

# Namibia

|  |       |             |                                      |             |             |
|--|-------|-------------|--------------------------------------|-------------|-------------|
| <b>Status Index</b><br>(Democracy: 7.70 / Market economy: 6.61)  |       | <b>7.15</b> | <b>Management Index</b>              |             | <b>6.01</b> |
| <b>HDI</b>   | 0.627 |             | <b>Population</b>                    | 2.0 mn      |             |
| <b>GDP per capita (\$, PPP)</b>  | 6,180 |             | <b>Population growth<sup>1</sup></b> | 2.9 %       |             |
| <b>Unemployment rate</b>   | -     |             | <b>Women in Parliament</b>           | 25.5 %      |             |
| <b>UN Education Index</b>  | 0.80  |             | <b>Poverty<sup>2</sup></b>           | 34.9 %      |             |
|  |       |             | <b>Gini Index</b>                    | 70.7 (1993) |             |
| Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. <sup>1</sup> Annual growth between 1975 and 2002. <sup>2</sup> Population living below \$ 1 (1990-2003). |       |             |                                      |             |             |

## A. Executive summary

Namibia's democratic and economic transformation continues to make progress. There were no serious setbacks to report in this process of reform during the period of review. The political highlight of the evaluation period was in 2004, where voters went to the polls three times in presidential, parliamentary and regional elections. After almost 15 years of independence, all elections took place with a remarkable sense of political routine, and met – with minor exceptions – the standards of modern democratic elections and produced respectable turnouts. SWAPO, the governing party, maintained its three-quarters majority. SWAPO's political base is rooted primarily in the Ovambo, the majority ethnic group, and it determines the dominant party system typical of Namibian democracy.

Although the formal rules of democracy are properly observed, the overwhelming strength of the governing party has weakened the constitutional possibilities of parliamentary control. As a result, civil society, with international moral and financial support, is as important as the political opposition. More attention needs to be given to the functioning of the country's democratic structures. Behind the democratic facade it is clear that there are shortcomings in democratic participation and the rule of law, and the diffusion of democratic values at the grassroots level is only gradually gaining ground. That said, Namibian democracy received a boost in 2004 when, in keeping with the constitution, Sam Nujoma, president since independence, withstood the temptation to run for another term.. Nonetheless, as party chairman of SWAPO, he still has things firmly under his control. It remains to be seen to what extent his successor, Hifikepunye Pohamba, will assert his power.

Whether progress toward a free market democracy will continue without restrictions will depend above all on the level of success in overcoming the country's economic and social disparities. Despite international development aid,

the glaring cleavages between white and black, between urban and rural areas and between the new wealth of the ruling elite and the on-going impoverishment of growing sections of the population have not narrowed. Radical demands for land reform have given rise to fears that the country may slide into a situation like Zimbabwe. The consequences of the HIV and AIDS pandemic, for which there is no quick and easy answer, are increasingly noticeable: approx. one third of the population is already infected. The rate of infection is particularly high among university graduates, which means that much of the heavy investment in human capital could be wasted. Overall, administrative competence as well as the qualifications and motivation of skilled personnel in business and the civil service still leave much to be desired. This lack of involvement, commitment, creativity and innovation undermines the consistent and effective use of resources.

## **B. History and characteristics of transformation**

Namibia's history of transformation is above all a history of decolonization. After a dispute lasting decades between South Africa and the United Nations, which in 1966 revoked the League of Nations' mandate that made the territory a South African protectorate, white rule was ended surprisingly quickly by the coordinated intervention of the then superpowers. The end of the Cold War was the major factor behind the success of the UN mission – the United Nations Transitional Assistance Group (UNTAG) – in orchestrating a comparatively peaceful compromise (Namibia Agreement) between the conflicting parties in Namibia and their international backers: South Africa on the one hand and the African frontline states and Cuba on the other. The transition process culminated in free elections and the adoption of a democratic constitution, which, in the opinion of western constitutional experts, is one of the most liberal in Africa.

Namibia's democratic transformation is conditioned by two historical trends that continue to influence political developments in the country. One is the on-going socio-political differentiation of the population, which has its roots in the discriminatory policies of the colonial rulers. Notwithstanding the strong emphasis on nation building that was embraced by all ethnic groups in the early years of independence, the political dominance of the Ovambo is greater than ever. The other trend concerns the political culture. SWAPO, the governing party, emerged from the South West African Peoples Organization, the militant movement at the forefront of the liberation struggle when centralization and authoritarianism were indispensable, was generously funded and supported by the centralist, authoritarian governments of the former Warsaw Pact.

Thus, despite the successful introduction of democratic institutions, the style of government remains centralized and authoritarian. Given a party system in which SWAPO has won a three-quarters majority in the last two parliamentary elections, the combination of these two legacies could undermine the consolidation of democracy in Namibia. On the other hand, it should be noted that during the

period of review, the head of SWAPO, Sam Nujoma, chose not to run for the presidency again. The fact that he did not seek the constitutional amendment this would have required (the so-called *lex Nujoma*) can be interpreted as a clear decision in favor of liberal democracy.

