3 Namibia

Teopolina Shiwoomwenyo Amupolo

I. Introduction

Namibia, officially the Republic of Namibia. It is a country located in the south west of Africa. The name Namibia is derived from the Namib Desert, one of the oldest deserts in the world and situated along the Atlantic Ocean. The Namib Desert stretches for more than 2000 kilometres (1.200 mi) along the western coastal border reaching the town of Luderitz southwards and extending from the Atlantic coastline to inland for about 80 to 200 kilometres. The name Namib basically means “Vast Place” and the name Namibia was coined by one of the earlier revolutionaries of the Namibia struggle, Professor Mburumba Kerina while studying at Indonesia between 1960 and 1962.

Namibia is bordering the South Atlantic Ocean between South Africa and Angola. It shares land borders with Zambia and Angola to the north, Botswana to the East, and South Africa to the South and east.

I.1 Geography and Climate

At 824,292 km^2 (318,261 sq mi), Namibia is the world's thirty-fourth largest country (after *Venezuela*). After *Mongolia*, Namibia is the least densely populated country in the world (2.7 inhabitants per square kilometre (7.0/sq mi)).

Namibia has more than 300 days of sunshine per year. It is situated at the southern edge of the tropics; the *Tropic of Capricorn* cuts the country about in half. The winter (June–August) is generally dry; both rainy seasons occur in summer, the small rainy season between September and November, the big one between February and April. Humidity is low, and average rainfall varies from almost zero in the *coastal desert* to more than 600 mm in the *Caprivi Strip*. Rainfall is however highly variable and droughts are common. Due to the dry winters snowfall has a very rare occurrence and prompts media coverage whenever it happens. The last snow was reported in June 2011. However, the weather and climate in the coastal area are dominated by the cold, north-flowing *Benguela Current* of the Atlantic Ocean which accounts for very low *precipitation* (50 mm per year or less), frequent dense fog, and overall lower temperatures than in the rest of the country. Increasing temperatures and inconsistent rainfall has impacted and placed further pressure on natural resources. Areas receiving less rainfall are most likely suffer drought and fires, while other areas faces more frequent floods of greater magnitude. Such changes make agriculture difficult and reduce productivity. It also leads to increased problems with wildlife as fewer resources mean animals push into human settlements.

Moreover Namibia is a dry country with no perennial river. The majority of the rivers are ephemeral; flowing for a short time, sometimes only hours after period of rainfall. However the only perennial rivers in Namibia are shared with its neighbours: they are the Orange River in the south, Kunene River and Okavango River to the north and Chobe River in the northeast. Each of these vary greatly in size and functions as a national frontier with limited irrigation potential. Furthermore, their water is capable of enriching only the extreme northern and southern Regions and Farmers in dry regions use river water to irrigate their land.

The Namib Desert, one of the worlds wonders stretches along the coastline covering about one tenth of Namibia, comprising of shifting sand dunes, gravel plains and rugged mountains. The desert is dry with rainfall as low as 2 mm per annum and dry riverbed in some parts. Devoid of surface water, one of its known vegetation is the *Welwitchia mirabilis*, adapted to survive in the harsh environment for many years with minimal moistures, other formidable ungulates that also adapted to the harsh Namib Desert is the Oryx, roaming freely from the north to the south of the desert. However, various kinds of other *fauna* and *flora* are found within the desert and have grown and adapted to the continuous geographic and climatic changes of the desert. The Namib Desert boasts with sand dunes ranging in distance of 320 kilometers, about 120 kilometers wide and reaching height of 300metres. The spectacular view of the Namib is enriched during summer when ephemeral rivers (Swakop River and Omaruru River) flow from inland to reach the ocean through the desert. The weather and climatic condition of the Indian Ocean and Benguela current of the Atlantic Ocean forms layers of dense fog over the Namib, drifting inland to sustain the livelihood of *fauna* and *flora* of the Namib.

On the eastern and southern part is another desert - the Kalahari Desert. Though not a true desert compared to the Namib. Characterized by its paucity of surfaced water due to its porous sandy soil through which precipitation filters rapidly, the Kalahari receive annual rainfall varying from 100 to 500 millimeters. The Kalahari is covered with a relative abundance of herbs and grasses, shrubs, deciduous trees and open woodlands consisting mainly of acacia (Camelthorn tree). Making it home to endemic and migratory wildlife. The Kalahari climate is subtropical and is semi-arid with the dry season during the cold season. Windhoek the capital city of Namibia is located in the center of Namibia within the high escarpment plain of the Central Plateau. Located between the Namib Desert and the Kalahari Desert, the Central Plateau runs from the north to the south of the country. The central plateau rises to 2,579 meters making it the highest point and extending over half of the country. It is within this wide, flat Central Plateau were the majority of Namibia's population and economic activity takes place. Summer temperature in the area can reach 40 degree Celsius, and frost is common in winter.

I.2 People and the Culture

About 2.2 million people share the vast spaces of Namibia; the country has one of the lowest population densities in the world with 1.5 people per square kilometre. It is thought that only about a quarter of Namibians live in urban areas, although this figure is certainly increasing as growing numbers of unemployed people leave their villages and farms.

Namibia is not only diverse in its landscapes; it displays the same characteristic in the many colorful cultures that call the country home. Some cultures still strictly adhere to their traditional ways and almost every region and habitat has a culture tied to it. Namibia is filled with beauty in terms of its natural and cultural inheritance. Among Namibia's 14 ethnic groups, 26 different languages are spoken. Oshiwambo (the language of the Ovambo people) is the most widely-spoken local language. Others include the Kavango languages, Otjiherero (the language of the Herero), and Khoekhoe (of the Nama-Damara people).However, English is the official national language, and few Namibians speak it as their mother-tongue.

The country is classified as a multi-ethnic country with native Bantu, Khoisan and other groups of European descendent. Germany was the biggest European influence on Namibia and many German-speaking Namibians are 3rd generation citizens while Afrikaans, English as well as a trickle of Portuguese make up for the rest. The relations between the country's different groups remain peaceful.

Lutheran missionaries came to Namibia in the 19th century from Germany (and also Finland). Some of Namibia's peoples held a belief in a superior being or deity. Therefore, conversion to Christianity became widespread. While the vast majority of Namibians are Christian today, many practice elements of their traditional religions, centering round the belief in the spirits of ancestors.

I.3 Conservation

The country is home to diverse wildlife, and its plankton-rich coastal waters support an extraordinary array of marine life, including an increasing number of southern right whales. Further inland, springbok, gemsbok and black-faced impala have all seen multifold increases in population. Namibia boasts the largest free-roaming population of black rhino in Africa, and the largest cheetah population in the world.

The country is also home to a unique population of elephants that have adapted to the arid climate. Found mostly in the northwest part of the country and these "desert-adapted" elephants can go for days without drinking water by surviving on moisture obtained from the vegetation they eat. Although not a different subspecies of savannah elephants, they have several adaptations to their desert environment, including larger feet, which make it easier to walk through sand, and smaller herd sizes, which puts less pressure on their food and water sources.

Namibia sometimes encounters conflicts between people and animal. Conflict with wildlife remains a concern where agriculture shares land with wildlife. Namibia's conservation efforts have helped increase wildlife populations—particularly large animals such as elephants and predators like cheetahs. As these populations grow and their ranges expand, they come into more frequent contact with communities. Farmers see significant losses when elephants raid crops break down fences and water tanks, or when predators kill livestock.

I.4. Natural Resources

Namibia is very rich in natural resources with some minerals occurring exclusively under Namibian soil. Out of a great variety of minerals, mainly *diamonds, uranium, gold, silver, zinc, copper, lead, tin, marble* and *granite* as well as semi-precious stones are being mined. It is the world's fourth-largest producer of uranium but the highest-earning mining export is diamond. Namibia supplies nearly a third of the world's output of these gems. Many of the key mining operations are owned or part-owned by foreign businesses (e.g. South African companies), so not all the revenue goes to Namibia.

The coastal water of Namibia is rich in marine resources. One can find best fish, shellfish, deep-sea red crab, Cape fur seal, guano, seaweeds, and salt at the cold Benguela current. In the past, illegal fishing from the boats of other nations caused a huge drop-in fish number, but since 1990, the country declared a 200-mile zone where only Namibians could fish and since then stock have begun recovering. Many fishes are processed and canned at the coast, with export sent to countries such as Spain and Japan.

Namibia has got other resources such as electricity. The national electricity grid supply approximately 40 percent of Namibia electric consumption, with 60 percent imported from neighboring countries. However, Namibian Government is busy with constructing a new power supply system and upgrading the existing system. With the harsh climate, low fertile soil and sporadic rainfall, Namibia has got small and large livestock farming and crop production to. Natural resources are the basis of Nam-wealth, and without access to many of them Namibia will simply die.

I.5. History and Political Structure

I.5.1Early history

This (Namibia) part of Africa has long been inhabited. Nomadic peoples wandered widely across the region to hunt and gather food. They became known as the San (or 'Bushmen'). Over the last two millennia, the San were forced into desert regions as other peoples began settling in the area. Groups such as the Nama, Damara, Herero, Ovambo and Kavango moved onto land where livestock-rearing or farming was viable.

Some groups, such as the Nama and Damara, speak a Khoisan language similar to the San. Khoisan languages are known for their clicking sounds as they were hunter's gatherers. Other groups in Namibia are Bantu speakers, who were more pastoralists. The earlier period was relatively peaceful with occasional skirmishes as not much history on the co-existence of the various groups is known or documented until by the early 19th century when European missionaries and traders settled in the country.

I.5.2 The Europeans arrived

The first Portuguese stopped off along Namibia's coastline in the 1480s. But because the region was so inhospitable, they showed little interest in settling (as they did in neighboring Angola, for example). It wasn't until the middle of the 19th century that European explorers, traders and missionaries started to explore Namibia. The presence of German Rhenish missionaries at Windhoek made it an important trading centre. With an increase in German missionaries, traders and settlers during this century, the country became a Germany colony known as German South West Africa (Deutsch-Sudwest-Afrika) and it saw an increase of German influence and military activities at this time. German traders and adventurers bought up more and more land from groups such as the Herero and Nama. This began the process of impoverishing the local Namibian peoples which transpired into the Herero/Nama – Germany war in 1904-1908.

Around this time, conflict arose between peoples in Namibia as new groups came into the region, many forced from their land in other parts of Africa by European settlers. The Nama/Herero tried to fight back their land and were unable to defeat the Germany. The European had all advanced weapon and the Namas /Hereroes were unable to defeat the counterpart. With the advanced technologies and organized force, Germany won the war and gained total control over the country leading to a remarkable and the beginning official colonization and implementation of German policies in Namibia. The land and all the wealth of Herero and Nama were ceded to the German administration reparation and Germany claimed the region as ‘South West Africa’ to protect its citizens and traders.

I.5.3 South Africa’s rule and independence

At the end of the 19th Century (During World War I), Germany forces were losing grounds. The territory was captured from Germany by South Africa. At the end of the war, South Africa was assigned to look after the region as a ‘trust territory’ but, it invaded German South West Africa and outmaneuvered the Germans within days, and established their administration in Windhoek by 1915. The white South African administration had managed to persuade the League of Nation and was granted the mandate to in 1920 to administer Namibia / South West Africa on behalf of Great Britain. Many white South African settled in the south while Namibian populations were confined to the north or ‘native areas’ of desert land.

This has caused another conflict and colonization of the black majority by the minority white South African administration, characterized by the famous apartheid policies. The South Africans administered their mandate until after the World War II, when it annexed the territory. Following the World War II, the League of Nation was dissolved in 1946 and its successors, the United Nation (UN) instituted a trusteeship system to bring all of the former Germany colonies in Africa under the UN control. South Africa's position was challenged by the United Nation (UN) and refused to give up the territory arguing that the majority of the territory’s people were content with the South African Rule.

Legal arguments ensued over the course of the next 20 years until October 1966, when the Marxist South-West Africa People Organization (SWAPO) guerilla group was formed. In 1977, the Western Contact Group (WCG) was also formed including Canada, France, West Germany, the United Kingdom and the United States. Swapo military wing, the People’s Liberation Army of Namibia (PLAN) and the international groups launched a joint diplomatic effort. Together, they attacked the South African forces and launched a war of independence and bring an international transition of independence to Namibia. South Africa at first refused to surrender. It continued fighting till they were defeated in 1988, when they agreed to end its administration in accordance with the UN peace plan for the entire region. On 21st March 1990, South Africa was totally defeated, a new nation was born and South West Africa finally renamed The Republic of Namibia.

Namibia has been governed by the South West Africa People Organization (SWAPO) party since the country got independence. President Sam Nuyoma was sworn in as first president, and was succeeded by President Hifikepunye Pohamba in 2005. Prime Minister, Hage Geingob was elected as president in November 2014, and he was sworn in on March 2015.

I.6. The Government

The Namibian government was established as a sovereign, secular, democratic and unitary State. In accordance with the doctrine of separation of power, it is divided into three organs which consist of the executive, legislative and judicial.

I.6.1 Executive

The Cabinet is the executive organ of the government, implementing the laws of the country. It consists of the president and the vice president. The executive power of Namibia vests with the President and the Cabinet. The president is therefore the head of State and Government. He/she is elected by direct franchise in a national election every five years in which he/she must win more than 50% of the votes. The vice president (Dr Nickey Iyambo) is the primary adviser and confidant regarding all state matters. He is required to provide ad-hoc leadership on unforeseen issues, which require the intervention or assistance of the president. The executive also consist of the Prime Minister and her deputy as well as other Ministers. Both the prime minister and the deputy are the chief advisors of the president and overall coordinators of the government offices, ministries and agencies. The prime minister on the other hands is the person to which the secretary to Cabinet is reporting. As for the Deputy Prime Minister, she also leads the Ministry of International Relations and Cooperation in order to advance Namibia in the International arena. Other Ministers supervise different activities in their respective government Ministries and explain these actions to the National Assembly as well as to the general public.

I.6.2 Legislative

The legislative branches of Namibian Government are the *National Council* and the *National Assembly*. They are responsible for making laws of the country. The National Assembly is established in terms of Article 44 of the constitution as the highest law making body of Namibia. It is the 6th *National Assembly of Namibia* after independence. Candidates were selected by their parties based on the results of the *2014 parliamentary election*. The current National Assembly was inaugurated on Namibia's *Independence Day* on 21 March 2015. Like each of the previous National Assemblies, it is led by the *South West Africa People's Organization* (SWAPO) party. The 6th National Assembly has 104 seats, up from 72 seats in all previous assemblies. 96 candidates were elected according to party lists. President *Hage Geingob* appointed eight additional members after taking office.

