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THE GLOBAL COST OF LIVING CRISIS FROM A NAMIBIAN PERSPECTIVE

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INTRODUCTION

The Global Cost of Living Crisis refers to an unbridled surge in the prices of essential goods and services on an international scale that has far outpaced increases in nominal wages and welfare payments causing real disposable incomes to fall. The crisis has been largely unprecedented in scope and reach not least due to its timing in the immediate aftermath of the worst public health crisis in a generation, the COVID-19 pandemic. In 2022, the United Nations Development Programme (UNDP) estimated that the global cost of living crisis had pushed over 51.6 million people into extreme poverty at the US$ 1.90-a-day poverty line with an additional 20 million people falling into poverty at the US$ 3.20-a-day benchmark, bringing the net cumulative figure to 22.7% of the world's population.[1] Consequently, the World Economic Forum's Global Risk Report for 2023 ranked the global cost of living crisis as the most concerning short-term risk to the world for the next two years.[2]

While the crisis has been indisputably global in scale, its effects have been unevenly distributed across wealth and income brackets. This means that the most harmful effects of the crisis have been felt more acutely in lower- and middle-income countries where citizens face higher effective inflation rates owing to the fact that they tend to spend a greater proportion of their incomes on those essential goods and services that have experienced the greatest price increases and thus have much less room to 'budget' their way out of financial hardship. Similarly, governments in low and middle-income countries are likely to have less available means to install the social safety nets required to lift the most vulnerable within their populations out of poverty.

Although the inflation rate in Namibia has not reached the double or even triple-digit figures witnessed in some of the world's worst-faring economies, the pre-existing socio-economic challenges pervading Namibian society prior to the onset of the cost of living crisis have imposed critical structural limitations on individual abilities to withstand the added financial pressures brought forth by the crisis. Indeed, with the world's second highest levels of both income inequality and unemployment, Namibian households are especially lacking in insulation against the manifold financial obstacles confronting them at this juncture. According to data collected by Afrobarometer between October and November 2021 – just as the cost of living crisis was starting to take hold globally – the proportion of Namibians who suffered frequent deprivation of basic life necessities had risen steadily over the past year to encompass more than half of the population with 34% of respondents having experienced moderate lived poverty and 22% having experienced high lived poverty, collectively amounting to 'the highest levels recorded since 2006'.[3]

Since independence, the Namibian government has progressively implemented a fairly comprehensive social protection system providing a degree of relief to poor and vulnerable Namibians through both social security and social assistance programmes. However, the efficacy of Namibia's impressive range of social protection schemes has been incrementally offset by the broader socio-economic context of prolonged economic recession resulting at least in part from a period of economic mismanagement which saw the government undertake 'huge borrowing and high spending at the same time that the economy was flatlining'.[4] Moreover, the accumulation of large amounts of public debt since 2010 coupled with the 'collapse or stagnation in domestic revenue' as a result of this prolonged period of overspending has put Namibia in a much less favourable fiscal position from which to counteract the effects of the global cost-of-living crisis on the domestic economy.[5] This is because increasingly more fiscal space is having to be siphoned off from the country's operational and developmental budgets to fulfil its mounting public debt obligations.

The widespread raising of base interest rates by the majority of the world's central banks – the Bank of Namibia included – is also proving particularly problematic to the already hostile macroeconomic environment in Namibia. Whereas hiking interest rates is generally deployed as a as a strategy to quell consumption and in turn compel businesses to bring down the price of good and services, this policy approach also risks undermining economic growth and escalating unemployment – a prospect that the Namibian labour market can hardly afford to endure any more of at this juncture. Moreover, other features of the domestic economy such as prolonged wage stagnation, an absence of minimum wage protections in the majority of industries, and high rates of labour precarity means that securing one of the country's scarce employment opportunities does not necessarily preclude the possibility of more Namibians falling into poverty as a result of the cost of living crisis.

1 George Gray Molina, María Montoya-Aguirre, and Eduardo Ortiz-Juarez, "Addressing the Cost of Living Crisis in Developing Countries: Poverty and Vulnerability Projections and Policy Responses", (High-Level Political Forum on Sustainable Development, UN Development Programme, 2022), https://www.undp.org/publications/addressing-cost-living-crisis-developing-countries-poverty-and-vulnerability-projections-and-policy-responses.

2 World Economic Forum, The Global Risks Report 2023: 18th Edition, insight report, (Geneva: World Economic Forum, 2023), https://www3.weforum.org/docs/WEF_Global_Risks_Report_2023.pdf

3 Afrobarometer, 'More than Half of Namibians Experienced Moderate or High Lived Poverty in Past Year, Afrobarometer Survey Shows,' press release, July 13, 2022, https://www.afrobarometer.org/wp-content/uploads/2022/07/nam_r9.news_release-majority-of-namibians-experienced-moderate-or-high-lived- poverty-13jul22.pdf.

4 Namibia Media Holdings, "Robin Sherbourne – The Evening Review", September 29, 2022, YouTube video, 25:50, https://www.youtube.com/watch?v=BRgfTfCQqmc&ab_channel=NamibiaMediaHoldings.

5 Cirrus Capital, written questionnaire responses to the author, May 31, 2023.

While there appears to be a general consensus that global inflation peaked in late 2022, this by no means implies that the global cost of living crisis is over. This is because inflation measures how much more expensive goods and services become over a 12-month period, thus declining inflation is not an indication that prices are falling but rather that they are rising at a slower pace than before. Thus, while inflation has generally been on a downward slope in 2023, price pressures are expected to remain constant across the global economy for some time. Critically, economies in the Global South are projected to recover at a relatively slower pace than higher-income economies in the North and are thus likely to be grappling with high prices emanating from volatility in global commodity prices and ongoing supply chain disruptions for several years to come.

CONTEXTUALISING THE CRISIS

The outbreak of the COVID-19 pandemic in 2020 followed by the Russian invasion of Ukraine in 2022 are generally regarded as the key causative factors behind the global cost of living crisis. Each of these events was exceptional for its distinctly global impact on public health and geopolitical relations and concurrently, for its disruptive effects on supply and demand in the world economy.

In the initial stages of the COVID-19 pandemic, inflation fell following the imposition of restrictions on the movement of goods and services through government-mandated 'lockdowns' and a subsequent cut back on spending at the household level. These restrictions hampered food production operations as many producers faced challenges in both harvesting their produce and delivering their products to the market. However, as governments began to lift their respective lockdowns measures in the later stages of the pandemic, consumer demand surged leading to critical global supply chain bottlenecks and widespread shortages of essential materials. The subsequent rise in global inflation was further compounded by the various fiscal stimulus packages and other quantitative easing policies adopted by governments to manage the economic fallout of the crisis as well as the limited capacities of many businesses to accommodate the spike in demand after cutting back on their own operational spending.

