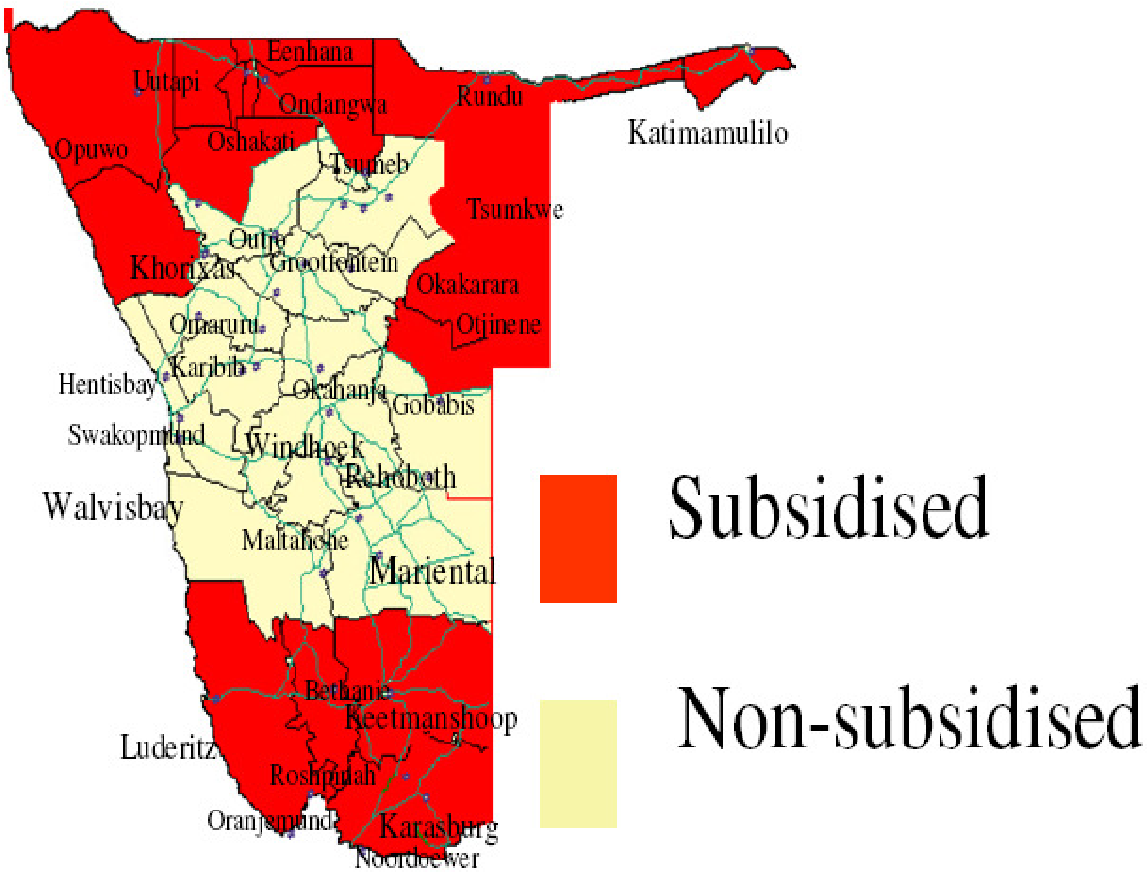
2009 Namibia Economic Review and Prospects for 2010



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The views expressed in this review are those of the authors and are not necessarily of Hans Seidel Foundation.

EXECUTIVE SUMMARY

The objective of this report is to present an overall picture of the Namibian economy during 2009 and the likely events in 2010. As a review, the report seeks to present issues that are sector based and it traces some of the developments to preceding times in order to create a time series for better presentation. The details of the report show that the period before 2009 was characterised by negative growth of the Namibian economy. At a broader picture, Namibia recorded its ups and downs that were mainly a result of inherent structural economic challenges. Policies had to be adjusted and legislation yearned for update. At the end of 2009, unemployment surged to 50 percent.

In the same year, turbulence occurred in the energy sector due to power interruption from the Electricity Supply Commission (ESKOM) in South Africa. This resulted from a capacity constraint that ESKOM has been experiencing. Although in 2009 the global oil price was lower than in the preceding year it however, remained a concern especially to non-oil producing developing countries that continues to attempt to find a better way to fuel their oil thirst economies. In short, in 2009, the global oil price had declined to reasonable levels. The same applies to food prices that were lower than in the preceding year. All was not rosy in that the effects of the global financial and economic crisis became common and retrenchments were experienced in the mining sector. Other sectors such as construction suffered and thus could not attract more new investors but continued to operate projects that were started prior to the crisis time. The rate at which events were taking place and also lack of predictions on how the global crisis was going to impact on the Namibian economy prompted the Monetary Committee of the Bank of Namibia to convene at different times than their South African counterparts. This departure from the usual course helped to reflect on the repo rate that suited the economy at the time. Inflation slowed towards the end of the year with a slightly reasonable strong exchange rate between the Namibian dollar and the United States dollar and the Euro.

The uranium global thirst helped to play a vital role of buffering the economy from mining product price shocks. Diamond output declined and production had to be suspended temporarily due to low commodity demand. Overall, the sector is estimated to have contracted by 29.4 percent because of the plummeted prices of copper and diamond as demand became affected in the USA and Europe. Meanwhile the performance of uranium increased, it is expected to increase more because of the new players coming on board. In the same year agriculture suffered from flood damage that affected communal agriculture in the north and north eastern parts of the country. Still in the communal areas, livestock production and marketing were constrained by the closure of quarantine facilities in the north eastern part of Namibia as a result of the continued moratorium that resulted from the outbreak of Foot and Mouth Disease. So far there is progress on the efforts to remove the Veterinary Cordon Fence so that communal farmers may access the market equally as is the case with commercial farmers.

Across the border, South Africa went into a recession in the same year. That recession impacted on Namibia given that most of the food and vehicle imports comes from that country. From a sector angle, transport and storage continued to perform better although train cargo volumes declined. The contribution from government services increased in 2009. Increased expenditure was recorded in education, health and defence. Manufacturing also did well in the same year and was driven by among others the copper smelter, meat and fish processing as well as increased production of beverages for exports. Namibia's competitiveness ranking improved 2009 moving from 80 to 74 and there have been positive improvements in all pillars apart from health indicators that still need more attention from the Government and its stakeholders. HIV/AIDS, unemployment and poverty remains the major challenges for 2010. Furthermore, Namibia will have to attract more investments in the agricultural sector. There will be a need for effective surveillance and treatment of FMD outbreaks. Rolling out of the Green Scheme is also behind schedule. Land reform needs to be revisited in line with the needs of the country.

