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"Navigating through challenging economic climate"

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ABBREVIATIONS

AE	Advanced Economies
AfCFTA	African Continental Free Trade Area
AU	African Union
AfDB	African Development Bank
BoN	Bank of Namibia
BOP	Balance of Payments
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECOWAS	Economic Community of West African States
EMDE	Emerging Markets and Developing Economies
EMIS	Education Management Information System
GDI	Gender Development Index
GDI	Gender Inequality Index
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
HDI	Human Development Index
HPP	Harambee Prosperity Plan
IHDI	Inequality-Adjusted Human Development Index
ILO	International Labour Organisation
IMF	International Monetary fund
KM	Kilometre
MET	Ministry of Environment and Tourism
MEWG	Macro-Economic Working Group
MoF	Ministry of Finance
MoHSS	Ministry of Health and Social Services
MPESW	Ministry of Poverty Eradication and Social Welfare
MTEF	Medium Term Expenditure Framework
NDHS	Namibia Demographic Health Survey
NDP5	Fifth National Development Plan

NHIES	Namibia Household Income and Expenditure Survey
NSA	Namibia Statistics Agency
PCT	Patent Cooperation Treaty
RECs	Regional Economic Communities
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SSA	Sub-Saharan Africa
TVET	Technical Vocational Education and Training
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US$	United States Dollar
ZAR	South African Rand

EXECUTIVE SUMMARY

The Economic Development Report (hereafter EDR) 2017 is a flagship publication of the National Planning Commission that seeks to provide a comprehensive synopsis of the Namibia's latest socio-economic developments. The EDR 2017 presents these developments for a five-year period, from 2013 to 2017, and has aspects relating to global, regional and domestic economies. In view of the current socio-economic developments experienced by these economies, this report is specifically themed *"Navigating through challenging economic climate."*

Growth momentum in the global & regional economies – a promise for the domestic economy:

1. During the review period, Namibia's growth somewhat mirrors those of global and regional (sub-Saharan Africa) thereby indicating that the economic downturn has been felt by most economies. Regionally, growth in SSA region is driven mostly by the three largest economies – Angola, Nigeria and South Africa.

2. Against the backdrop that economies in SSA region are predominantly commodity-based, data indicates that they suffered from depressed commodity prices which consequently strained revenue streams of these economies thereby impacting real growth negatively. As a result, SSA registered 1.5 and 2.8 per cent growth, respectively, its slowest during the review period which also falls short of the region's historical above 3.0 per cent average growth.

3. During the review period, given that mining has always been and continues being the backbone of the Namibian economy, the low commodity prices for copper, gold, iron ore, uranium (commodities it has rich endowments in) had a large bearing on revenue proceeds. Going forward, growth is projected to improve in the medium term, albeit marginally, owing expected recovery in two largest neighbouring countries (Angola and South Africa) as well as improvement in the domestic economic activities.

4. In terms of trade, the share of intra-African merchandise trade is said to have increased from 15.0 to 17.0 per cent between 2013 and 2017. This is encouraging in view of boosting intra-African trade; especially the imminent awake of the African Continental Free Trade Area. However, in spite of Africa's industrialisation efforts, its share in world manufactured exports remains less than 1.0 per cent, as its exports to the world are poorly diversified and dominated by primary commodities.

Re-engineering economic growth for greater prosperity:

5. Namibia's real average growth of 3.6 per cent equalled SSA's on the back of significant growth from 2013 to 2015 which was driven by buoyant performance in construction, mining, agriculture, among others. However, the last two years of the review period (2016 and 2017), it experienced an economic downturn owing weak performance from key economic growth driving sectors.
6. The decline of 0.9 per cent for 2017 (the first year of NDP5 implementation) falls short of annual target and SADC convergence target of 2.5 and 7.0 per cent, respectively. This

weaker-than-expected growth performance was driven by declines of 6.7 and 1.4 per cent in the secondary and tertiary industries, respectively.

7. In terms of contribution to GDP, primary, secondary and tertiary industries averaged 18.6, 16.8 and 58.2 per cent, respectively, characteristic of the stagnant structural transformation nature of the Namibian economy.

8. During the last two years of the review period, against the backdrop that real GDP growth was less than the population growth, consequently GDP per capita growth declined by 1.2 and 2.8 per cent in 2016 and 2017 respectively, thereby driving the per capita income down from N$ 47,053 in 2016 to N$47,734 in 2017. Therefore, instead of reducing the high income inequality challenge confronting the country, this development will rather exacerbate it.

9. On the external sector front, the following has been observed:
   - Although the trade deficit has been recorded for the entirety of the review period; however, it has narrowed by the end of the period attributable to stronger growth of exports than that of imports.

   - IMF's direction of trade statistics database reveal that in 2017 – South Africa, Namibia and Zambia recorded the highest intra-African trade shares of 24.9; 5.9 and 5.2 per cent, respectively, within SADC.

   - International reserves of N$30.2 billion were reported at the end of 2017. These reserves translate to import coverage of 4.6 months which is above the international threshold of 3 months thereby pointing to an upward surge towards attainment of SADC convergence target of 6 months. Furthermore, these reserves are estimated to be about five times the currency in circulation, thereby supporting currency adequacy required to maintaining the one-to-one currency peg with the South African Rand (ZAR).

10. Price developments show that Comoros, Seychelles, Mauritius and Zimbabwe recorded average inflation within 3.0 per cent of the SADC convergence target. Following closely are SACU countries Botswana, Lesotho, Namibia and South Africa whose averages were 3.9, 5.1, 5.4 and 5.6 per cent, respectively, during the review period. Generally, inflation has been stabilised within SADC during the review period.

11. Fiscal developments reflect that total revenue and grants as percentage of GDP averaged 33.4 per cent. Expenditure-to-GDP has stabilised, averaging 40.0 per cent of GDP which is exactly within the national cap. Although around 42.0 per cent was recorded in 2014/15 and 2015/16, it reduced significantly during the last two years owing fiscal consolidation measure. Budget balance-to-GDP averaged 6.1 per cent while Debt-to-GDP averaged 33.1 per cent with the last two years having been around 43.0 per cent. At this level, debt-to-GDP has exceeded the national threshold of 35.0 per cent thereby suggesting the likely non-achievement of the end-of-period (2020) HPP target of 30.0 per cent. However, it remains within SADC convergence target of 60.0 per cent as well as the average global average

debt of above 80.0 per cent. When these fiscal developments are compared with peers in SACU, on average, data suggest that Namibia had the 3rd highest revenue-to-GDP, 2nd highest expenditure-to-GDP, and 3rd highest debt-to-GDP.

Economic outlook: achieving more with less

12. Growth of the Namibian economy is estimated at decline of 0.8 in 2018, and slow growth of 0.8 and 2.0 per cent in 2019 and 2020, respectively. Although modest growth is projected for primary industries (agriculture, fisheries and mining), the slow recovery in overall growth from 2018-2020 is attributable to projected declines in secondary industries (manufacturing, construction and water and electricity) and weak growth in tertiary industries (wholesale and retail trade, tourism, etc.). Sectors such as education, health and public administration and defense are projected to decline against the backdrop of fiscal consolidation measure. SACU receipts, from which Namibia derives approximately a third of its total revenue, are projected to remain flat in the medium term.

Accelerating human capital development

13. During the review period, Namibia's population is estimated to have grown by 1.9 per cent, on average, thereby growing from 2.2 to 2.4 million between 2013 and 2017. Urban population is estimated to have grown much faster than rural population due to migration.

14. Unemployment rate increased from 27.9 to 34.0 per cent between 2014 and 2016 with women and youth being the hardest hit, having recorded unemployment rates of 38.3 and 43.0 per cent, respectively in 2016, which remain above the national rate.

15. Health indicators show that:

    - 77.0 per cent of all HIV-positive adults in Namibia have achieved viral load suppression thereby surpassing the Joint United Nations Programme on HIV/AIDS target of 73.0 per cent set for 2020.

    - In terms of infant mortality within SADC, Seychelles and Mauritius performed exceptionally well, evidenced by average mortality rates below 13. Thereafter, Namibia, Botswana, South Africa, and Madagascar are reported to have recorded average infant mortality rates below 40.

    - The 2016 malaria incidence statistics reflect that South Africa, Comoros, Eswatini, Botswana and Namibia, respectively, recorded the lowest within SADC. For Namibia, there has been a stark increase from less than 3 in 2010 to almost 30 in 2016.

16. The Namibia Demographic Health Survey 2013 show that among Namibian under 5 children, 24; 6 and 13 per cent are stunted (short for their age), wasted (thin for their height) and underweight (low weight for their age), respectively. Against the backdrop of poor nutrition of mothers, 13.0 per cent of Namibian babies are born with a low birth weight (below 2.5 kg).

17. On the nutrition front, the average food insecure population during the review period within SADC is estimated at 29.8 million of which 600,433 (approximately 26.3 per cent of total population) is estimated for Namibia. The end-of-period (2017/18) figures reflect a total

26.9 million as the food insecure population in SADC with 798,384 (approximately 33.7 per cent of total population) being from Namibia.

18. During the review period, a significant increase of enrolments in secondary education (Grades 8 to 12) is observed from 187,194 in 2013 to 206,811 in 2017. The highest enrolments were recorded in Grade 8 for all the years and as grade progresses, enrolments start to decrease. The repetition rates are highest in Grade 8 attributed to among others, phase transition where some learners are finding it challenging to cope in the secondary phase. The school leaving rates are highest in Grade 10 where many learners leave after writing the Junior Secondary Certificate Examinations.

19. Human developments observed during the review period are as articulated below:

- The latest Human Development Indices (HDI) for 2017 covering 189 countries reveal that generally, there has been a marked increase in the average HDI thereby indicating that across the world, people are living longer, are more educated and have greater economic opportunities. Within SADC, the top-ranked countries are Seychelles (62nd) and Mauritius (65th) followed by Botswana (101st), South Africa (113th) and Namibia (129th), respectively, the rest of the countries are ranked between 130 and 180 with Mozambique being the lowest ranked.

- When the HDI values are adjusted for inequalities in the three basic dimensions of human development, then you have what is known as the inequality-adjusted Human Development Index (IHDI). During 2017, the IHDI was computed for 151 countries from which it is evident that Namibia and South Africa suffers the largest average losses of 34.8 and 33.2 per cent, respectively, within SACU.

Unlocking the potential of social transformation agenda

20. Between 2009/10 and 2015/16, Namibia managed to significantly reduce poverty from 28.8 to 17.4 per cent attributed to prioritising poverty reduction on public resources as well as availability of robust social safety nets programme.

21. Statistics on income inequality reveal the following:

- One of the Vision 2030 goals involves the achievement of a significant reduction in income inequality as measured by the Gini-coefficient of 0.3 which was to be realised through attainment of at least 3.0 per cent annual reduction on average. Namibia managed to reduce income inequality, albeit marginally, from 0.58 to 0.56 between 2009/10 and 2015/16 which translates to less than 1.0 per cent average annual reduction, thereby remaining one of the countries with the highest income inequality in the world.

- Income inequality for Namibia is higher even when using other measures such as the Palma ratio (ratio of the richest 10.0 per cent of the population's share of gross national income divided by the poorest 40.0 Per cent's share). South Africa (7.1), Namibia (5.8) and Botswana (5.8), respectively, recorded the highest Palma ratios between 2010 and 2015. The Palma ratio of 5.8 reported for Namibia implies that the richest 10.0 per cent is commands 5.8 times the income of the poorest 40.0 per cent.

22. In terms of gender mainstreaming, the following developments have been reported:

- Gender Development Index (GDI) which is a ratio of the female to male HDI was calculated for 164 countries in 2017. Namibia (1.014), Lesotho (1.004) and South Africa (0.984), respectively, have the highest GDI values within SADC. As such, these countries have been placed in Group 1 (out of the five groups according to UNDP's classification) with high equality in HDI achievements between women and men for whom the absolute deviation is less than 2.5 per cent.

- Gender Inequality Index (GII), on the other hand, measures the loss in human development due to inequality between female and male achievements in the three GII dimensions (reproductive health, empowerment and economic activity) and ranges lies between 0 (where female and male fare equally) and 1 (where one gender fares as poor as possible). In 2017, Mauritius (0.373), South Africa (0.389), Botswana (0.434) and Namibia (0.472), respectively, had the lowest GIIs thereby indicating lesser gender inequalities within SADC.

CHAPTER 1: INTRODUCTION

This Economic Development Report 2017 – "*Navigating through challenging economic climate*" provides a snapshot of socio-economic developments, that is, both economic performance and social developments with emphasis on the global, regional and domestic (Namibian) economies, for the five-year review period (2013 – 2017). Moreover, it provides economic growth projections for 2018 and 2019 based on assumptions of what is likely to ensue. Herein, projections for Namibia are as provided by the Macro-Economic Working Group (MEWG) whose membership comprise of Ministry of Finance (Chair), National Planning Commission (NPC), Bank of Namibia (BoN) and Namibia Statistics Agency (NSA).

In view of economic growth for 2017, mixed results were realised by different regions and countries. At the global level, average economic growth averaged above 3.0 per cent for the five-year review period supported by Emerging Markets and Developing Economies (EMDE) which continued its above global growth impetus as well as growth in Advanced Economies which comprise of the few of the world's largest economies (United States of America, Germany, Japan etc.).

Regionally, sub-Saharan Africa (SSA) averaged 3.6 per cent on the back of solid growth from the region's largest economies (Angola, Nigeria and South Africa). SSA economies are predominantly commodity-based and as such have somewhat suffered significantly, by way of declining revenues, from depressed commodity prices for which they are richly-endowed with.

Domestically, although the Namibian economy experienced economic slowdown in the latter years of the review period (2016 and 2017), it recorded average growth of 3.6 per cent, equalling SSA's average growth. The earlier years, Namibia's real growth remained buoyant, thereby recording above 5.0 per cent on the back of robust growth by key growth driving sectors of the economy i.e. construction, mining, agriculture, among others. In view of the external sector, although the trade deficit has been recorded for the entirety of the review period; however, it has narrowed by the end of the period attributable to stronger exports growth than imports growth. Moreover, at 6 months of import cover (N$30.2 billion) reported at the end of 2017, the international reserves seem to surge towards attainment of SADC convergence target of 6 months. Furthermore, these reserves are estimated to be about five times the currency in circulation, thereby supporting currency adequacy required to maintaining the one-to-one currency peg with the South African Rand (ZAR).

Fiscal developments, suggest that, fiscal consolidation has started to yield expected results in so far as containing the expenditure and budget balance within national thresholds of 40.0 and 5.0 percent-to-GDP respectively, are concerned. However, on the other hand, debt-to-GDP appears to be getting beyond 35.0 per cent which does not bode well for the achievement of the national cap as per the sovereign debt management strategy and the 30.0 per cent HPP end-of-period target. At the current level, it is worthwhile to note that it is very much within SADC convergence target of less than 60 per cent.

Social developments indicate Namibia’s high income inequality in relation to peers within the Southern African Development Community (SADC), as measured by the Gini-coefficient, Quintile and Palma ratios. Moreover, unemployment at 34.0 per cent remains stubbornly high, with the youth the most affected recording 43.3 per cent. However, poverty on the other hand, has reduced significantly between 2009/10 and 2015/16 attributable to a robust social safety nets programme and government’s high spending on social sectors , among others.

In view of the Human Development Index (HDI), generally, significant progress has been made at the global, regional and national levels during the review period. To this end, during 2017, Namibia was ranked among the top 130 countries from 189 countries globally with an HDI value of 0.674 thereby becoming the 5th top ranked country in SADC. However, when the HDI value is discounted for inequality in the distribution of human development (Inequality-adjusted HDI - IHDI), significant losses are suffered by most countries. In view of this, Namibia and South Africa specifically suffered losses of 34.8 and 33.2 per cent, respectively compared to sub-Saharan African’s 30.8 per cent.

On the health front, there are notable declines in both crude birth and total fertility rates at the global, continental, regional and domestic levels. The declines in fertility rates can be attributable to continued improvements in access to reproductive health care services (which includes family planning), especially in the least developed countries, with a focus on enabling women and couples to achieve their desired family size. To this end, Namibia, just like its peers in the sub-Saharan African and SADC regions, is experiencing declines in crude birth and total fertility rates which prefigures the achievement of health sector’s goals well.

CHAPTER 2: GROWTH MOMENTUM IN THE GLOBAL & REGIONAL ECONOMIES – A PROMISE FOR THE DOMESTIC ECONOMY

2.1 Global economy – Towards resilient growth

2.1.1 Growth outlook

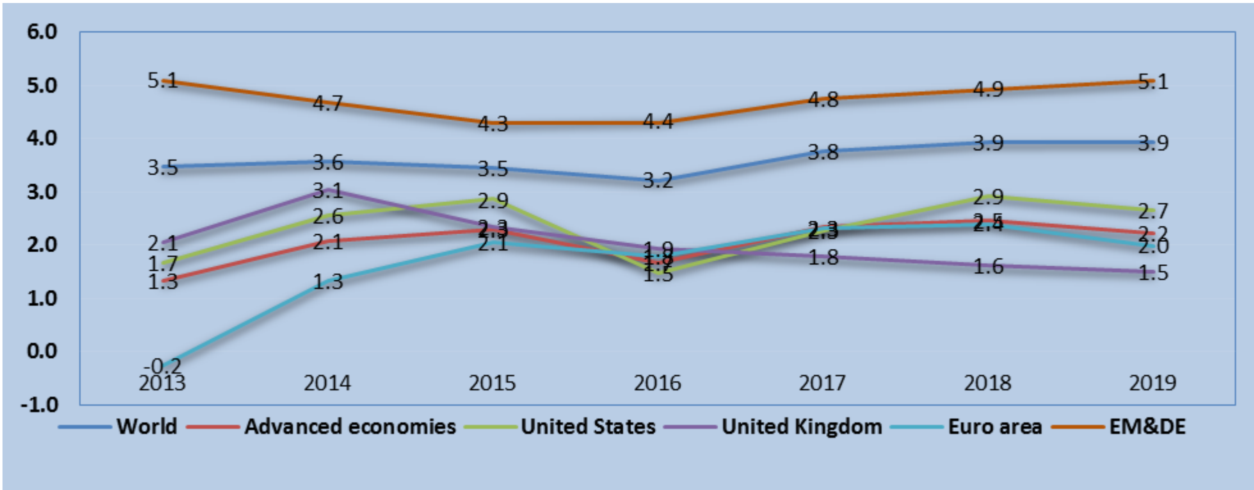
According to July 2018 International Monetary fund (IMF) world economic outlook, world output growth is estimated to have grown by 3.7 per cent in 2017, 0.5 percentage points above 2016 output growth. However, growth remains mixed for different regions and countries, others have peaked (reaching potential output) while others are still gaining growth momentum. Going forward, optimistic growth of 3.9 per cent is forecasted in both 2018 and 2019 mainly to be driven by expected high output growth in ***Emerging Markets and Developing Economies (EMDE)*** which for years has recorded growth above world output.

Growth in ***Advanced Economies (AE)*** is forecasted to slow down to 2.2 per cent in 2019 from 2.4 per cent estimated for both 2017 and 2018. Growth in the United States is expected to strengthen in 2018 due to loosened fiscal policy before it slow down with 2 basis points in 2019. According to the World Bank (2018), the U.S economy may be near its productive potential because both capacity utilization and the employment rate are moving toward peaks attained earlier to the economic financial crisis. Projections for the Euro area point to decelerating economic activities from 2.4 per cent in 2017 to 2.2 per cent and 1.9 per cent in 2018 and 2019 respectively. This is attributed to slower economic activities and tighter financial conditions in Germany, France and Italy. Weak private consumption and investment is expected to slow down growth in Japan.

Growth in EMDE is projected to grow by 5.1 per cent in 2019 from 4.7 per cent estimated in 2018 due to influences of rising oil prices and appreciation of the U.S dollar. In China, economic growth is expected to slow down as investment growth rates remain low, external demand reduces and tightening of the financial sector. IMF projects India to be the fastest growing economy in the world, at 7.5 per cent in 2019 from 6.7 per cent in 2017 attributable to ongoing currency exchange initiative, fading of the introduction of the goods and services tax as well as strong private consumption, among others. Similar growth and observations for India were made by World Bank and Asian Development Bank.

In summary, the global economy has consistently maintained above 3.0 per cent growth. Moreover, it is projected to accelerate towards an upward growth trajectory which clearly indicates that it is moving ***"Towards resilience growth."***

Figure 1: World output (%)



Data source: IMF World Economic Outlook Database, April & July 2018

2.1.2 Commodity market outlook

During 2013-2017, most commodities on average (with the exception of aluminium, coal, zinc, and lead) experienced low prices (*table 1*) which subsequently impacted negatively on current accounts and revenue streams of most economies in SSA given that they are predominantly commodity-based. These, had a significant bearing on domestic currencies as well as creating inflationary pressures on SSA economies. Similarly, for Namibia, given that mining has always been and continues being the backbone of the economy, the low commodity prices for copper, gold, iron ore, uranium (commodities it is richly endowed with) had a large bearing on revenue proceeds.

The commodity price developments are determined in international markets and are as a result of global events/activities which ultimately have a bearing on the demand and supply of those commodities for which smaller open economies in SSA have no control over. Going forward, in the medium-term, however, most commodity prices (with the exception of oil, iron ore, and uranium) are projected to remain within an increasing and favourable trajectory (above 2013-2017 average prices) thereby injecting much-needed revenues in commodity based economies in SSA. The outlook shows that for 2018 and 2019 are still difficult years for uranium, as the sector is still recovering from the 2011 Fukushima disaster. Herein, Namibia, by virtue of being the world's 5th largest Uranium producer globally is negatively impacted by these projected low uranium prices.

Table 1: Selected Mineral Commodity Prices (US$/unit)

Commodity	Units	Actuals						Projections	
		2013	2014	2015	2016	2017	2013-2017 Average	2018	2019
Aluminium	US$/metric tonne	1,846.68	1,867.42	1,664.68	1,604.18	1,967.66	1,790.12	2,207.83	2,234.90
Crude Oil	US$/barrel	104.07	96.25	50.79	42.84	52.81	69.35	62.31	58.24
Coal	US$/metric tonne	90.13	75.73	62.69	70.08	94.14	78.56	106.58	95.54
Copper	US$/metric tonne	7,331.49	6,863.40	5,510.46	4,867.90	6,169.94	6,148.64	7,131.67	7,228.02
Gold+	US$/troy ounce	1,411.23	1,266.40	1,160.06	1,250.80	1,257.15	1,269.13	1,293.37	
Iron Ore	US$/metric tonne	135.36	97.39	56.14	58.57	71.12	83.71	74.62	67.81
Tin	US$/metric tonne	22,281.58	21,898.87	16,066.63	17,933.76	20,061.17	19,648.40	21,512.16	21,353.75
Nickel	US$/metric tonne	15,029.99	16,893.38	11,862.64	9,595.18	10,409.64	12,758.16	13,781.17	14,076.67
Zinc	US$/metric tonne	1,910.17	2,160.97	1,931.68	2,089.98	2,890.87	2,196.73	3,523.36	3,419.88
Lead	US$/metric tonne	2,139.75	2,095.46	1,787.82	1,866.65	2,314.67	2,040.87	2,559.36	2,544.25
Uranium	US$/pound	38.58	33.49	36.76	26.31	21.68	31.36	22.18	23.70

Source: International Monetary Fund, World Economic Outlook Database, April 2018
+ World Gold Council (2018 actual: average of first eight months of the year)

2.2 Regional Economy: sub-Saharan Africa on the rise

Economies in the sub-Saharan African (SSA) region, given that they are mostly commodity-based, were hard hit by depressed commodity prices during the five-year (2013-2017) review period. In this respect, SSA growth recorded its lowest growth of 1.5 per cent in 2016 before rebounding to 2.8 per cent in 2017. This upturn in growth is attributable, in large part, to the recovery in oil and agricultural production in Nigeria and improving drought conditions in much of Eastern and Southern Africa (ILO, 2017).

This latest economic growth surge indicates that the SSA region, appear to be gaining traction in the upward growth trajectory, closer to its historical above 3.0 percent annual average growth. Overall, during the review period, SSA registered an average 3.6 per cent growth reflected by rising oil prices, improvements in commodity prices and improved agricultural conditions among others. The recent IMF economic outlook upgraded the medium term forecast in SSA to accelerate to 3.4 and 3.8 per cent reflecting improvements in prospects in the SSA's three largest economies (Angola, South Africa and Nigeria). To this end, the South African economy is estimated to pick due to improving business sentiment and confidence associated with the new leadership, and slowing prices of goods and services which will help boost domestic demand.

Angola and Nigeria are both projected to improve owing improved outlook for oil prices among others. Albeit economic recovery is expected in the SSA region, in most countries growth is still not picking up when compared to the past years due to political uncertainties in some countries. Overall, SSA region is poised for improved growth fortunes as revealed by projected growth of above 3.0 per cent for both 2018 and 2019.

Table 2: Sub-Saharan Africa growth rates (%)

	Actuals						Projections	
	2013	**2014**	**2015**	**2016**	**2017**	**2013-2017 Average**	**2018**	**2019**
Sub-Saharan Africa	5.3	5.1	3.4	1.5	2.8	3.6	3.4	3.8
Angola	6.8	4.7	3	-0.8	0.7	2.9	2.2	2.4
Mauritius	3.2	3.6	3.5	3.9	3.9	3.6	3.9	4
Namibia*	**5.6**	**6.4**	**6.1**	**0.6**	**-0.9**	**3.6**	**-0.8**	**0.8**
Nigeria	5.4	6.3	2.7	-1.6	0.8	2.7	2.1	2.3
South Africa	2.5	1.8	1.3	0.6	1.3	1.5	1.5	1.7

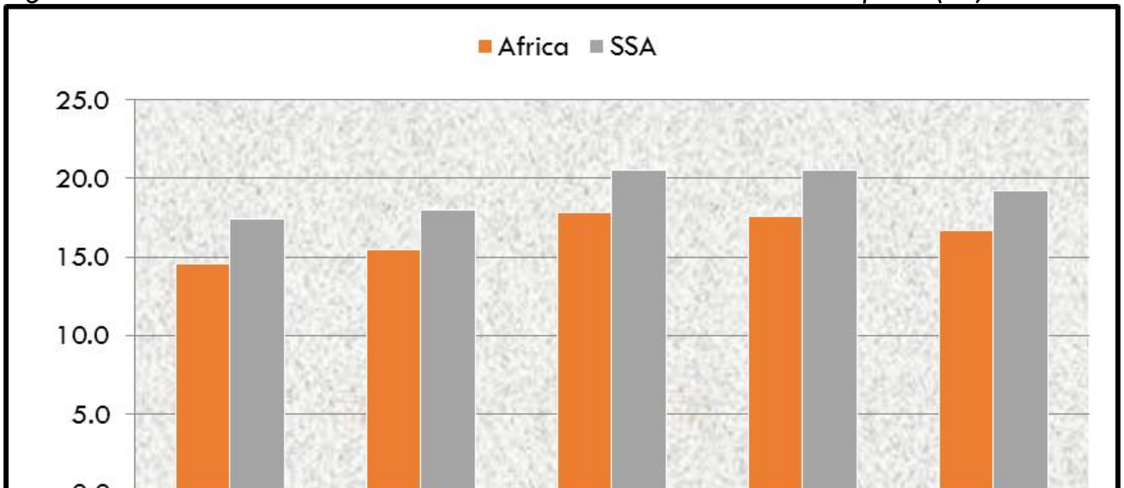
Data source: IMF World Economic Outlook Database, April & July 2018
** 2013-2017 (NSA) Annual National Accounts 2017; 2018-2019 MEWG Projections*

The Annual National Accounts showed that economic activities in Namibia are estimated to have declined by 0.9 per cent in 2017 due to contractions in both the secondary and tertiary industries. However, with the expected recovery in the two largest neighbouring economies (South Africa and Angola), the prospects are that the Namibian economy will improve slowly in 2018 and 2019 as domestic economic activities improves. Herein, IMF projects the Namibian economy to grow by 1.2 and 3.3 per cent in 2018 and 2019 respectively.