The impact of the COVID-19 pandemic on public revenues varied according to the resilience of each state's economy before the pandemic and the existing institutional capacities of governments to implement relief measures for the benefit of their populations during the crisis. For example, countries with large informal economies tended to register greater increases in poverty and food insecurity because fewer citizens had access to institutional safety nets and other income stabilizing measures such as government-backed job retention schemes typically reserved for formal sector workers. Moreover, for those states that already found themselves in difficult fiscal positions prior to 2020, governments were confronted with almost 'no room to deploy fiscal policy to address the impact of the pandemic, continue to service public debt and maintain macro-economic stability'.[6]

Russia's invasion of Ukraine in February 2022 ushered in a new wave of macroeconomic pressures for governments to navigate including fresh spikes in cost-push inflation emanating from severe disruptions to global food and energy markets. The scale of these disruptions was rooted in both countries' large global market shares of key commodities. Before the war, Russia occupied a position as 'the world's largest and second biggest exporter of natural gas and crude oil, respectively, while Russia and Ukraine together accounted for almost a quarter of global wheat exports, 14% of corn exports and more than half of sunflower oil exports'.[7]

The deleterious effects of the conflict on each country's production and trade of grain and other agricultural goods caused associated food prices to soar to near record highs. This is exemplified by the fact that the post-invasion sub-period accounted for 'almost 40 percent of the annual price increase of wheat and for 60 to 75 percent of the annual price increases of corn and sunflower seed oil'.[8] Similarly, over 'two-thirds of the 166.8% increase in natural gas over the twelve-month period ending on 31 May 2022' was recorded after the Russian invasion while the prices of crude oil and its two main refined products, gasoline and heating oil, rose by up to 60 percent during the post-invasion subperiod.[9] This squeeze on global fuel prices was further exacerbated by the imposition of western sanctions on Russia causing available oil supplies to shrink even more at a time when many of the world's economies were seeking to up their consumption as part of their pandemic recovery plans.

[6] Christiaan Keulder and Lizl Stoman, , research report, (Windhoek: Survey Warehouse, 2020), http://surveywarehouse.com.na/wp-content/uploads/2022/04/Covid-19-impact-report_09.2020_FINAL.pdf.
[7] United Nations High-Level Political Forum on Sustainable Development (HLPF) 2022, *Addressing the Cost-of-Living Crisis in Developing Countries: Poverty and Vulnerability Projections and Policy Responses*, (New York: United Nations Development Programme, 2022), https://www.undp.org/publications/addressing-cost-living-crisis-developing-countries-poverty-and-vulnerability-projections-and-policy-responses
[8] UNDP HLPF, *Addressing the Cost-of-Living Crisis, 2.*
[9] UNDP HLPF, *Addressing the Cost-of-Living Crisis, 2.*

Another somewhat less considered factor that has contributed to the global cost-of-living crisis relates to the conduct of some large corporations that have taken advantage of the inflationary environment by artificially raising prices to increase their own profit margins.[10] One analysis of the top 350 companies listed on the London Stock Exchange conducted by a team of researchers at Unite, the UK's largest private sector trade union, found that the average profit margins of these companies 'rose from 5.7% in the first half of 2019 to 10.7% in the first half of 2022'.[11] A similar finding was deduced in a study conducted by Canadians for Tax Fairness, a non-profit, non-partisan organisation advocating for fair tax policies and quality public services, of the financial information from publicly traded companies in Canada. This study found that between 2019 and 2021, the average annual sales revenue of companies on the Canadian Stock Exchange increased by US$ 174.5 million while costs only increased by US$ 16.9 million, indicating that '90% of the increase in revenue in 2021 came from higher profit margins'.[12]

The calculated attempts of some large corporations to safeguard corporate profits and shareholder dividends have served not only to fuel already high inflation but have also ensured that the financial burdens of the cost-of-living crisis has been disproportionately shouldered by ordinary people. In fact, according to calculations published by the IMF in June 2023, corporate profits account for 'almost half the increase in Europe's inflation over the past two years', suggesting that corporations have been shielded far more than workers from the adverse financial shocks emanating from the crisis.[13]

KEY FEATURES OF THE CRISIS

Rising Inflation

The most defining feature of the global cost-of-living crisis is the inflationary environment resulting in the cost of essential items increasing rapidly over a short period of time, creating affordability issues across the board. The International Labour Organisation (ILO) provides a concise definition of inflation as 'the measure, specific to a country, of how much more expensive a set of goods and services has become over a certain period'.[14] For example, if inflation increases by 3% between two consecutive years, 3% more nominal income will be required in the second year for consumers to expend the same amount on goods and services as they did in the first year.

According to the International Monetary Fund (IMF), global headline inflation rose from 4.7% in 2021 to 8.8% in 2022.[15] Breaking down this global average, advanced economies experienced an average inflation rate of 7.3% in 2022 whereas 'developing' countries and emerging economies endured an even higher inflation rate of almost 10% and lower-income countries experienced the highest inflation peak at 14.2% in the same year.[16] Similar findings were gathered by the Economic Intelligence Unit in its latest Worldwide Cost of Living (WCOL) Survey, which tracked the prices of over 200 goods and services in 172 cities worldwide between 16 August and 16 September 2022. The WCOL Index shows that prices rose by an average of 8.1% year-on-year in local-currency terms in 2022, 'the highest inflation rate recorded since WCOL surveys began almost 20 years ago' with the item most affected by inflation being a litre of petrol, the price for which 'rose by 22% year-on-year on average in local currency terms' followed closely by utility and food prices.[17]

Tightening Monetary Policy and Mounting Public Debt

In response to the inflation crisis, many of the world's central banks and other monetary authorities have chosen to raise their base interest rates so as to effectively increase the cost of borrowing. This policy is grounded in the economic theory that high interest rates will lessen the amount of money in consumers' pockets, reducing demand for essential goods and services and in turn compelling companies to lower prices in order to sell their products which will cause inflation rates to fall. Some of the most globally significant interest rate hikes since the onset of the crisis have been set by the US Federal Reserve and the European Central Bank. On 15 June 2022, the