The National Council on the other hand is established in terms of Article 68 of the Constitution. It is the second house of Parliament and is made up of representatives from all thirteen Regions of Namibia. They are twenty six (26) in total. Each of the 13 regional councils chooses two of its members to serve on the National Council. The last regional council elections were held on 26 and 27 November 2010.

I.6.3 Judicial

This organ is responsible for the interpretation of the laws, as well as decisions and behavior of State and Government officials. The judicial powers are vested in the Courts of Namibia, which consists of: The Supreme Court, High Court, and the Lowers Courts. The Courts are independent and subject only to the Constitution and the law. No member of the Cabinet or Legislative or any other person shall interfere with Judges or Judicial Officers in the exercise of their judicial functions.

The Namibian Government is partly centralized and partly regional. In the executive branch, central government consists of ministries, offices and agencies, whereas regional government consists of Regional Council and constituencies within these. The legislation is centralized in the lower house (National Assembly), and regional in the upper house (National Council). The judiciary is centralized in the Supreme Court, whereas High Courts and Lower Courts are distributed all over the country.

I.7. International relations

Namibia is a constitutional multi-party democracy, and is a model of stability and peaceful development. The country follows a largely independent foreign policy, but has close relations with states that aided its independence struggle. Namibia's Foreign Policy is based on the principles of non-alignment, seeking the peaceful resolution of disputes between countries, under the banner of the United Nations, and a commitment to achieving African unity and increasing co-operation between developing countries. Although a relatively small country, in terms of population, Namibia is proud of the role it plays in international affairs. It is an active participant in a range of international organizations and enjoys sound diplomatic relations with most countries in the world.

National interests constitute an overriding factor in its bilateral relations, allowing Namibia to exercise its sovereign right when conducting business within the parameters of these relations. Namibia has Bilateral and Regional relations with, Southern Africa Development Communities (SADC), Africa and the Middle East, Europe and North America, Asia, the Pacific, Latin America, and the Caribbean.

With Multilateral Diplomacy, Namibia has joined the community of nations at a time when multilateral tasks of diplomacy have proliferated considerably. As such, the country’s small team of diplomatic personnel, which is already over-burdened by bilateral challenges, has found itself faced with a variety of bewildering transnational tasks, such as, terrorism, organized crime, drug trafficking, the smuggling of immigrants, environmental abuse, human rights issues, etc. hence, Namibian diplomats have to participate in the work of international organizations and conferences, negotiations and conclusions of agreements, protocols, conventions and treaties.

Namibia is a member of the United Nations (UN), the Organisation of African Unity (OAU), the Southern African Development Community (SADC), as well as the Commonwealth. Due to its unifying role in the world, the UN and its agencies occupy the central place among international organizations. The Bretton

Woods institutions, i.e., the World Bank and the International Monetary Fund (IMF), have also gained in importance, as has the World Trade Organisation (WTO). As a small developing country, Namibia is an active participant in the G-77 group and in all the programmes aimed at stronger South-South co-operation and North-South dialogue as well. The Namibians sees themselves as bridge-builders, and workers for stronger mutual understanding and fruitful co-operation among all nations. Moreover, Namibia has also multilateral diplomacy in the areas of environment, marine resources, treaties and conventions, and nuclear disarmament and security.

Since independence, Namibia's policy regarding multilateral institutions has focused on effective articulation of the country's specific needs in areas like health, agriculture, metrology, maritime affairs, education, science and technology, the environment and industrialization.

II. Overview of Macroeconomic Activity and Fiscal Position

At independence in 1990, Namibian inherited an economy characterized by narrow industrial base and heavy dependence on the production and export of primary commodities such as beef, fish and minerals. Most of the Namibian indigenous was strategically deprived of wealth generating resources at early independence and inhabitants were left to the periphery without the mean to generate wealth, only ensuring a steady supply of unskilled labor to the minority white settler’s economic activities. The country also faced a skew demographic development; with the northern region poorly developed and the south-central region relatively developed. But due to good infrastructures and the wealth in natural resources left by colonizers, it gave Namibia a potential to develop and seek for economic stability.

In 2004, Namibia adopted vision 2030 under the leadership of first president Dr Sam Nuuyoma. Since then, Vision 2030 is being used as a yardstick to measure development. The main aim is that Namibia wants to have a clear perception about the future, and decided to focus on the following themes such as : Inequality and Social Welfare; Human Resources Development and Institutional Capacity Building; Macro-economic issues; Population, Health and Development; Namibia’s Natural Resources Sector; Knowledge, Information and Technology; and Factors of the External Environment, to improve the quality of life of the people of Namibia to the level of their counterparts in the developed world, by 2030. The main target is that, Namibian economy shall grow at a desire rate of 7 percent by the year 2030.With all this strategic vision, the country implemented and followed sound fiscal and monetary policies which allowed it to maintain macroeconomic stability over the last two decades.

The country has also never been immune to the slow economic slowdown. It has encountered financial crisis in 2008/9, the brutish reality of a rapidly falling life expectancy, unprecedented epidemic crises, poverty, vast malnutrition, violence against woman and children’s, a ruined education system, income inequality, and chronic mass unemployment, is inescapable. The country was heated further by drought in 2013 combined with the low demand for primary commodities in the global market.

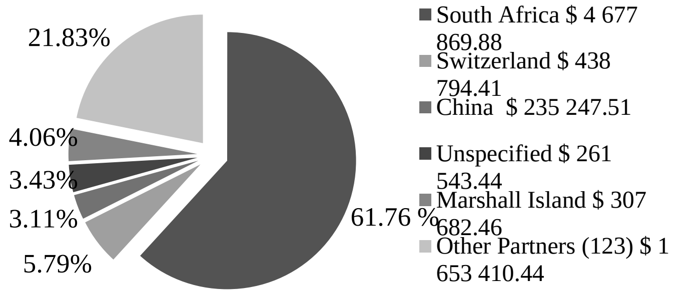
Namibia's economy remains vulnerable to world commodity price fluctuations, and drought. The rising cost of mining diamonds, increasingly from the sea, has reduced profit margins. Namibian authorities recognize these issues and have emphasized the need to increase higher value raw materials, manufacturing, and services, especially in the logistics and transportation sectors.

II.1. Trade Flows

Twenty five years of independence, Namibia still remains dependent on its most important economic partner, the Republic of South Africa, with the Namibian dollar pegged one-to-one to the South African rand. The country is tied in many ways to South Africa through continued membership of the Southern African Customs Union (SACU), and the Common Monetary Area (CMA). The country Central Bank also has similar interest strategy with the South African Reserve Bank.

The SADC Region is Namibia’s most trading partner and this can be attributed to the fact that South Africa is Namibia’s largest trading partner. Namibia over-dependent on South Africa for most of its imports including foodstuffs, and South Africa’s imports from Namibia are mainly live animals and fish. Figure 1below shows Namibia’s heavily dependence on South Africa for most of its product as compare to other countries.

Figure 1 Namibia 2013 Import Partner Share



Source: World Integrated trade solution 2013

Namibia has abundant natural resources, good infrastructure and access to markets, but contrary to this potential, the economy is not well diversified. Economic activities are concentrated in primary sector activities namely the extraction and processing of minerals for export, large scale commercial livestock farming, fisheries and tourisms.

In recognition of the importance of international trade and foreign direct investment in promoting economic growth, the government has opted to pursue an export-oriented strategy for economic growth and development, in which export push and investment promotion are central elements to the country's trade policy and development strategy. Regional integration arrangements are also seen as vital in addressing critical demand-side constraints faced by Namibia due to its limited domestic market. Namibia implemented free-market liberal policies such as enacting a Foreign Investment Act and Export Processing Zone (EPZ) regime as well as employing favorable incentives for exporters and manufacturers with a view to attracting foreign direct investment.

II.2 Economic by Industry

The Namibian economy is still dependent on external influence such as, world market sizes, climate conditions, commodities, regional economic development and the South African economy. The economy still rest on four pillars*: Agriculture, Mining, Fisheries* and *Tourism*. Namibia has one of the biggest GDP per capita in Africa. Yet, due to an uneven distribution of income, half of the population lives below the poverty line. Agriculture is the main source of income for 50% of Namibians.

Mining: This sector remains the mainstay of Namibia economy, being the largest contributor to the GDP. The country is the fourth largest exporter of non-fuel minerals in Africa and the world's fifth largest producer of Uranium. Rich alluvial diamond makes Namibia a primary source for gem-quality diamonds. Namibia also produces large quantities of lead, zinc, tin, silver, tungsten, copper, lead, gold, silver, tin, marble and granite. Many of the key mining operations are owned or part-owned by foreign businesses (e.g. South African companies), so not all the revenue goes to Namibia.

Agriculture: Subsistence agriculture is the main source of income for 50% of Namibia. Farming remained the second most important industry and many Namibians work in this sector. Some have jobs on ranches where cattle and sheep are raised. In the centre and north of the country, farming generally takes place on a smaller scale. In these regions, most are subsistence farmers, producing enough for their own needs and selling any surplus crops or animals for cash. The agricultural sector main sources of income are: (i) livestock, beef and mutton production, which accounts for about 70-80% of the gross agricultural income; and (ii) agronomic production which accounts for the remaining 20-30% gross agricultural income. About 80% of Namibia's beef and mutton is exported to South Africa and the European Union. Namibia's climate is mainly suitable for dry-land crop production, with the exception of areas in the north, north-eastern, and southern parts of the country where irrigation is possible in areas bordering perennial rivers and where dams feed irrigations.

Fishing: In 1990, the country declared a 200-mile zone where only Namibians could fish because illegal fishing from the boats of other nations caused a huge loss in fish number in the past. Since then, stocks have begun recovering and Namibia's **fishing** industry ranks among the world's top 10 in the international fishing industry. This is due to the cold Benguela current which creates an especially beneficial eco-system, with year-round temperate conditions. Namibia's 1500 kilometer-long coastline has a marine produce harvested by a flourishing fishing and fish-processing industry. Some of the more common fish available in quantity for export are horse mackerel and hake. Namibian horse mackerel contains only three to eight percent body fat, making it both healthy and highly nutritional as well as a vital staple food source for many nations. Namibia's Hake products are of superb quality and in great demand for the catering and retail markets. Other marine exports include rock lobster; crab; oysters; kabeljou; monk; tuna; pilchards and seaweed.

Tourism: The number of tourists to Namibia is growing. A third of visitors come from South Africa and many come from Europe, particularly from Germany. Tourists to Namibia are increasingly attracted by the country's unique mix of peace, political stability, cultural diversity, and geographic beauty. Namibia tourism has had a positive impact on resource conservation and rural development; and to ensure the tourism economy develops in the right way, many community-development schemes have been set up to ensure locals benefit from the presence of tourists. In the decade leading up to 2016, income from the tourist sector is expected to grow nearly 7% annually.

Moreover, Namibia's main export commodities include copper, cut diamonds, gemstones, granite, lead products, marble, uranium and zinc. The main import commodities include petroleum products, pharmaceuticals, plastic products, rubber, spare parts, textiles and knitwear and timber.

In addition to the membership in the Southern African Development Community (SADC), and South African Customs Union (SACU), a customs union comprising Botswana, Lesotho, Swaziland and South Africa. Namibia has been also a member of the World Trade Organization since its inception in 1995 and has been a strong advocate of the Doha Development Agenda. Namibia also is a member of the International Monetary Fund and the World Bank. Furthermore, Namibia is currently engaged in negotiations aimed at concluding the EU-ACP Economic Partnership Agreement.

II.3 Macroeconomic Indicators

II.3.1 Economic growth

Namibia held off the global economic slowdown, posting growth rates above 5% since 2010. Recovery remains on course despite the winding down of official fiscal stimulus measures. Gross domestic product (GDP) growth accelerated to 5.3% in 2014 from 5.1% in 2013 with robust construction activity and high consumer demand. Growth is expected to improve to 5.6% in 2015 and 6.4% in 2016 as external demand improves and new mines start production and exporting. Tight monetary policy has kept consumer price index (CPI) inflation within the target range of 3% to 6%. The Bank of Namibia in August 2014 implemented a second increase in the repo rate by 25 basis points to 6% to stabilise rising inflation caused by escalating food and transport prices. Consequently, the CPI inflation rate moderated from 6.1% in June to 4.7% in December.

Table 1: Macroeconomic Indicators 2013-2016

Macroeconomic Indicators	2013	2014 (e)	2015(p)	2016(p)
Real GDP Growth	5.1	5.3	5.6	6.4
Real GDP per Capita Growth	3.2	3.4	3.7	4.6
CPI Inflation	6	5.3	4.1	5
Budget balance % of GDP	-1.1	5	6.2	4.8
Current Account balance % GDP	-5.1	-4	-1.7	-1.4

Source: Data from domestic authorities; estimates (e) and projections (p) based on African Economic Outlook Authors.

Political stability and prudent fiscal management have helped anchor Namibia's high growth rates and poverty reduction efforts. With strong ties to South Africa, the region's second biggest economy, Namibia has stronger competitiveness and investment attraction than average sub-Saharan countries. However to accelerate convergence with high income countries in line with its current National Development Plan, the authorities need to address remaining structural bottlenecks. Work on a new Public Procurement and Public Finance Management law need to be speed up to reinforce economic governance and public sector management. Namibia also needs better regulatory capacity for public-private partnerships to help public sector investment programmes. Fiscal consolidation, including rationalizing public sector wages, should continue to achieve efficiency gains and help attain a more sustainable current account balance. Efforts to enhance education and training quality must be stepped up and anti-corruption efforts redoubled to recapture public confidence and strengthen the country's strong governance record.

II.3.2 Gross Domestic Product

Namibia's robust macroeconomic performance following the global financial crisis was astonishing, but a continued commitment to sound policies and structural reforms to build adequate policy buffers, preserve financial sector stability, and reduce unemployment and inequality is still needed. While medium-term growth prospects remain good, the IMF noted that risks were increasing. "The recent expansionary fiscal policy – while contributing to job creation – has increased pressure on external balances and put downward pressure on international reserves," IMF noted. The country continues its commitment to pursue growth-friendly fiscal consolidation, noting that a sustained effort will be needed with the aim to build international reserves. It is of important, for Namibia to outline the government wage bill and reducing subsidies and transfers to state-owned enterprises, as well as strengthening revenue administration and public financial management, while safeguarding critical social and development needs.