List of abbreviations

BoN	Bank of Namibia
EPA	Economic Partnership Agreements
ESKOM	Electricity Supply Commission
EU	European Union
FMD	Foot and Mouth Disease
GDP	Gross Domestic Product
NAD	Namibian Dollar
SACU	Southern African Customs Union
SADC	Southern African Development Community
SME	Small and Medium Enterprise
USD	United States Dollar
VCF	Veterinary Cordon Fence

1. Introduction

The year 2009 came with uncertainties. The global economy retrogressed. Global growth in 2009 was -0.8 percent. In the same year the Namibian economy shrunk and recorded growth rate of -1.0 percent. Uncertainties that surrounded declining revenue receipts from the Southern African Customs Union (SACU), the delayed signing of the Economic Partnership Agreements (EPA) with the European Union (EU) and the impact of the global economic and financial crisis were bitter pills to swallow. All these did not spare the country from the panic of unintended consequences. As seen in the print media, many speculated the likely impact of the global slow down on several sectors of the economy. The delay in signing the EPA has not had an impact on the economy yet but a solution for common grounds is being sought by the authorities. Dwindling revenues from SACU revenue pool should manifest in the 2010 budget. For the global economic slow down, the consequences are now common. The main casualty of the global slow down for Namibia is retrenchments that were seen in the mining sector and many prospecting investors that dried up. Our financial sector was not severely affected by the crisis due to its non exposure to advanced economies and proper regulations. However we observed a severe depreciation of the Namibian Dollar (NAD) along the South African Rand and Namibia's export markets fell. But unemployment is likely to remain high and much still needs to be done to underpin a durable recovery.

Besides these eventualities, the global growth outlook for 2010 is estimated at 3.9 percent while for Africa it is estimated at 4.3 percent. For Namibia, the global economic crisis is entering a new phase amid signs of a return to positive growth the outlook looks bright as there are signs of recovery. The price of copper is picking up, Namdeb and De Beers Marine again resumed their operations in 2009 after a short time closure.

The objective of this report is to present a review of economic activities of 2009 and likely events for 2010. We use data from various sources to present this report. The challenge faced in compiling this report is lack of updated statistical data on Namibian economic activities.

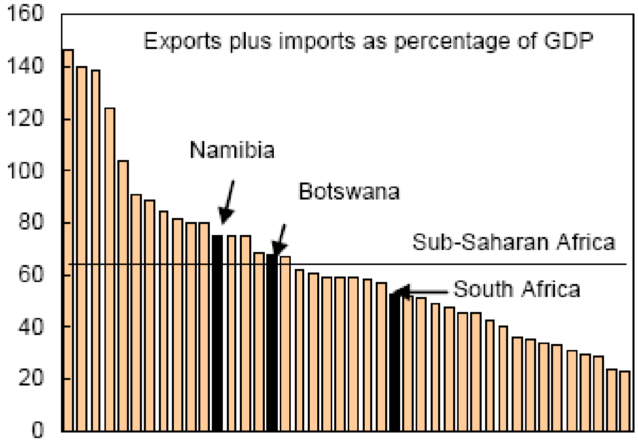
2. The Namibian economy

2.1 The economy in general

The global competitiveness report was released in February 2010 and Namibia improved its ranking in most of the indicators measured by the Global Competitive Index. In 2009 the country moved up to 74th ranking out of 133 countries from 80 in 2008. Among the areas where improvement was recorded are: institutional environment, well protected property rights, independence of the judiciary and a stable political environment. The quality of road infrastructure is regarded excellent by regional standards, there are well functioning goods, labour and financial markets.

However, there are weaknesses that have been recorded in the areas of health (infant mortality rates and low life expectancy) and education (low enrolment rates and poor quality of education). Further improvements are required in the areas of technology enhancements particularly access to internet and mobile phones where the country fell within the 3 digit numbers of ranking. Compared to other Southern African countries, only South Africa (45), Mauritius (57) and Botswana (66) are above Namibia. There is plenty of room to improve and this can be improved by attracting more investments and broadening the private sector base.

Furthermore, the IMF in 2008 provided a better picture for Namibia in terms of its balance of payment as a percentage of the Gross Domestic Product (GDP). Before 2009, Namibia performed in relation to other African countries. Exports and imports as percentage of GDP made the country a better performing country compared to its competitor Botswana and Africa's economic giant South Africa. However, this state of affair may have changed due to turbulent economic events of 2009. This appears below.



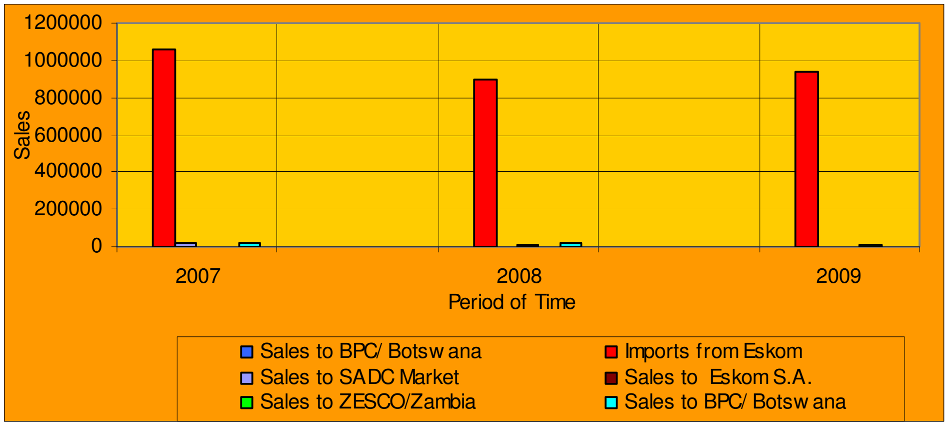
Source: IMF (2008)

2.2 Energy sector

2.2.1 Electricity

Like other countries in the Southern African Development Community (SADC) that are experiencing electricity shortages, Namibia has been facing the same problem. Namibia has been importing electricity from ESKOM in South Africa and a small portion of power has been imported from Hwange in Zimbabwe. Part of the power supply is also generated locally. Close to 400 MW is required to fire up the economy. Local power stations are the Hydro Power Station situated at Ruacana which produces 240MW, Van Eck Coal Power Station which produces 120MW and Paratus Diesel Power Station which produces 20MW. Among the alternatives that are receiving attention are the Kudu Gas-to-Power Project, the Epupa Project and wind and solar power. In 2009 the major achievement in the power supply area is the construction of the Caprivi Link which advanced in terms of erecting power cables that stretches from the Caprivi region to Otjiwarongo. Caprivi Link is a power transmission of nearly 1000 kilometres. This infrastructure will transmit power from Hwange via Zambia to other parts of Namibia but locally it makes all the regional towns of Namibia to be connected to the main power grid. Still in 2009, Hwange began to downscale its power supply due to technical problems and coal supply constraints. This has a negative impact on Namibia's power supply and it remains a challenge in 2010.

