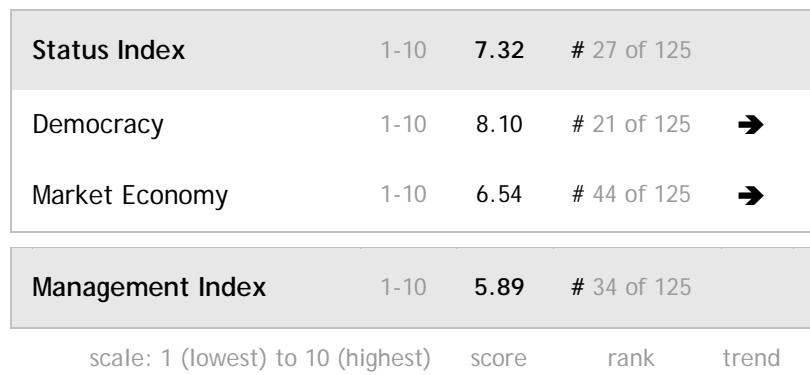


BTI 2008 | Namibia Country Report



This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	2.0	HDI	0.63	GDP p.c.	\$	6,749
Pop. growth ¹	% p.a.	1.1	HDI rank of 177	125	Gini Index		74.3
Life expectancy	years	47	UN Education Index	0.79	Poverty ³	%	55.8
Urban population	%	35.1	Gender equality ²	0.62	Aid per capita	\$	61.8

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Namibia's democratic and economic transformation continues to progress. There are no serious setbacks to report in this process of reform in the period under review. The most recent political highpoint came in 2004, when 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, met – with minor reservations – the standards of modern democratic elections and produced very respectable turnouts. SWAPO, the governing party, maintained its three-quarters majority. Rooted originally in the Ovambo, the majority ethnic group, it exemplifies the dominant party pattern characteristic of Namibian democracy.

Although the formal rules of democracy are observed properly, the overwhelming strength of the governing party has weakened the constitutional possibilities of parliamentary control. As a result, civil society, bolstered by international moral and financial support, is at least as important as the political opposition in Namibia today. More attention needs to be given to the functioning of the country's democratic structures. Behind the democratic facade there are shortcomings in democratic participation and the rule of law, and the diffusion of democratic values at the grassroots level is gaining ground only gradually. That said, Namibian democracy received a boost in 2004 when, in keeping with the constitution, Sam Nujoma, the president since independence, did not run for another term, which could have been an attempt to retain leadership indefinitely. Instead, Hifikepunye Pohamba succeeded him as president. Nonetheless, as president of the dominant SWAPO party, Nujoma remains firmly in control. Many of Pohamba's cabinet members are close companions of the former president and Pohamba himself has repeatedly expressed his will to cooperate closely with his predecessor. After more than a year-and-a-half in office, it has become clear that Pohamba is determined not to deviate from this position.

Nevertheless, the tenor of Namibian politics has changed. Pohamba appears to be more modest and reconciling than Nujoma, and has on several occasions expressed his openness towards minorities outside the dominating SWAPO system and tried to establish a dialogue with some of the opposition parties. Moreover, he has announced a zero tolerance policy against growing government expenditures and corruption, an attitude for which he has been repeatedly praised by international donors. Some key appointments, notably to top army posts, also point to Pohamba's willingness to slowly assert his independence from his predecessor. A spectacular case in point was the corruption allegation against Paulus Kapia, the chairman of the SWAPO Youth League, in which Kapia was forced to resign his chairmanship and his seat in parliament. Kapia was replaced in parliament by former foreign minister Hidipo Hamutenya, who was one of the party's presidential candidates for the 2004 elections and was dismissed by Nujoma as foreign minister during the campaign. This could be the start of a new power struggle between supporters of the two camps within the SWAPO party. In the meantime this delicate situation is further complicated by the "Nujoma-SWAPO-President-for-life" campaign, which enjoys remarkable popularity among SWAPO members. All this has the possibility to undermine the budding open and competitive democratic atmosphere under President Pohamba.

Whether progress towards a free-market democracy will continue without restrictions will depend above all on the government's 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 ongoing impoverishment of growing sections of the population have not narrowed. Radical demands for land reform by the Deputy Minister for Lands have given rise to fears that the country may move towards a situation like that of Zimbabwe. Time has shown, however, that such fears constitute an overreaction on the part of a minority of white farmers and that the government is determined to follow a middle-of-the-road policy. The consequences of the HIV/AIDS pandemic, for which there is no quick remedy, are increasingly noticeable. Since 1992, the MoHSS has conducted a sero surveillance survey of women attending ante-natal care (ANC) services every two years in an increasing number of sites. While first survey in 1992 found an estimated HIV prevalence rate of 4.2% (with prevalence meaning the absolute number of people being infected, and the prevalence rate being the proportion of the population that exhibits the disease at a particular time.) this figure jumped to 22% in 2002, though it fell slightly by 2004 when it was estimated at 19.7%. The rate of infection is particularly high among university graduates, which means that much of the country's 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, although government and some church organizations remain strongly committed to fighting the deadly disease.

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 largely externally initiated 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 ongoing sociopolitical differentiation within the population, which has its roots in the discriminatory policies of the colonial rulers. Notwithstanding the strong emphasis on nation-building that embraced all ethnic groups in the early years of independence, the political dominance of the Ovambo, the majority ethnic group in the country, is greater than ever. This is particularly visible in the public service. The other trend concerns 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, and the organization was generously funded and supported by the communist governments of the former Warsaw Pact. The leading role of SWAPO was already demonstrated by the support of the UN in 1973 when SWAPO was declared the “sole and authentic representative of the Namibian people.”

