Economic Development Report 2022

"From Recovery to Resilience"

NATIONAL PLANNING COMMISSION
OFFICE OF THE PRESIDENT
NAMIBIA

Title: Economic Development Report 2022 – "*From Recovery to Resilience*"

Author: National Planning Commission (NPC)

Publisher: National Planning Commission (NPC), Private Bag 13356, Windhoek, Namibia

Year: 2024

How to cite this report: National Planning Commission. (2024). Economic Development Report 2022 – "***From recovery to resilience***" Windhoek, Namibia

Table of Contents

List of Figures

List of Tables

Executive Summary

The Economic Development Report (EDR, henceforth) remains one of National Planning Commission's annual flagship publications which presents a synopsis of socio-economic and sustainable developments at the global, continental [African Union (AU)], regional [Sub-Saharan Africa (SSA) and Southern African Development Community (SADC)]and domestic (Namibia) levels. The 2022 edition covers a five-year period spanning 2018 to 2022 and is themed *"From Recovery to Resilience."*

This EDR implemented the desk study approach and adopted secondary data from international [International Monetary Fund (IMF), World Bank (WB), World Health Organization (WHO), African Development Bank (AfDB), Southern African Development Community (SADC), etc.] and domestic sources [Namibia Statistics Agency (NSA), Ministry of Finance & Public Enterprises (MoFPE), Bank of Namibia (BoN), etc.)].

This EDR's main findings are briefly discussed below:

Global and regional economic outlook: *"Recovery imminent yet challenges linger"*

1. The global economy continues to recover, albeit gradually, from the ramifications of the Covid-19 pandemic, Russia-Ukraine conflict, and the cost-of-living crisis. The global economy grew by 6.3% and 3.5% in 2021 and 2022, respectively. The 2022 growth outturn was weighed down by the Russia-Ukraine conflict, high inflation and monetary policy tightening in major economies.

2. The global and regional (SSA) economies registered equal review-period average growths of 2.7% whereas growth at the continental level (Africa) averaged 2.8%. However, Africa's average real GDP growth slowed in 2022 owing to impacts of downside factors, including spillovers from rising geopolitical tensions, climate change risks, and the lingering impacts of the COVID-19 pandemic, which have been amplified by tightening global financial conditions and the associated increase in domestic debt service costs.

3. Developments on the inflation front suggest that inflation has been rising between the start and end-of-the review period while the path of inflation in the AEs, EMDEs and SSA had generally mirrored the global trend. However, among the selected regions, SSA experienced the steepest rise above other regions, on average on the back of inflationary pressures ascribed to the supply-side disruptions, arising in large part, from the Russia-Ukraine conflict which prompted higher interest rates globally.

Economic performance: *"Quest for inclusive and sustainable economic growth"*

4. The Namibian economy gradually recovered from the worst decline ever in history by growing by 3.5% and 4.6% in 2021 and 2022, respectively. The key growth drivers in 2022 include mining and quarrying, manufacturing, and utility (electricity & water) sectors. Overall, on average a balanced growth (0.0%) was realized during the review period (2018-2022) which is below the 4-5% and 7% in respect of the Fifth National Development Plan

(NDP5) and the Southern African Development Community (SADC) convergence targets, respectively.

5. Fiscal developments suggest that Namibia's fiscal fundamentals generally remained on sustainable trajectory during the period of review. Specifically, review-period revenue-to-GDP ratio averaged 31.4%, higher than both EMDEs and SSA. The average expenditure (% of GDP) was 36.9% which was contained within the national threshold and SADC convergence target of 40.0% and 60.0%, correspondingly. Although the budget deficit (% 0f GDP) breached the 5% national threshold having recorded 6.2% and 7.3% in 2020 and 2021, respectively, the average was 5.4%, just over the national cap. These remarkable accomplishments were underpinned by fiscal consolidation. On the downside, however, the debt-to-GDP ratio spiralled out of the national threshold of 35.0% for the entirety of the review period and averaged 57.7%. Moreover, the debt (% of GDP) surpassed the SADC convergence target of 60.0% in three of the five-year review period (2020/21 – 2022/23).

6. Developments on the monetary sector reveal that the review period inflation averaged 4.0%. This was a relief to low-income earners considering that the low inflationary environment implies that they could afford the same basket of goods and services during the reference period.

7. Expansionary monetary policy (decrease in repo interest rates) was pursued by the Bank of Namibia between 2018 to 2021 to support economic growth and development by boosting spending as low interest rates encourage borrowing, especially during the times of COVID 19. Between 2020 and 2021, the repo rate stood at its lowest levels of 4.2% and 3.8%, correspondingly.

8. External sector developments reflect that during the period under revie), Namibia recorded trade deficit ranging between N$18.2 billion (2020) and N$31.6 billion (2022) with imports being dominated by expensive machinery and equipment while exports are made up of fish and minerals that are relatively cheaper, which results in unfavourable trade balance.

9. Advances on the investment analysis reveal that Namibia recorded an increase in the Foreign Direct Investment of US$ 945 million in 2022 (A growth of 35.5%) compared to contractions recorded in 2019 & 2020 respectively. The upsurge in FDI or favourable investment is attributed to the increase in the greenfield projects with an estimated value of US$ 6.8 billion between 2018-2022, with highest value observed in 2022.

Social developments: ***"On course towards recuperating lost gains"***

10. Regarding the food security and nutrition situation, the assessment of global hunger in 2022, measured by the Prevalence of Undernourishment (PoU) (an estimate of the proportion of the population that lacks enough dietary energy for a healthy, active life), reveals that the proportion of the world population facing chronic hunger in 2022 was about 9.2% (735.1 million people), compared with 7.9% (612.8 million people) in 2019.

- Among the selected countries in Southern African, Lesotho 46.0%) and Botswana (22.9%) recorded the highest PoU in the total population between 2020 and 2022, respectively, which surpassed the global, African, and Southern African averages. Namibia (17.1%) had the third highest PoU which was above the global and Southern African averages.

- Considering children under five years of age who were stunted in 2022, Lesotho (31.8%) and South Africa (22.8%) reported the highest, respectively, which exceeded the global and Southern African average rates. Namibia's stunting rate in 2022 stood at 16.6%, the lowest among the selected countries.

Sustainable development: "*Climate change solutions*"

11. Regarding the current and historic contributions to climate change by region, cumulative emissions between 1850 and 2021 reveal that the United States of America was the highest emitter (contributing about a third of the total emissions), followed by the European Union and China. Emissions from these countries have contributed significantly to global warming including the impact of methane and nitrous oxide emissions. Least developed countries, on the other hand, contributed only 4% of emissions.

Chapter 1: Introduction

Namibia is a small, open developing economy that is affected by developments at the global, continental (African Union – AU) and regional [Sub-Saharan Africa (SSA), Southern African Development Community (SADC)] economies. Therefore, the analysis of performance of the Namibian economy during the reference period (2018 – 2022) is driven by several events which unfolded at the global, continental, and regional levels. This is especially the case for economic performance indicators which are more susceptible to external shocks, though this may also affect social indicators through the amplifying effects in the medium to long-term.

The Economic Development Report (EDR, hereafter) forms part of the series of National Planning Commission's annual flagship reports which seek to uncover socio-economic and sustainable developments at the global, continental, regional and domestic levels. The EDR 2022 covers a five-year period (2018 – 2022) which has shown positive signs of gradual recovery from the lingering effects of the Covid-19 pandemic, the Russia-Ukraine conflict, climate change risks, and the cost-of-living crisis at the global, continental, regional and domestic economies.

During the review period, inflation globally has generally been rising steadily while it remains elevated in Africa largely on account of supply shocks in agriculture and imported inflation due to weak local currencies and relatively high commodity prices. Sub-Saharan Africa experienced the steepest rise in inflation above other regions, on average, owing to inflationary pressures ascribed to the supply-side disruptions, arising in large part, from the Russia-Ukraine conflict which prompted higher interest rates globally. In turn, for SSA, this implies slowing international demand, higher global interest rates, and continuing exchange rate pressures that have all combined to create an acute funding squeeze, yet another shock for a region still emerging from the COVID-19 pandemic.

Against this backdrop, there is a need to develop optimal policy mix accompanied by actionable policy prescriptions to steer the Namibian economy's socio-economic development towards pre-pandemic levels sustainably. It is noteworthy to build necessary buffers to ensure that the recovery can be sustained thereby making the economy resilient to withstand unanticipated shocks. Considering the issues, challenges, and opportunities discussed in the report, this EDR is specifically themed "*From recovery to resilience.*"

The following chapters are as follows: Chapter 2: Global and regional economic outlook: *"Recovery imminent yet challenges still linger*"; Chapter 3: Economic performance: *"Quest for inclusive and sustainable economic growth";* Chapter 4: Social developments: *"On course towards recuperating lost gains";* Chapter 5: Sustainable Development: *"Climate change solutions"* and lastly, Chapter 6: Conclusion and policy recommendations.

Chapter 2: Global and Regional Economic Outlook: *"Recovery imminent yet challenges linger"*

2.1 Growth outlook (Global, Continental & Regional)

The global economy continues to recover, albeit slowly, from the effects of the pandemic, the Russia-Ukraine conflict, and the cost-of-living crisis. Thus, economic activity still falls short of its pre-pandemic path, especially in Emerging Market and Developing Economies (EMDEs), and there are widening divergences among regions (IMF, 2023). It is worthwhile to note that *"economic growth is a necessary but not sufficient condition for economic development."* According to the International Monetary Fund (IMF) (2023), the global economy posted real growth of 3.5% in 2022 down from 6.3% in the previous year. The 2022 growth outturn was weighed down by the Russia-Ukraine conflict, high inflation and monetary policy tightening in major economies (WTO, 2023). The global and regional economies registered equal review-period average growths of 2.7%. Review period growth at the continental level (Africa) averaged 2.8%. However, Africa's average real GDP growth slowed in 2022 owing to impacts of downside factors, including spillovers from rising geopolitical tensions, climate change risks, and the lingering impacts of the COVID-19 pandemic, which have been amplified by tightening global financial conditions and the associated increase in domestic debt service costs (AfDB, 2023).

In the medium-term, global growth was forecast to slow from 3.5% in 2022 to 3.0; 2.9 and 3.2% in 2023; 2024 and 2025, respectively. These projections remain below the historical (2000–19) average of 3.8% (IMF, 2023). The projected global growth in 2023 is underpinned by Advanced economies' stronger services activity offset by weaker manufacturing. IMF (2023) proffer that higher interest rates and depreciated currencies have exacerbated the difficulties of low-income countries[1], placing more than half either at high risk of distress or already in distress.

The African continent's medium-term growth outlook is underpinned by multiple factors i.e. the scarring long-term effects of COVID-19, geopolitical tensions and conflicts, climate shocks, a slowdown in the global economy, and constrained fiscal space to adequately respond to shocks and preserve economic activity, entrenched inflationary pressures reflecting the impact of higher food and energy prices and persistent disruption of global supply chains (AfDB, 2023).

Table 1: Growth rates (%) for selected regions

Region	Actual						Projections		
	2018	**2019**	**2020**	**2021**	**2022**	**Average**	**2023**	**2024**	**2025**
Global	3.6	2.8	-2.8	6.3	3.5	2.7	3.0	2.9	3.2
AEs	2.3	1.7	-4.2	5.6	2.6	1.6	1.5	1.4	1.8
EMDEs	4.6	3.6	-1.8	6.9	4.1	3.5	4.0	4.0	4.1
SSA	3.3	3.2	-1.6	4.7	4.0	2.7	3.3	4.0	4.1
Africa*	3.6	3.3	-1.7	4.8	4.1	2.8	3.1	3.7	4.3

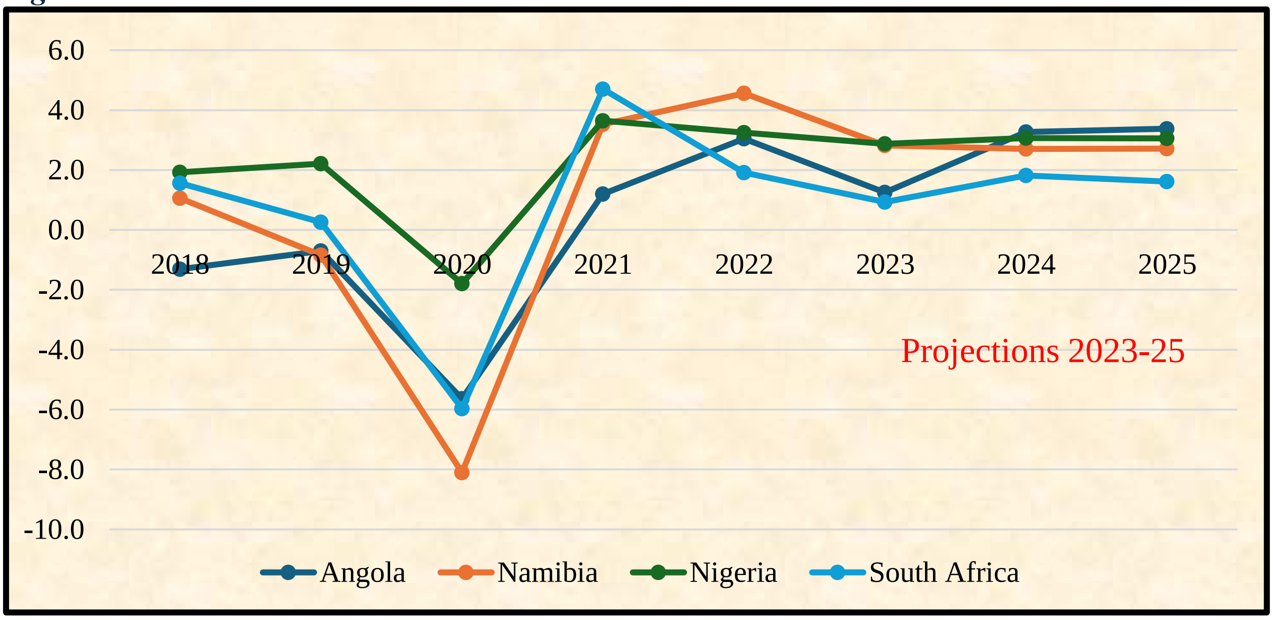
[1] Includes low income and lower middle-income countries with a Gross National (GNI) per capita income less than US$4,255 according to the World bank (2023).

Source: IMF (2023)
**African Development Bank statistics (2021, 2023)*

Regionally, SSA appears to be emerging from the COVID-19 pandemic where countries have been hit by a sluggish global economy, worldwide inflation, high borrowing costs, and a cost-of-living crisis (IMF, 2023b). The economic growth performance of the three largest economies in SSA (Angola, Nigeria and South Africa) follows similar growth path, a significant dip in 2020 followed by modest recovery. Specifically, the three economies' review-period average growth were of -0.7; 1.8 and 0.5%, respectively. Disruptive power shortages in South Africa continue to dampen growth prospects.

In the medium term, growth in SSA's largest trading partner (China) appears to be slowing and may be lower than expected. This will potentially exert negative impact on the region's exports, inward Foreign Direct Investment (FDI) and lending from the world's second largest economy. Yet, the relative size of South Africa (19.5% of SSA GDP) means that average regional growth will largely reflect South Africa's recovery which in turn will be driven by that country's efforts to address pressing issues in the power sector. Angola and Nigeria continue to reform their energy sectors through introducing subsidies. However, these present risks if they are poorly targeted, results of which could significantly influence the growth path.

Figure 1: Growth rates in selected SSA economies



Source: IMF (2023)

According to the IMF (2023b), uncertainty remains for SSA as well as four issues which require determined action in the face of trade-offs: (i) inflation is still too high, it is in double digits in 14 countries and remains above target in most countries with explicit targets; (ii) the region continues to face significant exchange rate pressures; (iii) debt vulnerabilities are elevated considering that the funding squeeze is not over, as borrowing rates are still high, and rolling over debt is a challenge. And half of the low-income countries in the region are at high risk or already in debt distress; and (iv) while the recovery is ongoing, economic divergences within the region are widening, in particular, per capita incomes in resource intensive economies remain reduced[2].

2.2 Risks to the outlook

IMF (2023) contend that the most prominent downside risks to the outlook includes the following, among others: ***(i) a severe tightening in global financial conditions.*** The financial sector in most countries will remain highly vulnerable to the realized rise in real interest rates in the coming months, both in banks and in nonbank financial institution; ***(ii) Stickier inflation.*** An even-stronger-than-predicted economic rebound in China could, particularly if attached to an escalation of the Ukraine-Russia conflict, reverse the expected decline in commodity prices, thereby elevating inflation; ***(iii) Faltering growth in China.*** Considering that a substantial share of economies' exports is absorbed by China, a weaker-than-expected Chinese recovery would have significant cross-border effects, specifically for commodity exporters and tourism-dependent economies; and ***(iv) Escalation of the Ukraine-Russia conflict***. An escalation of the conflict could trigger a renewed energy crisis in Europe and intensify food insecurity in low-income countries.

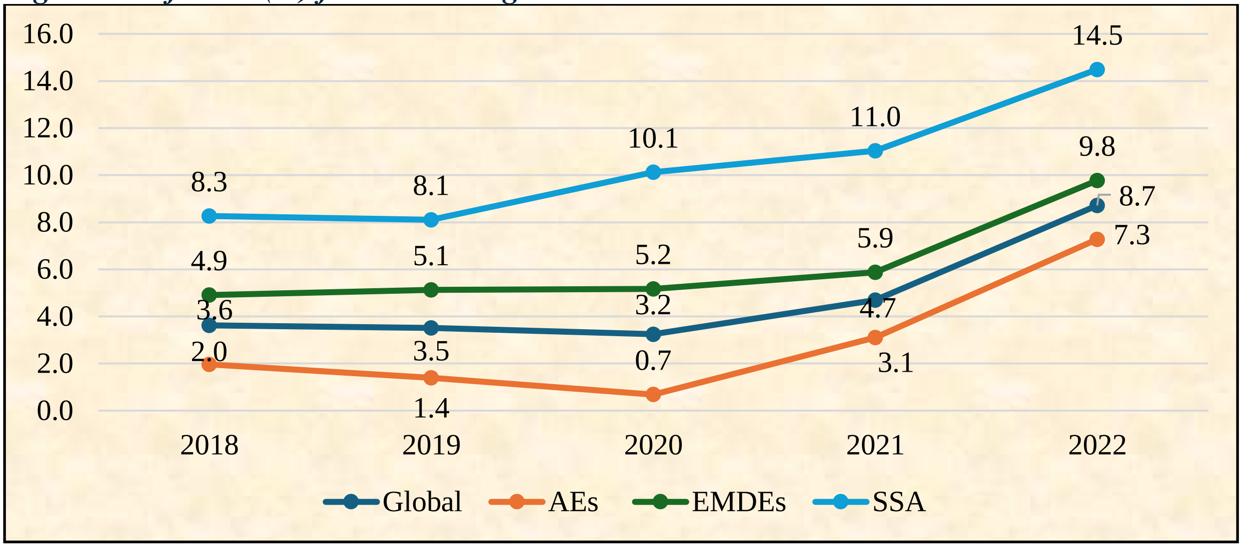
2.3 Inflation

Inflation is the sustained increase in the general prices of goods and services in a country in a given period i.e. month, quarter or year. Review-period price developments reveal that inflation globally has generally been rising steadily. Globally, inflation accelerated from 3.6% to 8.7% between 2018 and 2022 whereas it averaged 4.7% during the review period. The wider surge in inflation, globally, is also raising the costs of production of commodities, including through higher wages, higher transportation, and storage costs, and, as interest rates increase, higher costs of borrowing (IMF, 2023).

At the continental level, inflation in Africa remains elevated, largely driven by supply shocks in agriculture and imported inflation due to weak local currencies and relatively high commodity prices (AfDB, 2023). Yet, Africa's weakening inflation outlook contrasts with the gains made in the rest of the world, largely stemming from weak transmission of monetary policy across the continent relative to Advanced Economies and structural weaknesses (AfDB, 2023). Among the selected regions globally, sub-Saharan Africa experienced the steepest rise above other regions, on average *(Figure 2*). This was owing to inflationary pressures ascribed to the supply-side disruptions, arising in large part, from the Russia-Ukraine conflict which prompted higher interest rates globally. In turn, for SSA, this implies slowing international demand, higher global interest rates, and continuing exchange rate pressures that have all combined to create an acute funding squeeze, yet another shock for a region still emerging from the COVID-19 pandemic (IMF, 2023b). The review period inflation average for SSA was 10.4%. All in all, the path of inflation in the selected regions somewhat mirrors the global trend.

[2] Countries whose non-renewable natural resources represent 25% or more of total exports (IMF, 2023b).

Figure 2: Inflation (%) for selected regions



Source: IMF (2023)

2.4 Commodity Price Developments

The Russia-Ukraine conflict continue to exert significant effects the on global commodity markets. Specifically, global commodity markets are facing an unprecedented array of pressures thereby raising some prices to all-time highs especially for commodities (energy and some grains) where the two countries are key exporters (World Bank Group, 2022). As the World Bank Group (2022) postulate, these conditions may persist for three reasons: *first,* increased prices for one commodity typically cause substitution in demand toward other commodities, thereby alleviating the original price pressures. However, because the increases in prices in 2021 have been large and broad-based, there is less scope for substitution. A typical example is in the case of energy whereby crude oil is now one of the cheapest fuels per unit of energy, a notable difference from earlier energy price hikes when coal and natural gas were much cheaper.

Second, the raises in prices of some commodities have pushed up the production costs of other commodities. For example, rising energy prices increase the cost of inputs to agriculture production, i.e. fuel and fertilizers. The broader increase in inflation, globally, is also raising the costs of production of commodities, including through higher wages, higher transportation and storage costs, and, as interest rates increase, higher costs of borrowing. *Third,* many governments have responded to high fuel prices with tax cuts and subsidies. While these policies may fairly alleviate the immediate impact of price hikes, they do not provide large benefits to vulnerable groups and may aggravate the underlying issue by increasing energy demand.

During the review period, selected mineral commodity (energy & non-energy) prices generally recorded upsurges except lead *(Table 2).* Regarding oil price, Mordi and Adebiyi (2010) and Sauter and Awerbuch (2003) advanced that since oil is an important input in the production process, a rise in its price raises the input (production) costs for an oil-importing country, resulting in cost-push inflation and lower economic growth. Moreover, this implies that a fall in oil price is beneficial to oil-importers, as the balance of payments and terms of trade tend to rise. The upsurge in oil price between the start and end-of-period from US$68 to US$96 exerts a negative impact on Namibia, a net oil-importer, as it drives inflation up whilst lowering economic growth. Between 2018 and 2022, the noted upsurges in the prices for gold, zinc, copper and uranium is beneficial for Namibia given that these are associated with increased revenues from sale of these commodities.