The Kudu gas is an old story but it received impetus when the Russian President Dmitry Medvedev visited Namibia in June 2009. The high profile visit stimulated Gazprombank to consider financing construction of the Kudu Gas Project. In 2010 more attention will be shifted to finding alternative sources of power in the wake of Hwange failing on its future electricity supplies to Nampower. Activities surrounding controlling shares in the Kudu will also be clearer in 2010. Imports of electricity over the period 2007 to 2009 appear below. Imports of electricity in 2007 were higher than in 2008 and 2009. Reduction in imported megawatts has occurred at the back of rising water level and strong flow in the Kunene River. The opposite in the level of water flow in the Kunene River also holds for electricity imports. The flow of the river plays an important role in the optimum dispatch of the Ruacana Hydro station and imports and exports. Imported electricity from ESKOM was the lowest in 2008 when the flow of the Kunene River was at its highest for the three years. In 2009 when the river flow fell, imports from ESKOM rose again. When imports fell, sales to ESKOM increased. Sales by NamPower to the SADC market stood at 19242 MHW and were zero for 2008 and 2009. This increased demand by SADC in 2007 also contributed to a high amount of imports from ESKOM.[1]



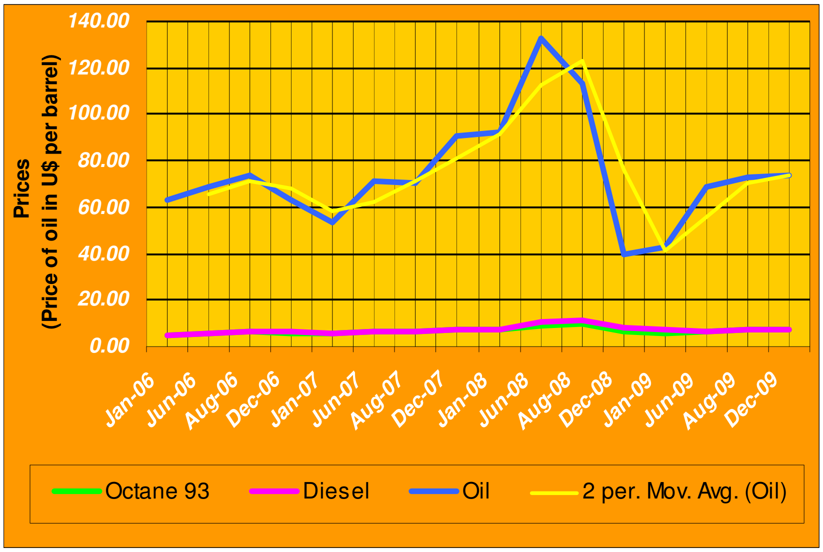
Looking forward into 2010 there are numerous possibilities for alternative means of energy production which can add on to the efforts already implemented by NamPower. By entering into an agreement with independent power producers, NamPower can capitalize on such opportunities as the solar energy generation. In 2009 activities in solar energy in Namibia received more attention as the Ministry of Mines and Energy provided loans to households to access electricity through solar energy. Other possibilities include investing in wind energy which is likely to receive momentum in 2010. Utilising invader bush species to generate electricity is also on the cards. Investors on this power source were consulted in 2009 and more activities in this area may also be seen in 2010. As a major uranium producer, Namibia is also pushing for local electricity generation to consider utilising uranium input[2].

2.2.2 Oil and fuel prices

At the back of steady oil price increase is the record In 2009 petrol prices did not contribute noticeably to an increase in inflation, this happened primarily as a result of the appreciation of the NAD and relatively low international product prices compared to 2008.

[1] NamPower database

[2] Ministry of Mines and Energy Report



By May 2009 the crude oil prices were settling. In the latter part of 2009 fuel prices remained steady on an upward trend. The increase in petrol prices are a result of an increase in demand for petroleum from the most important oil consuming countries (China and the U.S) combined with geo-political concerns about the unrelenting attacks on Nigeria's infrastructure. The figure below shows that there was a large percentage increase in the oil price between May 2009 and June 2009 (20.55 %). The crude oil price had settled between United States Dollar (USD) 60 and USD 66. This was the largest increase in price in 2009 and it happened because of the increase in global demand. Even though prices continued to increase toward the end of 2009, they continued to do so slowly. If the oil price continues its gradual climb it will lead to an inflation trend which will erode disposable income.

2.3 Agriculture

Namibia is arid but continues to encourage for the advancement of its agricultural sector. Few years after independence, agriculture contributed greatly to the National Domestic Product GDP). However, its GDP contribution declined over the years later. In Namibia, agriculture is divided into commercial and communal farming. Commercial agriculture lies south of the Veterinary Cordon Fence (VCF) while communal farming is practiced north of the VCF. The main cause to the declining GDP contribution of agriculture is sporadic drought and also flood that has often destroyed crops in the north and north eastern part of Namibia. Lack of new investments in this sector has also held back potential GDP contributions.

The main agricultural exports are beef, grapes and dates. Beef exports under the Cotonou Agreement have one of the good foreign income earners to the tune of NAD 2 billion in the period 2007/2008. Delayed signing of the Economic Partnership Agreement in 2009 could stifle these gains. So far Namibia has in the Southern African Development Community stayed with South Africa and Angola in terms of concerns to the proposed EPA negotiations. Namibia remains vulnerable if the European Union decides to remove the current grace period of having to operate without a legal instrument of trade preferences. This is because in the Cotonou Agreement Namibian beef enjoyed access to the EU without having to pay tariffs on beef exports.

In 2009 other agricultural produce such as water melons enjoyed domestic and export market space. Maize, millet and sorghum are strategic food security products but the yield in communal areas was affected by flood damage. The same may happen in 2010 since annual floods are becoming frequent. A short fall invites unintended consequences and can overburden donors and the government to provide food parcels. The agricultural industry has also registered profound weaknesses. These include the delay to implement the government driven 'Green Scheme'. There is potential for the green scheme to make an impact on poverty and rural livelihoods but both land laws, bureaucratic red tap and lack of investments in agriculture continuous to tout the scheme. Inexperienced consultants and lack of capacity to implement have the project have served to delay this long awaited investment. It is likely that in 2010 more involvement of farmers in the Green Scheme may be seen. In general leguminous crops are on an increase in Namibia. Onions and carrots are also among vegetables that are on an increase. However, the potential is far less exploited and more investments in agriculture continue to delay expansion of sector enterprises. Job creation could also result from such investments but at current it remains an issue that needs to revitalise.