Thus, despite the successful introduction of democratic institutions, the style of government in Namibia remained 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 – Ovambo dominance and a noticeably authoritarian political culture – could undermine the consolidation of democracy in Namibia. On the other hand, the fact that the long-time president and head of SWAPO, Sam Nujoma, did not stand for presidency again in the period under review as well as the fact that the new officeholder tried to introduce a more modest, conciliatory and open tone into public debate can be interpreted as a clear trend moving towards a 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 extraordinarily dependent on South Africa. To this extent, the Namibian economy not only functioned according to the economic principles of apartheid (including homelands as separate economic areas, migrant workers, expropriation in the interests of exploitation and discrimination, and cheap forced labor), but was completely subordinate to the market economy of “white South Africa,” which, notwithstanding extensive state intervention to maintain this system of privilege, 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. Although the constitution provides for a “mixed economy,” it defines private property as an inalienable right. In effect, the capitalist market economy, which benefits in particular the approximately 80,000 whites who form the so-called economic backbone of the country has been preserved. Thus, the socio-economic differentiation has changed only marginally – mainly to the advantage of the black economic and governing elite. Even though little progress has been made in alleviating poverty, however, on balance the country has made reasonable economic progress in the years since independence.

Transformation Status

I. Democracy

While Democratic transformation was initiated mainly by outside forces, it was also strongly supported by the internal wing of SWAPO. After independence the Namibian government readily accepted democracy and established the necessary democratic institutions according to the new constitution. Since the mid-1990s, however, the government and civil service have exhibited growing authoritarian tendencies, though the mission and work of the different constitutional organs have not been questioned. In the light of SWAPO's dominance, the opposition has negligible influence and constitutional checks and balances function only to a limited extent. Instead, the most significant and effective institutions keeping the government in check are the media, in particular the press and to a noticeable extent the electronic media.

1 | Stateness

Namibia's territorial integrity was not questioned at any point during the period under review, and the Namibian state has an unrestricted monopoly on the use of force within the country. The use of disproportionate 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 the government. In 2006 the government has banned a small political group, United Democratic Party, fighting for self-government in the Caprivi strip. Civil society groups have criticized the ban but the government stood fast. Despite some tensions between the Ovambo – the largest ethnic group, which calls the tune in polity and governance – and the other ethnic groups, the country has not experienced any conflicts serious enough to threaten the integrity of the state to date.

Monopoly on the
use of force

Citizenship in Namibia is not a politically divisive issue. All citizens enjoy equal rights and regard themselves as Namibians. This is also true of the vast majority of whites, who have settled permanently in Namibia. Verbal attacks under Nujoma – who referred to whites as foreigners – have not been repeated after Pohamba took over.

State identity

According to Art. 1 I of Namibia's constitution, "the Republic is established as a [...] secular [...] state." There is separation of church and state, and the political

No interference
of religious

process is by and large secular. President Pohamba considers himself a conservative Christian and has repeatedly criticized sexually explicit movie scenes on Namibian television. Nevertheless, there is no indication that his religious beliefs could interfere with politics.

dogmas

The official forces of law and order are in control of public security and administration. The civil service – which remains centralized, despite gradual progress in decentralization efforts – effectively administers the entire territory within the state's borders.

Basic administration

2 | Political Participation

Namibia has universal suffrage with all citizens having the right to vote and to stand for election at the national, regional and municipal levels. In general, elections at all levels in the past were free and fair. In November 2004, national (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 and parcel of the political routine: turnout was 85% for the national elections and 54% for the regional elections. The elections were organized and monitored by an independent electoral commission. All in all it met international standards, though some irregularities were alleged. The ECN was criticized for failing to release the election results more speedily and doubts were raised about the claim that close to a million had been registered as eligible voters. In addition, the ECN failed to offer a plausible explanation for 22 charred ballot papers found in a dry river bed outside Okahandja. In March 2005, the opposition appeared to have scored a major victory when the High Court ruled for a recount of the ballot and government did not intervene. The recount produced a similar outcome – there was no prove for any fraud. Thus, this election also was 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, such as the allegation that the ruling party used government vehicles for campaign rallies and that they were getting less airtime from the National Broadcasting Corporation, 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 systematic manipulation.

Free and fair elections

The election results of 2004 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, had successfully challenged Nahas Angula, now prime minister and 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. The proceedings of the next party congress in April 2007 will give more clarity, demonstrating whether Nujoma will stay on as party chairman and can still manipulate the levers of power.

In the parliamentary elections in 2004, SWAPO won 76.1% of the vote, defending its three-quarters majority. In the run-up to the elections the opposition had splintered further, and although it has the same number of seats as in the previous parliament, it seems to 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 and the lack of a legal threshold system. SWAPO won nearly four fifths of the votes in the regional elections, while the leading opposition party, the Congress of Democrats (CoD), managed to attract 5.6% of the votes. Because a first-past-the-post system is used in elections at lower levels, however, the CoD did not win a single seat.

Socially relevant actors, whether political parties, trade unions, churches or civil society organizations, are not in any position to effectively block any political moves supported by the solid SWAPO majority. Presumably, only the white-dominated businesses community could conceivably form an effective counterweight. However, the white group ostentatiously avoids politics, consciously keeping to the background and out of the political limelight. Only the politically insignificant Republican Party and the Agricultural Union try (unsuccessfully) to act as some form of veto power.

Effective power
to govern

There are no restrictions regarding the formation of civil society organizations. The NGO landscape is extremely diverse, boasting some 650 domestic and foreign organizations. Special mention must be made of environmental, women's and some human rights groups. In addition to these, there are professional groups and employees' and employers' organizations, many of which make political demands without being involved in or connected with party politics. The right to establish a civil society group is guaranteed in the constitution and civil groups are largely unhindered in their actions. Ethnic cleavages play a role both socially and politically. However, these are latent conflicts that do not pose a serious threat to the freedom of association in civil society.