Table 2: Selected commodity prices

	2018	2019	2020	2021	2022	Average
Crude oil (US$/barrel)*	68.53	61.43	41.77	69.25	96.36	67.47
Gold (US$/troy ounce)+	1,269.23	1,392.50	1,770.25	1,799.63	1,800.60	1,606.44
Zinc (US$/ metric tonne)+	2,922.38	2,550.41	2,266.45	3,002.52	3,481.38	2,844.63
Copper (US$/metric tonne)+	6,529.80	6,010.15	6,173.77	9,317.05	8,822.37	7,370.63
Lead (US$/ metric tonne)+	2,240.44	1,996.51	1,824.88	2,200.37	2,150.60	2,082.56
Uranium (US$/pound)*	24.54	25.91	29.43	32.86	40.77	30.70

Source: +World Bank Commodity Price Data (The Pink Sheet)
**IMF WEO April 2023*

Chapter 3: Economic performance: *"Quest for inclusive and sustainable economic growth"*

3.1 Output growth

Namibia's domestic economic outlook continues to gradually show signs of recovery for the past two years of the review period (2021-2022) having posted gradual growth of 3.5% and 4.6% consecutively after experiencing its worst contraction ever in 2020 *(Table 3)* mainly due to Covid-19 induced effects. Against this, Namibia should establish and strengthen economic buffers to withstand the effects accruing from unpredictable external shocks.

The improved performance in 2022 is largely owed to both primary and secondary industries that posted growth rates of 12.9% and 3.3% respectively. The key drivers to 2022 growth performance include mining and quarrying, manufacturing, and utility (electricity & water) sectors which registered growth rates of 21.6%, 5% and 10.3%, respectively, as compared to a decline of 11% and contractions of 1.2% and 8.4% in 2021(NSA, 2022). Nonetheless, the tertiary industry also recorded minimal improvement of 2.2% in 2022 relative to 1.8% in 2021. Overall, on average a balanced growth (0.0%) was realized during the review period (2018-2022). This growth outturn falls short of 4-5% and 7% in respect of NDP5 and the Southern Africa Development Community (SADC) convergence targets, respectively.

Table 3: Industries' GDP growth rates (%)

	2018	2019	2020	2021	2022	Average
Primary Industry	10.8	-6.4	-6.0	6.4	12.9	3.6
Secondary Industry	-0.7	2.1	-11.6	-3.6	3.3	-2.1
Tertiary Industry	-1.0	1.0	-5.6	1.8	2.2	-0.3
GDP	1.1	-0.8	-8.1	3.5	4.6	0.0

Source: NSA Annual National Accounts 2022

3.1.1 Primary Industry Developments

Table 4 shows the primary industries growth rates from which it is evident that for two consecutive years (2019-2020), the primary industry registered contractions of 6.4% and 6.0% respectively during the review period ascribed to weaker-than-expected growth of the extractive industries. Specifically, the poor performance was underpinned by the mining sector's declines of 8.7% and 15.0% in 2019 and 2020, respectively. In 2021and 2022, the primary industries bottomed up and registered strong growth of 6.4% and 12.9% respectively. The strong growth performance for 2022 was on account of mining and quarrying sector which posted a growth of 21.6% relative to 11.0% in 2021 because of diamond mining sub-sector which observed growth of 45.1% as compared to a flat growth (0.0%) in 2021.

The improved performance in diamond mining sub-sector is ascribed to an increase in diamond production due to additional output from Debmarine Namibia's new marine diamond vessel, the Benguela Gem (Chamber of Mines, 2022). On the other hand, both Uranium and other mining and quarrying sub-sectors noted contractions of 2.5% relative to strong growth of 15.3% and 52.7% in 2021. The poor performance in the uranium sub-sector is mainly due to reduced production impacted by continued water supply disruptions (Chamber of Mines, 2022). However, in the long term the outlook for uranium remains positive as key economies such as USA, China, Japan and South Korea are re-integrating nuclear power to satisfy future energy requirements (Chamber of Mines, 2022). Additionally, gold output fell owing to development delays of the underground mining operations at B2Gold's Otjikoto mine. All in all, the mining sector's share to GDP increased from 9.2% in 2021 to 12.2% in 2022 (NSA, 2022).

Table 4: Primary Industries growth rates

	2018	2019	2020	2021	2022
Agriculture, forestry and fishing	**4.0**	**-3.1**	**6.3**	**1.3**	**2.6**
Livestock farming	0.7	5.3	-10.1	-3.6	1.2
Crop farming and forestry	16.0	-31.7	77.3	5.5	4.3
Fishing and fish processing on board	0.1	8.1	-9.0	1.9	2.3
Mining and quarrying	**16.1**	**-8.7**	**-15.0**	**11.0**	**21.6**
Diamond mining	15.1	-16.4	-14.8	0.0	45.1
Uranium	33.4	-4.4	-8.7	15.3	-2.5
Metal Ores	1.3	14.0	-20.7	0.3	0.5
Other mining and quarrying	13.6	5.1	-18.4	52.7	-2.5
Primary industries	**10.8**	**-6.4**	**-6.0**	**6.4**	**12.9**

Source: NSA Annual National Accounts 2022

The agriculture sector posted a growth of 2.6% in 2022 compared to 1.3% in 2021. The improved performance was driven by livestock farming as well as fish and fish processing on board which registered growth rates of 1.2% and 2.3% in 2022 correspondingly. The better performance in 2022 in the livestock sub-sector emanated from improved cattle and small stock marketed during that year. This is evident in the number of cattle marketed which increased to 250 718 in 2022 from 234 984 in 2021. Moreover, performance in the fish and fish processing board sub-sector was reflected in the increase in volumes of fish landed. On the other hand, the crop farming sub-sector recorded slower growth of 4.3% in 2022 as compared to a growth of 5.5% the previous year.

According to the crop prospect, food security and drought situation report the country received below normal rainfall since the start of 2022/23 financial year (MAWLR, 2023). Moreover, the country noted severe and prolonged dry spell in December, February, March and April which affected agricultural production specifically crop producing communal areas whereas commercial areas witnessed improvement in harvest contributing about 80% to the national cereal production. The improvement for commercial areas is attributable to the fact that crop production is done under irrigation as compared to communal areas which mostly depend on rainfall.

In 2022/23, a total of 98,824 tons of white maize was marketed, representing an increase of 9% in local production relative to 90,895 tons marketed in 2021/22 making it the biggest tonnage of maize ever harvested and marketed in the history of Namibia (NAB, 2022/23). Similarly, wheat production marketed stood at 24,696 tons reflecting an increase of 34% recorded the previous financial year also making it the biggest tonnage of wheat harvested during that year. During the review period (2018-2022) on average about 68,654 tons, 13,333 tons and 2,262 tons of both white maize, wheat and pearl millet were marketed *(Table 5).*

Table 5: Crop production marketed, import tonnage and local share (%)

Years	White Maize Tonnage			Wheat Tonnage			Pearl Millet Tonnage		
	Import	Local Purchase	Local Share%	Import	Local Purchase	Local Share%	Import	Local Purchase	Local Share%
2018/19	59,608	58,020	49%	118,698	7,508	6%	931	1,979	68%
2019/20	171,031	28,888	14%	114,363	4,466	4%	3,313	278	8%
2020/21	113,196	66,642	37%	125838	11498	8%	705	4139	85%
2021/22	112,985	90,895	45%	126,441	18,498	13%	25	1,985	99%
2022/23	92,205	98,824	52%	114,370	24,696	18%	673	2,928	81%
Annual Average	**109,805**	**68,654**	**39%**	**119,942**	**13,333**	**10%**	**1,129**	**2,262**	**68%**

Source: Namibian Agronomic Board

In terms of imports, about 92,205 tons, 114,370 tons and 673 tons of white maize, wheat and pearl millet, respectively, were imported in 2022/23. Notable is that all white maize in 2022/23 was sourced from South Africa whereas wheat and pearl millet were imported from various countries *(Table 6)*. Wheat from South Africa accounted for (52%), followed by Poland (29%), Latvia (16%) and lastly Estonia (2%). The sourcing of wheat from these specific countries can be attributable to supply chain disruptions arising from the Russia-Ukraine conflict during the review period. Both the Russian Federation and Ukraine are major wheat and sunflower oil exporters. Historically, Namibia imported wheat from Russia which offered high quality at very competitive price. However, since the conflict, importers have been concerned about the supply disruptions as many shipping lines no longer wished to enter Russian waters or territory (Institute for Public Policy Research, 2022).

Wheat is the second highest consumed staple food after maize in Namibia, yet it accounts for the lowest in terms of production. Hence, Namibia imports most of its wheat from other producing countries with better favourable conditions to meet demand whereby Africa accounts for about 3.3% of global total wheat production. In the Southern African Development Community (SADC), South Africa is the biggest producer of wheat. Despite the marketing mechanisms put in place by Namibia Agronomic Board (NAB) to facilitate the marketing and production of grain crops Namibia remains a net importer of grains. Consequently, Namibia continues to be vulnerable to external commodity shocks due to its dependency on imported goods.

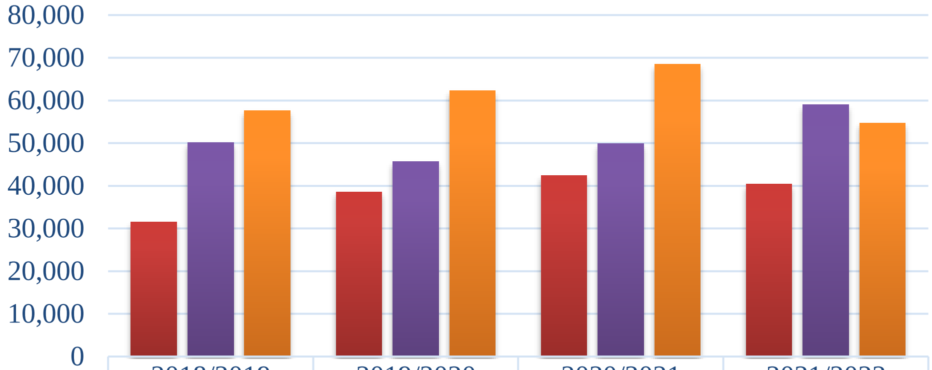
Table 6: Import share per source

Import share per source 2022/2023								
White Maize	Tonnage	Share %	Wheat	Tonnage	Share %	Millet	Tonnage	Share %
South Africa	92,205	100%	South Africa	59948	52%	India	353	52%
Zambia	0	0%	Poland	33246	29%	Angola	320	48%
Total	**92,205**	**100%**	Latvia	18767	16%	Total	**673**	**100%**
			Estonia	2410	2%			
			Total	**114370**	**100%**			

Source: Namibian Agronomic Board

Like grain production, the horticulture3 industry in Namibia is faced with challenges such as drought, high input costs and pest diseases. Horticulture production takes place in both commercial and communal areas under irrigation and marketed to wholesalers, retailers, hotels and restaurants. *Figure 3* shows that horticulture marketed locally decreased from 42,463 in 2020/2021 to 40,465 in 2021/22 financial year. About 59,063 of horticulture produce was exported and 54,727 was imported in 2021/22. The main export destinations for horticulture in 2021/22 were Europe, United Kingdom, Asia, United Arab Emirates, Canada as well as South Africa and Angola among others. In the same vein, Namibia remains a net importer of mainly fresh fruits whereas the production of vegetables in the country have increased as a result of the Market Share Promotion initiative by government which requires traders to source a certain amount of locally produced products from local producers of which the minimum, as of 2022 stood at 47%.

Figure 3: Horticulture production marketed, Import and export tonnage (2018/19- 2021/22)



	2018/2019	2019/2020	2020/2021	2021/2022
Production marketed locally (formal)	31,501	38,603	42,463	40,465
Production Exported	50,145	45,696	49,872	59,036
Imports	57,581	62,306	68,536	54,727

Source: Namibian Agronomic Board

The food security situation remains of concern not only for Namibia but globally. With only a few years remaining to end hunger as one of the desired goals for the Sustainable Development Goals (SDGs) by 2030, food security remains a challenge (FAO, 2022). Moreover, domestic food price inflation4 remains high all around the world and projections for 2030 suggests that 670 million people which is about 8% of the global population will face hunger (World Bank, 2022). According to the Integrated Food Security Phase Classification (IPC) Acute Food Insecurity Analysis report for Namibia conducted between September and December 2022, about 367,000 people were estimated to have experienced crisis or worse of which 6,000 were in emergency. Kavango East, Kavango West, Kunene and Omaheke regions were the ones in crisis (IPC, 2023). The food security situation was estimated to have worsened between January and March of 2023 on the back of the effects of the Russia-Ukraine conflict which led to high food and fuel prices. In the Fourth quarter of 2022, the agriculture sector experienced challenges especially from pressure of market distortions resulting from high prices of general goods5 Noteworthy, is that the food security situation is better in the Southern Regions of

[3] Horticulture includes fresh fruits and vegetables excluding cereals or grains.
[4] Domestic food price index is measured as year-on-year change in the food component of a country's consumer price index.
[5] NSA fourth quarter agriculture statistics bulletin 2022

Namibia relative to the Northern Regions due to climate related shocks and above normal food and fuel prices (IPC,2023).

The livestock subsector posted a growth of 1.2% in 2022 as compared to contractions of 10.1% in 2020 and 3.6% in 2021 consecutively. The improved growth performance of the subsector is owed to improved cattle and small stock marketed during the year under review (NSA, 2022). This is also reflected in the number of cattle which increased from 234,984 in 2021 to 250,718 in 2022 as well as small stock6 which increased from 566,890 in 2021 to 771,771in 2022 respectively *(Table 7)*. Namibia's top four beef export destinations in 2022 consisted of the European Union (42.87%), South Africa (21.97%), Norway (13.44%) and China (13.19%) respectively (Meat Board of Namibia, 2022).7 Norway continued to dominate between January and October 2022 with an average price of N$213.39/kg while China was the lowest with the price of N$39.90/kg.

Table 7: Total livestock marketed (2018- 2022)

	Cattle Marketing		
	Live export	Slaughtering	Total Marketing
2018	318,880	121,095	439,975
2019	294,352	176,764	471,116
2020	158,679	91,762	250,441
2021	137,784	97,200	234,984
2022	139,613	111,105	250,718
	Small Stock Marketing		
	Live export	Slaughtering	Total Marketing
2018	603,845	415,574	1,019,419
2019	601,349	334,553	935,902
2020	308,884	197,659	506,543
2021	392,232	174,658	566,890
2022	560,883	210,888	771,771

Source: Meat Board of Namibia

Between 2021 and 2022, live exports for small stock animals grew by 43.0% from 392,232 to 560,883 whereas cattle exports grew by 13.3% from 137,784 to 139,613. On the other hand, the number of cattle slaughtered increased from 97,200 in 2021 to 111,105 in 2022 while the number of small stocks slaughtered increased from 174,658 in 2021 to 210,888 in 2022. In the second quarter of 2023, the number of cattle exported live recorded a decline of 3.9% as compared to a growth of 19.6% in the corresponding quarter of 2022. On the other hand, the number of small stocks exported live posted a growth of 20.3% during the second quarter of 2023 relative to an increase of 45.2% in the corresponding quarter of 2022.

3.1.2 Secondary Industries Developments

Table 8 presents the secondary industries' review-period growth rates (%). The secondary industries recorded contractions of 0.7% in 2018, 11.6% in 2020 and 3.6% in 2021 respectively. However, the industry recovered in 2022 by posting a growth of 3.3%. The improved performance was mainly owed to the manufacturing and utility sectors which registered growth of 5.0% and 10.3% relative to contractions of 1.2% and 8.4% in 2021 (NSA, 2022). The construction sector continues to be in negatives during the entire review period mainly owed

[6] Small stock marketed comprises of sheep, goats and Pigs.
[7] Meat Board of Namibia Market Watch

to reduced public spending by government as a result of fiscal consolidation as well as reduced economic activities due to Covid-19 effects.

Table 8: Secondary Industries growth rates (%)

	2018	2019	2020	2021	2022
Manufacturing	-0.4	4.7	-17.1	-1.2	5.0
Meat processing	2.9	11.9	-39.8	-2.1	11.6
Grain Mill products	1.9	11.3	8.1	8.7	2.0
Other food products	1.1	6.4	-15.1	-4.9	4.8
Beverages	5.0	17.5	-32.5	17.1	5.7
Textile and wearing apparel	0.9	-2.3	-3.1	21.6	13.3
Leather and related products	4.5	-2.2	-12.0	22.8	-13.0
Wood and wood products	-11.5	4.9	19.2	8.3	3.6
Publishing and Printing	-1.6	-6.7	-14.1	-4.9	-0.3
Chemical and related products	-3.1	-3.8	-4.4	-8.1	-3.1
Rubber and Plastics products	7.0	-2.2	4.2	-5.8	0.5
Non-metallic minerals products	2.3	-3.6	-6.8	-4.8	-8.3
Basic non-ferrous metals	-14.6	-1.4	-46.8	-44.4	-13.9
Fabricated Metals	5.5	1.0	-10.8	4.4	-5.1
Diamond processing	6.4	-7.1	-12.6	-12.8	33.7
Other manufacturing	-3.1	12.5	-15.0	10.5	2.2
Electricity and water	11.3	-6.0	25.1	-8.4	10.3
Construction	-10.7	-5.2	-10.3	-11.3	-16.4
Secondary industries	**-0.7**	**2.1**	**-11.6**	**-3.6**	**3.3**

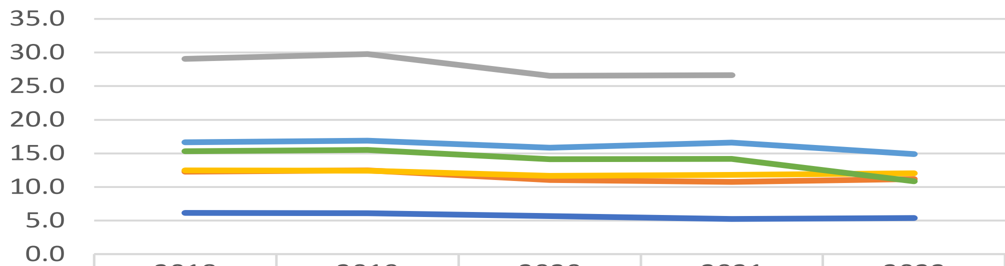
Source: *NSA Annual National Accounts 2022*

The manufacturing sector improved after registering contractions of 17.1% and 1.2% consecutively in 2020 and 2021 respectively. The improved performance for 2022 was mainly attributed to diamond processing, meat processing and other food products which posted strong growth of 33.7%, 11.6% and 4.8% correspondingly. Additionally, the improved performances were also observed in subsectors such as publishing and printing, chemical and related products as well as basic non-ferrous metals. On the other hand, subsector such as leather and related products, non-metallic minerals products and fabricated metals posted contractions of 13.0%, 8.3%, and 5.1% in 2022.

From a continental perspective, African countries recognize the importance of promoting industrial and manufacturing development to address the continent's developmental challenges. Similarly, Namibia through its Fifth National Development Plan (NDP5) and long-term plan Vision 2030 aspires to be an industrialized country through increasing manufacturing and value addition. During the NDP5 period (2017/18-2021/22), Namibia's target was to increase the manufacturing sector's contribution to GDP from N$17.8 billion to N$20.6 billion by 2021/22 financial year. According to the National Accounts, in nominal terms GDP stood at N$206.2 billion in 2022 relative to N$171.6 billion in 2017 (NSA, 2022). On this note, the manufacturing sector contribution increased from N$21.0 billion in 2017 to N$23.0 billion in 2022 indicating that the sector's contribution surpassed the target in NDP5. Additionally, the Manufacturing sector's share of GDP averaged 11.5% during the review period (2018-2022).

Figure 4 shows the share of manufacturing as a percentage of GDP among peer SACU countries. The figure illustrates that Eswatini's manufacturing as a share of GDP is the highest among its peers, followed by Lesotho, South Africa and Namibia, lastly Botswana. This could be attributable to the fact that Eswatini's manufacturing sector (30%) is the second largest after the services sector (50%) then followed by agriculture (9%) and Africa's fourth largest producer of sugar (World Trade Organization, n.d). Moreover, although these countries have similar challenges such as income inequality and unemployment among others, they have different economic structures and are at different levels of economic development as well as different development priorities. Namibia and South Africa's Share of manufacturing seem to be almost moving in the same direction. In 2022, manufacturing's share of GDP stood at 10.9% on average within the SACU countries. Eswatini's manufacturing comprises of food & beverages, Textiles & wearing apparel and other manufacturing (Central Bank of Eswatini & Ministry of Economic Planning and Development, 2022).

Figure 4: Manufacturing, value added (% of GDP)



	2018	2019	2020	2021	2022
Lesotho	16.6	16.9	15.9	16.6	14.9
Namibia	12.3	12.5	11.0	10.7	11.2
Eswatini	29.0	29.8	26.5	26.6	
South Africa	12.5	12.4	11.7	11.8	12.0
Botswana	6.1	6.1	5.7	5.2	5.4
Average	15.3	15.5	14.1	14.2	10.9

Source: World Bank indicators

The utility (electricity and water) sector recorded a strong growth of 10.3% in 2022 relative to a decline of 8.4% in 2021. The performance in the sector for 2022 is attributable to the electricity subsector which registered a growth of 17.5% owing to an increase in domestic production whereas the water sector registered a marginal decline of 0.6% in 2022 compared to an increase of 6.9% in the previous year. The increase in 2022 is also supported by the increase of 117,365 MWh in electricity generated relative to 71,109 MWh in 2021 on average *(Table 9)* (NSA, 2022). Ruacana power station produced about 86,832 MWh (65.4%) of electricity out of 134,559 MWh produced in the month of December 2022 while the Independent Power Producers (IPPs) generated about 38,781 MWh (28.8%) collectively. Notable is that Ruacana Power Station has the largest generation capacity (347MW) out of the 3 main sources[8] of electricity generation in the country. However, electricity generation (supply) does not meet local demand in the country thus to meet demand Nampower is

[8] Other main sources include Van Eck Power station, Anixas Power station, Omburu Solar Photovoltaic Power station

compelled to import the shortage mainly from the Southern African Power Pool (SAPP). On this note, on average about 234,858 MWh of electricity was imported in 2022 as compared to 269,049 MWh the previous year. The marginal reduction in electricity imports is attributable to an increase in domestic production.