2.4 Fiscal developments

Revenues to the fiscus suffered from low tax collections in 2009. Mining especially diamonds that usually are the pacesetters on fiscal contributions were not that robust in 2009. As a result, reduced tax revenues from traditional tax sources pose a need to hunt for sources that will fill the short fall. The short-fall is also worsened by the reduction of revenues from the Southern African Customs Union (SACU). As liberalisation of markets advances tariff revenues decline. The abolishing of tariffs among SACU members, namely Botswana, Lesotho, Namibia, South Africa and Swaziland presents a challenge of how to finance the revenue gap that results with this form of market integration.

Fiscal outlook for 2012-2013

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2012/13
Revenues and grants	31.5	35.0	36.3	34.7	33.9	33.6	33.3
SACU transfers	9.4	13.9	14.2	12.8	12.1	11.8	11.4
Mining revenues	1.5	2.5	2.5	2.5	2.3	2.2	2.2
Other	20.7	18.6	19.6	19.4	19.6	19.6	19.7
Expenditures	32.0	31.6	33.7	34.6	35.2	35.1	34.6
Current expenditures	28.0	25.9	26.8	26.8	26.7	26.6	26.6
Capital expend. and net lending	4.0	5.6	6.9	7.8	8.5	8.5	8.0
Overall balance	-0.5	3.4	2.6	0.1	-1.3	-1.5	-1.3
Less SACU and mineral taxes	-11.3	-12.9	-14.1	-15.2	-15.6	-15.5	-14.9
Public debt	30.2	28.2	22.8	22.5	23.5	24.5	25.0

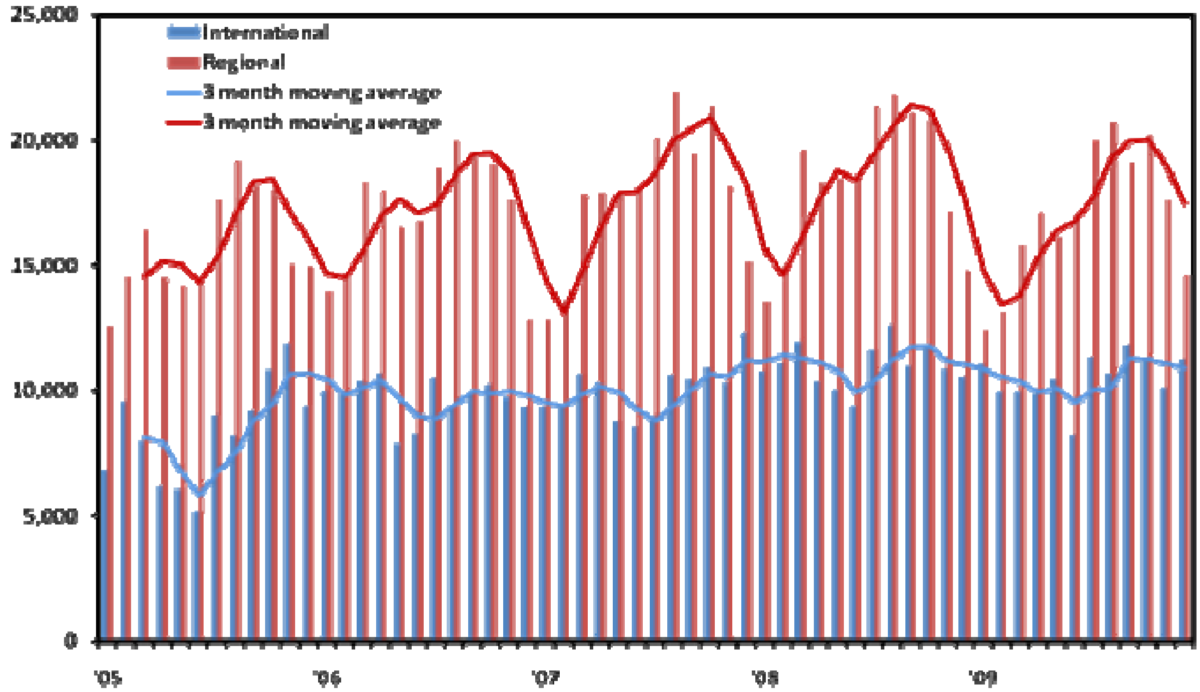
Source: IMF (2008)

SACU transfers are reduced in 2009/2010 and estimated to stabilise in 2011 to 2013. Expenditure is also likely to decline in 2010/2011. Public debt is likely to increase in 2010/2011 fiscal year.

2.5 Tourism

Tourism is one of the key sectors that stand a chance for expansion. Namibia has attractive sceneries which are unique but also unexplored. With the longest sunshine hours in Africa, Namibia has potential of attracting seasonal tourists that reside in other parts of the world deemed as being very cold during winter when Namibia is very warm at the time. Seasonality could be used as an attraction strategy for the local tourism industry. Despite the contribution that tourism has been making to GDP, job creation has also become an important aspect of the tourism drive.

Statistics shows that turbulence has occurred in tourism numbers as a result of a variety of factors.



Source: Namibia Airports Company (2010)

Growth in tourist arrivals at peak periods shows a steady increase over the years 2005 to 2009. However, 2009 registered low arrivals compared to 2007 and 2008. The year 2009 was also characterised by an outbreak of H1N1 virus which is highly contagious and was easily transmitted during flight. The prevalence of H1N1 worried many travellers and could also have served as a deterrent to travellers. Namibia recorded swine flu cases one life was lost during 2009. The economic bite of the global meltdown also led people to revisit their travelling priorities to address liquidity constrains in their individual budgets. Namibia receives more regional versus overseas visitors. These arrivals are both business and tourists. Therefore, due to lack of data on tourist arrivals air transport statistics for Hosea Kutako could but only offer a glimpse on tourism activities. The Namibian Tourism Board and the Ministry of Environment and Tourism are generally slow in updating their statistics where it exists.