The economic transformation can be similarly characterized as a two-track development. In the past, the Namibian economy was fully integrated into that of the colonial power, and is still dependent on South Africa. To this extent, the Namibian economy has not only functioned according to the economic principles of apartheid (homelands as separate economic areas, migrant workers, expropriation in the interests of exploitation and discrimination, cheap forced labor, etcetera), but was completely subordinate to the market economy of "white South Africa." Extensive state intervention notwithstanding, the South African market economy was based on the principles of private property, market prices and international trade.

By contrast, SWAPO, as a liberation movement, was influenced by the socialist ideology of the eastern Bloc and initially advocated a centrally planned economy without private property. After independence, growing integration into the global economy – owing in no small part to western trade and development aid – paved the way for gradual acceptance of free market principles. The latter were championed in particular by the approx. 80 000 whites who still live in Namibia, an economically powerful group that forms the backbone of the country's economy. Although the constitution provides for a "mixed economy", it defines private property as an inalienable right. Even though the socio-economic distribution has changed only marginally, to the advantage of the black governing elite, and little progress has been made in alleviating poverty, the country has made reasonable economic progress in the 15 years since independence. On the other hand, recent talk of land reform and expropriating white farmers has raised the specter of Zimbabwe-like economic collapse and doubts about the government's long-term commitment to a market economy.

## **C. Assessment**

### **1. Democracy**

Although democratic transformation was initiated by outside forces, the Namibian government readily adopted this spirit and continued this process in the early years of independence. However, since the mid-1990s, the government and civil service have exhibited growing signs of undemocratic, authoritarian tendencies, though the mission and work of the different constitutional organs have not been questioned. In the light of SWAPO's dominance, the influence of the opposition is negligible, and the constitutional checks and balances function only to a limited extent. Nowadays, the most significant, effective controlling institutions are the media, in particular the press and the electronic media.

### **1.1. Stateness**

Namibia's territorial integrity was not questioned in the period under review. The Namibian state also has an unrestricted monopoly on the use of force within the country. The use of incommensurable force to crush secessionist tendencies in the Caprivi Strip in 1998 left deep scars in the Mafwe ethnic group, while doing little to improve its relationship with Windhoek. In the meantime, a permanent commission has been appointed to regulate the disputes. Despite the tension between the Ovambo – the largest ethnic group, which calls the tune in polity and governance – and the other ethnic groups, to date the country has not experienced any conflicts serious enough to threaten the integrity of the state. The official forces of law and order are in complete control of public security and administration. The civil service remains highly centralized, despite very gradual progress in decentralization efforts, and– effectively administers the entire territory within the state's borders. All citizens enjoy equal rights and regard themselves as Namibians. This is also true of the vast majority of whites, who have taken Namibian citizenship. There is a clear separation of church and state, and the political process is largely secular.

### **1.2. Political participation**

Namibia has universal franchise with the right to vote and to stand for election at the national, regional and municipal levels. In general, elections at all levels in the period under review were free and fair. In November 2004, national – i.e. parliamentary and presidential – elections were held for the fourth time, and regional council elections followed two weeks later. In Namibia, democratic elections are now part of the political routine: turnout for the national elections was 85% and for the regional elections 54%. The elections were organized and monitored by an independent electoral commission, met international standards and can be labeled "free and fair". In principle, opposition parties were able to exercise their freedom of opinion and freedom of assembly, although there were some complaints about restrictions and obstacles, especially in SWAPO strongholds in the north of the country. In the latter cases, doubts about the political impartiality of the police and civil service are justified.

However, in general there was little evidence of manipulation. This conclusion is buttressed by the decision of two opposition parties, the Congress of Democrats (CoD) and the Republican Party (RP), to challenge the results of the parliamentary elections in court on the grounds of irregularities concerning ballot papers and the counting of votes. The High Court annulled the results and ordered a recount of all ballot papers cast in the parliamentary elections (the results of the presidential election were not challenged). The recount of almost 814,000 ballots produced minimal changes, but did not alter the distribution of seats. The important point here is that an independent judiciary granted an appeal against

election results and that all the persons and parties involved accepted this decision – a sign of a constructive and mature sense of democracy.

The results confirmed the existing balance of power. Hifikepunye Pohamba, the presidential candidate of the majority party, was elected to succeed Sam Nujoma, the country's first president, with 76.4% of the votes cast, a result that fell just short of the 76.7% garnered by his prominent predecessor in 1999. This result is remarkable in light of SWAPO's internal power struggles, and demonstrates an expression of confidence in Nujoma's old comrade-in-arms from the days of the liberation struggle. With Nujoma's backing, the 70-year-old, who has filled a succession of party offices and three cabinet posts, most recently as minister of lands, resettlement and rehabilitation, successfully challenged Hidipo Hamutenya, the supposed crown prince, for the nomination as presidential candidate at the SWAPO party congress in June 2004. Whether and to what extent the new president will detach himself from his political mentor and take control himself remains to be seen. As party chair of SWAPO, Nujoma will still manipulate the levers of power.

In the parliamentary elections, SWAPO won 76.1% of the votes, defending its three-quarters majority. In the run-up to the elections, the opposition splintered further, and although it has the same number of seats as in the previous parliament, it will probably be even less effective than before. The opposition still has 17 members of parliament solely because of Namibia's system of proportional representation at the national level. A first-past-the-post system is used in elections at lower levels. In the regional elections, SWAPO won 79.2% – almost four-fifths – of the votes. Although the leading opposition party, the CoD, managed to attract 5.6% of the votes, it did not win a single seat.