On the trade front, especially in the imminent awake of the African Continental Free Trade Area (AfCFTA) which was to be established in 2017, it is encouraging to note that intra-trade (trade between economies belonging to the same group) among African economies appears to be surging upward as suggested by recent statistics. A striking result in respect of the share of intra-Africa merchandise trade is that, generally, there has been a noted increase, albeit marginally, from 15.0 to 17.0 per cent between the 2013 and 2017. This shows some dynamism which brings positive news for boosting intra-African trade that could potentially accrue from the African Continental Free Trade Area (AfCFTA). It is also worth pointing out that market diversification (both for exports and imports) is very limited due to a relatively small number of export items (mostly comprising primary products). However, for economies with diversified production bases, the local market for manufactured products is more important in their overall trade (UNCTAD, 2016).

In spite of efforts to industrialize, Africa's share in world manufacturing exports is still less than 1 per cent, as its exports to the world are poorly diversified and dominated by primary commodities. In view of this, African economies should strive to diversify into higher value added services and goods, while continuing to raise agricultural productivity, even as agriculture's share in the economy declines (Badiane and Collins, 2014).

Figure 2: Share of intra-African merchandise trade in total African exports (%)

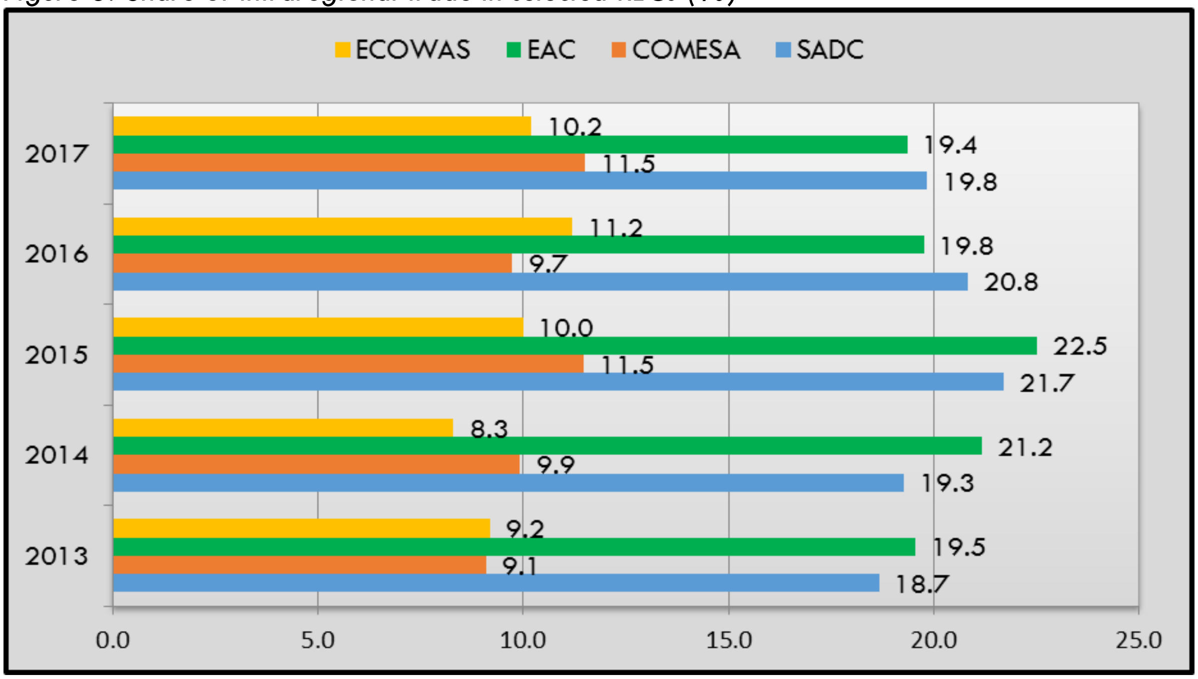


	2013	2014	2015	2016	2017
Africa	14.5	15.5	17.8	17.6	16.6
SSA	17.4	18.0	20.5	20.5	19.2

Source: UNCTADstat (http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx)

Notwithstanding the increasing share of intra-Africa trade, however, there are two-facts to be cognisant of: first, that there are some noted variances in so far as the performance of intra-regional trade among the eight (8) African Regional Economic Communities (RECs)[1] is concerned. The highest level of intra-regional trade during the review period has been occurring in East African Community (EAC) and Southern Africa Development Community (SADC), respectively. Second, Africa is lagging behind other parts of the world / (continents): America, Asia and Europe whose intra-trade statistics in 2017 were reported at 55.0, 59.4 and 68.1 per cent, respectively.

Figure 3: Share of intraregional trade in selected RECs (%)



Source: UNCTADstat (http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx)

According to IMF direction of trade statistics database, the top three countries with the highest intra-African trade shares are: South Africa, Namibia and Zambia, respectively within the Southern African Development Community (SADC) as is be evident in *table3*.

[1] The eight (8) RECs recognized by the African Union (AU) are: the Arab Maghreb Union (AMU), the Common Market for Eastern and Southern Africa (COMESA), the Community of Sahel-Saharan States (CEN-SAD), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Intergovernmental Authority on Development (IGAD) and the Southern African Development Community (SADC).

Table 3: Country share of total Intra-African Trade (%) – SADC Countries

Country	**2013**	**2014**	**2015**	**2016**	**2017**
Angola			1.93	1.85	1.80
Botswana			5.52	5.52	3.72
Comoros			0.02	0.02	0.02
Congo (Democratic Republic of)			2.80	2.80	3.39
Eswatini (Kingdom of)			3.60	3.93	4.05
Lesotho			1.01	1.15	1.24
Madagascar			0.33	0.38	0.40
Malawi			0.83	1.00	1.08
Mauritius			0.71	0.84	0.91
Mozambique			2.52	2.17	2.77
Namibia			**5.90**	**5.52**	**5.89**
Seychelles			0.12	0.14	0.13
South Africa			24.19	24.19	24.89
Tanzania (United Republic of)			2.39	2.14	1.61
Zambia			4.80	4.79	5.23
Zimbabwe			4.39	5.03	3.69

Source: IMF Direction of Trade Statistics Database

A major decision was taken with the adoption of the African Union (AU) Action Plan for "*Boosting Intra-African Trade*" which attests clear testimony of a strong desire to deepen regional integration in Africa. Going forward and specifically, through the establishment of the AfCFTA, the AU Member States expressed the goal to see the share of intra-African trade doubling within the next 10 years. The attainment of this noble goal is expected to drive intra-Africa trade upwards towards levels achieved by other parts of the world thereby bringing about the required socio-economic development.

Overall, the noted improved growth performance in both the global and regional economies, increasing intra-African trade as well as improved mineral commodity prices evidently suggests a looming promise for the domestic (Namibian) economy in view of increased globalisation, deeper trade and regional integration, among others. The prominent developments in the global and regional economies present opportunities for Namibia hence ***"Growth momentum in the global and regional economies – a promise for the domestic economy."***

CHAPTER 3: RE-ENGINEERING ECONOMIC GROWTH FOR GREATER PROSPERITY

3.1 Overall Domestic Economic performance

The Namibian economy was estimated to recover from a near zero growth in 2016 owing the expected recovery in key growth driving sectors of the economy. However, the domestic economy still faces tough times as it recorded declines in history for the past two years as key economic sectors struggled. Between 2013 and 2017 the economy grew by 3.6 per cent on average. Nonetheless, the domestic economy slid into recession in 2017 (the first year of NDP5 implementation) contracting by 0.9 per cent, far below the annual growth target of 2.5 and 7.0 per cent for NDP5 and SADC convergence target, respectively, relative to a growth of 0.6 and 6.1 per cent in 2016 and 2015 respectively. The weaker growth performance in 2017 is attributable to contractions of 6.7 and 1.4 per cent in the secondary and tertiary industries respectively. The main drivers of decline in the secondary industries include the construction sector which continued to register a contraction of 25.6 per cent from 26.3 per cent in 2016; as well as slow growth in manufacturing, and electricity and water sectors.

In the tertiary industries, wholesale and retail trade and hotels and restaurants both recorded contractions of 7.5 per cent and 1.1 per cent from 3.1 per cent and 3.5 per cent growth in 2016 respectively. Although, the primary industry contracted for the past four years (2013 – 2016), it registered a strong growth of 10.6 per cent in 2017 from a decline of 1.5 per cent in 2016. The strong growth by primary industries is attributed to mining and quarrying which bottomed up from a contraction of 5.8 per cent to a strong growth of 12.8 per cent in 2017 attributable to among others, increases in diamond subsector (due to increase in diamond carats) and uranium mining subsector (due to the increase in production of uranium, although uranium prices remained subdued). Similarly, the agriculture and forestry sector also registered a strong growth of 12.6 per cent relative to a decline of 1.5 per cent in 2016 on the back of good rainfall in 2017 resulting in a bumper harvest for crop production and better export prices for livestock. For Namibia to achieve its multiple goals of food security, poverty reduction, unemployment and become industrialized through the promotion of agricultural productivity and value addition as well as stimulating economic growth as stipulated in NDP5, the primary and secondary industries are to play a crucial role in Namibia's growth path.

In terms of contributions to GDP, the tertiary industries have been on an upward trajectory over the past years and still remain the main contributor to GDP accounting for 58.2 per cent in 2016 and 58.4 per cent in 2017 respectively. For the period 2013 to 2017, primary, secondary and tertiary industries contributed on average 18.6, 16.8 and 58.2 per cent-to-GDP respectively thereby reflecting the stagnant structural transformation nature of the economy. Vision 2030 is premised on industrialization; however, the achievement of industrialization appears far-fetched if the current trend continues.

Real GDP per capita is declining in the same direction as overall economic growth recording negative growth of 1.2 and 2.8 per cent in 2016 and 2017 respectively. Consequently, per capita GDP income declined from N$ 47, 053 in 2016 to N$ 45, 734 in 2017. On the other hand, between 2016 and 2017, population growth has been above Real GDP growth, averaging 1.9 per cent. It is worthy to note that, for as long as GDP growth is less than the growth of the population, GDP per capita income will continue to be suppressed. Even though, Namibia has been an upper middle income country since 2009 by World Bank classification, it still battles with high income inequality. Therefore, instead of reducing the already high income inequality, the continued negative growth of GDP per capita will rather exacerbate it further.

Within the Southern African Development Community (SADC), Macroeconomic indicators and targets have been set for Member States, specifically to advance the Macroeconomic convergence agenda, to be achieved at differing dates. These are as articulated in Box 1 below whose status (achievement / non-achievement) will be made reference to in this Chapter.

Box 1:
SADC Macro-economic (MEC) indicators and targets

	2008	2012	2018
Indicators	**Primary indicators**		
Inflation (annual - %)	<10	<5	<3
Fiscal deficit (%)	<5	<3	<3
Public debt/GDP (%)	<60	<60	<60
Indicators	**Secondary indicators**		
Current account/GDP (%)	<9	<9	<9
Economic growth (real GDP annual rate - %)	7	7	7
External reserves (months of import cover)	3	6	6
Domestic savings (% of GDP)	25	30	35
Domestic investment (% of GDP)	30	30	30

Source: SADC (www.sadc.int)

3.2 Real Sector Developments

3.2.1 Primary Industry

The primary industries have been in contraction over the past four years (2013- 2016), however registered positive growth of 10.6 per cent in 2017 relative to a contraction of 1.5 per cent in 2016 (*table 4*). The strong growth is attributed to livestock and crop farming subsectors in the agriculture and forestry sector on the back of good rainfall and better export prices for livestock. The agriculture and forestry sector contracted by 19.3 and 10.4 per cent in 2013 and 2015, respectively, compared with a strong growth of 11.1 per cent in 2014. The noted declines in

2013 and 2015 are attributable to drought, and foot and mouth disease outbreak experienced especially in the northern parts of the country which led to both the livestock and crop farming sub-sectors contracting during the same period. However, the sector recovered, thereby registering a strong growth of 12.6 per cent in 2017.

The crop farming sub-sector bottomed up from a decline of 1.8 per cent in 2016 to a strong growth of 11.0 per cent in 2017. Most parts of the country received good rainfall which impacted positively on agriculture especially crop production leading to a bumper crop harvest. A growing agricultural sector contributes to overall growth and alleviates poverty. For Namibia to feed its growing population in terms of food security, increased agricultural productivity is ideal. Moreover, Namibia should consider moving away from rain fed agriculture as the dependence on rain fed agriculture poses a threat to food security thus leading to increased poverty.

Table 4: Real GDP growth rates for industries (2013 – 2017)

Industry	***2013***	***2014***	***2015***	***2016***	***2017***	***Average***
Primary industries	-3.7	-1.6	-5.2	-1.5	10.6	-0.3
Secondary industries	8.6	10.9	6.8	-6.4	-6.7	2.6
Tertiary industries	7.3	7.7	7.9	3.4	-1.4	5.0
GDP growth rates	**5.6**	**6.4**	**6.1**	**0.6**	**-0.9**	**3.6**

Source: Annual National Accounts 2017 (NSA)

Performance of the mining sector has been declining consecutively for the past three years. The sector contracted by 6.0, 4.9 and 5.8 per cent in 2014, 2015 and 2016 respectively. However, the sector recovered and registered a strong growth of 12.8 per cent from a decline of 5.8 per cent in 2016 attributable to an increase in production for diamond, uranium and gold. Herein, diamond mining production increased by 12 per cent on the back of an increase of 1.8 per cent million carats (1,804 mill carats) in 2017 output from 1.57 per cent carats (1,573 mill carats) in 2016, an increase of about 15 per cent. Despite persistent low uranium prices in 2017, the uranium sub-sector performed well, recording positive growth of 23.4 percent from 13.6 percent in 2016 and contractions from 2013 to 2015 respectively. This is attributable to the increase in production volumes of uranium as Rossing uranium increased its production from 1,850 tonnes in 2016 to 2,110 tonnes in 2017. On the other hand, Langer Heinrich uranium decreased production in line with the company's plans to reduce output by 20 per cent in 2017 and 2018 in attempt to streamline operations in a persistent low uranium price environment.

3.2.2 Secondary Industry

For Namibia to be an industrialized country as it aspires, the secondary industries are crucial for the realization of this goal. Manufacturing is the engine for industrialization, and a successful manufacturing sector helps in creating jobs, increasing trade especially exports of finished products and thereby increasing GDP growth and boosting the country's external reserves. It can therefore be said that the manufacturing sector immensely contributes to the social development and economic prosperity of a country. However, the realization to an industrialized country status depends on among others, the availability and affordability of water and electricity which are essential inputs for the manufacturing sector.

Secondary industries registered contractions of 6.4 and 6.7 per cent in 2016 and 2017 from positive growth recorded between 2013 and 2015 attributable to a significant decline of 25.6 per cent in the construction sector and a slow growth of 1.3 and 1.8 per cent in the manufacturing and utility sector respectively. The manufacturing sector recorded contractions in 2014 and 2015. However, the sector recovered, registering a strong growth of 5.6 per cent in 2016 before decelerating to 1.3 per cent in 2017. The slow growth recorded in the sector during 2017 is mainly attributed to among others, meat processing, rubber and plastic products, fabricated metals, and chemical and related products subsectors that recorded contractions of 14.4, 9.1, 6.5, and 5.7 per cent respectively.

The utility sector (electricity and water) is estimated to have slowed to 1.8 per cent in 2017 from a strong growth of 6.8 per cent in 2016 on the back of a decline in the water sub sector (attributable to less demand for drinking water for both humans and livestock) and a slowdown in the electricity subsector (attributable to an increase in intermediate consumption due to large importation of power). Namibia's energy consumption is likely to increase if its national goal of industrialization is to be realized. Therefore, there is a need for increased electricity generation in the country, the more the economy expands the more the energy it requires to support industrialization.

The construction sector recorded strong growth of 24.3 per cent in 2015. However, the sector contracted by 26.3 and 25.6 per cent in 2016 and 2017, respectively, on the back of reduced activity in both government construction works and private sector due to ongoing fiscal consolidation as well as base effects from construction boom (completion of major construction projects) in 2015. The fiscal consolidation, through which, budget cuts were undertaken, mostly affected capital projects as a result most Government projects were put on hold due to financial constraints.

3.2.3 Tertiary industry

During the period 2013 to 2017, tertiary industries registered a contraction of 1.4 per cent in 2017 from a growth of 3.2 and 7.9 per cent in 2016 and 2015 respectively, making it the first time over the reporting period that the industry recorded a decline. These contractions are attributable to most tertiary industry sectors which recorded contractions with the exception of financial intermediation, private household, public administration and transport which registered slow growth. Despite registering strong growth between 2013 and 2016, the wholesale and retail trade sector registered negative growth of 7.5 per cent in 2017 reflected by declines in the sales of vehicles and furniture's subsector as well as slow growth in clothing, wholesalers and supermarkets sales sub-sectors. The weak performance of the subsectors is attributable to reduced demand stemming from slower economic activity as a result less disposable income available for households. Disposable income is personal income minus personal income taxes. It is simply the income left to an individual or household for either spending or saving after the deduction of personal income tax (Akekere & Yousou, 2012).

The hotels and restaurants sector which is a proxy for the growth of the tourism sector was expected to grow in the period under review with the anticipation of an increase in the number of tourists to the country and one airline[2] which came on board. However, despite the introduction of this airline on board, the hotels and restaurant sector contracted by 1.1 per cent in 2017 from a growth of 6.6 and 3.5 percent in 2015 and 2016 respectively. The performance in the sector is owed to both hotels and restaurant sub sectors which registered declines of 1.2 per cent and 1.0 per cent. Tourism activity declined as reflected in the decrease in the number of rooms and beds sold. However, overall the tourism sector has performed well during the period under review with regards to the significant increase in total tourist arrivals averaging 6.9 per cent (Table 5). Moreover, according to the Travel and Tourism competitiveness report for 2017, Namibia is still ranked among the four most travel and tourism competitive economies in sub-Saharan Africa along with South Africa, Mauritius and Kenya.

Table 5: Tourist arrivals by year (2013 – 2017)

	2013	**2014**	**2015**	**2016**	**2017**	**Average**
Tourist arrivals	1,176,041	1,320,062	1,387,773	1,469,258	1,499,442	1,370,515
Growth rate	9.0%	12.2%	5.1%	5.9%	2.1%	6.9%

Source: MET

Transport and logistics remains a key developmental priority for trade, industrialization, socio economic development and regional integration. The transport and logistics sector is also key for the performance of other sectors of the economy e.g. the agriculture and manufacturing depend on it to be able to ship goods to consumers on time, efficiently, effectively and reliably. The sector has a number of direct and indirect links with important economic and social development goals (WTO, 2013). The transport and communication sector (logistics) registered slow growth of 0.8 per cent from a growth of 6.9 per cent in 2016. The performance in the sector is mainly attributed to declines in sub sectors such as tour operators as well as slowdown in sub sectors such as freight transport by road, telecommunications and courier services.

Financial intermediation which consists of commercial banks, development banks and insurance companies has posted strong growth over the years. However, it remained constant for the past two years registering growth of 2.8 per cent in 2016 and 2017 from a growth of 5 per cent in 2015 on the back of the banking sector which slowed down to 2 percent from a stronger growth of 3.6 per cent whereas the insurance subsector grew by 4.1 per cent from a 1.7 per cent in 2016. This can be attributed to a slow growth in the total of loans and credit extended to both private sector and households (individuals).

Public administration and defence sector is estimated to have recorded a slow growth of 0.3 per cent in 2017 from 3.3 per cent estimated in 2016 attributable to decline in the subsector central

[2] Eurowings Airline

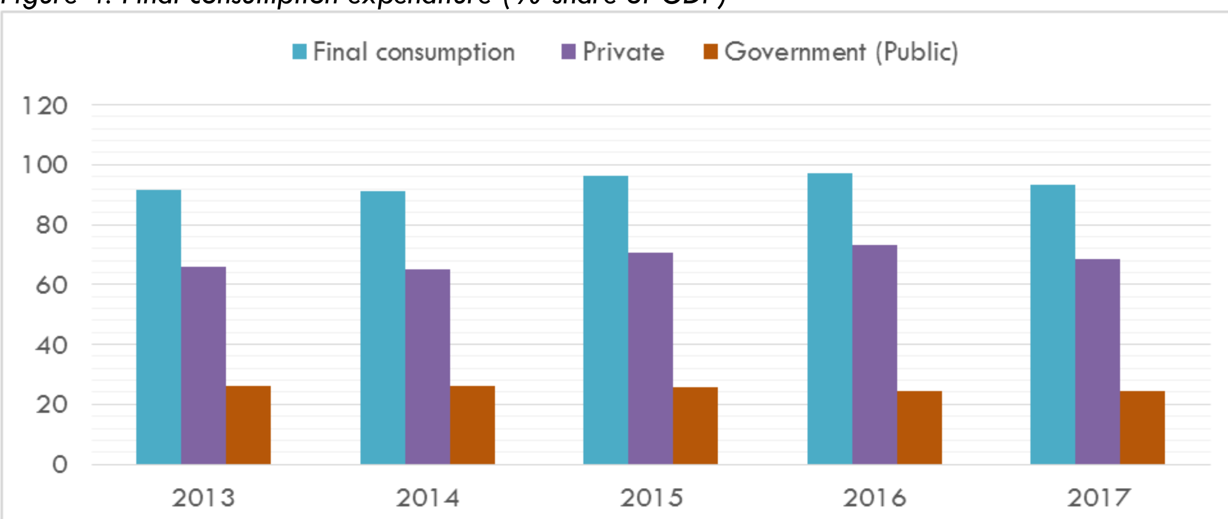
government administration emanating from government's fiscal consolidation stance. Similarly, both education and health sectors declined owing fiscal consolidation.

3.3 Demand Sector

3.3.1 Final Consumption Expenditure

Final consumption expenditure which is made up of private and general government expenditure still remains the main contributor to GDP accounting for about 94 per cent on average during the last five years while private and public expenditure averaged 68.6 and 25.3 per cent over the same period. Overall share of final consumption expenditure to GDP stood at 93.1 per cent in 2017 from 97.3 per cent in 2016 corresponding to N$164.31 billion and N$161.43 billion respectively. Private final consumption expenditure accounted for 68.6 per cent of the total final consumption expenditure in 2017 from 73 per cent in 2016 *(figure 4)*.

Figure 4: Final consumption expenditure (% share of GDP)



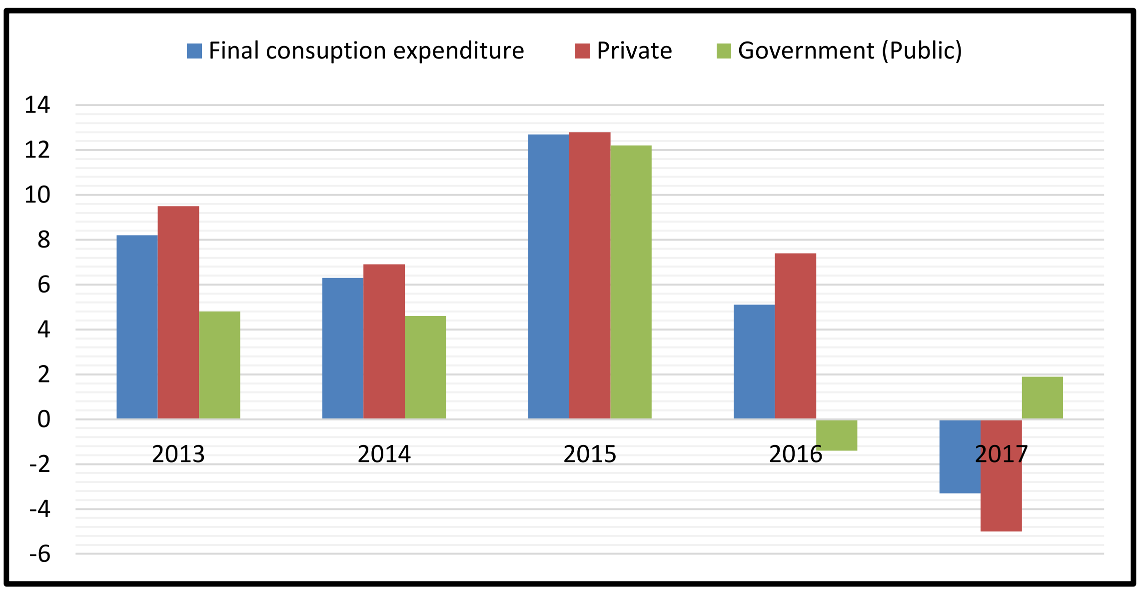
Source: Annual National Accounts 2017 (NSA)

During the five year period (2013- 2017) growth in government consumption expenditure and private consumption expenditure has been higher posting average growth rates of 4.4 per cent and 6.3 per cent respectively. In 2015, they both recorded strong growth of 12.8 per cent and 12.2 per cent. However in 2017, government consumption expenditure recovered by registering a growth of 1.9 per cent from a contraction of 1.4 per cent in 2016 while private consumption expenditure contracted by 5 per cent from 7.4 per cent in 2016. The contraction in private consumption can be attributed to low domestic demand due to slower economic activity as this is reflected in the decrease in categories like food, beverages, tobacco, clothing and foot wear, housing, water, electricity and fuels among others. Low consumer confidence is a contributor to the subdued private consumption in 2017. A downturn in spending can be damaging to the economy as economic growth would slow down. In view of this, according to Keynesian economic theory government should stimulate spending to end a recession. However, government spending should be reduced once the economy recovers to prevent inflation.

