

BTI 2014 | Namibia Country Report

	scale	score	rank	trend
Status Index	1-10	7.09	# 30 of 129	
Political Transformation	1-10	7.75	# 25 of 129	➔
Economic Transformation	1-10	6.43	# 39 of 129	➔
Management Index	1-10	6.17	# 28 of 129	

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	2.3	HDI	0.608	GDP p.c.	\$	7565.1
Pop. growth ¹	% p.a.	1.9	HDI rank of 187	128	Gini Index		63.9
Life expectancy	years	63.3	UN Education Index	0.557	Poverty ³	%	51.1
Urban population	%	39.0	Gender inequality ²	0.455	Aid per capita	\$	115.2

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Two decades after gaining independence, Namibia's democratic and economic transformation continues to progress. As in former years, the presidential and parliamentary elections of 2009, as well as the regional and local authority elections of 2010, took place with a remarkable sense of political routine. The elections met modern democratic standards, but not without triggering legal investigations into alleged irregularities. Although the Supreme Court dismissed the election challenge by the opposition it also severely censured the Electoral Commission of Namibia (ECN) for being "guilty of reprehensible or discreditable conduct" and complained about the tangled mess of the Electoral Act and all of its amendments. Thus, the governing SWAPO Party of Namibia (formerly the South West Africa People's Organization) maintained its three-quarters majority. It draws its base primarily from the Ovambo, the country's ethnic majority. The dominant party system is typical of Namibian democracy.

Although the formal rules of democracy are correctly observed, the overwhelming strength of the governing party has weakened the constitutional possibilities of parliamentary control. As a result, civil society, with its international moral and financial support, is at least as important as the political opposition. More attention needs to be paid to the functioning of the country's democratic structures and procedures. Behind the democratic façade, 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. Hifikepunye Pohamba, the second president after independence, has been reelected for a second term with a considerable majority. Although Pohamba has not deviated much from the former president's political program, he appears to be more modest and conciliatory than his predecessor. He has expressed his openness towards minorities outside the dominating SWAPO system, and he has tried to establish a dialogue with some of the opposition parties and the churches. Thus, the reshuffle of the cabinet and the decision of the party to name a Damara politician, Hage Geingob, as presidential candidate seem to be clear indications that the wind is changing direction.

The opposition is still small and not very effective politically. The previously high expectations associated with the Congress of Democrats (CoD) as an opposition party making inroads into the SWAPO strongholds in the north of the country have collapsed. But these hopes were revived in 2008 by the foundation of the Rally for Democracy and Progress (RDP), an organization led by former foreign minister Hidipo Hamutenya, who fell out of favor with then-President Sam Nujoma. However, the RDP was unable to win over substantial parts of the SWAPO constituency in the most recent elections. Thus, the chances for a power change are slim.

Whether progress towards 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 ongoing impoverishment of growing sections of the population, have not narrowed. Radical demands for land reform have given rise to fears that the country may move towards a situation like that found in Zimbabwe. Time has shown that these fears were 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. Anyhow, the overall economic performance of Namibia is improving. The last namBIC (Namibia Business and Investment Climate Survey) for 2013 gives a positive picture of the business activities in the country, although investment has slightly declined. Namibia has reached a solid platform as a middle income country.

The consequences of the HIV/AIDS pandemic are increasingly noticeable. Namibia currently faces a mature generalized HIV epidemic that is primarily sexually transmitted. Antenatal clinic surveillance data show HIV prevalence rates among women is about 18%, according to the 2012 National HIV Sentinel Survey. Although the infection rate seems to have stabilized over the past decade, Namibia remains among the eight countries with the highest prevalence rates in the world. The Ministry of Health and Social Services is among the most successful in rolling out antiretroviral and parent-to-child treatments in Africa, and continued attention to both treatment and prevention remains vital. The rate of infection is particularly high among university graduates (though declining in the 18 – 24 year old cohort), which represents a major threat to human potential. 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 the government and some church organizations are still strongly committed to fighting this deadly disease.

History and Characteristics of Transformation

Namibia's history of transformation is above all a history of decolonization. After a decades-long dispute 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 superpowers at that time. The end of

the Cold War was a major factor behind the success of the U.N. 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 socio-political differentiation within the population, which is rooted 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 ethnic majority in the country, is greater than ever; this is particularly visible in the public administration. The other trend concerns political culture. SWAPO, the governing party, emerged from the South West African People's Organization, the militant movement at the forefront of the liberation struggle, when centralization and authoritarianism were central policy instruments, and the organization was generously funded and supported by the communist governments of the former Warsaw Pact. SWAPO's leading role was already underlined by the support of the United Nations 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 has remained centralized and authoritarian. Given a party system in which SWAPO has won a three-quarters majority in the last three 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 Sam Nujoma, the long-time president and head of SWAPO, did not stand for the presidency again, and that the new officeholder has tried to introduce a new tone into public debate, can be interpreted as a clear trend towards a liberal democracy. Moreover, the fact that the party's candidate for the presidency from 2014 onwards is Hage Geingob, who is not a member of the majority group, but a Damara, shows that the system is not completely closed. In short: There is no evidence in the present political discourse that Namibian democracy, in its prevailing structure and form as a dominant party system, might be endangered.

The economic transformation can be similarly characterized as a two-track development. In the past, the Namibian economy was fully integrated into that of its colonial power, and the country is still extraordinarily dependent on South Africa. Formerly, the Namibian economy 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, etc.), but was also completely subordinate to the market economy of white South Africa, which, notwithstanding extensive state intervention, 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, the end of the Cold War and 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 are seen as the economic backbone of the country – has been preserved.

Thus, socioeconomic or class differentiation has changed only marginally, and mainly to the advantage of the black governing elite. But even though little progress has been made in alleviating poverty, on balance the country has made reasonable economic progress in the years since independence.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Namibia's territorial integrity has not been seriously questioned since independence. The Namibian state has an unrestricted monopoly on the use of force within the country. In 1998, secessionist challenges emerged in the Caprivi Strip, and they were immediately silenced by the central authorities in a rather brutal manner. This harsh suppression provides evidence of the then-extant fear of any kind of secession. The majority of the 120 accused of high treason are still imprisoned amid a decade-long trial. In January 2013, 43 of the men facing charges were acquitted. A number of the accused have died in prison since 1999. Apart from those challenges, the country has not experienced any other conflicts serious enough to threaten the integrity of the state.

Law enforcement entities are relying increasingly on private security companies and citizen neighborhood watches, while the City of Windhoek has established a police department to help maintain law and order.

Citizenship in Namibia is not a politically divisive issue. After the long struggle for independence, the concept of the Namibian nation is widely accepted. Constitutionally, all citizens and ethnic groups enjoy equal rights and regard themselves as Namibians. Ninety percent of Afrobarometer respondents indicated that they were "proud to be called a Namibian" in 2012. This is also true of the vast majority of whites who have decided to live permanently in Namibia, even though former President Nujoma attacked whites for not identifying themselves sufficiently with the Namibian state.

However, as a consequence of pre-independence apartheid, with its emphasis on ethnic differences, ethnic issues have not disappeared since independence and seem to be resurging. Namibia, though, has managed to avoid conflict based on ethnic issues.

Question
Score

Monopoly on the
use of force
9

State identity
9

According to Article I of Namibia's constitution, the republic is established as a [...] secular [...] state. There is a clear separation of church and state. Although Namibia belongs to the group of most Christianized African countries, and despite the fact that there are official talks between the president and representatives of the Council of Churches in Namibia (CCN), the political process is, by and large, secular. If there is any influence, it could be identified in moral norms, derived from Puritan religiosity, which may impact the legal order and political institutions. A case in point is the debate on homosexuality; although it is not legally forbidden, it has been criticized as an "unnatural act" by political authorities. In a major showdown between government and churches in the late 1990s, both a controversial abortion law and a controversial church-organized public hearing on pre-independence human rights abuses were dropped, never to be seen again.

No interference of religious dogmas

9

All in all, the influence of the churches in politics in Namibia since the country's independence has dropped significantly. Despite the presence of an umbrella body such as the CCN, the churches in Namibia remain divided along doctrinal divisions and have, since 1990, largely remained outside of the political sphere, even remaining silent on controversial issues relating to human rights, such as the prolonged incarceration of the Caprivi secessionists. An election observation mission by the CCN during the national and presidential elections in 2009 may have signaled the start of a more involved approach by the church.

The administrative structure is established and provides most basic services reasonably well. The civil service – which remains centralized, despite gradual progress in decentralization efforts – effectively administers the entire territory within the state's borders. In the rural areas, basic public services are still lacking for many. To a large extent, administration is simple rule application following the South African tradition. Nevertheless, Namibia has made significant progress in addressing many development challenges; access to basic education, primary health care services, and safe water has improved. Sound public policies are helping to lay the foundation for gender equality.