"Namibia's growth outlook is clouded with downside risks, while facing significant policy challenges," the IMF pointed out, indicating that the main near-term risks are associated with highly volatile SACU revenues, rapid growth of house prices, and external environment. Its main policy challenges are therefore (Placeholder1)

Table 2: Namibia: Selected Economic Indicators, 2011-2010(Baseline Scenario)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
					Est	*Proj*	*Proj*	*Proj*	*Proj*	*Proj*
National account and prices										
GDP at constant prices 1/	5.1	5.1	5.1	4.5	4.8	5.0	6.2	5.8	4.5	4.4
GDP deflator	3.8	12.6	11.3	11.7	6.1	6.0	6.0	6.0	5.8	5.8
GDP at Market prices (N$ billions)	90.1	106.7	124.9	145.7	162	180.4	203.1	227.1	251.5	277.6
GDP at market prices (US$ billions)	12.4	13	12.9	13.6	12.9	13.7	14.9	16.2	17.4	18.7
GDP per capita (US$, constant ex.rate)	6,150	7,184	8,287	9,539	10,519	11,615	12,966	14,416	15,796	17,289
Consumer prices (end of period)	7.4	6.4	4.9	4.6	5.2	5.5	5.8	5.8	5.7	5.7
External sector										
Export (US$)	9.8	-0.4	6.0	-0.4	-6.7	6.8	15.4	9.6	2.4	2.3
Import (US$)	7.9	17.9	1.6	11	-5.9	7.3	0.3	3.2	1.6	3.6
Terms of trade (deterioration= -)	6.5	-9.0	-4.0	-2.9	-1.4	-5.6	-2.3	-2.1	-2.0	-1.9
Real effective exchange rate (period average)	-1.6	-3.9	-8.7	-5.9						
Exchange rate (N$/US$, end of period)	8.1	8.5	10.5	11.6						
Money and credit										
Domestic credit to the private sector	9.3	16.9	14.5	16.5	9.5	9.0	10.4	11.4	10.3	10.0
Base money	69.9	-9.5	22.7	16.7	7.7	8.2	9.3	9.4	9.5	9.4
M2	19.8	5.3	8.6	7.7	9.8	9.7	10.9	11	10.5	10.4
Interest rate (percent)	6.0	5.5	5.5	6.0						
Investment and Saving										
Gross investment	22.7	25.9	26.1	28	29.6	32.7	22.4	19.1	19	18.9
public	8.2	7.2	6.7	4.3	4.6	4.7	4.4	4.1	4.0	3.9
Private	14.4	18.7	19.4	23.7	25	28	18	15	15	15
Gross domestic savings	13.0	13.1	9.4	6.9	8.4	11.2	7.6	7.7	9.3	9.7
Gross national savings	17.5	16.7	17.8	14.1	15.4	15.7	9.6	8.5	9.6	9.8
Central Government budget 2/										
Revenue and grants	31.7	32.9	32.2	35.1	33	29.7	30.7	31.1	30.7	30.4
Of which : SACU receipts	7.6	12.4	11.3	12.1	10.3	6.8	7.6	7.9	7.7	7.5
Expenditure and net lending	40.3	34.5	36.4	38.9	39.7	37.6	35.9	35	34.7	34.6
Primary balance (deficit = -)	-7.3	-0.1	-2.9	-2.4	-5.2	-5.9	-2.8	-1.4	-1.4	-1.4
Overall balance	-8.5	-1.6	-4.2	-3.8	-6.7	-7.8	-5.2	-4.0	-4.0	-4.1
Overall balance : Non-SACU	-16.1	-14.0	-15.6	-15.8	-17	-14.7	-12.8	-11.9	-11.7	-11.6
Public debt/GDP	26.2	24.0	22.7	24	28.3	33.3	34.9	35.3	36.1	36.9
Gross PPG debt /GDP	28.1	25.9	26.8	27.2	34.7	41.5	45.6	45.3	46.1	46.9
External sector										
Current account balance										
(including official grants)	-2.9	-5.6	-3.9	-9.9	-12.1	-16.3	-10.7	-7.8	-6.9	-7.1
external public debts (including IMF)	6.4	7.8	6.9	7.2	8.9	10.8	11.7	11.8	11.6	10.9
Gross official reserves										
US$ millions	1,800	1,774	1,526	1,220	1,079	1,045	1,106	1,233	1,355	1,397
Percent of GDP	14.5	13.6	11.8	8.95	8.4	7.6	7.4	7.6	7.8	7.5
Months of Imports of goods and services	3.0	2.8	2.2	1.8	1.5	1.5	1.5	1.6	1.7	1.7
External debt /GDP 3/	41.4	35.6	38.4	40.4	47.2	48.6	49	49.5	50.6	51.4
Memorandum item:										
Population (in millions)	2.1	2.1	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3

1/ Figures include public enterprise and central government investment
2/ figures are for fiscal year, which begins April 1
3/ public and private external debt
Sources: Namibian authorities and Fund staff estimates and projection

II.3.3 Demand and inflation

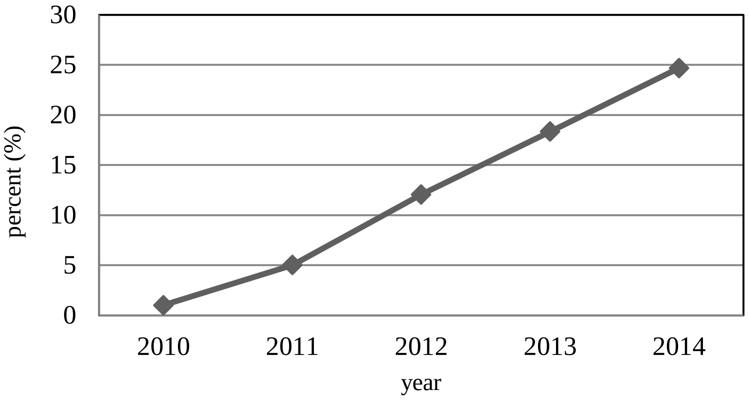
The history of Namibia inflation data dates back to 1970, where the CPI was constructed as a sub national index of the South African CPI. During this period, Namibia CPI items and weight were based on the Household and Income Expenditure Survey (HIES) of 1975 which was conducted by the Central Statistical Service (CSS) of South Africa, and only cover most regions of South Africa and Windhoek, Namibia's capital city. The household expenditure patterns became relevant and changing overtime, attracting the interest of independent Namibia to establish its own HIES central statistic system. In 1993 following independence, the Central Statistical Office (CSO) in Namibia introduced an interim CPI, using the South African HIES weights though covering only Windhoek, the capital city. Since then, efforts have been undergoing and today the Central Statistical Office is able to conduct Namibian HIES and provide national representative consumer price index (CPI) for the entire country.

A high proportion of consumer expenditure in Namibia is accounted for by the purchase of consumer goods from its neighbor, and the largest and most sophisticated economy in the region, South Africa (SA). Such a situation leads to the expectation that imports from South Africa play a significant role in determining inflation in Namibia, and that there should be similar movements of inflation rates in the two countries.

Namibia’s domestic economy signs of satisfactory performance constitute increased production in diamonds, zinc concentrate and gold; robust construction activities and an increase in wholesale and retail sustained the positive momentum. Growth in credit extended to the private sector rose as demand for credit from both the business and household sector increased. However, the value of Namibian dollar weakened against all major trading currencies both on an annual and quarterly basis. And the poor performance is endorsed by decline in commodity prices. It’s believed that cheaper petrol can bring a bit of relief in the short-term. The currency volatility poses significant risks, to the inflation outlook and continuing drought conditions also pushes up food prices.

Looming fear is bearing that the slowdown in economic growth would negatively affect export earnings from metal such as copper and zinc. The South African rand had also weakened, resulting in increased prices of imported goods and services. The weaker South African Rand will fuel inflation and poses significant upside risks to the inflation in both Namibia and South Africa, putting pressure on both central banks to raise interest rate further. The Namibian Dollar is pegged one-to-one to the South African Rand, and the weakening of Rand will negatively affect the Namibian Dollar as it will also depreciate against major trading currencies which will result in higher prices of imported goods.

Figure 2: Annual Inflation rate 2010 to 2015



Source: Worldbank.org

Over the past few years, inflation rate in Namibia has been increasing. Figure 2 illustrate a consistent climb in annual inflation, with an increase of approximately 5.4 percent yearly for the financial year 2012 to 2014. This increase resulted mostly from consumer goods imported and sold at market rates. The items prices tend to be driven by global factors and the local exchange rate. The value of Namibian dollar weakened against all major trading currencies both on an annual and quarterly basis. The currency volatility poses significant risks, to the inflation outlook and continuing drought conditions also pushes up food prices.

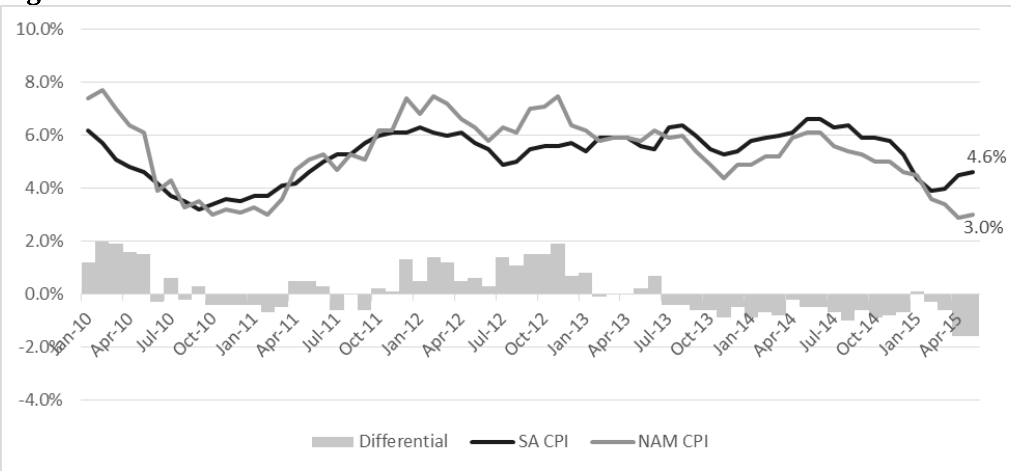
On the other hand, Namibia depends so heavily to it trading partner South Africa. The Namibian Dollar is pegged one-to-one to the South African Rand, and the weakening of Rand negatively affect the Namibian Dollar depreciate it against major trading currencies which will result in higher prices of imported goods. The weaker South African Rand, results in high inflation and poses significant upside risks to the inflation in both Namibia and South Africa, putting pressure on both central banks to raise interest rate further.

Moreover, many of the local services prices are determined by domestic demand and supply, and as demand increases, so do prices. This is particularly notable in the housing market (although local house price indices, anecdotal evidence and formal rental inflation figures indicate divergent situations), municipal utilities, electricity, schooling and transport costs, many of which are leading overall inflation in the country. This inflation is, however, at present hidden by falling global food and fuel prices, but is classic of an overheating economy where demand for services grows fast than the supply thereof. Table 3, shows annual and average monthly inflation for selected services

Table 3: Namibia Selected services inflation levels

	July 2015 (YOY) Inflation	12 Months Average Inflation
Housing, Water supply, sewage services and refuse collection	10.8%	11.6%
Public transportation services	0.3%	8.5%
Pre-primary education (ages 2 to 6 years)	6.7%	7.6%
Electricity gas and other fuels	5.7%	7.6%
Tertiary education	4.8%	7.3%
NCPI	**3.0%**	**4.3%**
Rental payments for dwellings (both owners and renters)	1.5%	1.8%

Figure 3: Namibian and South African Inflation



At present, and somewhat peculiarly, Namibia's overall inflation has fallen well below that of South Africa. This is strange given the fact that most of our cost-push inflation is imported directly from South Africa, while Namibia's demand side inflation is abnormally high. Nevertheless, much of the decline in Namibia's inflation was driven by the oil collapse, which we believe is now fully priced-in when it comes to first-round effects. Should oil stabilize (looks likely) or rebound, inflation is likely to pick up again, and may reverse aggressively, notwithstanding second round effects of low oil prices on food production.

II.4 Fiscal Position

II.4.1 Fiscal Balance

Economic growth and poverty reduction are the main goals that the Namibian Government is trying to achieve through its public spending. Namibia's fiscal policy remains expansionary, to promote growth and employment. Twenty five years of independent Namibia, the economy still suffers from the highest income inequality, poverty, unemployment and other macroeconomic instability. This is due to the legacies of colonization and apartheid, which made education, labour, resources and capital exclusive to the white minority of the population. The fiscal authorities have tried their utmost best to solve these problems by implementing supply side policies, expecting that the attraction of investments would finally lead to growth, job creation, and poverty eradication.

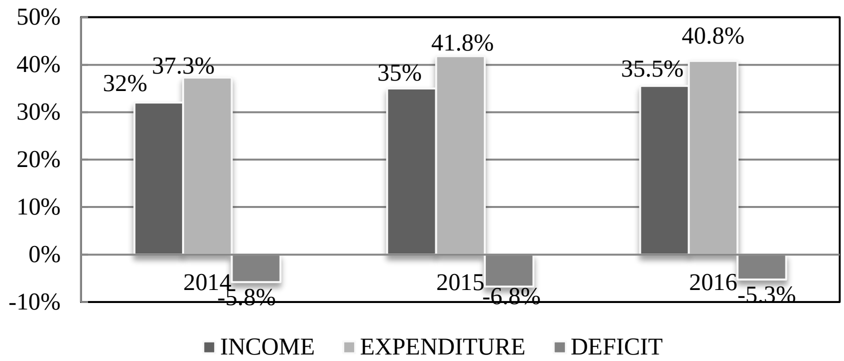
The 2015/16 budget and government furthers spending plans over the three-years medium term expenditure framework (MTEF) period, are aimed at tackling the structural challenges that affect the development potential of Namibia's economy, unlocking opportunities for jobs and wealth creation, and improving the welfare of Namibians in an inclusive and sustainable manner. In 2014/15 income and expenditure plan, supported by relatively high Southern Africa Customs Union (SACU) revenues and further efforts in domestic revenues collection (e.g., enhanced collection of tax arrears and higher compliance), the government increased its expenditure (e.g., wages, goods and services, and capital spending), resulting in an overall fiscal deficit of 3.75 percent of GDP. For 2015/16, the budget envisages a large deficit, with increases in subsidies and transfers, and capital expenditures and lower SACU revenues (declined by 1.75 percent of GDP from 2014/15. The government is further exploring the scope for tapping international capital market.