Real final consumption expenditure

For the past five years, the trend of Namibia consumption growth has been declining reaching negative growth in 2017. However, overall, real consumption growth averaged 5.8 per cent over the period 2013 to 2017, while real Gross Domestic Product (GDP) growth averaged 3.6 per cent over the same period. As consumption expenditure outpaced GDP growth rate, the share of consumption in GDP has been increasing since 2015 driven by an average growth of 5.1 percent in private consumption as opposed to 4.2 percent of public consumption expenditure over the same period. Although slowing in other GDP components such as exports and investment may have mechanically increased the share of consumption in GDP recently, there is significant evidence that Namibia consumption is strong in its own right. Positive growth in the consumption expenditure induces the economic growth, thus consumption expenditure positively/negatively moved economic growth in the same direction.

Figure 5: Final consumption expenditure (annual growth rates)



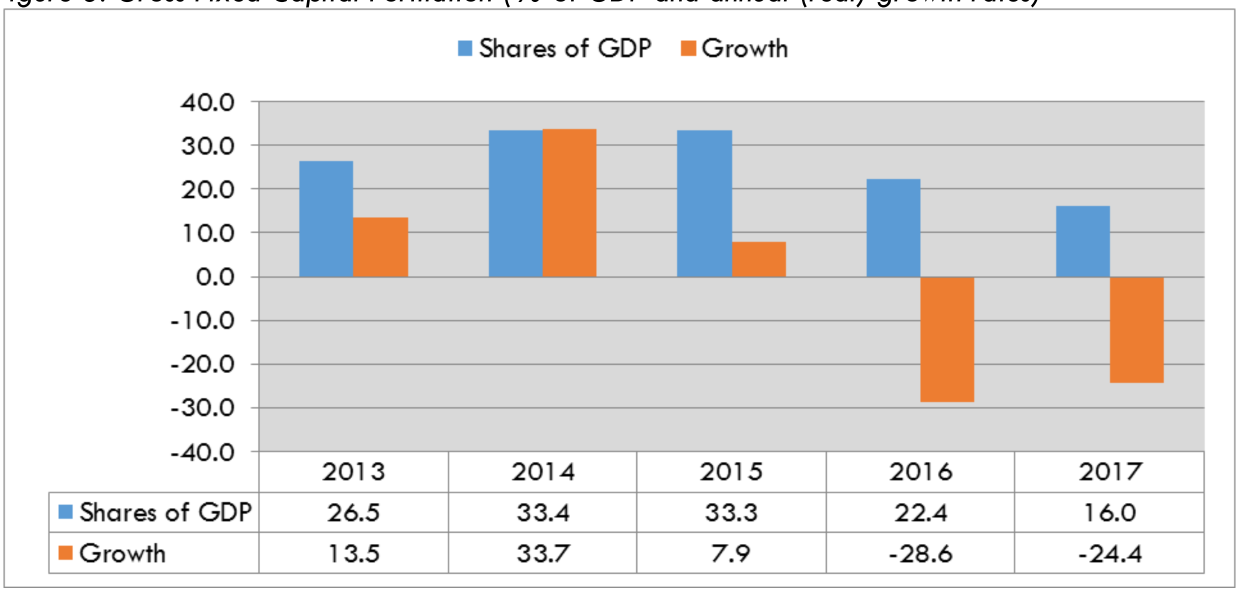
Source: Annual National Accounts 2017 (NSA)

3.3.2 Gross Fixed Capital Formation / Investment

Gross Fixed Capital Formation (GFCF) or Investment is used to measure real investment in the country. It is the increase in fixed capital such as land improvements, machinery purchases and construction of mines, factories and other buildings. Generally, the average ratio of investment to

GDP serves as a vital indicator for future development potential of any country. Over the period 2013 to 2017, the average ratio of investment to GDP stood at 26.3 per cent. In 2017, the ratio stood at 16 percent from 33.3 and 22.4 per cent in 2015 and 2016 (see figure 6 below). The decrease is reflected in total investment which dropped from N$ 37,199 million to N$ 28,296 million (current prices) in 2016 and 2017. Broadly, the declining investment-to-GDP ratio, suggest that Namibia, remains far from reaching the SADC convergence target of 30.0 per cent.

Figure 6: Gross Fixed Capital Formation (% of GDP and annual (real) growth rates)



Source: Annual National Accounts 2017 (NSA)

Gross Fixed Capital Formation grew by 13.5 and 33.7 per cent in 2013 and 2014 respectively. However, it declined by 28.6 and 24.4 per cent in 2016 and 2017 attributable to private investment which declined by 5 per cent and a slow growth of 1.9 per cent in public investment as a result of government cutting back on new projects in pursuit of fiscal consolidation measures. In 2017 about 30.5 per cent of total investment was on construction works and machinery, a decrease of 5 per cent from 35. 5 per cent of total investment in 2016 in terms of construction works (*table 6*). About 26.0 per cent of total investment was allocated to buildings while 10.8 per cent and 2.1per cent went to transport equipment and mineral exploration.

Table 6: Gross fixed capital formation by type of assets

	2013	2014	2015	2016		2017	
	Value	**Value**	**Value**	**Value**	**Contribution**	**value**	**Contribution**
Buildings	6,671	6,239	6,405	5,730	18.7	6,020	26.0
Construction works	7,741	13,610	17,324	10,866	35.5	7,070	30.5
Transport equipment	4,520	7,182	9,467	6,577	21.5	2,493	10.8
Machinery and other equipment	7,903	11,103	9,007	6,928	22.6	7,073	30.5
Mineral exploration	2,911	1,623	711	521	1.7	491	2.12

Source: Annual National Accounts 2017 (NSA)

Gross Savings

According to Prinsloo (2000) savings is that part of disposable income that is not immediately consumed in the process of purchasing a good or service by an economic agent. Savings is a vital economic growth variable of any economy as it enhances capital formation, increases public and private investments and speeding up the rate of economic growth. For a country to achieve price and financial stability, economic growth, reduced poverty, sustained development and macroeconomic balance a strong saving performance has to be attained. Increases in savings can boost capital formation and investment thereby raising the growth of the nation's economy. Thus, lower savings will have a negative impact on investment and economic growth in the economy.

During the period 2013 to 2017, gross savings as a per cent to GDP averaged 16.8 per cent *(table 7)* which is just about half of the SADC convergence target of 35.0 per cent to be achieved by 2018. This development does not bode well with the SADC target hence Namibia has to make concerted efforts in view of addressing this issue. Gross savings recorded for 2016 which stood at N$ 17,368 million was lower relative to other years. The lower savings has major impacts on investment and ultimately the performance of the economy at large given that investments are financed by savings generated in a country.

Table 7: Gross Savings

Item	**2013**	**2014**	**2015**	**2016**	**2017**	**Average**
Gross National Disposable income (N$ millions)	137, 174	157, 268	168,363	178,793	191,951	166,710
Final Consumption Expenditure (N$ Millions)	112,719	126,429	144,773	161,425	164,312	141,932
Gross Savings (N$ Millions)	24,455	30,839	23,590	17,368	27,639	24,778
As % of GDP	19.9	22.2	15.7	10.5	15.7	16.8
GDP (N$ Mill)	**122,792**	**138,763**	**150,083**	**165,934**	**176,445**	**150,803**

Source: Annual National Accounts 2017 and NPC own calculations

Foreign direct investment (FDI)

United Nations Conference on Trade and Development (UCTAD), define **Foreign direct investment (FDI)** as an investment reflecting a lasting interest and control by a foreign direct investor, resident in one economy, in an enterprise resident in another economy (foreign affiliate). Foreign direct investment recorded a general upward trend during the review period. This was due to strong economic performance and stable global economy. During the review period, the Namibian economy experienced a construction boom with the prospect of new mines opening, especially during the year 2015. To this end, the mining sector realised noteworthy investments in 2015 which include N$ 2.9 billion Dundee Precious Metals Tsumeb's sulphuric acid plant, Husab Mine and N$150 million Ohorongo Cement new plant expansion, among others. These developments drove the FDI upward. However, against the backdrop of consolidation efforts by the government to contain fiscal aggregates, as well as negative ratings from rating agencies during 2016 and 2017, the investment front of the economy was negatively impacted, but this is however expected to be short lived as improvements in fiscal aggregates are expected and thereby making the economy less risky.

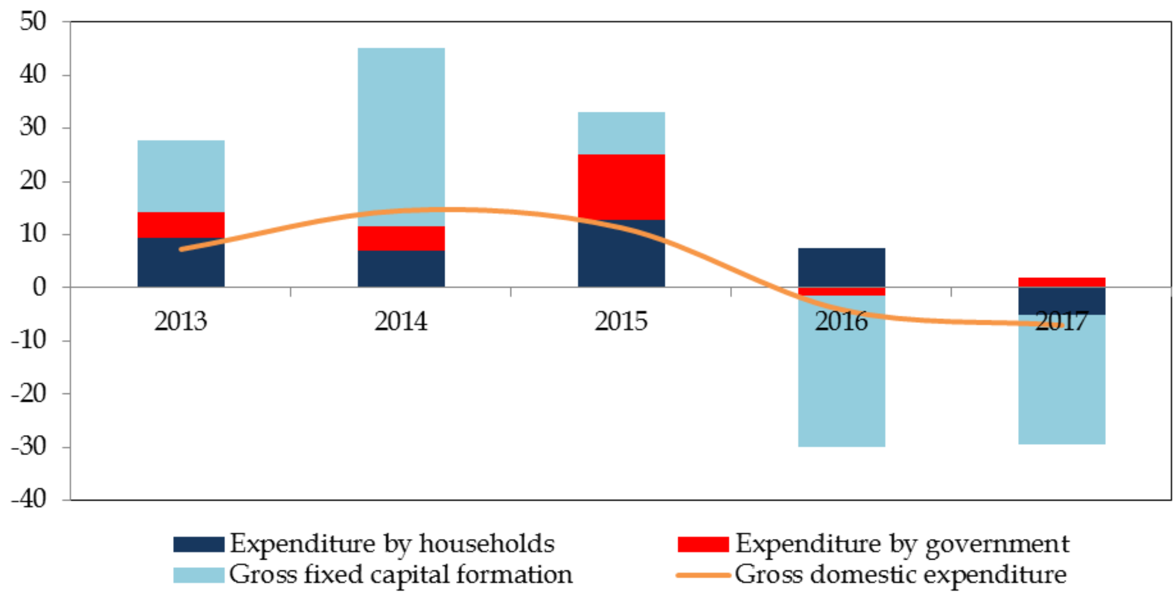
During 2017, the majority of FDI investment stemmed mainly from China and Mauritius in the mining and quarrying sector while FDI in the fishing & fish processing sector emanated from Spain. Direct investment should continue to improve during 2018 in line with the expected gradual recovery of commodity prices, which would boost mining companies' revenues and encourage new investments in the mining sector.

Real gross domestic expenditure

Growth in *real domestic expenditure* has been declining since 2015 although recorded an average annualised rate of 4.4 per cent over the last five years period (*figure 7*). This was slightly lower than the growth of 5.8 per cent attained in final consumption expenditure over the same period. Growth in both aggregates outpaced the average annualised rate of 3.6 per cent recorded in real gross domestic products since 2013.

Following an increase of 14.5 percent in 2014, growth in real gross domestic expenditure decelerated to 11.3 in 2015 per cent, before contracted to 4.1 and 7.0 per cent in 2016 & 2017 respectively. The contraction was primarily reflected by a contraction in real final consumption by government and real inventory investment measured by Gross Fixed Capital Formation (GFCF) in 2016. Whilst in 2017, the contraction was propelled by real final consumption by households and real inventory investment.

Figure 7: Contributions to growth in real gross domestic expenditure



Source: The National Account 2017, NSA

The share of *final consumption expenditure by households* in final consumption expenditure contracted from 75.8 per cent in 2016 to 74.5 per cent in 2017, growth contracted from 7.4 per cent to 5.0 per cent over the same period. In 2017, expenditure by households was constrained by range of factors including the relatively high household indebtedness coupled with government consolidation has kept the GDP growth on a lower gear since 2016. The household debt as a ratio of disposable income was around 83.3 per cent in 2017, (Namibia Financial Stability report, 2018). Heavy household debts involve less buying power and weak saving rate in the economy. The lower spending on semi-durable, non-durable goods and services reflected the increased financial stress experienced by households due to rising indebtedness in 2016 and 2017.

Investment is essential for shaping the current and future development of the country as it indicates an economy's future developmental potential. The *real inventory investment is measured by Gross Fixed Capital Formation*. The GFCF has shown weak and negative development during

2016 and 2017, contracted from 28.6 per cent in 2016 to 24.2 per cent in 2017 (figure 2 above). Public and Private investment flows into the economy showed negative growth.

Contraction in total investments was driven by a decline in all the economic sectors, with the exception of electricity and water & construction in 2016 & 2017 respectively. Reduction in the public spending where the government has budget cuts of N$ 4.5 billion in 2016/17, with N$ 2.7 billion cut from development budget negatively contributed to the decline in total investment in the economy. Moreover, during 2016/17, large capital projects reached their completion stage or slowed especially in the mining sector, this could (have) negatively impacted investment flows into the economy as well.

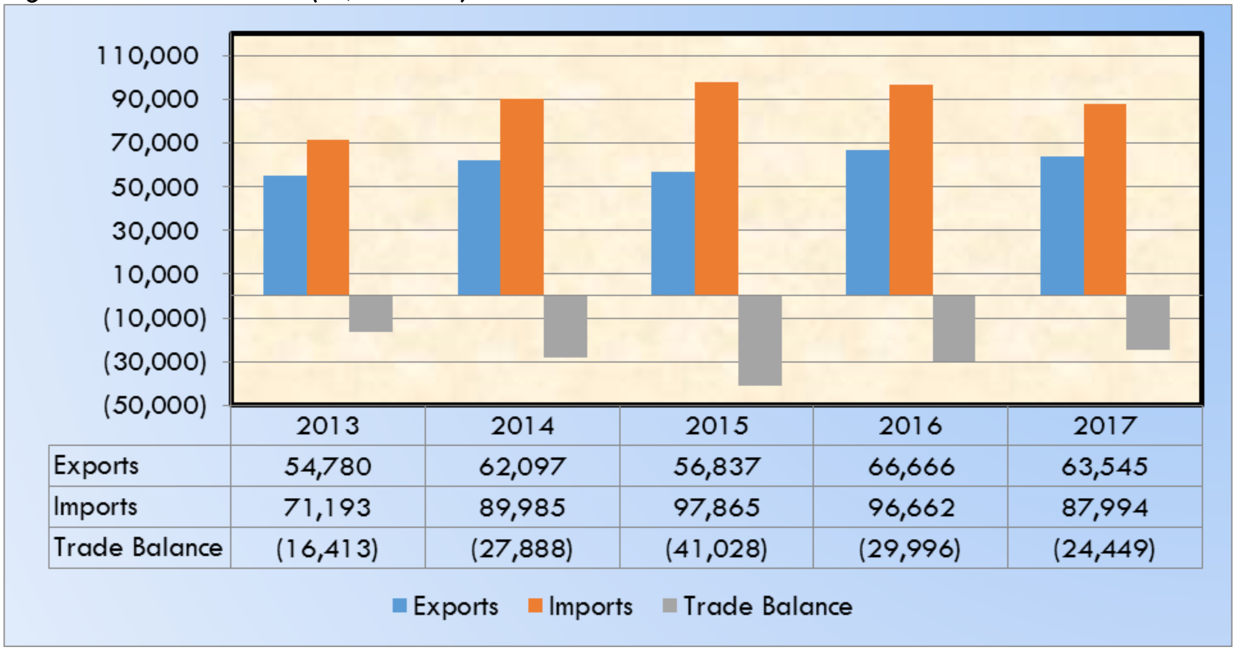
3.4 External Sector Developments

3.4.1 Trade Developments

In external sector developments, the trade balance is one of the key indicators of concern to any economy. The trade balance is simply the difference between exports and imports, in other words, exports minus imports, for which a resulting plus indicates a surplus while a negative shows a deficit.

Total exports from Namibia amount to N$63,545 million in 2017 from N$66,666 million in 2016, representing a decline of 4.7 per cent in total exports between the two years. Exports include diamond, gold and precious metals; and zinc among others. Imports on the other hand, recorded an amount of N$87,994 million in 2017 from N$96,662 million in 2016 representing a decline of 9.0 per cent. The top imported goods during 2017 were mainly live animals, fish & crustaceans and ores. Since the pre and post-independence periods, South Africa remains and continues being Namibia's major trading partner for both exports and imports. Exports to South Africa represent 24 per cent of total exports in 2017 followed by Botswana and Switzerland accounting for 13 and 10 per cent respectively. In terms of total imports, South Africa, Bulgaria and Botswana accounted for 56.0, 7.0 and 6.0 per cent respectively (NSA, 2017).

Figure 8: Trade Balance (N$ Millions)



	2013	2014	2015	2016	2017
Exports	54,780	62,097	56,837	66,666	63,545
Imports	71,193	89,985	97,865	96,662	87,994
Trade Balance	(16,413)	(27,888)	(41,028)	(29,996)	(24,449)

Data source: NSA Annual Trade Statistics Bulletin 2017

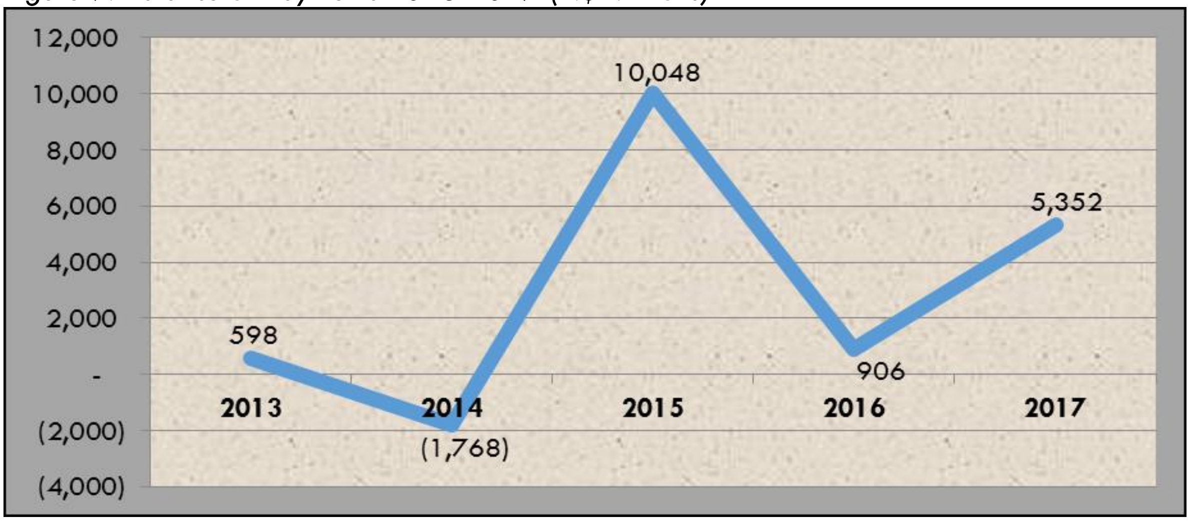
Exports to South Africa were mainly live animals, fish and crustaceans while those to Botswana were predominantly diamonds. Although South Africa remain the source of Namibia's goods and services in 2017, imported goods declined by 13.0 per cent. The major imported goods were mineral fuels, vehicles and machinery. The second source of Namibia's imported goods in 2017 was Bulgaria mostly copper ores which shows the largest growth as compared to 2016.

According to the NSA's Annual Trade Statistics Bulletin (2017), the trade balance remained unfavourable in 2017 recording a trade deficit of N$24,449 million in 2017. Although a deficit was recorded in 2017, however, it represents a decline of 18.5 per cent from the deficit of N$29,996 recorded in 2016. The main driver for the realized decline in the trade deficit is slower growth of imports as compared to exports which ideally and subsequently improves the trade balance. *Figure 8* above shows that a trade deficit was recorded for the entirety of the review period.

3.4.2 Balance of Payments

According to IMF (2009), the balance of payments (BOP) is a statistical statement that summarizes transactions (consisting of those involving goods, services, and income; those involving financial claims and liabilities to the rest of the world; and those i.e. as gifts which are classified as transfers) between residents and non-residents during a given period. It consists of the goods and services account (the primary income account), the capital account and the financial account (the secondary income account). Moreover, BOP applies the double-entry accounting system where each transaction is recorded as consisting of two entries: credit/asset (+) or debit/liability (–) whose sum is the same. Herein, a credit/asset transaction is one that yields receipts of payment from non-residents whereas the debit/liability implies to a payment to non-residents. For the review period, Namibia recorded BOP surplus averaging N$3 billion driven largely by significant surpluses of N$10 and N$5.4 billion in 2015 and 2017 respectively.

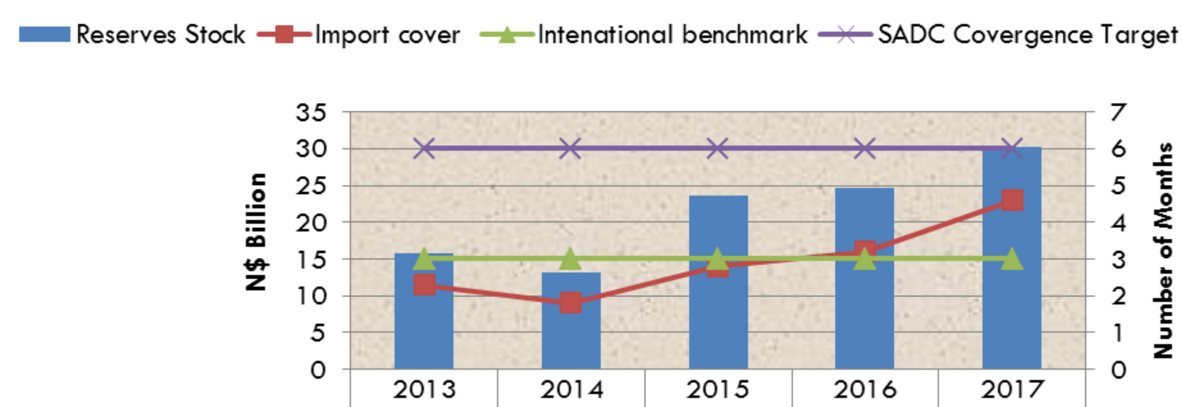
Figure 9: Balance of Payments 2013-2017 (N$ Millions)



Source: Bank of Namibia, BOP Aggregates

In view of foreign exchange reserves, although Namibia recorded international reserves below the international benchmark of 3 months from 2013 to 2015, it rebounded to reach upward trajectory, recording 3.2 and 4.6 months of import cover in 2016 and 2017, respectively, on the back of higher Southern Africa Customs Union (SACU) receipts, repayments of the debt by the Banco Nacional de Angola (BNA) as well as an inflow from the first tranche of the African Development Bank (AfDB) loan to the Namibian Government. At 4.6 months import cover, the country managed to surpass the international 3-month benchmark, albeit, still below the SADC convergence target of 6 months.

Figure 10: Official Foreign Exchange Reserve Stock (N$ Billion) and import cover (international benchmark and SADC Convergence target - months)



	2013	2014	2015	2016	2017
Reserves Stock	15.709	13.257	23.577	24.72	30.177
Import cover	2.3	1.8	2.8	3.2	4.6
Intenational benchmark	3	3	3	3	3
SADC Covergence Target	6	6	6	6	6

Source: BoN Various Annual Reports

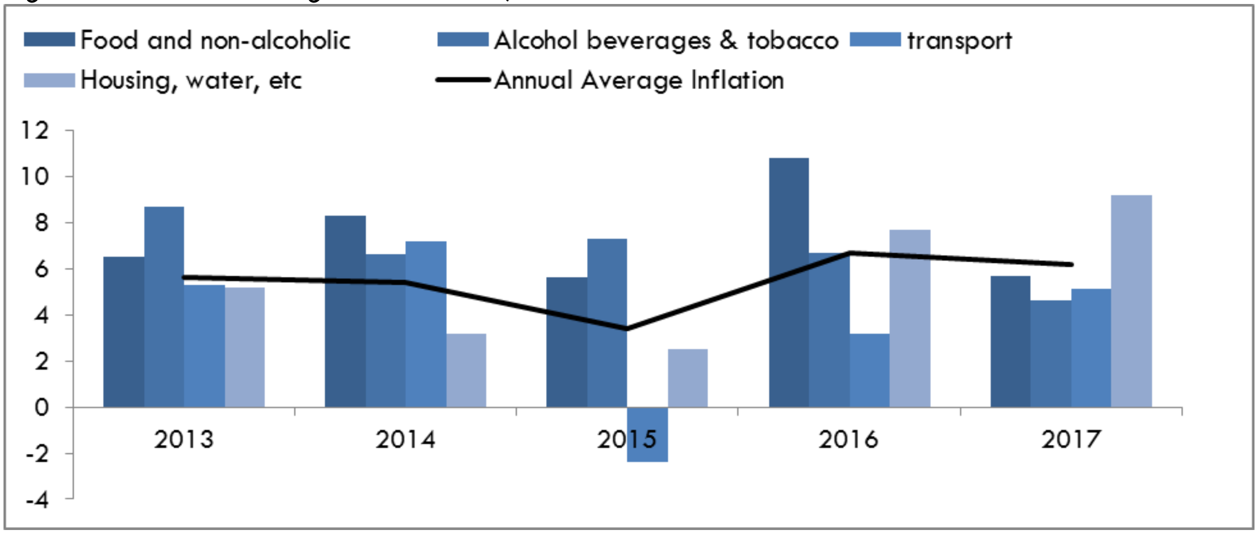
During the five-year review period, foreign reserves are estimated to have averaged 5.0 times higher than currency in circulation, thereby supporting the adequacy of reserves required to maintain the one-to-one currency peg with the South African Rand (ZAR).

3.5 Monetary developments

3.5.1 Price developments / Inflation

Inflation is the sustained increase in the general price level of an economy for a given period usually a year/quarter/month. The average annual inflation rate for 2017 is estimated at 6.2 per cent, and is about 0.5 percentage points lower than the 2016 inflation rate, which was estimated to be 6.7 per cent. This indicates a general price decrease in 2017 compared to 2016. The inflation rate so far for 2018, for the first seven months stands at 3.8 per cent.

Figure 11: Annual average inflation rate, selected baskets



Source: *NSA NCPI database, 2018*

Over the five years period, annual average inflation rate has been high during 2016 followed by 2017, and has been lowest during 2015, with an average of 3.4 per cent inflation rate, as shown in the figure above. From the figure above, the alcohol and tobacco basket recorded the lowest average rate of inflation of 4.6 per cent which is 2.1 percentage points lower than 6.7 per cent recorded during 2016. This decline is due to the decline in the price levels of alcoholic beverages sub-components. In addition, the food and non-alcoholic beverages recorded a slower rate of growth of inflation between 2016 and 2017, falling by about 5 percentage points to 5.7 per cent from 10.8 per cent. On the other side, the housing, water electricity and gas basket recorded highest inflation for 2017, at 9.2 per cent, up from 7.0 per cent for 2016. This basket, which carries close to 30 per cent weight to NCPI basket in Namibia, is therefore the main driver of the 2017 annual inflation rate, driven up by high inflation recorded for water supply and sewerage services as well as rental payments for dwellings. The slower growth in the average rate of inflation for 2017 is attributed to lower rates of inflation recorded in most inflation baskets which carry bigger weights[3].