Association /
assembly rights

The Namibia Broadcasting Corporation (NBC) controls radio and television. The station, whose reach spans the nation expresses the official opinions of the government. Accordingly, staff and funding are dependent on the government.

Freedom of
expression

However, opinions critical of the government are heard on talk shows and programs known for airing different opinions. From time to time the government reacts very sensitively to such criticism. Despite vague threats, however, there have been no serious restrictions on the freedom of expression, save the ban on government advertising in the leading English language daily. Most newspapers and magazines are privately-owned. The government-financed New Era also publishes critical material on a more or less regular basis. On the other hand, distribution and readership is by and large limited to the major urban centers – which is generally restricted to large cities in the North, so that the opinions of the opposition in the print media seldom reach the country's rural hinterland. Reporters Without Borders' Worldwide Press Freedom Index ranks Namibia 25th out of 167 countries, which is second-best on the African continent. According to the 2006 African Media Barometer (AMB), Namibia ranks fifth in a complex scale of self-assessment of personalities from civil society and the media. The report covers four areas: freedom of expression, media landscape, broadcasting regulations and media practice. The efficiency and professionalism of the private media is mentioned positively in the AMB report (obtaining a score of 4.3 out of 5), while broadcasting legislation and continuing state control over the public broadcaster score rather low, with 2.0 out of 5.

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, expressed in article 32 of the constitution. This tendency is made more prominent by the three-quarters majority in parliament held by SWAPO, which enjoys the solid support of the Ovambo as the majority ethnic group. This constellation limits parliament's oversight functions. Nevertheless, it must be noted that, for the most part, the government exercises its executive powers lawfully. But a challenging problem is the size of Namibia's cabinet. Currently, 47 parliamentarians are part of the executive body or in some way associated with it, as ministers or deputies. The fact that they make up 60% of the legislative body further limits parliamentary control and dilutes the separation of powers. On the other hand, parliament is relatively strict in its 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. Furthermore, despite the fact that it is the governing party, SWAPO is often more critical than the opposition parties. The (small) opposition mostly fails to fully use the opportunities for critical public debate and thus cannot be perceived as a serious constitutional mechanism. The same holds for most of the regional and municipal councils.

Separation of
powers

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. One sign of the government's respect for the rule of law is the appointment of commissions of inquiry chaired by judges in response to public calls for investigations of, among other things, the abuse of public office and allegations of corruption on the part of members of the government or public officials. It is similarly significant that the High Court ordered a recount of ballot papers at the beginning of 2005 and this decision was accepted by all parties involved. Nevertheless, there is a serious shortage of judges and many cases must wait for years before being tried. In view of the enormous backlog of cases many people express doubts about the rule of law.

Independent judiciary

In Namibia, most political and bureaucratic corruption takes place in a grey zone of activity populated by politicians, holders of high office, parastatals and members of their families. The extractive industries, either through the granting of licenses for prospecting and fishing or through participation in international companies, offer huge opportunities for self-enrichment. That serious sanctions have been never imposed, and the fact that many wrongdoers go unpunished owing to political considerations dictated by the ethno-social system of patronage is a fundamental weakness of the system. But there is hope for improvement after Pohamba has established an Anti-Corruption Commission and some spectacular dismissals followed. All in all, there is no evidence of systematic erosion of judicial control and supervision.

Prosecution of office abuse

Civil liberties enjoy special protection under the constitution. Namibians have the right to approach a competent court or ombudsman when their fundamental rights or freedoms have been infringed or threatened under article 25 II of the constitution. While the government and the courts punish breaches of the law in principle, however, in practice the institutions responsible for protection are not very effective. For instance, in the period under review, 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 the law will be applied properly in all cases or that legal norms will also apply to activities of the state.

Civil rights

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 long rule of president Nujoma. As the government has a three-quarters majority, it can override opposition criticism and

Performance of democratic institutions

democratically adopt any policy it wishes. Even if the institutions show some deficiencies they have generally performed in accordance with the constitutional rules and regulations.

It can be said that all influential actors respect democratic institutions and do not openly question their legitimacy, though it is worth mentioning that the ruling elite has a free hand due to the SWAPO party's absolute and relative strength. 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 seek a fourth term in 2004 turned out to be extremely significant, as a president may serve a maximum of two terms according to the constitution. In 1999, SWAPO, using its three-fourths majority in parliament, pointing to the special circumstances of the first post-independence elections (1989), amended the constitution specifically to enable Nujoma to run for a third term. Nonetheless, it seems that a significant number of party members – not necessarily the majority – want Nujoma at the 2007 party congress to stand for as a "president for life." It is still open how Nujoma will react to this flattering proposal.

Commitment to
democratic
institutions

5 | Political and Social Integration

Namibia has a stable, partly ethnically-based party system. Up to now, extreme parties opposed to the political system have not found support among the voters. The governing SWAPO party developed out of a mass movement that emerged during the liberation struggle. As a party with originally strong ethno-political ties, it has successfully articulated and aggregated the societal interests and demands of the majority of the people and dissociated itself from ethnic bias. Nonetheless, in the four "O-regions" in the north, SWAPO party has averaged more than 90% of the vote. This seems to apply also to Oshivambo speakers who have migrated to other regions of the country. Among the other population groups the governing party enjoys only modest overall support, though significant pockets of strong support suffice to support its claim to govern as the dominant pan-Namibian political party. At the regional council elections in 2004, SWAPO won 96 of the 107 constituencies in the country. Comparisons over time show that voter volatility is extremely low, and that Namibia's "dominant party system" is truly democratically elected. There is no sign that any opposition party could even vaguely post a democratic challenge, let alone threaten the governing party's position of power. There are still polarized views about the roles of the political parties during the independence struggle. 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. Moreover, a lack of linkages to civil society organizations is evident.

