	3.59
6	Goods and market efficiency	5.26	5.60	4.68	4.80	4.20	4.16	4.20	4.10
7	Labour market efficiency	5.90	5.80	3.94	4.36	4.46	4.33	4.08	4.62
8	Financial market development	5.30	5.85	5.72	4.65	4.39	4.44	4.21	4.74
9	Technological readiness	6.02	6.10	4.01	3.98	3.17	3.23	3.13	3.27
10	Market size	4.52	4.61	4.85	2.74	2.94	2.57	3.57	3.52
	Business sophisticated	**5.79**	**5.27**	**3.94**	**3.63**	**3.40**	**3.25**	**3.27**	**3.68**
11	Innovation and sophistication	5.79	5.14	4.34	4.30	3.66	3.57	3.57	3.96
12	Innovation	5.78	5.39	3.55	2.96	3.13	2.93	2.96	3.41

Source: The Global Competitiveness Report 2012-2013

App. Figure 1: Health Total Expenditure (% of GDP) during the Period 1991 - 2011



Source: World Bank Database 2012

App. Table 2: Life Expectancy over Period 1980 -2011

Countries	1980-1990	1991-1994	1995-1999	2001-2005	2007-2011
Angola	40.7	41.4	43.2	47.3	50.2
Botswana	62.7	62.3	55.7	49.7	52.8
Brazil	64.4	67.3	69.1	71.0	72.8
Cuba	74.2	74.7	75.7	77.1	78.7
Ethiopia	44.9	48.2	50.2	53.7	58.1
Ghana	54.7	57.7	58.0	59.8	63.3
Malaysia	68.8	70.6	71.6	72.7	73.8
Namibia	**59.6**	**60.8**	**59.4**	**57.7**	**61.4**
Nigeria	45.8	45.4	45.4	47.9	50.9
Qatar	72.8	74.7	75.7	76.9	77.9
Turkey	60.0	64.5	67.4	71.1	73.4
Zambia	50.6	45.3	42.7	43.0	47.7
Zimbabwe	60.8	57.4	49.3	43.5	48.5

Source: World Bank Database 2012

App. Table 3: Infant Mortality Rate (per 1,000 live births) over Period 1980 -2011

COUNTRY	1968-1979	1980-1990	1991-1994	1995-1999	2001-2005	2007-2011
Botswana	79.9	48.1	42.2	48.0	40.0	22.6
Brazil	90.3	58.5	45.1	37.0	25.7	16.3
Finland	10.9	6.3	4.9	3.9	3.2	2.5
Ghana	105.0	87.5	72.4	67.5	60.3	53.8
Haiti	144.3	113.0	92.0	80.3	66.9	58.6
High income	20.2	12.4	8.9	7.3	6.1	5.2
Latin America & Caribbean (developing only)	77.7	50.9	38.5	32.3	24.1	17.9
Low income	137.0	112.8	99.3	91.2	78.3	66.5
Lower middle income	110.6	83.7	72.3	66.3	56.9	48.5
Malaysia	36.4	19.9	13.0	10.4	8.0	6.1
Namibia	**67.8**	**54.6**	**47.2**	**46.9**	**46.8**	**34.0**
Nigeria	144.4	126.0	126.7	120.7	102.1	83.6
Qatar	35.3	20.8	14.7	12.0	9.2	7.0
South Africa	82.8	56.3	47.2	49.3	52.8	40.6
Sub-Saharan Africa (all income levels)	128.0	110.5	105.0	99.1	86.7	73.4
Turkey	131.7	78.4	51.8	36.5	22.4	13.6
Zambia	102.7	106.2	112.1	101.1	82.4	60.5
Zimbabwe	73.3	56.1	55.2	60.7	59.0	47.6

Source: World Bank Database 2012

App. Table 4: Namibia's top 20 Trading Partners on Collective Commodities

Exports	%		Imports	%
ZA: South Africa	**21.5**		ZA: South Africa	**76.0**
GB: United Kingdom	**15.8**		CH: Switzerland	**4.1**
AO: Angola	**9.3**		GB: United Kingdom	**3.4**
US: United States of America	**7.7**		CN: China	**3.0**
BE: Belgium	**6.1**		EPZ: Export Processing Zone	**2.3**
CA: Canada	**5.2**		DE: Germany	**2.1**
ES: Spain	**4.6**		US: United States of America	**0.9**
EPZ: Export Processing Zone	**4.4**		VG: British Virgin Islands	**0.7**
IT: Italy	**3.5**		IN: India	**0.7**
NL: Netherlands	**3.0**		BE: Belgium	**0.7**
FR: France	**2.5**		FR: France	**0.5**
CN: China	**2.4**		BW: Botswana	**0.5**
CD: Democratic Republic of Congo	**1.8**		ES: Spain	**0.4**
DE: Germany	**1.5**		AT: Austria	**0.4**
CH: Switzerland	**1.4**		IT: Italy	**0.4**
SE: Sweden	**1.1**		SZ: Swaziland	**0.3**
ZM: Zambia	**0.9**		RU: Russian Federation	**0.2**
KR: Korea	**0.8**		BR: Brazil	**0.2**
BW: Botswana	**0.7**		NL: Netherlands	**0.2**
PT: Portugal	**0.7**		AU: Australia	**0.2**
Other Partners	**5.3**		Other Partners	**2.6**
TOTAL	**100**		**TOTAL**	**100**