Table: Results of national elections in 1999 and 2004

| Parties   | 1999<br>Percentage of total<br>votes/seats in National<br>Assembly (total 72) | 2004<br>Percentage of total<br>votes/seats in National<br>Assembly (total 72) |
|---|---|---|
| South West African People's<br>Organization (SWAPO) | 76.3 / 55   | 75.1 / 55   |
| Congress of Democrats (CoD)                         | 9.9 / 7   | 7.2 / 5   |
| Democratic Turnhalle Alliance (DTA)                 | 9.4 / 7   | 5.0 / 4   |
| National Unity Democratic<br>Organization (NUDO)    | ///   | 4.1 / 3   |
| United Democratic Front (UDF)                       | 2.9 / 2   | 3.5 / 3   |
| Republican Party (RP)                               | ///   | 1.9 / 1   |
| Monitor Action Group (MAG)                          | 0.7 / 1   | 0.8 / 1   |
| Others  | 0.7 / 0   | 0.9 / 0   |
| Appointed members                                   | --- / 6   | --- / 6   |

There are no restrictions on the formation or communications of civil society organizations. The NGO landscape is extremely diverse, with about 650 domestic and foreign organizations. Special attention should be paid to environmental, women's and human rights groups. In addition to these, there are professional groups and employees' and employers' organizations. Many of them make political demands without being involved in or connected with party politics. The civil right to establish civil society groups is guaranteed and civil groups can go about their work largely unhindered. Ethnic cleavages play a role both socially and politically. However, these latent conflicts do not pose a serious threat to the freedom of association in civil society.

The Namibia Broadcasting Corporation (NBC) controls radio and television, which express the official opinions of the government; staff and funding are dependent on the government. However, opinions critical of the government are heard on talk shows and programs for airing different opinions. From time to time, the government or even the president reacts very sensitively to criticism. Despite vague threats, there are no restrictions on the freedom of expression. Most newspapers and magazines are owned by a private media holding that is extremely critical of the government. On the other hand, readership is largely limited to the major urban centers, so that the opinions of the opposition in the print media seldom reach the hinterland.

### **1.3. Rule of law**

The Namibian constitution attaches great weight to the division of powers and responsibilities between the executive, legislative and judicial branches of government. That said Namibia's presidential form of government grants the president wide-ranging powers. This is further underscored by the three-quarters majority in parliament held by SWAPO, which enjoys the solid support of the dominant Ovambo ethnic group. This constellation limits parliament's control function. On the other hand, parliament is scrupulous in the observance of its legislative functions. It meets regularly and is a place of open and critical discussion where the opposition parties can express their opinions without restriction or hindrance. The same holds for the regional and municipal councils.

The courts are independent. The judges and officials of the courts act in accordance with the constitution and the rule of law. In recent years, reservations have been expressed about political partiality in the appointment of judges. To date these reservations have not been substantiated. A sign that the government respects the rule of law is the appointment of commissions of inquiry chaired by judges in response to public criticism to investigate, among other things, the abuse of public office and allegations of corruption on the part of members of the government or public officials. However, serious sanctions are virtually never imposed even where the commission has found spectacular abuse of position. It is a serious weakness that many wrongdoers go unpunished owing to political

considerations dictated by the ethno-social system of patronage. On the other hand, there is no evidence of systematic erosion of judicial control and supervision.

In Namibia, most political and bureaucratic corruption takes place in a grey zone of activity populated by politicians, holders of high office and members of their families. The extractive industries, either through granting of licenses for prospecting and fishing or through participations in international companies, offer huge opportunities for enrichment. Nonetheless, corruption and the need to fight it is a frequent topic not only among the opposition (inasmuch as it is not itself involved) and civil society groups, but in the government, most recently by the new president in his inaugural address in March 2005. Corruption does not play a significant role in everyday life. In the 2004, Corruption Perception Index compiled by Transparency International, Namibia ranks 56<sup>th</sup> of 145 countries.

Civil liberties enjoy special protection under the constitution. Breaches of the law are punished by the government and the courts on principle. However, the institutions responsible for protection are not very effective. For instance, in the period under review the efforts of the police and the justice system to deal with a growing wave of crime had only limited success. At the same time, the police and the army were responsible for a number of illegal actions that were either covered up for political reasons or unduly delayed. Accordingly, citizens cannot automatically assume that in all cases the law will be applied properly or that legal norms will also apply to activities of the state.

#### **1.4. Stability of democratic institutions**

Notwithstanding the aforementioned restrictions, the country's democratic institutions are generally stable. Paradoxically, this is a consequence of the dominant position of SWAPO and the president. As the government has a three-quarters majority, it can override opposition criticism and adopt any policy it wishes by democratic vote. The president and the governing party, even when sailing close to the wind, make every effort to ensure that their activities are legitimized by the formal seal of democracy. In this connection, President Nujoma's decision not to run for a fourth term in 2004 is extremely significant. Under the constitution, a president may serve for only two terms. In 1999, parliament, pointing to the special circumstances of the first post-independence elections (1989), declared that Nujoma would not break the constitution by running for a third term.