[10] International Labour Organization, *Global Wage Report 2022-23: The Impact of Inflation and COVID-19 on Wages and Purchasing Power*, flagship report, Geneva: International Labour Organization, 2022), https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_862569.pdf.
[11] Phillip Inman, 'Global Greedflation: Big Firms Driving Shopping Bills to Record Highs', *The Guardian*, March 13, 2023, https://www.theguardian.com/business/2023/mar/12/global-greedflation-big-firms-drive-shopping-bills-to-record-highs.
[12] D. T. Cochrane, The Rise of Corporate Profits in the Time of Covid, A Canadians for Tax Fairness Report, April 2022, https://www.taxfairness.ca/sites/default/files/2022-06/report-the-rise-of-corporate-profits-in-the-time-of-covid-april-2022.pdf.
[13] Niels-Jakob Hansen, Frederik Toscani and Jing Zhou, 'Chart of the Week: Europe's Inflation Outlook Depends on How Corporate Profits Absorb Wage Gains,' International Monetary Fund, June 26, 2023, https://www.imf.org/en/Blogs/Articles/2023/06/26/europes-inflation-outlook-depends-on-how-corporate-profits-absorb-wage-gains
[14] ILO, *Global Wage Report* 2022-23, 57.
[15] International Monetary Fund, World Economic Outlook Update: Inflation Peaking amid Low Growth, (Washington DC: IMF, 2023), https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023.
[16] IMF, World Economic Outlook Update: Inflation Peaking, 5.
[17] Economic Intelligence Unit, *Worldwide Cost of Living* 2022: *How Soaring Inflation Has Affected Prices Globally*, (London: Economic Intelligence Unit, 2022), 2.

US Federal Reserve raised its benchmark interest rate by 0.75 percentage points – the biggest hike since 1994 – as a first step to bringing inflation back down to what is considered an ideal rate of 2% by 2024.[18] Similarly, the European Central Bank adopted a tighter monetary policy when it raised interest rates 'by 0.25 percentage points in July 2022 and a further 0.75 percentage points in September 2022 – the biggest rise ever' in a bid to achieve the same 2% inflation target.[19]

Although tightening monetary policy is largely considered to be the most effective economic orthodoxy for tackling runaway inflation, this approach also comes with a well-documented risk of triggering recession which can have disproportionately harmful effects on the poor. For low- and middle-income countries in particular, the increased interest rates imposed by central banks coupled with the progressive appreciation of the US dollar has significantly increased the proportion of national expenditure being spent on both sovereign and private debt repayments, undermining capital flows and trade activities in other areas and putting local economies at a higher risk of debt crises and defaults. For example, it has been estimated that public sector debt ratios relative to GDP will remain above 60% in Africa in 2022 and 2023 with some countries in the region far exceeding this level of indebtedness.[20] Moreover, according to Oxfam International, poor countries were compelled to spend an average of '27.5% of their budgets on debt repayment' in 2021 amounting to 'four times more than on health and 12 times more than on social protection'.[21]

Wage Stagnation and Loss of Employment

The abilities of ordinary working people to adapt to the high inflationary environment have been further weakened by concurrent wage stagnation. According to the ILO's Global Wage Report for 2022-2023, global monthly wages fell in real terms to -0.9% in the first half of 2022, marking the first negative growth recorded since the first edition of the ILO report was published in 2008.[22] The same report also found that for the first time this century, global real wage growth had become negative despite real labour productivity continuing to grow.[23]

Although this trend of gradually eroding nominal wages has impacted the income levels of workers across all socioeconomic backgrounds, low-income households have been particularly impacted owing to the fact that they tend to spend a higher proportion of their incomes on essential items, many of which have been the biggest targets of inflation. Moreover, the decline in the global wage bill is being driven by the loss of employment that first took hold of the world economy at the beginning of the COVID-19 pandemic in early 2020. Again, it has tended to be those at the lower end of the wage distribution scale, many of whom earn a living in the informal economy and many of whom are women, who have suffered the most from rising unemployment trends. Large-scale loss of employment has also contributed to declining economic output and a reduced tax base for governments to draw from to support those in their populations who are either living in or at risk of falling into poverty as a result of the crisis.

Growing Poverty and Inequality

The global cost of living crisis has also resulted in major setbacks to global poverty reduction efforts. By the end of 2020, global extreme poverty had increased by an estimated 9.3% from 8.4% registered in 2019, reflective of the 'more than 70 million people [who] were pushed into extreme poverty' as a result of the pandemic, thereby 'increasing the global total to over 700 million'.[24] By the end of 2022, up to 685 million people were thought to still be living in extreme poverty, making 2022 'the second-worst year for poverty reduction in the past two decades' after 2020.[25] Assessing the impact of the global cost of living crisis specifically, a 2022 study by the UNDP found that over 51 million people were pushed into extreme poverty at the US$ 1.90 a day threshold, while an additional 20 million experienced poverty in line with the US$ 3.20 a day baseline for lower-middle income countries as a direct result of the crisis.[26]

The widely varying abilities of governments to effectively respond to both the COVID-19 pandemic and the cost-of-living crisis that followed have also contributed to the rising tide of global inequality. The outbreak of the pandemic prompted unprecedented responses from the world's governments as they scrambled to implement

[18] ILO, Global Wage Report 2022-2023, 114.
[19] ILO, Global Wage Report 2022-2023, 114.
[20] 'Things to Watch in Africa in 2023', Economic Intelligence Unit, October 25, 2022, https://country.eiu.com/article.aspx?articleid=1952522378&Country=Nigeria&topic=Economy&subtopic=Outlook&subsubtopic=Overview.
[21] Oxfam International, 'G20 Must Tackle the "Cost of Profit" Crisis Causing Chaos Worldwide', press release, November 14, 2022, https://www.oxfam.org/en/press-releases/g20-must-tackle-cost-profit-crisis-causing-chaos-worldwide.
[22] ILO, *Global Wage Report* 2022-2023, 12.
[23] ILO, *Global Wage Report* 2022-2023, 3.
[24] World Bank Group, Poverty and Shared Prosperity 2022: Correcting Course, (Washington DC: World Bank, 2022), http://hdl.handle.net/10986/37739.
[25] World Bank Group, *Correcting Course*, xxi.
[26] UNDP HLPF, *Addressing the Cost-of-Living Crisis*, 12.

critical income stabilizing relief measures to protect their respective labour markets from collapse. However, the vastly disparate capacities of high-, middle- and low-income economies to respond to the crisis has served to significantly increase global income inequality 'to levels last seen in 2008 … partly reversing the decline achieved in the past two decades'.[27] Consequently, global poverty has become even more disproportionately concentrated within certain regions as rich nations have been able to kickstart their respective economic recoveries at a much faster pace than their low- and middle-income counterparts. A case in point is evidenced in the fact that after an additional 18 million new poor emerged in Africa in 2022, the continent is now estimated to contain more than half of the world's poor at 54.8%.[28]

Having contextualised the global cost of living crisis and provided a brief overview of its key features from an international and regional standpoint, the remainder of this paper will focus on assessing the effects of the crisis from a Namibian perspective specifically.