Table 9: Electricity generation (MWh) and Import (2020-2022)

	2020		2021		2022	
	Generation	**Import**	**Generation**	**Import**	**Generation**	**Import**
Jan	249,327	171,655	98,191	255,534	93,044	252,026
Feb	260,165	171,759	66,648	238,395	65,362	255,286
Mar	268,742	252,606	65,547	252,906	139,261	221,067
Apr	270,785	136,187	95,326	250,225	265,053	117,300
May	234,883	176,429	95,027	251,119	152,261	204,296
Jun	145,495	226,701	64,155	265,577	98,405	247,188
Jul	156,692	227,982	48,192	297,297	100,515	253,554
Aug	176,845	209,579	43,152	301,495	101,360	252,948
Sept	155,062	213,956	50,664	290,922	87,212	259,414
Oct	139,242	248,759	61,058	290,893	81,558	278,245
Nov	110,168	255,038	76,294	270,322	89,789	260,750
Dec	140,822	243,109	89,054	263,899	134,559	216,217
Avrg	**192,352**	**211,147**	**71,109**	**269,049**	**117,365**	**234,858**

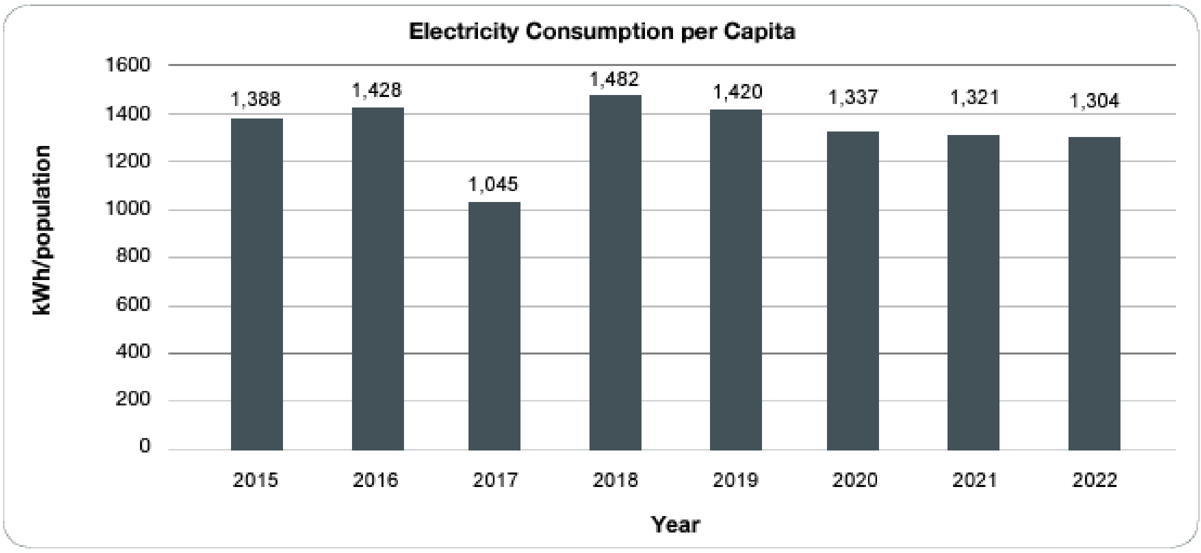
Source: *NSA Sectoral Report December 2022*

Namibia aspires to reduce electricity dependency as stipulated in the Harambee Prosperity Plan 2 through increasing local electricity generation capacity from 624MW[9] to 879MW by the year 2025 (HPP2, 2021/2025). The energy sector offers opportunities for private investment in infrastructure. Therefore, the key policy considerations currently to drive larger private investments into the energy sector is the approved 2019 electricity supply industry restructuring from a single buyer to a Modified Single Buyer (MSB) structure. The MSB market is a market model for electricity industry in Namibia which was implemented in 2019. It allows electricity consumers and Independent Power Producers (IPPs) to transact with each other directly for the supply of electricity. Furthermore, it allows for IPPs to build new generation capacity in Namibia specifically for export purposes into the SAPP (Nampower, n.d).

Another important metric on energy is the electricity consumption per capita (the average kilowatt-hours (kWh) of electricity consumed per person per year in a particular country). Between 2018 and 2022, electricity consumption per capita slowed by 12.0% from 1,482 kWh to 1,304 kWh ascribed to low consumption of electricity and a growing population. Figure 5 depicts electricity consumption per capita.

[9] This figure is for 2020

Figure 5: Electricity Consumption per Capita



Source: Electricity Control Board (2023)

3.1.3 Tertiary Industry Developments

The tertiary industry recorded contractions of 1.0% and 5.6% in 2018 and 2020 during the review period *(Table 10)*. Subsequently, the industry bottomed up by registering marginal growth of 1.8% in 2021 and 2.2% in 2022. The poor performance in 2020 was predominantly due to Covid-19 effects. On a brighter note, the slow growth performance for 2022 was ascribed to improved performance in hotels and restaurants, financial and insurance service activities, Professional, scientific and technical services, Administrative and support services and health sectors which posted positive growth of 6.2%, 1.7%, 5.0%, 3.9% and 8.0% respectively. Wholesale and retail trade sector contracted for three consecutive years (2018, 2019 & 2020) during the review period. Nonetheless, the sector registered growth rates of 6.4% in 2021 and 6.0% in 2022. The improved growth performance for 2022 is attributable to an increase in sales of furniture and wholesalers (NSA, 2022).

Table 10: Tertiary Industries growth rates (%)

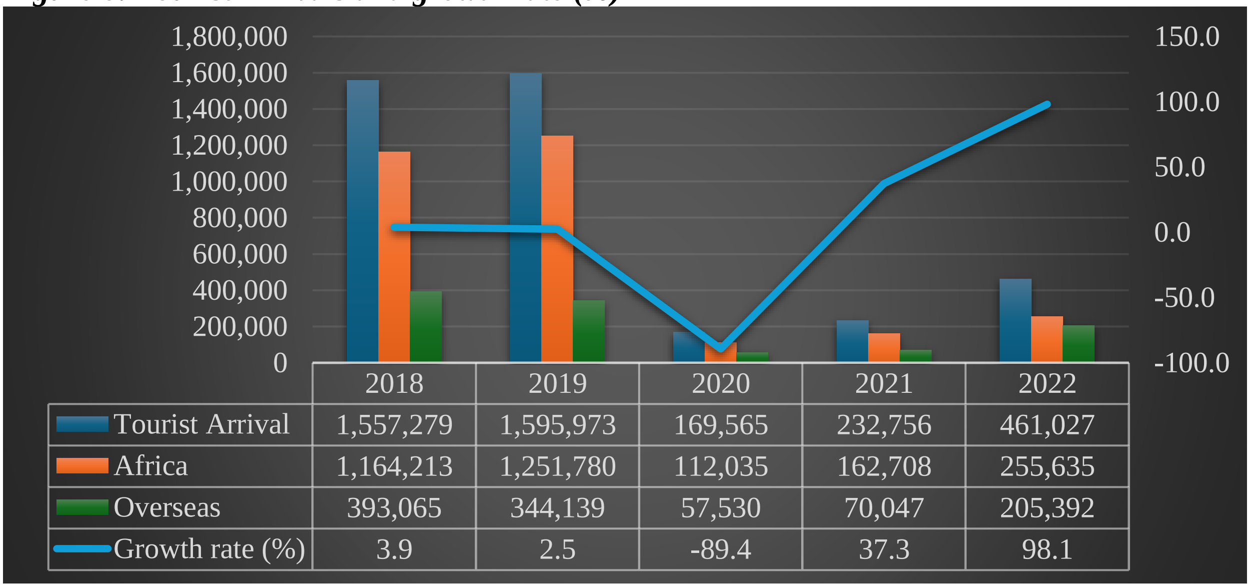
	2018	**2019**	**2020**	**2021**	**2022**
Wholesale and retail trade, repairs	-5.0	-8.4	-11.7	6.4	6.0
Hotels and restaurants	4.7	1.5	-30.8	5.1	6.2
Transport	0.6	-2.2	-22.7	6.4	0.9
Transport	-0.7	-3.3	-26.3	4.6	-0.8
Storage	6.5	2.4	-9.1	11.6	6.0
Information Communication	-2.2	11.9	17.4	6.9	2.5
Financial and insurance service activities	0.1	12.5	-12.8	-5.1	1.7
Real estate activities	2.7	2.9	3.3	2.8	1.0
Professional, scientific and techical services	-1.0	-6.1	-9.1	1.4	5.0
Administrative and support services	-1.0	-3.0	-10.4	-4.2	3.9
Arts, Entertainment & Other Service activities	1.0	2.5	-7.5	-9.4	-2.8
Public administration and defence	0.4	1.4	-1.2	0.4	-0.9
Education	0.4	1.6	0.8	2.5	1.5
Health	-9.1	-1.6	2.4	5.2	8.0
Private household with employed persons	-2.5	-2.5	-7.6	5.0	3.1
Tertiary industries	**-1.0**	**1.0**	**-5.6**	**1.8**	**2.2**

Source: NSA Annual National Accounts 2022

Hotels and restaurants (Tourism) sector recorded a growth of 6.0% in 2022 after registering a double-digit contraction of 30.8% in 2020. The performance in the tourism sector for 2022 is owed to both hotels and restaurants subsectors which posted growth of 6.3 % and 6.0%. The growth in the sector implies that travellers are still willing to spend on leisure, conferencing, accommodation and food and beverage activities (NSA, 2022).

Figure 6 shows tourist arrivals and growth rate over the period of review. Tourism is one of the economic sectors that plays a major role to GDP contribution in Namibia. Since a sharp decrease in the number of tourist arrivals in 2020 due to Covid-19 pandemic, the sector has shown some recovery not only in Namibia but globally as the number of tourist arrivals increased to 461,027 in 2022 from 232,756 recorded in 2021 indicating a 98.1% increase in arrivals (MEFT, 2022). However, tourist arrivals remain far below the pre-Covid levels. This recovery is a good indicator that the country can expect increased performance from the sector and its contribution to GDP going forward provided no other health-related outbreak will occur. In 2022, Namibia received about 44.6% of tourist arrivals from overseas with Germany being the top contributor followed by France and United Kingdom. From the African regional perspective, South Africa, Angola and Zambia were the top three contributors in terms of tourist arrivals in Namibia (MEFT, 2022).

Figure 6: Tourist Arrivals and growth rate (%)



	2018	2019	2020	2021	2022
Tourist Arrival	1,557,279	1,595,973	169,565	232,756	461,027
Africa	1,164,213	1,251,780	112,035	162,708	255,635
Overseas	393,065	344,139	57,530	70,047	205,392
Growth rate (%)	3.9	2.5	-89.4	37.3	98.1

Source: MEFT Tourist Statistical Report 2022

The transport sector recovered in 2021(6.4%) after registering negative growth rates of 2.2% in 2019 and 22.7% in 2020. However, the sector posted a decline of 0.9% in 2022. The poor performance in 2022 is attributable to both transport and storage subsectors which recorded declines of 0.8% and 6.0% correspondingly. The decline in transport subsector is owed to passengers by road which recorded a slower growth of 1.3% and freight transport which posted a decline of 8.1% during the year under review. On the other hand, air transport performed exceptionally well. Similarly, the storage subsector recorded a slower growth of 6.0% relative to a growth of 11.6% in 2021of which the slow growth performance is attributable to other supporting and auxiliary transport services and post and other courier activities that posted declines of 21.6% and 8.6% in 2022 (NSA, 2022).

The financial and insurance service activities sector contracted consecutively in 2020 and 2021. The sector recovered by posting a marginal growth of 1.7% in 2022 relative to a decline of 5.1% in 2021. The improved performance was driven by the financial service activities subsector which grew by 2.4% due to increased interest income (fees, charges & commission) stemming from increased interest rates coupled with improved economic activities in the economy (NSA, 2022). On the contrary, the insurance subsector slowed down by recording a growth of 1.1% as compared to a growth of 11.9% the previous year due to a decline in premium for life insurance. Overall, the Namibian financial system remained sound and resilient in 2022. However, going forward the expected vulnerabilities in the global financial system that could potentially impact the financial system are centred around global and domestic output developments coupled with anticipate tighter financial conditions globally (Bank of Namibia, 2023). Additionally, the domestic economy is estimated to slow down in 2023 due to continued geopolitical tensions and rising central bank rates.

During the review period, public administration and defence sector recorded a marginal contraction of 0.9% in 2022 as compared to a marginal growth of 0.4% in 2021. The poor performance emanated from the continuous central government's fiscal consolidation measures. Since 2016, the government embarked on fiscal consolidation in response to rising public expenditure vis a vis revenue. The education sector registered a slow growth of 1.5% in 2022 relative to a growth of 2.5% in 2021. The performance in the sector is attributable to the primary and secondary education activities that slowed down recording a growth of 1.4% relative to a growth of 2.6% in 2021. Nonetheless, the tertiary education subsector posted a growth of 2.3% in the year under review in comparison to a growth of 2.1% the previous year. The improved performance in the tertiary education subsector is attributable to increased compensation for education personnel (NSA, 2022). Moreover, the health sector registered a strong growth of 8.0% in 2022 relative to a growth of 5.2% in 2021 with growth performance attributed to increased health personnel capacity.

Information and communication sector posted a slow growth of 2.5% in 2022 as compared to a growth of 6.9% in 2021. The slow performance for 2022 is attributable to the number of minutes used that decelerated due to an increased face to face engagement arising from the lifting of Covid-19 measures and restrictions. Namibia's Information and Communication Technology (ICT) sector was one of the leaders in Africa. However, it lost its leading role as a result of state driven consolidation in the sector and significant reduction in competition (CRAN, 2021). The sector is characterized by state ownership[10] and insufficient competition and this is reflected in insufficient investment in last mile connectivity, low quality of service and high-end user price. The result has been a shrinking ICT sector. The growth of the sector has slowed down since the state took over to which annual revenue declined from 19% (2013) to 2% in 2019 and 4% in 2020 (CRAN, 2021). The state controls 92% of ICT sector assets and 82.5% of ICT sector revenue. Namibia is one of the most expensive countries in Africa for mobile broadband. Although, Africa has seen rapidly declining mobile broadband prices, Namibia has seen an increase (CRAN, 2021). All telecommunication[11] prices are high and broadband downloads are low in comparison to other SADC countries. The absence of competition led to higher broadband prices contrary to global trends.

In terms of quarter on quarter, the domestic economy grew by 3.7% in the second quarter of 2023 relative to 8.5% noted in the corresponding quarter of 2022. The slow performance is

[10] Both MTC and Telecom Namibia are 100% owned by the state.
[11] Broadband, Voice and SMS

attributable to the observed contractions in the sectors such as agriculture and forestry, financial services activities, public administration and defence. In addition, the construction sector also experienced a slowdown. Although, the domestic economy improved in 2022 it is estimated to slow down in 2023 on the back of anticipated weaker global demand and reduced spending power as inflationary pressures persists. Overall, risks to domestic growth outlook are mainly due to tightening of monetary policy as a response to curb inflation. Moreover, the uncertainty of electricity cuts in South Africa which could potentially spill over to Namibia is also a risk going forward (BoN, 2023).

3.2 Fiscal developments

3.2.1 Global and Regional Fiscal Developments

The global economy experienced tightening monetary and fiscal policy measures during most of 2022 ascribed to high inflation and fainting pandemic-related spending with many economies returning closer to pre-pandemic levels (IMF, 2023). Developments on the revenue front among the selected regions reveal that Advanced Economies (AEs) and Sub-Saharan Africa (SSA) had the highest and lowest review-period revenue-to-GDP ratios averaging 36.4% and 16.9%, respectively. Generally, post-2020 revenue outturns for selected regions points to gradual recovery in line with the path of economic growth. SSA recorded an increase of 0.5 percentage points in revenue (% of GDP) from 17.1% to 17.6% between 2021 and 2022 on the back of improved growth arising from easing of Covid-19 restrictions and broader fiscal space for improved revenue collection in the region.

Regarding public expenditures, AEs' expenditures as a percentage of GDP slowed to 41.7% in 2022 from 44.5% in 2021 on the back of the declining Covid-19 induced public health expenditures, (IMF, 2022, 2023). AEs' review-period average expenditure-to-GDP ratio was 41.7%. The expenditure (% of GDP) for Emerging Market and Developing Economies (EMDEs) remained flat at 31.0% in both 2021 and 2022, respectively, which reflects a combination of fiscal response, debt dynamics, and revenue upheavals during the challenging pandemic period (IMF, 2022). The EMDEs' expenditure (% of GDP) averaged 31.4% during the review period. SSA registered the lowest expenditure-to-GDP ratio among the selected regions for the entirety of the review period. These were 18.7% and 18.8% in 2021 and 2022, respectively, underpinned by the fiscal policy complexity faced by the region such that on one hand there was an appetite for economic growth after Covid-19 pandemic (World Bank Group, 2023), while on the other hand, many of the region's central governments had little space to increase expenditures (IMF, 2023). Such complexities and uncertainties impacted the region's fiscal decisions and overall development resulting in a relatively stable public expenditure to GDP ratio for the period under review (World Bank Group, 2023). SSA's review-period average expenditure-to-GDP ratio stood at 18.0%.

Fiscal balance-to-GDP ratios for AEs, EMDEs and SSA slowed in 2022 against the backdrop of unwinding pandemic fiscal measures and the fact that most oil producing countries begun recording fiscal surpluses attributed to the increased oil revenue (IMF, 2022). AEs and EMDEs recorded the highest fiscal balance (% of GDP) ratios which surpassed 5% during the review period. SSA registered the lowest fiscal balance-to-GDP averaging -4.6% during the period of review. *Table 11* shows the fiscal developments for different regions.

Table 11: Regional Fiscal Performance

	2018	2019	2020	2021	2022	Average
Revenue (% of GDP)						
AEs	36.0	35.7	36.1	37.0	37.4	36.4
EMDEs	27.1	26.6	24.7	25.8	25.8	26.0
SSA	17.4	17.0	15.6	17.1	17.6	16.9
Expenditure (% of GDP)						
AEs	38.4	38.7	46.4	44.5	41.7	41.9
EMDEs	30.6	31.0	33.4	31.0	31.0	31.4
SSA	20.9	20.9	22.1	22.1	22.0	21.6
Fiscal Balance (% of GDP)						
AEs	-2.4	-3.0	-10.2	-7.5	-4.3	-5.5
EMDEs	-3.5	-4.5	-8.6	-5.2	-5.2	-5.4
SSA	-3.5	-3.9	-6.4	-5.0	-4.4	-4.6
Debt (% of GDP)						
AEs	102.9	104.0	122.9	117.4	112.5	111.9
EMDEs	52.7	55.1	64.8	64.3	64.6	60.3
SSA	47.2	49.8	57.0	56.6	56.3	53.4

Source: International Monetary Fund, World Economic Outlook Database, April 2023

Advances on the debt front reveal that AEs maintained its debt-to-GDP ratio above 100% for the entirety of the period of review, while SSA registered the lowest among the selected regions, which was less than half of AEs' outturn, on average. AEs debt (% of GDP) averaged 111.9% during the review period, although it slowed significantly from 117% to 112.3% between 2021 and 2022 on the back of economic rebound as well as the end of exceptional fiscal support measures enacted during the pandemic and improved tax collections signifying the end of the pandemic (IMF, 2022).

Between 2021 and 2022, public debt (% of GDP) in SSA and EMDEs remained constant, ascribed to low revenues growth, expenditure pressures and weak economic growth as well as adverse shocks from the covid-19 pandemic and the Russia-Ukraine Conflict. For SSA, debt (% of GDP) was the lowest during the review period. SSA's review period debt-to-GDP ratio averaged 53.4%. However, debt in SSA has been rising significantly over the years. According to IMF (2023), public debt in SSA tripled from US$354 billion[12] in 2010 to US$1.4 trillion by the end of 2022.

3.2.2 Fiscal Performance in Namibia

Table 12 presents Namibia's review-period fiscal performance from which it is evident that fiscal fundamentals generally remained on sustainable trajectory. Herein, review-period revenue-to-GDP ratio averaged 31.4%, higher than both EMDEs and SSA. In 2022/23, revenue increased significantly from N$56.6 billion (2021/22) to N$62.1 billion owing to improved tax revenue collection emanating from strong economic growth as well as the full operations of

[12] https://aercafrica.org/wp-content/uploads/2020/04/Research-paper-385

Namibia Revenue Agency (NAMRA), (MoFPE, 2022, BoN, 2023). Review-period average revenue stood at N$58.4 billion.

Expenditure (% of GDP) was contained within the national threshold and SADC convergence target of 40.0% and 60.0%, correspondingly, for the entirety of the review period. The review-period average was 36.9%. Expenditure-to-GDP ratio slowed from 40.3% to 33.9% between 2020/21 and 2022/23, respectively. This feat is attributed to the fiscal consolidation measure. In nominal terms, expenditure rose from N$70.0 billion to N$71.8 billion between 2021/22 and 2022/23. The marginal increase is ascribed to the 3% increase in public service workers salaries, the rising cost of utilities and general increase in inflationary pressure because of the geopolitical wars (BoN, 2022).

Although the budget deficit (% 0f GDP) breached the 5% national threshold having recorded 6.2% and 7.3% in 2020 and 2021, respectively, the average was 5.4%, just over the national cap. In nominal terms, the deficit peaked at N$13.4 billion in 2021/22 before to N$9.5 billion in 2022/23 while averaging N$10.0 billion during the review period. These noteworthy accomplishments were on the back of fiscal consolidation. On the downside, however, the debt-to-GDP ratio spiralled out of the national threshold of 35.0% for the entirety of the review period and averaged 57.7%. Moreover, the debt (% of GDP) surpassed the SADC convergence target of 60.0% in three of the five-year review period (2020/21 – 2022/23). However, debt-to-GDP decelerated marginally from 66.7% to 64.3% between 2021/22 and 2022/23.