Party system

The roots of a civil society in Namibia go back to colonial times. Civil society groups played an important role during the liberation struggle, predominantly supporting SWAPO. After independence they tended to increasingly dissociate themselves from SWAPO, following the example of the churches to become autonomous interest groups. But detachment implies less influence, since SWAPO is still the dominant force in the country. Only those associations which are closely linked to the governing party still have political clout. Those which are critical of the government can voice their demands but are unable to initiate noticeable change without government support.

Interest groups

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 traditional authority influences a large part of the population. At the same time, it must be emphasized that most ethnic leaders support the state institutions and some of them also occupy positions of political leadership. On the other hand, basic acceptance of state institutions does not automatically equate with democratic attitudes. Empirical surveys such as the Afrobarometer (www.afrobarometer.org) have shown that over half of the population endorses central democratic values such as participation, competition and fundamental democratic rights. Authoritarian attitudes, in contrast, 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. Further, political divisions are construed easily as a danger to hard-won peace, as evidenced during the 1999 electoral campaign.

Consent to democratic norms

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. On account of political support from the government, the trade unions are more visible than their membership alone might predict. As a nationwide business organization, the Namibian Chamber of Commerce and Industry (NCCI), brings together Namibian enterprises and voices their interests. The large Christian churches have traditionally played an important sociopolitical role. Since independence they have been more reserved in their public statements. But as moral institutions they exercise far greater social influence than betrayed by their political statements. In late 2006, church leaders came out aggressively in favor of a Basic Income Grant (BIG) scheme to confront the pervasive issue of poverty.

Associational activities

II. 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 mainly based on the extraction of raw materials, agriculture and tourism. The potential of the Transkalahari and Trans-Caprivi transport corridors, connecting with the deep-sea port of Walvis Bay remains open. 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 of the Southern African Customs Union (SACU), created in 1963, and the Southern African Development Community (SADC), which was 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 control the Namibian market, although Namibian ownership of the banking and financial sector increased during the period under observation, with Bank Windhoek gaining 100% Namibian ownership.

6 | Level of Socioeconomic Development

Compared to other African countries, Namibia has achieved a fairly high level of development, with a per capita income of \$1,870. In terms of purchasing power parity, this is equivalent to about \$7,478, which classifies Namibia as a Lower Middle Income Country, not a Low Income Country. Growth is expected to increase to 4.5% in 2006, mainly due to an increase in diamond production and other minerals such as uranium. Although rising oil prices and interest rates have lowered economic activities, the IMF recently recommended that the country continue its current policy, which is aimed at robust growth, moderate inflation, and large external surpluses. Moreover, a study on income and expenditure of private households in 2004 has shown that poverty has been reduced by 10% over a period of 10 years, while ratio of people living in extreme poverty dropped from 9% to 4%. However, striking income inequality and socio-economic disparities still exist. A good third of the adult population is still unemployed.

Socioeconomic
barriers

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 black and white and between the new upper class and the majority of the population. Gross inequalities exist also between the different regions of the country, with the southern and central regions showing

clearly higher aggregate incomes, along with also higher degrees of internal inequality. Therefore, government is campaigning to be reassessed by international bodies as a Low Income Country on account of the blatantly uneven distribution of wealth and opportunity. Poverty and marginalization are exacerbated by the rapid increase in rates of HIV infections and AIDS, especially because the disease causes many gainfully employed young people to leave working life prematurely. This situation accurately reflects the level of development as measured by the Human Development Index (HDI) of 0.626 and demonstrates the extent of social exclusion. Women are hit particularly hard.

It would be wrong to classify the country's economic policy as unresponsive to changing needs and conditions, as the government is making efforts 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 hampers growth. Owing to these factors, economic growth of 3% only slightly outpaced population growth in recent years, and has now fallen below it. Real per capita growth rates are correspondingly negligible.

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	3,122	4,473	5,712	6,126
Growth of GDP	%	6.7	3.5	6.0	3.5
Inflation (CPI)	%	-	7.2	4.1	2.3
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	14	23	-6.8	3.5
Import growth	%	3.4	5.7	-10.9	3.5
Current account balance	\$ mn.	161.7	396.9	634.4	-
Public debt	\$ mn.	-	-	-	-
External debt	\$ mn.	-	-	-	-
External debt service	% of GNI	-	-	-	-
Cash surplus or deficit	% of GDP	-0.9	-6.8	-	-
Tax Revenue	% of GDP	28.3	25.9	-	-

		2002	2003	2004	2005
Government consumption	% of GDP	26.4	26.5	24.5	23.4
Public expnd. on edu.	% of GDP	7.5	6.9	-	-
Public expnd. on health	% of GDP	4.1	4.5	4.7	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.9	2.9	3.1	3.2

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

7 | Organization of the Market and Competition

The prerequisites for free-market competition exist. Market prices, currency convertibility, freedom of economic pursuit and the free appropriation of profits are guaranteed. State enterprises account for 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 Transnamib-companies (Air Namibia and the railways) were run as parastatals increasingly on the basis of market principles. The government strongly supports economic empowerment for the country's black population in the private sector, parallel to the affirmative action measures in the state sector. While no concrete policy is in place as yet, companies are implementing such measures voluntarily. The overall unemployment rate was 38% in 2005 with more than 60% of young people under the age of 25 being unemployed or underemployed. Although there are no precise figures, it is estimated that between 60,000 and 80,000 people rely on an income from the informal sector.