Table 4: Fiscal Balance (in percent of GDP)

	2012/13	2013/14	2014/15	2015/16
	Act	Act	Est	Budget
Total revenue and grants	**32.9**	**32.2**	**35.1**	**35.5**
Domestic revenue	20.3	20.7	22.9	25.1
SACU revenue	12.4	11.3	12.1	10.3
Grant	0.2	0.2	0.1	0.0
Expenditure	**34.5**	**36.4**	**38.9**	**40.6**
Current expenditure	27.7	29.7	30.9	32.4
Personnel	12.5	13.8	14.4	14.0
Goods and services	4.8	5.0	5.5	5.6
Interest payment	1.5	1.4	1.3	2.3
Subsidies and transfer	8.9	9.5	9.7	10.6
Capital expenditure	6.2	6.8	7.9	8.2
Net lending	0.6	0.0	0.0	0.0
Overall balance	**-1.6**	**-4.2**	**-3.8**	**-5.1**
Overall balance (excl. SACU revenue)	-14.0	-15.6	-15.8	-17.0

*Including externally financial capital projects that are not channeled through the state account
Sources: Namibia Authorities

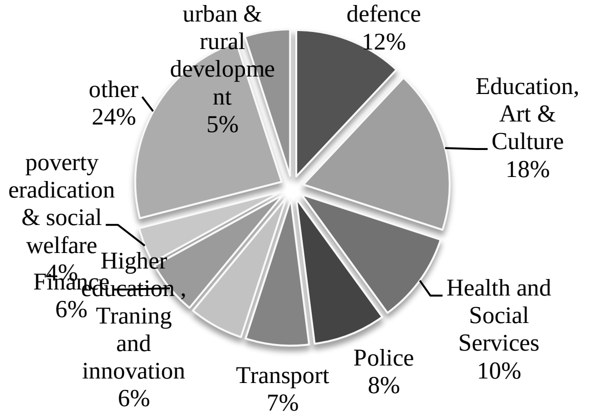
Figure 4: Revenue and Expenditure Comparison 2014-2016



Source: Pricewatercoopers.org

At the fiscal front, Figure 4 shows that Namibia revenue balance stood at 32 % percent of GDP with expenditure of 37.3percent resulting in fiscal deficit of 5.8 percent in 2013/14 financial year. The revenue is estimated at 35 percent of GDP in 2014/15 financial year with an expenditure of 41.8 percent resulting in 1 percent increase in fiscal deficit from the previous year. For 2015/16 financial year, the revenue is budgeted at 35% with total expenditure of 40.8 percent and fiscal deficit reduction of 1.5 percent from 2014/15 financial year.

Figure 5: Government expenditure by department for 2015/16



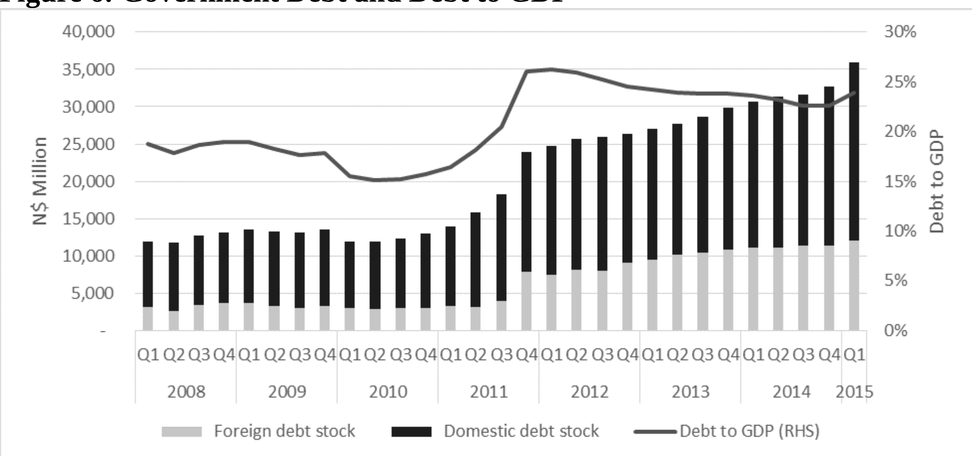
Source: Ministry of Finance

Figure 5 illustrate that Education receive the largest share of the national budget. About 18 percent shares, goes to education, art and culture and 6 percent go to higher education, training and innovation because the government is trying to improve skills and employability. It became useful to equip the youth with marketable skills and enhance skills development and vocational training for those unemployed. Government has decided to provide both primary and secondary education for free, and access to tertiary education is further expanded through a formula based funding and enhanced financial assistance to students. Health sector, also receives the second largest share of 10 percent for the national budget, to expand and improve the quality of health services delivery. Government spends 4 percent on poverty eradication and social welfares, to strengthen the social grant of old pensioners and improve the social wellbeing of the citizens. 8 percent is allocated to police for safety and security, while 7 percent is being spend on transportation to stimulate growth and enhance the competitiveness of the Namibian economy through developing a robust transport and logistics sector.

II.4.2 The deficit, debt and funding the gap

Namibian Government plans to run another expansive budget through the current three year medium term expenditure framework (MTEF) period, which comes on the back of a prolonged policy of expansive spending for the past five years. Because of the expansive budget pursued over the past five years, the country's debt-to-GDP ratio has increased somewhat, from around 16% of GDP in 2010, to approximately 25% of GDP in 2014. Further to this, continued deficits in the current budget mean that this is expected to increase further over the next three years, approaching 35% of GDP by 2017. While deficits are not a problem per se, persistent or structural deficits, as well as sizable deficits, can be. In this vein, we are of the belief that current debt levels are not a problem, however should more debt be raised to fund recurrent expenditure; sustainability will fast become an issue (2015, Budget Review).

Figure 6: Government Debt and Debt to GDP



Namibians are concerned about the ability of Government to fund the deficit this year, due to a number of factors. “It is viewed that the size of the domestic borrowing requirement as a big hurdle for the Government to overcome. The sheer size of N$8.9bn to be raised is a challenge in an environment where local investors’ demand for fixed income securities is becoming saturated. The start of an interest rate hiking cycle also does not bode well for the successful issuance of N$8.9bn worth of debt securities [into the domestic market].” It is further noted that “…a number of state owned enterprises (SOEs), like NamPower, NamWater and NamPort might be looking at coming to the market with debt paper, further competing with government for funds.” Both of these expectations have played out or are currently playing. With regards to the former, demand for Government debt at recent auctions has been extremely low, with bid-to-cover ratios falling to some of the lowest levels seen in many years. This, coupled with Government’s policy to draw down on cash-reserves with the Central Bank has resulted in the Government being temporarily overdrawn with the Central Bank for the first time in many years. Moreover, the liquidity position of the local commercial banks has resulted in abnormally weak demand for government securities, particularly at the short end of the curve, where these banks are usually most active (2015, Budget Review).

It’s further noted that “It is expected that Namibia will see spreads of government bond yields increasing over the South African benchmarks due to sheer volume of supply. It is also expected that the corporate sector will start to pay up for listed debt as corporate paper is benchmarked off the government yield curve. Therefore funding in general in Namibia is set to become more expensive and liquidity will slowly start drying up in our economy.” Once again, Namibians see this playing out as expected, with much of the corporate debt currently being placed seeing weak demand and being pushed on pricing, in a classic “crowding-out” type move.

Household debt

Over the past few years, and through the bottom of the interest rate cycle, household debt levels increased quite significantly, taking overall household debt relative to disposable income well above the levels seen in neighbouring South Africa, whose levels have often been perceived to be concerning high. However, In Namibia, strong growth in disposable income has kept this ratio relatively more favourable from a forward perspective. Recent indicators of household income growth, however, have started to show a changing picture, and it appears that the household disposable income position, which had improved massively over the past 5 years, may be topping out, at least from a disposable income growth perspective. Logically, this makes sense, as the delta of new stimulus has also flattened out, and even started to reverse as the Central Bank tightens interest rates. Given current high levels of household debt, it is possible that some duress may be witnessed should interest rates continue to increase and disposable income growth slow or contract. However, at the present point in time this looks fairly unlikely, unless Government reduces spending in a significant manner, interest rates climb aggressively or unemployment spikes up for whatever reason. However, it seems most likely that current liquidity challenges in the banking sector may result in a slowdown of new credit issued to the private sector, which should help to protect against households becoming unsustainably indebted.

Figure 7: Household Income

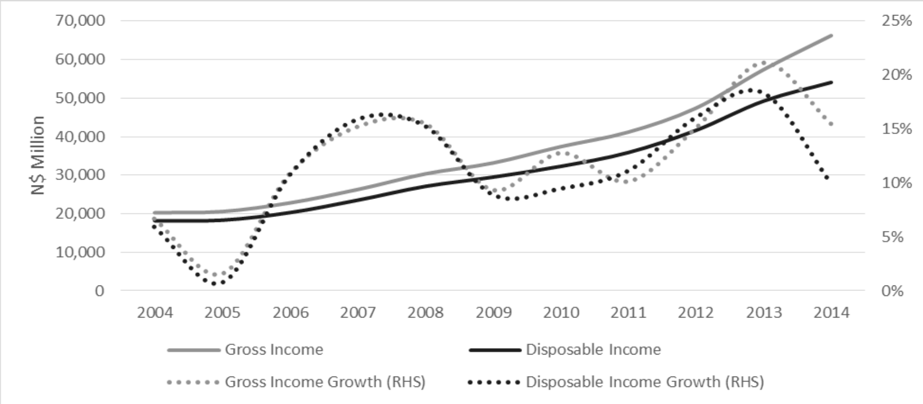
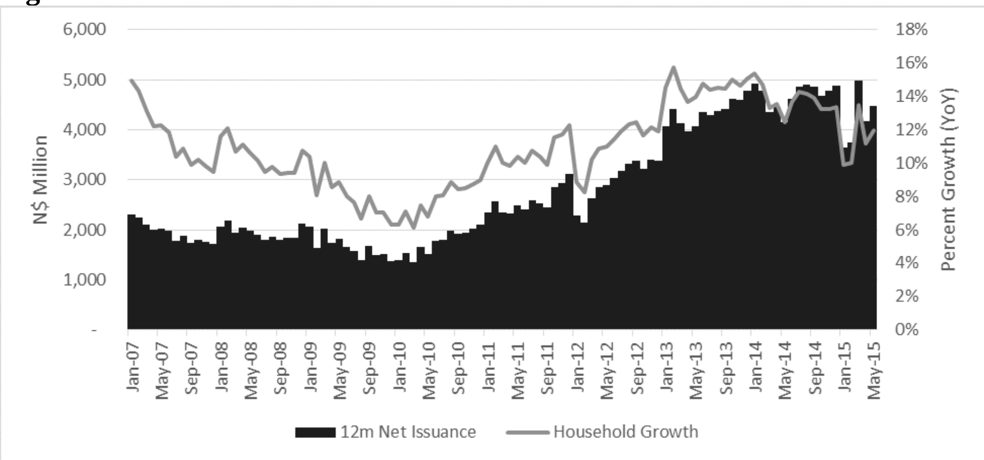


Figure 8: Household Debt Issuance

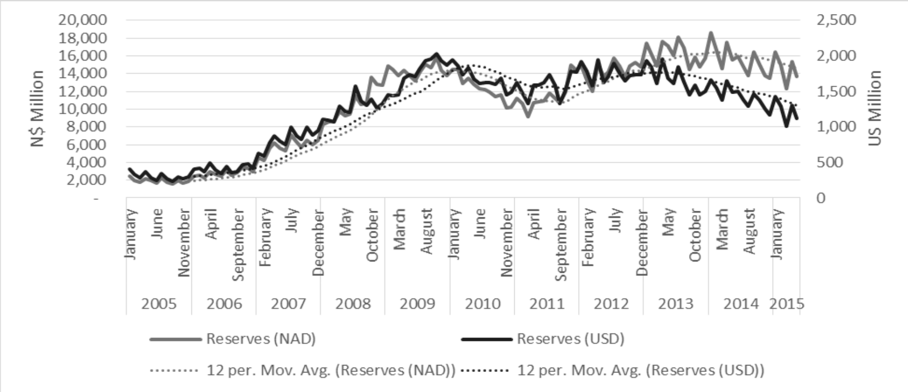


In most economies, these imbalances would be addressed through the tightening of monetary (and at times, fiscal) policy, however in this regard, Namibia is somewhat hampered by the fixed exchange rate regime it shares with South Africa, Lesotho and Swaziland. Due to this, Namibia is unable to implement completely independent monetary policy, and is required to remain fairly close to the rates seen in the common monetary area in order to ensure that unstable capital flows between the countries do not occur. As such, despite the clear need for tighter monetary policy in the country, interest rate increases have been fairly slow. Nevertheless, the Bank of Namibia is in an interest rate hiking cycle, having increased rates by 75 basis points, in the form of three 25 basis point hikes, over the past 12 months.

II.4.3 International reserves and financial sector liquidity

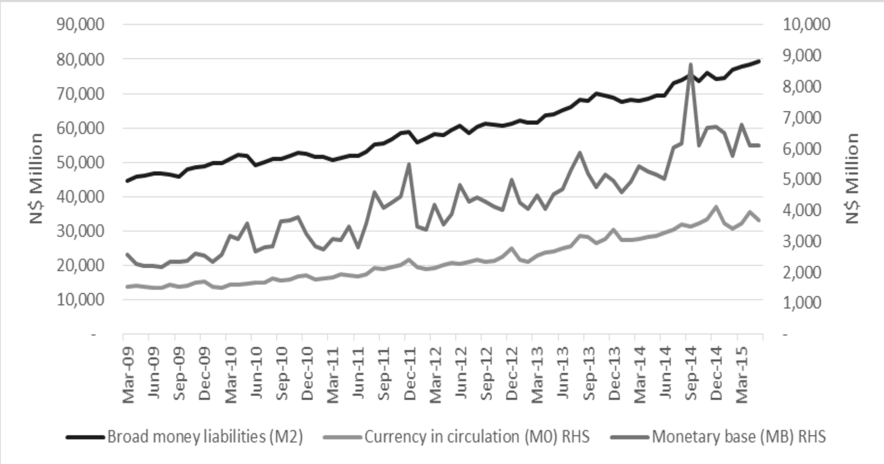
Strong growth in PSCE to households, along with large imports for various Government and private sector projects have resulted in abnormally high import volumes for Namibia, which imports have not been matched by equally strong exports, resulting in a trade deficit. Moreover, the capital and financial account has remained fairly weak, and unable to offset the deficit in the current account. As such, the external position of the country remains fragile, with international reserve levels falling well below prudential levels to their lowest since mid-2012 in Namibia Dollar terms, and to 2008 levels in US Dollar terms as illustrated in Figure 9.