Table 12: Fiscal Performance Year 2018 to 2022 (N$ Million)

N$ Million	2018/19	2019/20	2020/21	2021/22	2022/23	Average
Revenue	56,411	57,787	59,096	56,589	62,147	58,406
(% of GDP)	31.2	31.9	33.9	30.8	29.3	31.4
Expenditure	64,860	65,886	70,170	70,057	71,791	68,553
(% of GDP)	35.8	36.4	40.3	38.1	33.9	36.9
Fiscal Balance	-8,395	-8,008	- 10,850	- 13,401	-9,576	-10,046
(% of GDP)	-4.6	-4.4	-6.2	-7.3	-4.5	-5.4
Public Debt	81,165	94,231	105,940	122,614	136,188	108,028
(% of GDP)	44.8	52	60.8	66.7	64.3	57.7
Interest payments	6,308	6,951	7,420	7,672	9,133	7,497
(% Of Revenue)	11.3	11.0	12.8	13.9	14.3	12.8

Source: Ministry of Finance & Public Enterprises

Regarding proceeds from the Southern African Customs Union (SACU) revenue pool, between 2018/19 and 2022/23, Namibia received the third highest average revenue (14.2%), after Botswana (18.2%) and South Africa (34.5%) *(Table 13)*. From 2021/22 to 2022/23 Namibia's average revenue share has been decreasing ascribed to downward adjustments in revenue in addition to low trade volumes influenced by external shocks on trade and inflationary pressure (SACU, 2022).

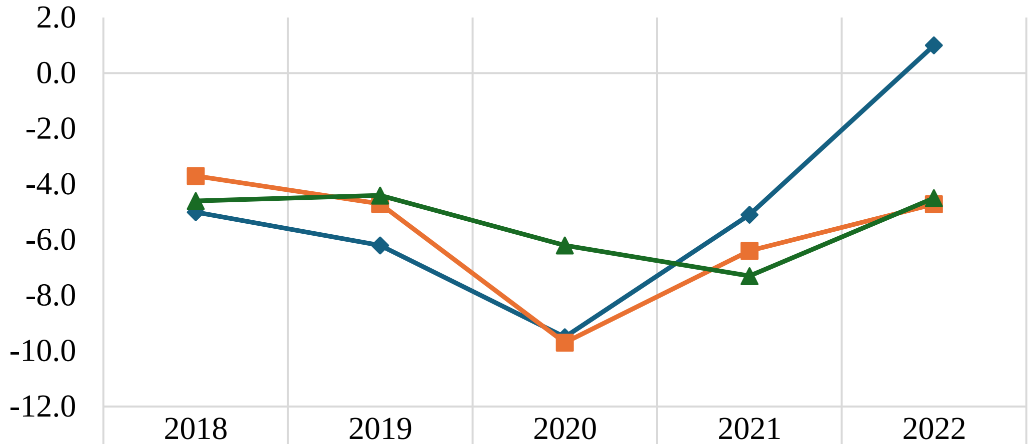
Table 13: SACU Member States' Revenue Sharing (%)

	2018/19	2019/20	2020/21	2021/22	2022/23	Average
Botswana	19.46	18.74	23.74	18.76	18.21	18.2
Eswatini	5.84	6.31	8.35	6.38	5.82	5.8
Lesotho	5.54	6.23	8.98	6.01	5.40	5.4
Namibia	**17.37**	**18.92**	**22.25**	**14.75**	**14.19**	**14.2**
South Africa	43.07	46.11	57.65	44.66	34.46	34.5

Source: Southern African Customs Union Secretariat (2021, 2023)

During the period of review, Namibia's fiscal deficit-to-GDP ratio somewhat mirrors those of SADC/SACU peers Botswana and South Africa *(Figure 7*). Botswana, Namibia and South Africa registered review-period fiscal deficit averages of 5%; 5.4% and 5.8%, in that order.

Figure 7: Fiscal Balance as a Percentage (%) of GDP



	2018	2019	2020	2021	2022
Botswana	-5	-6.2	-9.5	-5.1	1
South Africa	-3.7	-4.7	-9.7	-6.4	-4.72
Namibia	-4.6	-4.4	-6.2	-7.3	-4.5

Source: Ministry of Finance & Public Enterprises (2022), Bank of Botswana (2023) & International Monetary Fund (2022)

A synopsis of Namibia's debt dynamics during the review period as presented on *Table 14* reveals a concerning trend. Specifically, when taken as percent of GDP, interest payments and development budget allocation averaged 4.2% and 3.2% thereby signifying a trend where interest payment exceeded the development budget allocation. This implies that the high interest payments (high debt repayment) can certainly crowd-out social and economic investment, which can have significant impact on vulnerable groups. Therefore, debt and interest payments should be maintained within established national thresholds of 35.0% of GDP and 10.0% of revenue in line with government's debt management strategy. This will ultimately ensure fiscal sustainability while also providing necessary funding to critical development priorities.

Table 14: Interest payments vs. development budget allocation (N$ Million)

	2018	2019	2020	2021	2022	Average
GDP	180,940	179,126	178,123	188,414	197,460	184,813
Development Budget	7,324	5,558	6,410	4,693	5,495	5,896
(% of GDP)	4.0	3.1	3.6	2.5	2.8	3.2
Interest payments	6,951	7,420	7,672	9,133	7,497	7,735
(% of GDP)	3.8	4.1	4.3	4.8	3.8	4.2

Source: MoFPE and NSA Data

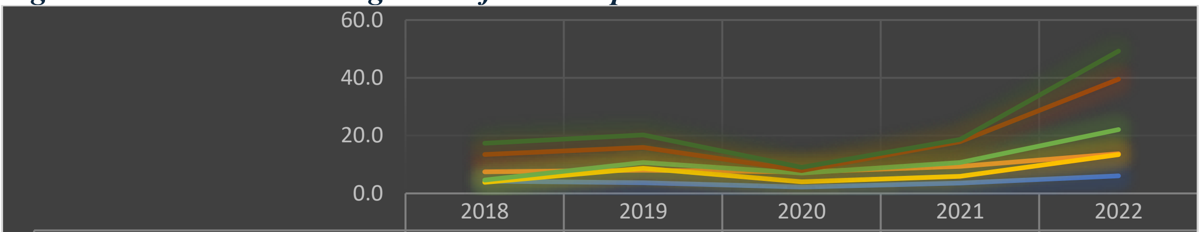
3.3 Monetary Developments

This section presents the information on indicators such as inflation, interest rate, exchange rate and Private Sector Credit Extension (PSCE). Inflation is one of the factors that are considered by the Central Banks during the monetary policy decision-making. Most of the monetary policy instruments such money supply and interest rate are designed to curb inflation to ensure the primary monetary policy objective of price stability. Inflation rate shows the pace of changes in general price level of goods and service within a territorial area (country/region) over a period (year/ quarter/month). It is critical to monitor the inflation rate as it erodes the real value/purchasing power of the money (i.e. N$). In other words, the higher the inflation, the fewer the goods and services a dollar can buy.

3.3.1 Inflation as per National Consumer Price Index (CPI)

On overall (All item) Inflation rate experienced irregular patterns during the period of 2018 to 2022. The overall inflation varied between 2.2 percent to 6.1 percent *(Figure 8).* The highest general price increase was recorded in 2022 which could be attributed to a rise in demand reflected in final consumption expenditure reported in the Annual National Accounts 2022. The lowest rate was observed in 2020 owing to a decline in spending during COVID 19. Price levels in the categories of transport and 'food and non-alcoholic beverages 'were persistently increasing faster than the general/overall price level as inflation rates for those are higher. Overall, the review period inflation averaged 4.0% which augurs well for the low-income earners as the low inflation implies that they could afford the same basket of goods and services from one year to the next.

Figure 8: All items and categorial inflation in percent



	2018	2019	2020	2021	2022
HOTELS, CAFES AND RESTAURANTS	3.8	4.3	1.1	0.8	9.7
TRANSPORT	8.9	5.2	0.8	7.3	17.4
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE	0.8	1.9	3.0	4.7	8.7
CLOTHING AND FOOTWEAR	-3.7	0.7	-3.4	-3.4	-0.3
FOOD AND NON-ALCOHOLIC BEVERAGES	3.2	4.3	5.2	5.7	7.7
ALL ITEMS	4.3	3.7	2.2	3.6	6.1

Souce: NSA Price Statistics

Table 15 presents inflation rates for selected categories from which it is evident that the category of *'food and non-alcoholic beverage'* recorded an increasing trend during the period under review (2018 to 2022). Under this category, the sub-category of food persistent dominated with the highest rate of inflation (7.8%) record in 2022. Higher food prices could have an implication on the food security of Namibian households as they reduce affordability and access to nutritious food. The transport category recorded increases in inflation rate except in 2020 where there was decline in inflation. It can be evident from the prices of maintaining private vehicles (servicing of cars) had increased faster than public transport services in 2018, 2021 and 2022.

The inflation rate under the sub-category of 'purchasing vehicle' reduced from 8.8% recorded in 2021 to 4.2% in 2022. This could be owing to the decisions of Bank of Namibia to increase the repo rate which made the borrowing expensive. The 'hotels, cafés and restaurants' category consecutively had a slowdown in price increases in 2019, 2020 and 2021. An accelerated increase in price levels was reported in 2022, where the inflation rate was 9.7% compared to 0.8% recorded in 2021. A similar trend was observed in the sub-category of catering. Notably, the sub-category of 'accommodation services' deflation of 2.4% and 2.8% in 2020 and 2021 and then pick up in 2022 with the inflation rate of 17.0%. The deflation is attributable to restriction imposed to curb the spread of COVID 19 which were completely relaxed in 2022.

Table 15: Inflation rates of selected category in percent

Category	2018	2019	2020	2021	2022
Food and Non-Alcoholic Beverages	**3.2**	**4.3**	**5.2**	**5.7**	**7.7**
Food	3.3	4.5	5.5	6.1	7.8
Non-alcoholic beverages	2.4	2.5	3.1	2.6	6.4
Transport	**8.9**	**5.2**	**0.8**	**7.3**	**17.4**
Purchase of vehicles	7.1	4.1	4.8	8.8	4.2
Operation of personal transport equipment	10.1	3.3	-2.2	9.4	26.5
Public transportation services	7.2	14.2	6.0	-0.7	5.7
Hotels, Cafes and Restaurants	**3.8**	**4.3**	**1.1**	**0.8**	**9.7**
Catering	5.4	5.0	4.3	3.9	4.0
Accommodation services	2.3	3.6	-2.4	-2.8	17.0

Source: NSA Price Statistics

3.3.2 SADC Harmonised Consumer Price Index (HCPI)

Harmonised Consumer Price Index (HCPI) is the CPI compiled by the Southern African Development Community (SADC) using concepts and methods different from National CPI (NCPI) (but same data) to allow for comparability of inflation rates among Member States. Unlike the NCPI, HCPI is mainly used for monetary policy, assessment of Member States' achievement of the Macroeconomic Convergence Targets in line with monitoring of progress towards regional integration13.

During the review period, Namibia's inflation rate measured by HCPIs fluctuated between 4.2% and 8.7%, the highest recorded in 2022 *(Table 16)*. Namibia recorded the inflation rate that is within the SADC target (3%-7%) set under the African Monetary Co-operation Programme (AMCP) in all the years expect in 2022. Zimbabwe and Angola struggled to achieve single digit inflation rate during the 5-year review-period. Zimbabwe recorded the highest inflation rates during the review period, on average. Zimbabwe's inflationary pressures are underpinned by the control of the fiscal deficit and money growth as well as currency depreciation (IMF, 2022).

Table 16: Annual averages inflation rate (%) for SADC Member States (HCPI measure)

Member State	2018	2019	2020	2021	2022
Angola	19.9	16.4	22.0	28.9	21.7
Botswana	2.8	3.2	2.2	6.5	10.6
Comoros					
DR Congo	30.3	4.7	11.1	9.7	9.4
Eswatini	4.5	2.7	4.1	6.0	8.3
Lesotho	4.1	3.3	4.6	6.3	9.1
Madagascar	8.1	5.2	5.3	7.5	7.8
Malawi	10.4	9.7	8.5	9.2	27.1
Mauritius	5.8	1.3	3.1	2.8	5.0
Mozambique	3.8	2.8	3.1	5.7	9.8
Namibia	**4.4**	**4.7**	**4.2**	**4.9**	**8.7**
Seychelles	5.0	1.7	0.6	5.7	3.5

[13] SADC_HCPI_Sep_2022_0.pdf

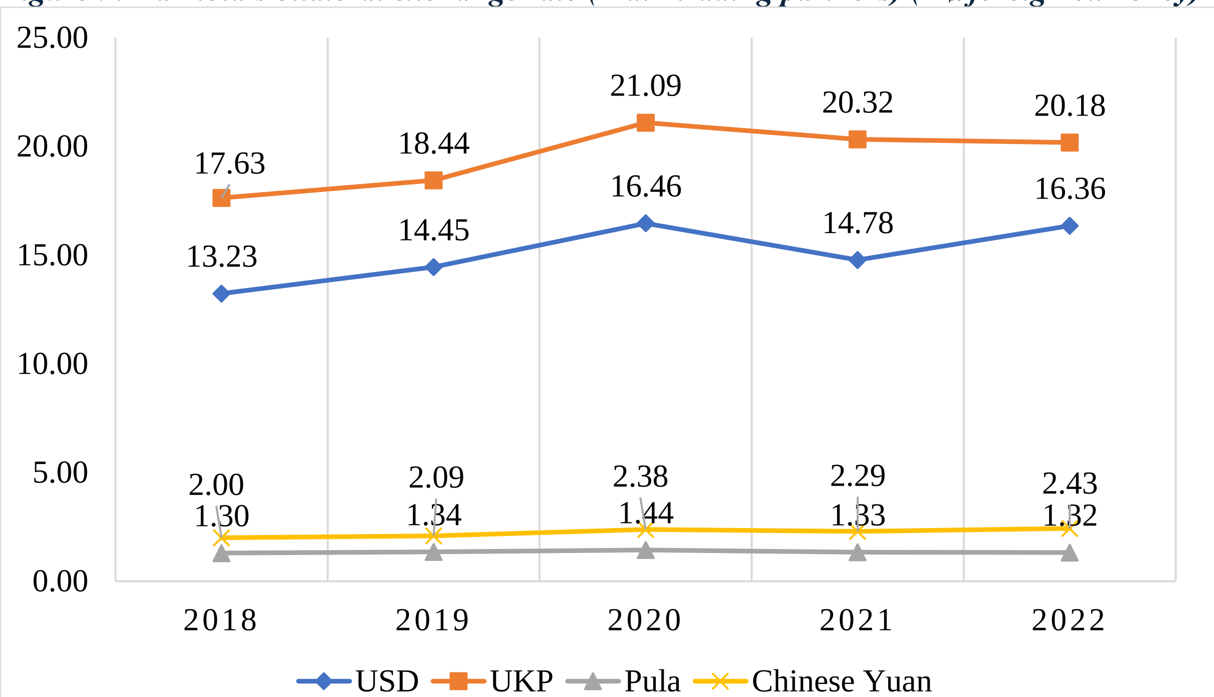
South Africa	4.8	5.0	4.7	5.8	9.1
Tanzania	3.5	3.4	3.3	3.7	4.3
Zambia	2.9	8.2	19.5	26.1	9.4
Zimbabwe	10.3	290.6	558.8	100.7	197.7
SADC	**8.7**	**11.3**	**37.0**	**54.1**	**93.3**

Source: SADC Harmonised Consumer Price Index Sep 2022

3.3.3 Bilateral Exchange rates

Bilateral Exchange rates show the value of the Namibia dollar in relation to other (foreign) currencies. It is crucial to monitor the trade of the exchange rate as it affects the country's trade flows and eventually trade balances. The appreciation of the Namibia against other currencies means that the economy can afford more imports while attracting less exports. During the period under review, the Namibia dollar depreciated against the currency of selected main trading partners comparably depreciated except in 2021 when there was an appreciation when compared to 2020 *(Figure 9).* Generally, an appreciation of the N$ bodes well for the import of goods and services considering that imports will be relatively cheaper. This is ideal in the case of industrialisation, among others, whereby expensive machinery and equipment are procured abroad. However, a depreciation promotes export of goods and services, a fact that augurs well for Namibia's exports i.e., mineral commodities, agriculture and fishery products etc. The review period average N$ per foreign currency were: 19.53; 15.06; 2.34; 1.35 for the British Pound (UKP); US Dollar (USD); Chinese Yuan and Botswana Pula, in that order.

Figure 9: Namibia's bilateral exchange rate (Main trading partners) (N$/foreign currency)



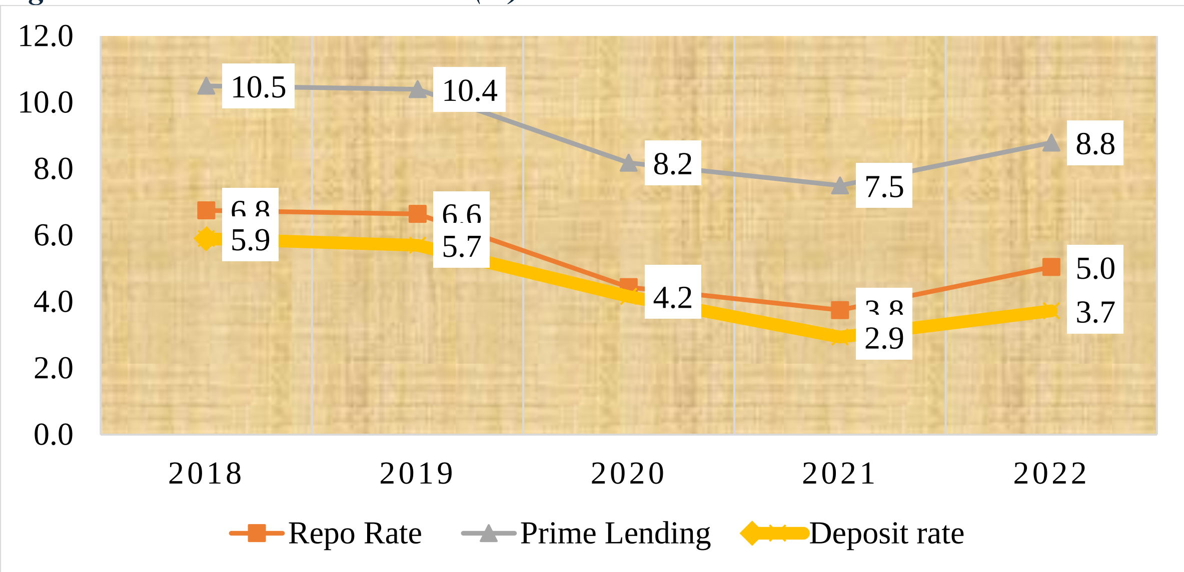
Source: BoN dataset

3.3.4 Interest rates

Interest rates refer to either the cost of borrowing funds through loans etc. or the reward for saving money. Different interest rates coexist in an economy to serve varying needs. The repurchase (repo) rate is the rate at which the private (sector) commercial banks borrow from the Central Bank i.e. Bank of Namibia, while the benchmark (prime) rate is one at which private commercial banks lend out to the public[14]. The deposit interest rate is the rate paid by commercial or similar banks for demand, time, or savings deposits.

The repo rate is also known as the policy rate as it is one of the tools the central bank has at its disposal to control money supply. Evident from *Figure 10* expansionary monetary policy (decrease in repo interest rates) was pursued by the Bank of Namibia between 2018 to 2021. This was due to the central bank's efforts to support economic growth and development by boosting spending as low interest rates encourage borrowing, especially during the times of COVID 19 whilst ensuring the achievement of the central bank's price stability objective. The policy (repo) rate recorded a review-period average of 5.3%. The general price levels were quite stable hence there was no pressure on the Bank to curb inflation through the contractionary monetary policy. Notably, the contractionary monetary policy was observed moving from 2021 to 2022, as inflation started picking up hence needed to be curbed.

Figure 10: Namibia's Interest rates (%)



Source: Bank of Namibia dataset

3.3.5 Private Sector Credit Extension (PSCE)

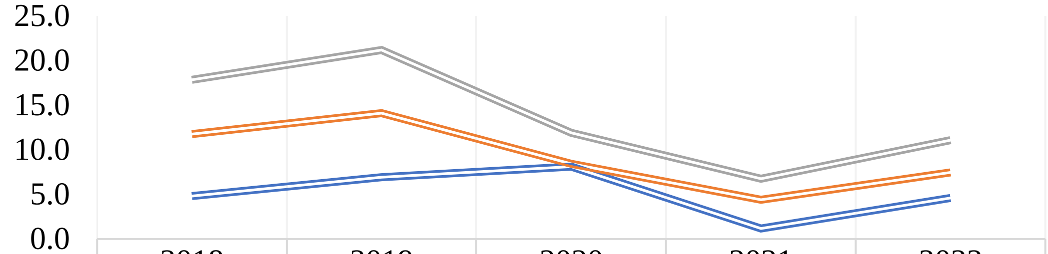
The credit extended to the private sector (PSCE) recorded an accelerated growth from 6.1% in 2018 to 7.1% in 2019 *(Figure 11)*. Despite a decline in interest between 2019 to 2020, the growth of household PSCE drastically decelerated from 7.2% in 2019 to 0.3% in 2020. This could be attributed to a decline in the inflation rate *(Figure 11)* which relieved consumers of the need to supplement earnings with loans to make ends meet. Also, that is the time when consumers were affected by employee layoffs, hence minimized borrowing given economic rationality.

The business component of credit extended to the private sector (non-financial corporations) recorded an increase growth from 2018 to 2020. Seemingly businesses had pressure to borrow as they needed to still cover their fixed cost despite the interruption of the operation and reduced

[14] https://www.bon.com.na

revenue. Moving from 2020 to 2021, inflation rate started picking in addition to lower interest rate thus, causing higher growth in borrowings by households. Although one would expect the demand for credits to increase interest rate decreases, it was not the case especially 2020 to 2021. This could be a result of the expansionary fiscal policy as effort by the government to relieve businesses and households from the economic pressure of COVID 19. The demand for credit accelerated when comparing 2021 to 2022, emanating from growth recorded in the business segments.