2.6 Construction

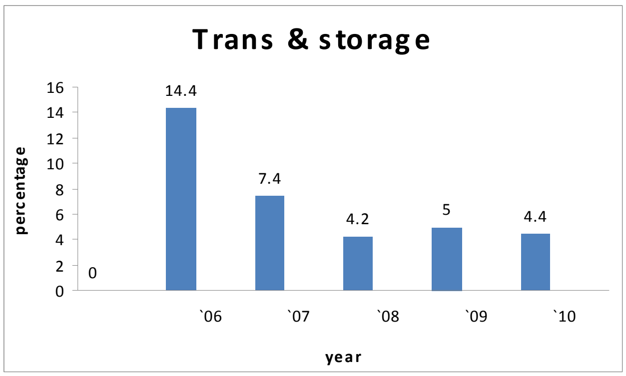
Construction sector has been on an expansion. The quest for this comes from an upsurge in investments that are in retail and wholesale areas. Construction has also been triggered by an increasing demand for office space especially in Windhoek and Oshakati. The costal areas are also performing much better despite being quelled by the global financial and economic crisis of 2008/2009. The 2009/10 budget was focussed on boosting the construction sector as a strategy to stimulate economic activities through employment creation.

2.7 Retail and wholesale

In 2008 this sector `s performance was affected by high inflation rates which discoursed consumer demand but government intervention to scrap off VAT on specific food stuffs gave relief again to the sector. This sector was estimated to grow at 6.5 in 2009 compared to 4, 5 percent recorded in 2008. This is mainly driven by the expansion in beverage product and more investment in storage and distribution facilities but more by the sale of new and used vehicles which seem to have increased in 2009 beside the financial crisis. The outlook for the sector still looks bright in 2010 as the sector is projected to record a real growth of 3.6 percent. The pullovers of the world cup in neighbouring South Africa is estimated to impact positively on the sector as more visitors will be expected which will expand the supply of the food and beverages.

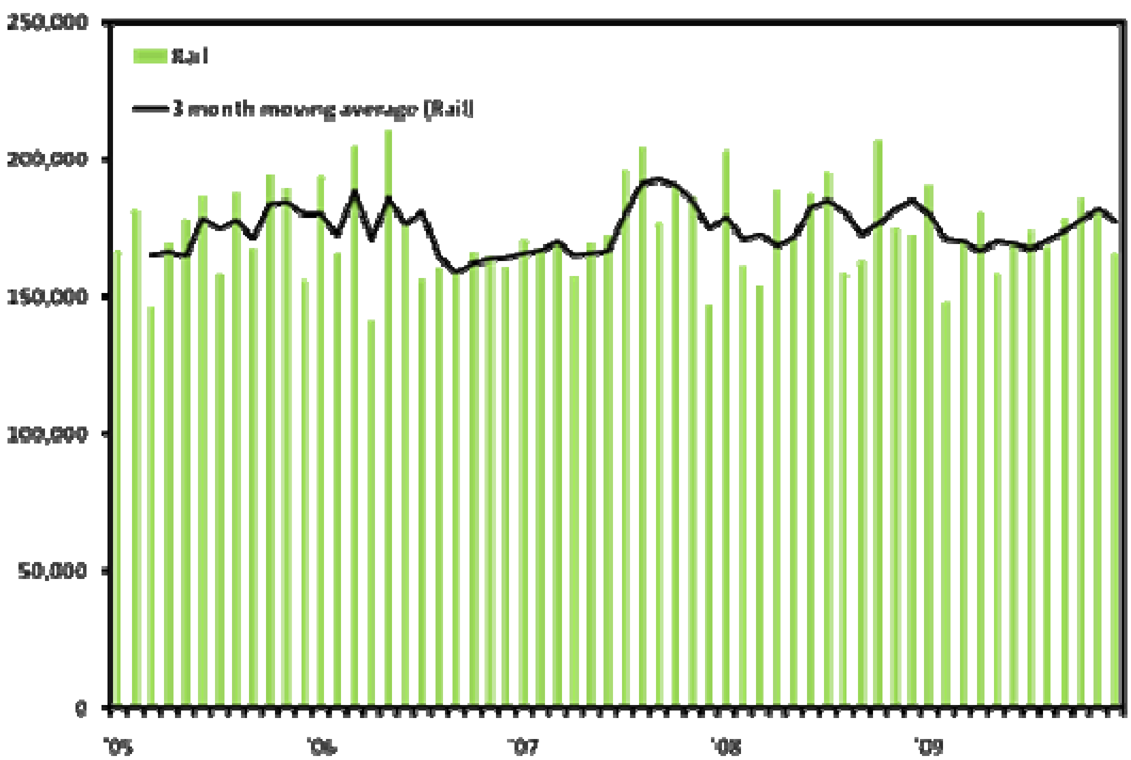
2.8 Transport and storage

Namibia has modern road, sea and air transport infrastructure. Road transport is the most popular transport mode. Two international airports exist, namely Hosea Kutako International Airport and Walvis Bay International Airport. In 2008 to 2009, both Hosea Kutako and Walvis Bay airports were being expanded and modernised. Walvis Bay harbour has also increased its volume of cargo and more investment in handling facilities have been realised. Namport, a State Owned Enterprise is entrusted with management and operating harbours and has so far been doing well. The transport sector has been growing at an annual average of 8.7 percent since 2005. Its annual real average growth has been decreasing since 2006 due to high oil prices. However in 2009 there has been some positive growth in the sector on a quarterly basis due to cross border trade and mining sector.



Source: BoN (2009)

With regard to traditional surface haulage of heavy cargo, rail transport. This mode which is managed and operated by Trans-Namib has been a thorn of contention due to inept management of rail facilities and services. Trans-Namib has for over the last three years Trans-Namib has been engulfed in labour disputes and prone to train accidents. All these have provided turf for eroding its capital resources. Despite these challenges, management of Trans-Namib has now embarked on measures to turn the company around. A view on how train cargo has performed appears in below.