Source: Namibia Statistics Agency 2012

App. Table 5: Demand and Supply by Major Occupations from 2012 to 2025

OCCUPATIONS	2012-2016				2017-2021				2022-2025			
	Demand	Supply	Demand less Supply	Demand Supply Ratio	Demand	Supply	Demand less Supply	Demand Supply Ratio	Demand	Supply	Demand less Supply	Demand Supply Ratio
Corporate Managers	5,769	2,561	3,208	2.3	7,275	3,467	3,808	2.1	7,116	3,632	3,484	2.0
General Managers	5,795	1,677	4,117	3.5	7,237	2,344	4,892	3.1	6,983	2,516	4,467	2.8
Physical, Mathematical and Engineering Science Professionals	3,971	3,004	966	1.3	4,953	4,110	843	1.2	4,823	4,359	463	1.1
Life Science and Health Professionals	3,120	1,006	2,113	3.1	3,877	1,352	2,525	2.9	3,798	1,404	2,394	2.7
Teaching Professionals	14,073	3,190	10,883	4.4	17,601	4,186	13,414	4.2	17,366	4,271	13,095	4.1
Other Professionals	8,011	14,821	-6,810	0.5	9,925	20,826	-10,901	0.5	9,559	22,128	-12,569	0.4
Physical and Engineering Science associate Professionals	4,689	1,532	3,156	3.1	5,868	1,696	4,172	3.5	5,711	1,457	4,253	3.9
Life Science and Health Associate Professionals	3,749	1,705	2,044	2.2	4,618	2,348	2,271	2.0	4,480	2,482	1,998	1.8
Teaching Associate Professionals	3,922	0	3,922	-	4,930	0	4,930	-	4,870	0	4,870	-
Other Associate Professional	7,916	3,269	4,647	2.4	9,970	3,545	6,425	2.8	9,741	2,969	6,772	3.3
Office Clerks	15,252	1,195	14,058	12.8	19,118	1,293	17,825	14.8	18,665	1,079	17,586	17.3
Customer Service Clerks	6,088	886	5,202	6.9	7,696	959	6,737	8.0	7,467	801	6,667	9.3
Personal and Protective Service Workers	27,244	0	27,244	-	33,820	0	33,820	-	32,746	0	32,746	-
Models, Salespersons and Demonstrators	17,472	246	17,226	71.0	21,801	266	21,535	81.9	20,763	222	20,540	93.4
Market oriented skilled agricultural and fishery worker	18,324	40	18,284	457.6	21,015	43	20,972	485.1	18,716	36	18,680	517.4
Subsistence agricultural and Fishery workers	18,875	0	18,875	-	21,634	0	21,634	-	19,241	0	19,241	-
Mining and Building trade workers	25,913	10,824	15,089	2.4	33,265	11,711	21,554	2.8	34,579	9,779	24,800	3.5
Metal, Machinery and related trade workers	9,050	327	8,723	27.7	11,256	354	10,902	31.8	10,856	296	10,561	36.7
Precision, Handicraft, printing and related trade workers	2,397	327	2,070	7.3	3,032	354	2,678	8.6	3,016	296	2,721	10.2
Other craft and related trades workers	9,820	40	9,780	245.2	12,175	43	12,131	281.0	11,638	36	11,601	321.7
Stationary Plant and related operators	608	327	281	1.9	729	354	375	2.1	685	296	390	2.3
Machine operators and Assemblers	1,188	327	861	3.6	1,475	354	1,121	4.2	1,438	296	1,142	4.9
Drivers and mobile equipment operators	12,212	0	12,212	-	15,854	0	15,854	-	15,959	0	15,959	-
General Labourers, not specified	2,997	0	2,997	-	3,692	0	3,692	-	3,585	0	3,585	-
Sales and services elementary occupations	39,689	0	39,689	-	47,153	0	47,153	-	43,392	0	43,392	-
Agricultural, fishery and related labourers	24,556	0	24,556	-	28,346	0	28,346	-	25,357	0	25,357	-
Labourers in Mining, Construction, Manufacturing and Transport	7,110	0	7,110	-	8,691	0	8,691	-	8,348	0	8,348	-
Total	**299,811**	**47,307**	**252,504**	**-**	**367,004**	**59,606**	**307,399**	**-**	**350,896**	**58,354**	**292,542**	**-**

Source: Namibia's ODSOM 2012