Regionally, with reference to the average inflation rates for SADC economies recorded during the review period: Comoros, Mauritius, Seychelles and Zimbabwe are within the SADC convergence target of 3.0 per cent in 2018 followed by SACU countries Botswana, Lesotho, Namibia and South Africa whose averages are below 6.0 per cent appear to be on the verge of attaining the target. Overall, it is noteworthy that SADC Member States have managed to stabilise inflation for the five-year period. This development places SADC on the upward trajectory towards achieving macroeconomic convergence congruent to the set targets.

[3] NCPI Basket Weights: **Housing, Water, Electricity, Gas and Other Fuels- 28.36**; Food and Non-Alcoholic Beverages- 16.45; **Transport- 14.28**; Alcoholic Beverages and Tobacco- 12.59; **Furnishings, Household Equipment- 5.47**; Miscellaneous Goods and Services- 5.39; **Communication- 3.81**; Education- 3.65; **Recreation and Culture- 3.55**; Clothing and Footwear- 3.05; **Health- 2.01**; Hotels, Cafes and Restaurants- 1.39

Table 8: Annual Inflation rate for SADC economies

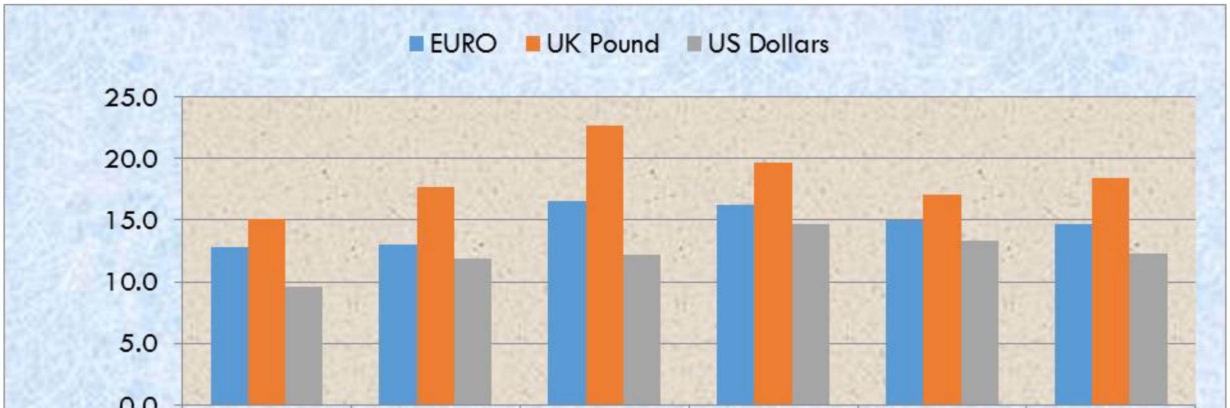
Country	2013	2014	2015	2016	2017	Average
Angola	8.8	7.3	10.3	32.4	31.7	18.1
Botswana	5.9	4.4	3.1	2.8	3.3	3.9
Comoros	1.6	1.3	2.0	1.8	1.0	1.5
Democratic Republic of the Congo	0.9	1.2	1.0	18.2	41.5	12.6
Lesotho	5.0	4.6	4.3	6.2	5.6	5.1
Madagascar	5.8	6.1	7.4	6.7	8.1	6.8
Malawi	28.3	23.8	21.9	21.7	11.5	21.4
Mauritius	3.5	3.2	1.3	1.0	3.7	2.5
Mozambique	4.2	2.3	2.4	19.2	15.3	8.7
Namibia*	**5.6**	**5.4**	**3.4**	**6.7**	**6.1**	**5.4**
Seychelles	4.3	1.4	4.0	-1.0	2.9	2.3
South Africa	5.8	6.1	4.6	6.3	5.3	5.6
Eswatini (Kingdom of)	5.6	5.7	5.0	8.0	6.3	6.1
United Republic of Tanzania (United Republic of)	7.9	6.1	5.6	5.2	5.3	6.0
Zambia	7.0	7.8	10.1	17.9	6.6	9.9
Zimbabwe	1.6	-0.2	-2.4	-1.6	1.3	-0.3

Data Source: IMF, World Economic Outlook Database, April 2018
** 2013-2017 (NSA) Annual National Accounts 2017*

3.5.2 Exchange Rate Developments

The exchange rate is simply the price of one currency (N$) expressed in terms of another [e.g. US$, Euro (€), UK Pound (£) to Namibian dollar equivalent]. Generally, during the review period, the N$/ZAR depreciated against major currencies i.e. Euro (€), UK Pound (£) and the United States Dollar (US$). This depreciation was beneficial to Namibian exports (i.e. mineral products, beverages, meat and fish products etc.) and conversely costly for imports which the country does not produce (i.e. machinery and other high-tech goods, mobile phones, computers, etc.).

Figure 12: Exchange Rates



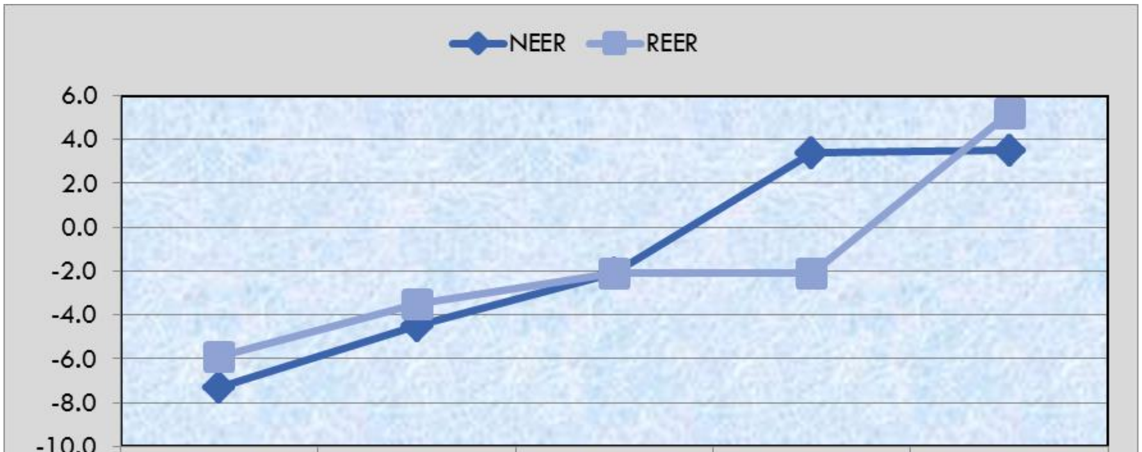
	2013	2014	2015	2016	2017	Average
EURO	12.8	13.0	16.5	16.2	15.0	14.7
UK Pound	15.1	17.7	22.6	19.7	17.1	18.5
US Dollars	9.7	11.9	12.2	14.7	13.3	12.3

Source: Annual National Accounts 2017 and NPC own calculations

Notwithstanding the above discussion, it is worthwhile to look at another perspective, which is, comparing the indices of Nominal Effective Exchange Rate (NEER) with the Real Effective Exchange Rate (REER). REER is defined as the measure of nominal exchange rates adjusted for price differentials between the home country and its trading partners, and will be examined over a period of time. This is also referred to, in the literature, as the multilateral real exchange rate. This is different from the bilateral real exchange rate between a home country and a specific trading partner (Opoku-Afari, 2004).

The REER is important for among others, quantifying the percentage change of appreciation/depreciation for a given period. An appreciated (depreciated) REER specifically leads to the weakening (strengthening) of the country's competitiveness. An appreciated (depreciated) REER is given by a positive (negative) percentage change figure. Statistics for the review period indicates that Namibia's external competitiveness strengthened for all but one year during the review period (*figure 13*) as a result of a depreciated REER, among others.

Figure 13: NEER vs REER (% change)



	2013	2014	2015	2016	2017
NEER	-7.3	-4.5	-2.1	3.4	3.5
REER	-5.9	-3.5	-2.1	-2.1	5.2

Source: BoN (2018)

3.6 Fiscal Sector Developments

For the review period, revenue as percentage to GDP, somewhat remained flat averaging 33.4 per cent. In view of this development, government introduced measures such as tax administration reforms, increase in excise levies and duties, among others, to boost revenue further. Given the current economic climate, there is a growing need to explore new opportunities in view of widening the revenue streams to enable the country to meet its debt and expenditure obligations.

Expenditure-to-GDP ratio seems to have stabilized at around 40.0 per cent credited to ongoing fiscal consolidation. Going forward and with continued fiscal consolidation by government, the ratio is projected to remain within the 40.0 per cent threshold trajectory in the medium term which bodes well with the nationally established threshold thereby implying movement towards what is sustainable trajectory.

Table 9: Fiscal developments (N$ Millions) 2013/14 – 2017/18

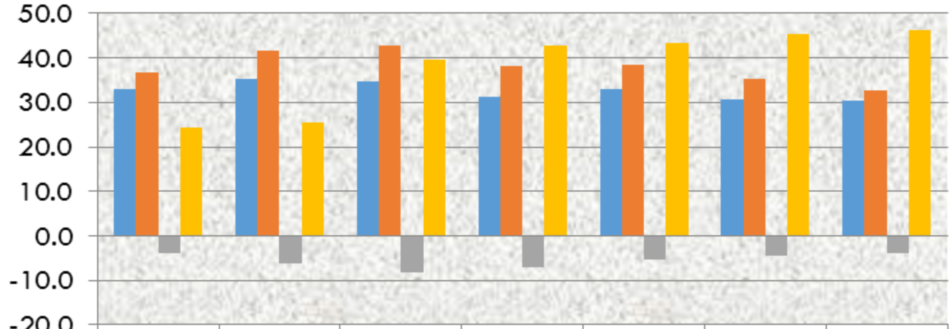
Component	2013/14	2014/15	2015/16	2016/17	2017/18	Average
GDP	**127,621**	**141,280**	**150,984**	**162,996**	**171,852**	**150,947**
Total Revenue & Grants	**41,910**	**49,931**	**52,215**	**50,865**	**56,811**	**50,346**
As % of GDP	32.8%	35.3%	34.6%	31.2%	33.1%	33.4%
Total Expenditure	**46,734**	**58,705**	**64,638**	**62,267**	**66,053**	**59,679**
As % of GDP	36.6%	41.6%	42.8%	38.2%	38.4%	39.5%
Budget Balance	**(4,824)**	**(8,774)**	**(12,423)**	**(11,402)**	**(9,242)**	**(9,333)**
As % of GDP	-3.8%	-6.2%	-8.2%	-7.0%	-5.4%	-6.1%
Domestic Debt	19,679	23,897	32,183	41,648	48,609	33,203
As % of GDP	15.4%	16.9%	21.3%	25.6%	28.3%	21.5%
Foreign Debt	11,173	12,053	12,404	28,249	25,859	17,948
As % of GDP	8.8%	8.5%	8.2%	17.3%	15.0%	0
Total Debt	**30,852**	**35,950**	**44,587**	**69,897**	**74,468**	**51,151**
As % of GDP	24.2%	25.4%	29.5%	42.9%	43.3%	33.1%
Year-on-year growth rates						
Revenue Growth	10.30%	19.10%	4.60%	-2.6%	11.7%	8.6%
Expenditure Growth	22.6%	25.6%	10.1%	-3.7%	6.1%	12.1%
Growth in debt	12.2%	16.5%	24.0%	56.8%	6.5%	23.2%

Source: MoF

Budget balance, which is simply the difference between revenue and expenditure, remained in deficit for the entirety of the review period. To this end, budget balance-to-GDP ratio averaged above the 5.0 and 3.0 per cent national cap and SADC's convergence target for 2018, respectively. However, going forward, it is projected to be contained below the national threshold owing continued fiscal consolidation, among others. Similarly, total debt-to-GDP ratio, has worryingly exceeded the national threshold of 35.0 per cent and is projected to remain within the "above 40.0 per cent" trajectory in the medium term thereby exceeding the "below 40.0 per cent" average for SSA. Moreover, this suggests the likely non-achievement of end-of-period (2020) HPP target of 30.0 per cent ratio. However, it remains within the SADC convergence target of less than 60.0 per cent for 2018 as well as the average world gross debt of above 80.0 per cent.

The noticeable sharp spike in debt-to-GDP ratios for 2016/17 and 2017/18 financial years is attributable to, among others, the issuance of extra treasury bills to cover for N$3 billion outstanding invoices as well as loan denominated in foreign currency (US$) from the African Development Bank (AfDB) extended to the Namibian Government for other financing needs.

Figure 14: Fiscal indicators (as % of GDP)



	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue (% of GDP)	33.0	35.4	34.6	31.2	33.1	30.7	30.5
Expenditure (% of GDP)	36.8	41.6	42.8	38.2	38.4	35.2	32.7
Budget Balance (% of GDP)	-3.8	-6.2	-8.2	-7.0	-5.4	-4.5	-3.9
Debt Stock (% of GDP)	24.3	25.5	39.6	42.9	43.3	45.3	46.2

Revenue (% of GDP) Expenditure (% of GDP)
Budget Balance (% of GDP) Debt Stock (% of GDP)

Source: MoF Fiscal Strategy for the MTEF 2018/19 – 2020/21

3.6.1 Fiscal Performance for SACU Countries

Namibia's fiscal performance is compared with peers in SACU during the review period to gauge on how it has fared with neighbouring countries. To this end, data suggest that Namibia recorded the third highest revenue as per cent of GDP, on average, after Lesotho and Botswana, respectively. Expenditure-to-GDP averages show that Lesotho and Namibia, respectively, have the highest. Debt-to-GDP ratio, on the other hand, reveals that South Africa and Lesotho, respectively, had the highest. Following closely is Namibia, whose average is 35.1 per cent which coincides with the national debt threshold deemed sustainable. However, the high debt-to-GDP ratios by South Africa and Lesotho are very much within SADC convergence targets.

The end-of-period developments (2017) suggest that Lesotho and Namibia, respectively, had the highest revenue and expenditure as per cent of GDP. Debt-to-GDP ratios, on the other hand, indicate that South Africa and Namibia, respectively, had the highest, recorded at above 43.0 per cent. Botswana's ratio, which is the lowest, was only 14.0 per cent.

Table 10: Fiscal Performance for SACU Countries (2013 – 2017)

Country	2013	2014	2015	2016	2017	Average
Revenue (% of GDP)						
Botswana	37.6	38.3	31.2	33.2	31.7	34.4
Eswatini	28.8	30.4	27.7	25.6	28.2	28.1
Lesotho	52.3	49.8	47.2	40.9	43.0	46.7
Namibia	**33.0**	**35.4**	**34.6**	**31.2**	**33.1**	**33.5**
South Africa	27.3	27.6	28.1	28.6	28.3	28.0
Expenditure (% of GDP)						
Botswana	32.0	34.7	35.8	32.5	31.5	33.3
Eswatini	28.0	31.6	33.0	36.0	37.0	33.1
Lesotho	54.0	46.7	48.2	47.3	45.4	48.3
Namibia	**36.8**	**41.6**	**42.8**	**38.2**	**38.4**	**39.6**
South Africa	31.6	31.9	32.9	32.7	32.9	32.4
Debt (% of GDP)						
Botswana	17.4	17.3	17.2	15.6	14.0	16.3
Eswatini	14.8	14.0	18.8	25.5	28.4	20.3
Lesotho	38.5	38.3	42.2	36.2	33.7	37.8
Namibia	**24.3**	**25.5**	**39.6**	**42.9**	**43.3**	**35.1**
South Africa	44.1	47.0	49.3	51.6	53.0	49.0

Source: International Monetary Fund, World Economic Outlook Database, October 2018
Namibia: *MoF Fiscal Strategy for the MTEF 2018/19 – 2020/21*

Recent developments in fiscal aggregates especially for 2017/18 financial year suggest that expenditure and debt are both growing much slower than growth in revenue, a trend expected to continue in the medium term. This noted deceleration is attributable to fiscal consolidation, with a view to maintain these aggregates within nationally acceptable thresholds deemed sustainable for the Namibian economy. Overall, fiscal sector developments, especially the declining expenditure and debt growth rates suggest that Namibia is somewhat breaking the vicious growth cycles.

3.7 Infrastructure development

Namibia's Vision Statement and National Development Plans formulated since independence sought to present a step in the process of charting a new path for infrastructure development in the country. NDP5 further introduces Expansion and Modernisation of Physical Infrastructure as one of the enablers of economic growth and is the bedrock for better living conditions. Among the infrastructure development identified in NDP5 are Energy, Water, Transport and logistics, Information Communication and Technology (ICT) and Research and Innovation.

3.7.1 Energy

Under the NDP5, the desired outcome is by 2022, Namibia has a sustainable mix of locally generated energy capacity of 755 MW to support household. Moreover, in terms of national electrification rate, the Focus Area achieved an outturn of 45.0 per cent population with access to electricity significantly exceeded the 40.0 per cent target for 2017/18. Local energy generated increased from a baseline of 484 to 517MW in 2017 against the NDP5 target of 629MW. The additional capacity is attributable to Independent Power Producers (IPPs) who jointly generated an estimated 33MW through the Renewable Energy Feed-In Tariffs (REFiT) programme. This development indicates a decrease of electricity imports from neighbouring countries within the Southern African Power Pool ('SAPP') market. The decrease in imports is a welcome development to the economy in view of, among others, boosting the trade balance and stock of international reserves which is ideal for Namibia given the need to maintain and sustain the one-to-one currency peg with the South African Rand (ZAR).

3.7.2 Water

NDP5 identify the desired outcome that by 2022, Namibia has a sustainable production and consumption of water resources resulting in improved access to safe drinking water for human consumption and for industry use. In light of this, each rural constituency will have water access above 50.0 per cent.

The country is faced with the water supply challenge to urban areas in respect of the pressure of rural – urban migration which has led to increased population in those urban areas. Over the period under review, the percentage of the population residing in urban areas with access to safe drinking water increased from a baseline of 98.3 per cent to 99.7 per cent thereby exceeding the 2017/18 target of 98.3 per cent for NDP5. In terms of providing water to rural areas, the 85.0 per cent target was also achieved against a baseline of 84.0 per cent. However, provision of safe drinking water to rural areas is still a concern as around 15.0 per cent of rural households utilize unsafe water from local water supplies, such as streams, rivers and wells that are not safe for human consumption.

According to (NSA, 2011), between 2001 and 2011, the urban population grew by 49.7 per cent as compared to the decrease of 1.4 per cent in rural population. This is a key factor in the growth of urban informal settlements, which according to the 2011 Housing and Population Census consists of 541,119 inhabitants representing 59.5 per cent of the urban population. For the review period, on average, urban population is estimated to have grown by 4.2 per cent annually whereas rural population declined by 0.1 per cent thereby clearly indicating that urban population continues to be higher than that of rural. This phenomenon further exacerbates the provision of safe drinking water in urban areas. Thus, the supply of water in rural areas is crucial as it serves as the engine behind the agricultural sector where about 70 per cent of the population makes a living. There is therefore a need to eliminate conditions which will lead to major improvements in health, even helping combat the prominence of diseases such as diarrhoea, malaria and cholera. In addition, it is recommended to address the shortfall of water supply by increasing the abstracting of water from the Kunene River from the current 2 cubic meters to the 6 cubic meters stipulated in the existing agreement between Namibia and Angola.

3.7.3 Transport and Logistics

NDP5 identify the desired outcome that by 2022, Namibia has a sustainable transport system supporting a world-class logistics hub connecting the Southern African Development Community (SADC) to international markets. Over 2017/18 financial year, 172 km of roads was upgraded to bitumen standard against the target of 200 km, while 173 km of roads were constructed to gravel standards against the target of 100 km.

In relation to resealing, 600 km were resealed against the target of 592 km, which constitutes 101.4 per cent of the target, thereby resulting in outstanding performance. However, the number of km rehabilitated remains at 5 km against the yearly target of 240 km. The number of km of roads re-gravelled for the same financial year was 273 against the target of 960 km. Similarly, significant improvement was achieved in terms of railway network complying with SADC axle load recommendation of 18.5 as 54.0 per cent was achieved exceeding the annual target of 52.0 per cent.

The status quo of 68.0 per cent compliance to International Civil Aviation Organization (ICAO) standards still remains while compliance with the International Maritime Organization (IMO) standards stood at 30.0 per cent as opposed to the target of 45.0 per cent. The expansion of the port of Walvis Bay project stood at 80.0 per cent completion in 2017 and the number of TEUs handled at the port per annum remained unchanged at 350 000. The Walvis Bay project experienced delays emanating from unforeseen geotechnical challenges.

As for the availability of locomotives, has exceptionally improved to 85.0 per cent exceeding the target of 60.0 per cent. The improvement in locomotive availability is likely to result in decreased burden on the national roads and will contribute to curbing of road accidents. In the same vein, the target on increasing the market share of rail was also exceeded as 35.0 per cent was obtained as opposed to the target of 25.0 per cent. In conclusion, the roads and rail recorded a good progress while aviation and partly maritime experienced some challenges which hampered implementation process.

3.7.4 Information and Communication Technology (ICT)

NDP5 identify the desired outcome that by 2022, Namibia has universal access to information, affordable communication and technology infrastructure and services. According to (WEF, 2016), Namibia's Network Readiness Index score remain at the same level of the target. The sub-indices that contributed to the improvement of the score from the baseline are: percentage population of internet users that recorded an improvement of 31.0; the Fixed-broadband internet subscriptions that recorded an improvement of 2.2/100 000 population, Internet bandwidth that recorded an improvement of 15kb /user and percentage of mobile-broadband subscriptions that noted an improvement of 66.1/100 000 population.

The percentage of the population covered by broadband significantly increased to 72.2 per cent from a baseline of 21 per cent thereby surpassing the 2017/18 target of 50 per cent. The vast progress is attributed to Mobile Telecommunications Limited (MTC) that upgraded the broadband capacity for subscribers from 3G to 4G.

In addition, the Namibian Broadcasting Corporation (NBC) is among the top four broadcasters in Southern Africa that had Analogue Switch Off and migrated to Digital Terrestrial Television that stands at 75 per cent above the SADC target of 67 per cent. In terms of the intentions of improving's access to online news, 35 per cent was achieved as opposed to the target of 50 per cent. The number of postal infrastructure outlets and news population coverage still remained at 141 and 50 per cent, respectively as opposed to the annual targets of 144 and 70 per cent, respectively.

In conclusion, Namibia's mobile broadband subscribers and population of internet users recorded an improvement compared to the previous year. This means that more people are using internet via their mobile phones. Research by ICT Africa rated Namibia as the second cheapest country within the SADC region offering low cost prepaid mobile broadband data. In the same vein, the cooperation with Botswana, Zambia and Zimbabwe resulted in the reduction in roaming tariffs by 29 per cent for voice and SMS, and by 87 per cent for data as part of the SADC home and away roaming project.

Principally, developments in the Namibian economy in view of deceleration of economic performance, narrowing trade deficit, favourable balance of payments position, international reserves (import cover) and inflation below SADC threshold, stubborn expenditure and budget balance (deficit) to GDP ratios and backlog in infrastructure development, among others, suggest that there is a need for ***"Re-engineering economic growth for greater prosperity."***

CHAPTER 4: ECONOMIC OUTLOOK: ACHIEVING MORE WITH LESS

4.1 Economic Prospects During The Period 2018 – 2022

This section presents the key prospect developments from the demand and supply sides of the economy, and further more shows the industrial/sectoral prospects and developments of the Namibian economy during the period 2018-2022. Herein, projections of likely economic growth path as well as key underlying assumptions are mapped out from information gathered at the recently concluded industrial survey.

4.1.1 Sectoral Prospects

According to the middle case scenario, the following prospects are likely to ensue in all three industries of the Namibian economy in the medium term. The **primary industry** is estimated to slow down from 10.6 per cent growth recorded in 2017 to 5.7 per cent in 2018, due to expected slow growth in agriculture and mining, while fisheries contracts. The estimated slow growth in agriculture sector is attributable to unpredictable rainfall patterns impacting both rain-fed irrigation (crops) as well as the re-stocking of livestock owing to the high number of live weaners that were exported in 2017. The fishing sector, on the other hand, will continue to contract during 2018-2020, against the backdrop of lower Total Allowable Catches (TACs) resulting from reduced fish stock as well as the sector experiencing high input costs especially for oil. The mining sector, especially diamond and uranium sub-sectors, are estimated to improve their production capacity to record a slight high growth.

The **secondary industry** is estimated to bottom-up from a decline of 6.7 per cent in 2017 to a contraction of 4.6 per cent in 2018. The estimated marginal improvement in growth is to be driven by minimal growth in the manufacturing sector while most sub-sectors seem to perform poorly. The water and electricity sector is expected to lower impacts due to good rainfall in 2017, therefore, envisaged to level out due to imports of electricity. The construction sector is expected to recover by 16.8 per cent points in 2018 from a contraction 25.6 per cent in 2017; this is due to among others, the Government's N$4 billion reserved for capital projects such as roads, buildings and housing. The estimated recovery of the construction sector will continue to boost the secondary industry which is currently on a slow growth.

Table 11: Supply side middle scenario real GDP growth projections during 2018-2022

Industry	**Actual**		**Projections**				
	2016	2017	2018	2019	2020	2021	2022
Primary industries	-1.5	10.6	5.7	4.7	2.1	2.8	2.6
Secondary industries	-6.4	-6.7	-4.6	-1.7	1.8	1.3	3.3
Tertiary industries	3.4	-1.4	-1.4	0.4	2.0	2.2	2.9
GDP at market prices	**0.6**	**-0.9**	**-0.8**	**0.8**	**1.9**	**2.1**	**2.9**

Data source: MEWG projections

The tertiary industry is estimated to contract by 1.4 per cent in 2018, the same level as 2017, but expected to improve from 2019 going forward to be driven by improved performance in sectors such as transport and communication, financial intermediation and real estate and business services. Wholesale and retail sector is estimated to still decline from 7.5 per cent in 2017 to 4.9 and 2.6 per cent in 2018 and 2019 respectively. However, from 2020 onward, the wholesale and retail sector is projected to grow positively. Sectors such as education, health and public administration and defense are projected to decline against the backdrop of the current ongoing Government fiscal consolidation.

4.1.2 Domestic Demand Prospects

During 2018, the Gross Domestic Expenditure is estimated to contract, mainly to be driven by the major declines in final consumption (1.7 per cent), and investment (4.5 per cent) respectively *(table 12)*. General government consumption is estimated to contract by 5.4 per cent owing to the current fiscal consolidation being implemented by the government, as well as the slow and non-implementation of capital projects. As the SACU receipts accounts for about one third of the revenue, its decline will therefore also see reduced government consumption.