NAMIBIAN ECONOMY PRIOR TO THE CRISIS

Pre-2016: Stable Economic Growth and Expansionary Fiscal Policy

Prior to 2016, the Namibian economy experienced a prolonged period of mostly steady economic growth, rising from an average of 2.5% between 1990 and 1994 to 3.6% between 1995 and 1999 and a 5.7% average between 2010 and 2015.[29] The primary sources of Namibia's economic growth originated from a combination of 'large private capital investments in mining and public sector investments in infrastructure' both of which were facilitated by 'prudent fiscal and monetary policies, a stable political and business environment, and a strong financial sector'.[30] Accordingly, Namibia's GDP has increased substantially from a nominal level of just N$7.2 billion in 1990 to over N$200 billion in economic output by 2022, though the growth rate is thought to have peaked at 6.1% in 2015.[31] Sustained economic growth also raised the per capita income amongst the population, culminating in Namibia's reclassification from a lower middle- to upper-middle income country in 2008 which resulted in the national extreme poverty benchmark rising from US$ 3.20 to US$ 5.50 per day.

On the one hand, the monetary gains secured through economic growth prior to 2016 were effectively targeted towards coordinated poverty reduction efforts. The proportion of the population living below the poverty line declined from a high of 69% in 1994 to 28.8% in 2010 and 17.4% by 2016, constituting one of the fastest poverty reduction trajectories in Sub-Saharan Africa.[32] On the other hand, increased liquidity also resulted in the adoption of less prudent expansionary fiscal policy in other areas. While increased expenditure was rationalised as a means to fortify Namibia's structurally open economy from external shocks in the aftermath of the global financial crisis, in practice it was often used more for consumption purposes than for developmental endeavours to raise long-term productivity. For example, the public sector wage bill more than doubled in five years from N$13 billion in FY2013/2014 to N$30 billion in FY2018/2019.[33] Consequently, the budget deficit steadily increased with a particularly large spike experienced following the introduction of the N$14.7 billion Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) in 2011, which resulted in the budget deficit of 5.8% of GDP in 2010/11 increasing to 8.5% of GDP in 2011/12.[34]

A Lack of Inclusive Growth, High Inequality and Multidimensional Poverty

Though steady in pace between the early 1990s and 2016, Namibia's track record of economic growth has been fundamentally exclusionary in nature. This dearth of inclusive growth has created a situation whereby the country's fairly advanced level of development in some respects does not correspond to its high levels of income inequality and structural unemployment and low levels of human capital.

[27] ILO, Global Wage Report 2022-23, 114.
[28] David Agba, '18m New Poor Emerged in Africa in 2022—ECA,' Blueprint Newspapers, March 21, 2023, https://www.blueprint.ng/18m-new-poor-emerged-in-africa-in-2022-eca/.
[29] World Bank Group, *Namibia Systematic Country Diagnostic*, (Washington DC: World Bank Group, 2021), https://documents1.worldbank.org/curated/en/976371617896981427/pdf/Namibia-Systematic-Country-Diagnostics.pdf.
[30] International Finance Corporation, *Country Private Sector Diagnostic: Creating Markets in Namibia*, (Washington DC: International Finance Corporation, 2022), https://www.ifc.org/wps/wcm/connect/1aede59b-0bbf-4302-aeb8-5ab50c8ebb07/Namibia_CPSD HiRes+%28FULL%29pdf?MOD=AJPERES&CVID=o7oRZLi.
[31] 'Namibia's Economic Framework Fails to Address Poverty, Inequality and Unemployment,' *The Brief*, March 23, 2023, https://thebrief.com.na/index.php/news/item/2603-namibia-s-economic-framework-fails-to-address-poverty-inequality-and-unemployment.
[32] World Bank Group, Namibia Systematic Country Diagnostic, 46.
[33] Maihapa Ndjavera, 'Shiimi to Show Dexterity in Tight Budget… Spending, Public Debt and Wage Bill in Focus,' *New Era*, February 22, 2023, https://neweralive.na/posts/shiimi-to-show-dexterity-in-tight-budget.
[34] International Labour Organization, *Report to the Government: Namibia Social Protection Floor Assessment*, (Geneva: International Labour Organization, 2014), https://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms_568925.pdf.

While poverty rates have been cut in half since the early 1990s, Namibia continues to battle with the second highest rate of income inequality in the world after South Africa with only modest declines in the Gini coefficient in the past few decades from 64.6 in 1993/94 to 60.0 in 2003/04 to 59.7 in 2009/10 and then 59.1 in 2015/16. Such persistently high economic inequality is also said to have had a limiting effect on the country's developmental potential. According to Professor Alex van den Heever, a Chair of Social Security Systems at the University of Witwatersrand who visited Windhoek to participate in a Forum for Experts on Social Protection in 2017, 'countries with high levels of post-tax inequality grow slower and for shorter periods than those that have a more equal distribution of income'.[35]

A lack of inclusive growth has also contributed to raising multidimensional poverty and lowering levels of human capital, both of which are considered substandard relative to Namibia's level of socioeconomic development. Namibia currently ranks 117 out of 157 countries in the World Bank's Human Capital Index owing at least in part to the fact that about half of the population are not connected to the electricity grid while close to 40% of Namibians do not have access to standard sanitation and around 25% of Namibian children are stunted, the latter statistic equating to 'four times more than the average of upper middle-income countries'.[36]

These statistics are also corroborated by domestically derived indicators. In its Multidimensional Poverty Index (MPI) report for 2021, the NSA concluded that 43.3% of Namibians are multidimensionally poor.[37] Of this percentage, several demographics are overrepresented across various gender, race, language and region of residence indicators. While a 25.3% rate of multidimensional poverty was reported in urban areas, this figure more than doubled to 59.3% in rural areas.[38] Multidimensional poverty was also found to be higher among female-headed households with a rate of 46% compared to male-headed households at 41%.[39] Moreover, poverty is most concentrated amongst demographics whose main languages spoken at home are Khoisan (93%), Rukavango (68%), and Zambezi languages (54%) while the lowest headcount ratios of poverty were found among those whose main language spoken at home was English or German.[40]

A Dual Economy: High Unemployment, Informality and Low Labour Productivity

Another distinctive feature of the Namibian economy prior to the cost of living crisis relates to the coexistence of economic growth with persistently high levels of unemployment, an anomalous dynamic pointing to 'structural deficiencies' within both the economy and the labour market.[41] In 2014, the main sectors for employment were agriculture, fishing and forestry (23%) followed by accommodation and food services (11.4%), wholesale and retail (11.1%), private households (9.9%), education (6.5%) and construction (6.2%).[42] Conversely, the most recent Labour Force Survey from 2018 found that the mining industry, despite contributing roughly 10% to GDP, only employed 1.7% of the labour force, a reduction of half a percentage point since 2016.[43] These figures are illustrative of the aforesaid structural deficiencies at the forefront of the economy. Jobless growth has remained a defining characteristic of the economy because 'the structure of production and external trade has remained essentially unchanged' since independence in that it continues to be 'tied closely to metals, minerals and other natural resources', the capital-intensive industries for which have spawned very few linkages to other more labour-intensive local economic sectors.[44]

Jobless economic growth has also created a situation whereby only a small section of the population benefit from employment income, mainly those working in the civil service or the small private sector. This trend is particularly apparent amongst poorer demographics: in the bottom four income deciles, 'only 30% of households depend on salary, wages or a pension from previous employment as their primary source of income' while the majority rely mainly on small, inconsistent earnings from subsistence farming or 'the receipt of social grants, drought relief or private transfers'.[45]

[35] 'Social Protection Depends on Sound Redistributive Policies', *Namibia Economist*, June 8, 2017, https://economist.com.na/25331/special-focus/social-protection-depends-on-sound-redistributive-policies/.
[36] World Bank Group, *Namibia Systematic Country Diagnostic*, 16.
[37] Namibia Statistics Agency, *Namibia Multidimensional Poverty Index (MPI) Report 2021*, (Windhoek: Namibia Statistics Agency, 2021), https://nsa.nsa.org.na/wp-content/uploads/2021/09/MPI-.pdf.
[38] Namibia Statistics Agency, *MPI Report 2021*, 8.
[39] Namibia Statistics Agency, *MPI Report 2021*, 8.
[40] Namibia Statistics Agency, *MPI Report 2021*, 8.
[41] Olga Katjiuongua, "Labour Market Interventions and Social Protection in Namibia," *in Perspectives on Namibia's Social Protection 2017* – 2020, eds. Trywell Kalusopa and Olga Katjiuongua (Windhoek: Friedrich Ebert Stiftung, 2021).
[42] International Labour Organization, *Namibia's Social Protection Floor*, 59-61.
[43] Namibia Statistics Agency, *The Namibian Labour Force Survey 2018 Report*, (Windhoek: Namibia Statistics Agency, 2019), https://nsa.nsa.org.na/wp-content/uploads/2021/05/Labour_Force_Survey_final_-_2018.pdf.
[44] Victor Sulla et al., *Does Fiscal Policy Benefit the Poor and Reduce Inequality in Namibia?*, (Washington DC: World Bank Group, 2017), https://documents.worldbank.org/en/publication/documents-reports/documentdetail/991551497258273367/does-fiscal-policy- benefit-the-poor-and-reduce-inequality-in-namibia.
[45] Victor Sulla et al., *Does Fiscal Policy Benefit*, 7.

The issue of high unemployment can be situated within the broader structural paradigm of the dual economy. The dual economy refers to a prevalent depiction of Namibia as having two economies consisting of a highly developed formal sector comprised of a small number of technologically sophisticated businesses and a larger, relatively unproductive informal sector dominated by subsistence agriculture. Sectors with the highest rates of informality such as 'agriculture, hunting and forestry, wholesale and retail trade, hotels and restaurants, and other community … activities' tend to most afflicted by low labour productivity which in turn contributes to higher levels of income insecurity amongst the informal workforce.[46] Absent regular employment income streams, 'vulnerability extends deep into the Namibian labour market' affecting many 'so-called employed persons in terms of a lack of social protection … a lack of predictability in terms of income … and low wages'.[47] Indeed, it appears that labour precarity has become a normatively entrenched feature of the domestic economy.

An Undiversified Economy: Import Dependency and Vulnerability to External Shocks

Despite a plethora of government initiatives to support broad-based industrialisation over the years, the Namibian economy remains structurally dependent on the export of primary commodities. Alongside uranium, gold, livestock, fish, and grapes, diamonds represent the country's most significant resource, accounting for an estimated 70% of total mineral exports.[48] The extractive industries represent Namibia's most important sector in terms of capital accumulation, regularly providing more than 50% of the country's foreign exchange earnings. However, the underdevelopment of local manufacturing capacities has kept product complexity low with little to no domestic beneficiation or value added to the majority of primary products prior to export.

Overreliance on the extraction of natural resources has rendered Namibia heavily dependent on broader global and regional market developments in determining commodity prices and in turn the size and regularity of essential domestic revenue streams. The vulnerability of the primary export-driven economy to global financial shocks is further compounded by adjacent uncertainties over the size and regularity of SACU receipts and Angolan demand for Namibian services.[49] Moreover, a lack of diversity in the country's foreign investment portfolio outside of the minerals sector has historically made other revenue-generating options limited. Namibia's positionality as a small country adjacent to a large and powerful neighbour already effectively integrated into global and regional value chains also makes the prospect of attracting investment to relatively underdeveloped local industries such as manufacturing all the more challenging.

The openness of the Namibian economy is also evidenced through its dependency on imports for approximately 60% of domestic consumption needs. On one level, Namibia's dry, arid and drought-susceptible climate has predisposed it to become a 'structurally food deficit country' with a dependency on food imports that renders the domestic market 'susceptible to high food prices'.[50] This has created another layer of vulnerability in the domestic economy to supply shocks in the global food value chain. On another level, the country is not only dependent on imports for finished products but also imports critical inputs to satisfy local production needs. Specifically, Namibia relies on the importation of fertilisers, seeds, and specialist equipment to produce local goods, many of which are destined for export markets. These conditions present a 'unique challenge' for the Namibian economy as even where capacity and means exist to produce finished products at home, the lack of manufacturing facilities to produce the required inputs for production means the country's export potential is intrinsically linked to its ability to access imports.[51]

Unequal Access to Land, Rural-Urban Migration and a Scarcity of Affordable Housing

Despite its large geographic size and small population, Namibian society is marked by a lack of access to affordable, serviced land and housing. The contemporary issue of scarce and unequal access to land and other productive assets is colonial in origin. Under apartheid, productive land in the southern and central areas of the country was forcibly seized from black Namibians and redistributed to white Europeans. Thereafter, the white commercial farming sector was diligently supported by way of 'cheap government-sponsored loans' and preferential access to markets while rural communal areas where the majority of black Namibians were forced to reside 'remained undeveloped sources of cheap migrant labour'.[52] Consequently, 70% of commercial farmland continues to be owned

[46] World Bank Group, *Namibia Systematic Country Diagnostic*, 19.
[47] Herbert Jauch, *Namibia's Draft National Social Protection Policy 2019-23: An Assessment with a Focus on Social Grants and Labour Market Interventions*, September 05, 2019, https://docplayer.net/176414426-Namibia-s-draft-national-social-protection-policy.html.
[48] International Labour Organization, *Namibia's Social Protection Floor,* 10.
[49] World Bank Group, *Namibia Systematic Country Diagnostic*, 60.
[50] Government of Namibia, Ministry of Poverty Eradication and Social Welfare, *Blue Print on Wealth Redistribution and Poverty Eradication*, (Windhoek: Government Printers, 2016), https://info.undp.org/docs/pdc/Documents/NAM/Blue%20Print%20on%20Wealth%20Redistribution%20and%20Poverty%20Eradication%20%20PDF.pdf.
[51] Arwil Vivers, "Food Production and Supply during the Covid-19 Crisis: Lessons and *Perspectives," in Perspectives on Namibia's Social Protection 2017-2020*, (Windhoek: Friedrich Ebert Stiftung, 2021), 84.
[52] Wade Pendleton, Ndeyapo Nickano and Akiser Pomuti, "The State of Food Insecurity in Windhoek, Namibia," (Urban Food Security Series No.14, African Food Security Network, Cape Town, 2012), https://scholars.wlu.ca/cgi/viewcontent.cgi?article=1013&context=afsun.

by Namibians of European descent while farmers in communal areas remain unable to secure land titles and consequently face difficulties in securing commercial bank finance and otherwise benefiting from income-generating activities such as large-scale cropping and livestock production.[53]

One important consequence of Namibia's unequal pattern of land distribution and associated wealth has been the influx of rural-urban migration as individuals descend on cities and towns in search of economic opportunities at a pace that far exceeds the pace of serviced land and housing delivery. According to the most recent Census from 2011, Namibia's urban population grew by 49.7% between 2001 and 2011 while the population in rural areas decreased by 1.4% in the same period.[54] More recent data suggests that this trend has accelerated in the last decade: Namibia is thought to be experiencing a 3.8% rate of urbanisation annually with projections that the total share of the urban population will increase by up to 60% by 2030.[55] Concurrently, the average household size has been steadily decreasing across both urban and rural areas. Whereas in 1993/94, the average household size was registered at 5.7 persons, by 2015/16 this figure had reduced to 4.2.[56] These developments have placed exceptional pressures on both the home-owning and renters markets.

Chronic housing shortages has served to make existing stock extremely expensive relative to the average Namibian income bracket. In 2014, for example, FNB Namibia's Monthly Housing Price Index registered that house prices had spiked by 29% compared to the same time the previous year, amounting to the fastest growth rate of anywhere in the world with the exception of Dubai.[57] During the same year, FNB Namibia's Housing Index indicated that the average house in Windhoek cost around N$1.5 million, a 218% increase from the N$472,000 average registered in 2009.[58] At the same time, despite the average household income in Namibia estimated to be around N$6626, over 60% of the population were projected to earn below US$ 2700.[59]

The above figures are illustrative of the lack of correspondence between average property prices and individual incomes and by implication, the average Namibian's access to mortgages. Indeed, a 2018 study carried out by the Integrated Land Management Institute at NUST found that over 90% of Namibians would not qualify for a mortgage from any commercial bank for an average-priced house, even when loans are advanced at subsidised rates.[60] This is primarily due to the fact that commercial banks' lending policies tend to openly discriminate against informally employed workers.[61] To make matters worse, the supply of serviced land plots by local authorities to those low-income applicants who cannot access private credit facilities has been mired by inefficiencies. Consequently, the number of informal settlements has skyrocketed, particularly in urban areas such that by 2018, an estimated 40% of the population were living in improvised housing or 'shacks'.[62]

Post-2016: Recession and the Path of Fiscal Consolidation

In the second quarter of 2016, the Namibian economy fell into a technical recession after experiencing consecutive quarters of contracted GDP growth compared to the 4.3% year-on-year growth registered in the year prior. This reversal in growth prospects resulted from a variety of factors including consecutive droughts with critical impacts on already strained agricultural productivity as well as severe food and water shortages; a slowdown in economic activity in mining and other key industries; plummeting global commodity prices; slow growth in neighbouring South Africa leading to worsening terms of trade; a decline in SACU revenues; and 'persisting structural rigidities' in Namibia's economic growth model.[63] Economic stagnation was further compounded by high public debt which prohibited the increased public expenditure needed to resolve structural imbalances in the economy. In 2016, annual growth registered was 0%, followed by 1.0% in 2017, 1.1% in 2018 and -0.6% in 2019.[64] These figures are illustrative of the already depressed state of the economy in the years leading up to the COVID-19 pandemic in 2020 which saw real GDP contract by a further 8.5%.

53 World Bank Group, *Namibia Systematic Country Diagnostic*, 27.
54 Namibia Statistics Agency, *Namibia 2011 Population and Housing Census*, (Windhoek: Namibia Statistics Agency, 2011), https://cms.my.na/assets/documents/p19dmn58guram30ttun89rdrp1.pdf.
55 International Finance Corporation, *Country Private Sector Diagnostic*, x.
56 Namibia Statistics Agency, *Namibia Household Income and Expenditure Survey 2015/16*, (Windhoek: Namibia Statistics Agency, 2017) https://cms.my.na/assets/documents/NHIES_2016_Key_Poverty_Indicators_Preliminary_Figures.pdf.
57 Denver Isaacs, 'Namibia, Dubai Top Global House Price Hikes', *Namibian Sun*, September 29, 2014, https://www.namibiansun.com/news/namibia-dubai-top-global-house-price-hikes.
60 Chiripanhura, "Housing in Namibia", 15.
61 World Bank Group, *Namibia Systematic Country Diagnostic*, 77.
62 Albertina Nakale, '40% of Namibians Live in Shacks,' *New Era*, April 10, 2018, https://neweralive.na/posts/40-of-namibians-live-in-shacks.
58 First National Bank of Namibia, Housing Index: *Rising Volumes Decelerate House Prices for Now*, (Windhoek: FNB Namibia, 2014), https://www.fnbnamibia.com.na/downloads/namibia/Housing-Index-Jan2014.pdf.
59 Blessing M. Chiripanhura, "Housing in Namibia: The Challenges and Prospects for Adequate Future Provision," (Working Paper No. 7, Integrated Land Management Institute, Windhoek, 2018), https://ir.nust.na/bitstream/10628/607/1/WP7-CHIRIPANHURA-Housing-in-Namibia-WEB.pdf.
63 World Bank, *Macro Poverty Outlook for Namibia: October 2022*, (Washington DC: World Bank Group, 2022), https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099216310132228782/idu078c925a10c7c1047c309fd9006639643f132.
64 Namibia Statistics Agency, *Annual National Accounts 2019*, (Windhoek: Namibia Statistics Agency, 2019), https://nsa.nsa.org.na/wp-content/uploads/2021/03/Annual_National_Accounts_2019.pdf.

The government responded to the recession by adopting a policy of fiscal consolidation. Fiscal consolidation, also known more pejoratively as austerity, refers to fiscal measures implemented with the intent of reducing public debt and encouraging macroeconomic stability. Common measures employed to curtail spending include 'public spending cuts, the introduction of or increase in regressive consumption taxes such as VAT, wage bill cuts or caps, pension sector reform' and other fiscal rules and discipline.[65] In the case of Namibia, local experts at Cirrus Capital argue that the path of fiscal consolidation was necessary for the country to avoid entering a debt trap or to risk jeopardising its currency peg with the South African Rand, which would have resulted in 'materially higher inflation overnight and a massive collapse in living standards'.[66] On the other hand, government cuts have had a 'massive dampening effect on the economy' as public expenditure has historically been a key driver of economic growth, placing negative pressure on already pressed funding allowances for social protection.[67]

KEY EFFECTS OF THE CRISIS ON NAMIBIA

The key characteristics outlined in the previous section speak to the already fragile state of the Namibian economy prior to both the outbreak of the COVID-19 pandemic and the onset of the global cost of living crisis. The next section will focus on summarising how the cost of living crisis has taken shape in the Namibian context specifically with an understanding to the broader structural and socioeconomic challenges pervading the country's macroeconomic climate before the crisis took hold.

Surging Inflation

Over the last several years, inflation in Namibia has been on an upward trajectory. Data from the NSA's Consumer Price Index Bulletins suggests that the annual inflation rate increased from 2.4% in March 2020 to 3.1% in March 2021, rising to 4.5% and 5.4% in March and May 2022 respectively, before peaking at 7.2% in March 2023. Domestic inflation has been driven primarily by price hikes in food and beverages, energy (inclusive of water, electricity, gas and other types of fuel), transportation, and housing. Many of these items also feature amongst the largest spending categories on the Namibian CPI. Indeed, the most recent Namibia Household Income and Expenditure Survey (NHIES) for 2015/16 indicates that the largest total expenditure categories in Namibian households include 36.3% spent on food and beverages, 31.8% on housing, and 7.5% on transport and communication.[68] Moreover, average monthly costs for a single person living in Namibia have risen sharply to an estimated N$8385 (excluding rent) in 2022 – a figure that the previous section's discussions on average median incomes confirms to be widely unattainable for the majority of Namibians.[69]

While these figures already point to the highly corrosive impact of headline inflation on Namibian purchasing power, several local economists who made contributions as part of the research process for this study pointed out that the NCPI used as a measure of official inflation does not paint a complete picture of current consumption. This is because the NCPI basket continues to be informed by the 2008/09 NHIES and thus represents a 'heavily outdated' framework for determining the true extent of inflation on the ground.[70] Moreover, major spending categories such as private healthcare payments are 'completely excluded' from the NCPI – a critical omission given that per capital private healthcare costs were recently found to have 'increased by 320%' between 2005 and 2021' leading average beneficiary costs on a medical scheme to increase by 298% over the same period.[71] According to local economist Theo Klein, this implies that the official inflation rate should actually register much higher than what is currently being reported at 'somewhere between 12% and 15%'.[72]

Key inflationary developments in Namibia across each of the main expenditure categories since the onset of the cost-of-living crisis can be summarised as follows:

Food and Fertiliser

- Annual overall food inflation for 2022 was 7.78% compared to 6.04% registered in 2021 and 5.45% in 2020.[73]

[65] Nona Tamale, "Adding Fuel to Fire: How IMF Demands for Austerity Will Drive Up Inequality Worldwide", (Briefing Paper, Oxfam International, Oxford, 2021), https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621210/bp-covid-loans-imf-austerity-110821-en.pdf;jsessionid=11DD3D6CB4F7D2A5E7C3FF3180B64DF0?sequence=1.
[66] Cirrus Capital, written questionnaire responses to the author, May 31, 2023.
[67] International Labour Organization, *Rapid Assessment of Skilling and Reskilling Needs Arising from the Effects of COVID-19: Namibia*, (Geneva: International Labour Organization, 2021), https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/documents/publication/wcms_834855.pdf.
[68] Namibia Statistics Agency, *NHIES 2015/16*, 100.
[69] Shaun Whittaker and Harry Boesak, 'We are in the Grip of a Cost-of-Living Crisis,' *The Namibian*, May 02, 2022, https://www.namibian.com.na/we-are-in-the-grip-of-a-cost-of-living-crisis/#:~:text=The%20monthly%20costs%20for%20a,pulled%20into%20the%20economic%20hurricane
[70] Cirrus Capital, written questionnaire responses to the author, May 31, 2023.
[71] Theo Klein (economist at Simonis Storm Securities), written questionnaire responses to the author, May 15, 2023; 'Namibia's Private Healthcare Costs Increase by 320%,' *The Brief*, July 4, 2023, https://thebrief.com.na/index.php/component/k2/item/3128-namibia-s-private-healthcare-costs-increase-by-320.
[72] Theo Klein (economist at Simonis Storm Securities), written questionnaire responses to the author, May 15, 2023
[73] Jo-Maré Duddy, 'Price Monster Will Remain Hungry,' *Republikein*, January 25, 2023, https://www.republikein.com.na/mw-b7-main/price-monster-will-remain-hungry2023-01-2548049.