Figure 9: International Reserves



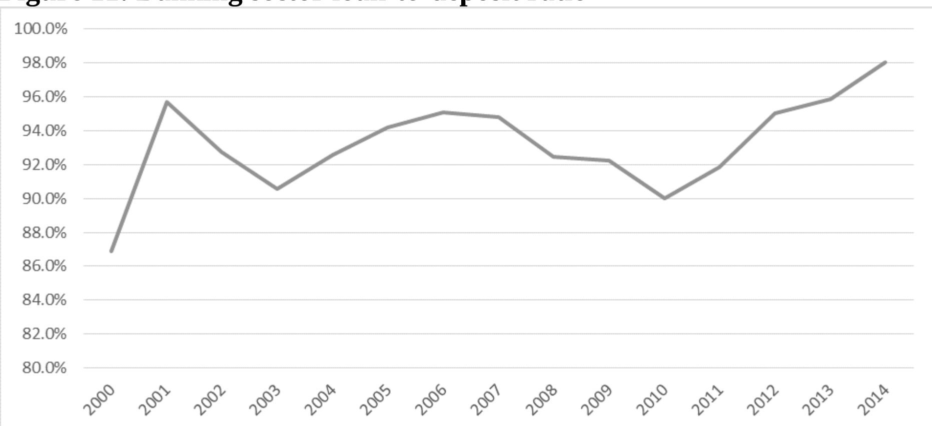
On the back of this large net outflow of funds, a multi-faceted situation of liquidity tightening is developing, with liquidity growth slowing (and may yet contract) as funds are withdrawn from the country and financial system as illustrated in figure 10.

Figure 10: Money Supply



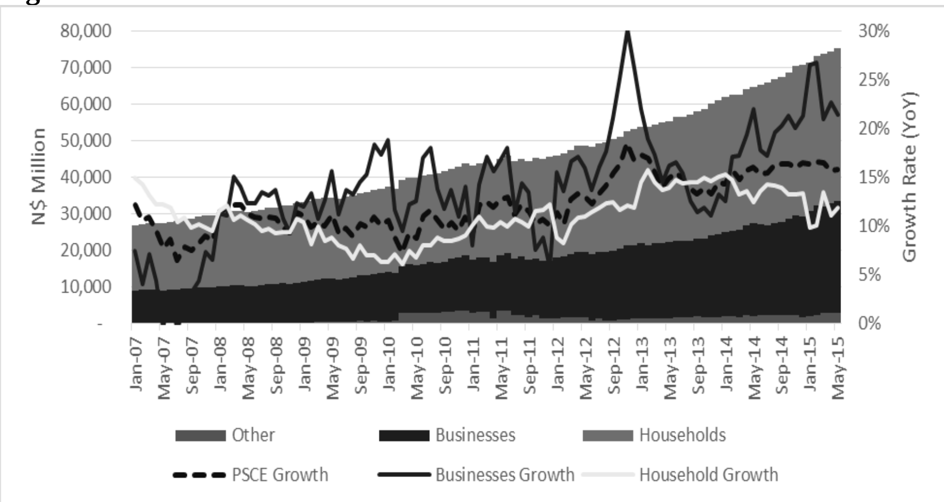
The effect of the liquidity withdrawal is a drying up of banking sector liquidity, as illustrated by the close to 100% aggregate loan to deposit ratio now being seen across the sector, as well as the liquidity position, reported on by the Bank of Namibia. Of course, the banks remain adequately funded; however some are becoming increasingly reliant on debt securities to fund their loan book growth. This is illustrated in figure 11.

Figure 11: Banking sector loan-to-deposit ratio



The decline in banking sector liquidity has two main impacts on the local economy. Firstly, the banks have become more cautious when lending, and while PSCE **(Private Sector Credit Extension)** growth remains relatively strong, the bulk of new extension is being granted to businesses rather than households; and secondly, demand for Government securities by the banks has slowed notably. Given current liquidity trends, it further appears that the situation may deteriorate further over coming months, resulting in a notable slowdown in future credit extension, which will act as a much-needed break on the local economy.

Figure 12: PSCE and PSCE Growth



Despite the aforementioned imbalances, the Namibian economy continues to perform well, and is expected to continue to do so through 2015 and beyond. However, this strong, above trend, growth seen in the local economy signifies that the time for counter cyclical policy is behind us, and that the previously countercyclical policy is no longer such, but procyclical. Thus, the process of interest rate normalization too needs to continue, and more reticence from the fiscus is required to ensure that the current economic imbalances do not become exacerbated. Nevertheless, the outlook remains rosy for the country, and despite a number of the high frequency indicators suggesting that economic growth

II.5 Political stability

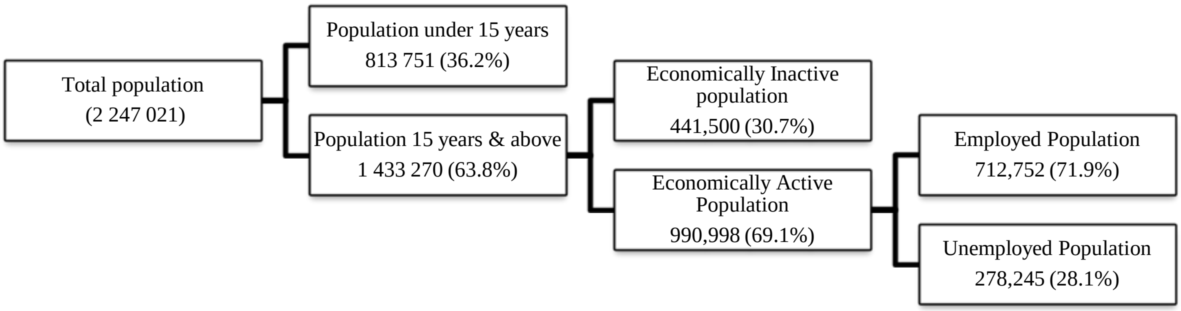
Political stability and prudent fiscal management have helped anchor Namibia's high growth rates and poverty reduction efforts. With strong ties to South Africa, the region's second biggest economy, Namibia has stronger competitiveness and investment attraction than average sub Saharan countries. However to accelerate convergence with high income countries in line with its current National Development Plan, the Namibian authorities need to address remaining structural bottlenecks. There is a great need to speed up and on a new Public Procurement and Public Finance Management law to reinforce economic governance and public sector management. Namibia also needs better regulatory capacity for public-private partnerships to help public sector investment programmes.

Fiscal consolidation, including rationalizing public sector wages, need to continue and achieve efficiency gains and help attain a more sustainable current account balance. Efforts to enhance education and training quality need to be stepped up and anti-corruption efforts redoubled to recapture public confidence and strengthen the country's strong governance record.

II.6 Labour Market

The first full-scale Labour Force Survey (LFS) in Namibia was carried out in 1997 under the National Household Survey Programme launched after the Government endorsed the five years plan of development of statistics in Namibia in 1993. Since then, five labour force surveys have been conducted in the country at more or less regular intervals of every four years. Namibia Statistics Agency has decided to conduct labour force survey every year in the current years, and the statistics below are based on the survey conducted in 2014.

Figure 13: Namibia Population by Activity Status



Source: National Statistic Agency

According to the Labour Force Survey conducted in 2014, 990,998 of the estimated population aged 15 years and above in Namibia are in the economically active group, which forms the labour force, while 441,500 of the estimated population is outside the labour force. The survey recorded that 712,752 of persons aged 15 and above were employed in 2014 as illustrated by Figure 13 and Table 5. Furthermore, the LFS 2014 produces an unemployment rate of 28.1 percent, which is 1.5 points higher than the rate of 29.6 percent reported in 2013 labour force survey.

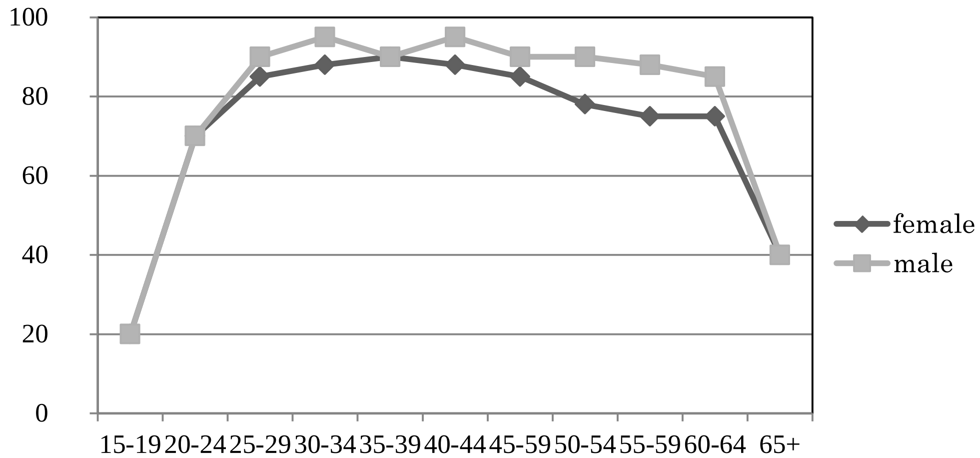
Table 5: Basic labour force indicators for Namibia in 2014

Basic indicators	2014
Working age population 15 + years	1,433,270
Economically active population	
Employed Population	712,752
Unemployed Population – broad	278,245
Labour force population	990,998
Labour force participation rate – broad	69.1
Unemployment rate broad	28.1

Source: National Statistics Agency

Figures 14 present the corresponding labour force participation rates (LFPR) by age group in graphical form for Namibia as well as urban and rural areas. The graphs show similar trends for males and females for all age groups where male LFPR is generally higher than that of female with relatively bigger gap at the end of the tail. The graph indicates that the labour force participation increases with age from 15 years, peaking in the age group 35 to 39 years and begins to taper from the age group of 45 to 49 years.

Figure 14: Labour force participation rate by age and sex



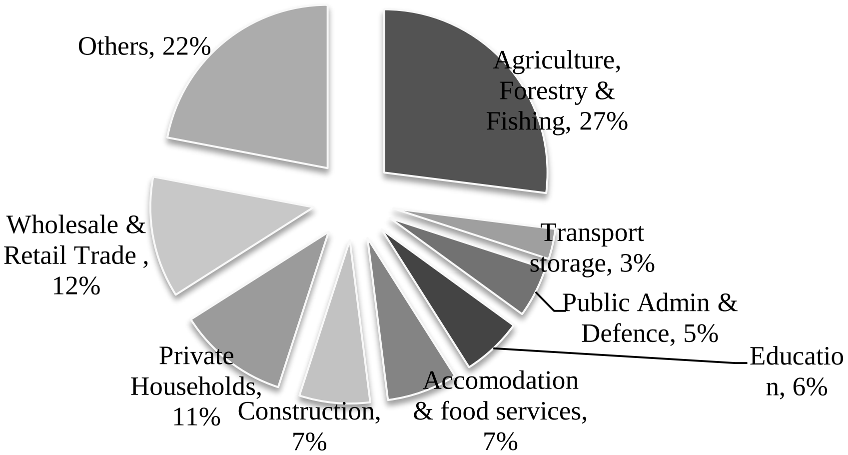
Source: National Statistic Agency

II.6.1 Employment

Employment is one of the key indicators to analyze economic performances and labor force participation, which are drivers for countries to attain full potential growth. On account of the fifth labor survey contacted by Namibia Statistic Agency (NSA) in 2012, Namibia unemployment rate stood at 28.1 percent as shown in the Table above.

NSA regard a person as employed if the person worked for one hour of pay, profit or family gain during that period, had a job or business or other economic or farming activities to return to. Following this definition of employment coupled with improved data capturing methodology and analysis, the unemployment rate decline from the previous high rate of 51.2 percent to 28.1 percent. The employment structure is distributed between the private and public sectors with agriculture sector being the largest employer for about 27 percent of all employees followed by wholesale and retail sector with 12 percent. Private household accounted for 11 percent of employees mainly as domestic workers. Below Figure shows employment population by industry. One major challenge facing Namibia is the shortage of skilled labor force in science and technical field.

Figure 15: Employment Population by Industry



III. Tax Structure

There is no empirical evidence, on the exact time of when taxation was introduced in Namibia. But it's believed that it came during the 19th century when Namibia was colonized by Germany. However, promulgation of taxation laws and regulations were initiated by South Africa in the early 20th century and Namibia established its tax system based on South Africa laws and guidelines. In 1990, when Namibia got independence, many laws and regulations of the South Africa regime were kept. Most of the inherited laws and regulations (including tax legislations) were repealed and amended accordingly to meet the requirements and the structure of a newly independent country. With regard to taxation, it is only the income tax law (Income Tax Act No.24 of 1981) was inherited from the South African colonial regime and continued to be administered until today. All other tax law administered today was all enacted after independence.

Tax administration is carried out primarily by two departments, the Inland Revenue and Customs and Excise which operates under the Ministry of Finance. Inland Revenue department administer the local taxes while Customs and Excise is responsible for import taxes. Both departments has got a heterogeneous tax system and managed by separate commissioners appointed by the Minister. The mission of the Inland Revenue department is to administer the tax laws in an efficient and effective manner and maximize state revenue and the following are its objectives:

i. Encourage and achieve the highest possible of voluntary compliance in accordance with the tax laws and regulations.
ii. Advice taxpayers on their tax rights and obligations.
iii. Determine the extent of compliance and the causes of non-compliance
iv. Do all things required for the proper administration and enforcement of tax laws
v. Broaden and expand the tax base in all areas of taxation, especially in the area of indirect taxes
vi. Strengthen the compliance function through enforcement and decentralization
vii. Introduce and develop tax policies and legislation which are conducive to revenue optimization and which takes cognizance of tax impacts on national savings, investment and sustainable growth
viii. To improve taxpayers knowledge on the tax system and procedures
ix. To foster a culture of voluntary tax compliance
x. To improve public awareness of revenue administration and benefits

Inland Revenue department, function in a hierarchical manner across the country, with the head of the department and the head office located in Windhoek and various regional offices under the supervision of the Deputy Directors across the country. The structure of the department does not follow the political regional dissemination of the fourteen regions. But has combined some of the regions together under one tax office, and the department currently operates in seven regional offices.