Table 12: Demand side middle scenario – real GDP growth rate projections during 2018-2022

	Actual	**Projections**				
	2017	**2018**	**2019**	**2020**	**2021**	**2022**
Final consumption expenditure	**-3.3**	**-1.7**	**2.2**	**2.5**	**3.4**	**5.5**
Private	-5.0	-0.4	1.9	2.7	4.0	6.7
General government	1.9	-5.4	2.9	1.9	1.9	1.9
Gross fixed capital formation	-24.4	-4.5	-4.8	3.7	2.4	2.8
Gross Domestic Expenditure	**-8.2**	**-1.2**	**0.9**	**2.5**	**3.8**	**4.9**
Exports of goods and services	-12.1	2.3	0.3	2.0	5.6	4.3
Imports of goods and services	-18.0	-1.8	1.1	3.4	6.5	8.1
GDP at market prices	**-0.9**	**-0.8**	**0.8**	**1.9**	**2.1**	**2.9**

Data source: MEWG projections

Private consumption is expected to improve, albeit marginally, from a larger contraction of 5.0 per cent in 2017 to a decline of 0.4 per cent in 2018. This improvement is due to the amnesty programme that was implemented by the government to allowed bulk of the business entities' tax arrears scraped off. In light of this exercise, export and import are expected to improve in 2018 and going forward. The increase in diamond and uranium production is expected to increase export. However, the fishing sector is estimated to record a decline in exports due to lesser fish stock as well as the high input costs. Table 13 shows the projected demand side projections as percentage of GDP resulting from real GDP growth rates.

Table 13: Demand side middle scenario (% of GDP in real terms) projections during 2018-2022

	Actual	**Projections**				
	2017	**2018**	**2019**	**2020**	**2021**	**2022**
Final consumption expenditure	**104.0**	**103.1**	**104.5**	**105.1**	**106.5**	**109.2**
Private	77.5	77.8	78.7	79.3	80.7	83.9
General government	26.5	25.3	25.9	25.8	25.8	25.4
Gross fixed capital formation	21.4	20.6	19.4	19.8	19.8	19.6
Gross domestic expenditure	**126.2**	**124.5**	**124.8**	**125.7**	**127.0**	**129.6**
Exports of goods and services	34.3	35.4	35.3	35.3	36.5	36.7
Imports of goods and services	60.5	59.9	60.1	61.0	63.6	66.3
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Data source: MEWG projections

4.2 Alternative Economic Prospects During The Period 2018-2022

In addition to the middle scenario presented in the earlier section, as is the norm in macroeconomic projections, it is worthwhile to include two additional scenarios of economic growth, that is, the pessimistic and optimistic scenarios to provide a better synopsis of what is likely to happen under each assumed scenario. In view of this, the pessimistic scenario is when the anticipated change in the economic activities worsens and the economic contraction deepens. For instance, international commodity prices as an external shock on uranium continues, the economic growth will be negatively affected; the same goes for envisaged good rainfall season to increase agriculture production, and contrary severe drought is experienced, then the agricultural sector will drastically suffer as output is reduced which would cause a reduction in economic growth.

The optimistic scenario (the opposite of pessimistic), on the divergent, is when economic growth is higher than what its' projected for the normal/middle scenario due to an uptick in economic activities such as; an increase in international commodity prices (diamond, uranium, gold, copper and zinc etc.); if the envisaged rainfall season is better than expected, output from the agriculture sector would be higher and therefore increase contribute to overall growth. This scenario is likely to transpire when the downside risks do not materialize. Detailed scenarios of these projections are presented in annexures (annex 1).

Table 14: Different scenarios of real GDP growth during 2018-2022

	2017	2018	2019	2020	2021	2022
GDP - Optimistic scenario	-0.9	1.0	2.0	2.2	2.6	3.4
GDP - Middle scenario	-0.9	-0.8	0.8	2.0	2.2	2.9
GDP - Pessimistic scenario	-0.9	-1.9	-0.4	1.4	1.9	2.6

Data source: MEWG projections

Downside Risks

- Trade wars (mostly between China and the US)
- Sanctions on Iran (likely to affect oil prices)
- Depreciation of the Rand (increased cost of inputs dominated in US$)
- Geopolitical tensions in the Middle-East
- Commodity prices (directly through our own commodities and indirectly through our neighbours i.e. Angolan economy)
- Climate change calamities
- Tightening financial conditions in Emerging Market and Developing Economies
- High sovereign debt built up
- Uncertainty over land in majority of Sub-Saharan countries

Overall, the current fiscal consolidation has started to yield results as expected especially in view of efficiency in spending as well as guiding expenditure-to-GDP ratio within national threshold. However, given the volatility in SACU receipts from which Namibia derives a third of its total revenue, is remaining flat in the medium term. The projected growth for the period 2018 to 2022 together with the noted developments herein suggest ***"Achieving more with less"*** which is this chapter's theme.

CHAPTER 5: ACCELERATING HUMAN CAPITAL DEVELOPMENT

5.1 Population dynamics

According to NSA's Namibia 2011 Census Population Projections 2011 to 2041 (medium variant), Namibia's population is estimated to have been growing annually by 1.9 per cent, on average. It is estimated to have grown from 2.2 to 2.4 million between 2013 and 2017 and going forward, is projected to reach 2.5 and 3.0 million in 2019 and 2031 respectively with annual average population growth rate slowing down to 1.5 per cent. The estimated growth rates of male and female population appear to be the same though females are generally more than males. The urban population's estimated growth averages at least 4.0 per cent, whereas, rural's remains negligible thereby indicating the evident urbanisation experienced in Namibia.

Table 15: Namibia's projected population (total, by sex and urban/rural) and growth rates

	2013	2014	2015	2016	2017	2018	2019
Total Population	2,196,086	2,237,894	2,280,716	2,324,388	2,368,747	2,413,643	2,458,936
Growth rate (%)	1.89	1.90	1.91	1.91	1.91	1.90	1.88
Male							
Population	1,066,541	1,087,178	1,108,276	1,129,754	1,151,533	1,173,540	1,195,708
Growth rate	1.92	1.93	1.94	1.94	1.93	1.91	1.89
Female							
Population	1,129,545	1,150,716	1,172,440	1,194,634	1,217,214	1,240,103	1,263,228
Growth rate (%)	1.85	1.87	1.89	1.89	1.89	1.88	1.86
Urban							
Population	982,519	1,025,147	1,068,625	1,112,868	1,157,806	1,203,340	1,249,372
Growth rate (%)	4.43	4.34	4.24	4.14	4.04	3.93	3.83
Rural							
Population	1,213,567	1,212,747	1,212,091	1,211,520	1,210,941	1,210,303	1,209,564
Growth rate (%)	-0.09	-0.07	-0.05	-0.05	-0.05	-0.05	-0.06

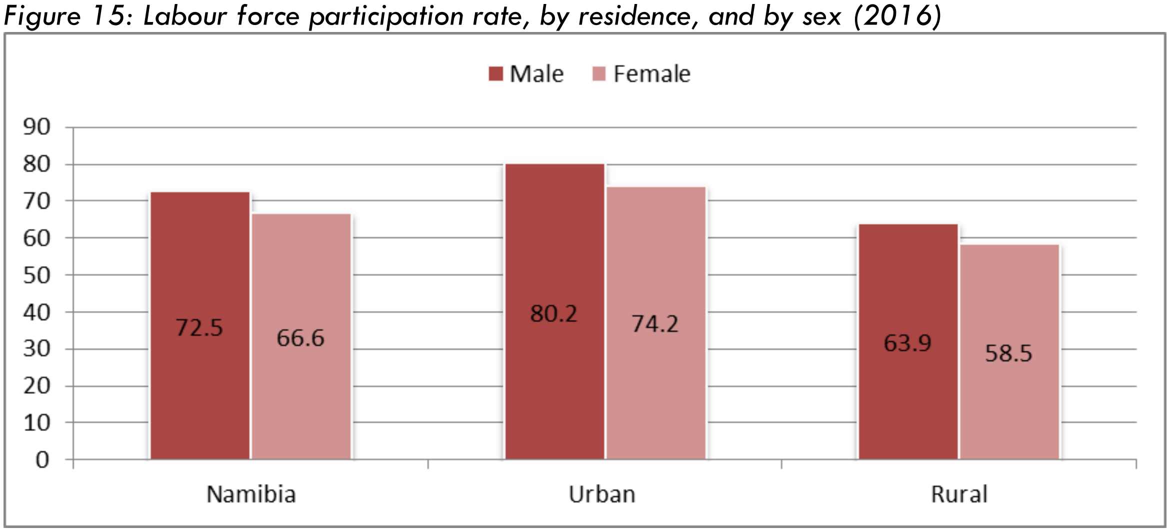
Source: Namibia Statistics Agency (2014)

5.2 Characteristics of the labour force

Over 60 per cent of the Namibian population is in the working age of 15 years and over. Within this working-age population of 1,478,193 people, 30.6 per cent is inactive while the remaining 69.4 per cent is currently actively engaged in the labour market. The labour force participation rate is the proportion of the economically active population in a given population group, i.e. the number of persons in the labour force given as a percentage of the working age population in that population group (NSA, 2017). The labour force participation rate is a key indicator in the analysis of the human resources available for the production of goods and services, for the projections of labour supply and for understanding the labour market behaviour of different categories of the population.

The overall labour force participation rate of 69.4 per cent conceals large differences by sex and age. It is widely observed that, generally labour force participation is lower for females than for males, there is gap in participation between Male (72.5 per cent) and Females (66.6 per cent), more so to those women living in rural areas compared to their counter parts that lives in urban areas. This is typical influenced by some cultural practices, were men are considered as breadwinners, and women to take care of the house. This trend is clearly illustrated on figure 15.

Figure 15: Labour force participation rate, by residence, and by sex (2016)



Source: NLFS (2016)

5.2.1 Unemployment rate

Currently the country is experiencing economic hardships, and this led to a drop in the employment figures of 2016 as compared to that of 2014, consequently leading to an increase in unemployment rate from 27.9 to 34.0 per cent. The disparity in terms of unemployment (those seeking and available) is also skewed towards women, since they have a higher level of unemployment (38.3 per cent) compared to men (29.8 per cent), which is higher than the national rate.

The youth are the hardest hit, evidenced by a 4 percentage-point increase in unemployment rate from 39.0 to 43 per cent between 2014 and 2016. However, it should be noted that high youth unemployment is not only a challenge unique to Namibia, but rather to most countries in sub-Saharan and Northern Africa. To this end, International Labour Organisation's (ILO) Global Employment Trends for youth 2015 report established that across Africa, youth are three times more likely to be unemployed than adults. Moreover, the latest ILO estimates put the sub-Saharan and Northern African youth unemployment rates for 2016 at 11.0 and 29.0 per cent, respectively, while the global level was reported at 13.0 per cent. ILO (2017) elucidated the following as contributing factors (among others) to high youth unemployment rates:

- **Working poverty disproportionately affects youth:** the incidence of working poverty remains pervasive among youth, who continue to exhibit consistently higher working poverty rates than their adult counterparts.

- **Majority of employed youth are in the informal economy:** globally, more than three-quarters (76.7 per cent) of working youth are in informal jobs. Informality is comparatively less universal among employed adults, although the rate of informally employed adults is still 57.9 per cent.

- **Many young people are neither in employment nor in education or training:** youth who are voluntarily NEET[4] can either be waiting to re-enter employment, education or training or be inactive for other reasons (Eurofound, 2012 and 2016).

Generally, high unemployment brings with it two adverse effects: first, it reduces the level of decent income that can be generated and secondly, it weakens diversity of livelihoods in an economy (AfDB et al, 2017).

The position of labour in the current economy is actually worrying; the trends over the last years indicate that the economic activities in the Labour market did not favour most participants in the labour market, as characterized by low employment figures. Thus, it is important to frame policies aimed at assisting especially those who fall into poverty.

- [4] According to ILO (2017), the proportion of the youth population who are neither in employment nor in education or training (the NEET rate) captures the share of youth who are inactive for reasons other than education or skills development, as well as young people who are without work and looking for work (the unemployed).

5.3 Health, fertility and nutrition

5.3.1 Health

Results from the Namibia Population-based HIV Impact Assessment (NAMPHIA 2017) show that 77 per cent of all HIV-positive adults in Namibia have achieved viral load suppression, a widely used measure of effective HIV treatment in a population (VLS suppression is defined as an HIV viral load <200 copies/mL at 3 months), surpassing the Joint United Nations Programme on HIV/AIDS (UNAIDS) target of 73 per cent by 2020. Compared with the UNAIDS 2012 estimates, Namibia has reduced its adult HIV incidence rate by 50 per cent in the past five years. The country accomplished this through the strategic expansion of HIV prevention and treatment services, with a focus on viral load suppression at the individual and community level, and the swift implementation of forward-leading HIV policies.

NAMPHIA results also shows that women aged 15-24 still have a far higher HIV incidence rate (0.99 percent) than same-aged young men (0.03 percent) in the country. This highlights the continued need for expanded primary HIV prevention in young women. The HIV prevalence rate among adults aged 15-64 years in the country is standing at 12.6 per cent, and this rate varies across the regions with Zambezi recording the highest of 22.3 per cent and the lowest was recorded in Kunene with 7.6 per cent (Namphia 2017).

Box 2: World Health Organisation's (WHO's) Standard Definitions

HIV incidence: A measure of the frequency with which new cases of HIV infection occur in a population over a period of time. The denominator is the population at risk and the numerator is the number of new cases occurring during a defined period of time.

HIV prevalence: The proportion of living persons in a population who are infected with HIV at a specific point in time.

HIV viral load: The concentration of HIV in the blood, usually expressed as HIV RNA copies per millilitre.

HIV viral load suppression: An HIV viral load of less than 1,000 copies per millilitre.

Infant mortality rate

According to United Nations Development Programme (UNDP), the infant mortality rate is the probability of dying between birth and exactly age 1, expressed per 1,000 live births. For the period 2013 to 2016, average infant mortality rates recorded in SADC countries varied vastly. To this end, towards the lower end: Seychelles and Mauritius performed exceptionally well, evidenced by infant mortality rates below 13, which are far from those of the rest. Thereafter, Namibia, Botswana, South Africa and Madagascar, respectively, averaged below 40, whereas the rest averaged between 42 (United Republic of Tanzania) and 75 (Democratic Republic of Congo).

Table 16: Mortality rate, infant (per 1,000 live births) for SADC Countries

Country	2013	2014	2015	2016	Average
Angola	62.7	59.5	56.9	54.6	58.4
Botswana	36.7	35.9	33.9	32.6	34.8
Comoros	59.7	58.1	56.5	55	57.3
Congo (Democratic Republic of the)	78.1	76	74	72	75.0
Eswatini (Kingdom of)	57.5	54.6	53.1	52.4	54.4
Lesotho	75.2	74.5	74.5	72.4	74.2
Madagascar	37.8	36.4	35.2	34	35.9
Malawi	46.2	43.4	40.9	38.9	42.4
Mauritius	13.1	13.1	12.7	12.2	12.8
Mozambique	59.8	57.2	55.1	53.1	56.3
Namibia	**36.9**	**35.1**	**34.5**	**32.3**	**34.7**
Seychelles	12.6	12.6	12.5	12.3	12.5
South Africa	36.4	35.6	35.5	34.2	35.4
Tanzania (United Republic of)	43.7	42.6	41.5	40.3	42.0
Zambia	49.4	47.5	44.8	43.8	46.4
Zimbabwe	47.8	44.4	42	40	43.6

Source: UNDP Human Development Reports. http://hdr.undp.org/en/data#

Malaria incidence

Malaria incidence refers to the number of malaria cases, expressed per 1,000 people at risk (UNDP). People at risk are those who live in an area where malaria transmission occurs. Recently in 2016, South Africa, Comoros, Eswatini, Botswana and Namibia, respectively, recorded the lowest malaria incidences within SADC. For Namibia, it is evidently clear that there has been a noted increase in the risk of malaria from less than 3 to almost 30 incidences per 1,000 people.

Table 17: Malaria incidence (per 1,000 people at risk)

Country	2010	2015	2016
Angola	127.3	123.3	120.3
Botswana	7.4	1.1	2.4
Comoros	71.8	2.3	1.8
Congo (Democratic Republic of the)	446.7	294.8	291.9
Eswatini (Kingdom of)	1.6	0.8	1.9
Madagascar	46.3	103.6	64.4
Malawi	387.2	250.1	249.1
Mozambique	359.8	309.8	307.8
Namibia	**2.5**	**14.4**	**29.3**
South Africa	2.2	0.1	1.1
Tanzania (United Republic of)	179	143.9	144.2
Zambia	159.7	191.5	189.8
Zimbabwe	151.6	111.4	77.9

Source: UNDP Human Development Reports. http://hdr.undp.org/en/data#

5.3.2 Fertility

5.3.2.1 Crude Birth Rate (CBR)

The Crude Birth Rate is the number of births over a given period divided by the person-years lived by the population over that period. It is expressed as number of births per 1,000 population (United Nations – UN, 2017). *United Nations (UN) Department of Economic and Social Affairs/Population Division World Population Prospects: The 2017 Revision, Volume I: Comprehensive Tables Report uses median-variant projection to arrive at the CBRs*. Crude birth rates have declined at the global, continental (Africa), regional (sub-Saharan Africa and SADC) and domestic (country) levels as evidenced by notable declines in figures in *table 18*, from 2010-2015 to 2015-2020 periods. Regionally, SSA and SADC countries generally have higher crude birth rates exceeding global rates. Closer to home, recently (2015-2020 period), SADC countries portray varying CBRs, with the Island nations Mauritius and Seychelles, respectively, having the lowest rates, lower than global rates. Following closely are countries whose CBRs are below 30 which include SACU countries: South Africa, Botswana, Lesotho, Eswatini and Namibia, respectively. Clearly the CBRs for SACU countries remain below both African and SSA rates.

Table 18: Crude Birth Rate (World, Africa, sub-Saharan Africa and SADC) for selected periods (medium variant projections)

Region, Country or Area	**Crude birth rate (births per 1,000 population)**	
	2010-2015	**2015-2020**
World	19.6	18.6
Africa	35.9	33.6
SSA	37.9	35.7
SADC Countries		
Angola	43.7	41.1
Botswana	25.1	22.8
Comoros	34.4	32.1
Congo (Democratic Republic of the)	44.0	41.4
Eswatini (Kingdom of)	30.2	28.2
Lesotho	28.7	27.3
Madagascar	34.1	32.8
Malawi	38.1	36.4
Mauritius	11.1	10.6
Mozambique	40.1	38.4
Namibia	**30.4**	**28.4**
Seychelles	17.7	15.4
South Africa	22.0	20.5
Tanzania (United Republic of)	39.8	37.5
Zambia	39.3	37.7
Zimbabwe	35.6	31.7

Source: United Nations Department of Economic and Social Affairs/Population Division World Population Prospects: The 2017 Revision, Volume I: Comprehensive Tables

5.3.2.2 Total Fertility Rate (TFR)

According to the United Nations (UN), total fertility rate (TFR) can be defined as the average number of live births a hypothetical cohort of women would have at the end of their reproductive period if they were subject during their whole lives to the fertility rates of a given period and if they were not subject to mortality. It is expressed simply as live births per woman. In other words, TFR is the number of children who would be born to a woman if she were to live to the end of her child-bearing years and bear children at each age in accordance with prevailing age-specific fertility rates. In the simplest terms, TFR is the average number of children a woman expects to have over her reproductive life.

UN's *World Population Prospects: The 2017 Revision Report* makes medium-variant projection which assumes a decline of fertility for countries where large families are still prevalent, as well as a slight increase of fertility in several countries where women have fewer than two live births on average over a lifetime. Herein, generally, total fertility rates seem to have virtually fallen recently at the global, continental (Africa), regional (SADC) and domestic (country) levels. Moreover, some African countries have the highest fertilities of any region. Closer to home, within SADC, varying level are reported. On the lower-end lie the island nations of Mauritius and

Seychelles and South Africa, respectively, whose TFR remains below both the global and continental levels. Following closely are SACU countries (Botswana, Eswatini, Lesotho, and Namibia). On the higher-end lie the rest of SADC countries. These noted significant declines infertility rates at the global, continental, regional and domestic levels are notably attributable to continued improvements in access to reproductive health care services, including family planning, especially in the least developed countries, with a focus on enabling women and couples to achieve their desired family size. A reduction in the fertility level results not only in a slower pace of population growth but also in a more aged population; for the population of the world and of many countries and regions, as the population growth rate has fallen over time, the proportion of older persons has increased while that of younger persons has decreased (UN, 2017).

Although fertility has decline faster to lower levels than in much Sub-Saharan Africa, the last two rounds of Namibia Demographic health survey (NDHS) in 2006/07 and 2013 reveal that there has been a stall in the decline compared to the previous period. One of the factors attributed to the stall in fertility rate in Namibia is the increase in teenage pregnancy, which was reported to have moved up from 78 births to 82 births per 1,000 in 2013 for girls between the ages of 15-19 years. This is attributed to the inadequate access to and use of family methods and high levels of teenage marriages, which need to be addressed.

Table 19: Total fertility (World, Africa and SADC) for selected periods (medium variant projections)

Region, Country or Area	**Total fertility rates (live births per women)**	
	2010-2015	**2015-2020**
World	2.52	2.47
Africa	4.72	4.43
SADC Countries		
Angola	5.95	5.59
Botswana	2.88	2.65
Comoros	4.60	4.24
Congo (Democratic Republic of the)	6.40	5.96
Eswatini (Kingdom of)	3.30	3.01
Lesotho	3.26	3.01
Madagascar	4.40	4.11
Malawi	4.88	4.49
Mauritius	1.49	1.43
Mozambique	5.45	5.14
Namibia	**3.60**	**3.31**
Seychelles	2.38	2.26
South Africa	2.55	2.41
Tanzania (United Republic of)	5.24	4.92
Zambia	5.20	4.90
Zimbabwe	4.00	3.63

Source: United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision. New York: United Nations.

5.3.3 Nutrition situation in Namibia

5.3.3.1 Undernutrition among children below 5 years of age

Since independence, the food and nutrition situation has considerably improved in Namibia. Indeed, Namibia Demographic Health Survey (NDHS) figures suggest that the prevalence of wasting and underweight decreased from 9 to 6 per cent and from 26 to 13 per cent respectively between 1992 and 2013 (NDHS 1992 and 2013). However, these rates are still unacceptable and Namibia is among African countries that have not achieved food security and nutrition related Millennium Development Goals.

The 2013 NDHS reported that among Namibian children under age 5, 24 per cent are stunted (short for their age), 6 per cent are wasted (thin for their height), and 13 per cent are underweight (low weight for their age). Due to poor nutrition status of mothers, 13 per cent of Namibian babies are born with a low birth weight (birth weight below 2.5 kg).

Whilst there have been some improvements in nutrition indicators between 1992 and 2013, little progress has been made in reducing low birth weight and stunting rates, which remain at the level of 2006 suggesting that the proportion of children suffering from long term consequences of malnutrition has not decreased over years. The significance of Namibian babies born with a low weight or who are stunted before the age of 5 years is that these babies and children have less chance to reach their full development and productivity potential in adulthood.

5.3.3.2 Nutrition status of adult women

Body Mass Index (BMI) is a measure of relative size based on the mass and height of an individual as defined by the World Health Organization. The BMI ranges from below 18.5 as underweight and 30 and above as obese. According to the 2013 NDHS, 14 per cent of women of childbearing age were thin (Body Mass Index below 18.5) due to insufficient energy intake. At the same time, 32 per cent of women were overweight (BMI between 24.9 and 29.9) or obese (BMI above 30). This co-existence of both undernourishment and overweight also referred to as the double burden of malnutrition suggests that Namibia is undergoing a nutrition transition with overweight or obesity being more of a public health concern than underweight in women while underweight remain a concern.

5.3.3.3 Over nutrition

According to MoHSS (2012), over-nutrition is the result of an excess consumption of energy-dense and micronutrient poor foods; this is physically manifested as overweight and obesity. NDHS figures show an increasing trend in overweight from 28 per cent (11.7 per cent obesity) in 2007 to 31.4 per cent (13.2 per cent obesity) in 2013. Over-nutrition is linked with non-communicable diseases such as high blood cholesterol, high blood pressure, some cancers, diabetes, cardiovascular diseases and chronic respiratory illnesses. In Namibia, cancer, diabetes, cardiovascular diseases and chronic respiratory illnesses are among the top 15 causes of death. Another contributing factor to NCDs is alcohol abuse, which is highly prevalent in Namibia.

Overall, the poor food security situation in Namibia strongly influences the nutrition status of the population. According to International Food Policy Research Institute (IFPRI) multidimensional indicator, the hunger situation in Namibia is serious with a 2015 Global Hunger Index Score (GHI combined four equally weighted indicators namely undernourishment, child wasting, child stunting and child mortality) of 31.8, an increase from 28.8 in 2005[5]. The State of Food Insecurity in the World reported that 42.3 per cent of all Namibians are undernourished, which represents an 18 per cent increase compared to 1992[6], [7]. According to the World Food Programme (WFP) Emergency Food Security Assessment (EFSA)[8], 38 per cent of Namibian were food insecure (16 per cent severely and 22 per cent moderately) in 2013.

The amount and variety of crops produced through agricultural activities directly affects diets and dietary intakes. Despites some improvements, the country's efforts to achieving food security goals are challenged by constraints in subsistence farming, land policy, recurrent natural disasters, and high incidence of HIV/AIDS.

5.3.4 Regional Food and Nutrition Security Outlook: 2018/19

5.3.4.1 Regional Food Security Outlook

According to Committee on World Food Security, food and nutrition security exists when all people at all times have physical, social and economic access to food, which is safe and consumed in sufficient quantity and quality to meet their dietary needs and food preferences, and is supported by an environment of adequate sanitation, health services and care, allowing for a healthy and active life.

During the five-year review period (2013/14 – 2017/18), the average food insecure population within SADC countries is estimated at about 29.8 million people, of which 600,433 (approximately 26.3 per cent of total population) was recorded for Namibia. The end-of-period figures (2017/18) reveal a total of 26.9 million as food insecure in the region including about

[5] International Food Policy Research Institute: Global Hunger Index 2015.

[6] FAO state of food insecurity 1992

[7] FAO state of the food insecurity 2015

[8] FAO state of food insecurity 1992

5 Ministry of health, NAMPHIA Report 2017

798,384 (approximately 33.7 per cent of total population) from Namibia. Going forward, about 29.5 million people in 11 SADC countries for which data was provided (approximately 14.2 per cent of their combined total population), are estimated to be food insecure in the 2018/19 consumption year while about 257,383 (approximately 11.0 per cent of total population) people are estimated for Namibia.

The 2018/19 consumption year estimate reflects that the food insecure population in Democratic Republic of Congo (DRC), Malawi, South Africa and Zimbabwe make-up close to 90.0 per cent of the food insecure people in the 11 Member States. In light of this, the leading increases in affected people compared to the previous year (2017/18) are expected in Zambia, Botswana, Malawi and Zimbabwe. Decreases in food insecure populations, on the other hand, are estimated in Namibia and Eswatini.