Basic administration

7

The provision of jurisdiction is painstakingly slow. Early in 2013, close to 120 reserved judgments – most of them as old as three years – have yet to be delivered and have gone past the deadlines in disregard of the relevant guidelines approved by the Judicial Service Commission. Such excessive delays in the delivery of High Court judgments may erode trust in the justice system.

2 | Political Participation

Namibia has a universal franchise with the right to vote and to stand for election at the national, regional and municipal levels. In Namibia, democratic elections are now part and parcel of the political routine. Elections are organized and monitored by an independent electoral commission. In spite of some minor irregularities, elections at all levels in the past can be called free and fair.

Free and fair
elections

8

Namibia has completed an election cycle, with national and presidential elections having been held in 2009 and elections for regional and local authorities in 2010. Criticism of the implementation of the 2009 elections and the resulting legal proceedings, however, suggest that the system is flawed. Although most components of a functioning electoral system exist, there are substantial deficiencies. These deficiencies are mainly to be found in practical procedures implemented by the ECN (Electoral Commission of Namibia), as well as outdated procedures incorporated in electoral legislation. These seem to contribute to growing indifference, especially among younger citizens, to public affairs, and a growing distrust of the electoral system by the electorate.

There is general recognition of a need for electoral reform. The Namibia Institute for Democracy has embarked on a joint electoral law reform program with the Law Reform and Development Commission in Namibia.

Universal suffrage is strongly linked to the accuracy and credibility of the voters list. The creation of a voters list must be a public and transparent exercise. In Namibia, the upkeep of the voters list by the ECN has been a cause of much criticism in recent elections, with the director of elections admitting, before the 2009 general and presidential elections, that the ECN did not have an accurate and reliable voters roll. This is evidenced by the fact that, in the weeks prior to the elections, at least four versions of the voters roll were released to political parties, the last one on the afternoon before the elections, with the number of voters varying from 1.3 million to just over 820,000, depending on which version was accessed. The state of the voters roll was one of the central issues with which some political parties approached the High Court to have the relevant election results set aside.

The Electoral Act (1992) requires the ECN to safeguard and take active measures to ensure that all votes are cast in total secrecy and are not visible to anyone. While provision is made in Article 84(1) of the Electoral Act for assistance to blind and illiterate voters or voters with a disability that may prevent them from casting their vote on their own, such assistance is to be provided by polling officers rather than by a person of the voter's choice.

Secrecy of the vote, however, also means that the identity of voters cannot be traced and revealed after polling, whether through direct or indirect methods. It is here that the secrecy of the vote was compromised during the 2009 national and presidential elections. Votes cast in advance at Namibian missions abroad were counted and the results made known before the elections took place. Due to the low number of voters at some missions abroad, it was in these cases relatively easy to link persons to votes. For example, advance polling results in 2009 in New York showed that SWAPO received 24 out of 49 votes, while the RDP received 22 and other parties three. These results lead to calls by the SWAPO Youth League for the recall of Namibia's ambassador to the U.N. in New York, who was accused of being a "hibernator" (a government official not supportive of SWAPO).

Socially relevant actors, whether political parties, trade unions, churches or civil society organizations, are not in a position to effectively block any political moves supported by the solid SWAPO majority. The business elite is strong, and has managed to constrain the government on taxes recently. However, since the majority of business leaders are white or foreign, they have no real political power. Certain indigenous business people and traditional leaders, especially in the north, must be listened to, but no one dares to test their power against the government or the ruling party. Thus, there are no veto powers or political enclaves that undermine democratic principles.

Effective power to govern

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The Namibian constitution guarantees the right of citizens to form or join associations in order to influence policymaking and government. There are no restrictions regarding the formation of civil society organizations. The NGO landscape is extremely diverse, with about 650 domestic and foreign organizations, but on occasion, politically active organizations are denounced in public and accused of being agents for Western imperialism.

Association / assembly rights

8

Electoral legislation permits the formation of political parties that meet requirements. Political parties have formed to some extent along ethnic lines. Political parties formed by former members of the ruling party have been branded as traitors and agents for Western imperialism. There have been allegations by election observers that opposition parties were prohibited by security forces from engaging in the run-up to the 2009 national and presidential elections.

The constitution provides for the right to form and join trade unions without previous authorization or excessively onerous requirements, and the government generally enforces this law; however, workers in essential services are prohibited from joining unions.

In addition, there are professional groups and employees' and employers' organizations. Many of them make political demands without being involved in or connected with party politics. Ethnic cleavages play a role both socially and

politically; however, these are latent and mostly localized conflicts that do not pose a serious threat to the freedom of association in civil society.

The constitution provides for freedoms of speech and of the press, and the public supports them. However, the government partially limits press freedom, particularly through oversight and appointments to the state media, and most journalists share a policy consensus with SWAPO. Some independent and government journalists also practice self-censorship.

The 2009 Communications Act established the Communications Regulatory Authority of Namibia (CRAN) to regulate communications, including the media. The legislation does not specify how the media will be regulated.

The 2013 Worldwide Press Freedom Index of Reporters Without Borders ranks Namibia at 19th out of 179 countries, which is the best on the African continent – internationally equal to Belgium and better than Canada, Japan or Great Britain. According to the African Media Barometer (AMB) 2006, Namibia ranks fifth in a complex scale of self-assessment of personalities from civil society and the media. The efficiency and professionalism of the private media are mentioned positively in the AMB report (4.3 out of 5), while broadcasting legislation and continuing state control over public broadcasting score rather low (2.0 out of 5). In other words, there is room for improvement, particularly in the broadcasting sector.

Despite vague threats, there have been no serious restrictions on the freedom of expression, except the decade-long ban on government advertising in the leading English language daily. Even the government-financed New Era runs 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 include the large cities in the north – so that opposition opinions in the print media seldom reach the hinterland. In 2012, a SWAPO-sympathetic BEE (Black Economic Empowerment) finance house bought a 50% stake in three papers from the Democratic Media Holdings Company, formerly linked to the founder of the Democratic Turnhalle Alliance (DTA). It is unclear whether this will impact the operational side of the papers.

Approximately 12% of the population accessed the Internet in 2011. There are no restrictions on Web sites, and many publications and organizations have Web sites that are critical of the government. However, the 2009 Communication Act includes a clause that allows for the interception of e-mail, Short Message Service (SMS), Internet banking transactions, and telephone calls without a warrant.

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; however, Namibia's presidential form of government grants the president wide-ranging powers (Article 32 of the constitution). This is further underscored by the three-quarters majority in parliament held by the SWAPO party, which enjoys the solid support of the Ovambo ethnic majority. This constellation limits parliament's oversight function. Nevertheless, it should be noted that, for the most part, the government exercises its executive powers lawfully. But the size of Namibia's cabinet is a challenging problem. Forty-six parliamentarians are currently part of the executive body in the role of ministers or deputies, or are in some way associated with it. They make up 60% of the legislative body, further limiting parliamentary control and diluting the division of powers.

Separation of powers

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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. But SWAPO, despite being the governing party, is often more critical than the opposition parties. The opposition typically fails to fully exploit opportunities for critical public debate and thus cannot be perceived as a serious constitutional institution. The same holds for most of the regional and municipal councils, although the last elections, in 2010, changed the distribution of powers slightly in favor of the opposition parties, except for the presidential appointment of governors and others.

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, but 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; these commissions were formed to investigate, among other things, abuses of public office and allegations of corruption by public officials. The opposition parties have raised the issue of judicial independence as a political one in regard to election complaints. In 2005, the High Court's order to recount the votes was perceived very positively and accepted by all parties involved. The decision not to accept the complaints in 2009, first on formal grounds, later because of lack of evidence, raised doubts about the independence of the courts. But in the reasons given for the dismissal, in 2012, the Supreme Court strongly criticized the "electoral governance" and asked for amendments of the electoral laws. The long statement of the Supreme Court (more than 100 pages) gives the impression of clear distance from the political authorities.

Independent judiciary

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However, there is a serious shortage of judges, and many cases languish for years before being heard. Prolonged pretrial detentions and repeated postponement of trial cases result in a huge backlog of court cases. In view of these backlogs, many people have expressed doubts about the rule of law. The slow provision of justice may cause people to lose trust in the judicial system. Other problems affecting the effective workings of the courts include the office of the prosecutor-general taking very long to make decisions on whether or not to prosecute suspects, inexperienced and poorly trained police officers, a severe shortage of senior judicial officers, and systematic violations of the 48-hour rule for bringing arrested persons before judicial officers.

Despite repeatedly announced anticorruption campaigns – particularly underlined by President Hifikepunye Pohamba since 2004 – political and bureaucratic corruption is a common practice in Namibia. The Anti-Corruption Commission (ACC) was inaugurated on 1 February 2006. However, the expectations placed on President Pohamba and the ACC were too high and could not be fulfilled.