Figure 11: Growth of Private Sector Credit Extension (PSCE) by sector (Business and Household) in %



	2018	2019	2020	2021	2022
PSCE	6.1	7.1	3.5	2.4	3.6
Household	7.0	7.2	0.3	3.2	2.9
Business	4.8	6.9	8.1	1.2	4.6

Source: Annual Reports from BoN

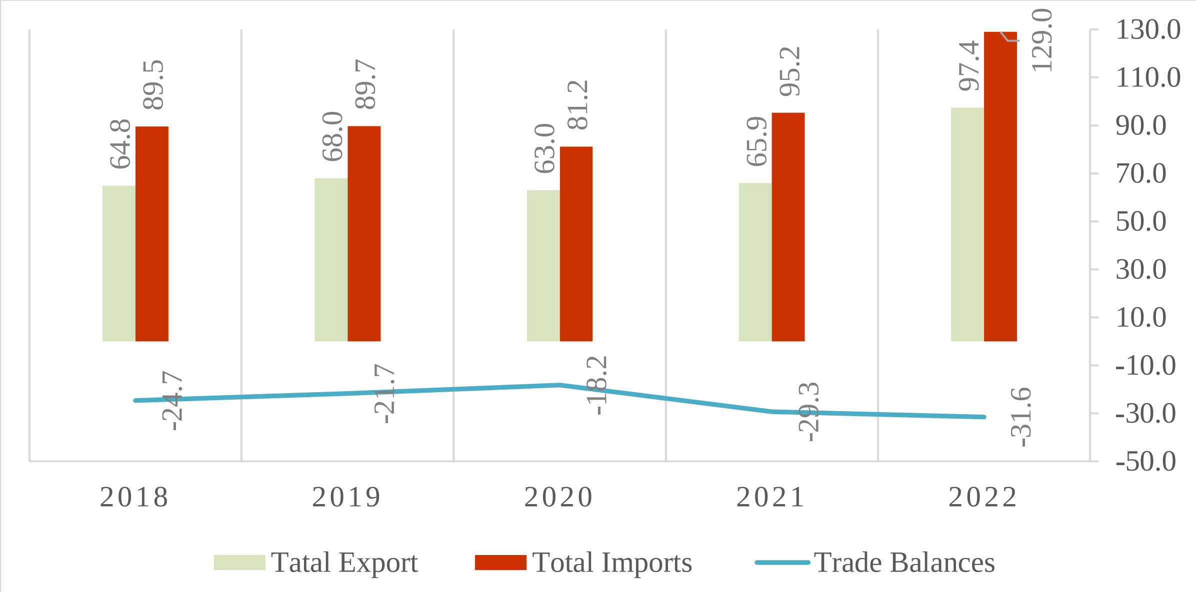
3.4 External Sector Developments

The section presents detailed information on indicators related to international trade and balance of payments. The analysis is important to understand the level of participation of residents in the global markets given the openness of the Namibian economy. The trends of such indicators inform the formulation of policies. For instance, if the country gets trapped into a trade deficit, then it is a wake-up call for the relevant authority to impose trade restrictions within the limit of their regional and international integration (free trade agreements).

3.4.1 International Trade

The total exports (including domestic exports and re-exports) increased for all the years from 2018 to 2022, except in when comparing 2020 (N$63.0 billion) to 2019 (N$68.0 billion) *(Figure 12)*. The highest increase was reported when comparing N$97.4 billion (2022) to N$65.9 billion (2021) There is a consistently increasing trend in total imports ranging between N$81.2 billion and N$129.0 billion, with the lowest recorded in 2020 and the highest in 2022. During the period under review (2018-2022), Namibia recorded trade deficit ranging between N$18.2 billion (2020) and N$31.6 billion (2022). Overall, the imports are dominated by machinery and equipment that are expensive while exports are made up of fish and minerals that are relatively cheaper, which results in unfavourable trade balances. Hence more needs to be done on import substitution strategies (of course considering constraints) and value addition on minerals and fish to ensure better export earnings.

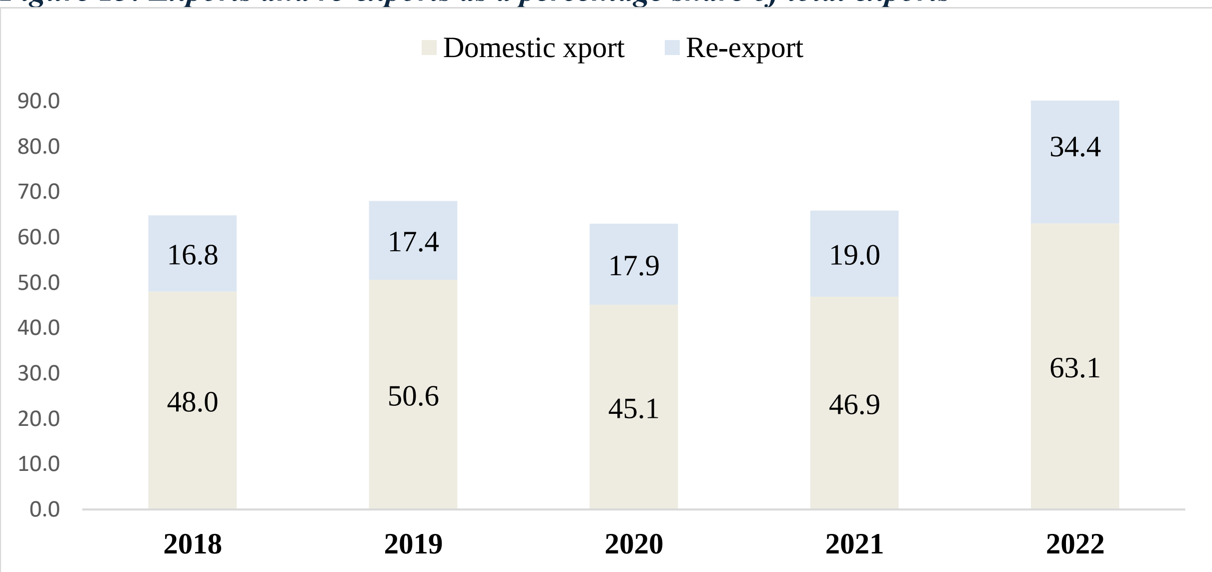
Figure 12: Trade flows and balances in N$ billion



Source: NSA, from Trade Statistics

Domestic Exports are goods that are grown, produced, or manufactured in the country, and commodities of foreign origin that have been changed in the country[15]. While re-export is exportation of goods that were originally imported and subsequently exported in a virtually unprocessed state[16]. During the period 2018 to2022, the share of re-export to total export continuously increased. The highest increase recorded when comparing 2022 (34.4%) to 2021 (19.0%) *(Figure 13)*. Although re-export generates earnings through resale, re-packaging, storage and transport its economic benefits are not as optimal as the ones for domestic exports. Thus, there should be value addition on imported goods before they are exported to maximise earnings and employment created domestically.

Figure 13: Exports and re-exports as a percentage share of total exports



Source: NSA, Own computation from Trade Statistics

---

15 https://www.census.gov/foreign-trade/reference/definitions/index.html#exports_foreign
16 https://www.cbs.nl/en-gb/news/2023/36/re-exports-higher-than-domestic-exports-in-2022

This analysis is critical to understand the level of participation for Namibia in the African Continental Free Trade Area (AfCFTA) since its ratification. The percentage share of trade been Namibia and the rest of the African continent has been persistently dominated, accounting for more than 50% of the Namibia's total trade during the period under review, except in 2022 where 46.9 was reported *(Table 17).* The decline recorded in the share of Namibia-Africa trade could be attributed to the fact that total trade was driven by imports of petroleum oils (mainly sourced from United Arab Emirates). This eventually caused a decline in the percentage share of Namibia-Africa.

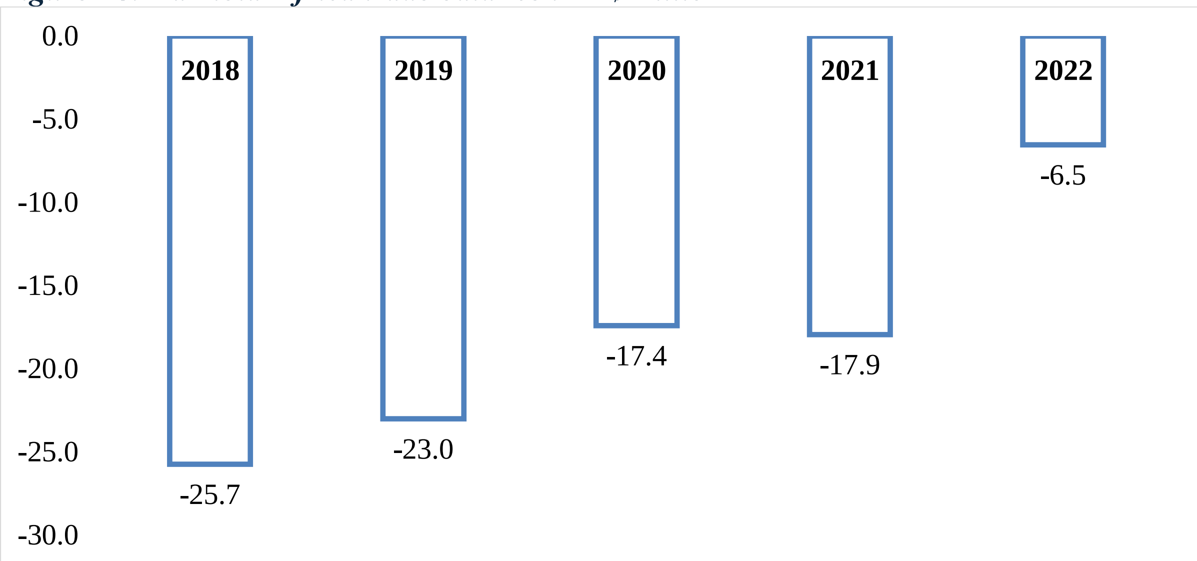
Table 17: Continental share to Namibia total trade (%)

Continents	2018	2019	2020	2021	2022
Africa	54.9	54.3	51.3	51.4	46.9
Asia	17.4	18.3	20.6	21.5	23.3
Europe	19.1	19.2	19.7	18.0	19.1
Americas	4.4	6.3	6.6	6.0	6.7
Oceania	0.4	0.2	0.3	0.3	0.4
Countries N.E. S	3.8	1.7	1.5	2.8	3.5

Source: NSA, Own computation from Trade Statistics

Namibia reported an improvement in the deficits in Africa continental trade during the reviewed period except when 2021 (N$ 17.9 billion) is compared to 2020 (N$17.4 billion) *(Figure 14)* A notable improvement was recorded in 2022 where a continental trade deficit of 6.5 billion was recorded compared to N$17.9 reported in 2021The trade deficit implies that Namibia is sourcing (importing) more that it is supplying (export) in the continental market. Namibia imports almost all consumer goods and exports most of its primary resources[17]. Thus, Namibia needs to strengthen the existing value addition programs to optimize economic benefits from AfCFTA and move from a negative to a positive trajectory in terms of a trade balance.

Figure 14: Namibia-Africa trade balance in N$ Billion



Source: Own computation from NSA dataset

3.4.2 Balance of Payments (BOP)

The Balance of Payments summarizes the transactions between the residents and non-residents on three main accounts, namely current account, capital account and financial accounts. Based on *Table 18*, Namibia recorded a negative current account raging between N$3.2 billion (reported in 2019) and 26.4 billion (recorded in 2022) during 2018 to 2022. Increases in the unfavourable current account balances were mainly emanating from a negative balance recorded in the good and services account implying exports increasing slower than imports. As one may expect, Namibia reported a positive balance on secondary income through out. The secondary income captures the cash and in-kind transfers between residents and non-residents[18].

The highest balance on the secondary income account was reported in 2020 (N$22.3 billion) as the countries received assistance in forms of both multilateral and bilateral during COVID 19. While the lowest secondary account balance of N$15.6 billion was received in 2022. Equally important, the capital account persistently reported positive mainly result from net capital transfers. Both capital account (particularly capital tranters) and secondary (current transfers) indicates that Namibia is dependent on external development partners. Transfers can translate into socio-economic benefits such poverty reduction and infrastructure development. However, economic activities in dependent countries are influence by dominant countries through transnational corporations, donor aid, world markets, communications, and any other means by which the advanced industrialised countries can represent their economic interests abroad[19]. In other words, giving (dominant) countries try to advance their interest through transfer rather than helping recipients (dependent) countries to solve their socio-economic challenges.

Table 18: Balance of Payments aggregates (N$ million)

Detail	2018	2019	2020	2021	2022
Current Account	**-6,347.7**	**-3,243.0**	**4,855.8**	**-18,866.0**	**-26,406.3**
Goods And Services	-18,296.6	-17,730.4	-16,803.8	-31,526.2	-35,806.6
Primary Income	-6,686.7	-4,446.6	-722.5	-4,859.2	-6,181.9
Secondary Income	18,635.6	18,933.9	22,382.1	17,519.3	15,582.2
Capital Account	**1,731.6**	**1,518.2**	**1,657.5**	**2,030.4**	**1,764.5**
Gross acquisitions/ disposals of non-produced nonfinancial assets (net)	4.8	28.1	2.8	0.4	2.2
Capital transfers (net)	1,726.8	1,490.1	1,654.7	2,030.0	1,762.3
Financial Account	**-3,644.2**	**-213.6**	**4,531.0**	**-20,503.1**	**-26,534.7**
Direct Foreign Investment	-1,456.7	2,717.3	3,262.6	-12,271.7	-17,023.8
Portfolio Investment	3,041.2	1,810.3	-953.6	-8,075.6	-2,332.1
Financial Derivatives and Employee Stock Option	133.5	140.4	140.6	-344.3	-103.9
Other Investments	-6,382.5	-1,712.9	1,560.1	- 9,969.6	-8,140.7
Reserve Assets	1,020.4	-3,168.6	521.3	10,158.2	1,065.8

Source: 2023 BoP Excel Sheet database from Bank of Namibia

[18] https://www.bon.com.na/CMSTemplates/Bon/Files/bon.com.na/31/313b6449-984c-4b29-92c0-5bf7c50443d9.pdf

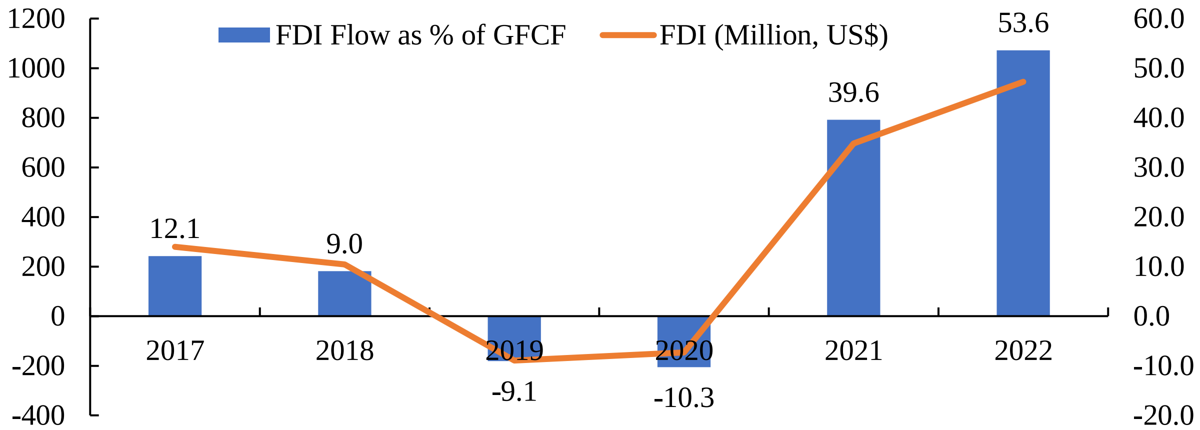
[19] https://unisapressjournals.co.za/index.php/Africanus/article/view/1096/1725

3.5 Investment Analysis

3.5.1 Foreign Direct Investment

According to the Organisation for Economic Cooperation and Development (OECD), Foreign Direct Investment (FDI) is a category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy. As a gauge of investor sentiment globally, 2022 was not a good year, with data from the United Nations Conference on Trade and Development (UNCTAD)'s 2023 Report showing globally downward pressure on project investments due to the Russia Ukraine war, inflationary pressures, and debt woes. Namibia recorded an increase in the Foreign Direct Investment (FDI) of US$ 945 million in 2022 (growth of 35.5%) compared to contractions recorded in 2019 & 2020 respectively as depicted on *Figure 15* below.

Figure 15: FDI Trend in Namibia



Source: UNCTAD

The country has been attracting favourable investments with half of the share in FDI flow as percentage of GFCF observed in 2022. Favourable investments are attributed to the increase in the greenfield projects (new construction or development projects that are initiated on unused or undeveloped land, which has not been previously developed) whose estimated value was US$ 6.8 billion between 2018-2022, with the highest value observed in 2022. The greenfield projects in Namibia are boosted by green hydrogen push, gathering support from EU countries, other European countries, and institutions.

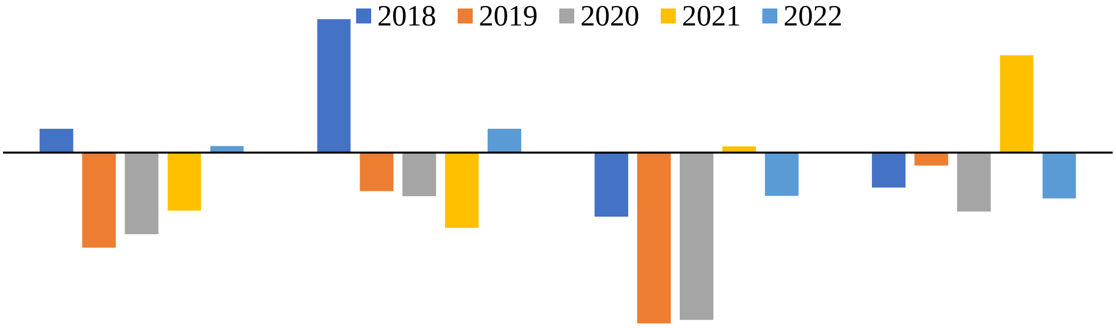
Greenfield projects play a pivotal role in fostering social development by contributing to various aspects that uplift communities and achievement of the development plans. These projects, involving the establishment of new businesses, infrastructure development, and industries, create substantial employment opportunities. This, in turn, addresses issues of unemployment, providing individuals with means of financial support and contributing to the overall economic well-being of the community. In essence, the importance of greenfield projects in social development lies in their capacity to generate holistic and sustainable improvements in the lives of individuals and communities. Hence, the significance of greenfield projects in addressing the social challenges faced by the country cannot be overstated.

3.5.2 Gross Fixed Capital Formation

Gross Fixed Capital Formation (GFCF) by private business enterprises and public corporations is an important determinant of long-term economic growth. The evolution of gross fixed capital formation in Namibia during the reference period *(Figure 16*) can be analysed from two major perspectives. Firstly, gross fixed capital formation by *public*, recorded growth of 6.6% in 2022 attributed by activities in the public corporations and enterprises. Secondly, Gross fixed capital formation by *private investment* contracted in 2022 by 12.7%. The contraction is mainly attributed by high commodity prices, global economic shocks. Apart from moderate growth in the government services, capital investment remained lacklustre in private and public corporation and enterprises.

Throughout the review period, there was a contraction in investment growth, experiencing a decline of 5.1%, primarily due to significant decreases observed in 2021 and 2022. Given that investment is a key component of GDP, this downward trend undoubtedly exerts a negative influence on economic growth. Furthermore, this situation is not aligned with the country's goal of reaching the 30% convergence target set by SADC. It is crucial to prioritize the stimulation of investment, especially considering the aim of restoring growth to the commendable levels observed in 2021.

Figure 16: Gross Fixed Capital Formation by Ownership (Growth rates – %)



	Public	Producers of government services	Public corporations and enterprises	Private
2018	6.6	36.9	-17.8	-9.7
2019	-26.4	-10.7	-47.3	-3.6
2020	-22.6	-12.1	-46.3	-16.4
2021	-16.1	-20.9	1.7	26.9
2022	1.8	6.6	-11.9	-12.7

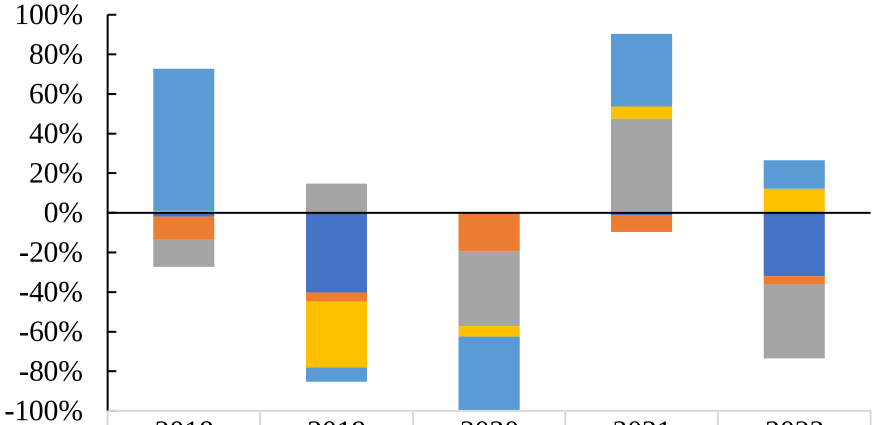
Source: Namibia Statistics Agency

A further analysis of gross capital formation is broken down by components as portrayed in *Figure 17*. The largest components have been mineral exploration and machinery and other equipment in 2021 and 2022. Over the period review, transport equipment and construction works have been minimal significant especially between 2018 and 2021. This is mainly attributed by completion of major projects and Covid-2019 pandemic.

The main drivers of the increased expenditure were the progressive exploration activities at Andrada Mining's Uis tin mine, fast-tracking of the Osino Resources Twin Hills project, the advancement of uranium projects, and growing interest in the country's critical mineral resources. This enables us to have significant increase in the investment inflows to the country.

Despite the growth, it is imperative for the government to set favourable terms and conditions in the mining and processing of minerals. This is crucial for extracting maximum value and promoting the long-term growth of the country, as well as sustaining supply chains for critical minerals.

Figure 17: Gross Fixed Capital Formation by Ownership



	2018	2019	2020	2021	2022
Mineral exploration	102.5	-3.5	-42.8	83.1	11.8
Machinery and other equipment	1.5	-16.1	-6.0	13.9	10.0
Transport equipment	-19.7	7.1	-43.3	108.0	-30.5
Construction works	-16.5	-2.2	-22.0	-19.3	-3.4
Buildings	-2.8	-19.5	0.0	-2.7	-26.2

Source: Namibia Statistics Agency

3.5.3 Remittances

According to the World Bank, personal remittances comprise of: **(i) personal transfers** (all current transfers in cash or in kind made or received by resident households to or from non-resident households), **and (ii) compensation of employees** (the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by non-resident entities).

Remittances play a crucial role in the economic landscape of countries, especially in Africa where they serve as lifelines for millions of families and contributing significantly to national economies. *Table 19* shows personal remittances received (% of GDP) for global and regional economies from which it can be deduced that remittances to Africa have been steadily increasing over the years. According to World Bank data, the region received over US$80 billion in remittances (2.6% of personal remittances to GDP), representing a vital source of income for many households.