Table 20: Food insecure Population in SADC Member States, April 2018 – March 2019

Country	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19 vs 2017/18	5yr average
Angola	665,000	755,678	1,253,048	755,930	749,500			835,831
Botswana	28,936	29,306	30,318	57,411	12,000	35,055	192%	31,594
DRC	7,318,639	6,591,535	4,456,106	5,900,000	7,700,000	7,249,998*	-6%	6,393,256
Eswatini	289,920	223,249	320,973	638,251	159,080	122,086	-23%	326,295
Lesotho	223,055	447,760	463,936	709,394	306,942	308,966	1%	430,217
Madagascar			1,800,000	1,140,000	855,796	1,261,323	47%	1,265,265
Malawi	1,855,163	1,312,376	2,833,212	6,692,114	1,043,000	2,397,220*	130%	2,747,173
Mozambique	212,000	150,000	375,905	1,980,000	313,481	531,476	70%	606,277
Namibia	778,504	117,662	578,480	729,134	798,384	257,383	-68%	600,433
Seychelles			7,195	13,706				10,451
South Africa	13,798,024	14,060,928	14,349,445	14,349,445	13,700,000	13,930,354	2%	14,051,568
Tanzania	828,063	424,136	358,505	358,505	118,603			417,562
Zambia	209,498	351,267	798,948	975,738	77,000	954,120*	1139%	482,490
Zimbabwe	2,206,924	564,599	2,829,159	4,071,233	1,052,768	2,423,568	130%	2,144,937
SADC	**28,413,726**	**25,028,496**	**30,455,230**	**38,370,861**	**26,886,554**	**29,471,549**		**29,826,793**

*Preliminary estimates. No 2018 data for Eswatini, Mauritius and Seychelles. Source: SADC Member States

Source: SADC (2018)

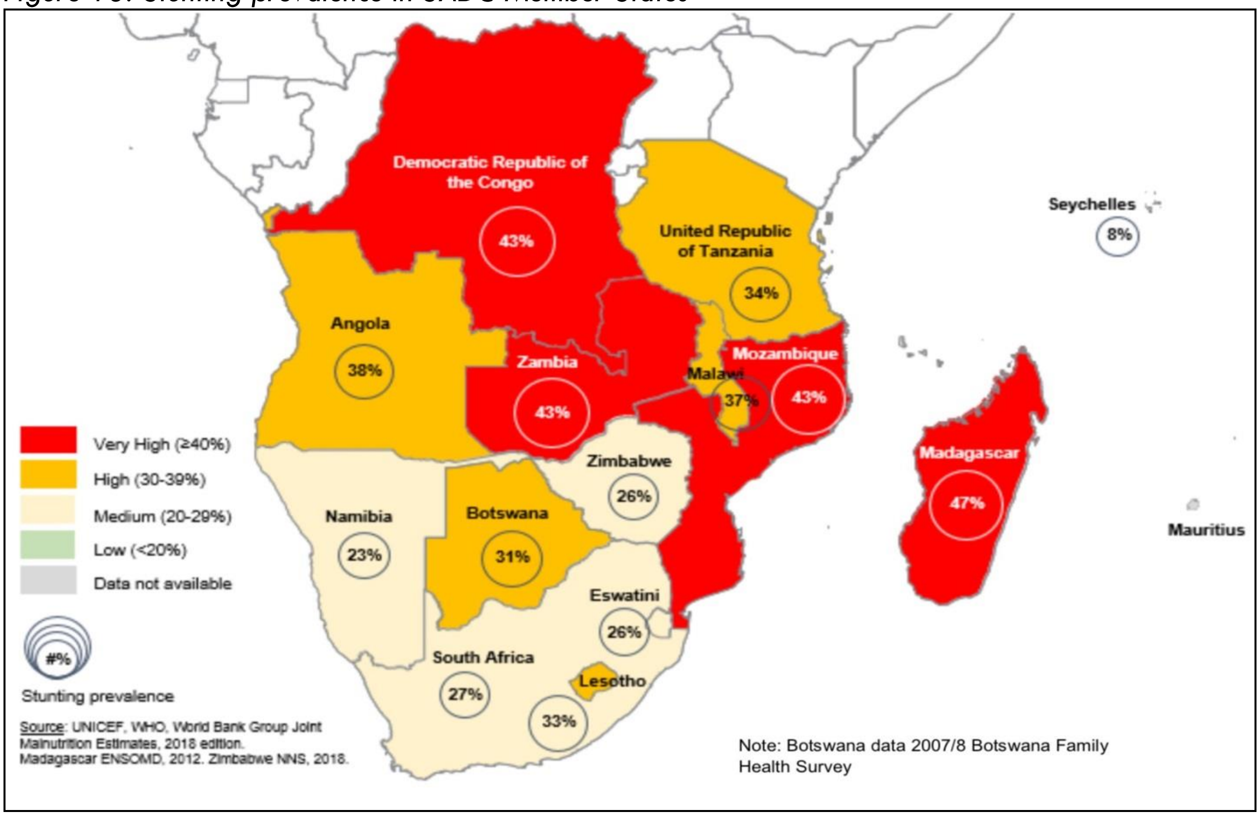
Looking ahead, international climate forecasting institutions are predicting the occurrence of El Niño (a phenomenon that occurs in the central equatorial Pacific Ocean, but influences climatic patterns in many parts of the world, including Southern Africa) during 2018/19 season. In the SADC region, El Niño has historically been associated with more frequent occurrence of below average rainfall in central and southern parts of the region, while the northern-eastern parts of the region have historically experienced a more frequent occurrence of above average rainfall during El Niño years (SADC, 2018).

5.3.4.2 Regional nutrition security outlook

The World Health Assembly specifically targets to achieve a 40.0 per cent reduction in the number of stunted children by 2025. Generally, the proportion of stunted children is declining in the SADC region, with the exception of Angola, Botswana, DRC, Madagascar, Mozambique, Seychelles and South Africa. However, the rate of reduction is not great enough to ease the number of children who are stunted. In other words, progress for SADC countries towards achievement of the set target has been too slow to keep pace with population growth. Currently, 20 million children under five (5) years are stunted in SADC.

Varying stunting prevalence rates exist among SADC countries in 2018. To this end, currently, at least one in three individuals are stunted in 10 out of 16 Member States in the SADC region, thereby clearly signifying high or very high stunting (prevalence above 30.0 per cent) (*figure 16*). Four countries (DRC, Madagascar, Mozambique and Zambia) have very high prevalence of stunting exceeding 40.0 per cent. This data clearly shows the need to accelerate high impact nutrition interventions. This is despite countries such as Namibia, Zimbabwe, Eswatini and South Africa, respectively, having recorded medium stunting prevalence.

Figure 16: Stunting prevalence in SADC Member States

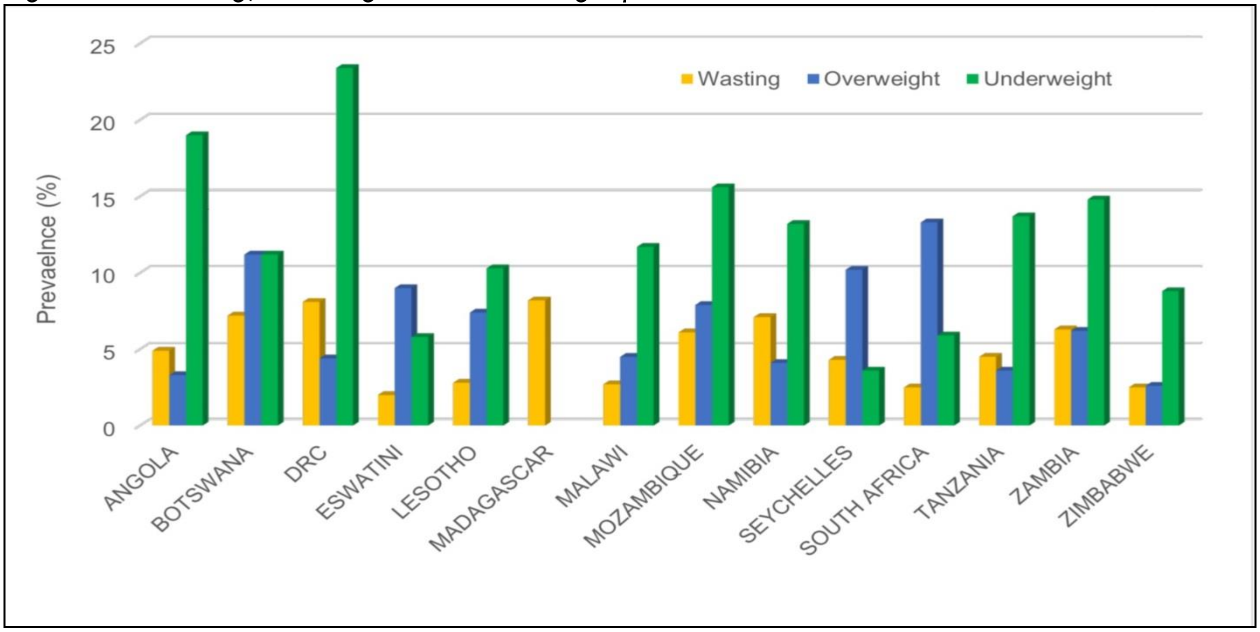


Source: SADC (2018)

Although no major increases of Global Acute Malnutrition (GAM) have been observed during the 2018 peak lean season (January – March), however, acute malnutrition continues to be a challenge in parts of the region. Herein, pockets of high GAM (exceeding 10.0 per cent) persist in specific areas i.e. districts in southern Madagascar. Furthermore, prevalence of overweight in three countries (Mauritius, Seychelles and South Africa) in SADC at least 10.0 per cent or higher, revealing an emerging problem in the region (*figure 17*).

Across SADC, generally, underweight prevalence rate appear to be more pronounced than wasting and overweight. Prevalence of overweight in three countries in SADC (Mauritius, Seychelles and South Africa) is 10.0 per cent or higher, revealing an emerging challenge in the region. For Namibia, underweight prevalence exceeds 12.0 per cent while wasting and overweight are estimated at close to 7.0 and above 4.0 per cent, respectively.

Figure 17: Wasting, overweight and underweight prevalence in SADC Member States



Source: SADC (2018)

The SADC region continues to be confronted by natural hazards i.e. droughts, floods, pests and epidemics that adversely affect food security, vulnerability and livelihoods. Herein, SADC (2018) attributes factors contributing to food and nutrition insecurity to include:

- Extended dry spells in late December to late January in central parts of the region which caused moisture stress and permanent wilting in many areas, with greater negative impact on early (November 2017) planted crops. Extreme high temperatures also occurred in the dry areas during this period.
- Most Member States were affected to varying magnitudes by the hot dry conditions which resulted in yield reductions in affected areas, in some cases due to crops wilted beyond recovery.
- Floods and cyclones affected several Member States[9], resulting in fatalities, displacement of populations, damage to infrastructure and flooding of cropped areas.

[9] Tropical Cyclone Ava hit Madagascar in early January 2018, causing fatalities, displacement, infrastructure damage and significant crop losses. Northern Mozambique was also affected by heavy rainfall in January. In March, Madagascar was hit again, this time by Severe Tropical Storm Eliakim, while Tropical Cyclone Dumazile affected Mauritius and La Reunion. Localised floods caused displacement and

5.3.5 Food Production

In terms of cereal production, the main crops produced in SADC include maize, wheat, sorghum, millets and rice. Maize, the main staple food, single-handedly accounts for a lion's share, that is, 80.0 per cent of SADC's cereals production. Although Namibia's production 2016/17 estimate decreased by 3.0 per cent in 2017/18, it is still 35.0 per cent above the country's five-year average (*table 21*). Marked contractions from previous harvest and the five-year average, respectively, were recorded in some countries such as Lesotho (-68.0 and -35.0 per cent), Zambia (-33.0 and -20.0 per cent) and Botswana (-30.0 and -38.0 per cent). Similarly, within SADC (excluding Seychelles and Comoros), declines of 25 and 18 per cent were recorded in respect of previous harvest and the five-year average, respectively.

Table 21: Cereal production in SADC Member States: 2012/13 to 20117/18

Country	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2017/18 vs 2016/17	2017/18 vs 5yr Avg.
Angola	1 672 184	1 820 348	2 016 566	2 374 208	2 820 611		-100%	-100%
Botswana	33 756	260 000	90 317	54 000	94 436	66 093	-30%	-38%
DRC	2 583 228	2 797 317	3 127 252	3 257 829	3 378 200		-100%	-100%
Lesotho	120 094	103 526	89 035	26 747	238 362	75 399	-68%	-35%
Madagascar	3 989 872	4 344 037	4 051 671	4 530 365				-100%
Malawi	3 639 866	3 978 123	3 001 730	2 531 703	3 487 000	3 027 404	-13%	-9%
Mauritius	123 748	126 118	124 068					-100%
Mozambique	2 371 190	2 509 788	2 845 000	2 388 806	2 754 700	3 173 702	15%	23%
Namibia	81 500	131 900	67 800	80 000	139 900	135 770	-3%	35%
Seychelles								
South Africa	14 502 889	16 940 000	12 206 315	9 323 455	18 157 600	14 790 500	-19%	4%
Eswatini	81 934	118 871	93 653	33 860	107 360		-100%	-100%
Tanzania	7 806 580	9 828 540	8 918 999	10 139 108	9 388 772	9 537 857*	2%	3%
Zambia	2 890 045	3 643 877	2 898 054	2 943 807	3 888 588	2 597 841	-33%	-20%
Zimbabwe	943 620	1 718 630	868 017	637 843	2 443 119	1 994 145	-18%	51%
SADC	**40 840 506**	**48 321 075**	**40 398 477**	**38 321 731**	**46 898 648**	**35 398 711**	**-25%**	**-18%**

*The Tanzania figure is provisional, pending official release of the May-June 2018 Crop Assessment. Source: SADC

Source: SADC (2018)

5.3.6 Fisheries and aquaculture production

Fisheries and aquaculture remain important to economies of SADC countries given that fish is the only affordable source of dietary animal protein and therefore, of overwhelming importance for food and nutrition security. Fisheries and aquaculture sectors, generally, employ a total of about 2.5 million people in SADC region (approximately 1.0 per cent of the SADC population), and accounts for an estimated 3.5 per cent of the region's GDP as well as 9.0 per cent of the region's agriculture GDP (*table 22*). Namibia recorded the third highest capture fisheries production (tons) in 2016 after Angola and South Africa. In view of fisheries and aquaculture as agriculture GDP

infrastructure damage in Botswana, Malawi, Tanzania and Zimbabwe. This brought the number of Southern Africans impacted by floods and cyclones in 2018 to about 329,900.

(per cent), Namibia recorded the highest (estimated at 52.4 per cent) followed by Madagascar and Seychelles, respectively.

Table 22: Performance and value of fisheries and aquaculture in SADC Member States

Country	Capture fisheries production in 2016 (tons)	Aqua-culture production in 2016 (tons)	Total employed (fisheries)	Total employed (aqua-culture)	Fisheries & aqua-culture as Agric. GDP (%)	Fisheries GDP (%)	Per capita consumption (kg)
Angola	531,841	655	45,782	267	3	1.7	18.6
Botswana	234		581		0.16	0.002	3.0
DRC	238,970	2,869	376,275	2,035	6.31	5.53	5.3
Eswatini	110	100	174	441	0.094	0.013	1.3
Lesotho	390	1,300	244	708	0.15	0.021	0.8
Madagascar	112,875	26,029	171,300	15,250	28	6.7	4.6
Malawi	144,315	4,984	173,328	7,139	5.87	3.83	7.3
Mauritius	8,353	500	6,838	346	3.76	0.19	22.9
Mozambique	302,204	1,180	352,252	4,167	10.0	2.0	10.1
Namibia	414,359	740	386,973	1,132	52.42	6.5	11.4
Seychelles	87,408		6,249		20.68	17.73	58.7
South Africa	416,520	6,013	499,749	7,168	6.73	0.25	6.3
Tanzania	362,595	11,000	203,529	24,307	6.8	2.0	5.6
Zambia	80,000	32,000	142,204	6,490	8.0	1.6	6.2
Zimbabwe	18,102	10,090	26,101	4,685	2.73	0,56	2.8

Source: SADC (2018)

5.4 Education

5.4.1 Secondary education in Namibia, enrolments and the new curriculum

In 2016, Cabinet resolved to provide free secondary education as a fulfilment of the Constitutional provision which stipulates that all persons have the right to education. The implementation complements Namibia's National Agenda for Children 2012-2016 which calls for all children to access quality secondary education and vocational education. This means that all public schools except for private schools and Namibian College of Open Learning (NAMCOL) will not pay school development fund, the implementation of fee-free Secondary School was to allow parents not to pay for School Development Fees as well as Grade10 and 12 examination fees. This was done to improve access to secondary education and improve the low completion, survival and retention rates of learners in all secondary schools. After the introduction of free secondary education, enrolments in secondary education increased by 3.0 per cent to 206,811 learners from 200,695 learners in 2016.

Table 23: Enrolment in secondary education 2013-2017

Year	Grade					Total
	8	**9**	**10**	**11**	**12**	
2013	63,788	48,641	34,833	20,421	19,511	**187,194**
2014	63,598	49,591	36,207	21,168	19,068	**189,632**
2015	64,660	50,461	38,257	22,418	20,198	**195,994**
2016	65,691	51,852	39,033	23,059	21,060	**200,695**
2017	62,197	55,454	41,844	24,852	22,464	**206,811**

Source: MEAC (2013-2017) Fifteenth-Day Statistics (FDS)

The table above shows enrolment in secondary education for the past five years. The enrolments show a significant increase from over the years. The highest enrolments are recorded in grade 8 for all the years and as the grade progresses, the enrolments start to decrease. This can be attributed to high dropout rates and grade failure, as well as decreasing survival rates. With the introduction of the free education and the new curriculum it is hoped and believed that the situation will improve.

The school leaving rates are very high for the secondary education especially in grade 10 where many learners leave after writing the Junior Secondary Certificate Examinations. The school leaving rates are also relatively higher in grade 8 where almost 10 per cent of learners left school in 2015. This calls for concerted effort to find viable solutions to high school leaving rates. The repetition rates are also very high especially in grade 8. This may be due to phase transition where some learners are finding it hard to cope in the secondary phase. The table below shows the repetition and school leaving rates from 2013 to 2015.

Table 24: Repetition and school leaving rates (%) 2013-2015

	Grade	**Year**		
		2013 (%)	**2014 (%)**	**2015 (%)**
Repetition rate				
	8	31.6	30.2	30.0
	9	24.6	23.7	23.6
	10	10.3	10.8	10.7
	11	4.4	3.5	4.1
School leaving rate				
	8	8.9	9.2	9.7
	9	7.9	7.2	9.2
	10	32.7	29.4	32.6
	11	1.6	1.9	5.1

Source: EMIS

The revised Basic Education structure comprises of seven years of primary education; two years of junior secondary education and three years of senior secondary education. A provision for a 13th grade is made for learners who wish to take subjects at A Level. The revised structure and curriculum responds to recent changes in Namibian society and to emerging challenges such as globalisation, among others. It is also directed towards helping achieve the national development goals set out in the National Development Plans. The Basic Education structure also shows that from the junior secondary phase, the curriculum is diversified with a predominant academic stream and a predominant pre-vocational and technical stream, it will be introduced in 2017, 2018, 2019, 2020 and 2021 for grade 8, 9, 10 11 and 12 respectively. At the end of grade 9, learners will write junior secondary semi-national examinations. This means that examinations will be set and moderated centrally, but marked in the regions.

Semi-national examinations will be carried out for quality assurance purposes. Grade 11 will be the exit point in the senior secondary phase. Learners will receive an international recognised National Senior Secondary Certificate Ordinary. Learners may choose to continue to grade 12, tertiary institutions, vocational education and training institutions or job market. Upon completing grade 12, school leavers will have an internationally recognised certificate, National Senior Secondary Certificate Higher Level, which gives them access into higher education institutions or the job market.

5.4.2 Technical Vocational Education and Training (TVET)

Vocational Education and Training (VET) is steadily emerging as an enabler for socio-economic development of a country. The United Nations through the International Community recently adopted Sustainable Development Goals (SDGs) of which SDG 4; Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all has been identified as one of the pillars to achieve agenda 2030 for sustainable development. During the period of NDP5, the aspirations of achieving the SDG 4 target of "substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship" shall be pursued.

The rationale to prioritise and invest in Technical Vocational Education and Training (TVET) is strong and convincing and stems from the recognition of TVET as a source of skills, knowledge and technology needed to drive productivity through a knowledge-based society. Productivity is the basis for sustained economic growth and wealth accumulation. For Namibia to improve its global competitiveness, it is important that our citizens have the required technical and vocational skills.
The Ministry of Higher Education, Training and Innovation (MHETI), through the Namibia Training Authority (NTA), is thus tasked with the responsibility of establishing an efficient, effective and sustainable TVET system aligned with the current and future skills needs of the labour market and ensuring adequate provision and expansion of public TVET services to have a footprint in all fourteen (14) political regions of Namibia. The transformation and expansion of TVET aims at enhancing TVET provisioning, improving quality, ensuring TVET relevance and responsiveness labour market needs, attracting qualified and retaining TVET trainers, skilling and upskilling of trainers, strengthening management capacity at TVET centres.

To address challenges faced by TVET, the Ministry of Higher education will embark on a rigorous TVET transformation and expansion strategy. This strategy will be geared towards transforming

Namibia into a knowledge based society by 2030. This will see an increased number of enrolment's at public VTCs from 24,938 in 2016 to 30,000 by 2022. This target is likely to be achieved and surpassed because preliminary data from NTA shows that 32,120 students are enrolled in TVET institutions in 2018.

5.5 Human Development

5.5.1 Human Development Index (HDI)

Generally, advances in human development for any country are captured by, among others, the Human Development Index (HDI) for comparability with other countries. UNDP (2018) defines the HDI as a composite index measuring average achievement in three basic dimensions of human development: a long and healthy life, knowledge and a decent standard of living.

The underlying principle of the HDI, which is considered path-breaking in 1990, was that national development should be measured not only by income per capita alone, as had long been the practice, but also by health and education achievements. Ranking countries by their HDI value transformed the development discourse and thereby dethroned income per capita as the sole indicator of development progress (UNDP, 2018). For 2017, the HDI was calculated for 189 countries globally, including 46 in sub-Saharan Africa. The averages of HDI for global and sub-Saharan Africa were 0.728 and 0.537 respectively. For ease of country-to-country comparisons, countries are ranked according to their HDI values for which higher ranked countries are ranked higher (on top).

Generally, the high average HDI for global reflects that across the world, people are living longer, are more educated and have greater (economic) opportunities. Closer to home, the island countries: Seychelles (1st) and Mauritius (2nd), respectively, are the top-ranked within SADC in 2017, with below 100 global rankings. Following closely are countries such as Botswana (3rd), South Africa (4th) and Namibia (5th), respectively, which are ranked below 130 while the rest are ranked between 144 and 180 with Mozambique being the lowest ranked regionally.

Table 25: Human Development Index (HDI)

Region / Country	2013	2014	2015	2016	2017	HDI Rank (2017)
Sub-Saharan Africa		0.526	0.531	0.534	0.537	–
Global		0.718	0.722	0.726	0.728	–
HDI for SADC Countries						
Angola	0.554	0.564	0.572	0.577	0.581	147
Botswana	0.693	0.701	0.706	0.712	0.717	101
Comoros	0.499	0.501	0.502	0.502	0.503	165
Congo (Democratic Republic of the)	0.426	0.436	0.444	0.452	0.457	176
Eswatini (Kingdom of)	0.572	0.58	0.584	0.586	0.588	144
Lesotho	0.505	0.509	0.511	0.516	0.520	159
Madagascar	0.509	0.512	0.514	0.517	0.519	161
Malawi	0.461	0.468	0.47	0.474	0.477	171
Mauritius	0.772	0.782	0.782	0.788	0.790	65
Mozambique	0.423	0.427	0.432	0.435	0.437	180
Namibia	**0.628**	**0.636**	**0.642**	**0.645**	**0.647**	**129**
Seychelles	0.779	0.786	0.791	0.793	0.797	62
South Africa	0.675	0.685	0.692	0.696	0.699	113
Tanzania (United Republic of)	0.507	0.515	0.528	0.533	0.538	154
Zambia	0.574	0.58	0.583	0.586	0.588	144
Zimbabwe	0.516	0.525	0.529	0.532	0.535	156

Source: http://hdr.undp.org/en/data#

Human development, just like most measures or theories, has not remained static, but rather underwent refinements/revisions, or in other words, has evolved with time. In view of this, over the years, additional indices have been developed to capture other dimensions of human development to identify groups falling behind in human progress and to monitor the distribution of human development. In 2010 three indices were launched to monitor poverty, inequality and gender empowerment across multiple human development dimensions: the Multidimensional Poverty Index (MPI), the Inequality-adjusted Human Development Index (IHDI) and the Gender Inequality Index (GII). Recently in 2014, the Gender Development Index (GDI) was also introduced. However, due to data unavailability, the MPI is not covered. This section ends with the discussion on the IHDI whereas the GII and the GDI will be discussed in Section 5.5 – gender mainstreaming of Chapter 5.

5.5.2 Inequality-adjusted Human Development Index (IHDI)

The Inequality-adjusted Human Development Index (IHDI) is the HDI value adjusted for inequalities in the three basic dimensions of human development (UNDP, 2018). It is worthy to note that there is an eminent difference between IHDI and HDI which is the human development cost of inequality, also termed the loss to human development due to inequality (UNDP, 2018). Moreover, similar to all averages, the HDI masks inequality in the distribution of human development across the population at the country level.

The IHDI allows a direct link to inequalities in dimensions, it can inform policies towards inequality reduction, and leads to better understanding of inequalities across population and their contribution to the overall human development cost. The IHDI allows one to compare levels of inequality within countries, for which the greater the inequality, the more a country's HDI falls.

Table 26: Inequality-adjusted Human Development Index (IHDI) within SADC

Country	**2013**	**2014**	**2015**	**2016**	**2017**
Angola	0.311	0.355	0.36	0.39	0.393
Botswana	0.428	0.433	0.438	0.446	
Comoros		0.267	0.272	0.275	0.275
Congo (Democratic Republic of the)	0.266	0.278	0.303	0.313	0.319
Eswatini (Kingdom of)	0.382	0.387	0.389	0.412	0.414
Lesotho	0.325	0.327	0.329	0.356	0.359
Madagascar	0.354	0.374	0.375	0.383	0.385
Malawi	0.314	0.314	0.324	0.33	0.332
Mauritius	0.663	0.671	0.67	0.677	0.683
Mozambique	0.298	0.281	0.29	0.293	0.294
Namibia	**0.354**	**0.359**	**0.416**	**0.421**	**0.422**
Seychelles	No data				
South Africa		0.441	0.452	0.465	0.467
Tanzania (United Republic of)	0.37	0.375	0.394	0.401	0.404
Zambia	0.373	0.381	0.375	0.386	0.388
Zimbabwe	0.376	0.383	0.378	0.406	0.408

Source: http://hdr.undp.org/en/data#

During 2017, the IHDI was calculated for 151 countries. Although sub-Saharan Africa's average HDI is 0.537, however, when it is discounted for inequality it declines to 0.467, reflecting a loss of 30.8 per cent due to inequality in the distribution of the HDI dimension indices. Closer to home, the IHDI within SADC countries reveal existence of some inequalities in the distribution of the three HDI dimension indices– a long and healthy life, knowledge and a decent standard of living.