Prosecution of
office abuse

6

Corruption takes place in a gray zone of activity populated by politicians, holders of high offices, parastatals and members of their families. The tender system for government contracts at all levels is particularly vulnerable to abuse. Extractive industries also offer huge opportunities for enrichment, whether through the granting of licenses for prospecting and fishing or through shares in international companies. Serious sanctions have virtually never been imposed, even when a commission of inquiry has uncovered spectacular abuses of office. SWAPO faces growing resentment of corruption, especially in state contract awards to private business. A major weakness in Namibia revolves around the fact that many wrongdoers go unpunished because of political considerations dictated by the ethno-social system of patronage. The term “black economic empowerment” has become so discredited that Prime Minister Nahas Angula introduced a new one: “New Equitable Economic Empowerment Framework.” A major case involved the Government Institutions Pension Fund (GIPF), which faced up to N\$600 million in questionable losses over a period of years. But, at the same time, there is no evidence of systematic erosion of judicial control and supervision. The 2013 namBIC Survey even reports on climatic improvements and refers to the corruption index dropping from 1.64 to 1.27 since last year.

The Namibian constitution provides special protection for civil and political rights.

Civil rights

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Namibians have the right to approach a competent court or ombudsman when their fundamental rights or freedoms have been infringed or threatened (Article 25 II of the constitution). The government and the courts punish breaches of the law on principle. Open violations are not accepted and the human rights organization Namrights (formerly the Namibian Society for Human Rights), although very critical of the government, has been tolerated over the years. Worth noting are some

community-based organizations, like the Legal Assistance Centre, which observes the government closely and has taken sides against it.

On the other hand, government institutions such as the police and the army, which are meant to guarantee civil rights in everyday life, seem to be somewhat ineffective. There is evidence that they have been responsible for a number of illegal actions that were either covered up for political reasons or whose investigation or prosecution was unduly delayed. Moreover, campaigns against discrimination have not done much to improve the position of women; however, women are at least somewhat represented in government institutions.

In the last year, there have been three predominant human rights abuses in the country: police use of excessive force, poor detention center conditions, and violence and discrimination against women and children, including rape, child abuse and child labor.

Other human rights problems include prolonged pretrial detention and long delays in trials, harassment and political intimidation of opposition members, and official corruption. Other societal abuses include discrimination against ethnic minorities and indigenous people.

The government has taken steps to prosecute or punish officials who committed abuses, whether in the security services or elsewhere in the government, although in some instances officials appear to have enjoyed impunity.

4 | Stability of Democratic Institutions

Notwithstanding certain restrictions, the country's democratic institutions per se are generally stable. There are constitutional mechanisms at the disposal of the legislative to check the executive. However, this oversight function of the legislative over the executive is seriously affected by the fact that about two-thirds of legislative members are also members of the executive. Also, the president has extensive powers as described in Article 32 of the constitution. A political consequence may result in the executive, especially the presidency, having significant influence over the legislative, which is exacerbated by the party-list system by which members of the legislative are appointed, hence accountability is then also mainly to the party and to a lesser extent to the electorate. Analysts feel that, due to the above, legislative power has been subsumed by executive power, and that Namibia essentially has a presidential system of government.

Even if the power position of the dominant party is unchallenged, power politics and competition take places within the party. An example is the race for the presidency. President Pohamba reaches the end of his maximum two terms of office in March 2015. A SWAPO candidate had to be nominated in an elective congress in late

Performance of
democratic
institutions

7

November 2012 to stand for elections in November 2013. Main contestants were Hage Geingob, the former Prime Minister under Nujoma, Jerry Ekandjo, Minister of Regional and Local Government and favorite of the SWAPO Youth League, and Pandukeni Iivula-Ithana, the then SWAPO secretary-general. All three positions were hotly contested. The party vice-president was nominated for the presidency. Hage Geingob turned out to be the winner, which was a bit of a surprise, because he is from the minority Damara community and is now in line to be the first non-Oshivambo-speaking head of state. The contest was partly about personalities but was also generational and ideological. There is strong competition at least within the dominant party.

A decentralization policy is in place. Few powers and functions have, however, been delegated to the regional authorities. The appointment (made possible by a constitutional amendment) of regional governors by the president has been hotly debated and criticized because it may significantly undermine the country's decentralization attempts and strengthen the central power in Windhoek.

The judiciary is largely independent, although some attempts at intimidation of judges have been made by some government leaders in a few isolated cases.

Namibians grant a high degree of legitimacy to their government and their democracy and agree that democratic institutions have the right to make collective decisions. All influential actors respect democratic institutions and do not openly question their legitimacy. But it is worth mentioning that the ruling elite has a free hand because the SWAPO party is so strong in the country's party system. The president and the governing party, even in difficult times, have made every effort to ensure that their activities are legitimized by the formal seal of democracy. Nonetheless, even if political actors support the democratic institutions in the country, it seems that there is a lack of democratic culture among the political elite. Checks and balances through horizontal accountability institutions can be compromised by party loyalty among appointees. Other agendas such as economic empowerment and unfinished apartheid issues sometimes recur in the political and economic arenas. Democratic attitudes and democratic behavior are not deeply embedded.

Commitment to
democratic
institutions
8

5 | Political and Social Integration

Namibia has a stable, partly ethnicity-based party system. Up to the present, 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 claims of ethnic bias. Under the slogan "one Namibia, one nation," some prominent leaders belong to other ethnic

Party system
7

communities, and it will be a great signal if Hage Geingob, a Damara, becomes the next president. Nonetheless, in the four “Ovambo regions” in the north, SWAPO has regularly received more than 90% of the vote on average. 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 moderate support overall, but significant pockets of rather strong support suffice 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. While analysts and politicians will closely monitor Ovambo support for Prime Minister Geingob, there is no sign that any opposition party could even vaguely pose 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. High polarization is closely connected to low voter volatility. The involvement of political parties in the struggle for independence, and the high estimation of SWAPO leaders in exile before 1990, together still form the most important lens through which Namibians view and evaluate party politics.

Opposition parties, some of which formed along ethnic lines, are weakened by internal quarrelling, splintering, reestablishment and reshuffling. They also offer few policy alternatives to the governing party, which, however, is not usually the deciding factor during elections. The political influence of traditional leaders is substantial.

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 justifies. As a nationwide business organization, the Namibian Chamber of Commerce and Industry (NCCI) brings together Namibian enterprises and represents their interests. The landscape of NGOs active in the social field is considerable, but many of them are supported by external sources. 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 their political articulation suggests.

Civil society groups were politically close to SWAPO during the liberation war, but later tried to detach themselves from the party and the government. But detachment implies less influence, as SWAPO is still the dominant force in the country. Only those associations that are closely linked to the governing party, such as the trade unions, still have political clout. Those that are critical of the government can voice

Interest groups

7

their demands but are unable to initiate noticeable change without government support.

Intermediary functions between NGOs and government are weak, although the Community Based Natural Resources Management (CBNRM) group of NGOs appears to be an exception. Capacity for interest aggregation, creation of public forums, and advocacy development exist in some organizations, but management weaknesses and limited staff reduce this strength. Below the national level, interest aggregation and advocacy capacity does not appear to be widely distributed. Civil society's watchdog function exhibits the weakest degree of strength, with the key exceptions of the Legal Assistance Centre and Namrights, both of which have spoken out on human rights issues. NGOs in the democracy and governance sector are coming under increasing pressure due to receding donor funding.

Public opinion survey data is provided regularly by the Afrobarometer. The following information is based on a fifth round of interviews conducted at the end of 2012 in Namibia.

Approval of
democracy
7

The preference for a multiparty democracy (64%) and free elections to choose leaders (79%) is considerably high, but democratic thinking is obviously not fully embedded in the electorate because 46% believe that the president "should not waste time justifying his actions" before parliament. Furthermore, 62% would prefer to see the opposition parties cooperate with the government rather than criticize it (37%). The survey also shows that a strong majority of the population respects the constitution and endorses central democratic values such as participation, competition and fundamental democratic rights.

On the other hand, basic acceptance of state institutions does not automatically correlate with democratic attitudes. Authoritarian or deferential attitudes are most pronounced among the Ovambo in the north of the country. One striking finding in the survey is the very high trust in leadership, particularly the president (more than 80%), but all government institutions receive over 50% positive trust. The role of traditional leaders and ethnic systems of patronage is respected significantly (by over 50%), but there is no doubt that traditional authorities influence a large part of the population. At the same time, it must be emphasized that most ethnic leaders support state institutions, and some of them also occupy positions of political leadership. The data shows that the majority of the population would like to see traditional leaders occupying positions on local and regional councils.