Market-based competition

In 2003, the Namibian government passed the competition act, establishing a Competition Commission "to safeguard and promote competition in the Namibian market." However, in 2005 the commission was still not officially operational due to the need to properly train the commissioners. Problems with funding the commission's work led to further delays. The government announced in 2006 that the necessary funds will be available for the 2007/2008 financial year. The commission is to be tasked with dealing with restrictive business practices such as price fixing, control mergers and acquisitions, as well as with promoting fair competition and preventing companies from abusing their dominant positions. Attempts to restrain unfair trade practices within the SACU are unlikely to succeed, as they would mainly affect South African companies, which would almost certainly oppose them.

Anti-monopoly policy

The state has adapted a policy of gradual liberalization and tax concessions to enhance competition, facilitate trade and attract foreign investment. As a member of the ACP and of SACU, Namibia has committed itself to liberalization. While this has opened the door to free trade, it has also provoked notable negative effects in the form of cheaper foreign goods that can now undermine Namibian production. Liberalization has not noticeably altered the country's economic structure by reducing foreign control and dependence. The country's terms of trade fluctuated in the period under review. In certain sectors they worsened as a result of deficiencies in 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 Export Processing Zone (EPZ) has attracted foreign investment, in particular from Malaysia, but the amounts are far smaller than anticipated. In the Doing Business in 2006 report of the World Bank, Namibia was ranked 33rd among 155 countries. In the 2005 World Economic Forum ratings, Namibia fell 11 places from its previous ranking, to 63rd out of 117 countries, mainly due to bureaucratic red tape and nepotism. Foreign companies (for the most part from South Africa) 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, has threatened the government with its withdrawal from the country several times in the context of labor disputes and violations by the company of environmental standards and commitments for employing Namibians.

Liberalization of
foreign trade

The capital market is integrated with the global market through the Namibian and Johannesburg Stock Exchanges. Most of the commercial banks are subsidiaries of private South African companies. The Bank of Namibia owns shares of the country's four commercial banks: Bank Windhoek, First National Bank of Namibia, Standard Bank Namibia, and Nedbank Namibia. Even though the Namibian banking system meets all demands of large companies, some issues still need to be addressed. A June 2005 research paper of the Namibian Economic Research Unit (NEPRU) concluded that the banking sector shows strong oligopolistic features, resulting in market imperfections with social costs in form of "wider interest spreads and higher bank charges" than in South Africa. How the government will address these problems is still an open question.

Banking system

8 | Currency and Price Stability

As the Namibia dollar is tied to the South African rand, any fiscal and monetary policies are strongly influenced by 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

Anti-inflation /
forex policy

low inflation from which Namibia has indirectly benefited, with the inflation rate falling from double digits in 2002 to 5% in 2006. Finally, in the period under review the exchange rate of the Namibia dollar rose 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.

After independence the government followed a strict policy of macroeconomic stability and tried to avoid public debt. In the last decade, however, rising public expenditure increased public debt, which rose from 9% to 32% of GDP between 1995 and 2005. Moreover, continued outflows of capital to South African financial markets have kept international reserves relatively low. At the same time, the booming economy has led to a considerable increase of state income such that the budget introduced in March 2007 projected a surplus, as happened already in 2006.

Macrostability

9 | Private Property

The constitution expressly protects the right to buy and own property and prohibits expropriation without compensation. 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. Rank and file SWAPO circles, citing a party resolution passed in 2002, continue to call for the expropriation of white-owned farms, with the objective of increasing land reform. But President Pohamba, formerly the Minister of Lands and Resettlement, has attempted to keep the issue on the back burner and has made public statements reiterating that the constitutionally-protected property rights will not be called into question., as the Namibian government does not want to become another Zimbabwe. Nevertheless, although the Namibian authorities try to obey the letter of the law and observe the “willing seller – willing buyer principle,” the public discussion, fuelled by exaggerated comments in the international press, continues to be driven by the specter of “Zimbabwean conditions.”

Property rights

Namibia’s economy is dominated by private businesses. Nevertheless, a considerable number of parastatals provide basic services in the telecommunication, transport, water and power supply markets. Parastatals play also an important role in tourism and some consumer industries. The government has expressed its intention to support a policy of privatization, but its implementation is ineffectual and not transparent. It understands privatization in the narrow sense of a “transfer of ownership to the private sector” rather than an “intrusion of market forces in the public” sector. In some cases of privatization

Private enterprise

black empowerment groups have been direct beneficiaries, not least due to the government's affirmative action policies.

10 | Welfare Regime

In contrast to most African states, Namibia has a remarkable pension system that pays every citizen over the age of 60 a pension of 360 Namibian dollars per month. It 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, where it frequently represents the only regular source of monetary income for entire families. However, compared with the average cost of living, this small amount is insufficient to bring about social stabilization, let alone reduce the gap between poor and rich. There are also other social and medical benefits, but only in conjunction with employment, thus reaching only a privileged minority. In particular rural people could not survive on state social payments without the traditional assistance and solidarity of the extended family. The health system is an issue of major concern. Although Namibia's health expenditure ranks second highest in Africa (accounting 4.7 % of GDP) Namibia is not able to provide appropriate health services for the population. In rural areas, health facilities have long been neglected and even the existence of private health centers, mainly provided by the churches, cannot come close to satisfying the vast country's needs. Development programs have also not managed to compensate for the shortfall so far. The HIV/AIDS pandemic has seriously aggravated this situation and constitutes a unique threat to the country. In 2004, the prevalence of HIV was estimated at 19.7%, having dropped slightly, from 22.0% in 2002. 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 traditional mechanisms of providing for social risk also threaten to break down. As there is no effective cure for HIV/AIDS and little social recognition of the disease as a life-threatening pandemic, it must be feared that the consequences will impair Namibia's development for decades to come.