Namibia's HDI remained flat for the last two years, recording 0.645 and 0.647 for 2016 and 2017, respectively. Yet, when the values are discounted for inequality, the HDI conversely falls to 0.421 and 0.422, respectively, thereby reflecting losses of 34.7 and 34.8 percent congruently due to inequality in the distribution of the HDI dimension indices. Namibia and South Africa, respectively suffered the largest overall loss (%) of 34.8 and 33.2 per cent within SACU while sub-Saharan African region suffered 30.8 per cent. This, in other words, suggest that although a country may record a high HDI, it may experience some inequalities i.e. in life expectancy at birth, in education and income; hence its IHDI may consequently fall.

Table 27: IHDI for SACU countries (2017)

Country	IHDI value	Overall loss (%)	Human inequality coefficient (%)	Inequality in life expectancy at birth (%)	Inequality in education (%)	Inequality in income (%)
Botswana	No data					
Eswatini	0.414	29.7	29.4	26.2	24.1	37.9
Lesotho	0.359	31.0	30.5	28.5	21.9	41.1
Namibia	**0.422**	**34.8**	**32.9**	**20.2**	**25.0**	**53.6**
South Africa	0.467	33.2	30.3	20.3	14.3	56.4
Sub-Saharan Africa	0.372	30.8	30.7	30.8	33.7	27.7

Source: http://hdr.undp.org/en/data#

In summary, the progress made in respect of health outcomes (declines in infant mortality and crude birth rates), human development (HDI), the introduction of the free education and the new curriculum, increase in TVET enrolments, among others, suggests Namibia is on a path of ***"Accelerating human capital development"*.**

CHAPTER 6: UNLOCKING THE POTENTIAL OF SOCIAL TRANSFORMATION AGENDA

6.1 Gearing towards competitive knowledge economy

By 2030, Namibia aspires to have transformed into an innovative knowledge-based society that is supported by a dynamic, responsive and highly effective education and training system. The focus should be on high value-added services and specialized industries that are fair in water requirements and using intensive information technology. The ICT sector in Namibia has been developing at a satisfactory pace although availability and access to telecommunication services remains a challenge especially in rural areas due to limited access to electricity and high costs of rolling out ICT. It is very important for socio-economic development to have a reliable ICT infrastructure network and services which will accelerate the pace towards industrialization.

To this end, Namibia strives to bridge the 'digital divide' and to promote a society in which the information and communications technology sector is a key enabler of economic growth and social development. This requires the widespread availability, affordability and accessibility of a full range of information, communications and technology networks and services- from fixed and mobile telephone, radio and television broadcasting, high speed data and internet services, to the full range of broadband-enabled services. This also requires ongoing skills development to support and enable the full utilization of available ICTs and digital inclusion.

Namibia's mobile phone network population coverage has increased exponentially to 95.0 per cent since the 1990s, while subscriptions are recorded at 119.16 per 100 inhabitants. Namibia has successfully implemented the Digital Terrestrial Television (DTT) migration from analogue to digital television as required by the Telecommunications Union and DTT coverage has increased to 74.4 per cent. FM coverage has been recorded at 78.0 per cent population coverage. With DTT access to radio has been made more available to the nation. Not only has Namibia met the deadline, but also the international target where the country is among the top 3 in the region to have met the deadline of migrating from analogue to digital.

6.1.1 Internet users

In terms of internet users as per cent of population, Seychelles and South Africa, respectively, had the highest within the SADC region, having recorded above 50 per cent. On their tails are countries such as Mauritius, Botswana and Eswatini, respectively. Although Namibia has the 7th highest average, data reveals an encouraging significant increase in 2016, which is more than double the 2013 percentage of the total population. This is attributable to availability of increased internet services across the country.

Table 28: Internet users, total (% of population)

Country	2013	2014	2015	2016	Average
Angola	8.9	10.2	12.4	13	11.1
Botswana	30	36.7	37.3	39.4	35.9
Comoros	6.5	7	7.5	7.9	7.2
Congo (Democratic Republic of the)	2.2	3	3.8	6.2	3.8
Eswatini (Kingdom of)	24.7	26.2	25.6	28.6	26.3
Lesotho	15	22	25	27.4	22.4
Madagascar	3	3.7	4.2	4.7	3.9
Malawi	5	5.8	9.3	9.6	7.4
Mauritius	40.1	44.8	50.1	52.2	46.8
Mozambique	7.3	9.2	16.9	17.5	12.7
Namibia	**13.9**	**14.8**	**25.7**	**31**	**21.4**
Seychelles	50.4	51.3	54.3	56.5	53.1
South Africa	46.5	49	51.9	54	50.4
Tanzania (United Republic of)	4.4	7	10	13	8.6
Zambia	15.4	19	21	25.5	20.2
Zimbabwe	15.5	16.4	22.7	23.1	19.4

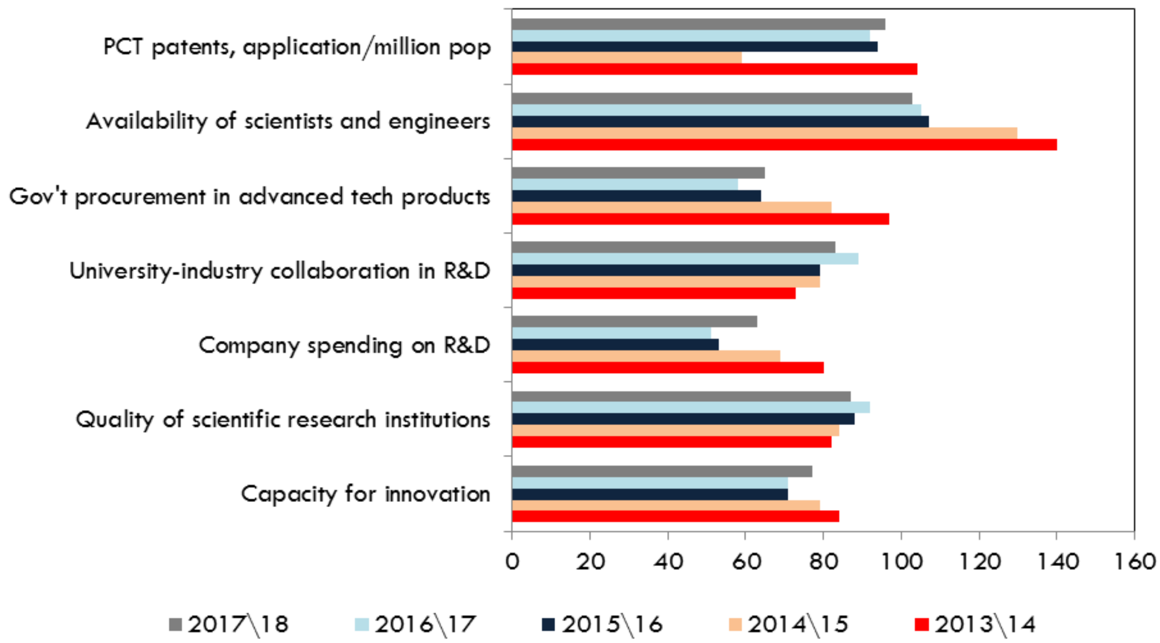
Source: http://hdr.undp.org/en/data#

6.2 Innovation, research and development

Innovation, research and development have continued to be a vital focus area for economic development as articulated in the Fifth National Development Plan (NDP5). Globally, Namibia is ranked 90th among 137 countries from being 84th out of 138 countries in the Global Competitiveness Index 2017/2018. The rankings deteriorated with six places in Namibia's overall position. In Sub-Sahara Africa (SSA), Namibia is ranked 5th as one of five competitive economies in SSA, the others being Mauritius (1st), Rwanda (2nd), South Africa (3rd), Botswana (4th), respectively.

The figure below portrays the analysis of the innovation in the country to achieve satisfactory competitive and knowledgeable economy. Namibia's ranking in the innovation category weakened with 4 points in 2017/18. The country ranked 78 out of 137 in 2017/18 from being ranked 74 out of 138 in 2016/17. The ranking deteriorated due to negative changes in the innovation pillars attributed by fluctuation in the capacity for innovation, company spending on research and development, Patent Cooperation Treaty (PCT) patents application and government procurement. These three pillars play an important role in increasing productivity through marketing and distribution by increasing the value of products and services. Despite weak performance in innovation, the country moderately performed well in the quality of scientific research institutions and university-industry collaboration in R&D.

Figure 18: Performance of Innovation pillar category



Source: WEF Global Competitiveness Report 2017\18

6.3 Accelerating poverty reduction

Poverty reduction is a key priority for Namibia's socio-economic development aspiration as is the case for most developing countries. According to NSA (2017) poverty is the number of people who are unable to command sufficient resources to satisfy basic needs. Although Namibia has been classified by the World Bank as an upper middle income country (UMIC) since 2009, however, this status masks extreme poverty as well as income inequality and general standard of living and quality of life (NPC, 2015). According to Namibia Household Income and Expenditure Survey (NHIES) 2015/16, about 17.4 per cent of the population was poor, indicating a significant decrease of 11.4 per cent from 2009/10, while 10.7 per cent of the population was severely poor compared to the 15.4 per cent recorded in 2009/10.

The goal of NDP5 is to reduce poverty to 10.0 and 5.0 per cent for the poor and severely poor population respectively. Vision 2030 challenges the country to reduce poverty by ensuring that all Namibians enjoy access to safe drinking water, comprehensive health services, housing, sanitation and other basic services. Making poverty reduction a priority is therefore crucial. It is believed that growth in the economy helps people move out of poverty; however economic growth alone does not guarantee poverty reduction. Economic growth and poverty reduction do not change one on one. Between 2010 and 2016 for instance, when overall poverty reduction of 11.4 per cent was observed, while the economy grew by 4.5 per cent on average.

Table 29: Incidences of poverty, poverty reduction and economic growth

Years	Poverty incidence %		Poverty Reduction %		Economic growth rate %
	Poor	Severely poor	Poor	Severely poor	
2003/04	37.5	21.8			8.3
2009/10	28.8	15.4	-8.7	-6.4	3.2
2015/16	17.4	10.7	-11.4	-4.7	3.5

Source: NSA-NHIES 2015/16 and Annual National Accounts 2017

The estimates in the table above suggest that poverty has decreased over the past five years, if the trend continues like this there is hope of achieving the goals of our development plans. The Namibian government has always put reducing poverty top on the list of many social issues in the country. It is evidence that since independence Namibia has placed a high priority on using public resources to address poverty, inequality and other social policy objectives, education, health, social security, housing, and other social programs routinely receive more than half of the government spending (NSA, 2016).

6.3.1 Social Safety Nets

Social safety nets are defined as non-contributory transfers provided to people vulnerable to or living in poverty and other forms of deprivation (Banerji and Gentilini, 2013). Herein, in light of efforts to ensure poverty reduction, among others, Namibia has put in place a robust social safety net programme. To this end, Namibia has a number of cash transfers for vulnerable groups including the elderly, war veterans, the disabled, and orphans and vulnerable children (OVC). These are complemented by in-kind transfers largely towards health and education as well as indirect subsidies. All these programmes are aimed at eradicating poverty and improving living standards of the targeted groups and they play a positive role in reducing poverty amongst Namibians.

These programmes have played a positive role in improving the standards of living of different segments of the population by keeping children in school and reducing cases of hunger. Despite all the effort, slowing economic growth poses a threat on reaching the targets of NDP5 and Vision 2030. GDP growth has not generated many jobs and the high rate of unemployment might hike up poverty, non-inclusive growth to date proves to be one of the obstacles to reducing poverty. With poverty incidences still high in female-headed households registering 19.2 per cent compared to the male-headed households with 15.8 per cent. Poverty is also higher among the rural population than in urban. This proves that although the government is trying to eradicate poverty and economic growth has helped reduce poverty, only a small segment of the population has benefited from this. Hence it is very important to ensure inclusive, equitable and just growth to improve living standards of all.

A detailed list and accompanying descriptions of each of these programmes which are offered by the Government through various Offices / Ministries / Agencies (OMAs) to eradicate poverty is presented in *Annexure (Annex 2)*.

6.4 Furthering increased income equality

6.4.1 Income inequality – Gini-coefficient

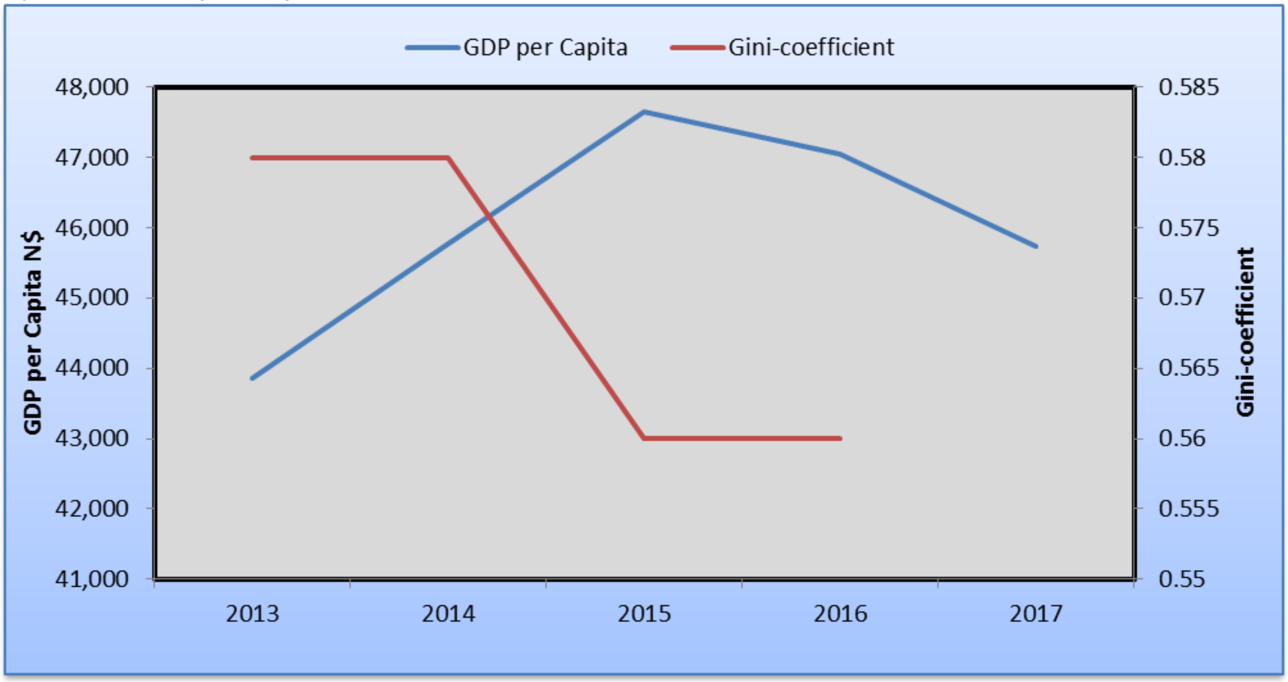
Gini-coefficient is the most commonly used measure of income inequality, which varies between 0 (reflecting complete equality) and 1 (indicating complete inequality, where one person has all the income or consumption, all others have none) (World Bank). Namibia has made progress in reducing income inequality; nonetheless the level at which it has been reducing is very slow and hence income inequality remains stubbornly very high. At 0.56 Gini-coefficient, Namibia is still very far from achieving the NDP5 and Vision 2030 goals of reducing inequality (Gini-coefficient) to 0.500 and 0.3 respectively.

Vision 2030 goal was to be realized through attainment of at least 3.0 percent annual reduction, however, data indicates that between 2009/10 and 2015/16; the reduction has been a mere 0.6 per cent, which is below 1.0 percent average per year. With only just over twelve (12) years to the year 2030, the very slow reduction suggests that the achievement of Vision 2030 target remains clearly out of reach. Increasing income equality is achievable when economic growth is inclusive of all the segments of the population. Although Namibia experienced close to 4 per cent average growth in the review period, it has been noted to be jobless growth given that the number of new jobs created did not match the economic growth. This, did not aid both poverty reduction and income inequality challenges.

GDP per capita is in the simplest terms average income per person in an economy which is calculated using real GDP (N$) divided by the population. Thus, both economic and population growth affects the GDP per capita. For as long as population grows more (less) than economic growth, GDP per capita will be depressed (high).

Closer analysis between real GDP per capita (GDP or income per person) and income inequality (Gini-coefficient) indicate that during the review period, some progress, albeit negligible, was achieved. Real GDP per capita growth averaged 1.6 per cent annually, while the income inequality as measured by the Gini-coefficient reduced marginally by an annual average of 0.6 per cent between 2009/10 and 2015/16. It is also evident that high GDP per capita somewhat correlates to a reduction in income inequality. To this end, in 2015, when GDP per capita was highest reaching N$47,648 during the review period, Gini-coefficient declined from 0.58 to 0.56 (figure 19).

Figure 19: GDP per Capita vs Gini-coefficient from 2013 to 2017



Source: NSA- National Accounts, NHIES 2015/2016

Although the data shows an upward trend for GDP per capita and a downward trend for the Gini-coefficient, it is evidently clear that the level of income inequality still very high and given the high unemployment rate currently, instead of reducing income inequality, it may be exacerbated. High unemployment, as is currently the case in Namibia, is one of the challenges, among others, that halts or slows down the reduction in income inequality to expected levels. It is therefore important to ensure that the priority should not only be geared towards ensuring overall economic growth as it is equally important to take into account income distribution.

To be able to achieve and maintain equal and just distribution of income, the growth experienced in the economy needs to be inclusive, that is, benefit all segments of the population. This inclusive growth can be achieved by ensuring among others, that the needs of both the young and old in all areas (rural and urban) of the country are met. Namibia has fast growing labour force, which needs to be catered for to be able to tackle the issue of unequal distribution of income, the unemployed do not benefit from the growth in the economy this hikes up poverty and inequality. NDP5 policy stance calling for more investment and modernisation of subsistence agriculture will go a long way in increasing employment, productivity and incomes in the sector, thus contributing to increased income equality. Value addition to agriculture produce will not increase demand for agricultural produce but will curb wastages throughout the production value chain and promote efficiencies in the production system.

6.4.2 Income inequality – Quintile Ratio

The quintile ratio measure of income inequality is simply the ratio of the average income of the richest 20 per cent of the population to the average income of the poorest 20 per cent of the population (UN). Within SADC: South Africa, Botswana, Lesotho and Namibia, respectively, registered the highest above 20.0 ratios. The quintile ratio of 20.3 for Namibia suggests very high income inequality where on average; the income of the richest 20.0 per cent is 20.3 times more than that of the poorest 20.0 per cent. Mauritius, Tanzania and Zimbabwe, respectively, recorded the lowest quintile ratios. This is clearly indicating that, on average, the richest 20.0 per cent is taking a significantly less share of the poorest' share compared with countries with the highest quintile ratios.

Table 30: Income Inequality in SADC Countries

Country	Income inequality		
	Quintile ratio	**Palma ratio**	**Gini coefficient (%)**
	2010-2015	**2010-2015**	**2010-2015**
Seychelles	9.8	2.6	46.8
Mauritius	5.9	1.5	35.8
Botswana	22.9	5.8	60.5
South Africa	27.9	7.1	63.4
Namibia*	**20.3**	**5.8**	**57.0**
Zambia	16.0	4.3	55.6
Eswatini	14.2	3.5	51.5
Angola	8.9	2.2	42.7
Tanzania (United Republic of)	6.2	1.7	37.8
Zimbabwe	8.5	2.2	43.2
Madagascar	8.6	2.1	42.7
Comoros	..	..	..
Lesotho	20.5	4.3	54.2
Malawi	9.6	2.6	46.1
Congo (Democratic Republic of the)	8.7	2.1	42.1
Mozambique	9.9	2.5	45.6

Source: hdr.undp.org/sites/.../tables_1-15_6a_dashboard1_dashboard2_online_version.xlsx
**Namibia: Gini-coefficient – NHIES data (NSA)*

6.4.3 Income inequality – Palma Ratio

In addition to the widely used Gini-coefficient, the other measure of income inequality which has become prominent in recent years is the Palma Ratio which is simply the ratio of national income shares of the top 10.0 per cent of households to the bottom 40.0 per cent. The Palma ratio is, in other words, a ratio of the richest 10.0 per cent of the population's share of gross national income (GNI) divided by the poorest 40.0 per cent's share. It is based on economist José Gabriel Palma's empirical finding that difference in the income distribution of different countries (or over time) is largely the result of changes in the 'tails' of the distribution (the poorest and the richest) as there tends to be relative stability in the share of income that goes to the 'middle' (Cobham et al, 2015).

The Gini-coefficient weighs changes to the income distribution just the same, that is, whether they happen at the top, at the bottom or in the middle of the income scale. The Palma ratio, on the other hand, specifically measures only changes to the distribution of income if it either affects the lowest earners or the highest earners and therefore is often seen as relating better to the common understanding of inequality.

Cobham and Sumner (2013) assert that the Gini-coefficient is almost completely explained by only two points of the distribution, the same income shares which determine the Palma ratio. Put differently, it thus appears that both the Gini and the Palma, in practice, summarize the same information about the income distribution: but only in the case of the Palma is this explicit. This finding, as they argue, makes the Palma a more useful (and intuitive) measure of inequality for policymakers and citizens to track as opposed to the Gini. However, both the Gini-coefficient and the Palma ratio seem to be in agreement in so far as the interpretation of the magnitude is concerned. In other words, the higher the Gini-coefficient or the Palma ratio, the higher is the income inequality for a given economy.

During the period 2010-2015, two extremes are observed within SADC. On the lower extreme, Mauritius and Tanzania, respectively, recorded the lowest Palma ratios below 2. South Africa, Namibia and Botswana, respectively, occupy the higher extreme and as such had the highest Palma ratios. Specifically, Namibia's Palma ratio of 5.8 literally implies that the top/richest 10.0 per cent is grabbing 5.8 times the income of the bottom 40 percent. This suggests a very high income inequality situation in Namibia.

6.5 Mainstreaming Gender in Economic Policy

Gender mainstreaming has been embraced internationally as a strategy towards realising gender equality. It involves the integration of a gender perspective into the preparation, design, implementation, monitoring and evaluation of policies, regulatory measures and spending programmes, with a view to promoting equality between women and men, and combating discrimination.

It is therefore important to note that the key international gender-specific human development indicators are the Gender Development Index (GDI) and the Gender Inequality Index (GII) (UNDP, 2018). However, the GDI is not a measure of gender inequality, but rather a measure of gender disparities in the HDI, while the GII is concerned with inequalities between men and women.

6.5.1 Gender Development Index (GDI)

In the 2014 Human Development Report, introduced a new measure, the Gender Development Index (GDI), based on the sex-disaggregated Human Development Index (HDI), defined as a ratio of the female to the male HDI. The GDI measures gender inequalities in achievement in three basic dimensions of human development: health (measured by female and male life expectancy at birth), education (measured by female and male expected years of schooling for children and mean years for adults aged 25 years and older); and command over economic resources (measured by female and male estimated Gross National Income (GNI) per capita) (UNDP, 2018). This means that the grouping takes into consideration inequality in favour of men or women equally.

Table 31: Gender Development Index for SADC countries

Country	**2013**	**2014**	**2015**	**2016**	**2017**
Botswana	0.99	0.992	0.979	0.979	0.976
Comoros	0.869	0.871	0.874	0.874	0.876
Congo (Democratic Republic of the)	0.807	0.82	0.833	0.845	0.852
Eswatini (Kingdom of)	0.943	0.945	0.945	0.944	0.943
Lesotho	1.009	1.011	1.01	1.005	1.004
Madagascar	0.942	0.943	0.943	0.962	0.962
Malawi	0.92	0.927	0.933	0.936	0.936
Mauritius	0.959	0.963	0.965	0.967	0.968
Mozambique	0.901	0.903	0.904	0.904	0.904
Namibia	**0.994**	**1.003**	**1.003**	**1.012**	**1.014**
Seychelles	No data				
South Africa	0.983	0.986	0.984	0.984	0.984
Tanzania (United Republic of)	0.945	0.926	0.924	0.929	0.928
Zambia	0.926	0.933	0.935	0.939	0.941
Zimbabwe	0.931	0.926	0.922	0.923	0.924

Source: http://hdr.undp.org/en/data#

In 2017, the GDI was recorded for 164 countries worldwide. Within SADC: Namibia, Lesotho and South Africa, respectively, have the highest GDI values. This, places these countries in group 1[10]

[10] UNDP classifies different countries according to the following five (5) groups, based on their respective HDI achievements:

with high equality in HDI achievements between women and men for whom the absolute deviation is less than 2.5 per cent. Table 30 shows Namibia's GDI for 2017 relative to selected countries and groups. The table further reflects comparisons for Namibia compared to neighbouring countries Botswana and South Africa as well as Sub-Saharan Africa and the average for medium HDI countries.

Table 32: Namibia's Gender Development Index for 2017 relative to selected countries and groups

	Life expectancy		Expected years of schooling		Mean years of schooling		GNI per capita		HDI values		F-M ratios
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	GDI value
Namibia	67.7	61.8	12.4	12.2	7.2	6.6	8,895	9,907	0.651	0.642	1.014
Botswana	70.2	64.9	12.8	12.5	9.2	9.5	12,613	18,521	0.707	0.725	0.976
South Africa	67.0	59.9	13.7	13.1	9.9	10.4	9,060	14,894	0.692	0.704	0.984
Sub-Saharan Africa	62.4	59.0	9.5	10.6	4.7	6.5	2,763	4,034	0.506	0.567	0.893
Medium HDI	71.1	67.2	12.2	11.8	5.6	7.9	3,673	9,906	0.598	0.680	0.878

Source: Human Development Indices and Indicators 2018 Statistical Update

The 2017 female HDI value for Namibia is 0.651 in contrast with 0.642 for males, resulting in a GDI value of 1.014, placing it into Group 1, while the GDI value for Sub-Saharan Africa overall is 0.893. The value for Botswana is 0.976 and for South Africa is 0.984. It must be remembered, however, that the GDI is based on a very limited set of indicators – and women generally have a longer life expectancy than men worldwide, which is due at least in part to biological differences between the sexes.

It should be noted that Namibia's gender development index being classified in Group 1 with high equality in HDI achievements between women and men (absolute deviation of less than 2.5

- Group 1 countries have high equality in HDI achievements between women and men: absolute deviation less than 2.5 percent;
- Group 2 has medium-high equality in HDI achievements between women and men: absolute deviation between 2.5 percent and 5 percent;
- Group 3 has medium equality in HDI achievements between women and men: absolute deviation between 5 percent and 7.5 percent;
- Group 4 has medium-low equality in HDI achievements between women and men: absolute deviation between 7.5 percent and 10 percent; and
- Group 5 countries have low equality in HDI achievements between women and men: absolute deviation from gender parity greater than 10 percent.

per cent), the country is doing very well compared to its peers within the sub-Saharan African region.