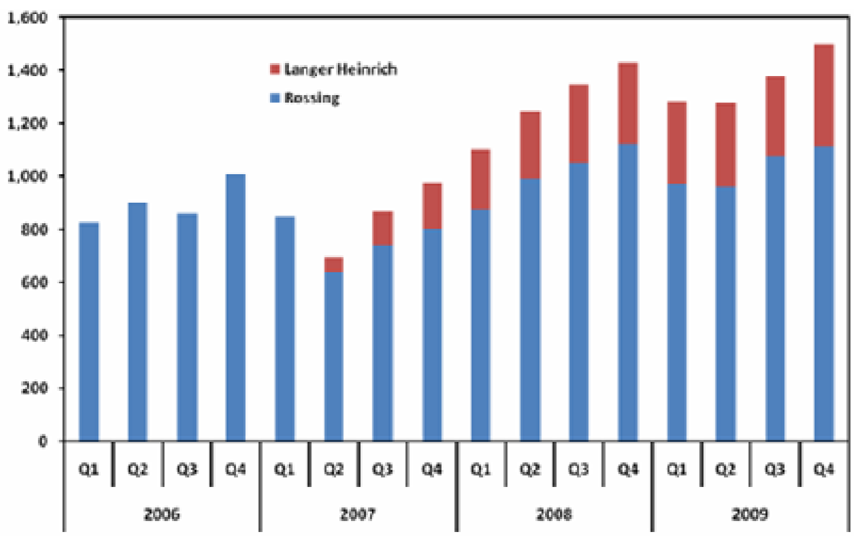
Source: Trans-Namib (2009)

Rail transport is an imperative mode of transport. A look on how this mode of transport performed is essential. A trough occurred mid 2009 slightly similar to that which occurred in 2006. In essence, rail cargo was low in 2009 compared to 2008. The decline in cargo volume fell at about 3 percent less than the previous year. Reduced export volumes of mining products could be the cause of reduced train cargo volume. A long term focus shows that there is stability in terms of rail cargo performance. Lack of clear growth trend could be attributed to stiff competition from road transport. Many transporters easily opt for road transport as a result of the quickness and access to remote areas that are not served by trains. The cost implication of the type of transport mode is influential on the final decision that a service user makes.

2.9 Mining

Mining is Namibia's biggest exchange earner. On average the mining sector contributed 12.5 percent to GDP annually up to 2007. Since then the sector continues to perform poorly due to the financial crisis. It was projected to contract by 29.4 percent in 2009 due to diamond and copper which are facing low global prices since 2008. Last year copper reached its lowest global price of US$3,050/ tonne compared to US$8,686 in 2008. The situation looks positive in 2010 as prices for copper have started to pick up to US$6,000 /tonne by the last quarter of 2009 and Namdeb and De Beers Marine resumed their operations again in 2009.

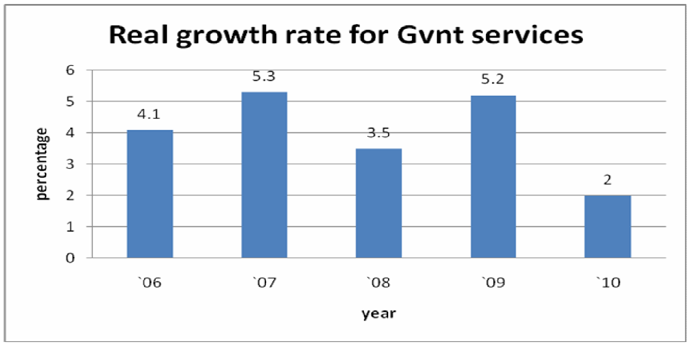
While diamond and copper continued to face global price decrease, uranium boosted its growth. Rio Tinto's Rossing Uranium exceeded its target of 4,000 tones of uranium output in 2008. Uranium production will increase as more players are coming on board, one in 2010, two in 2012 and one again in 2013. Uranium production and prices remained resilient in 2009 despite the harsh realities of the global financial and economic crisis. Annual production reached 5 429 tonnes. This is almost 9 percent increase compared to 2008.



Source: Rio Tinto and Paladium Energy (2010)

2.10 Government services

Government services have been growing at an annual average of 4.0 percent since 2005. The sector is mainly driven by high expenditures in education, health and defence. In 2010 it's projected to grow by 2.0 percent.

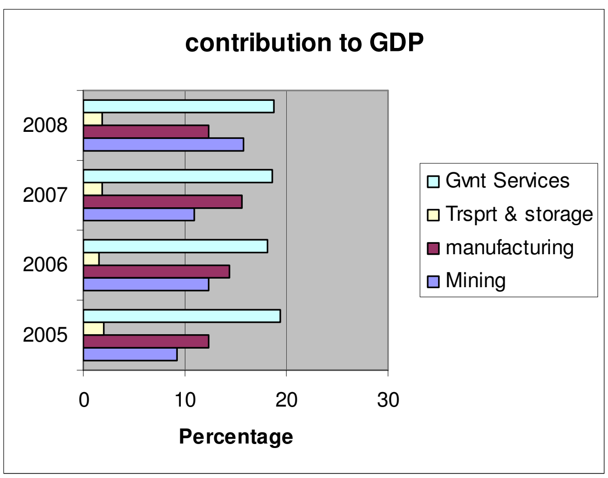


Source: BoN (2009)

2.11 Manufacturing

Manufacturing is a small sector which contributed on average 13 percent to GDP since 2005. Its activities consist mainly of fish and meat processing, beverages, metal and pre-cast concrete products. The performance of the sector has been positive with an annual growth of 5 percent between 2005 through to 2009. This has been so due to the broad based activities (copper smelting, meat and fish processing showed growth on a quarterly basis) in the sectors` components and it is projected to grow by 3.4 percent in 2010.

Contribution of selected sectors to GDP



Source: National Planning Commission (2009)

2.13 Financial sector

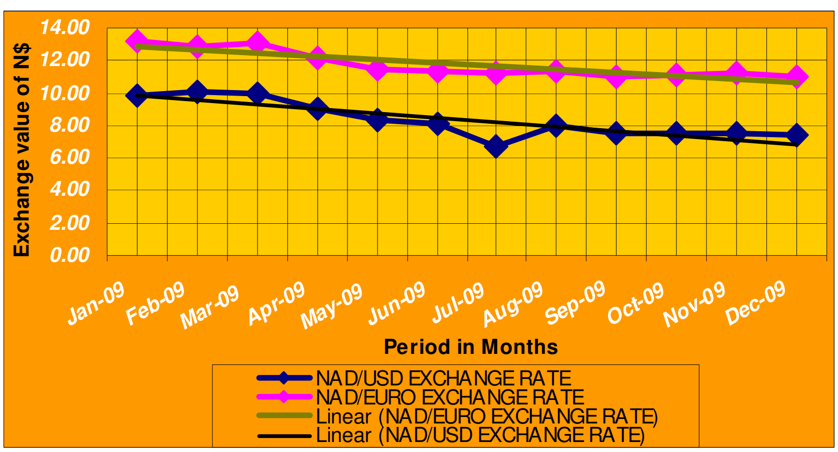
2.13.1 Opinions on Efficiency and Competitiveness of Namibian banks

Four commercial banks exist in Namibia, namely First National Bank, Standard Bank, Bank Windhoek and Ned Bank. These banks are now operating in all the regions of Namibia. The business environment is conducive and due to that other financial investors such as ABSA have been attracted. Despite not having opened a fully-fledged bank, in 2009 ABSA opened an office that gathers economic data on Namibia as a way on studying the Namibian market before it can set shop. Besides operating in a favourable environment, Namibian commercial banks have not taken the market of the un-banked. This gulf has suggested the establishment of Fides Bank, a microfinance bank which has lately been granted a permanent license. The process of establishing the bank received momentum in 2009 and granted. The other looming investment is that of a Small and

Medium Enterprise Bank which also in 2009 began the push for proper formalisation. All these are clear indications of the existence of the un-banked.