Socially relevant actors, whether political parties, trade unions, churches or civil society organizations, are not in any position to effectively block any political processes. Economically powerful white businesses and large farmers could conceivably form an effective counterweight. However, the white group deliberately avoids politics, consciously keeping to the background, out of the

political limelight. Hence, there is no political actor in sight with any form of veto power.

### **1.5. Political and social integration**

Namibia has a stable, largely ethnically based party system. Up to now, extreme parties opposed to the political system have not found any support among the voters. The governing SWAPO party developed out of a mass movement that emerged during the liberation struggle. The Ovambo, the majority ethnic group in Namibia, dominates the party; in the north of the country SWAPO still receives 95% of the vote on average. The ethno-political ties are so strong that an ostensibly serious party crisis in mid-2004, not long before the elections, had no effect on the party's electoral performance. Shortly before a special party congress called to nominate the party's candidates for the elections, President Nujoma unceremoniously stripped a number of powerful party leaders of political power. Foreign Minister Hidipo Hamutenya, long regarded as Nujomo's successor, was dismissed without much thought and he was given a place in the list of candidates with no prospect to be elected. This demonstration of pure power succeeded.

Among the other population groups, the governing party enjoys only modest support, but significant enough to support its claim to govern as the dominant pan-Namibian political party. Comparisons over time show that voter volatility is extremely low: Namibia has a democratically elected "dominant party system". There is no sign that any opposition party could even vaguely constitute a democratic challenge, let alone threaten the governing party's position of power. Hence, the legitimacy of the government is beyond doubt. On the other hand, owing to the superiority of the governing party, systemic checks and balances have lost some of their effectiveness over time.

A number of politically relevant interest groups in the formal sector are active in the urban areas. These are primarily organizations representing capital and labor. Because of political support from the government, the trade unions are more visible than their membership alone justifies. There are two chambers of industry and trade, one white and the other mainly black; however, both are open to cooperation with the government. The large Christian churches have traditionally played an important socio-political role. Since independence, they have been more reserved in their public statements. However, as moral institutions they exercise far greater social influence than their political articulation suggests.

It is unclear to what extent traditional leaders and ethnic systems of patronage are able to influence democratic institutions. However, there is no doubt that a majority of the population is influenced by traditional authority. At the same time, it should be emphasized that most ethnic leaders support the state institutions and some of them occupy positions of political leadership. On the other hand, basic acceptance of state institutions does not automatically translate into democratic



attitudes. Empirical surveys have shown that between 50 and 60% of the respondents endorse central democratic values such as participation, competition and fundamental democratic rights. Authoritarian attitudes are most pronounced among the Ovambo in the north of the country. Owing to deep-seated experiences from the liberation struggle, they have a marked tendency to think in terms of friend and foe.

## **2. Market economy**

For historical reasons, the Namibian economy is still closely integrated with the South African economy. Although industrial production is gradually expanding, the economy is still based on the extraction of raw materials. The dependence on imports is illustrated by the fact that approximately 80% of the consumer goods sold in Namibia come from either South Africa or other countries via South Africa. Further manifestations of these close economic links are Namibia's membership in the Southern African Customs Union (SACU), created in 1963, and the South African Development Community (SADC), formed in 2000 with the goal of establishing a free-trade zone in Southern Africa. The rules and regulations governing competition and the money and capital markets are closely tied to those in South Africa. South African banks and companies dominate the Namibian market.

### **2.1. Level of socioeconomic development**

Compared to other African countries, Namibia has a fairly high level of development with per capita income of \$ 1,870, which translates into the equivalent of about international \$6,620 in terms of purchasing power parity. Accordingly, Namibia is classified as a Lower Middle Income Country, not a Low Income Country. However, such global indicators conceal striking differences in income and social disparities. In no country in the world is the distribution of income and access to development as unequal as in Namibia. There are huge discrepancies between urban and rural areas, between the racial groups (black and white) and between the new upper class and the majority of the population. One-third of the adult population is unemployed and another good third must survive on less than \$1 a day.

Poverty and marginalization is exacerbated by the rapid increase in rates of HIV infection and AIDS, especially as in many families it is precisely the gainfully employed who leave working life prematurely for this reason. The level of development as measured by the Human Development Index (HDI) accurately reflects this situation and illustrates the extent of social exclusion. Women are hit particularly hard.

However, it would be wrong to speak of unchanging structures, due to government efforts in seeking to influence and change social disparities through legal regulations, proactive efforts to attract investment and developmental incentives and measures. Despite such efforts, the tremendous gap between incomes has scarcely narrowed, primarily because low efficiency and productivity have inhibited rapid growth. Owing to these factors, economic growth of 3% in recent years only slightly outpaced population growth, and is now below it; accordingly, real growth per capita is negligible.

## **2.2. Organization of the market and competition**

The prerequisites for free-market competition exist. Market prices, currency convertibility, freedom of economic pursuit and to free appropriation of profits are guaranteed. State enterprises produce a low percentage of GDP. In the period under review, a number of public undertakings such as the power supply (Nam Power), water supply (Nam Water) and the large transportation companies, Air Namibia and the railways were reincorporated as parastatals run increasingly on market principles. The government strongly supports black economic empowerment measures in the private sector parallel to the affirmative action measures in the state sector. There is no explicit policy restricting monopolies or oligopolies.