As the country's Gini index rating illustrates, Namibia has the highest level of income inequality in the world. This has serious implications for the equality of opportunity, especially for women. The government makes great efforts to address the issue, but sometimes falls short. Notable initiatives include the Affirmative Action Act, the Combating Domestic Violence Act and the Labor Act. Institutions like the Legal Assistance Centre Namibia help individuals to seek redress for violations of their rights. However, economic inequalities and unemployment still seriously limit equality. Thanks to the government's focus on

Social safety nets

Equal opportunity

expanding schooling, education spending currently accounts for about 9% of GDP and more than 20% of the budget. One positive aspect of this strategy that must be emphasized is the growing number of girls in educational institutions (scholarization measured 81% in 2003), particularly at higher levels. This has led to a corresponding improvement in the representation of women in public bodies. It must also be mentioned, however, that the quality of education in nearly all sectors has not improved, but rather worsened, with quantity.

11 | 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 economic indicators as a whole have improved, mainly due to successful diamond mining, economic equality has deteriorated, as reflected in most social data. However, thanks to its mineral wealth and its favorable position between Angola and South Africa, two powerful economic partners, Namibia has considerable growth potential, above all in the field of tourism. To realize this, however, the country needs to concentrate on consistently utilizing its development opportunities and overcoming obstacles to growth, particularly in the fields of education and good governance. There were no significant macroeconomic changes during the period under review. Namibia's economy is sensitive to changes in raw material prices and, hence, influenced by volatility in the global economy. While the economy was growing in real terms around 2000, it has since started to contract again. Currently, despite the bull market in commodities, the country has been hit hard by rising oil prices. This has also influenced other macroeconomic indicators. Owing to the country's heavy dependence on the outside world, its national monetary and financial policy is not very effective.

Output strength

12 | 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, representing almost 40% of the workforce. The environment is a particularly sensitive factor in the largely semi-arid country. Another area of concern is fishing policy, as over fishing in the late 1990s caused the catch to fall in subsequent years. Development policies must pay special attention to these aspects.

Environmental policy

Although the government of Namibia has made great efforts to improve national educational institutions since independence, and much of the country's

Education policy / R&D

international development aid has been invested in this sector, standards of education and in particular teachers' qualifications leave much to be desired, apart from raising doubts about the sustainability of educational efforts. During the period under review, the government addressed these problems with the Strategic Plan 2001 – 2006, which called for a national inspectorate to be established in 2005, a reorganization of Advisory Services in the Ministry of Education, a curriculum reform and the introduction of nationwide standards to improve quality in Namibian schools. Most of these measures are now in force, but it remains to be seen if they will be effectively pursued by the administration. The expansion of education remains a government priority. As mentioned above, spending on education accounts for about 9% of GDP and for more than 20% of the budget. The HIV/AIDS pandemic is a source of great concern on account of high rates of infection among teachers. The disease is particularly prevalent in the tertiary educational sector: almost 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.

Transformation Management

I. 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 10% of households earns more than the poorest 65% together – puts an enormous strain on government and its policies. In addition, it will take enormous efforts and resources to combat the HIV/AIDS epidemic, and even if this is successful, the fatal consequences of the disease will be felt for decades.

Structural constraints

Civil society groups play a crucial role in the democratic process in Namibia. As in South Africa, they had an important function in the liberation struggle, although in Namibia they do not have the echo they do have further south. Most civil society groups are in the health, environmental and gender field - apart from the NSHR and LAC there are no critical NGOs in the human rights sector. Yet, in the public debate their opinions carry much weight. 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. The government's acceptance and recognition of civil society as a party in the country's overall social development will become a litmus test of Namibia's political stability and democratic consolidation.

Civil society traditions

SWAPO as a national liberation movement officially tried to overcome ethnic divisions through a policy of national reconciliation after independence that sought to eliminate racial and ethnic differences through a policy of affirmative action. But racial and ethnic tensions still exist and play a role under the surface of political correctness and sociopolitical integration within the framework of the "One Namibia – One Nation!" initiative. But neither within SWAPO Party nor within Namibia as a whole have latent conflicts between the racial and ethnic groups been overcome. While there are no open conflicts, latent conflicts appear to be growing rather than declining. For example, competition for jobs is

Conflict intensity

exacerbated by ethnic tensions, thereby symbolizing the conflict for power and prosperity between different groups in Namibian society. However, there is little fear of widespread violence, not least because political correctness political correctness serves to prevent violent outbreaks and political culture at the local level is not prone to aggression.

II. Management Performance

14 | Steering Capability

Overall, the government and government departments are making serious efforts to develop visions and strategic plans to implement them. Economic development is focused on promoting industrial and infrastructural development, providing investment incentives to attract foreign capital and enhancing the functioning of the free-market economy through privatization. Moreover, the government claims to promote democratic participation and integration through decentralization. While a long-term planning project exists (“Vision 2030”), goals and consistent implementation are still vague in many fields. A weak and partly unqualified administration has often proven incapable of effectively implementing strategic goals. A prime example of this is the aforementioned competition commission, which Namibia was obliged to establish when it joined the WTO. Even though the commission was created in 2003, it was still not operational in the period under review, having been delayed by training needs and funding problems. Against this background, President Pohamba’s inaugural declaration of making good governance and effective administration a major objective of his government points in the right direction, although he still has to demonstrate how committed and effective he can be. The government is therefore susceptible to charges claiming that it has yet to seriously address crucial structural problems in Namibian society such as disparate social structures and poverty. Long-terms aims are postponed for short-term political benefits (e.g., the expropriation of land on the grounds of labor conflicts before the elections in 2004).

Prioritization

A closer analysis shows that plans and reforms are inevitably sacrificed to political infighting, which in turn produces 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

Implementation

personnel. Similarly, a lack of decision-making has dogged land reform. Because land and property rights are controversial issues, an objective discussion about expropriation within the given legal structure has been avoided for many years. Only now under Pohamba (who previously served as the minister in charge of land) has the government begun to promote reform, having begun the process of legally expropriating more than 30 farms, on most of which labor conflicts took place. Thus, it is not clear whether the government tries to solve short-term political conflicts by initiating expropriation procedures or whether it is beginning to carry out some steps of a strategy which has been drafted already 15 years ago when the first land conference took place.