Long experience of colonialism, apartheid and exploitation have affected social trust between racial groups as well as between the mass of the people and the rulers, whether they are black or white. Thus, levels of social trust were rather low in the past but have improved since independence, with trust in the new political structures rising significantly. According to Afrobarometer, nearly 80% trust the president,

Social capital
6

while trust in political and social institutions ranks at about 60%. Civil society groups and community-based organizations are crucial in building trust in a rather quickly changing society that is characterized by extreme income disparities, migrant labor and a growing disintegration of traditional family life due to poverty and AIDS. A number of voluntary organizations, particularly human rights organizations and the churches, try to overcome social disintegration and to mitigate social and political conflicts. It has to be noted that a pilot project of a Basic Income Grant (BIG) was launched in the villages of Ojivero and Omitara in 2007, serving as an example of social solidarity with the poor. Each resident received approximately 100 Namibian dollars per month until retirement age (60 years) to combat poverty. On the local level, this experiment worked out reasonably well. However, the Namibian government did not take up the idea after a two-year period (prolonged by one year out of church funds) because of financial and ideological reasons. But the concept is still discussed as a way to reduce huge social disparities and to create social trust.

II. Economic Transformation

6 | Level of Socioeconomic Development

Compared to other African countries, Namibia has achieved a fairly high level of development, with per capita income of \$4,267 in 2011 (World Bank). In terms of purchasing power parity, this is the equivalent of \$6,825, which classifies Namibia as an upper-middle-income country (World Bank), not a low-income country. But these figures are misleading, because the distribution of income is quite unequal in Namibia (Gini coefficient of 0.7 in 2011). There are huge discrepancies between urban and rural areas, between blacks and whites, and between the new upper class and the majority of the population. Gross inequalities also exist between the different regions of the country, with the south and the middle of the country showing clearly higher aggregate incomes, along with higher degrees of internal inequality. The CIA's World Factbook 2012 reported that more than 51.2% of the country's total labor force is unemployed, a figure verified by Namibia's official statistical agency. Because of this enormous income gap, the Namibian government is campaigning to be classified again as a low-income country.

Poverty and marginalization are being exacerbated by the continued high level of HIV/AIDS infection rates, especially because, in many families, the disease cuts down gainfully employed young people in their prime. This situation accurately reflects the level of development as measured by the Human Development Index (HDI) of 0.625 (2011), which shows that Namibia, in spite of relatively high per

Question
Score

Socioeconomic
barriers
3

capita income, ranks at an average level among the developing countries and demonstrates a large extent of social exclusion. Women are hit particularly hard.

However, it would be wrong to speak of fossilized structures, because the government is making efforts to influence and change social disparities through legal regulations, proactive efforts to attract investment, and developmental incentives and measures such as the fourth National Development Plan. Despite such efforts, the tremendous gap between incomes has scarcely narrowed, primarily because low efficiency and low productivity hamper growth. Owing to these factors, modest economic growth in recent years has slightly outpaced population growth; accordingly, real growth per capita remains small.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	8859.2	11065.9	12623.1	13072.3
GDP growth	%	-1.1	6.3	5.7	5.0
Inflation (CPI)	%	8.8	4.5	5.0	6.5
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	6.2	6.2	7.7	-
Export growth	%	-8.7	16.7	-8.2	4.7
Import growth	%	4.1	2.2	-0.4	15.7
Current account balance	\$ M	-122.1	105.5	-148.4	-
Public debt	% of GDP	16.0	15.7	23.5	26.6
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-

Economic indicators		2009	2010	2011	2012
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	23.0	24.7	25.6	25.2
Public expnd. on edu.	% of GDP	-	8.4	-	-
Public expnd. on health	% of GDP	3.5	3.2	3.0	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	3.4	3.6	3.4	3.1

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

The prerequisites for free market competition exist. Market prices, currency convertibility, freedom of economic pursuits, and the free appropriation of profits are guaranteed. State enterprises produce a low percentage of GDP. A number of public companies, such as for the power supply (Nam Power), water supply (Nam Water) and the Transnamib companies (Air Namibia and the railways) were reincorporated as parastatals that are run increasingly on market principles. But some of them are badly managed. Obviously, corruption and nepotism play quite an important role. Nevertheless, the government provides very strong support for black economic empowerment measures in the private sector, parallel to affirmative action measures in the state sector.

Although there are no precise figures, it is estimated that between 60,000 and 80,000 people rely on income from the informal sector, which implies that the informal sector becomes more and more significant.

In 2003, the Namibian government passed the Competition Act, establishing a Competition Commission “to safeguard and promote competition in the Namibian market.” The Competition Commission was subsequently launched in 2009, and it is now responsible for investigating complaints of restrictive business practices and referrals regarding proposed mergers. It also has the mandate to investigate unfair or anticompetitive business practices. Under the Competition Act, the commission will deal with restrictive business practices, such as price fixing; control mergers and acquisitions; and, to promote fair competition, prevent companies from abusing their dominant positions. Attempts to restrain unfair trade practices within the Southern African Customs Union (SACU) are unlikely to succeed, as they would mainly affect South African companies that would almost certainly oppose such measures.

Market-based
competition
7

Anti-monopoly
policy
6

Nevertheless, the Competition Commission played an important role in the negotiations over the impact of Walmart's takeover of a South African retailer with outlets in Namibia.

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 African, Caribbean, and Pacific Group of States (ACP) and of the 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 (especially from China) that can now undermine Namibian production. Liberalization has not noticeably altered the country's economic structure by reducing foreign control and dependence. The terms of trade fluctuated in the period under review. In certain sectors, they worsened because there is too little local processing and diversification. On the other hand, the country is making progress in enhancing processing and finishing in the copper, zinc, fish and diamond industries. The low-tax Export Processing Zone (EPZ) has attracted foreign investment, in particular from South Africa and Malaysia, but investment levels are far smaller than anticipated.

Liberalization of
foreign trade
8

Foreign, and 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 textile company that invested in Namibia a few years ago, withdrew from the country because of labor disputes, company violations of environmental standards, and the imposition of commitments to employ Namibians. On the other hand, a remarkable investment has been undertaken by the German Company Schwenk by establishing a cement plant called Ohorongongo which is flourishing, very likely because it is not only serving the Namibian market but also the rising demand from southern Angola and elsewhere.

Emerging industries in food production have enjoyed government protection from imports. The used car industry is protected through a ban on the import of left-hand-drive vehicles and vehicles older than five years.

Namibia has one of the most sophisticated, diverse and developed financial systems in Africa. Most of the country's financial institutions are privately owned and maintain strong links with South African institutions. As of 2009, total financial system assets stood at 170% of GDP, significantly above the African average. The system consists of four private commercial banks, 30 insurance companies, 500 pension funds, a stock exchange, a number of asset management companies and a variety of micro-lending institutions. Banks dominate the financial system with a share of 38% of total assets, while pension funds accounted for about 35% and insurance companies for 20%. Government Institutions Pension Fund (GIPF) is by far the largest asset holder. Government regulations require a certain percentage of

Banking system
9

investments be placed in Namibia, while most of the remainder is invested in South Africa, giving Namibia a substantial net savings position.

The commercial banking sector is mature and well established. Financial intermediation, as measured by private sector credit to GDP, is high at slightly over 50%. About 40% of bank loans are in the form of individual mortgages. However, lack of collateral and distance between rural villages and urban centers limit access to credit for small- and medium-sized enterprises and rural borrowers. Deposits comprise more than 90% of total liabilities and are highly concentrated. In 2010, the first microfinance institute, backed by German and French development funds, was established in the densely populated north of the country. It serves about 20,000 customers. In 2012, a new government-owned small-business bank opened in Windhoek in an attempt to broaden the lending coverage beyond the very conservative commercial banks and expensive microfinance outlets.

Generally, commercial banks in Namibia are well capitalized and profitable and have become more resilient in recent years. Capital adequacy ratios have reached 15%, while nonperforming loans are at 2% and returns on equity at 28%. While less than 15% of Namibians use transaction, credit or insurance services, the penetration of savings products is high compared to other African countries, at 45% of the total population.

The pension sector, which was established well before Namibia's independence, is well developed in terms of total asset size and maturity. Pension funds are required to invest a minimum of 35% of their portfolio in local assets, and have historically held an additional 10% to 20% in government bills and bonds. The flexible application of investment guidelines has allowed for continued diversification and good performance in fund returns. Government old age pensions reach over 90% of those eligible, and the postal savings bank service a wider population.

Membership in the Common Monetary Area (CMA) provides Namibia's financial institutions with significant benefits. Free capital flows allow for more efficient allocation of capital within the region. Access to South Africa's financial markets helps financial institutions diversify risks and mitigate weaknesses in domestic supervision and human resources. In addition, the peg to the rand has helped reduce inflation and provided predictability in exchange markets.