The state has a policy of gradual liberalization and tax concessions to enhance competition, facilitate trade and attract foreign investment. As a member of the ACP and SACU, Namibia has committed itself to liberalization. On the one hand, this has opened the door to free trade; on the other hand, however, there are notable negative effects in the form of cheaper foreign goods that can now undermine Namibian production. Despite liberalization, economic dependence on foreign influence has not noticeably altered. The terms of trade fluctuated in the period under review. In certain sectors, they worsened because of the low level of local processing and diversification. On the other hand, the country is making progress in enhancing processing and finishing in the zinc, fish and diamond industries. The low-tax Economic Processing Zone (EPZ) has attracted foreign investment, in particular from South Africa and Malaysia, but the amounts are far smaller than anticipated.

Foreign, for the most part South African, companies have been establishing branches in Namibia and buying out local firms. The investment behavior of larger companies is determined primarily by global considerations. For instance, Ramatex, a company that invested in Namibia only a few years ago, is thinking of withdrawing from the country if the economic incentives that initially attracted it expire. The capital market is integrated with the global market through the Windhoek and Johannesburg Stock Exchanges. Most of the commercial banks are subsidiaries of private South African companies. The central bank is the only state-owned bank.

### **2.3. Currency and price stability**

As the Namibian dollar is tied to the South African rand, fiscal and monetary policies do not diverge from those of South Africa. The effect of South African monetary policy decisions on Namibia's inflation is a case in point. In recent years, South Africa has followed a policy of macroeconomic stability and low inflation, from which Namibia has indirectly benefited: the inflation rate fell from double digits in 2002 to less than 4% at the end of 2003. Nevertheless, in the period under review public expenditure in Namibia continued to rise; public debt rose to 36% of the GDP in 2003. Finally, the exchange rate of the Namibian dollar has risen against the U.S. dollar in the wake of the rising South African rand, a development with negative consequences for the export and tourism industries.

### **2.4. Private property**

The constitution expressly protects the right to acquire and own property. The private sector is regarded as the principal source of economic production and promoted accordingly. In recent years, the government has proceeded with the partial privatization of large state-owned utilities, turning them into parastatals. Since 2003, discussion of land expropriation and accelerated land reform has caused considerable irritation among landowners. Although the Namibian authorities have strictly followed the letter of the law, which observes the principle of "willing seller – willing buyer", the public discussion, fuelled by exaggerated comments in the international press, has been driven by the specter of "Zimbabwean conditions". To date, the constitutionally protected property rights have not been called into question. At the same time, in SWAPO circles, citing a corresponding party resolution passed in 2002, there continues to be a call for the expropriation of white-owned farms, especially those of absentee farmers, with the objective of increasing redistribution of land.

### **2.5. Welfare regime**

In contrast to most African states, Namibia has a remarkable pension system that pays 250 Namibian dollars a month to every citizen over the age of 60. This is not a pay-as-you-go system, but funded directly out of the general budget. This pension provides a vital basic income for a large part of the poor, especially those in the informal sector. However, compared with the average cost of living, this small amount is insufficient to bring about social stabilization, let alone reduce the gap between rich and poor. The health system, for instance, has deteriorated noticeably since independence, particularly in rural areas, mainly because of the emigration of qualified white doctors. Development programs that bring foreign doctors to the country have not managed to compensate for the shortfall.

The HIV and AIDS pandemic constitutes a threat to the country. In 2004, more than 25% of the population over the age of 15 was infected. The death rate is particularly high among the working-age population, with the result that in heavily affected regions there is a marked preponderance of grandparents and children; most families in this situation are not in a position to ensure their own livelihood. Consequently, the collapse of the traditional mechanisms of providing for social risk is a genuine possibility. In the absence of an effective cure for HIV and AIDS, and real social awareness of the disease as a life-threatening pandemic, it must be feared that the consequences will impair Namibia's development for decades to come.

Thanks to affirmative action and other measures to improve equality, women now have far greater representation in public bodies (accounting e.g. for one third of the members of parliament).

## **2.6. Economic performance**

According to the key measures of the World Bank, the country's macroeconomic position was relatively stable in the period under review, although the overall economic indicators have fallen rather than risen. Economic distribution has also tended to deteriorate, which is reflected in most social data. Only in a few economic sectors is the growth outlook positive. However, thanks to its mineral wealth and its favorable position between Angola and South Africa, two powerful economic partners, Namibia's has considerable growth potential, above all in the field of tourism. To realize this, however, the country needs to concentrate on consistently exploiting its development opportunities and overcoming obstacles to growth, particularly in the fields of education and good governance.

## **2.7. Sustainability**

Strong, sustainable development requires balanced, environmentally compatible, future-oriented growth. The government's investment and development programs, which focus in particular on the marginalized regions of the country, seek to implement and promote sustainability. Agriculture is still the most important sector of the economy in terms of employment (almost 40% of the workforce). The ecology is an especially sensitive factor in the largely semi-arid country. Another area of concern is fishing policy, because over fishing in the late 1990s caused the catch to fall in subsequent years. Development policies must pay special attention to these aspects.