The mission of Customs and Excise department is to protect the society with respect to the international movement of good and people, to collect control and secure revenue, and facilitate trade whilst exercising appropriate control, and to advance Namibia's interests regionally and internationally in these areas. The role of this department plays a crucial and complex role in revenue management, since it encompasses the control of international movement of goods, people and conveyances. This is because it requires: participation in national, regional and international dialogue involving international trade. Implementation of policies, regulations and procedures arising from these dialogues. It also requires detection and interdiction of illicit activities, including cross border movement of undeclared or under-declared goods and contraband such as the controlled substances and drugs; facilitating smooth movement and clearance of legitimate trade.

The following are the legislations Administered by the Revenue Management Departments (Inland Revenue (IRD) and Customs and Excise (CED)). However, not all the legislations are administered by this revenue management departments, there are some Ministries engaged in administering some Acts, such as Ministry of Mines and Energy which is responsible for part of the Petroleum Taxation Act, some mining taxes, under the Diamond Act and Mineral (Prospecting and Mining) Act as amended. The Land Tax Act is administered by Ministry of Lands and Resettlements and land tax remittance are collected by Ministry of Finance under the department of Inland Revenue.

i. The Income Tax Act No. 24 of 1981(IRD)
ii. The Petroleum Taxation Act No. 3 of 1991 (IRD)
iii. The Value Added Tax Act No. 10 of 2000 (IRD)
iv. The Stamp Duty Act No. 14 of 1993 (IRD)
v. The Transfer Duty Act No. 14 of 1993 (IRD)
vi. The Land Tax Act
vii. Minerals Amendment Act No 8 of 2008
viii. Diamond Act No 13 of 1999
ix. Export Processing Zone Act No 9 of 1995

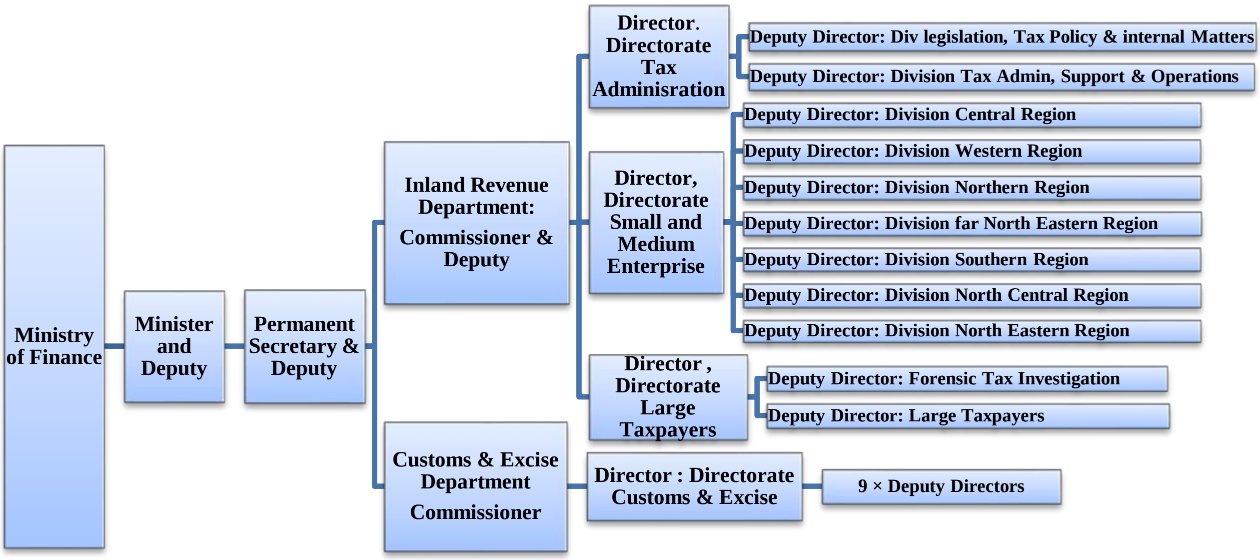
Namibia has been operating a modern tax system after independence, which is reasonably competitive by international standards and is modified and updated on a regular basis usually. The basic system has remained fairly simple but has been complicated somewhat through the introduction of several special and rather discretionary incentives schemes over the years. Namibia has a well-developed accounting, auditing and tax advisory industry which includes both local and international companies including the big four: Deloitte & Touche, Ernst & Young, KPMG and PriceWaterCoopers.

III.1 Tax Administration

In recent years, there appears to have been a trend among developing countries toward the creation of semi-autonomous revenue authorities, to replace existing traditional tax collection system. It is also believed that tax administration work better in an autonomous department which is more fashionable, and effective to achieve a well-defined national objective through a well structures independent tax system, other than a traditional tax system that is reliant and sometimes politically affiliated. Namibia is one of the countries without some form of semi-autonomous revenue authority yet; tax administration is carried out in a traditional fashion by a line department within the Ministry of Finance. However recently, the Minister of Finance has commissioned some members to oversee the establishment of a semi-autonomous Revenue Agency that will take over the operations of the department of Inland Revenue by the financial year 2017.

Figure 16, shows the current organ-gram of Inland Revenue Department, the Minister and Permanent Secretary both has Deputy Minister and Deputy Permanent Secretary respectively.

Figure 16 Ministry of Finance – Inland Revenue Organ-gram



Source: Ministry of Finance

The new expanded structure was approved and implemented in the year 2010 and prior to the current structure, there was only one director heading the department of Inland Revenue assisted by eight deputies as compared to current two directors and eleven deputies. The Ministry always acknowledges the need to fill managerial positions for effective management and policy implementations and continuously strive to fill position as they arise. Prior to the new structure, all taxpayers were not segregated but handled through their respective regional offices under one roof, irrespective of their nature and trading. However as the economy continue to grow with technologies advancement and know how, there is a need for the tax authority to develop certain technical skills and be able to attend to large taxpayers. The large taxpayer directorate was established in the year 2013 and became fully functional in 2014 with the aim of improve and providing effective and efficient tax services. The directorate is expected to develop human and technical skills in international taxation matters amongst the various tax areas.

III.2. Tax policies

Namibia does not have a dual tax collection system (whereby tax is being collected by central government and at local government as in countries such as Japan). Taxes administered by the revenue management departments are remitted exclusively to the national account of the central government for national budget distribution. Taxes collected by local authorities on urban properties and services remains with the respective local authority for their expenditures and are not remitted to central government. Similarly, taxes or similar charges paid to state owned enterprises (SOE) are not remitted to the central government but remains for the execution of their duties and functions, with the exception of dividends payment to government. However, through the different Ministries and agencies, the government provides funding to local authorities and struggling SOE through the national budget redistribution. Table 6, Below shows some of the taxes paid in Namibia and offices responsible for their administration. With the exception of land tax, which is administered by the land ministry and collected by the ministry of finance, all other taxes collected by other agencies are also administered separately from the Ministry of Finance.

Table 6: Tax Categories

	Tax by type	Collecting Agency
	Individual Income Tax	Ministry Of Finance (IRD)
	Business Profit Tax	Ministry Of Finance (IRD)
	Withholding Tax	Ministry Of Finance (IRD)
Good and Service Taxes	Value Added Tax	Ministry Of Finance (IRD)
	Value Import tax	Ministry Of Finance (IRD)
	Custom Duty	Ministry Of Finance (CED)
	Ad-varolem Duty	Ministry Of Finance (CED)
	Excise Duty	Ministry Of Finance (CED)
Property Taxes	Transfer Duty on Real Estate	Ministry Of Finance (IRD)
	Land Tax	Ministry Of Lands and Resettlement
	Urban Rates and Taxes	Local Authority
	Annual Circulation Tax on Motor Vehicle	Road Authority
	Vehicle Tonnage Charges	Road Authority
Other Taxes	Stamp Duty Tax	Ministry Of Finance (IRD)
	Mining Royalty	Ministry of Mines and Energy
	Fuel Levy	Ministry of Mines and Energy
	Fishing Rights/Quotas	Ministries of Fisheries and Marine Resources
	Licenses	Various Agencies

Source: Ministry of Finance

Tax administration in Namibia is guided by the rule of law uses applicable taxation legislations. In the absence of clear guidance or clarity from the Acts, the tax department issues Practice Notes to provide clarity and guidance to the general public. The practice notes are gazette and form part of the taxation laws. Should taxpayer's require specific guidance or clarity related to their specific trade and cases, taxpayers can apply for Tax Ruling from the department at no additional costs.

Namibia uses a computerized self-assessment system, even though the system is not fully automated. The desirability and implementation of the automated tax system in Namibia will be covered in the later part of this paper (Success of tax reform).

III.3 Overview of tax type in Namibia

A. Income taxes

The Namibian tax system is based on the *source* principle and not on residence and is administered with the guidance of the Income Tax Act No 24 of 1981 as amended. Resident and Non-Residents are taxed on exactly the same basis in respect of income received from a Namibian source (Section 1 of the Income Tax Act 24 of 1981 as amended. Section 15 of the above mentioned act also made provision for income to be taxed as Deemed source. This means that all non-resident taxpayers (individuals and companies) have to submit a tax return in respect of their Namibian source income.

The Namibian tax year (financial year) runs from 1st March of the current year to the 28th / 29th of February the next year. All taxpayers, especially individuals including sole traders and farmers are required to submit their tax returns of income to their respective nearest tax offices or Magistrate court offices after the last day of the tax year or financial year. However due to administrative procedures, dues dates are set for returns to be rendered.

The Namibian Income Tax Act expanded some definition of source, to include certain income deemed to have derived from Namibian sources. Sketchily deemed income transactions are:

i. Contracts made within Namibia for the sale of goods within or outside Namibia;
ii. The use or right or grant of permission to use in Namibia – Patent, trademarks, copyright, model, pattern, plan, process, formula, motion picture or right of similar nature;
iii. The imparting of or the undertaking to impart any scientific, technical, industrial or commercial knowledge or information for use in Namibia;
iv. Business carried by ordinarily resident or domestic company, as owner or charterer of any ship or aircraft;
v. Any service rendered or work or labor done by a person in Namibia, irrespective of source of remuneration;
vi. Any service rendered or work or labor done by a person during temporary absence from Namibia for the same employer;
vii. Any service rendered or work or labor done by a person for or on behalf of government, regional council or any local authority, notwithstanding that such services are rendered outside Namibia;
viii. Any service rendered or work or labor done by a person who is ordinarily resident in Namibia to foreign going ship or aircraft;
ix. Pension and annuity accruing from services rendered in Namibia;
x. Any interest in respect of loan, deposit, advance, participation bond, debenture or interest bearing security, or any dividend by building society shall be deemed to be from Namibian sources;
xi. Interest accruing to ordinarily resident or domestic company;
xii. Any annuity in respect of purchased annuity received or accruing to ordinarily resident or domestic company;
xiii. Amount to ordinarily resident or domestic company from pension fund, preservation fund, provident fund or retirement annuity upon maturity, surrender or disposable irrespective of the source of such payment;
xiv. Alienation of mineral licenses or right to mine in Namibia.

Furthermore, Namibia does not have Capital Gains Tax (CGT), Estate Duty, Inheritance Tax or Gift Tax. Income of capital nature is excluded in principle, provided that it is not included by another provision. Section 1 of the Income Tax Act, definition of gross income lists a number of circumstances when income deemed to be of capital nature is included in taxpayer’s taxable income. The ministry continues to study and analyze the viability of introducing a fully fledge capital gains tax in Namibia and similar other taxes. For a country faced with a skewed economy like Namibia, CGT is highly recommended to tax wealth and redistribute to the poor to curb inequality. Studies done recommend the introduction of CGT tax and the minister had announced on various occasion for CGT introduction

B.Taxation of Personal Income

Personal Income Tax (PIT) is the anchor of tax revenue in Namibia as can be seen in table 7.

Income tax is imposed on the balance of individual taxpayers' taxable income after allowing for deductible deductions as provided for in the Income Tax Act. Namibia PIT system is applied to individuals, Trust and estate of deceased person as they all fall within the definition of a person. Registered enterprises are subject to company taxation system under the Income Tax Act, whereas partnership income is subject to individual partner's taxation on their share of income, as partnership entities are not recognized as separate entities under the domestic laws.

Looking at tax rates, as a country faced with high level of inequality with a Gini-coefficient of 0.639 percent (UNDP), the government continues to use taxation as one of the tool for wealth redistribution. The Income Tax Act has been amended on a number of occasions to align it to economic situation prevailing to meet the government fiscal policies and world best practices. The latest amendment to the Act was in 2013 when government as part of its fiscal expansionary measures increases the tax threshold from N$40 000 to N$50 000 and reduced tax rates to stimulate economic growth. Nonetheless, the 2013 amendment saw PIT rates diverting from the usual norm of having the top marginal rate equated to the Corporate Income Tax (CIT) rate. Table 12 shows the current tax rates following 2013 Income Tax Act amendments.

Table 7: Rates of Normal Tax

Taxable Amount (N$)	Rates of tax
Where a taxable amount – Does not exceed N$ 50 000	No Tax Payable
Exceeds N$ 50 000 but does not exceed N$100 000	18 percent of the amount by which the taxable amount exceed N$ 50 000
Exceeds N$100 000 but does not exceed N$300 000	N$ 9000 plus 25 percent of the amount by which taxable amount exceeds N$ 100 000
Exceeds N$ 300 000 but does not exceed N$500 000	N$ 59 000 plus 28 percent of the amount by which taxable amount exceeds N$300 000
Exceeds N$500 000 but does not exceed N$800 000	N$115 000 plus 30 percent of the amount by which the taxable amount exceeds N$500 000
Exceeds N$800 000 but does not Exceed N$1 500 000	N$ 205 000 plus32 percent of the amount by which the taxable amount exceeds N$800 000
Exceeds N$1 500 000	N$429 000 plus 37 percent of the amount by which taxable amount exceeds N$ 1 500 000

Source: Income Tax Act

The amended tax rates increased the threshold to N$50 000 and the minimal tax rate reduced from 27 percent to 18 percent. The high earner threshold was split into two, whereas previously, taxpayer earning N$750 000 and above paid the highest tax rate of 37 percent. With the new amendment, the tax band was increased to N$800 000 and split in two bands, with the lower band of N$800 000 to N$1 500 000 at a tax rate of 32 percent and the top band of those earning above N$1 500 000 at 37 percent. Furthermore, taxpayers are given generous concession for tax purposes. This includes one-third tax free of housing subsidy amount received, expenditure and losses incurred in the production of income for traders, contribution to pension fund or provident fund and contribution for education policy amongst others. The above PIT rates are also applicable to sole proprietors and farmers. Taxpayers are categorized in three groups each group using a different colored form with different details requires for completion of the form.