The Financial Intelligence Act was passed in 2007 to provide a strong legal basis to combat money laundering activities and other financial crimes within the borders of Namibia, as well as to protect the financial system against other financial crimes. Already some high-profile perpetrators have been identified.

8 | Currency and Price Stability

The Bank of Namibia, which was called into existence by the Namibian parliament, began operations in 1990. The Namibian dollar was introduced in 1993 and pegged to the South African rand. The bank operates as an independent institution, but is accountable to the government. The minister of finance and president appoint the bank's governor and deputy governor for five-year terms. The president may remove either from office for misconduct or for being unfit to carry out their duties properly.

Anti-inflation /
forex policy

8

Namibia operates a foreign exchange control policy consistent with that of the Common Monetary Area (CMA) under a bilateral agreement of April 1990 with South Africa. At this stage, no decision as to whether Namibia may eventually leave the CMA has been taken. However, the advantages of a more flexible exchange rate policy would be one of the factors taken into consideration. Although all member countries of the CMA – comprising South Africa, Namibia, Lesotho and Swaziland – adhere to the same exchange control regulations, Namibia has its own foreign exchange operation (Exchange Control) to manage foreign currency transactions.

As the Namibian dollar is tied to the South African rand, any fiscal and monetary policies will be 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 low inflation, from which Namibia has indirectly benefited: According to World Bank figures, the inflation rate in 2011 stood at about 5%, rising to 6.5% in 2012. Finally, in the period under review, the exchange rate of the Namibian 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 until this process was reversed in the last quarter of 2013.

After independence, the government followed a strict policy of macroeconomic stability and tried to avoid public debt. But after public expenditure increased quite sharply in the late 1990s, a booming economy in recent years has led to a considerable increase of state income so that budget surpluses were attained. According to World Bank figures over the past decade, public debt has come down from 27% of GDP in 2004 to 15% in 2011. Moreover, continued outflows of capital to South African financial markets have kept international reserves relatively low. These improvements in revenue have permitted a considerable reduction of debts. However, in response to the global slowdown and the 50% unemployment rate, which received strong public attention and was the subject of much public debate, the government launched a Targeted Intervention Program for Employment and Economic Growth (TIPEEG) to speed up capital spending and create jobs. This has accelerated both deficits and debt over the three or so years of the program. As elsewhere in the world,

Macrostability

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the results have been modest thus far. Public debt remains under target and manageable without any reliance on international finance institutions (IFIs).

The drop in government receipts from the mining sector and the Southern Africa Customs Union (SACU) revenue pool, combined with countercyclical spending, led to overall budget deficits of 1.2% in FY2009 – 2010 and 4.8% in FY2010 – 2011 after several years of surpluses. In response to stubbornly high unemployment, the budget presented in March 2011 launched an ambitious, three-year, N\$14.7 billion job creation and public works program (TIPEEG) that was expected to preserve or create 104,000 jobs. To date, however, only 34,000 jobs have been created. Total spending rose by 35%, and the budget tabled in February 2012 called for an additional increase of 8% for 2012 – 2013, after which spending would level off. The stimulus package has pushed deficits to 11% of GDP in FY2011 – 2012. Deficits will decline gradually and approach balance by FY2014 – 2015. Government debt has doubled since 2009 to almost 30% of GDP, increased in part by Namibia's debut offshore bond issue in October 2011 of \$500 million in the Eurobond market.

Namibia has been rewarded for good macroeconomic performance since independence (only two years of negative growth out of 23) with a good credit rating from Fitch and Moody's rating agencies. Namibia is also one of the few African countries to raise money on the European bond markets, with a \$500 million float.

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 is promoted accordingly. In recent years, the government has proceeded with the partial commercialization 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 members, citing a corresponding party resolution passed in 2002, continue to call for the expropriation of white-owned farms, especially those of absentee foreign farmers, with the objective of increasing redistribution of land. But President Pohamba, formerly the minister of lands and resettlement, tries to keep the issue on the back burner. The Namibian government does not want to become another Zimbabwe. Therefore, public statements reiterate that constitutionally protected property rights will not be called into question. Nevertheless, although the Namibian authorities try to obey the letter of the law and observe the "willing seller, willing buyer" principle, public discussion, fuelled by the ongoing discussion on poverty and social inequality, continues to be haunted by demand for a redistribution of land. Government has launched a land tax to facilitate purchases in an escalating cost environment. Simultaneously, the government's land efforts have shifted to the

Property rights

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communal regions with greater investments and a formal registration process that aims to bring greater commercial activity to that sector.

In the World Bank's Doing Business Report in 2009 (World Economic Forum 2010), Namibia was ranked 69th out of 183 countries for ease of doing business. In the World Economic Forum's 2010 – 2011 Global Competitiveness Index, Namibia ranked 74th out of 139 countries. In other words, Namibia is an interesting country to invest in, although some of the circumstances are still too cumbersome and expensive to really attract investors.

Namibia's economy is dominated by private business, while a considerable number of parastatals provide basic services in the telecommunications, transport, water and power supply markets. The government has repeatedly expressed its intention to continue with its policy of privatization, but its implementation is ineffectual and partly nontransparent. It understands privatization in the narrow sense of a transfer of ownership to the private sector, rather than as an intrusion of market forces in the public sector. Government also appears to believe that more and not less political involvement is required to improve corporate governance and performance. In some cases, parastatals have found ways of working more closely with private investors and business, mostly where black empowerment groups have been direct beneficiaries, not least due to the government's affirmative action policies. Public-private partnerships are often a compromise solution. In some cases of privatization, black empowerment groups have been direct beneficiaries, not least due to the government's affirmative action policies.

10 | Welfare Regime

Namibia maintains a social safety net for the elderly, the disabled, orphans, vulnerable children and war veterans, and has enacted a Social Security Act that provides for maternity leave, sick leave, and medical benefits to Namibians. In contrast to most African states, the country has a remarkable pension system that pays every citizen over the age of 60 a monthly pension of N\$550. This is a pay-as-you-go system funded out of the general budget. 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. Both grants to children and new veterans' benefits are each about one-half of 1% of the budget compared to the old-age benefit, which is 3%. In particular, rural people would not be able to survive on social payments without the traditional assistance and solidarity of the extended family. This fact has led to the discussion about BIG (Basic Income Grant) and the pilot project in Omitara (see below).

Private enterprise

7

Social safety nets

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Moreover, the health system is a major concern. Although health expenditure ranks second highest in Africa (6.8% of GDP according to WB 2012), Namibia is not able to provide appropriate health services for the population. In low-density rural areas, health care facilities have always been neglected, and even the existence of private health clinics, mainly provided by the churches, cannot nearly satisfy the needs of the vast country.

The HIV/AIDS pandemic has seriously aggravated the situation and constitutes a unique threat to the country. In 2012, Namibia had an HIV prevalence rate of 18% in adults aged 15 to 49. The death rate is particularly high among the working-age population despite active and effective antiretroviral services, 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 are also at risk of breaking down.

In addition to government policy, many NGOs are also active in social matters. The landscape of NGOs active in the social field is considerable, but many of them are supported by external sources. The large Christian churches have traditionally played an important socio-political role; since independence, however, they have been more reserved in their public statements. But as moral institutions they exercise far greater social influence than their political articulation suggests. As an example of social solidarity with the poor, the churches launched the Basic Income Grant (BIG) project in the villages of Ojivero and Omitara in 2007. The project was sponsored by German churches. But since the government was not prepared to follow up the pilot project and, moreover, to extend it, the project faded out in 2011.

As the Gini coefficient for income distribution makes clear, Namibia has the highest income disparity in the world. This has serious implications for the equality of opportunity, especially for women. The government is making great efforts to address the issue, but sometimes these efforts fall short. Notable initiatives include the Affirmative Action Act, the Combating Domestic Violence Act and the Labor Act. Institutions such as the Legal Assistance Center Namibia help individuals seek redress for violations of their rights. However, economic inequalities and unemployment still seriously limit equality. According to the Gender-Related Development Index (Human Development Report 2009), women earn only 51% of what men earn for similar work. The same index puts Namibia at rank 108 out of 150 countries.

Thanks to the government's focus on expanding schooling, investment in education 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 of 88% in 2011), particularly at higher levels. This has led to a corresponding improvement in the representation of women

Equal opportunity

6

in public institutions and management levels in both public and private sectors of between 20% and 30%. The quality of education in nearly all sectors, however, has not risen with quantity; instead, it has become worse.

Members of the minority groups complain nowadays about an Ovambo dominance in all walks of life. In fact, members of the majority group from the north are clearly dominating the public sector nowadays. But even if there are political privileges, there is no systematic or even legally enforced discrimination against any ethnic group in the country.

11 | Economic Performance

Compared to other African countries, Namibia has achieved a fairly high level of development with a per capita income (PPP) of \$6,800. According to the key measures of the World Bank (2011), the country's macroeconomic position was relatively stable during 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.