Although the government of Namibia has made great efforts to improve national educational institutions since independence, and much of the country's international development aid has been invested in this sector, standards of education and in particular, teachers' qualifications leave much to be desired, as

well as raising doubts about whether current efforts will have a lasting effect. However, the expansion of education remains a government priority. Spending on education currently accounts for about 9% of GDP and more than 20% of the budget. School attendance has risen accordingly since independence. However, in the period under review the standard of education left much to be desired. One positive aspect that must be emphasized is the growing number of girls in educational institutions, particularly at higher levels. This has led to a corresponding improvement in the position of women.

The HIV and AIDS pandemic is a source of great concern because of high rates of infection, and hence of absenteeism, among teachers. The disease is particularly prevalent in the tertiary educational sector: approx. 40% of the students at the University of Namibia are thought to be infected. If this does not change, it will be impossible to guarantee an adequate supply of qualified human capital over the long term.

### 3. Management

#### 3.1. Level of difficulty

Compared to other African states, Namibia's political leadership at the time of independence had the good fortune of starting with relatively high levels of economic and social development. At the same time, the inequality in the distribution of income and the extreme poverty of large sections of the population – the wealthiest 1% of households earns more than the poorest 50% together – puts a huge strain on government and its policies. In addition, it will take enormous effort and resources to combat the HIV and AIDS epidemic, and even if this is successful, the fatal consequences of the disease will be felt for decades.

#### Profile of the Political System

|  |                          |                                     |                           |
|--|--------------------------|-------------------------------------|---------------------------|
| Regime type:   | <i>Democracy</i>         | Constraints to executive authority: | 2                         |
| System of government:  | <i>Presidential</i>      | Latest parliamentary election:      | 15.- 16.11.2004           |
|  |                          | Effective number of parties:        | 1.7                       |
| 1. Head of Government:   | <i>Hage. G. Geingob</i>  | Cabinet duration:                   | 21.03.1990-<br>27.8.2002  |
|  |                          | Parties in government:              | 1                         |
| 2. Head of Government:   | <i>Theo- Ben Gurirab</i> | Cabinet duration:                   | 28.08.2002-<br>21.03.2005 |
| Type of government:  | <i>unified</i>           | Parties in government:              | 1                         |
|  |                          | Number of ministries:               | 20                        |
|  |                          | Number of ministers:                | 20                        |
| <p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = <math>1 / (\sum p_i^2)</math>; <math>p_i</math> is the share of parliamentary mandates controlled by party i. Number of ministries/ ministers denotes the situation on 1 January 2005.</p> |                          |                                     |                           |

Moreover, competition for jobs is exacerbated by ethnic tensions, thereby symbolizing the conflict for power and prosperity in Namibian society. The latent conflicts between the Ovambo-speakers and the other population groups in the country appear to be growing rather than declining. However, there is little fear of large-scale violent clashes, not least because the local political culture does not lean towards aggression.

Finally, it appears that a fundamental consensus on the basic rules of democracy is gradually forming, a development that the leading political and social actors and institutions in Namibian society do not seem to object to on principle. Civil organizations are also playing a role in this process. As in South Africa, they played a crucial role in the liberation struggle, although in Namibia they do not have the clout they do further south. Yet in the public debate their opinions carry more weight than those of the parliamentary opposition. The government's acceptance and recognition of the civil society as a party in the country's overall social development will be a litmus test of Namibia's political stability and democratic consolidation.

### **3.2. Steering capability**

Overall, the government and government departments are making serious efforts to develop visions and the strategic plans to implement them. Economic development is focused on promoting industrial and infrastructural development and providing investment incentives to attract foreign capital and enhancing the functioning of the free-market economy (through privatization). Parallel with this, the government seeks to promote democratic participation and integration (through decentralization). A *Vision 2030* long-term planning project exists, but goals and consistent implementation strategies are still vague. Thus, the government is open to the charge that it is still not taking the crucial structural problems of Namibian society seriously: for example, overcoming the disparate social structures and fighting poverty.

A closer analysis shows that plans and reforms are inevitably sacrificed to political infighting; there is an enormous gulf between goals, planning and implementation. The decentralization policy is a good example. It has been pursued as a constitutional mission since the early 1990s, but each attempt has been thwarted by departmental egoism and the lack of qualified personnel. A similar dilemma, a deficiency in decision-making, has dogged land reform. Although the government has repeatedly emphasized the protection of private property and the continuity of its policies, the former minister in charge of land reform and current president, Hifikepunye Pohamba, initiated procedures to expropriate more than 30 farms – a contradiction that triggered great anxiety among the white minority and among farmers in general. With this ambivalent

policy the government seeks to please everybody. On the one hand it takes account of the demands of farmers' official body, the Namibia Agricultural Union, and in particular the concerns of the international community, who fear that the country could go the way of Zimbabwe, and on the other it signals concessions to radical party and above all trade union demands. The main worry about such contradictions is their effect on foreign investors' desire for certainty and security.

### **3.3. Resource efficiency**

The government could put its available human, financial and organizational resources for its transformation policy to better use. The state bureaucracy is bloated and inefficient. As a rule, administrative channels are long, public order and security are not unconditionally guaranteed everywhere and corruption is ubiquitous, even if not yet excessive. Coordination between the individual ministries and in particular between the ministries and the presidential office does not always function properly. In specific questions, the presidential office tends to ignore the documentation of the ministries concerned, often going against their views. The number of civil servants has more than doubled since independence, dangerously straining the budget. Even today the tendency to make politically motivated appointments, cronyism and nepotism, is still a perceptible obstacle to development. The continued emphasis on non-performance-related affirmative action harms government policy more than it helps it.