Compared to President Nujoma, his successor appears to be more flexible and moderate. While Nujoma remained stuck to his political opinions and prejudices, Pohamba seems to be prepared to learn from past mistakes and to listen to critics. Nevertheless, since Nujoma as party president still has the say within the ruling party, Pohamba has not really moved away from past routines and has not made his own political direction clear. However, international investors' demands for certainty and security still play an important role. The outcome of the SWAPO Congress in 2007 might bring more clarity. Until then the Pohamba government seems likely to pursue an ambivalent policy of trying to please everybody.

Policy learning

15 | Resource Efficiency

The government could make better use of its available human, financial and organizational resources for its transformation policy. The state bureaucracy is rather bloated and inefficient. As a rule, administrative channels are long, public order and security is not unconditionally guaranteed everywhere and corruption is ubiquitous, even if not yet excessive. The number of civil servants has more than doubled since independence, dangerously straining the budget. Even today, cronyism, nepotism, and the tendency to make politically-motivated appointments, still pose a perceptible obstacle to development. The continued emphasis on non-performance-related affirmative action harms government policy more than it helps it. President Pohamba's announcement of his intention to fight corruption has not initiated a noticeable reform process. In large parts of the country, progress in decentralization remains sluggish 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 (in which there are a number of well-off whites) with enough tax and fee income to autonomously fund effective public services have benefited from local self-government at the municipal level. A major obstacle is the lack of qualified officials and politicians who can deal with the new decentralized tasks and duties, a fact that further widens the gap between poor and rich and between the center and the periphery.

Efficient use of assets

The government, in particular the executive, clearly recognizes the need for a long-term and coherent policy, not least because it is repeatedly asked by international donors to articulate such a strategy. The “Vision 2030” and the Third National Development Plan can be understood as attempts to incorporate different views and conflicting objectives in one coherent strategy. As noted above, Namibia is a member of regional and multilateral organizations receiving development assistance from the World Bank, the European Union and many other developmental institutions, as well as technical advice from the IMF. A prerequisite for international cooperation will be a coherent national development plan and comparable framework papers on which cooperation and financial transfers can be based, such as the United Nations Development Assistance Framework (UNTAF) or the European Union’s Rural Poverty Reduction Program. Coordination between the individual ministries and in particular between the ministries and the presidential office does not always function properly. The presidential office has repeatedly ignored proposals of ministries that go against its views. Furthermore, as stated above, implementation capacity is also weak.

Policy coordination

Corruption is publicly criticized, but socially acceptable for the most part. In this neopatrimonial 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. Given this state of affairs, there is also a 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 is a forceful counterweight to the government. At the same time, there are also close contacts between the private sector and the government that are not free of the suspicion of corruption. Nonetheless, corruption and the need to fight it is a frequent topic not only among the opposition (which is generally not in the position to engage in corrupt practices) and civil society groups, but also in the government. This was addressed most recently by the new president in his inaugural address in March 2005, in which he pushed for the establishment of an Anti-Corruption Commission, which went to work on 1 February 2006. Additionally, ambitious anti-corruption legislation has been passed – the problem remains implementation and enforcement. Nevertheless, Namibia’s efforts to address the problem of corruption are recognizable. In everyday life, corruption does not play a very significant role. In the 2006 Corruption Perception Index compiled by Transparency International, Namibia ranks 56th among 145 countries with a score of 4.1 having dropped nine places since 2005, when it scored 4.3.

Anti-corruption policy

16 | Consensus-Building

Particularly in his last term of office, President Nujoma's often-emotional decisions and reactions were obviously made without the involvement or even knowledge of the cabinet. These include the decision to intervene militarily in the Democratic Republic of Congo or to play a direct role in choosing his successor, and in particular a series of cabinet reshuffles as well as individual appointments and dismissals of cabinet ministers. In all cases his authoritarian decisions bypassed a democratic process of reaching agreement, but he was wise enough to have parliament or the party approve his decrees, thus legitimizing them as policy decisions. He was able to do this on account of his personality and his charisma. The fact that it would likely have been far more difficult to dictate consensus in other more fundamental questions such as land reform or the assessment of the past, in which fundamental needs and experiences of those involved need to be addressed explains why such problems were tackled only symbolically. Since the early 1990s, the president and the government have made great efforts at consensus-building in the country. The central element was the realization of a democratic and free-market state as intended by the constitution. Nevertheless, a minority within the formerly very socialist-minded SWAPO - particularly the party's youth league – opposed this path. Other political parties – like SWANU or the Workers Revolutionary Party (WRP) – were also in opposition, but were too small to win even one seat in parliament. The president was particularly supported in his policy of consensus-building by the white-dominated business world, despite obvious latent racist and ethnic conflicts. However, consensus in economic circles has always been greater than that within political circles.

Consensus on goals

There are no significant anti-democratic veto actors. The few mentioned above have in practice excluded themselves from the political discourse by exaggerating their political position or had been co-opted (as was the case with Ponhele ya France, and Paulus Kapia) into the ruling party.

Anti-democratic veto actors

The dominance of the SWAPO Party in Namibian politics as well as the president's strong position has prevented serious conflicts from emerging within the society. This does not mean that potential political cleavages do not exist, but rather than conflicts have so far been widely overcome by charismatic leadership as well as by authoritarian rule of the former president. President Pohamba seems to favor a more inclusive strategy than did his predecessor as evinced by his meetings with politicians from opposition parties as well as his repeatedly-expressed willingness to seek closer dialogue with minorities. Furthermore, it is noteworthy that he refrained from the sometimes-harsh rhetoric typical of his predecessor. Whether he will be able to continue to pursue this inclusive

Cleavage / conflict management

approach depends on the outcome of SWAPO's in-party struggle. Last but not least, the policy of decentralization might help to overcome potential conflicts if representatives of other ethnic minorities and politically divergent groups become involved in the political process and participate in decision-making processes. President Pohamba's decision to celebrate Heroes Day in Katima Mulilo for the first time and to name Caprivian heroes must be seen as an important symbolic contribution to overcoming political cleavages.