Central and Western African countries are the key recipients of remittances in the region. Remittances to Nigeria, Egypt, and Ghana are with contributions from the diaspora spanning various sectors, from education to healthcare. East Asia & Pacific and European Union regions are the least recipient of remittances in the world. Moreover, East Asia & Pacific (0.4%) and European Union (0.8%) regions are the least recipients of remittances in the world. On average, global personal remittances were 0.8% of GDP between 2018 and 2022. Notably, a significant proportion of Africans live in the diaspora compared to other continents, largely due to socio-economic challenges and political instability.

Table 19: Personal remittances received (% of GDP) – Global and Regional economies

	2018	2019	2020	2021	2022	Growth rates (2018-2022)
Sub-Saharan Africa	2.8	2.7	2.5	2.6	2.6	2.6
Africa Eastern and Southern	1.3	1.4	1.5	1.6	1.6	1.5
Africa Western and Central	4.7	4.4	3.8	4.0	4.0	4.2
European Union	0.8	0.8	0.8	0.8	0.8	0.8
World	0.7	0.8	0.8	0.8	0.8	0.8
Latin America & Caribbean	1.7	1.9	2.4	2.6	2.6	2.2
Arab World	2.4	2.5	2.9	2.9	2.1	2.6
East Asia & Pacific	0.4	0.4	0.4	0.4	0.3	0.4

Source: World Bank

Remittances have become an integral part of the economic fabric. According to World Bank data, countries received a substantial amount in remittances, with a significant portion coming from their citizens living abroad. This financial inflow plays a pivotal role in supplementing household incomes and supporting various sectors of the economy.

The proportion of personal remittances received in chosen African nations relative to their Gross Domestic Product (GDP) varies. Zimbabwe, Nigeria, and Kenya stand out as primary recipients, recording personal remittances to GDP ratios exceeding 5% *(Table 20)*. Conversely, Eswatini, Malawi, and Mozambique experienced more moderate remittance levels, averaging around 2.7% during the review period. Namibia, South Africa, Angola, and Zambia are the least reliant on personal remittances, with an average ratio of approximately 0.5% between 2018 and 2022.

Table 20: Personal remittances received (% of GDP) – Selected African Countries

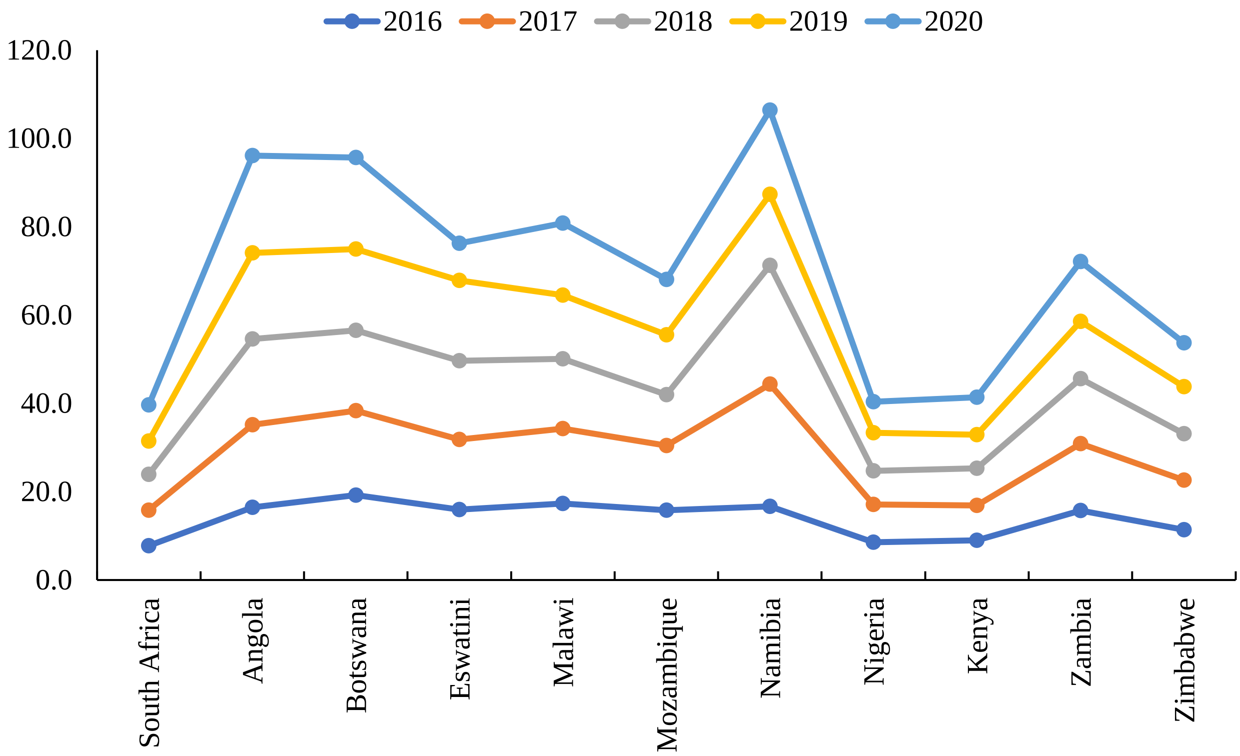
Country	2018	2019	2020	2021	2022	Growth rates (2018-2022)
South Africa	0.2	0.2	0.2	0.2	0.2	0.2
Angola	0.0	0.0	0.0	0.0	0.0	0.0
Botswana	0.3	0.4	0.3	0.3	0.3	0.3
Eswatini	2.7	2.7	2.8	2.7	2.6	2.7
Malawi	1.8	2.5	1.9	2.1	2.0	2.1
Mozambique	2.0	1.9	2.5	2.8	1.6	2.2
Namibia	**0.4**	**0.5**	**0.6**	**0.4**	**0.4**	**0.5**
Nigeria	5.8	5.0	4.0	4.4	4.3	4.7
Kenya	3.0	2.8	3.1	3.4	3.6	3.2
Zambia	0.4	0.4	0.7	1.1	0.8	0.7
Zimbabwe	4.2	6.5	8.5	9.1	11.3	7.9

Source: World Bank

The average transaction cost of sending remittances to a specific country is a crucial metric that reflects the financial burden borne by individuals when transferring funds across borders. This cost, often expressed as a percentage of the remittance amount, encompasses various fees and charges associated with the transfer process. The average transaction cost provides valuable insights into the accessibility, affordability, and efficiency of remittance services to the receiver. Globally, Africa countries tend to bear higher transaction costs mainly attributed to a lack of financial inclusion.

Governments and financial institutions can capitalize on the digital revolution by promoting and investing in fintech solutions which would enhance financial inclusion and reduce transaction costs, thereby ensuring that more of the remitted funds reach the intended recipients. Namibia is not immune to this challenge. According to World Bank data from 2022, Namibia holds the top position among countries with high transaction costs, followed by Angola, Botswana, and Malawi *(Figure 18).* The figure illustrates a clear correlation: countries with the highest transaction costs tend to be the least receptive to remittances, and vice versa.

Figure 18: Average transaction cost of sending remittances to a specific country (%)



Source: World Bank

Namibia's remittance trend reflects the interconnectedness of its diaspora with the national economy. While serving as a vital source of support for households, addressing challenges and capitalizing on opportunities is essential for maximizing the positive impact of remittances. Through strategic policies that reduce transaction costs, encourage investments in key sectors, and promote financial education, Namibia can further leverage remittances as a catalyst for sustainable economic growth and development.

Chapter 4: Social developments: *"On course towards recuperating lost gains"*

4.1 Fourth (4^{th}) Industrial Revolution vs Job creation/losses and mitigation

The 4^{th} Industrial Revolution (4IR) refers to the ongoing transformation of traditional industries and the integration of digital technologies, artificial intelligence, automation, and other advanced technologies into various aspects of society. In simplest terms it refers to the technological transformation society is undergoing in the 21^{st} Century, Ross and Maynard (2021). As a result, this revolution has significant implications for job creation, job losses, and the overall job market. Job creation can occur through the following:

- **The emergence of New Industries:** The 4th Industrial Revolution has the potential to create new industries and job opportunities. Sectors such as artificial intelligence, robotics, data analytics, and biotechnology are expected to see growth, leading to the creation of new jobs.

- **Innovation and Entrepreneurship:** The rapid advancement of technology can foster innovation and entrepreneurship, giving rise to startups and small businesses that create jobs in emerging fields.

- **Digital Skills Demand:** As technology becomes more prevalent, there is an increasing demand for workers with digital skills. Jobs related to programming, cybersecurity, data analysis, and other tech-related fields are likely to see growth.

Job losses, on the other hand can result from the following:

- **Automation and AI (artificial intelligence):** these have the potential to replace certain repetitive and routine tasks, leading to job displacement in industries such as manufacturing, routine office work, and customer service.

- **Shift in Skill Requirements:** Some jobs may become obsolete as the nature of work changes. Workers in industries that rely heavily on manual or routine tasks may face challenges if they do not acquire new skills aligned with the demands of the 4th Industrial Revolution.

- **Economic Disruptions:** The rapid adoption of new technologies can lead to economic disruptions, affecting traditional industries and potentially causing job losses in those sectors.

Mitigation strategies against the above-mentioned include the following:

- **Education and Reskilling:** Governments, businesses, and educational institutions can collaborate to provide training programmes and education initiatives to help workers acquire the skills needed for the jobs of the future.

- **Social Policies**: Implementing social policies such as unemployment benefits, job placement services, and retraining programs can help mitigate the negative impact of job losses and provide a safety net for affected workers.

- **Labour Market Adaptability:** Flexible labour markets that encourage mobility and adaptation to changing economic conditions can help workers transition more smoothly between industries.

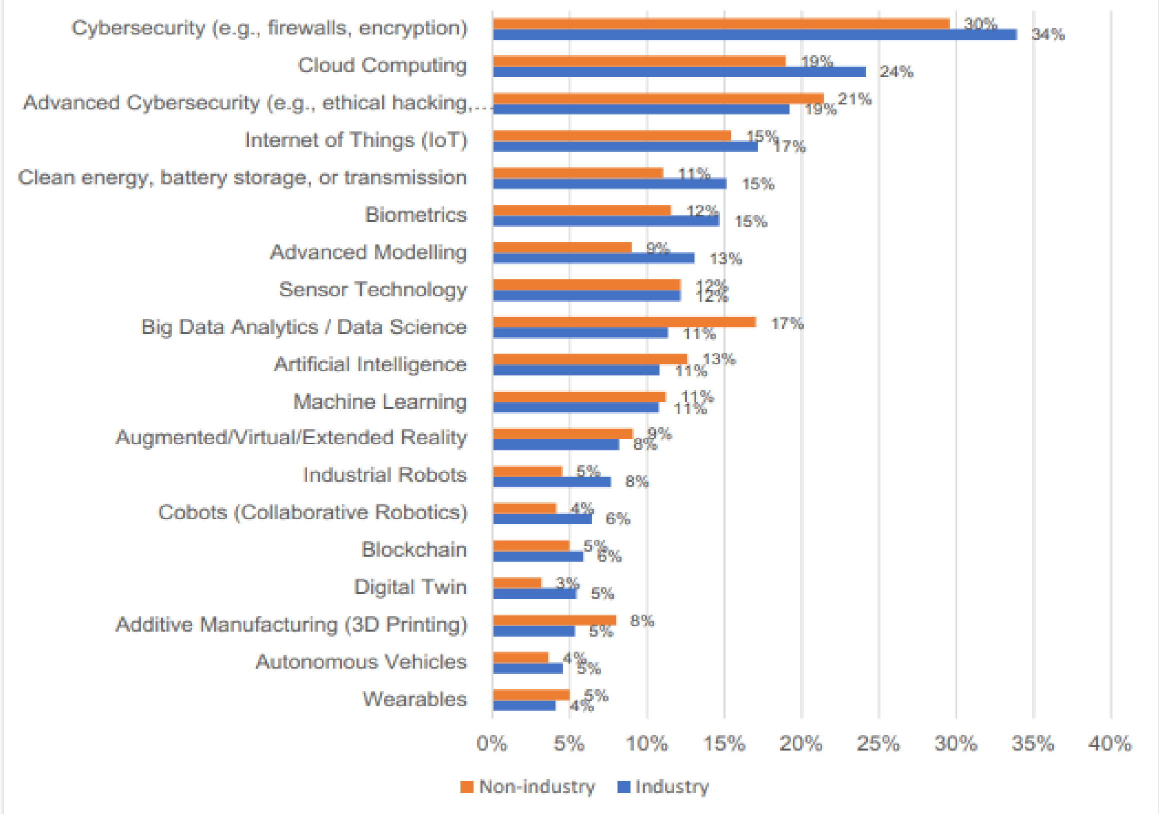
- **Ethical and Inclusive Tech Development:** Policymakers and technology developers can work together to ensure that the deployment of new technologies is done ethically and inclusively, considering the impact on the workforce and society.

The emergence of COVID-19 pandemic has significantly influenced various aspects of society, including how artificial intelligence (AI) is used and perceived. Namibia, being part of the global network will be affected by the 4IR. To determine Namibia's readiness for leveraging the Fourth Industrial Revolution, an eight-member Task Force on the Fourth Industrial Revolution was appointed on 1 July 2021. The task force was also required to come up with a report detain on the readiness and make recommendations towards a coherent policy and legislative framework, to harness the full potential presented by technologies in Namibia.

The report highlights that Namibia is a net consumer of technologies, and most organisations primarily use off the-shelf hardware and/or software solutions that have been "tried and tested" and produced outside Namibia. However, there is an appetite for developing and experimenting with new technologies. Furthermore, the adoption of more sophisticated 4IR technologies (such as advanced cybersecurity, Artificial Intelligence (AI), Internet of Things (IoT), etc. are less common, however organisations that have adopted 4IR technologies report an overall positive impact of technology upon their business operations. These impacts are visible in improved customer experience, increased efficiency and productivity, as well as in gains in competitive advantage.

The findings of the report by the taskforce further indicate some barriers to the adoption of advanced digital technologies include, lack of capital or funds for investment, lack of knowledge about possible applications of the technology, lack of skills for using the technology, inadequate power or ICT infrastructure and difficulty integrating the technology into the organisation's processes. These are key areas in which policy interventions could assist more widespread adoption of 4IR technologies in Namibia.

Figure 19: Adoption of advanced digital technologies over the last 3 years (2019-2022)



Note: Respondents to the 2022 Namibian 4IR Readiness Survey. Pooled sample (n = 232). Values may not add exactly to 100% due to rounding.

Industries and non-industries (government sector) were asked to provide an overview of the levels of adoption of advanced digital technologies versus the plans to adopt and the suitability of such technologies. The graph shows that advanced cybersecurity, cloud computing, sensor technology and IoT are the technology most frequently mentioned to be used by the industry respondents. Furthermore, the graph indicates that the acquisition and implementation of cybersecurity, machine learning, cloud computing and artificial intelligence are regarded as priorities for industrial companies in Namibia within the coming years. Similar patterns are seen in non-industry organisations, although they display less ambitious plans to adopt 4IR technologies compared to industry.

Some technologies such as autonomous vehicles, wearables and industrial robots are described as “not suitable” by most respondents. This perception is an indication of the appetite and the readiness of the Namibian system for specific 4IR technologies. In conclusion, while the 4th Industrial Revolution presents both opportunities and challenges for job creation and losses, proactive measures such as education, reskilling, and thoughtful policy implementation can help mitigate the negative effects and ensure a more inclusive and sustainable transition to the future of work.

4.2 Poverty Eradication and Standard of Living

Poverty reduction (alleviation) is a process which seeks to reduce economic and non-economic poverty levels in groups of people, communities, or countries. Poverty reduction strategies may include programs in education, health, entrepreneurship, technology, income redistribution and various forms of economic development. Reduction in poverty means to lift the people from the level of poverty and promote their economic conditions (Barder, 2009) "Poverty has many factors including ill health, low income, hunger, limited education and other basic needs. Therefore, Poverty is not limited to these basic things only, but it is also characterized by voting power for decision making in social and cultural life.

Poverty and inequality, poverty is both a driver and consequence of disasters, and the processes that further disaster risk related poverty are permeated with inequality.

Poverty and Vulnerability, vulnerability is not simply about poverty, but extensive research over the past 30 years has revealed that it is generally the poor who tend to suffer worst from disasters.

Impoverished people are more likely to live in hazard-exposed areas and are less able to invest in risk-reducing measures. The lack of access to insurance and social protection means that people in poverty are often forced to use their already limited assets to buffer disaster losses, which drives them into further poverty. Poverty is therefore both a cause and consequence of disaster risk, particularly extensive risk, with drought being the hazard most closely associated with poverty. The impact of disasters on the poor can, in addition to loss of life, injury and damage, cause a total loss of livelihoods, displacement, poor health, food insecurity, among other consequences.

Due to the complex nature of poverty, it has been a long-standing focus of research and policy discussions. Namibia has adopted the Multidimensional measure of poverty to comprehensively address the different aspects in which poverty is prevalent in the country. It is imperative to assess all aspects of poverty to comprehensively understand what is causing it and devise efficacious remedies. Namibia has declared a "war on poverty" with the goal of fulfilling basic needs and promoting prosperity for its poor citizens through a variety of poverty reduction policies.

In Namibia, education is recognized as a fundamental human right, a principle shared by other countries worldwide. The Namibian government acknowledged that the absence of educational opportunities is a type of deprivation that has to be tackled. Likewise, insufficient infrastructure resulting in substandard healthcare services is another type of deprivation that requires attention. Considering the above poverty reduction has become extremely important and has been a key element in the country's developmental priorities outlined in National Development Plans that are also in alignment with global development plans and goals such as the SDGs.

Namibia possesses an exceptionally developed social protection system, which is strongly supported by the government. The government has increased its financial support for social protection programs, and spending has grown to 7.7% of total expenditure and 2.9% of GDP in 2020/21, indicating a commitment to social protection. This commitment has contributed to a reduction in inequality and poverty, as evidenced by a decline in the Gini coefficient from 0.63 in 2003/14 to 0.56 in 2015/16, and a decrease in monetary poverty from 37.5% in 2003/04 to 17.4% in 2015/16. Among the various cash transfer programmes, the country's old-age and child grants have been the most effective in reducing poverty20.

The government of Namibia regards the social sector as a crucial one comprising of Education (Education, Arts and Culture and Higher Education, Training and Innovation); Gender Equality, Poverty Eradication and Marginalized; Health and Social Services; Sport, Youth, and National Service; Veterans Affairs. The sector in which poverty eradication is a part of receives a substantial portion of the National Budget. The table below highlights the contribution to the Social Sector during the period of review.

Table 21: Contribution (%) to Social Sector

Financial Year	**% of Operational Budget contribution**
2018/19	49.5%
2019/20	48.9%
2020/21	53.1%
2021/22	46%
2022/23	48%

Source: Citizen Guide's to the National Budget.

To further support children's education and keep them in school, the Ministry of Gender Equality, Poverty Eradication, and Social Welfare (MGEPESW) introduced a school feeding program that targets school-going children from disadvantaged backgrounds who are most in need. The school feeding program has made a tremendous impact with 466 860 beneficiaries from 1514 schools across the country. The Namibia school feeding program (NSFP) evaluation report of 2020 detailed that, the average cost of NSFP borne by MoEAC at all levels is estimated at NAD 326.80 per child per year (WFP, 2020). These efforts demonstrate the government's commitment to reducing poverty and improving the standard of living for its citizens through targeted programs and policies. Offices, Ministries and Government Agencies in Namibia have a set of social protection policies corresponding to their respective mandates as presented on *Table 22*.

Table 22: Ministries and their mandates for social protection

Office/Ministry/Agency	**Type of social protection**
Ministry of Poverty Eradication and Social Welfare	Old age grant, funeral benefit, disability grant, food bank, Revised BIG
Ministry of Health and Social Services	Health care, professional social services, FLEP, alcohol and substance abuse
Ministry of Urban and Rural Development	Water and sanitation, cash for work, housing, food for work
Office of the Prime Minister	Special program for San communities, marginalized groups, emergency food distribution
Ministry of Education	Free primary and secondary education, school feeding programs
Ministry of Gender Equality and Child Welfare	Foster care, maintenance, places of safety, special maintenance, income generation grant

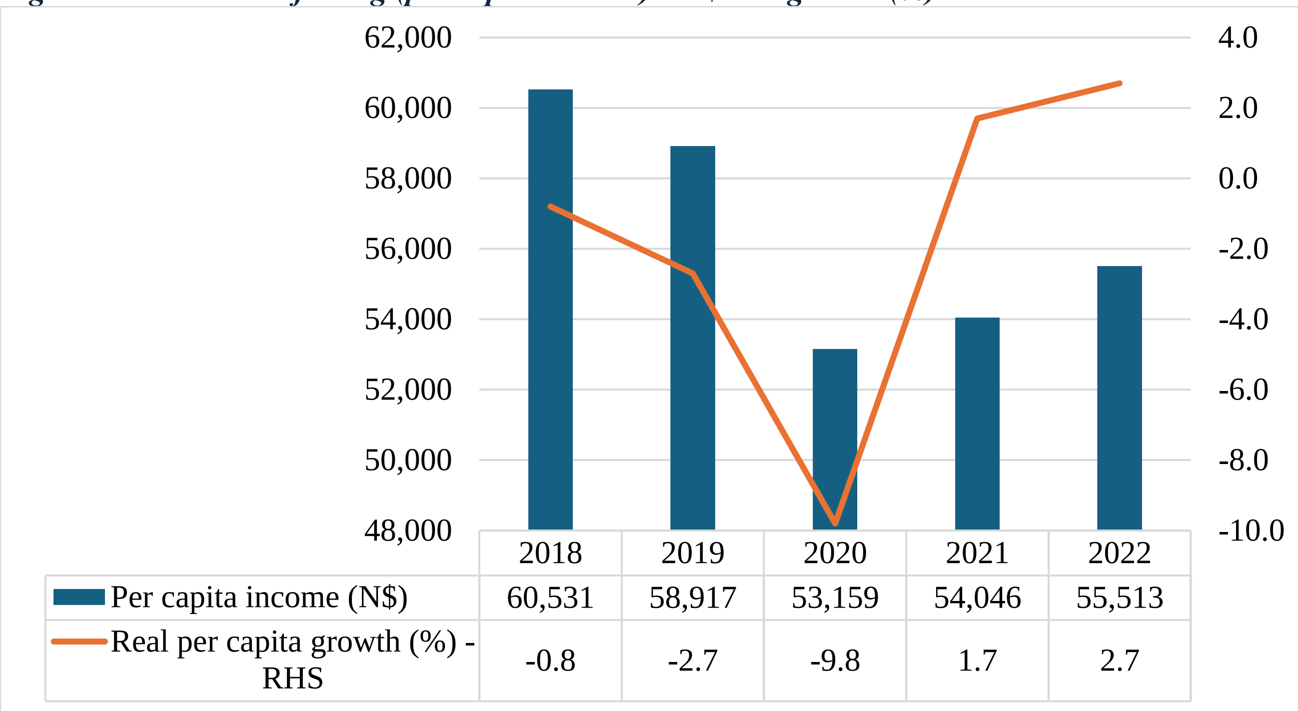
[20] Social Protection Policy 2021-2030. MGEPESW, March 2021.