6.5.2 Gender Inequality Index (GII)

The 2010 Human Development Report (HDR), UNDP Human Development Reports Office (HDRO) introduced the GII, which reflects gender-based inequalities in three dimensions – reproductive health, empowerment, and economic activity which are measured as follows:.

- reproductive health is measured by maternal mortality and adolescent birth rates;
- empowerment is measured by the share of parliamentary seats held by women and attainment in secondary and higher education by each gender; and
- economic activity is measured by the labour market participation rate for women and men.

The GII can be interpreted as the loss in human development due to inequality between female and male achievements in the three GII dimensions. It ranges from 0, where women and men fare equally, to 1, where one gender fares as poorly as possible in all measured dimensions. During 2017, Mauritius, South Africa, Botswana, and Namibia, respectively, had the lowest GIIs which suggest lesser gender inequalities within the SADC region. As a result, Namibia was ranked 115th out of 160 countries (among the top 72 per cent globally) with a GII value of 0.472. UNDP (2018) attributes Namibia's rank to the following factors:

- 36.3 per cent of parliamentary seats are held by women;
- 39.9 per cent of adult women have reached at least a secondary level of education compared to 41.0 per cent of their male counterparts;
- For every 100,000 live births, 265 women die from pregnancy related causes; and the adolescent birth rate is 73.8 births per 1,000 women of ages 15-19; and
- Female participation in the labour market is 58.5 per cent compared to 65.2 for men.

Table 33: Gender Inequality Index for SADC countries

Country	**2013**	**2014**	**2015**	**2016**	**2017**
Botswana	0.469	0.452	0.445	0.435	0.434
Congo (Democratic Republic of the)	0.642	0.652	0.655	0.652	0.652
Eswatini (Kingdom of)	0.58	0.576	0.573	0.57	0.569
Lesotho	0.552	0.548	0.548	0.54	0.544
Malawi	0.612	0.624	0.623	0.621	0.619
Mauritius	0.359	0.353	0.376	0.374	0.373
Mozambique	0.573		0.56	0.552	0.552
Namibia	**0.5**		**0.473**	**0.472**	**0.472**
South Africa	0.405	0.4	0.396	0.389	0.389
Tanzania (United Republic of)	0.55	0.547	0.542	0.538	0.537
Zambia	0.562	0.561	0.546	0.519	0.517
Zimbabwe	0.531	0.534	0.54	0.537	0.534

Source: http://hdr.undp.org/en/data#

In comparison, Botswana, Mauritius and South Africa are ranked at 98, 84 and 90 respectively on this index. In conclusion, Namibia's gender inequality index value is still high compared to that of its peers Botswana, Mauritius and South Africa. Although it performed better than sub-Saharan Africa and the Medium HDI (*table 34*), a lot needs to be done to transform the noted inequalities as suggested by this index. In other words, Namibia should do more to reduce maternal mortality, adolescent birth rate and improve transition from primary to secondary education for both females and males.

Table 34: Namibia's Gender Inequality Index (GII) for 2017 relative to selected countries and groups

	GII value	GII Rank	Maternal mortality ratio	Adolescent birth rate	Female seat in parliament (%)	Population with at least some secondary education (%)		Labour force participation	
						Female	Male	Female	Male
Namibia	0.472	115	265	73.8	36.3	39.9	41.0	58.5	65.2
Botswana	0.434	98	129	30.0	9.5	88.8	89.6	65.6	78.4
Mauritius	0.373	84	53	26.6	11.6	64.3	67.3	45.1	72.7
South Africa	0.389	90	138	42.8	41.0	74.2	77.4	47.9	62.0
Sub-Saharan Africa	0.569	-	549	101.3	23.5	28.8	39.2	65.2	74.0
Medium HDI	0.489	-	176	41.3	21.8	42.9	59.4	36.8	78.9

Source: Human Development Indices and Indicators 2018 Statistical Update

6.6 Accelerating access to services

Access to decent housing, basic amenities like clean water, sanitation, and electricity, and essential services like health care and education are crucial for creating an environment that is conducive to productive activity and economic inclusion. Conversely, in extreme cases, a lack of access to services may constitute a challenging barrier to economic participation and integration into the modern economy. This is particularly true for the poor and the economically vulnerable among whom a lack of access to the amenities and essential services that are required to meet basic needs often leads to further exclusion from the economic mainstream. By analysing percentage of the population with access to basic amenities, this section therefore, seeks to provide an insight specifically at the extent of access to different types of housing, clean water and sanitation, electricity for lighting and the physical distance from essential service providers, by making use of the NHIES 2015/16 data.

6.6.1 Housing

In Namibia, types of dwelling vary across the country. Currently, about 32.0 per cent of households live in traditional dwellings compared to about 39.3 per cent of households living in modern households (modern households in this analysis include detached houses, semi-detached household/town houses and apartments). Most traditional households, about 66.0 per cent, are found in rural areas while the majority of modern houses, about 55.0 per cent, are in urban areas. In addition, about 20.0 per cent of households live in improvised dwellings. In urban areas 29.6 per cent of households are improvised dwellings while 9.1 per cent reside in rural areas.

Table 35: Percentage of households by dwelling type

Type of Housing	2009/10	2015/16	Change
Modern housing	41.4	39.2	-2.2
Tradition housing	31.3	32.9	1.6
Improvised housing	23.8	20.2	-3.6

Source: NHIES 2015/2016, NSA

Between 2009/10 and 2015/16, the percentage of households living in improvised dwellings fell by -3.6, while traditional housing increased by shortly about 2 per cent. Improvised housing structures and traditional dwellings not only offer less shelter and security than formal housing, but are also endowed with fewer amenities. Moreover, non-formal housing structures are mainly located on the edge of villages and cities than formal dwellings, meaning that their inhabitants would also be further away from essential services and the activities of the modern economy.

6.6.2 Drinking water and electricity

About 84.0 per cent of the households cited that piped water is their main source of drinking water, while about 7.0 per cent use boreholes or protected wells as main sources of drinking water. As remarkable as this may be, it is typically an urban area phenomenon. To this end, about 98.0 per cent of households in urban areas have access to safe drinking water, while this statistics stand only at about 69.0 per cent for rural areas. Access to clean drinking water cannot be compromised for all individuals across their areas of dwelling. A bigger part of household population in rural areas, about 16.0 percent still use stagnant and flowing waters as main source of drinking water, which poses unwanted health risks.

Table 36: Households main sources of drinking water

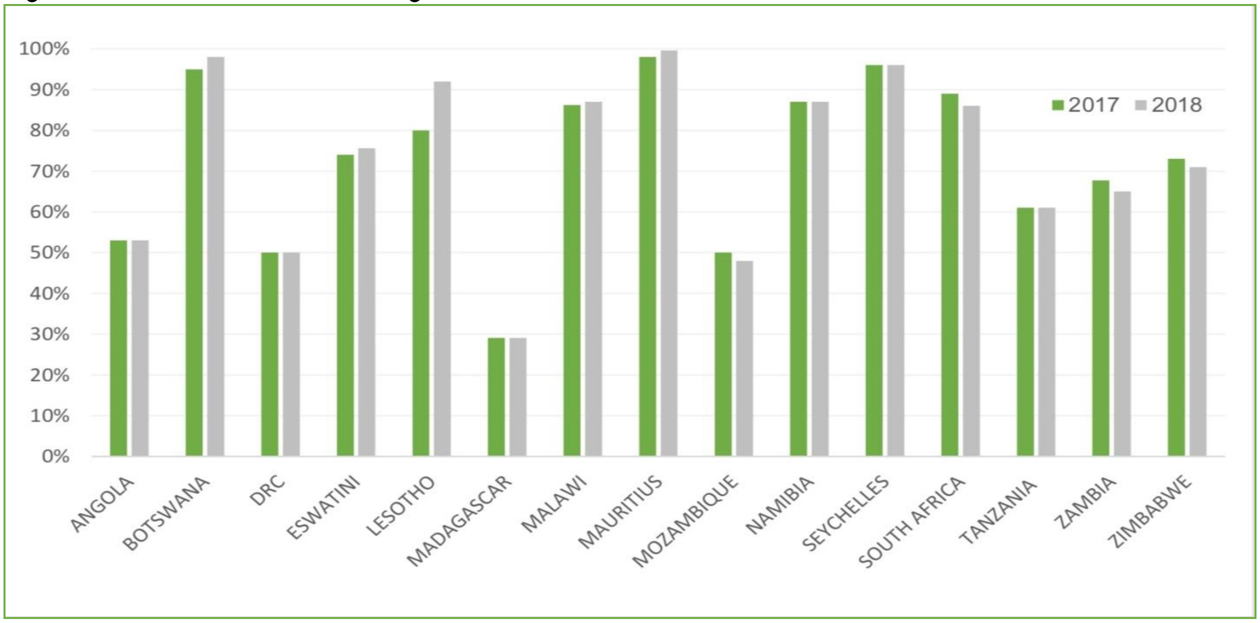
	2009/10			2015/16		
	Piped Water	**Protected Boreholes**	**Stagnant/ Flowing water**	**Piped Water**	**Protected Boreholes**	**Stagnant/ Flowing water**
Namibia	75.3	8.4	16.3	84.4	7.5	8.1
Urban	98.9	0.1	1	97.7	0.6	1.6
Rural	57.2	14.7	28	68.8	15.7	15.6

Source: NHIES 2015/2016, NSA

Improvements are evidently noticeable between the two periods in terms of number of households with access to piped water as well flowing water, especially for the rural areas. However, the statistics regarding population with unsafe drinking water (stagnant flowing water) are alarming and thus require urgent attention. Rural water distribution programs should be urgently and fully implemented to ensure that affected households lead an improved quality of life.

Globally, one of the Sustainable Goals (SDGs), specifically goal 6, is about clean water and sanitation whose target is by 2030; *achieve universal and equitable access to safe and affordable drinking water for all*. At the SADC regional level, the 2018 member states' assessment reports reveal that the proportion of households with safe drinking water is relatively high, ranging from 50.0 to 99.6 per cent. Furthermore, across SADC, generally, the proportion of households with safe drinking water has remained static between 2017 and 2018 for all but Lesotho which increased significantly from 80.0 to 92.0 per cent. Namibia's proportion remained stationary at close to 90.0 per cent between 2017 and 2018 whereas Angola, DRC, Madagascar and Mozambique have proportions of 55.0 per cent or less. The lower proportion recorded in some of these countries suggest the likely non-achievement of the Sustainable Development Goal (SDG) of ensuring that all have equitable access to safe drinking water by 2030.

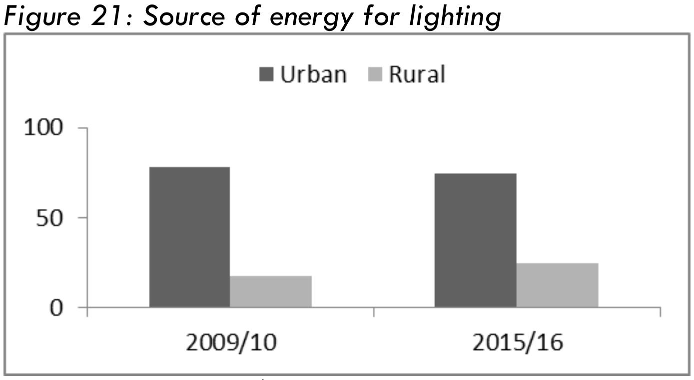
Figure 20: Access to safe drinking water in SADC



Source: SADC (2018)

Similar to the case for clean water, access to electricity (grid electricity and solar energy) in Namibia varies considerably between urban and rural areas and the extent of variation in access to electricity for lighting between areas is more pronounced than it is for access to clean water.

Figure 21: Source of energy for lighting

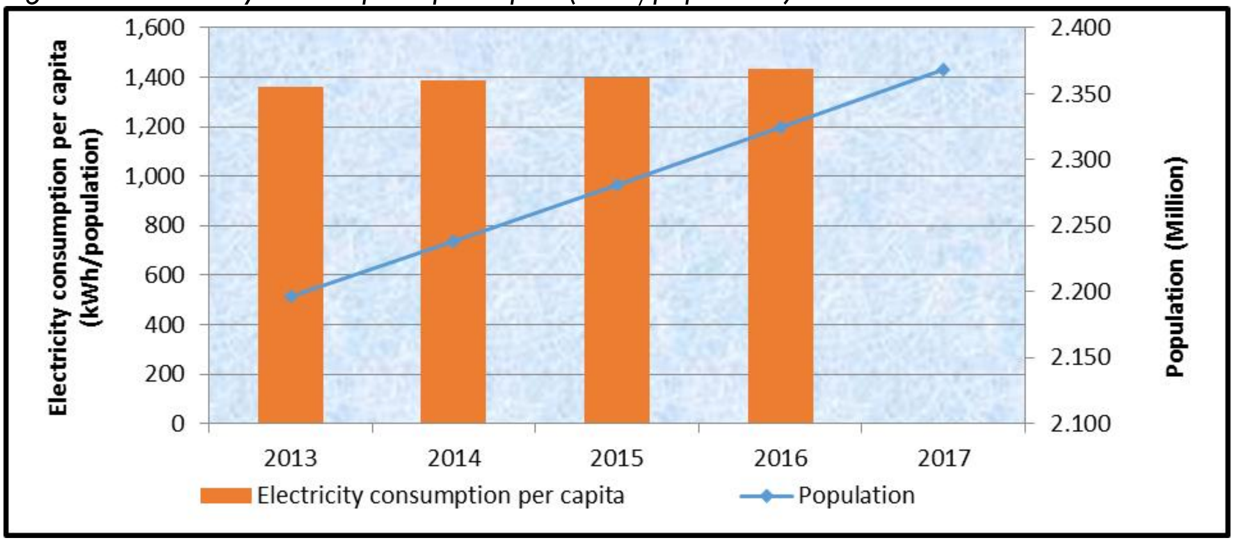


Source: NHIES 2015/2016, NSA

Although in Namibia electricity for lighting is accessible to about 51.6 per cent of households, it is highest in urban areas to 74.6 per cent, while only 24.4 per cent of the rural households do. Using electricity for lighting is considered safer than using candles or paraffin. Rural areas electrification programs therefore need to ensure that households can easily access energy, especially for lighting, as it is a safer method.

In addition to access to electricity, generally, electricity consumption per capita (kWh/population) which is simply the average kilowatt-hours (kWh) of electricity consumed per person per year in a particular country (ECB, 2017) has been increasing during the review period as can evidently be seen in the figure below. This noted increase in consumption per capita bodes very well with social development Namibia seeks to achieve.

Figure 22: Electricity Consumption per capita (kWh/population)



Source: NPC's own construct using data from NSA Population Projections and ECB's Statistical Bulletins

6.6.3 Distance to Health and Education facilities

One of the primary measures of access to basic services is the distances travelled to them. Basic services such as hospitals and schools, which are encompassed into the universal health coverage and universal education for all initiatives globally, have to be brought closer to people for ease of access. It is not advisable that pupils won't attend school because of long distance nearest school or members of the communities cannot access health care because health services are far from reach.

Table 37: Distance to health and education services (% of households)

	2009/10			**2015/16**		
Distance to nearest hospital/clinic						
	0 - 5 Km	**6 - 25 Km**	**26 - 40+ Km**	**0 - 5 Km**	**6 - 25 Km**	**26 - 40+ Km**
Namibia	66.2	22.8	10.9	65.1	21.1	8.2
Urban	93.1	6.8	0.1	86.4	8.0	0.4
Rural	45.6	35.1	19.3	40.1	36.6	17.6
Distance to nearest primary school						
	0 - 5 Km	**6 - 25 Km**	**26 - 40+ Km**	**0 - 5 Km**	**6 - 25 Km**	**26 - 40+ Km**
Namibia	82.8	9.6	7.6	81.9	7.6	6.1
Urban	97.2	2.8	0.1	92.3	2.9	0.8
Rural	71.8	14.7	13.3	69.6	13.1	12.3

Source: NHIES 2015/2016, NSA

Distance to essential services is fundamentally very large, especially in rural and isolated areas. In comparison, for example, while only about 1.0 per cent of households in urban areas live about 26 – 40+ kilometre (km) away from both health and education services, there is about 17.6 and 12.3 per cent of households who are living within the same said distance to health and education services, respectively, in rural areas. Evidently, access to essential services is therefore concentrated in urban areas than in rural areas. Overall, the figures between 2009/10 and 2015/16 suggest that there has been a noted decline in the proportion of households travelling to the nearest hospital or primary school thereby implying a marked improvement in terms of access to health and education facilities between the two periods.

In conclusion, the developments presented in this chapter, such as increase in mobile phone network population and FM coverage, Namibia's migration from analogue to digital, 5th ranked most competitive economy in SSA, 7th highest average in terms of internet usage within SADC, significant poverty reduction, robust social safety nets programme, close to 90 per cent of population currently have access to water, among others, speak to this Chapter's theme: ***"Unlocking the potential of social transformation agenda."***

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

During the five-year review period, the global economy, maintained its above 3.0 per cent average growth supported by Advanced Economies (AE) and Emerging Markets and Developing economies (EMDE).

Sub-Saharan Africa, on the other hand, although experienced a growth slowdown in 2016, it has somewhat stabilised and is projected to keep growth momentum in the upward trajectory towards its historical above 3.0 per cent in the medium term. SSA's growth has been supported by marked recovery in the three largest economies: Angola, Nigeria and South Africa.

Although the domestic (Namibian) economy recorded an average growth closer to 4.0 per cent during the review period, the growth trend somewhat appears to closely mirror that of the sub-Sahara African region and peers within the region. This is not surprising considering that SSA economies are predominantly commodity-based face similar challenges whenever they experience depressed commodity prices especially for those that have rich resource endowments. Namibia must strive to improve value-addition to its rich mineral endowments in view of exporting finished products which will ultimately increase revenue, boost foreign exchange earnings, among others.

In respect of fiscal developments, the expenditure-to-GDP ratio seems to have been contained within the national threshold of 40.0 per cent, especially in the last two years of the review period. This clearly indicates that the ongoing corrective measure, that is, fiscal consolidation has somewhat yielded expected results. However, the same cannot be said about debt-to-GDP ratio and budget balance-to-GDP ratio. Although the debt-to-GDP ratio is below the SADC convergence target, for the entirety of the review period, it remained above the national threshold in the three later years hence the need to create buffers / optimal spending in key growth driving sectors of the economy. Budget balance-to-GDP ratio

Trade balance deficit, has shown signs of narrowing which bodes very well for the country's external/trade sector. However, the country should promote value-addition especially to agricultural, fishery, and mineral resources for export markets which will undoubtedly make a significant dent on the current ballooning trade deficit.

International reserves appear to be on the right track in respect of being above the international threshold of 3.0 import coverage as well as gearing closer to SADC convergence target of 6.0 months import coverage.

On the social development sphere, the triple evils of income inequality, poverty and unemployment still persists in the Namibian economy. To this end, income inequality although has been reducing, albeit marginally. However, whether using the Gini-coefficient, Quintile or the Palma ratio measures, income inequality remains among the highest globally hence the need for renewed vigour to address the issue. Unemployment too, on the other hand, remains at its highest level in recent years which requires urgent revitalization through employment creation projects which bodes well for the achievement of poverty reduction and income equality goals. Poverty reduction is one where some progress has been made between 2009/10 and 2015/16, although it is still high. However, recent data suggest that for the review period, over half a million people are food insecure in Namibia.

The health sector has recently realised declines, albeit marginally, in infant mortality, crude birth and total fertility rates which suggests overall improvement for the sector. However, undernutrition among children below five years of age appears to be a challenge given that 24, 13 and 6 per cent are reported to be stunted, underweight and wasted, respectively. Furthermore, malaria incidence has somewhat increased. There is thus a need to address these challenges.

Although Namibia is currently experiencing economic downturn, notable progress has been made in respect of economic performance i.e. fiscal indicators (declining expenditure, budget balance and debt to GDP ratios), external sector (improvement in balance of payments, narrowing of trade balance, increase in foreign reserves). Moreover, progress has been noted in view of social developments (reduction in poverty and income inequality, albeit marginally) among others. In summary, Namibia has experienced economic progression and social transformation over the review period, however of recent is faced with critical challenges among other, slow economic growth, high unemployment, constrained fiscal space hence Namibia need to "***navigate through challenging economic climate***" by putting in place targeted strategies.

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Appendix

Annex 1: Middle case scenario GDP growth projections (%) – Supply side

	2017	2018	2019	2020	2021	2022
Agriculture and forestry	12.6	3.6	3.0	1.7	2.4	2.1
Livestock farming	13.7	3.1	2.9	0.7	2.3	2.0
Crop farming and forestry	11.0	4.3	3.1	3.0	2.5	2.3
Fishing and fish processing on board	1.3	-8.0	-3.6	-0.8	1.1	1.8
Mining and quarrying	12.8	10.6	7.5	2.9	3.3	3.6
Diamond mining	12.0	12.2	2.6	2.5	2.4	1.9
Uranium	23.4	26.2	22.5	3.0	3.0	5.5
Metal Ores	9.9	-4.8	9.2	4.3	6.4	6.8
Other mining and quarrying	4.3	-1.1	4.0	2.0	4.0	4.4
Primary industries	**10.6**	**5.7**	**4.7**	**2.1**	**2.8**	**3.0**
Manufacturing	1.3	-4.6	-1.8	0.5	0.3	3.7
Meat processing	-14.4	-5.6	-2.7	0.1	0.6	4.2
Grain Mill products	15.5	1.9	-0.6	2.9	3.2	6.7
Other food products	-4.6	-7.1	2.7	-1.6	-1.3	3.1
Beverages	-0.8	-4.9	-1.6	1.8	0.1	3.6
Textile and wearing apparel	-3.2	-2.5	-3.7	-0.3	0.0	3.4
Leather and related products	2.3	-0.3	-1.7	1.7	2.0	5.5
Wood and wood products	1.6	-4.2	-5.5	-2.1	-1.9	1.6
Publishing and Printing	-2.4	-6.7	-3.5	0.0	0.2	3.7
Chemical and related products	-5.7	-0.7	-2.6	0.8	1.1	4.6
Rubber and Plastics products	-9.1	-1.0	-1.3	2.2	2.4	5.9
Non-metallic minerals products	0.8	-5.9	-1.6	1.9	6.1	9.7
Basic non-ferrous metals	4.8	-13.7	-1.4	0.1	-1.6	1.8
Fabricated Metals	-6.5	-3.6	-3.6	-0.2	0.0	3.5
Diamond processing	14.6	6.8	-3.5	0.0	0.2	1.7
Other manufacturing	-2.4	-11.3	-7.1	-3.4	-3.2	-0.1
Electricity and water	1.8	3.2	1.9	1.6	1.8	5.8
Construction	-25.6	-8.8	-3.5	5.7	3.7	5.5
Secondary industries	**-6.7**	**-4.6**	**-1.7**	**1.8**	**1.3**	**4.4**
Wholesale and retail trade, repairs	-7.5	-4.9	-2.6	1.8	2.9	4.9
Hotels and restaurants	-1.1	-1.0	-1.3	1.2	3.8	4.6
Transport, and communication	0.8	0.9	0.8	2.0	2.3	5.8
Transport	1.4	-1.8	0.8	2.6	2.9	6.4
Storage	-4.7	-4.8	0.2	1.5	1.8	4.6

Post and telecommunications	2.1	5.6	1.0	1.7	1.9	5.6
Financial intermediation	2.8	2.4	1.8	3.0	3.2	4.5
Real estate and business services	0.9	2.2	1.1	2.0	1.4	1.8
Real estate activities	2.7	2.5	1.3	1.8	0.6	1.0
Other business services	-4.6	1.0	0.5	2.7	4.1	4.6
Community, social and personal service activities	-0.1	9.2	0.9	0.2	-0.8	0.9
Public administration and defence	0.3	-2.9	1.4	2.4	1.4	3.1
Education	-1.2	-2.9	2.0	1.6	2.2	3.9
Health	-1.3	-3.0	0.3	2.7	3.6	5.3
Private household with employed persons	1.0	-12.7	-3.4	-1.8	0.2	4.0
Tertiary industries	**-1.4**	**-1.4**	**0.4**	**2.0**	**2.2**	**3.9**
Less: Financial intermediation services indirectly measured	-0.2	2.4	1.8	3.0	3.2	4.5
All industries at basic prices	**-0.5**	**-0.8**	**0.8**	**2.0**	**2.2**	**3.8**
Taxes less subsidies on products	-5.5	-4.6	-3.7	-0.7	3.0	2.1
GDP at market prices	**-0.9**	**-0.8**	**0.8**	**2.0**	**2.2**	**3.8**

Annex 2: Social Safety Nets in Namibia

Safety net/Programme	Description
Old Age and Disability grant	The Ministry of Poverty Eradication and Social Welfare is mandated to remit an Old Age Grant to those that attained the age of 60 years; regardless of their employment status. The number of beneficiaries currently stands at 164,832, which is 93.69 per cent coverage of the old age population. Each beneficiary receives an amount of N$1,200.00 per month
Disability Grant	Disability Grant is available to all Namibia citizens that reached the age of 16 years and have been certified as disabled by a State Medical Officer. The number of beneficiaries currently stands at 39,193 , which is 74.20 per cent of the total disabled population. The disabled persons like the old age pensioners they receive N$1,200 per month.
War Veteran Grant	The purpose of financial assistance is to assist veterans of the liberation struggle to afford the basic necessities of life in order to sustain themselves and their families. The assistance is given to registered veterans. An eligible veteran receives N$2,200.00 per month, which may be increased from time to time.
Special maintenance Grant	Special Maintenance Grant is financial support that is designed specifically to assist Namibian children under the age of 16 with disabilities. It is a cash transfer of N$250 per month.
Maintenance Grant	The maintenance grant is financial assistance that is given to a parent with a child (ren) that are under the age of 18 whose spouse has died, this financial support is for the care of children. The cash transfer of N$ 250 is also available to parents raising children under 18 whose other parent is imprisoned for 6 months or more or parents who receive old age/disability grant.

Income generating activity (IGA) Grant	It is a grant in form of materials and equipment given to small community members to start up small businesses/projects it encourages community members to embark on economically viable projects that could be sustained in the long run.
Foster care Grant	Foster care grant is financial support that is given to someone who cares for a child who is not their biological child. This financial support is for the care of children.
Food Bank Programme	Food Bank is a Government initiative aimed at ending hunger and extreme poverty to the poor and vulnerable people in urban and peri-urban settings. The food bank programme is for all Namibian citizens who are living in extreme poverty, who are unemployed and are not beneficiaries of the above mentioned grants (cash transfer grants). However exceptions can be made for Pensioners, people living with disabilities and war veterans. The number of beneficiaries currently stands at 76,818 persons which translates into 17,879 households.