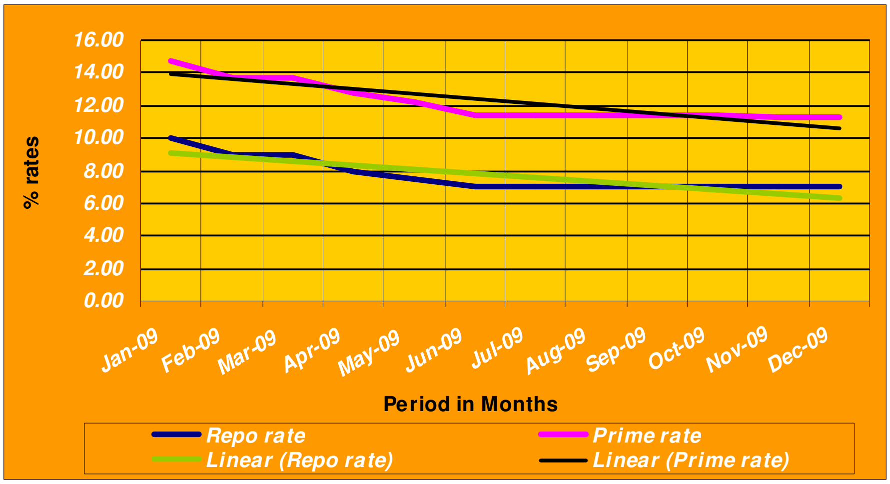
2.13.2 Exchange rates

The Namibian dollar has exerted a positive influence on inflation. In the first quarter of 2009 the NAD depreciated faintly against the USD as this can be accredited chiefly to exogenous factors such as risk aversion against developing market currencies and movements in the dollar. Yet during the beginning of 2009 the NAD appreciated against the Euro. The continued weakness of the NAD against the USD during the start of 2009 can further be explained by strong declines in the prices of export minerals and also from a decrease in demand for higher yielding, emerging market assets. However, as from mid 2009 and towards the end of 2009 the NAD appreciated well against the USD. This had beneficial consequences for the Namibian economy as it kept inflation down through the increased purchasing power of the NAD on the international markets which in turn was especially beneficial to the economy due to a steady rise in the fuel price at the time. The appreciation of the Rand and consequently the NAD against the USD around May 2009 was attributed to the recovery in the gold price and the stock market. The NAD exchanged at six-monthly averages of N$9.24 and N$ 12.31 against the USD and Euro respectively. In all the local currency appreciated against the USD by 13.7 percent from June to August. The NAD to Euro exchange rate remained stable between May and December 2009. The currency depreciation of the NAD started in mid 2008 and continued into the start of 2009. The NAD appreciated again towards mid 2009. Looking forward, the appreciation of the local currency during 2009 has lowered the impact of inflation and will continue to do so in 2010. Lower inflation has the effect of increasing the consumer's purchasing power and also placing them in a stronger position for debt repayment. This could have a positive impact on financial safety and the banking sector.

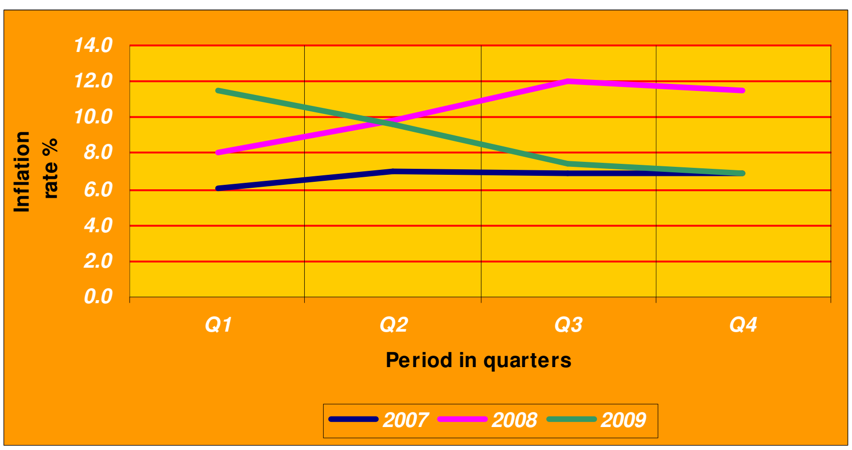


2.13.3 Interest rates

Interest rates have a useful role to play in the financial sector. Borrowing is influenced by interest rates. In 2009 interest rates were on a declining path although moderated later. Given the unsympathetic financial atmosphere which was created in 2008 and 2009 by the global financial recession many mortgages in 2009 were repossessed in Namibia. The slowing down of economic activities and the resultant impact of the global financial and economic crisis that set mortgage repossessions among other consequences encouraged necessitated lowering of the repo rate to 7 percent at the end of 2009. This came after other three downward adjustments. Commercial bank followed the downward adjustments of the prime rate. At the end of 2009 the prime rate stood at 11.25. It is noted that a further reduction in the interest spread will hold beneficial results for the economic activity in Namibia particularly during these harsh financial times. Although a further cut is beneficial to the consumers but it could also reduce profit margins of commercial financial players and thus impacting on the operations of the financial sector.



2009 began with inflation still high but the Bank of Namibia used interest rate as a mechanism to offset inflation. However, in the second quarter of 2009 the inflation rate moved in a downward fashion dropping from 11.5 percent in the first quarter to 9.6 percent in the second quarter and further to 7.4 percent and 6.9 percent in the third and fourth quarters of 2009 respectively.



Food and non-alcoholic beverages transport eased inflationary pressure[3]. Owing to the performance in the food and non alcoholic beverages, inflation rate fell from an annual average of 10.3 percent at the end of 2008 to 8.8 percent in these categories at the end of 2009. Appreciation of the NAD during the mid to later part of 2009 has added downward pressure on inflation, particularly in terms of imports in the country and consumer purchasing power. In addition a fall in oil prices and also prices for agricultural products such as wheat and maize has also pushed inflation down.[4] In line with trends experienced by economies worldwide, inflation has dropped in 2009 and may remain low in the first three quarters of 2010.