Ministry of Veteran Affairs	Veterans grant, development project, lump sum payout, funeral benefit, medical benefit, housing benefit

Source: Adapted from (Demper, 2016)

The standard of living is often measured by the per capita income in any economy. *Figure 20* displays Namibia's standard of living (per capita income) from which it can be deduced that the per capita income averaged N$56,433 whereas a balanced (0.0%) real annual growth rate average was realised (NSA, 2023). This suggest that generally, the standard of living has been declining when comparing the start and end-of-period with the steepest decline appearing in 2020 which was on the back of the ramifications of the pandemic.

Figure 20: Standard of living (per capita income) – N$ and growth (%)

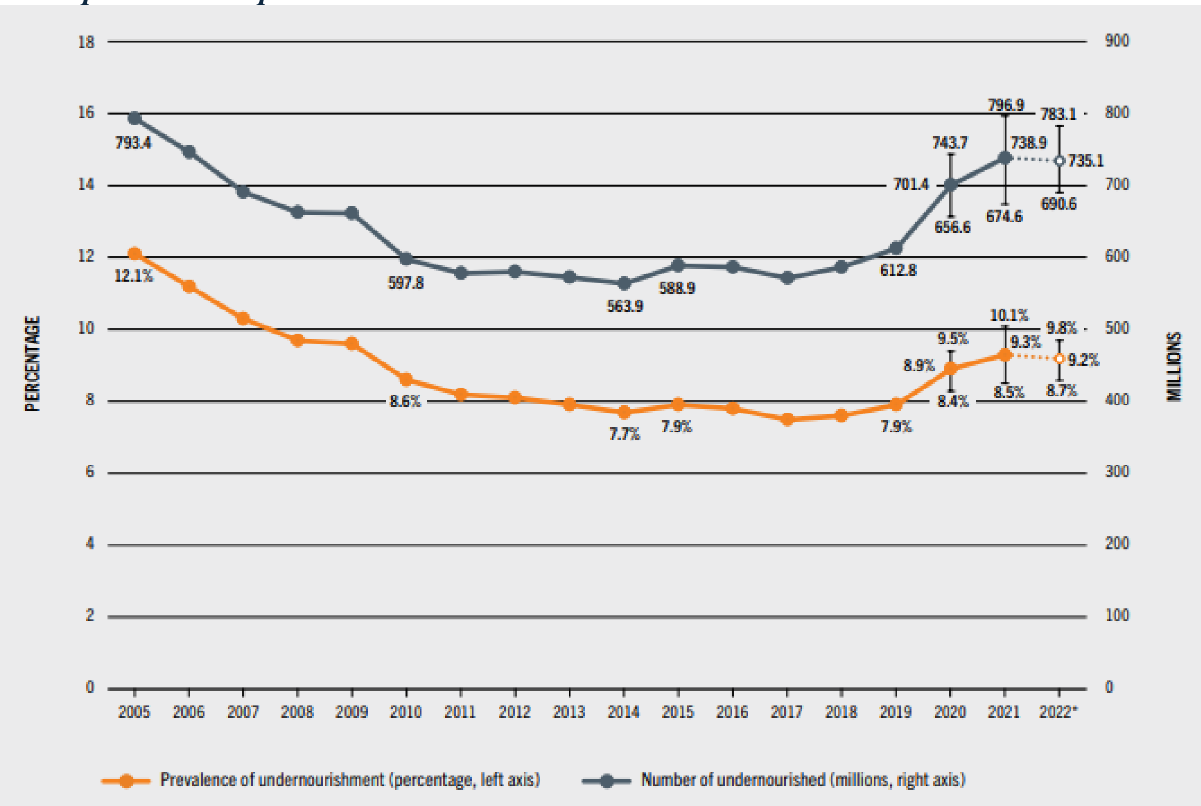


4.3 Food Security and Nutrition

According to Food and Agriculture Organization (FAO) et. al (2023) food security can be defined as a situation that exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. Considering this definition, four food security dimensions can be identified: food availability; economic and physical access to food; food utilization and stability over time.

The assessment of global hunger in 2022, measured by the Prevalence of Undernourishment (PoU) (an estimate of the proportion of the population that lacks enough dietary energy for a healthy, active life), divulges that it remained far above pre-pandemic levels. Yet, the proportion of the world population facing chronic hunger in 2022 as presented on *Figure 21*, was about 9.2% (735.1 million people), compared with 7.9% (612.8 million people) in 2019 (FAO, et. al, 2023). After increasing sharply in 2020 during the global pandemic, and rising more slowly in 2021 to 9.3%, the PoU ceased to increase from 2021 to 2022, thus igniting some hope of a possible turnaround.

Figure 21: Global hunger remained virtually unchanged from 2021 to 2022 but is still far above pre-covid-19-pandemic levels



Source: FAO, IFAD, UNICEF, WFP, and WHO (2023)

Table 23 shows the prevalence of undernourishment for the global and regional economies spanning the period 2005 to 2022. Global hunger, measured by the PoU, remained relatively constant from 2021 to 2022 but is still far above pre-COVID-19-pandemic levels, affecting approximately 9.2% of the population worldwide in 2022 compared with 7.9% in 2019 (FAO, et al., 2023). It is estimated that between 691 and 783 million people globally faced hunger in 2022.

The economic recovery from the pandemic observed in 2021 slowed in 2022. Rising prices of food, agricultural inputs and energy, magnified by the impact of the Ukraine-Russia conflict, undermined the recovery of employment and incomes of the most vulnerable people, thereby impeding a decline in hunger. The relative lack of change in hunger between 2021 and 2022 at the global level masks significant differences at the regional and sub-regional levels. While progress was made towards reducing hunger in Asia and Latin America, hunger was still on the rise in Western Asia, the Caribbean and all subregions of Africa (FAO, et al., 2023).

The PoU in Africa rose from 19.4% to 19.7% between 2021 and 2022 (the equivalent of 11 million more people in one year), driven mostly by increases in Northern and Southern Africa. Moreover, hunger increased throughout all subregions of Africa in 2022. Specifically, the number of people facing hunger in Africa has increased by 11 million people since 2021 and by more than 57 million people since the outbreak of the pandemic. Between 2021 and 2022, the PoU in Northern Africa rose from 6.9% to 7.5%, equivalent to nearly 2 million more people facing hunger. In sub-Saharan Africa, hunger increased from 22.2% to 22.5%, which translates into 9 million more people compared to 2021. The largest increase in PoU occurred in Southern Africa, at 1.1 percentage points, followed by Middle Africa with an increase of 0.6 percentage points (FAO, et. al, 2023).

Table 23: Prevalence of undernourishment, 2005–2022

	Prevalence of undernourishment (%)									
	2005	2010	2015	2016	2017	2018	2019	2020*	2021*	2022*
WORLD	**12.1**	**8.6**	**7.9**	**7.8**	**7.5**	**7.6**	**7.9**	**8.9**	**9.3**	**9.2**
AFRICA	**19.2**	**15.1**	**15.8**	**16.6**	**16.5**	**16.6**	**17.0**	**18.7**	**19.4**	**19.7**
Northern Africa	6.2	4.7	5.4	5.7	6.0	6.0	5.8	6.0	6.9	7.5
Sub-Saharan Africa	22.5	17.6	18.2	19.1	18.9	19.1	19.5	21.6	22.2	22.5
Eastern Africa	31.7	23.8	24.6	26.2	26.2	26.0	26.7	28.1	28.4	28.5
Middle Africa	31.9	22.5	23.3	24.7	23.7	24.4	24.8	27.6	28.5	29.1
Southern Africa	5.1	7.2	9.3	8.3	7.8	7.7	8.3	9.5	10.0	11.1
Western Africa	12.2	10.8	10.6	10.7	10.6	11.1	11.0	13.7	14.5	14.6
ASIA	**13.9**	**9.3**	**8.0**	**7.5**	**7.0**	**7.1**	**7.4**	**8.5**	**8.8**	**8.5**
Central Asia	13.8	6.6	4.0	3.8	3.5	3.1	2.8	3.3	3.2	3.0
Eastern Asia	6.8	<2.5	<2.5	<2.5	<2.5	<2.5	<2.5	<2.5	<2.5	<2.5
South-eastern Asia	17.3	11.1	7.5	6.5	5.8	5.5	5.3	5.3	5.3	5.0
Southern Asia	20.2	15.4	14.0	12.9	12.2	12.3	13.3	15.6	16.4	15.6
Western Asia	7.9	6.5	9.1	10.0	9.8	10.3	10.3	10.5	10.2	10.8
Western Asia and Northern Africa	*7.1*	*5.7*	*7.4*	*8.0*	*8.1*	*8.3*	*8.2*	*8.4*	*8.7*	*9.2*
LATIN AMERICA AND THE CARIBBEAN	**9.3**	**6.2**	**5.3**	**6.1**	**5.8**	**5.9**	**5.6**	**6.5**	**7.0**	**6.5**
Caribbean	18.4	14.7	13.2	13.5	13.2	14.0	14.2	15.2	14.7	16.3
Latin America	8.6	5.6	4.7	5.5	5.2	5.3	4.9	5.9	6.4	5.8
Central America	8.1	6.8	6.7	6.2	6.1	6.1	5.1	4.8	5.0	5.1
South America	8.8	5.1	3.9	5.2	4.9	5.0	4.9	6.3	7.0	6.1
OCEANIA	**6.9**	**6.5**	**6.2**	**6.1**	**6.1**	**6.4**	**6.4**	**6.0**	**6.6**	**7.0**
NORTHERN AMERICA AND EUROPE	**<2.5**	**<2.5**	**<2.5**	**<2.5**	**<2.5**	**<2.5**	**<2.5**	**<2.5**	**<2.5**	**<2.5**

Source: FAO, IFAD, UNICEF, WFP, and WHO (2023)

Developments on the nutrition front *(Tables 24 and 25)* reveal that, among children under five years of age globally in 2022, an estimated 148.1 million (22.3%) were stunted, 45 million (6.8%) were wasted and 37 million (5.6%) were overweight (FAO, et. al., 2023). To this end, for children under five years of age, stunting refers to low height-for-age, reflecting a past episode or episodes of sustained undernutrition.

Stunting can also be defined as height-for-age less than 2 standard deviations below the World Health Organization (WHO) Child Growth Standards median. Wasting, on the other hand, refers to low weight-for-height (or dangerously thin for one's height), generally the result of weight loss associated with a recent period of inadequate dietary energy intake and/or disease. There has been steady progress in reducing stunting since 2012, but the world is still not on track to achieve the 2030 target of 13.5% (50.0% reduction in the number of children with stunting from the baseline). In the ten years since 2012, the number of children with stunting declined by nearly 30 million. Globally, there has been no significant change in low birthweight over the last two decades – 16.6% in 2000 compared with 14.7% in 2020 – and no region appear to be on track to attain the 2030 target of a 30% reduction since the 2012 baseline.

Among the selected Southern African countries, Lesotho (46.0%) and Botswana (22.9%) recorded the highest Prevalence of Undernourishment (PoU) in the total population between

2020 and 2022, respectively. These surpassed the global, African and Southern African average rates. Namibia (17.1%) had the third PoU which was above the global and Southern African averages. Among the children under five years of age who were stunted in 2022, Lesotho (31.8%) and South Africa (22.8%) reported the highest, respectively, which exceeded the global and Southern African average rates. Namibia's stunting rate in 2022 stood at 16.6%, the lowest among the selected countries. In terms of prevalence of overweight in children under five years of age, South Africa (12.1%) and Botswana (10.1%) were estimated to have the highest in 2022, respectively. These rates remain above the global, African and Southern African averages. Namibia recorded the lowest overweight prevalence of 5.3% which is below the global and Southern African averages although above the African rate, albeit marginally. Regarding the prevalence of low birthweight, Botswana (16.8%), South Africa (16.6%) and Namibia (15.6%) recorded the highest in 2020, respectively. These surpassed the global and African averages.

Table 24: Rules for progress assessment against the global nutrition targets

Indicator	**Stunting (<5 years)**	**Overweight (<5 years)**	**Wasting (<5 years)**	**Low birthweight**
2030 target	Reduce the number of children <5 years who are stunted by 50%	Reduce and maintain childhood overweight to less than 3%	Reduce and maintain childhood wasting to less than 3%	Reduce low birthweight prevalence by 30%

Source: FAO, IFAD, UNICEF, WFP, and WHO (2023)

Table 25: Progress (%) towards the SDGs and global nutrition targets

Regions/ Subregions / Countries/ Territories	**Prevalence of undernourishment in total population**		**Prevalence of wasting in children (<5 years)**	**Prevalence of stunting in children (<5 years)**		**Prevalence of overweight in children (<5 years)**		**Prevalence of low birthweight**	
	2004–06	**2020–22**	**2022**	**2012**	**2022**	**2012**	**2022**	**2012**	**2020**
World	**12.0**	**9.2**	**6.8**	**26.3**	**22.3**	**5.5**	**5.6**	**15.0**	**14.7**
Africa	**19.5**	**19.3**	**5.8**	**34.4**	**30.0**	**5.0**	**4.9**	**14.5**	**13.9**
Southern Africa	**5.2**	**10.2**	**3.5**	**23.4**	**22.8**	**12.3**	**11.4**	**16.4**	**16.4**
Botswana	22.9	22.9	n.a.	24.6	21.6	10.4	10.1	17.3	16.8
Eswatini	9.6	11.6	n.a.	28.0	21.2	10.1	7.9	10.6	10.2
Lesotho	13.9	46.0	2.1	37.5	31.8	7.0	6.9	14.8	14.4
Namibia	**20.3**	**17.1**	**n.a.**	**24.0**	**16.8**	**4.2**	**5.3**	**15.9**	**15.6**
South Africa	3.4	7.9	3.8	22.5	22.8	13.1	12.1	16.6	16.6

Source: FAO, IFAD, UNICEF, WFP, and WHO (2023)
**Note: n.a. – No data*

4.4 Human Development and Mental Health

The World Health Organization (WHO) defines mental health as *"a state of well-being in which an individual can realize his or her own potential, cope with the normal stresses of life, work productively and make a contribution to the community."* This implies much more than the absence of a diagnosed mental health disorder – it is surprisingly similar to the concept of human development: the expansion of freedoms and capabilities so that everyone can reach his or her full potential.

Mental health issues limit human freedom internally despite favourable external conditions. Globally at least 800,000 people commit suicide each year: one suicide every 40 seconds. Suicide is the second leading cause of death among 15–29-year-olds, and for every suicide there are many more attempts each year. In 2022, the World Health Organization said Namibia continues to have one of the highest incidents of suicide in Africa, at an estimated rate of 9,7 in every 100 000 people, with the rates higher among males than females. According to the speech of the Deputy Minister of Health and Social Services Dr Ester Muinjuangue at the Lifeline International Forum that was held in Windhoek in June 2023, was quoted saying that "from January 2021 to July 2022, some 779 Namibians took their own lives. Among this tragic number, 643 were adult men, while 106 were adult women who chose to end their lives. Additionally, 18 boys and 12 girls took their own lives".

Another proxy for mental illness is substance abuse: The United Nations Office on Drugs and Crime (UNODC) estimates that in 2020, about 284 million people worldwide aged 15–64, majority of whom were men, had used a drug within the last 12 months. This corresponds to approximately 1 in every 18 people in that age group, or 5.6%. The harmful use of alcohol and tobacco is much more common because these substances are legal and socially accepted in most countries. Suicide is only one extreme manifestation of mental health issues. Many mental health issues are not even counted in these statistics, most often because they are not diagnosed. *Table 26* below presents treatment statistics for inpatients of mental health in Namibia for the period 2019-2021.

Table 26: Treatment statistics for inpatients of mental health in Namibia

Namibia Menatal Health treatment statistics for 2019-2021				
	April 2019-Mar 2020		**April 2020-Mar 2021**	
Diagnosis	Male	Female	Male	Female
Mental & Behavioral disorder due to use of Alcohol	1429	377	1104	291
Mental & Behavioral disorder due to use of Cannabinoids	36	5	12	4
Mental & Behavioral disorder due to use of Opioids	25	18	12	28
Mental & Behavioral disorder due to use of Cocaine	1	10	10	11

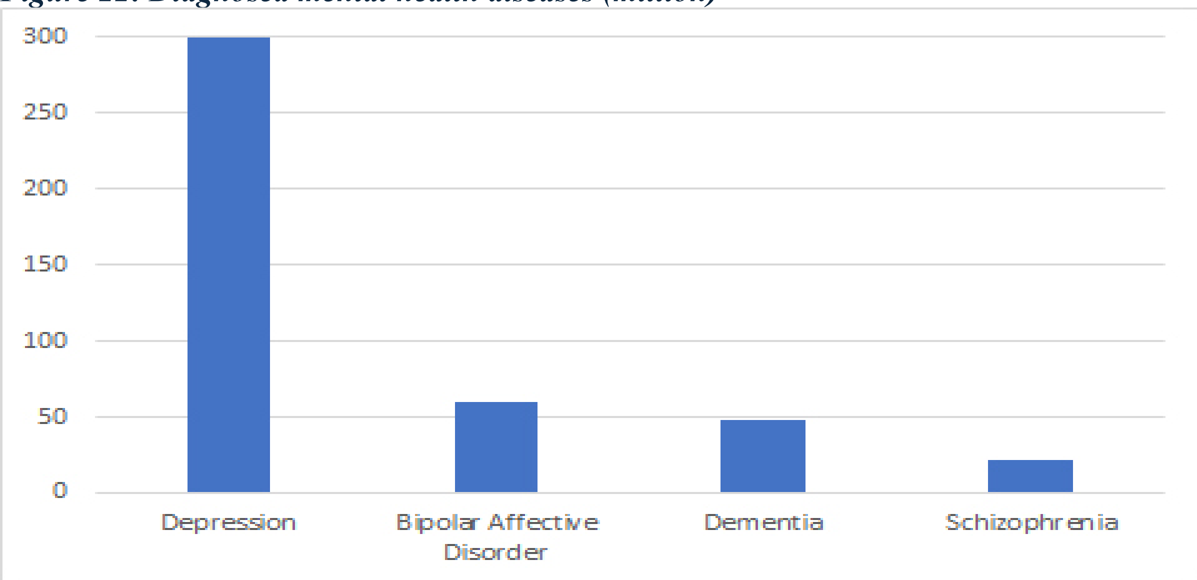
Source: MoHSS 2022

Looking at the Namibian statistics on *Table 26*, one of the diagnosed patients, majority are suffering from mental and Behavioural disorder due to the use of alcohol which is 3 times higher for men as compared to women between both periods of 2019-2020 and 2020 to 2021. Suffering from mental disorder has many consequences regardless of age, such as childhood trauma to children who grew up in households observing substance abuse, and this leads to difficulty concentrating in school. Even though they have access to education, their psychological condition does not allow them to develop their full potential and as a result, this will have a negative effect in their education outcome, limiting their career choices, and may lead them into poverty.

The economic consequence of mental disorder is that people in their productive years will lose more time being off because of unstable health. Productivity suffers from depression, and although life expectancy is good in most countries including Namibia, this segment of the population does not enjoy their long life. Due to their psychological conditions, which sadly contributes to the country's mortality figures. Some studies show that medical leave caused by mental health issues has increased by almost 80 percent in countries like Germany during the last ten years. Absence caused by poor mental health is also longer (on average 25.7 days per case compared to 11.7 days caused by other illnesses). These two examples show how mental health issues limit human freedom internally despite favourable external conditions, such as high life expectancy or access to education and jobs. They also undermine the quality of human development. Therefore, mental health is a fundamental component of human development and a critical issue to consider for social and economic development of any country.

In countries of low human development, often there are other development priorities, and mental health is not given the necessary attention. At a global level, the challenge in assessing mental health issues is data. Since the WHO's definition of mental health constitutes a concept that is much wider than the mere freedom of mental illness, numbers of mental disorders are only a weak proxy. Moreover, in many countries the continuing stigma around mental health issues makes individuals reluctant to reveal information and/or seek professional help, even if it is available.

Figure 22: Diagnosed mental health diseases (million)



Source: WHO 2017

According to WHO data of 2017, Worldwide about half a billion people were diagnosed with one of the mental health diseases as shown in figure 1 with close to 300 million people being diagnosed with depression as the leading mental health disease. Considering the prevalence of mental illness on the one hand, and the importance of mental health for human development on the other, the promotion of mental health through public policy such as the National Development Plans becomes pressing. An important step towards mental health is to fully integrate therapies into general health services to make treatments accessible to everyone and abolish stigma. Another way is to promote mental health in schools is through therapeutic workshops, yoga and meditation – given that a healthy childhood is the foundation for healthy and resilient societies.

Chapter 5: Sustainable development: *"Climate change solutions"*

5.1 Climate change impact, financing, and mitigation measures

5.1.1 An overview of climate change in Namibia

According to the Intergovernmental Panel on Climate Change (IPCC), Climate change refers to a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods (IPCC, 2014). Climate change in Namibia consists of droughts, unpredictable and variable rainfall patterns, high temperature variability and scarcity of water. Rising temperatures and extreme heat conditions has an impact on Namibia's agriculture sector mainly food security thus affecting people's livelihoods.

The government of Namibia is committed to taking practical and ambitious actions to reduce emissions and ensure a climate resilient economy; therefore, it ratified the United Nations Framework Conventions on Climate Change (UNFCCC) in 1995 as well as the Paris Agreement in 2016 (MEFT, 2020). Through this ratification it is obligated to prepare and submit national communications and biannual update reports and so far, Namibia submitted its fourth biannual update report to the UNFCCC in 2020. The report provides an update on national greenhouse gas inventory, its mitigation policy, the vulnerability and adaptation status with other important information relevant to the convention and gaps, constraints and needs (MEFT, 2020). In addition, with the green hydrogen approach that Namibia is embarking on come the year 2026 which emanated from the Harambee Prosperity Plan 2, the country is on track in terms of supporting the regional and global decarbonization agenda with the use of renewable resources. Renewable resources offer promising solutions for meeting the world's growing need for energy while keeping carbon emissions low and help dealing with climate change. Namibia made a proposal to avoid 91% of its business-as-usual emission by 2030. As of 2020/21, Namibia's contribution to greenhouse gas emissions stood at 0.003% of the global share (MEFT, 2021).