C. Registration and Payment of Personal Income Tax

Personal Income Tax registration in Namibia can be classified in two categories, taxpayers who are salary earners or receiving remuneration (employee) and subject to employees withholding tax (pay as you earn - PAYE) and the second group of taxpayers referred to as provisional taxpayer'. Provisional taxpayer' are:

i. Person earning income that does not constitute remuneration (in terms of remuneration definition);
ii. Directors of private company, Namibia; and
iii. Any company

All taxpayers eligible for tax payment and required to submit return in terms of section 56 of the Income Tax Act are registered and issued with tax identification number (TIN). Due date for submission of return and final payment is 30 June for all individuals other than for person who derive income partially from business, any profession or farming, whose due date for return submission and final payment is 30 September. Provisional taxpayers' with the exception of those whose income is wholly or partially derived from farming are expected to make bi-annual payment with the first payment due within the period of six month from the start of the assessment year and the second payment due not later than the last day of the year of assessment in question. Those who derived income wholly or mainly from farming, their payment due date is on or before the last day of the year of assessment.

Employers are required to register with Inland Revenue and deduct employee tax liability from their employees' remuneration as provided for under the tax law on a monthly basis and to remit such tax withheld to Inland Revenue on or before the 20th of the following month. Employers' are also required to issue employees' whose tax liability was withheld or to whom remuneration was paid with a tax certificate.

D. Corporate Income Tax

Namibia does not have a specific tax law that deals separately with corporate taxation other than the Income Tax Act. The Income Tax Act No.24 of 1981 broadly covers all type of taxation for individuals and corporations. All companies are subject to tax as per the above stated Act, and include not only companies registered in Namibia, but also branches in Namibia of foreign companies deriving income from Namibia. Other associations registered or incorporated outside Namibia, *eg* certain limited partnerships under the United States of America law, which carry business on business or have an office in Namibia, are taxed as companies. Partnerships generally have no separate taxable identity and each partner (company or individual) is taxed on his share of partnership profit.

For period of assessment, a company is subject to assessment for its normal financial accounting period (usually a year) which, for tax purposes, is known as a year of assessment. Financial statements are prepared to the last day of February each year, unless agreement of the taxing authority is obtained to use some other dates.

A company carrying on business or having an office in Namibia is required to appoint an individual (known as a Public Officer) resident in Namibia, to represent the company for tax purposes. A company's auditors may not hold office as its Public Officer. In addition, a company must have an address in Namibia at which any tax official tax notices or documents may be delivered.

For groups of companies, e.g. holding and subsidiary companies, is not taxed as a single entities in Namibia. Each company is separately assessed to tax and an assessed to tax and assessed loss of one company cannot be off-set against the taxable income of another company in the group. An assessed loss of a branch of a foreign company may be transferred to a Namibian company under certain circumstances.

Dividend income exempt; dividend received by a company which is registered as a taxpayer in Namibia is exempt from normal tax. Expenses incurred in the production of such dividend income, for example interest paid on money borrowed to purchase shares, is therefore not allowed as deduction in the determination of normal taxable income of the company.

Provisional tax payment, a company is required to make two provisional payments and a final payment within seven months after the end of the financial year on account of its liability for tax in each year of assessment. The first payment is payable six months after the start of the year and the second at the end of the year.

Furthermore, a company having employees is required to register with the taxing authorities under the PAYE (pay as you earn) system of collecting tax. Deductions on the basis of the tables laid down by the taxing authorities are required to be made from the salaries of the employees and regularly paid to the tax authority. Failure to deduct results in personal liability for the company plus a penalty of 10 percent per month or part of a month that the amount remains unpaid, limited to the amount of employees' tax payable. The table below shows summary of corporate tax rates in Namibia as at 2015.

Table 8: Corporate Tax Rates

Corporate Income Source	Tax Rates
Other than mining	32 percent
Mining other than diamond	37.5%
Diamond mining	55%
Petroleum activities	35%
Registered Manufacturer	18% for a period of 10 years/ afterwards normal rate of corporate tax applies (32%)
Unit Trust Scheme	Nil - Exempt
Export Processing Zone	Nil - Exempt

Source: Income Tax Act/Petroleum Taxation Act

Companies are also allowed to deduct standardized expenditures incurred in the production of income. Among the deductible expenditure receiving special treatments are capital expenditures incurred for movable and machinery, which are deductible over a period of three years. Building allowance, which are deductible over a period of 20 years for building used in trade and 10 years for building used for manufacturing purposes. Furthermore, the act makes provision for mining companies and new mine to deduct development expenditure, development operations, exploration expenditures and exploration operations accordingly. Development expenditure is specifically not allowed to be deducted fully in one year but spread over three years.

Assessed loss for both individual and companies are allowed to be carried forward. However, with 2011 amendments to the law, new provisions were inserted limiting the period of assess loss carried forward by natural person in different eight identified trade (suspect trade). The suspect trades are:

i. Any sport practice by the person;
ii. Any dealing in collectibles by the person;
iii. The rental of residential accommodation unless 80 percent of residential used by persons who are not relative for at least half of the year of assessment;
iv. The rental of vehicles, aircraft or boats, same condition as above applies in iii;
v. Animal showing by the person;
vi. Part-time farming or animal breeding;
vii. Any form of performing or creative arts practiced by the person; or
viii. Any form of gambling or betting practiced by the person;

Company's self-assessment return is due within 7 months after the end of the year of assessment. Companies are also subject to provisional tax payment.

E. Withholding Taxes

Namibia imposes withholding taxes on certain income earned by non-resident from Namibian resident, sources or deemed sources. Table 9, below shows withholding taxes rates. Tax treaty partner's rates might differ from the one shown in the table. Withholding tax is a final charge to tax and does not form part of the assessable income.

Table 9: Withholding tax rates

Category	Tax Rates
Operator/Owner of ship and aircraft (Sec.34)	32 percent of 5 percent of income earned from such services
Interest	10 percent of any amount of interest, excluding interest from stock or securities and treasury bill
Royalties	9.6 percent
Services	25 percent
Non-resident Shareholders Tax	10 percent – company holding at least 25 percent and 20 percent in all other cases

Source: Income Tax Act

Withholding tax on operator or owner of ship and aircraft does not apply to person who renders satisfactory account; the rate of 5 percent is calculated as N$1 for every N$200 of gross receivable from passengers, goods and services. The rate of royalties is calculated as 30 percent of the gross earning multiplied by the normal corporate rate.

Withholding tax on service was introduce as section 35A effective from March 2012, and charges a tax on management fee, consultancy fee, director's fee or entertainment fee to non-resident. A pertinent issue on withholding tax on services is its applicability to treaty partners. The ministry sought guidance from Attorney General Office as the law is interpreted differently between the stakeholders. We remain optimistic that the matter will be solved duly and provide clear guidance on its applicability. A non-resident is defined as

i. A person, other than a company, not ordinarily resident or carrying on business in Namibia
ii. A company neither managed nor controlled in Namibia

F. Tax Exemption and Incentives

The country taxation law provides standardize tax exemption and incentives to different taxpayers as per their categories. Added to taxation law's is the Export Processing Zone (EPZ) Act, providing for tax exemption status.

G. International Taxation

G.1 Tax Treaties

Namibia has 11 treaties, of which 10 were entered into after the country attain its independence and the only pre-independent treaty is between Namibia and the United Kingdom which was extended to Namibia through the South African government in 1967. Since the end of 2010, the government had a moratorium on treaty negotiation and signing. This was done to accord the country an opportunity to review the existing treaties and envisage new treaties in line with the country national tax policy on treaty negotiation to ensure that Namibian tax base and revenue is protected whilst promoting foreign investments. Since many of the existing treaties have inconsistent rates and taxing right granted to treaty partners, warranted the need for policy document on treaty negotiations. The policy document aims for uniformity and consistency and will become the official national policy on treaty negotiation in future and guide the re-negotiation process of older treaties. The policy expects to be finalized soon; however, the ministry has set no date when the moratorium will be lifted yet. Table 10 shows Namibia treaty network with some major withholding rates and provision.

Table 10: Namibia Treaty Partner and Major Withholding Rates

Country	Date	Divided %	Interest %	Royalties %	Technical services %
Botswana	2004	10	10	10	10
France	1998	15 5 – Min 10% holding	10 Exemption provided	10	Not mentioned 183 days rule
Germany	1998	15 10 – Min 10% holding	Nil – Excess over arms length terms taxable	10	Not mentioned 183 days rule
India	1998	10	10	10	10
Malaysia	2004	10 5 – Min 25% holding	10	5	5 183 days stay or US$10 000/year
Mauritius	1998	10 5 – Min 25% holding	10 Exemption provided	5	Not mentioned 183 days rule
Romania	1998	15	10	5	Not mentioned 183 days rule
Russian federation	1998	10 5 – Min 25% holding and ≥US$100k	10	5	Not mentioned 183 days rule
South Africa	1998	15 5 - Min 25% holding	10	10	Not mentioned 183 days rule
Sweden	1998	15 5 – Min 10% holding	10 Exemption provided	15 5 for patent and certain other items	Not mentioned 183 days rule
United Kingdom	1967	15 5-50% Min voting power	20	5,or ½ prevailing rate if less Nil – Copyrights	Not mentioned 183 days rule

Source: Ministry of Finance

As can be seen from table 10, inconsistencies in rates ranging from nil to higher rates led to the moratorium on treaty negotiation as alluded to earlier. With the new policy document, Namibia hope to enter into new treaty with favorable terms and fair rates to all parties involved. Furthermore, SADC member states developed and adopted Double Taxation Agreement (DTA) model in 2010 to be used by member country in their future negotiations. The model is a composite of both the UN model and OECD model with certain provision left to the contracting parties to adopt. Nonetheless, alongside the development of its national policy on tax treaties, Namibia is expected to develop its own DTA model to be used in future negotiations. Thus, both the SADC and Namibian model have not been tested in Namibia and expect to be used in the near future.

G.2 Transfer Pricing and Thin Capitalization

Namibia adopted transfer pricing and thin capitalization regulations in 2005 and incorporated the regulation in the taxation laws (section 95A). The provision gives the Minister the power to adjust international transactions between connected parties (resident and non-resident) to reflect an arm's length price for the goods or services. In 2006, the department issued Practice Note based on OECD guidelines on transfer pricing. Another consideration in international taxation is the Advance pricing agreements (APAs), Namibia does not have APA legislation and documentation procedures in place; APA regime is still under review. Similarly on thin capitalization rules, excessive interest, finance charge or other consideration payable in transaction arising from those considered by the Minister as 'disproportional financial assistance' from non-resident to a resident connected person shall be disallowed for tax deduction.

H. Value Added Tax

Value added Tax (VAT), was introduced in Namibia in 2000, by VAT Act No. 10 of 2000. The tax is charge on goods and services. Since inception, VAT had been a major source of revenue collection for the country and remains as such. In terms of the VAT Act, a registered person must charge and pay to the State, VAT charge on taxable supplies and on imports of goods and services. Namibia has a standardized VAT rate of 15 percent on goods and services. However, certain goods and services can be classified as zero-rated supplies, exempt supplies or exempt imports. Currently, there are 33 items listed as zero-rated supplies, 10 exempt supplies items and 15 exempt imports items with a number of Rebate items included.

I. VAT Administration

The Department of Inland Revenue is task with the administration of VAT alongside all other taxes administered by the department. All inland VAT administration and collection are handle by the department, whereas, the Directorate of Customs & Excise administers VAT collection and control of goods at point of entry into Namibia. Import VAT is paid at point of entry through Customs & Excise, or deferred incase of importers' who are registered for Import VAT. Deferred import VAT is to be paid on or before the 20th of the following month.

i. **VAT Registration**

Taxpayers carrying on taxable activity in Namibia are required to be registered and charge VAT in terms of the VAT Act. The VAT Act allows for two type of registration:

1. Compulsory Registration - Taxpayers' who's turnover from all taxable activities exceed N$200 000, at the end of any twelve month period, or where reasonable ground exist at the beginning of any 12 month period that turnover will exceed N$200 000.
2. Voluntary Registration – Taxpayers', who intend to make taxable supplies but do not meet the compulsory registration criteria, may apply to the Commissioner for registration.

ii. **VAT Period and Return**

Tax period for all registered taxpayers is for two calendar month period with the exception of farmers. Farmers have the option to elect between periods of two, four, six or twelve calendar month. VAT return is due for submission on or before the 25 of the month following the last month of the VAT period.

J. Penalties and Interest

Both the Income Tax Act and the VAT Act include provision for punitive penalties and interest in the event of failure to pay tax when due, submit return and various other offences against the requirement of both taxes. Failure to adhere to taxation law risk being charge with; interest, penalty, imprisonment or multiple of punishment.

K. Taxation of Natural Resources

Corporate income tax rates as illustrated in table 13 applies to taxation of income from all transaction carried in Namibia irrespective of the nature of commodities with the exception to taxes imposed under the Petroleum Income Tax Act. The Petroleum Income Tax is applicable to income derived from a license area in connection with exploration operation, development operations or production operations carried out in any tax year in such license area. Additionally, mining of natural resources is subject to payment of royalty to the government of Namibia through the Ministry of Mines and Energy.

L. Trade Taxes

Revenue from trade is the leading tax revenue per category in Namibia. These are revenue collected by Customs & Excise on goods as custom duty, excise and similar charges. As a member of one of the oldest customs union, SACU, Namibia share of income on international trade is distributed from the SACU pool. During 2009 to 2012, SACU revenue decline significantly due to SACU institutional reform on revenue sharing formula. However, revenue from SACU have picked up and anticipated to increase favorable with Namibian trade. Traders importing goods into Namibia from area/ country outside SACU pays custom duties and similar charges, whereas, trade within SACU applies the rule of origin.