Output strength

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There were no significant macroeconomic changes during the period under review. Inflation and interest rates remained low under the influence of South African policy actions. Namibia's economy is particularly sensitive to changes in raw material prices and, therefore, was influenced by volatility in the global economy. At the beginning of the 2000s, the economy was growing in real terms, but it started to contract with the global financial crisis. Declines and recovery in diamond and uranium markets have a disproportionate impact on macroeconomic data during that period. According to the Bank of Namibia and the new Namibia Statistics Agency, the performance of the real sector exceeded 4% from 2010 to 2012. Economic growth slowed from 6.6% in 2010 down to 3.8% in 2011, following a contraction of 0.4% in 2009. But the trend was held up by increased government spending on TIPEEG, a three-year infrastructure and jobs program. Because of the country's heavy dependence on the outside world, especially its membership in the Common Monetary Area and the Southern African Customs Union, its national monetary and financial policy is stable but not very effective as an autonomous sovereign.

Reflecting the continuation of the government's expansionary fiscal policy, aimed at cushioning the domestic economy from the severe impact of the global economic downturn, Namibia's fiscal deficit is expected to remain high, averaging nearly 6.5% of GDP between 2011 – 2012 and 2012 – 2013, and the country's public debt has

risen in recent years, although it remains sustainable and below the 30% of GDP threshold.

The overall unemployment rate stands at around 50% (2012), and more than 60% of young people under the age of 25 are unemployed or underemployed (CIA World Factbook). Based on the Labour Force Survey 2008, 83.6% of those 15 to 19 years of age are unemployed. In particular, young people struggle to manage the transition from school to the workplace, which is to a large extent blamed on the educational system, which does not equip learners with the skills required on the labor market.

After years of fiscal surpluses arising from prudent macroeconomic policies, the fiscal situation has deteriorated substantially, reflecting the global economic crisis and expansionary policies to support growth. The budget for 2011 – 2012 provides for the continuation of the expansionary fiscal policy for the fourth successive year as the government commences the implementation of the three-year Targeted Intervention Programme for Employment and Economic Growth (TIPEEG), totaling N\$14.7 billion, aimed at creating and retaining 104,000 jobs. As a result, the fiscal deficit is expected to widen, averaging nearly 6.5% of GDP between 2011 – 2012 and 2012 – 2013. The deficit is financed by domestic borrowing and foreign debt. Namibia's debt levels have risen in recent years, but remain sustainable and below the 30% threshold, despite the expansionary fiscal policy.

Taxes continue to be the main source of government revenue, accounting for about 94% of total revenue (26.8% of GDP) in 2011 – 2012. The bulk of the government revenue is generated from tax on income and profits (42%), followed by the customs receipts from the country's membership of the Southern Africa Customs Union (SACU) pool (33%) and domestic taxes on goods and services, including VAT (23%). Namibia has one of the highest tax rates in the Southern African Development Community (SADC) region, with income tax rates as high as 37%, a corporate tax rate of 35% and VAT set at 15%.

12 | Sustainability

Since independence, Namibia has been a leader in the area of natural resource conservation. The Environmental Performance Index (EPI) was developed to evaluate environmental sustainability relative to other countries. Namibia performs comparatively well, in 2012 ranking as one of the better performing countries in sub-Saharan Africa at rank 78 out of 163 states. 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, employing almost 40% of the workforce, especially in the communal areas. Ecology is a particularly sensitive factor in this largely semi-arid country. Another area of concern is fishing policy,

Environmental
policy

7

because overfishing in the late 1990s caused catch volumes to decrease in subsequent years. Development policies must pay special attention to these issues.

By early 2003, the only operating mine in the county was the Rössing uranium mine, the largest uranium mine the world. However, there has been a resurgence in the industry since 2003. Primary mines have since been opened, including Valencia, Ida Dome, and Goanikontes, as well as two secondary mines, Langer Heinrich (started in 2006) and Trekkopje (started in 2012). To date, none of them is very lucrative in comparative international terms, but environmental implications should not be underestimated because of effects on groundwater quality and increases in radiation; exact data on such factors is not yet available.

According to a special report from the recently inaugurated Namibia Uranium Institute, there is a “uranium rush” underway in the central Namib desert, with ancillary costs to the environment and other growth industries such as tourism.

The government is aware of the negative environmental impact associated with yellowcake mining.

The Chamber of Mines of Namibia, through its Uranium Stewardship Committee and the Uranium Institute in Swakopmund, is committed to promoting Namibia’s uranium as an environmentally clean product, using mining practices that comply with global standards on sustainable development, environmental protection and radiological safety. New environmental risks on the horizon include offshore phosphate mining near the fishing areas of the central coast, and oil exploration off the Skeleton Coast.

Currently, the proposed development to the north of Swakopmund of the Gecko Vision Industrial Park is raising environmental concerns.

All in all, the government seems to be more concerned about exploiting its resources and initiating economic growth than taking care of ecological threats and thinking about environmental protection and sustainability.

During the apartheid regime, Namibia’s education system was essentially focused on the white minority. With independence in 1990, the government of the Republic of Namibia introduced far-reaching reforms in order to eliminate these disparities, allocating up to 28% of the annual government budget to the education sector.

The Namibian education system accommodates approximately 600,000 learners, of whom 174,000 are senior secondary students and below 10,000 are pre-primary pupils. While teachers are generally seen as adequately educated, they lack specialized training. Schools consistently perform below expectation; failure and dropout rates are high. Only 12% of learners proceed into tertiary education of any kind due to limited places in universities and vocational training.

Education policy /
R&D
5

Legislation after independence made primary education compulsory between the ages of six and 16. There are approximately 1500 schools in Namibia, of which 100 are privately owned. The constitution directs the government to provide free primary education; however, families must pay fees for uniforms, books, hostels and school improvements.

As much as the Namibian government is committed to improving access to and the quality of basic education, and despite all of its previous efforts and successes, the education system still displays serious weaknesses with respect to the quality of education. The quality of teaching and the performance of learners are still unsatisfactory, especially in urban and rural areas stricken with poverty. It is estimated that, at the end of grade six, only 25% of learners have acquired sufficient competencies in English and mathematics. Only 40% of all learners pass grade seven without repeating a year. At the overall national level, only 25.9% of learners reached the minimum level of mastery in reading literacy, and a meager 7.6% reached the desired targets.

Spending on education accounts for about 8% of GDP and for more than 20% of the budget. In 2005, the Namibian Ministry of Education developed a 15-year strategic plan (from 2005 – 2006 to 2020) called the Education and Training Sector Improvement Program (ETSIP), a comprehensive reform of the education and training sector.

It took quite some time to start up this huge program worth \$60 million. Most of the activities are now in force, but it remains to be seen how effective the program is.

The HIV/AIDS pandemic is another source of great concern due to the high rates of infection among teachers. The disease is particularly prevalent in the tertiary education sector; almost 40% of the students at the University of Namibia are thought to be infected.

Transformation Management

I. Level of Difficulty

Namibia is one of the largest African countries and has a very small population. More than 50% of the citizenry live in the north and 57% live in rural areas. The vast size of the country creates infrastructural problems that are addressed by a rather good road system that goes back to colonial times. But inequality in the distribution of income and the extreme poverty of large sections of the population – the wealthiest 10% of households earn 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. Nevertheless, 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. These assets, supported by considerable international assistance in the post-apartheid era, have reduced the structural constraints on governance in the last two decades.

Structural
constraints

5

The roots of civil society in Namibia go back to colonial times. Civil society groups, particularly the churches, played an important role during the liberation struggle, predominantly supporting SWAPO. After independence, civil society groups tended to increasingly dissociate themselves from SWAPO and become autonomous interest groups. In the public debate, however, the opinions of civil society groups carry more weight than those of the parliamentary opposition. It appears that a fundamental consensus on the basic rules of democracy is gradually forming, a development to which the leading political and social actors and institutions in Namibian society do not seem to object. The constitutional rights and freedoms that guide civil society are broadly respected, but civil society groups are nonetheless frequently perceived as being denied any meaningful input into the formulation of public policy, or as being insufficiently organized to make such input.

Civil society
traditions

4

Civil society in Namibia has little depth. This shallowness is of two types: First, there is a lack of depth in terms of basic management capacity. This capacity gap cuts across all types of NGOs, and concerns basic planning, management and accounting

functions. It reflects the general lack of skilled human resources in Namibia, and the competition for qualified personnel among the public, private and NGO sectors.