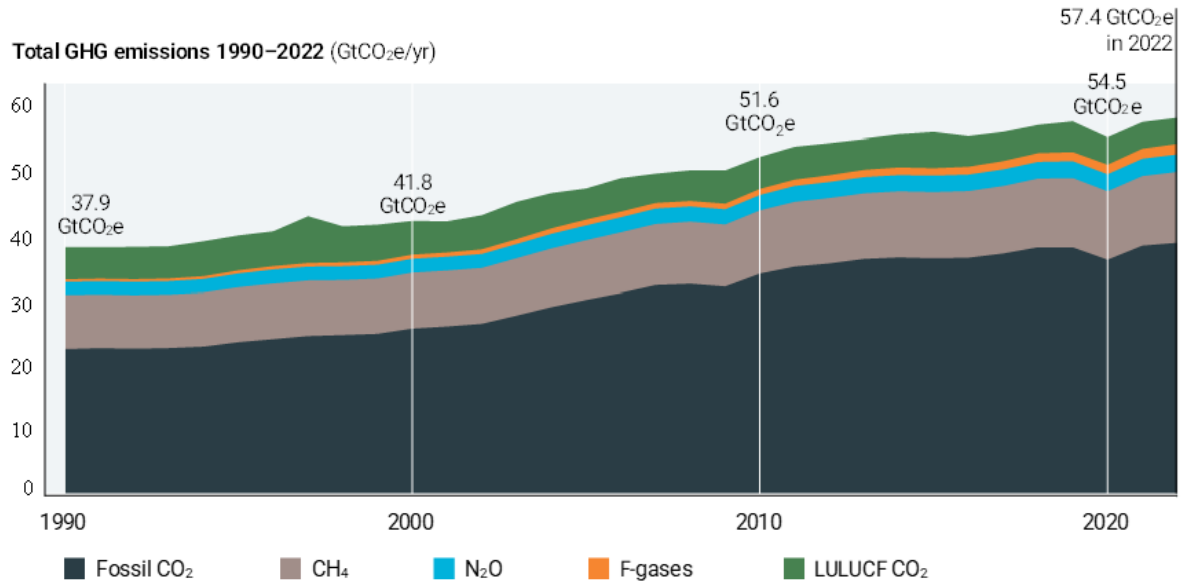
5.1.2 The impact of climate change

Namibia is one of the most vulnerable countries to the impacts of climate change as it continues to be a threat to the development process. It is widely acknowledged that poor nations (less developed countries) are the ones who suffer most from the effects of climate change. This vulnerability stems from their geographic locations in areas such as drought prone Sub-Saharan Africa (Reid, Sahlen, Macgregor, & Stage, 2007). Additionally, their capacities to cope with climate change is lower than that of wealthier nations because of limited financial resources, skills, technologies and high levels of poverty. Although, poor nations are the ones that suffer the most ironically, they contribute the least to the problem of climate change (MEFT, 2007). Similarly, Namibia as a country is prone to recurrent droughts and flooding as it is characterized by high temperatures with mean annual temperatures ranging from 14.3 to 24.2 degrees Celsius (IPCC, 2014).

Weather and climate related hazards have severe impacts on the economy, income and livelihood of people particularly in sectors such as agriculture, water, transport and communication as well as tourism. The transition to low carbon and climate resilient economy offers opportunities to addressing challenges of energy shortage and water insecurity in the country. However, despite countries pledges to reduce greenhouse gasses it is reported that global greenhouse gasses emissions increased by 1.2% from 2021 to 2022 reaching a new record of 57.4 gigatons of carbon dioxide. This rate is lightly above the average rate in the decade preceding the Covid-19 pandemic (2010-2019). Carbon dioxide emissions from fossil fuel combustion and industrial processes being the main contributors accounting for about two thirds of the current greenhouse gasses emissions (United Nations, 2023). *Figure 23* shows the Total GHG emissions spanning the period 1990 – 2022.

Emissions of methane, nitrous oxide, fluorinated (F-gases) which have higher global warming potentials account for about one quarter of current emissions. Countries vary widely in their trends with increases in China, India, Indonesia and the United States of America and decreases in Brazil, European Union and Russian Federation this could be attributable to the fact that these countries are one the fastest growing economies in terms of industries. Collectively, the Group of 20 (G20)[21] currently accounts for 76% of global emissions (United Nations, 2023).

Figure 23: Total GHG emissions 1990 – 2022

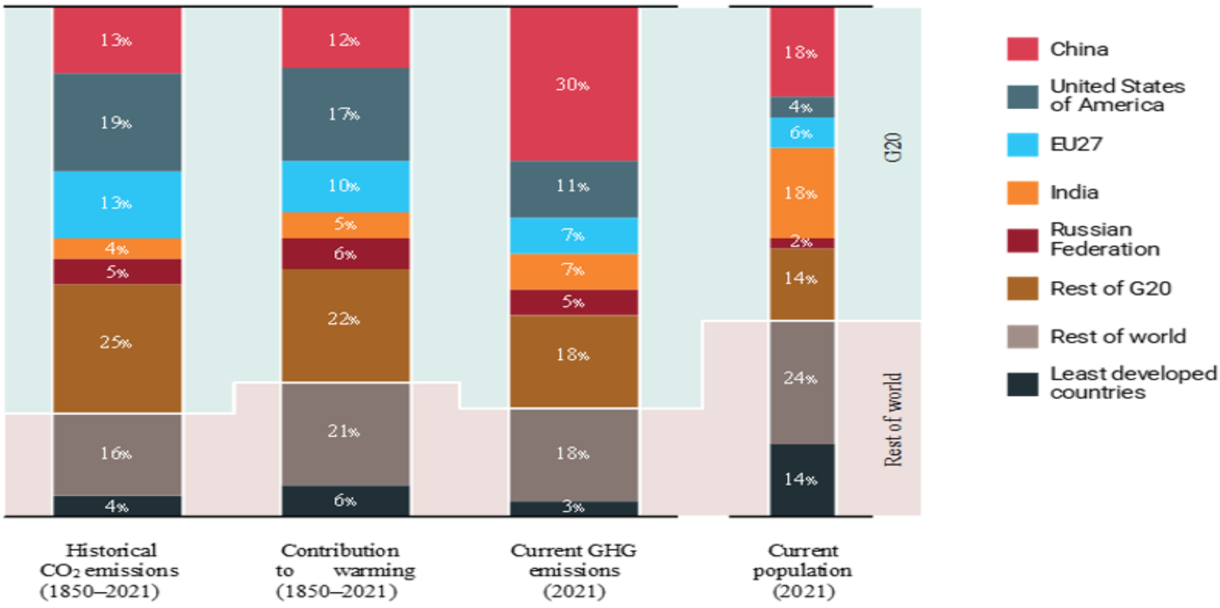


Source: United Nations Environment Programme

Figure 24 shows current and historic contributions to climate change by region. Cumulative emissions between 1850 and 2021 differ across regions reflecting the different stages of development (IPCC, 2022). The United States of America being the highest contributor of these emissions, followed by European Union and China. The United States of America and European Union contributed nearly a third of the total emissions from 1850 to 2021 (United Nations, 2023). Emissions form these countries have contributed significantly to global warming including the impact of methane and nitrous oxide emissions. On the other hand, the least developed countries contributed only 4% of historical cumulative fossil and LULUCF CO2 emissions *(Figure 23).* All in all, the G20 is responsible for 3 quarters of global warming to date.

[21] The group of 20 is an intergovernmental forum comprising of 19 sovereign countries, the European Union and the African Union.

Figure 24: Current and historic contributions to climate change by region (1980-2021)



Source: United Nations Environment Programme

5.1.3 Climate Change Impact on agriculture

The agriculture sector is one of the key sectors to Namibia's economy as majority of the population heavily depends on it for survival. Changing rainfall patterns and floods have major consequences on the environment, water resources, food security and the economy at large as the majority of agricultural production is rain fed which in turn has an effect on the people's health and livelihood (World Bank, 2021). Effects of climate change on crops lead to food insecurity which also affects nutrition. Almost 48% of Namibia's population depend on subsistence agriculture mostly in the rural areas. Historically, almost after every 2-3 years Namibia experiences drought which has implications on both crops and livestock. The sensitivity of the agriculture sector to climate change and its reliance on water resources have implications on the farmers and the economy. Thus, adaptation strategies were identified to increase sectoral productivity such as expanding and optimizing irrigation, introducing drought tolerant and early maturing crop varieties, increasing and upgrading storage facilities to reduce loss, increase food security, providing agricultural insurance and promoting alternatives to livestock production (World Bank, 2021). Adaptation measures can help Namibia to reduce the impact of climate change on the agriculture sector while taking advantage of the benefits that comes from it.

Climate change has had negative effects on Namibia's development goals and its people. Thus, climate change adaptation measures are of importance and are of priority on government's agenda to ensure the welfare of its people while reducing risks and building resilience. The country has prioritized the implementation of adaptation measures however, financial barriers limit the effectiveness of adaptation actions country wide. Without funding, government's policies and strategies towards climate change cannot be effectively enforced.

5.1.4 Climate change adaptation/ mitigation measures and financing

Responding to climate change requires adaptation and mitigation measures. To this end, Namibia has put in place quite a number of policies such as the National Climate Change policy of 2011 as well as the National Climate Change Strategy and Action Plan (NCCSAP) 2013-

2020 among others in order to tackle the issue of climate change. The NCCSAP aimed at building the country's adaptive and mitigation capacities through identification of potential adaptation and mitigation options that can pave way for low carbon and climate resilient economy (MEFT, 2021). The current adaptation priorities are stipulated in the national climate change policy as well as the national climate change strategy. These priorities are aligned with the sectors identified to be the ones vulnerable to climate change and most adaptation projects are in the areas of agriculture, fisheries, sustainable land management, climate information and research, ecosystems and biodiversity, forestry and energy (MET, 2020).

Table 27: Sectoral share and of BAU greenhouse gases emissions in 2030

Sector	Mitigation Potential (MtCO2e)	Reduction relative to BAU scenario by 2030 (%)
Energy	2.800	11.6
IPPU & RAC	0.134	0.6
AFOLU	19.030	78.7
Waste	0.031	0.1
Total	21.995	91

Source: MEFT

Table 28 shows Namibia's mitigation and adaptation commitment to reduce greenhouse gas emissions towards meeting the Paris Agreement goal of net zero emissions by the year 2050. Based on the business-as-usual scenario, greenhouse gas emissions are estimated to increase to 24.167MtCO2e in 2030. However, the projected emission reduction is 21.995 MtCO2e which translates to 91% reduction of which 78.7% is attributable to Agriculture, Forestry and Other Land Use (AFOLU) sector. The AFOLU sector is attributed to being the most sector responsible for a quarter of global greenhouse gases emissions. The contribution of developing countries in the AFOLU related emissions is expected to increase mainly due to anticipated food production and land conversions (Pradhan, Chaichaloempreecha, & Limmeechokchai, 2019). For Namibia, the main driver of the 2030 goal in the AFOLU sector is to reduce deforestation. (MEFT, 2021). In the energy sector, according to Namibia's national renewable energy policy the country will look at introducing emission reducing technologies as well as encouraging healthier practices that are energy sufficient (Ministry of Mines and Energy, 2017). Furthermore, the country's commitment to reduce carbon emissions through the use of renewable energy is one of the mitigation measures to help combat climate change.

Table 28: Estimates for Mitigation and Adaptation Finance needed (billions)

	Mitigation Measures (USD)	Adaptation Measures (USD)	Total
Unconditional	0.36	0.17	0.53
Conditional	3.25	1.55	4.80
Total	3.61	1.72	5.33

Source: MEFT

The estimated cost for the established Nationally Determined Contribution (NDC) mitigating measures is expected to be about USD 3.61billion and USD 1.72 billion for adaptation measures needed in financing *(Table 28).* Thus, the overall cost of the NDC mitigation defined by Namibia by 2030 is estimated to be a total of USD 5.33 billion which is approximately N$ 77 billion. Through its National Climate Change Strategy and Action Plan, Namibia identified actions to be taken to mitigate and adapt to climate change which are reported and communicated in its NDC report as a signatory to the Paris Agreement. However, implementing these actions requires mobilizing funds internationally and locally of which private sector involvement is low, thus funding is of utmost importance for Namibia to achieve its goal. If the funding available under the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCC) remains at its current level and continues to rely mainly on voluntary contributions it would not be sufficient to address the estimated future financial flows needed for mitigation and adaptation (MEFT, 2021). Nonetheless, in 2021 the commonwealth's Climate Finance Access Hub (CCFAH) deployed the National Climate Finance Adviser (NCFA) to facilitate improved access by Namibia to climate financing to meet their priority needs. The support was aimed at creating an environment conducive for accessing available climate funds both locally and international to effectively utilize it for supporting sustainable development efforts (The Commonwealth, 2023).

Namibia identified the need to initiate a capacity building process that would ensure the retention of national with skills and knowledge of concept note development as well as support to nominated entities for accreditation to the Green Climate Fund (GCF). Having multiple accredited entities entails that the country can access finance from various sources, large scale projects through variety of instruments and in the long run builds capacity of local institutions to manage global funds (The Commonwealth, 2023). Since 2021, the NCFA has assisted Namibia in securing about USD 1,274,618 in readiness funding from the GCF on different projects. The developing of key legislation, regulation, policies and concept notes for climate action project aimed to address policy and regulatory gaps to enable green hydrogen development in Namibia was valued at USD 648,076 and approved in November 2022. Moreover, support for accreditation of direct access entities project was valued at USD 326,542 and approved in March 2023 (*Table 29*).

Table 29: GCF project assistance to Namibia since 2021

Project Name	**Amount (USD)**
Green, Resilient Recovery Rapid Readiness Support	300,000
Developing key legislation, regulation, policies & concept notes for climate action	648,076
Support for accreditation of direct access entities in Namibia	326,542
Total	**1,274,618**

Source: The Commonwealth

Despite the renewable potential and need to meet energy access needs in Africa, only 2% of global investment flowed into Africa between 2000 and 2020 of which 75% was concentrated in South Africa, Egypt, Kenya and Morocco (United Nations, 2023). Nonetheless, the emerging Just Energy Transition Partnership (JETP) between international finance providers and low-middle income countries are finance packages intended to support country led decarbonization strategies consistent with national development priorities.

Chapter 6: Conclusion and Policy Recommendations

The global economy continues to recover, albeit slowly, from the effects of the pandemic, the Russia-Ukraine conflict, and the cost-of-living crisis. The global economy recorded real growth of 6.3% and 3.5% in 2021 and 2022, respectively. The slow growth in 2022 is ascribed to the Russia-Ukraine conflict, high inflation and monetary policy tightening in major economies. Overall, the global and regional economies registered equal review-period average growths of 2.7% whereas growth at the continental level (Africa) averaged 2.8%.

Review-period commodity price developments suggest the following:

- the Russia-Ukraine conflict continue to exert significant effects on the global commodity markets whereby global commodity markets are facing an unprecedented array of pressures thereby raising some prices to all-time highs especially for commodities (energy and some grains) where the two countries are key exporters.

- Considering that oil is an important input in the production process, a rise in its price raises the input (production) costs for an oil-importing country, resulting in cost-push inflation, worsening of payments position, and lower economic growth.

- Between 2018 and 2022, the noted upsurges in the prices for gold, zinc, copper and uranium is beneficial for Namibia given that these are associated with increased revenues from exports of these commodities.

Back at home, Namibia's domestic economic outlook continues to show signs of recovery, albeit marginally, evidenced by moderate growths of 3.5% and 4.6% in 2021 and 2022, respectively. This is after realising the steepest decline of 8.1% in 2020 which was owing, in large part, to the pandemic-induced effects. Key drivers for the improved growth in 2022 include mining and quarrying, manufacturing, and utility (electricity & water) sectors. Overall, on average a balanced growth (0.0%) was realized during the review period (2018-2022) which consequently fell short of 4-5% and 7% in respect of NDP5 and the Southern Africa Development Community (SADC) convergence targets, respectively.

  - There is a need to ensure robust economic growth at least matching pre-2016 levels to realise social gains lost.

During the period of review, Namibia's fiscal fundamentals somewhat remained on a sustainable path evidenced by: (i) revenue-to-GDP ratio which surpassed those for both EMDEs and SSA, on average; (ii) expenditure (% of GDP) was kept within the national threshold and SADC convergence target of 40.0% and 60.0%, correspondingly, for the entirety of the review period. The review-period average was 36.9%; (iii) Although the budget deficit (% of GDP) breached the 5% national threshold having recorded 6.2% and 7.3% in 2020 and 2021, respectively, the average was 5.4%, just over the national cap. These feats are ascribed largely to the fiscal consolidation measure. However, the debt-to-GDP ratio soared out of the 35.0% national threshold for the entirety of the review period and averaged 57.7% while surpassing the SADC convergence target of 60.0% in three of the five-year period (2020/21 – 2022/23). Moreover, the cost of borrowing (interest payments) can potentially crowd-out social investment.

  - The country should continuously strive to maintain debt dynamics with nationally established thresholds to ensure fiscal sustainability whilst delivering on development priorities.

Monetary sector developments between 2018 and 2022 suggest that inflation was low, averaging 4.0% which augurs well for the low-income earners and poverty-stricken households as the lower price increases implies that they could afford the same basket of goods and services from one year to the next. Expansionary monetary policy (decrease in repo interest rates) was pursued by the Bank of Namibia between 2018 to 2021 whose average was 5.3% to support economic growth and development especially during the difficult times of Covid-19 whilst ensuring the achievement of the central bank's price stability objective.

External sector developments during the reference period reflect that Namibia recorded trade deficits ranging between N$18.2 billion and N$31.6 billion in 2020 and 2022, respectively. The imports were dominated by expensive machinery and equipment whereas exports are made up of fish and minerals that are relatively cheaper, which results in unfavourable trade balances. To mitigate the trade deficits whilst transforming this status quo, strategies aimed at promoting import substitution, value addition of mineral resource endowments and overall transformation vigorously.

Investment analysis uncovered that Namibia has been attracting favourable investments with half of the share in Foreign Direct Investment flow as % of Gross Fixed Capital Formation observed in 2022. These were underpinned by the increase in the greenfield projects (new construction or development projects that are initiated on unused or undeveloped land, which has not been previously developed) whose estimated review-period value stood at US$ 6.8 billion, with the highest value observed in 2022. The greenfield projects in Namibia were boosted by green hydrogen push, gathering support from European Union countries, other European countries, and institutions.

Between 2018 and 2022, there was a contraction of 5.1% in gross fixed capital formation or investment growth owing to significant decreases observed in 2021 and 2022. Considering that investment is a key component of GDP, this downward trend undoubtedly exerts a negative influence on economic growth. Furthermore, this situation is not aligned with the country's goal of attaining SADC's 30% convergence target. Against this backdrop, stimulation of investment must be prioritised to ensure that growth is restored to 2021 levels or higher.

Regarding remittances among the selected African countries between 2018 and 2022, Zimbabwe, Nigeria, and Kenya stand out as primary recipients, recording personal remittances to GDP ratios exceeding 5% whereas Eswatini, Malawi, and Mozambique experienced more moderate remittance levels, averaging around 2.7%. Namibia, South Africa, Angola, and Zambia are the least reliant on personal remittances, with an average ratio of approximately 0.5%.

Social developments reveal that the standard of living (per capita income) averaged N$56,433 whereas a balanced (0.0%) real annual growth rate average was realised. This suggest that generally, the standard of living has been declining when comparing the start and end-of-period with the steepest decline appearing in 2020 which was on the back of the ramifications of the pandemic. Reversing this characteristic requires that the Namibian economy achieves a high, sustainable, and inclusive growth which can be realised through pursuance of growth-enhancing policies.

Developments on the food security and nutrition reveal the following:

- The assessment of global hunger in 2022, measured by the Prevalence of Undernourishment (PoU) (an estimate of the proportion of the population that lacks enough dietary energy for a healthy, active life), unveils that it remained above pre-pandemic levels. Yet, the proportion of the world population facing chronic hunger in 2022 was about 9.2% (735.1 million people), compared to 7.9% (612.8 million people) in 2019.

- In 2022, hunger is estimated to have increased from 22.2% to 22.5% in sub-Saharan Africa, which translates to 9 million more people compared to 2021. The largest increase in PoU occurred in Southern Africa, at 1.1 percentage points, followed by Middle Africa with an increase of 0.6 percentage points.

- Among the selected Southern African countries, Lesotho (46.0%) and Botswana (22.9%) recorded the highest PoU in the total population between 2020 and 2022, respectively. These surpassed the global, African, and Southern African average rates. Namibia (17.1%) had the third PoU which was above the global and Southern African averages.

- Regarding the children under-five years of age who were stunted in 2022, Lesotho (31.8%) and South Africa (22.8%) reported the highest, respectively, which exceeded the global and Southern African average rates. Namibia's stunting rate in 2022 stood at 16.6%, the lowest among the selected countries.

- Although hunger is not as big a challenge for Namibia as it is in other selected countries within Southern Africa, addressing supply-side constraints to ensure food security sustainably remains critical to mitigating food security and nutrition challenges.

References

1. AfDB. (2023). Africa's Macroeconomic Performance and Outlook: Update.
2. AfDB. (2021). African Statistical Yearbook 2021.
3. Electricity Control Board. (2023). Electricity Supply Industry Statistical Bulletin Understanding Performance-Based Regulations in the Electricity Supply Industry in Namibia 2022.
4. FAO, IFAD, UNICEF, WFP, and WHO. (2023). The State of Food Security and Nutrition in the World 2023.
5. IMF. (2023). World Economic Outlook – October 2023.
6. IMF. (2023b). Regional Economic Outlook – October 2023.
7. IMF. (2022). Zimbabwe: 2022 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Zimbabwe.
8. Namibia Statistics Agency. (2023). Annual National Accounts. Windhoek.
9. Namibia Statistics Agency. (2023). Annual Trade Statistics Bulletin. Windhoek.
10. Ross P. and Maynard K. (2021). Towards a 4th industrial revolution, Intelligent Buildings International, 13:3, 159-161, DOI: 10.1080/17508975.2021.1873625
11. Task Force on the Fourth Industrial Revolution. (2022). "4IR as an Enabler of Green and Inclusive Industrialization" Final Report. Windhoek
12. WTO. (2023). World Trade Statistical Review 2023.
13. World Bank Group. (2022). Commodity Markets Outlook: The Impact of the War in Ukraine on Commodity Markets, April 2022. World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO.