Namibia Rich or Poor?

A presentation to the Conference on Debt Relief and Development in Africa by Robin Sherbourne

5 December 2005

Presentation Outline

- Some basic facts about Namibia
- Namibia aid and debt
- Namibia's economic performance
- Explaining Namibia's performance

Some Basic Facts

- Namibia firmly lower middle income (U$2,370 per person)
- Highly skewed income distribution (Gini coefficient 0.7)

Some Basic Facts...Political

- Independence came late +
- Independence as communism collapsed +
- Independence as globalisation gathered pace +
- Independence after protracted liberation struggle -
- Small country 0
- Ethnically diverse population -
- White settler population -
- National reconciliation +
- Liberal constitution +
- International goodwill +

Some Basic Facts...Economic

- No inherited debt +
- Good infrastructure +
- Functioning market economy +
- Liberal constitution +
- High aid per capita +
- Significant resource endowment +
- Poorly educated population -
- White settler population +

Some Basic Facts...Growth

- GDP growth of 3%-4% a year
- Population growth of 2.6% a year
- Average income growth of 1% a year
- Income distribution?

Some Basic Facts...Employment

- Strict unemployment grown from 19.1% to 31.1% in ten years
- Perhaps 30,000 job opportunities in ten years
- Non-agriculture employment growth mainly in services

Some Basic Facts...Debt

- Little or no inherited debt
- Increase in public spending
- Budget deficit every year
- Financed mainly by local borrowing
- Foreign soft loans for specific projects
- Build up of debt to above 33% of GDP despite target of 25%

Some Basic Facts...Aid

- Massive international goodwill
- Aid per capita highest in Africa (100 times higher than Nigeria)
- Aid now 1% of GDP

Conclusion

Per capita GDP growth of 1% a year despite aid of 1% of GDP a year and deficits of between 1% and 7.5% of GDP a year

Conclusion

Aid and debt do not appear to have boosted growth much…

…is it even possible that they have held growth back?

Why Not Better?

- Are negatives outweighing the positives?
- Is it in Namibia's power to do better?
- Is something else to blame?

One Theory

- Quick racial rebalancing means bloated public sector
- Lack of skills means significant rewards for the lucky few
- Nation building means limited role for foreigners and reinventing wheels
- Labour market regulations make employment more difficult
- Effective government critical

One Theory

All work against developing competitive Namibian export-oriented businesses

Namibia Rich or Poor?

Namibia rich in natural resources and other potential advantages

but

Namibia poor in entrepreneurship, skills and a dynamic indigenous business sector