III.3 Tax Reform

Since 2010, the country took reform measures to transform the tax department business operation. Measures were taken for the department to re-organize and strengthen the organizational structure of the department as part of tax reform. The department embarks on fact-finding mission to learn about automated tax system and the viability for the country to introduce such system. The following were area reviewed or considered for tax reform:

i. The department organizational structure;
ii. The introduction of a large taxpayer division;
iii. Business process re-engineering;
iv. Improvement of the self-assessment system for income tax with an automated tax system;
v. Review of small and medium taxpayers regime;
vi. Improvement and strengthening of audit, filing, collection and enforcement; and
vii. Review of taxation legislation and study of new taxation area as a source of revenue collection and protection of the society

III.4 The Success of Tax Reform

Namibia is one of the countries without some form of semi-autonomous revenue authority yet; tax administration is carried out in a traditional fashion by a line department within the Ministry of Finance. However recently, the Minister of Finance has commissioned some members to oversee the establishment of a semi-autonomous Revenue Agency that will take over the operations of the department of Inland Revenue by the financial year 2017. The department was able to successfully attain and implement some of the reform measures. The department successfully underwent organizational restructuring and increases its staff compliments in order to meet the expected output. Here thereto, the department was able to arrest administrative backlog in the system and updated tax assessment efficiently

The department undertook to replace the current self-assessment system with an upgraded tax system. Following successful tender biding, the tender was awarded to a joint venture of a Namibian and Chinese company for the development and implementation of the new tax system in June 2013. The development and implementation of the new integrated tax administration system (ITAS) expect to be completed within three (3) year period ending 2016. The ITAS expect to use the latest technology and innovation in tax administration.

In pursuing to meet reform targets, the ministry sought the need for a project manager to ensure smooth implementation of tax reform whilst the department continues to operate normally. This saw the appointment of a consultant as the project manager early 2013. This enables the department management to continue implementing their specific programs while tax reform agenda run parallel and effectively. The success of the initiative was seen, as tasks were coordinated executed effectively following the consultants' appointment. Similarly, after a long protracted period without the top executive position being filled, the department appointed Mr Justus Mwafongwe as Commissioner and the two appointments help transform the department and changes were inevitable. Even though figures were not available at the time of this paper, compliance level increases significantly and trust was restored in taxpayers.

III.4.1 Tax policy proposal for the year 2015/16.

In the coming financial year and medium term expenditure , Government willing to implement and undertake specific policy interventions and reforms in the areas of tax policy, public finance management and financial sector reforms.

It's noted that Namibia tax system rests on a narrow base and displays varying levels of skewness, in terms of the taxpayer community and the relative contribution to the treasury. This is especially in regard to the relative high tax burden on individuals' vis-à-vis corporations. The aim is to make it easier for SMEs to meet their tax obligations, and curb tax evasion especially by entities which conduct their activities as corporations but they are registered as charity organizations, trusts and Non-governmental organizations which are exempted from tax.

The Minister plans to commission an investigation into the equity and effectiveness of the tax system, with the view to broaden and deepen the tax base, improve the fairness of sharing the tax burden, while keeping in check the efficiency and competitiveness of the system and the taxpayer's ability to pay.

The following tax policy proposals are to be implemented upon favorable consideration of the Appropriation Bill 2015/16:-

i. Reduction of the withholding tax on services rendered by Non-residents from 25 percent to 10 percent,
ii. Implementation of the reduction of the non-mining corporate income tax from 33 percent to 32 percent as announced in the year 2014,
iii. Introduction of the first phase of environmental taxes on carbon dioxide emission tax on motor vehicles, incandescent light bulbs and motor vehicle tyres as considered and announced last year,
iv. Lifting of the Value-Added Tax (VAT) threshold for registration from N$200,000 to N$500,000 as announced last year, following a lengthy consultation process,
v. Introduction of criteria for voluntary VAT registration and VAT import accounts,
vi. Introduction of mandatory security requirement for the deferral of VAT goods,
vii. Introduction of electronic communication rules, which enable online filing of tax returns and online payment of taxes,
viii. Introducing taxation of restraint of trade payments, as well as proceeds from the sale of a petroleum license or right to explore, develop and produce petroleum,
ix. Introducing transfer duty on the sale of shares in companies and membership interest in close corporations owning residential property, commercial property, land and mineral licenses, as announced previously,
x. Tabling of the Customs and Excise Bill, following regional harmonization and modernization of customs and excise procedures,
xi. Strengthening the provisions for recovery of tax debts, and
xii. Introduction of taxes to promote domestic value-addition in the primary commodity and natural resources sectors.

In line with the SACU common excise policy, the excise duty rates (sin taxes) on alcoholic beverages and tobacco products will increase as follows:

i. the tax on a quart of beer goes up by 15½ cents,
ii. a bottle of wine will cost 15 cents more,
iii. a bottle of sparkling wine goes up by 48 cents,
iv. a bottle of whisky will go up by N$3.77; and

v. a pack of 20 cigarettes goes up by 82 cents

By 2016 tax returns and tax payments are envisage to be on line, heralding the full implementation of the e-filing system.

The department has further looked at the amendment of taxation laws to align them with government policy and introduction of new taxation. Among the amendments; were the tax rates and threshold amended to new rates and threshold as shown in table 7, the introduction of withholding tax on services and many others. However, the process was not all rosy to the government as consultations with stakeholders were carried and certain provision saw greater resistance from the private sectors. Nevertheless, consultation continues on those amendments that could not be passed and for those that were still under review by the government. Significant tax amendments on the horizon amongst others are:

i. Amendment to the VAT Act to increase the VAT registration threshold and abolishment of zero-rated supply of livestock;
ii. Amendment to the Transfer Duty Act on transfer of membership interest of shares in close corporations and companies holding immovable property;
iii. Introduction of the Securities Transfer Tax Act;
iv. Introduction of the Export Levy Act;
v. Introduction of the Environmental Tax Act.

Finally, in 2014, the Directorate of large taxpayers' was finally established and became operational. The department will be in charge of tax administration of all major big companies in the economy, including those in the mining sectors. The directorate will also be dealing with taxation of international transaction and transfer-pricing matters among other task. The new directorate marks the beginning of a new era in tax administration and international transactions, as the directorate is expected to build skills and capacity in the area and ensure protection of the country tax base and revenue from harmful tax practices.

IV. Current Issues

IV.1 National budget 2015/16

The National budget and the Medium-term Expenditure Framework tabled May 2015 is aimed at tackling the structural challenges that affect the development potential of our economy, unlocking opportunities for jobs and wealth creation and improving the welfare of Namibians in an inclusive and sustainable manner. It is a pro-poor, pro-growth budget, with deliberate scaled-up resource allocations to the targeted programmes for broad-based economic growth, job creation and poverty eradication over time.

To bring about better results in the focal areas of social and economic transformation, Namibia need to depart from a business as usual mindset, and make measurable efforts to hold Offices, Ministries and Agencies entrusted with programme execution accountable for their action or inaction. It's emphasized that Namibian has to move in the top gear of the journey to Vision 2030. Particularly, the citizens need to make bold decisions and commence with targeted policies to transform and diversify the economy, alongside a package of strategic interventions to amplify the policy impacts in the targeted areas.

IV.2 Main priority by Government

By and large, Namibia's economic growth so far has been positive and moderately high, but it largely remained jobless, with unemployment perpetually high, and now standing at 28.1 percent. A key challenge that the country face, is the narrow production base with growth being concentrated largely on the production and export of raw materials and commodities on one hand, and a high import bill on the other hand. This state of affairs limits the job creation potential, continually drives Namibian trade balance deeper into deficit, exerts pressure on the stock of international reserves and renders the economy highly vulnerable to external shocks.

Thus, the ***first priority*** in the 2015/16 budget and medium term expenditure framework is to bring about an inclusive growth agenda for Namibia by:-

i. Diversifying and industrializing the economy, through targeted budgetary allocations to the priority economic sectors with high economic growth and job creation potential,
ii. Continuous development of functional and technical skills through increased access to tertiary education and vocational training,
iii. Developing and supporting domestic and regional value chains in the areas of comparative and competitive advantage,
iv. Crowding-in the much needed investment through private sector and SME support programmes as well as harnessing PPPs,
v. Enhancing greater access to development finance through the operations of domestic Development Finance Institutions and tailor-made commercial credit offerings, and
vi. Leveraging PPPs for infrastructure development and public service delivery.

Although Namibia has undoubtedly, made a remarkable dent in poverty, deep pockets of poverty and vulnerabilities still remain. The government had prioritized to reduce poverty and improve social welfare. A sustainable and long-term strategy to address poverty is the provision of opportunities for income generation as well as promoting the creation of decent jobs. This will be achieved through:-

i. Strengthening social safety nets in coverage and quantum as the first line of defence against poverty for the vulnerable members of our society,
ii. Supporting the creation of decent jobs and self-employment opportunities in the private sector,
iii. Implementing policies that promote local access to, and ownership of the resources, and nurturing the capacity to exploit the resources profitably,
iv. Developing social security networks that are sustainable and meaningful, and
v. Designing and implementing redistributive tax policies that are pro-poor and pro-growth

The interconnectedness across the skills deficit, joblessness, poverty, income inequalities and skewed ownership levels, pose an unyielding barrier to wealth creation for the majority of Namibians. It's recognized that there is no silver bullet to address these challenges. A package of policies and instruments is needed to break this barrier over time. Hence, the ***third priority*** for the budget and MTEF is, therefore, the achievement of prosperity and wealth creation through:-

i. Empowering Namibians in a manner that creates sustainable and broad-based wealth creation,
ii. Promoting affordable and sustainable access to finance and means of production, while maintaining responsible lending,
iii. Developing facilities to support SME access to finance and mentorship programmes,
iv. Increasing the share of local ownership and value share in the value chains across various industrial and service-oriented activities,
v. Encouraging wealth accumulation and prudent management, and
vi. Expanding the provision of basic amenities to all Namibians.

Lastly, a performance-oriented and results-based work culture needs to be strengthened in the realm of public service delivery to ensure accelerated service delivery, accountability and value for money. Hence, the ***fourth priority*** is to:

i. Improve service delivery by strengthen internal efficiency of the public service sector through performance measures and accountability;
ii. Continuous skills development, and
iii. Reform of public enterprises to ensure affordable, competitive, reliable and sustainable service delivery.

However, the extent to which the above priorities will be address depends on the multiplicity of internal and external factors impacting on our growth potential, the revenue generation capacity of our economy and the measures that we can deploy to address the constraints.

V. Conclusion

In conclusion "*macroeconomic policy can never be devoid of politics: it involves fundamental trade-offs and affects different groups differently*" Joseph Stiglitz. Namibia is experiencing such trade-offs vividly, hence the struggle continue for free and prosperous Namibia.

Therefore the government has taken the following route:-

- Achieving greater inclusiveness and prosperity for all. Its well known that, this requires high and sustainable economic growth, grounded on strong macroeconomic fundamentals.
- Scale-up allocations to the economic and social sectors to spur growth, job-creation and long-term productivity gains.
- Increased Old Age Pension grants and made a commitment to future adjustments in line with resource availability and regional best practices. Anti-poverty policy packages and instruments are being streamlined through the deliberate intervention to create a dedicated Government Ministry.
- Government is taking measures to improve internal efficiency and accelerate service delivery to all Namibians.
- Government extended free education to the secondary education phase, increased the support to tertiary and vocational education, land reform programme and the provision of basic services so that no Namibian must feel left out.
- Investing in the youth through continuous skills development and empowerment opportunities.
- Keeping fiscal operations within sustainable levels, and working collaboratively with organized labour and the private sector for the common good of our country.

Finally Namibia is committed to pursue sound macroeconomic policies and implementing structural reforms to ensure more inclusive economic growth, address the high level of unemployment and reduce vulnerabilities while locking in the progress they have made so far to promote inclusion and accelerate convergence with SADC (Southern Africa Developed Communities) targets. Namibia will continue to pursue a fiscal consolidation path that will restore and preserve medium to long-term fiscal sustainability.

References

Bank of Namibia (2013 – 2008) Annual Report.
Bank of Namibia (2014) Quarterly Bulletin, December 2014.
David, C and Cameron K (2012) *The Lexis Nexis Practical Guide to: Tax in Namibia, 8th ed.*, Pietermaritzburg: Interpak Books.
Gaomab II, M.H (2012) "Macroeconomic determinants of balance of payments in Namibia". *International Journal of Business and Management* Vol. 7, No.3.
IMF Country Report No. 15/276, October 2015
Ministry of Finance, National budget 2015/16
Income Tax Act No. 24 of 1981, Windhoek.
Ministry of Finance of Namibia, *www.mof.gov.na/*
Ministry of Fisheries (2004). *Namibia's Marine Resources Policy*, Windhoek.
Murray, R (1992) *Namibia through the 1990s.* The Economic Intelligence Unit, Special Report No M211.
Namibia Statistic Agency (2011) Namibia 2011 Population and Housing Census Main Report, *www.nsa.org.na/publications/*
Namibia Statistic Agency (2013) Profile of Namibia 2013, *www.nsa.org.na/publications/*
Namibia Statistic Agency (2014) The Namibia Labour Force Survey 2014 Report, *www.nsa.org.na/publications/*
National Planning Commission (2008) A review of poverty and inequality in Namibia, Windhoek.
National Planning Commission (2013) National Development Plan 4, *www.npc.gov.na/*
National Planning Commission(2014) Annual Report, *www.npc.gov.na/*
Ogbokor, C.A and Sunde,T (2011) "Is Namibia's Inflation Import-driven? An Econometric Investigation (1990-2007)" *Journal of Development Alternatives an Area Studies*, Vol. 30, no.1-2.
Petroleum Taxation Act No. 3 of 1991, Windhoek.
Sparks, L.D and Green D (1992) *Namibia: the nation after independence*, Westview Press.
UNDP (2014) Human Development Report 2014, hdr.undp.org/sites/default/files/hdr14-report-en-1.pdf. 170
Value Added Tax Act No. 10 of 2000, Windhoek.
World Economic Forum (2014) The Global Competitiveness Report 2014 – 2015, www.weforum.org/reports/global-competitiveness-report-2014-2015

www.namibweb.com/gov.htm
http://www.cia.gov/library/publications/the-world-factbook/
http://www.namibia-travel.net/namibia/economy.html
http://www.sadctrade.org/files/TPR%20Namibia.pdf
http://imgpartners.com/image/Commodity20Flow20in20Namibia.pdf
http://www.tradingeconomics.com/namibia/gdp-growth
http://www.theodora.com/wfbcurrent/namibia/namibia_economy.html
http://www.ijg-research.net/the-namibian-macroeconomic-environment/
http://www.brainyquote.com/quotes/quotes/j/josephstig404365.html