Corruption is publicly criticized, but socially acceptable for the most part. In a neo-patrimonial system, patronage-based relationships are common, and it is not unusual for members of the government to privatize public benefits and use them for personal enrichment. In this connection there is also inter-linkage between state, party-owned and private capital. Nonetheless, the market economy functions reasonably well in Namibia, for, unlike in many other African countries, the private sector is strong enough not to depend primarily on government contracts. Thanks to its institutions, associations and prominent personalities, the private sector provides a forceful counterweight to the government. At the same time, some of the close contacts between the private sector and the government are not above the suspicion of corruption.

In large parts of the country, decentralization is making very slow progress because the regional and municipal institutions are not in a position to effectively carry out the tasks for which they are legally responsible. Only traditionally wealthy communities (i.e. with a large number of well-off whites) that collect enough tax and fee income to ensure financial autonomy and to afford effective public services have benefited from local self-government at the municipal level. A major obstacle is the lack of qualified officials and politicians able to deal with the new decentralized tasks and duties, a fact that further widens the gap between poor and rich and between the centre and the periphery.

From the beginning, the government's development policy has sought to use nation-building measures to overcome the country's ethnic heterogeneity. By referring regularly to the liberation struggle and the peaceful transition to national sovereignty, it was hoped that this would serve to instrumentalize memories of a shared political past as an important experience in overarching, interethnic solidarity. This political and cultural recollection did help to create an identity for the majority of the population. However, among white Namibians and members of the ethnic minorities the government's one-sided interpretation of historical events has been counterproductive. The state-decreed culture of remembrance as expressed in ostentatious memorials to heroes and other structures tends to promote internal sociocultural conflicts rather than consensus-building.

### **3.4. Consensus-building**

Overall, the government's policies are characterized by continuity. Since the early 1990s, the president and the government have put a great effort into consensus-building in the country. The central element was the realization of a democratic and free-market state as intended by the constitution. The president was openly supported in this by the white-dominated business world, despite obvious latent racist and ethnic conflicts. However, there was always greater consensus in economic than in political circles. Particularly in his last term of office, President Nujoma's often-emotional decisions and reactions were made obviously without the involvement or even the knowledge of the cabinet. These include the decision to intervene militarily in the Congo or to play a direct role in choosing his successor. In both cases, the president's authoritarian decisions bypassed a democratic process of reaching agreement, but he was wise enough to have parliament or the party subsequently approve his lone decisions as policy. The president was able to do this because of his personality and his charisma.

It would likely be far more difficult to dictate consensus in other more fundamental questions, for example land reform or the assessment of the past, in which fundamental needs and experiences of those involved need to be addressed. This explains why such problems have been tackled only symbolically, but never openly discussed or decided on. Given the tremendous socio-economic disparities, there is still a lack of effort on the part of the government to create social capital, something attempted only by church groups or a few voluntary organizations. The enormous underlying problems of state and society have still not been resolved.

Small civil society groups such as the Legal Assistance Center, Breaking down the Wall of Silence (BWS), and other human rights organizations have taken the lead in uncovering and coming to terms with human rights violations. Besides the crimes committed under South Africa's apartheid, greater attention is being paid to offences committed by the SWAPO leadership in exile, a very sensitive topic with the government, which tries to prevent reports of this period being published. However, it has not categorically prohibited critical groups such as BWS.



### **3.5. International cooperation**

By international comparison, Namibia has been a major recipient of international support since independence and in the meantime is dependent to a considerable extent on international transfer payments. Compared to other African countries, however, this dependence is still lower than average, as reflected in the fact that up to now the country has not had to turn to the International Monetary Fund (IMF) for financial support. That said, at \$109 per inhabitant Namibia is one of the top African recipients of development transfers. The western industrialized states as well as the World Bank and the IMF have played an important role in the country's democratic and free-market economic transformation. Namibia presents itself to the outside world as a functioning democracy as well as a free-market economy, and as a partner willing to cooperate with international demands for economic liberalization.

A greater problem is the danger of "oversupport". In consequence, local state and non-state institutions and organizations often fail to take the necessary care in using resources or exhibit the appropriate commitment to development. However, the Namibian government is taking steps to maintain its good reputation as a democratic aid recipient. Namibia is a member of all major international organizations and, despite its small population, is willing to accept responsibility, particularly in the region. Windhoek has become a leading African international congress centre and is trying to build a visitor-friendly infrastructure to match its reputation for hospitality.

## **4. Trend of development**

### **4.1. Democratic development**

In the period under review, Namibia's democratic transformation has continued to make slow progress without any serious setbacks. There has been little change in the indicators of stateness, political participation and the rule of law. Democratic elections are now part of routine political activity and, with a few reservations, can be labeled free and fair. However, the period under review has seen the emergence of unmistakable signs of authoritarian government, linked with a disregard for the rules of democracy that goes hand in hand with the growing inability of the shrinking opposition to exercise proper control.

Currently, Namibia's pronounced dominant party system guarantees the institutional stability of Namibian democracy, but cannot completely paper over the cleavages between the old and new elites, between the black majority and the white minority and between the different ethnic groups. Despite the repeated emphasis on social integration, the national consensus is fragile, and can be destroyed by extreme demands for redistribution (expropriation of land) or the activities of radical ethno-political groups. The high level of government support

in the elections should not be taken as an indicator of satisfaction among the population.

