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Economic Perspective

Are we on the right track?

There is a great deal to celebrate the achievements done so far since independence in 1990. There has been generally a stable political climate conducive for economic growth and development. The Nujoma government has introduced a measure of political and democratic tolerance in Namibia. The micro and macro economic policy as evident from efforts to diversify the economy such as with the introduction of Export Processing Zones, manufacturing incentives, business parks establishments, increased fisheries and tourism contribution has been attractive since independence. The macro economic environment has also been conducive with maintenance and expansion of infrastructure (roads, telcommunications, upgrading of airports, railway line extensions) with moderate economic growth and relatively stable inflation and interest rate environment.

But there are still challenges that lay ahead. The unemployment remains rampant at around 35%. The labour sector is plagued by job uncertainties and dismissals. Good governance as a practical concept remains under threat with imminent rise of corruption in leading institutions, especially in the parastatals sector. The black economic empowerment as a vehicle for broad based inclusion of the majority of the population remains still elusive. The SME's still need to grow viably to ensure sustainable and prosperous livelihoods for the small business people. The economy requires vigourous transformation to ensure higher economic growth of around 7% on average according to *Vision 2030* than the 3% on average that it is enjoying today.

All this challenges are to be presided by a humble, unassuming father figure like giant known to Namibians as well as internationally as the Honorable Hifikepunye Pohamba, Minister of Lands, Resettlement and Rehabilitation. The Pohamba Presidency is widely expected to carry on the presidential aspirations, vision and policies of his predecessor, especially on the economic front. His main emphasis on ensuring political stability and

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sound economic transformation is poised to take Namibia along the path of vision 2030, and of propelling the country towards a semi-industrialized state. His economic vision and objectives echoes the NDP2 objectives of poverty alleviation, increased employment creation, regional development, combating the spread of HIV/Aids and economic empowerment.

But what lies ahead for Namibia and what are the key challenges that the Pohamba Administration may need to look at. For a start, a thorough micro-level analysis is needed to look in depth at the structure of the Namibian economy. The Namibian economy is highly vulnerable to oceanic and externally induced macroeconomic factors. The recent impact of the strong Namibia dollar on fishing, mining and tourism industries is a case in point. The unfavourable oceanic conditions on the fishing sector, the drought on the agricultural sector, the lower commodity price declines in the mining sector, and inability to produce and export more from the manufacturing sectors can have severe implications for our economy for the foreseeable future ahead if its not attended to.

The challenge therefore is diversification but how to do it needs more action rather than talking. The first strategic action is to really analyse at a micro level how this sectors are depended on external influences and find mechanisms to cope with in times of such influences. The other action is to see from a holistic view which products and services we can identify as key products that we can invest a lot more in and push such products on the international markets. We need to priorities on value added products and monitor their sales performance so that such products need to generate economies returns to scale and not decreasing returns to scale.

Another field concerns priorities for this year. We should analyse the potential cost and benefits of trade negotiations and agreements that are currently facing us. Continued infrastructural development (as evident from roads and rail construction as well as rural electrification) should still be carried out to ensure proper maintenance on physical assets of the country. Public enterprise reform may need to be emphasized to stem corruption and reduce reliance on the state fiscus. Incentives for investors, particularly in export oriented manufacturing and processing of local raw materials may need to be reviewed so that they are optimal for both the country's national economic development, tax policies and trade promotion. A law and policy that emphasizes black economic empowerment component will also be strongly emphasized. The emphasis on widespread availability of anti-retroviral drugs to prevent mother to child infection and to slow the progressive advancement of HIV infection to full blown Aids should also be implemented, of course taking into account that such drugs does not have side effects.

A concerted effort to ensure employment increases and national training drive need to be implemented. Realistic targets on annual employment may need to be defined by the Ministries of Labour and Education to assess and ensure that employment creation is adhered to. In addition to unemployment, the country still faces an acute shortage of skilled manpower and hence the future government should invest in a more focused manner heavily in education and training as evident from the recent establishment of the Namibia Training Authority.

The future government must focus on small and medium enterprises (SMEs) to create jobs. The current way of stimulating, providing and promoting SME's is far from desired. A tailor made programme for SME's business people are important so that such business people are taken through the initial stage of business plan design throughout loan granting and training interventions on utilization and realization of such loans. The programme may continue on with monitoring and evaluation of such business and periodic support and advice to get the business going. By improving access to SME financing, innovative financial products and services can be introduced to cater for such market exclusively as done in South Africa.

The important policy dimension that the Pohamba government may need to ponder on will be the gradual and cautious land reform process that is equitable, fair and just and that contributes to overall agricultural production. The incoming government needs to show that it is indeed making progress in redistributing land.

As far as the foreign policy of the country is concerned, there is a need to maintain mutually enforcing and cooperative relations with the developed world whilst at the same time forging greater ties with the leading developing countries (such as Brazil, India) and regional economies (Angola, Mozambique, Zimbabwe, Zambia). But most importantly, Namibia needs to know the impact of globalization on its economy and effects of trade and tariff liberalization on its economic sectors. There is still widespread apathy in understanding the implications that the current global trade system is undoubtedly going to have far reaching impacts on the way the economy is currently structured and the way it interacts with the rest of the world.

In conclusion, the question begs *"Are we still on the right track"*. There is confidence that this economy can grow and can become the "Singapore" of Africa. There is sound macroeconomic stability although we need to think more micro-wise. Political climate is stable and government administration is still relatively managed and still worthy as employer, unlike in some African countries. The government's commitment to diversify an economy from primary commodity dependent economy to one that should be services sector led is welcoming. Right now the focus should be on implementation rather than talking on NDP's and Vision 2030. We need to inculcate a culture of implementing the plans, programmes and objectives as the time has come for the Namibian nation to realize independence dividend's from an economic perspective.

Namibia at independence was a nation divided on all fronts, politically, economically and socially. Therefore, after 14 years there is an aura of confidence that with a fostered peaceful democratic and political dispensation and a robust private sector in co-operating with the government, that Namibia can look forward to building an equitable society that strives to reduce unemployment and poverty in the country.

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