Second, there is a lack of depth in terms of indigenous constituencies. Some of the Windhoek-based NGOs are elite organizations that try to define and represent the interests of the marginalized, but they did not grow out of grassroots organizing and often they are speaking for, and do not hail from, disadvantaged constituencies. NGOs may be effective in influencing policy and government action, particularly when the government is relatively open as it is in Namibia, but they are not sustainable in the absence of donor funding because they lack a mass following. People would not support them if donor funding disappeared. Their goals are often too abstract, too far removed from everyday socioeconomic realities, or have limited appeal for the bulk of ordinary citizens. The government and political parties may be able to ignore them or repress them with few repercussions, or donors may dominate their agendas. When donors become the main stakeholders, this can lead to accountability problems within NGOs.

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 policies including affirmative action. But racial and ethnic tensions still exist and play a role under the surface of political correctness and sociopolitical integration (SWAPO slogan: “One Namibia – One Nation!”). But neither within the SWAPO nor within Namibia as a whole have latent conflicts been overcome between the racial groups or between Oshivambo speakers and other population groups. But there are no open conflicts. Nonetheless, latent conflicts exist and appear to be growing rather than diminishing. For example, competition for jobs is 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. The fact that the SWAPO candidate for the presidency is a member of an ethnic minority in the country can be regarded as a positive sign to overcome tensions.

Conflict intensity
4

II. Management Performance

14 | Steering Capability

Overall, the government and its various 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

Question
Score

Prioritization
8

free market economy (through privatization). Moreover, the government claims to promote democratic participation and integration through decentralization. A long-term planning project entitled Vision 2030 exists, but its goals and their consistent implementation are still vague in many fields. 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 prove how serious he is about it and how effective he can be. In any case, one has to admit that the new National Development Plan (NDP 4) 2012 – 2013 to 2016 – 2017 is leading in the right direction by prioritizing economic growth, creating employment and income equality. It has to be shown whether the government is taking the crucial structural problems of Namibian society seriously.

A closer analysis shows that plans and reforms are inevitably sacrificed to political infighting; there is a big gulf between goals, planning and implementation. A weak and partly unqualified administration is often incapable of effectively implementing strategic goals. In an effort to directly confront the skills deficit in the public sector, a new training institution (NIPAM) has opened in the capital to emphasize short course training for government personnel at all levels. It is hoped that improvements in implementation will follow.

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. The president's far-reaching decision of December 2010 (see "Performance of democratic institutions") to centralize the nomination of the regional governors constitutes an exception to decentralization policy. Similarly, a lack of decision-making has dogged land reform. Because land and property rights are controversial issues, an objective discussion about expropriation within given legal structures has been avoided for many years. Similarly, a serious debate about the concept of BIG (Basic Income Grant), which the country could afford because of its small population, did not take place. A BIG policy might effectively tackle the issue of social inequality.

Compared to former president Nujoma, President Pohamba appears to be more flexible and moderate. While Nujoma remained stuck in his political opinions and prejudices, Pohamba seems to be prepared to learn from past mistakes and to listen to critics, mainly from outside. Nevertheless, because the old interest groups and party factions still have considerable influence behind closed doors, Pohamba has not really moved away from the patterns of the past and has not clarified his own political orientation. However, international investors' demands for certainty and security still play an important role.

Since the old guard of politicians will eventually be stepping down, a new generation of politicians has set out to participate in party politics. Consensus among the top leadership has been the hallmark of SWAPO rule since independence. Probably,

Implementation
7

Policy learning
7

Hage Geingob, who has a lot of experience in administration, will introduce more change under his presidency in future. At the same time, the latest party congress entrenched the old guard once more in control of the party's central committee and politburo. The critical and partly radical demands of the SWAPO Youth League, which were becoming louder and louder, lost decisively at the congress, at least for the moment.

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. The civil service is overblown, with the public sector wage bill forecast to reach 14% of GDP in the coming year. Shortages of specialized skills in public service persist, with skilled staff opting for jobs in the private sector or in the highly paid state-owned enterprises. Tax arrears have tripled in the past five years, reaching 11% of GDP in early 2012 (including interest and penalties).

As a rule, administrative channels are long, public order and security is not unconditionally guaranteed everywhere, and corruption is ubiquitous, if not yet excessive. The number of civil servants has more than doubled since independence, dangerously straining the budget. Even today, the tendency to make politically motivated appointments tinged by 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. President Pohamba's announcement of his intention to fight corruption has been heard and repeated allover but it has not initiated a noticeable reform process.

In large parts of the country, progress in decentralization is still slow 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 affluent 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 their newly decentralized tasks and duties, a fact that further widens the gap between poor and rich and between the center and the periphery.

The government, in particular the presidential office, clearly realizes the need for a long-term and coherent policy, not least because international donors consistently request the articulation of such a strategy. The Vision 2030 and particularly the Fourth National Development Plan can be understood as attempts to incorporate different views and conflicting objectives in one coherent strategy. Namibia is a member of regional and multilateral organizations that receive development

Efficient use of
assets

6

Policy
coordination

7

assistance from the World Bank, the IMF, the European Union and many other developmental institutions. One prerequisite for international cooperation includes national development plans and comparable framework papers on which cooperation and financial transfers can be based. Examples include the United Nations Development Assistance Framework (UNTAF) and the Rural Poverty Reduction Program of the European Union.

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 from ministries that go against its views. Furthermore, implementation capacity is also weak.

Corruption is publicly criticized, but remains socially acceptable to most Namibians. 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 context, there are also interconnections between state, party-owned and private capital. Adding to the complexity of state-business relations are the residues of apartheid, racial imbalances that remain a target of government policy to a degree. Nonetheless, the market economy functions reasonably well in Namibia. 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 give rise to suspicions of corruption. All in all, in everyday life, corruption does not play a very significant role.

Nonetheless, corruption and the need to fight it are frequently discussed, not only among the opposition (inasmuch as it is not itself involved) and civil society groups, but also in the government, as it is addressed by President Pohamba again and again. He pushed for the establishment of an ACC (Anti-Corruption Commission), which went to work on 1 February 2006. There is also ambitious anticorruption legislation, including making the ACC a constitutional body. In addition to the ACC's sensitization seminars, held at various regional offices for the past two years, the directorate also conducted similar training at various local authorities and public schools in regions such as Karas, Hardap, Omaheke, Otjozondjupa, Erongo, Oshana, Oshikoto and Kunene between March and June 2010.

From an international point of view, Namibia is rated according to a Global Integrity Index, a mix of qualitative and quantitative information on governance and the national anticorruption framework. In 2007, Namibia was classified as "weak." In preparation for a comprehensive UNCAC (U.N. Convention against Corruption) review in 2014, the government in early 2013 launched an anticorruption strategy process.

Anti-corruption
policy

6

16 | Consensus-Building

Since the early 1990s, the president and the government have made great efforts at consensus-building. The central element was the realization of a democratic state and a mixed economy as intended by the constitution and supported by the international community. A strong minority within the formerly very socialist-minded SWAPO, as well as tiny political parties such as the South West Africa National Union (SWANU) or the Workers' Revolutionary Party (WRP), opposed this path. The president was openly supported in this policy by the white-dominated, free market-oriented business world, despite obvious latent racist and ethnic conflicts. However, there was always greater consensus in economic than in political circles. Nonetheless, 71% of respondents in the 2012 Afrobarometer opinion survey felt that the government was "moving in the right direction" with relatively optimistic views of the present and future national economic conditions, at least before the current drought crisis.

Consensus on goals
9

There are no significant antidemocratic veto actors. The few already mentioned have practically excluded themselves from the political discourse by overstating their political position. Nevertheless, there always have been authoritarian tendencies within SWAPO and the Youth League, but they cannot be called antidemocratic.

Anti-democratic actors
9

SWAPO's dominance in Namibian politics, as well as the strong position of the president, have not allowed serious conflicts to emerge within society. This does not mean that potential political cleavages do not exist, but so far conflicts have been widely overcome by charismatic leadership as well as by the former president's authoritarian rule. His successor, President Pohamba, seems to favor a more inclusive strategy. In this context, his meetings with politicians from opposition parties, as well as his dialogue with minorities, are a promising development. It is also noteworthy that he refrained from the sometimes harsh rhetoric typical of his predecessor. At least he was able to pursue an inclusive approach within the party. The elections for new leadership within SWAPO and the defeat of some prominent challengers for top positions within the party structure at the party congress in November 2012, along with subsequent cabinet and party leadership reshuffles, did not lead to major irritation or conflict within the party. The consensus-oriented president stays popular and unopposed. He is prepared to leave office in 2014, according to the constitution.

Cleavage / conflict management
8

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.

Civil society in general has little depth. This shallowness is of two types: first, there is a lack of depth in terms of basic management capacity. This capacity gap cuts across all types of NGOs, and concerns basic planning, management and accounting functions. But it reflects also the general lack of skilled human resources in Namibia, and the competition for qualified personnel among the public, private and NGO sectors.