As mentioned above, there are no serious obstacles to civil society groups' organization of social and political activities in the country. On the other hand, the government does not encourage such activities, particularly if they are critical to the government. Furthermore, it is necessary to mention that the political culture in Namibia is not very participation-oriented. In general, civil society groups do not find much support in the society and cannot mobilize the masses easily. The church groups, if any, attract people's attention, but they have largely withdrawn from politics since independence.

Civil society participation

Small civil society groups such as the "Legal Assistance Center," "Breaking the Wall of Silence" (BWS) or the "National Society for Human Rights" 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. As this represents a very sensitive topic for the government, it tries to prevent reports of this period being published, though it has stopped short at actually interfering with the publication of such material by critical groups such as BWS.

Reconciliation

17 | International Cooperation

By international comparison, Namibia has been a major recipient of international support since independence and in the meantime become dependent to a considerable extent on international transfer payments, despite the fact that some donors (such as the Netherlands and Sweden) have phased out their aid. However, it is still less dependent on external payments than the average African state, as evinced by the fact that, up to now, the country has not had to turn to the International Monetary Fund (IMF) for financial support. That said, Namibia is one of the top African recipients of development transfers, receiving U\$109 per inhabitant. Namibia presents itself to the outside world as having a functioning democracy and a free-market economy, and as a partner willing to cooperate with international demands for economic liberalization.

Effective use of support

The Namibian government is well aware of the advantages of good relations with international donors. Therefore international actors are – at least selectively – approached to play a role in advancing internal reform policies. The most

important bilateral donor has been Germany, followed by the United States. Reform strategies supported through these partnerships range from infrastructural improvement to sector reform and HIV/AIDS prevention. The aid received by Namibia from the European Union, which currently amounts to €91 million, focuses on educational reform and rural development. Both partners have developed far-ranging strategies that provide crucially support Namibia's reform process.

On the other hand, Namibia is skeptical about closer cooperation with the international financial institutions such as the World Bank and the IMF because it fears interference in its domestic agenda. Currently, there is an intensive debate in the government about a possible World Bank credit to finance educational sector reform. In spite of this caution, the African Development Bank is an accepted financial partner and has so far has provided several credits (totaling \$216 million) for the improvement of the transport system and for agricultural reform. There has also been intensive cooperation with the United Nations (UNDP) (poverty reduction and HIV/AIDS). The United Nations Development Assistance Framework 2006-2010 outlines a range of future cooperation between the two partners falling mainly in the fields of rural development and natural resources.

On the whole, Namibia has acted as a credible and reliable partner in its relations with international supporters. Nevertheless, there is the danger of Namibia being "overaided." In consequence, state and non-state institutions often fail to take the necessary care in using resources or exhibit the appropriate commitment to development. For donors there is the problem of an effective allocation of resources. However, the Namibian government is taking steps to maintain its good reputation as a democratic aid recipient.

Credibility

Namibia is a member of all major international organizations and, despite its small population, is willing to accept responsibility, particularly in the region. The UN has been the political midwife for Namibian independence and Theo-Ben Gurirab has been elected as president of the UN General Assembly in 1999/2000. In the region, the Southern African Development Community (SADC) forms the most important foreign policy framework for Namibia. In SADC, Namibia has assumed an important hinge-function between South Africa as the dominant regional power and other important states in the region like Angola and Zimbabwe. Finally, Windhoek has become a leading African international congress centre and is trying to build a visitor-friendly infrastructure to match its reputation for hospitality.

Regional cooperation

Strategic Outlook

The Republic of Namibia can look back on 17 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 present government is that these will be improved.

This overall assessment is 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 variables with the potential to negatively affect the future development of the country.

Namibia's democracy is basically 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 in the constitution and the political influence of opposition parties and civil society groups are marginal.

Concerning the economic transformation, all governments since independence have endeavored 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 their utilization. At present, the country suffers from shortcomings in education and training, an insufficient number of qualified people, which in turn leads to low productivity and the absence of a culture of rational development oversight. 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 class 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, either.

In this context, the question of land reform has acquired great significance, especially against the backdrop of events in Zimbabwe. At the time of writing, the Namibian government had yet to expropriate a single property without adequate compensation. However, demands for greater redistribution may have noticeable effects on economic and political developments, particularly in respect to the important international investment climate. As land ownership is

not only of economic importance for the majority of the black population, but also carries great cultural and political symbolism, it is unlikely to disappear from the political agenda and could possibly force the government's hand. No strategic perspective for Africa can ignore the HIV/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. An effective means of combating this disease, which would give grounds for hope, is still not in sight. In terms of external support, Namibia receives more international aid per capita than any other country in Africa, which is not surprising in view of the country's observance of democratic and free-market principles.

International donors 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; measures to improve Namibia's trade position within SADC and the WTO, but also within NEPAD, with a view to enhancing Namibia's competitive position in southern Africa; promoting education, training and further education, particularly teacher training, vocational training and tertiary education; and expanding the health system, with particular emphasis on containing the HIV/AIDS pandemic as a communal task of state and non-state institutions.

Developments in South Africa will be crucial for Namibia's economic and political development. The dominant position of the Zimbabwean "Big Brother" decisively influences Namibia's economy and trade, despite Namibia's efforts to establish greater independence.