#### 4.2 Market economy development

Namibia is and will remain socio-economically one of the most divided societies in the world. The government's development programs, largely financed by international donors, have done little to change this. The progress recorded in the educational and health systems is threatened by the progress in the rate of HIV and AIDS infection. So far, noticeable progress in the fight against poverty and unemployment has failed to materialize.

There were no significant macroeconomic changes in the period under review. Namibia's economy is sensitive to changes in raw material prices and hence influenced by volatility in the global economy. At the beginning of the third millennium the economy was growing in real terms, but since then has started to contract again. Currently, despite the bull market in commodities, the country has been hit particularly hard by rising oil prices. This has also influenced the other macroeconomic indicators. The country's national monetary and financial policy is constrained by its heavy dependence on the outside world.

#### Development of macroeconomic fundamentals

|   | 2000 | 2001 | 2002 | 2003       | 2004                         |
|---|------|------|------|------------|------------------------------|
| Growth of GDP in %                        | 1.9  | 2.3  | 3.0* | 3.3 (est.) | 3.3 %<br>(2004 est.)         |
| Export growth in %                        |      |      |      |            |                              |
| Import growth in %                        |      |      |      |            |                              |
| Inflation in % (CPI)                      |      |      | 11.3 | 8 % (2003) | 7.3 %<br>(2004 est.)         |
| Investment in % of GDP*                   | 24   | 24   |      | 24         |                              |
| Tax Revenue in % of GDP                   |      |      |      |            |                              |
| Unemployment in %                         |      | 31   |      |            |                              |
| Budget deficit in % of GDP                |      | 3.9  |      |            |                              |
| Current account balance in billion (Rand) |      |      |      |            | \$123 million<br>(2004 est.) |

\* Gross investment in % of GDP

Sources: World Development Report 2002, 2003, 2005; CIA World Fact Book 2004

#### D. Strategic perspective

The Republic of Namibia can look back on 15 years of peaceful and democratic development. Regular elections at various levels of government and a change of incumbent in the office of the president testify to the observance of democratic processes. The political framework creates fundamentally favorable conditions for

the development of a free-market economy, and the message of the new government is that these will continue to be improved.

This overall assessment is also borne out by the scores in this report on the state and management of the Namibian transformation. Nonetheless, a full evaluation must include a number of qualifications that can potentially prejudice the future development of the country.

- Namibia's democracy is a dominant party system, which was further entrenched by the 2004 elections. Although this system observes the principles of democracy, in reality government practice tends to be autocratic. The checks and balances provided by the constitution and the political influence of opposition parties and civil society groups are marginal. Should internal or external pressures unexpectedly arise that could potentially threaten the current rulers' hold on power, the suspension or abrogation of the existing democratic control mechanisms by democratic means (constitutional amendment) cannot be excluded. That said, at present there is no reason to envisage such changes.
- Concerning the economic transformation, all governments since independence have made efforts to give Namibia a free-market- and investment-friendly image. Thanks to its natural resources, the country is internationally competitive, but needs proper management to derive optimal benefit from the exploitation of its resources. At present, the country suffers from shortcomings in education and training, insufficient qualified personnel and the absence of a culture of rational development oversight. The average per capita income is comparatively high. However, this figure conceals enormous inequalities in income distribution and other social factors highlighted by the Human Development Index. The small white population and the new black political elite are beneficiaries of this unequal distribution. As this situation is not expected to change fundamentally in the immediate future, the living conditions of the rural poor and high unemployment are unlikely to improve.
- In this context, the question of land reform has acquired great significance, especially against the backdrop of events in Zimbabwe. Up until 2003, the Namibian government had not expropriated a single property without adequate compensation. However, demands for greater redistribution color domestic politics and may have noticeable effects on economic and political developments, particularly in respect of the important international investment climate. As land ownership is not only of economic importance for the majority of the black population, but also has great cultural and political symbolism, it is unlikely to disappear from the political agenda.

- No strategic perspective for Africa can ignore the HIV and AIDS pandemic, which will continue to affect Namibia for decades to come. A matter of particular concern is the fact that the young intellectual elite indispensable for the country's future is especially hard hit. Effective measures against this disease, which would give grounds for hope, are still not in sight.

Namibia receives more international aid per capita than any other country in Africa, which is not surprising with respect of the country's observance of democratic and free-market principles. In view of the country's development deficiencies, international donors should focus their support on the following fields:

- Enhancing administrative capacities at all levels of government to improve development management;
- Improving infrastructure to overcome bottlenecks that impede growth in the large, thinly populated, arid country;
- Promoting education, training and further education, particularly teacher training, vocational training and tertiary education;
- Expanding the health system, with particular emphasis on containing the HIV and AIDS pandemic as a communal task of state and non-state institutions; and
- Measures to improve Namibia's trade position within SADC, the WTO and within NEPAD to enhance Namibia's competitiveness in Southern Africa.

Developments in South Africa will be crucial for Namibia's development – not only in economic, but also in political terms. The Big Brother's dominant position decisively influences Namibia's economy and trade, despite Namibia's efforts to establish a more independent role.