[3] Financial Stability Report, 2009

[4] NEPRU, June 2008

2.14 Social sector

2.14.1 Policy on Poverty and Inequality

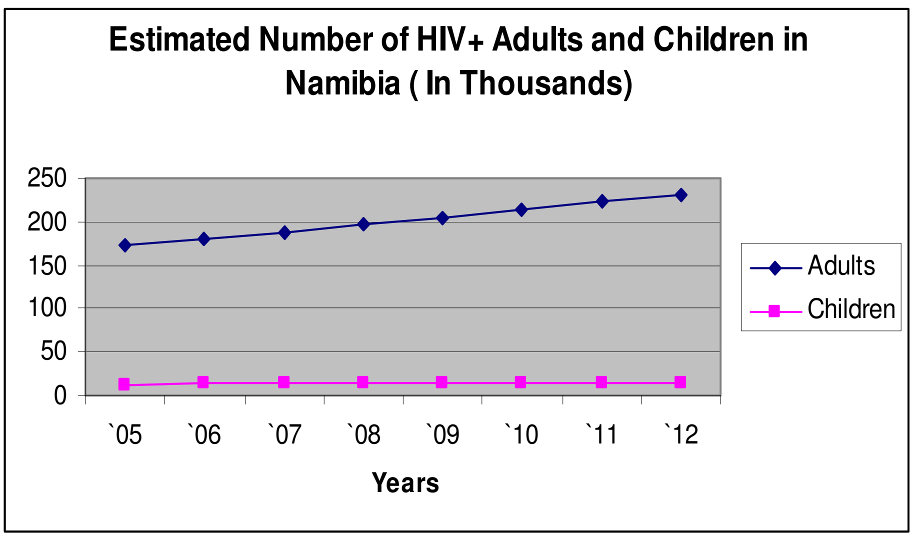
The Government launched its 2nd Millennium Development Goals report in 2009. The report shows substantial improvements in several indicators including primary enrolments, gender equality, environment as well as ODA. However, more attention needs to be directed towards health indicators like HIV/AIDS, maternal, infant and under five mortality rates which are deteriorating.

Unemployment remains a challenge for the Government and has been fuelled by the global financial and economic crisis which brought retrenchments. The Human Development Index for Namibia in 2009 DHI report stood at 0.686, which gives the country a rank of 128th out of 182 countries.

The NHIES data collection which started in 2009 is still underway until sometime in 2010 when new data on poverty will be released. The government has also not pronounced on the official use of the new poverty line. When and if this will be pronounced soon it is certainly to be used beyond 2010.

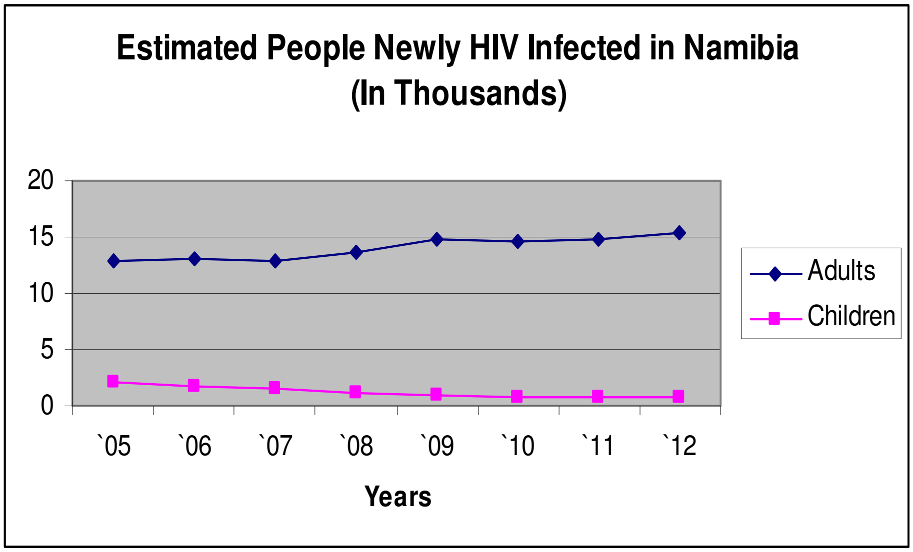
2.14.2 HIV and AIDS

HIV/AIDS remains one of the challenges for Namibia along with unemployment, poverty and inequality. The Ministry of Health and Social Services recorded the prevalence rate (age group of 15 to 49) since 2008. With an estimated population of 2.2 million, about 200 000 people are believed to be infected with HIV/AIDS, while 110 000 are women aged 15 years and above.



Source: MoHSS (2008)

The graph depicts that an estimated 200,000 adults were living with HIV/AIDS in 2009 and the figures are to increase in 2010. With reference to children a slight decrease is expected to the overall number infected and may stabilise in the few years ahead.



Source: MoHSS (2008)

In 2009 it was estimated that about 15 000 people were infected with the pandemic although the rate of infection is projected to stabilise 2010 and 2011 and increase again in 2012. The opposite may happen for children.

The fight against HIV/Aids in Namibia

The prevalence rate is still high at 17.8 percent. The Government and its partners have introduced free HIV testing services, free counselling, free Anti-retroviral drugs at specific centres, as well as the provision of Nevirapine doses to prevent mother to child transmission during labour. Aggressive intervention is needed to reverse the effects of the pandemic before it undermines the efforts to achieve Vision 2030.

3. Conclusion

The global economic meltdown was a wake-up call for many countries especially those that are developing in order for them to advance unfulfilled promises of going to make reliable economic policy reforms.

The unintended consequences of the global meltdown are but a test for future events. At the back of this global catastrophe, Namibia has to begin to modernise her economic sectors through diversifying into manufacturing activities. As 2009 left many people retrenched, ways to recapture them into employment opportunities should be the new agenda whilst seeking to close gaps that were observed in 2009 and the economic system in general. High unemployment will remain an issue to tackle and if left to rise could destabilise the peace enjoyed by the residents. The great enemy for Namibia is not the low rate of economic growth but reduced impact of tackling social ills such as HIV and AIDS, poverty, and unemployment.

For the year 2010, these social matters should be addressed with serious effort. Policies that need to be consolidated should receive that equal attention. Land reform requires impetus for many Namibians to benefit from it. The stable political environment should also be sustained to ensure that the battle to address the social ills does not come at a time when there is instability because no rewarding effort can have a positive impact when no one is ready to listen. On reduced revenues from SACU, Namibia has to advance her tax collection strategies and widen the net to begin to collect from those that have previously avoided to be taxed. The delayed signing of the Economic Partnership Agreement with the European Union would require more attention in 2010. Namibia will have to study this pact carefully before endorsing it.

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