Second, there is a lack of depth in terms of indigenous constituencies. Some of the Windhoek-based NGOs are elite organizations that try to define and represent the interests of the marginalized, but they did not grow out of grassroots organizing and often they do not speak for, and do not hail from, disadvantaged constituencies. They may be effective in influencing policy and government action but they are not sustainable in the absence of donor funding because they lack a mass following. The political culture in Namibia is not very participation-oriented. In general, civil society groups do not find much support in 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. Labor is also a potential source of activism, but it is not united as the major unions are affiliated with the ruling party. The umbrella body for civil society organizations Namibia NGO Forum (NANGOF) has revitalized over the past few years, but it refrains from becoming a lead actor with its own agenda.

In other words, political will to allow democratic processes relating to the role of civil society their full reign within government appears limited, despite the espoused commitment to democracy in national and international forums. A direct approach to creating political will may therefore not bear fruit. Therefore, a more indirect route should be followed to maintain some civil society pressure that could contribute to political will for a more operationally meaningful democracy in Namibia.

However, Namibian civil society suffers from a number of constraints. Civil society in Namibia carries a particular burden for protecting and enhancing democracy in the absence of a truly competitive political society. This is not an easy burden to bear, and one should not be overly optimistic about the contribution that a small group of relatively weak NGOs can make. There is probably only a very limited possibility for a genuinely competitive party system to emerge in the near future.

While a considerable number of Non-Governmental Organizations operate in Namibia, most are involved in the social sectors such as health and support services and are regarded by government as cooperative partners in national development. Organizations involved in governance-related issues are often viewed less favorably, as they are likely to question, challenge and criticize government policies and practices.

Civil society
participation
5

Small civil society groups such as the Legal Assistance Center, Breaking the Wall of Silence (BWS) or Namrights (formerly National Society for Human Rights) have taken the lead in uncovering and coming to terms with human rights violations. Aside from the crimes committed under South African apartheid, greater attention is being paid to offenses committed by the SWAPO leadership in exile, a very sensitive topic with the government, which is trying to prevent apartheid-era reports from being published. These offences can be linked to accusations of torture in relation to the Caprivi-secession attempt. The victims still ask at least for moral justice for past acts of injustice.

Reconciliation
4

A prominent case of restorative justice is the repatriation of skulls from Germany as remains of the 1904 – 1908 genocide. The issue became very sensitive, not only for the relations between Namibia and the former colonial power, because of the very hesitant attitude of the German Foreign Office, but also for the internal debate between the most affected communities and the government, because Nama and Herero felt that their case had been adequately recognized. The process of reconciliation will not be ended before the remains are brought back and buried as heroes with full honors as citizens of a new nation. A similar issue erupted in early 2013 linking the missing skull of Mandume Ndemufeyo, a Kwanyama king who died in 1919. Although the president accused the United Kingdom of involvement, suspicion is rife that the raising of the issue had more to do with assuring local Kwanyama loyalty to SWAPO.

17 | International Cooperation

In international comparison, Namibia has been a major recipient of international support since independence. After the prolonged struggle for independence, the country received huge international transfer payments. Nevertheless, it is still less dependent than the average African state. As a scarcely populated country, Namibia has received an average of \$109 per capita in development transfers annually and is thus one of the top African recipients.

Effective use of
support
7

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 in these partnerships range from infrastructure improvements to sector reforms and HIV/AIDS prevention. The multi-annual indicative program of the European Union for Namibia under the 10th European Development Fund (EDF, 2008 – 2013) amounts to €104.9 million. Following the Mid-Term Review of the Country Strategy Paper/National Indicative Programme (CSP/NIP), the indicative allocation for Namibia was increased by 20%. It is focused on poverty reduction in rural areas, infrastructure development, and education. In addition, Namibia obtained

additional support for capacity development in the sanitation sector under the European Union's Millennium Development Goals (MDG) initiative (€6 million). Both partners have developed far-ranging strategies that crucially support Namibia's reform processes.

Three major development contributors in recent years have been the Global Fund for Malaria, Tuberculosis, and HIV/AIDS, the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), and the Millennium Challenge Account (MCA). The latter two are United States initiatives that made that country the largest partner at the time. As the N\$3 billion MCA winds down over the next few years, additional donor funding is becoming more difficult to access. Again, the upper middle income status has made Namibia appear too successful to qualify for aid. New opportunities from China and India are being pursued as those countries become more important trade and investment partners.

On the other hand, Namibia is skeptical about closer cooperation with international financial institutions (World Bank, IMF) because it fears interference in its domestic agenda. Currently, there is an intense debate in the government about a possible World Bank credit to finance education sector reforms. In spite of this caution, the African Development Bank is an accepted financial partner and has so far has provided several loans (totaling \$216 million) for the improvement of the transportation system and for agricultural reform. There has also been extensive cooperation with the United Nations (UNDP) on poverty reduction and HIV/AIDS.

All the different assistance programs are integrated in the fourth National Development Plan and are part and parcel of government expenditure in the economic and social sector. Long-term development needs are greatly enhanced by outside funds, but the country is not dependent upon donor funds for operational finance.

But although most of the international assistance is well integrated in the national development plan, it is not guaranteed that the funds are also effectively spent. Project audits and evaluations show that there is room for improvement.

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 receiving too much aid. As a consequence, state and non-state institutions often fail to take the necessary precautions when allocating resources; they also fail to exhibit the appropriate commitment to development. For donors, effective allocation of resources remains problematic. There is corruption but compared to other countries it is not too high. Namibia can be regarded as one of the least corrupt countries in Africa. The Namibian government is taking steps to maintain its good reputation as a democratic aid recipient.

Credibility

8

Namibia is a member of all major international organizations and, despite its small population, is willing to accept responsibility, particularly in the region. The United Nations has been the political midwife for Namibian independence, and Theo-Ben Gurirab was elected president of the U.N. General Assembly in 1999 – 2000 and later as president of the Inter-Parliamentary Union (IPU). In the region, SADC is the most important foreign policy framework for Namibia. Namibia, holding the presidency of SADC in 2011 – 2012, took up an important intermediary function in the SADC, negotiating between South Africa as the dominant regional power and other important states in the region such as Angola and Zimbabwe. Windhoek has become a leading African international congress center and is trying to build a visitor-friendly infrastructure to match its reputation for hospitality.

In the negotiations about an EPA (Economic Partnership Agreement) with seven southern African countries in 2010, Namibia played a crucial role in refusing to sign a free trade agreement, which would harm both the agricultural and export sector of the economy. Trade minister Hage Geingob was bold enough even to reject allegations that Namibia was responsible for the delays in finding a solution for an EPA for the whole group. Together with Angola and South Africa, Namibia has taken a strong position to protect its interests.

Regional
cooperation
8

Strategic Outlook

The Republic of Namibia can look back on 23 years of peaceful and democratic development. Regular elections at various levels of government and a change of top political personnel 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 both democracy and the economy 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 qualifications that can potentially affect the country's future development.

Namibia's democracy is basically a dominant party system that underwent a further entrenchment in the 2009 elections and subsequent developments. Although this system observes the principles of democracy, in reality, government within this dominant party system 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 economic transformation, all governments since independence have endeavored to create a national image that advertises a friendly attitude towards free markets and investment. Thanks to its natural resources, the country is internationally competitive, but needs proper management to derive optimal benefit from resource exploitation. The country still suffers from shortcomings in education and training, as well as an insufficiently skilled workforce that causes low productivity; a culture of rational development oversight is also absent. Average per capita income is comparatively high; however, extremely unequal income distribution and other social factors highlighted by the Human Development Index conceal enormous social inequalities. The small white population and the new black political class are beneficiaries of this unequal distribution. As this situation is not expected to change significantly in the immediate future, the living conditions of the rural poor and high unemployment figures are also unlikely to improve.

In this context, the question of land reform has acquired great significance, especially against the backdrop of events in Zimbabwe. Up to now the Namibian government has strictly observed the constitution: no expropriation without adequate compensation. But political pressure is rising. However, demands for greater redistribution may have noticeable effects on economic and political developments, particularly with 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 conceivably result in government action.

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, who are indispensable to the country's future prospects, are especially hard hit.

An effective means of combating this disease, which could give grounds for hope, is still not in sight.

Namibia receives more international aid per capita than any other country in Africa in some years, which is not surprising given the country's observance of democratic and free market principles. But, as in other African countries, China will play a very important role as a competitor to Western donors. International assistance will focus support on the following fields:

- Reforms of the electoral system, for example the creation of a voters list. These must be public and transparent and the registration procedure of voters needs to be more efficient.
- 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 and arid country;
- Measures to improve Namibia's trade position within SADC and the WTO, but with respect 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, including in particular an emphasis on containing the HIV/AIDS pandemic as a shared task for state and non-state institutions.

Developments in South Africa will be crucial for Namibia's development, in both economic and political terms. South Africa's dominant position will decisively influence Namibia's economy and trade, despite Namibia's efforts to establish a more independent role.