- In January 2023, food and non-alcoholic beverages registered an annual inflation rate of 14% as compared to 11.7% and 5.6% in December 2022 and January 2022 respectively.[74]
- Namib Mills made several public announcements to confirm increases in prices of essential bread and cereals products in 2022.
  - In April, the company increased prices for maize meal (3%); pasta and wheat flour (6%); rice (3%) and sugar (3%).[75]
  - In November, a further increase was confirmed for selected items: maize meal (13%); instant porridge (9%); pasta (3%); wheat flower (5%); bread (4%) and sugar (6.5%).[76]
- In February 2023, other food sub-categories that recorded high inflation rates included fruits (26.8%), oil and fats (17.9%), sugar, jam, honey, syrups, chocolate and confectionary (12.5%), fish (10.1%) and meat (9.4%).[77]
- Namibia purchases approximately 56% of its wheat and 5% of its fertilisers from Russia; thus, restrictions on Russian exports to Africa have presented Namibia with particular difficulties in fulfilling its importation requirements in this regard.[78]
- After the outbreak of war between Russia and Ukraine, fertiliser and animal feed prices increased from N$240 to N$630 per bag, an increase of just over 160%.[79]
- Rising food prices have been highly significant to consumer spending patterns in Namibia as the average household spends approximately 34% of their monthly budget on food.[80]
- However, food price inflation appears to be turning a corner in mid-2023 as global wheat prices have begun to gradually decline in US dollar terms.
  - In April, Namib Mills announced a reversal of the previous year's price hikes with deductions confirmed for rice (5-6%), pasta (9-11%).[81]
  - In June, Namib Mills announced that prices would go down again for maize meal (10-14%), instant porridge (7%), and wheat flour (10%).[82]

Fuel and Transport

- In April 2022, the Ministry of Mines and Energy (MME) announced the largest fuel increase ever in Namibian history with petrol increasing by N$1.95 per litre while diesel prices increased by N$2.95 per litre.[83]
- In the 12 months between April 2021 and April 2022, petrol and diesel prices increased by 51% and 60% respectively.[84]
- In July 2022, the MME announced a further escalation in fuel prices with petrol increasing by 188 cents per litre and diesel by 134 cents per litre, representative of a year-on-year incline of over 60%. This brought fuel prices in Walvis Bay to a new national record high of N$22.28 per litre for petrol and N$22.77 per lite for diesel.[85]
- Transport price inflation, which typically accounts for 14.3% of the overall NCPI, reached a new record high of 23.3% in August 2022.[86]
- In January 2023, motorists received some respite as petrol prices decreased by 180 cents per litre and diesel prices also decreased by 220 cents per litre.[87]
- In March 2023, petrol prices increased once again by N$1.50 per litre. However, in more recent months, petrol price have remains steady while diesel prices have declined.
- To help offset rising consumers costs, government implemented a temporary fuel levy reduction of 50% for a period of three months from May to July 2022.

[74] Phillepus Uusiku, '2023 Kicked off with an Inflation Rate of 7%,' Windhoek Express, February 17, 2023, https://www.we.com.na/mw-main/2023-kicked-off-with-an-inflation-rate-of-72023-02-1751963.
[75] 'Namib Mills to Increase Basic Foodstuffs,' *Namibia Economist*, March 25, 2022, https://economist.com.na/69187/retail/namib-mills-to-increase-basic-foodstuffs-in-april/.
[76] Edgar Brandt, 'Shiimi in Fiscal Catch-22… as Cost of Living Crisis Bites,' *New Era*, October 25, 2022, https://neweralive.na/posts/shiimi-in-fiscal-catch-22.
[77] Phillepus Uusiku, 'Food Prices Boiling Over,' Allgemeine Zeitung, March 22, 2023, https://www.az.com.na/mw-b7-main/food-prices-boiling-over2023-03-2256692.
[78] "The Impact of the Russia-Ukraine War on Namibia's Crop Industry," (Policy Brief No. 03, Namibia Agronomic Board, Windhoek, 2022), https://www.nab.com.na/wp-content/uploads/2022/06/NAB-Policy-Brief-May-2022.pdf.
[79] Theo Klein (economist at Simonis Storm Securities), written questionnaire responses to the author, May 5, 2023.
[80] 'Fuel Price Hikes to Impact Food Inflation,' *The Namibian*, March 04, 2022, https://namibian.com.na/fuel-price-hikes-to-impact-food-inflation/.
[81] Maihapa Ndjavera, 'Consumers get a Break … as Namib Mills Confirms Decrease on Pasta Prices,' New Era, April 06, 2023, https://neweralive.na/posts/consumers-get-a-break.
[82] 'Namib Mills Reduces Maize, Wheat Flour Prices Again,' The Namibian, June 22, 2023, https://www.namibian.com.na/namib-mills-reduces-maize-wheat-flour-prices-again/.
[83] Maihapa Ndjavera, 'Fuel Price Drop Eases 'Jan-u-worry' Pressure,' *The Namibian*, January 04, 2023, https://neweralive.na/posts/fuel-price-drop-eases-jan-u-worry-pressure.
[84] Edgar Brandt, 'Crippling Fuel Prices Bite Deeper… Authorities Consider Temporarily Suspending Levies,' New Era, April 01, 2022, https://neweralive.na/posts/crippling-fuel-hikes-bite-deeper.
[85] Edgar Brandt, 'Persistent Fuel Increases Constrain Growth – *Economist*,' *New Era*, July 04, 2022, https://neweralive.na/posts/persistent-fuel-increases-constrain-growth-economist.
[86] Donald Matthys, 'Transport Costs Continue to Drive Inflation,' *Namibia Economist*, September 20, 2022, https://economist.com.na/73624/markets/transport-prices-continue-to-drive-inflation-higher/.
[87] Maihapa Ndjavera, "Fuel Price Drop Eases".

- Levies that were initially subject to reductions included road user charges, the fuel levy, the National Petroleum Corporation of Namibia (NAMCOR) levy and the Motor Vehicle Accident (MVA) levy.
- In August 2022, Cabinet approved an extension of the temporary reduction of fuel levies with the exception of the Fuel Tax.

- During the COVID-19 pandemic, a temporary 15% hike in bus and taxi fares was jointly announced by the Road Transportation Board (RTB) and the Ministry of Works and Transport (MWT) to accommodate social distancing regulations. A further increase of 15% was announced by the Namibia Bus and Taxi Association (NABTA) in October 2021; however, the association u-turned on these plans the following month.
- In the wake of unprecedented increases in fuel prices in April 2022, the Namibia Transport and Taxi Union (NTTU) petitioned for a 40% tax fare increase which would have increased a single taxi fare from N$13 to N$19. However, the requested fare increment was not approved by the relevant authorities.

Electricity, Gas and Other Fuels

- Prior to the onset of the cost-of-living crisis, Namibia already possessed the highest cost of electricity in the SADC region for commercial and large-scale businesses, a status that has tended to impact negatively on its international ease of doing business ranking.
- Whereas in most other countries in the region, tariffs are subsidised, electricity tariffs in Namibia are cost-reflective; high generation, transmission and distribution costs mainly result from the country's low population density and low utilization of capacity.[88]
- After receiving an application from NamPower to increase tariffs for bulk customers to 5.8% in April 2021, the Electricity Control Board (ECB) announced a tariff increase of 2.92% for the 2021/22 financial year.[89]
- In May 2022, the ECB approved NamPower's request to increase the cost of electricity to its distributors and bulk customers. A 7.3% tariff increase was affected from 1 July 2022 'pushing the average price from N$1.6982 per kilowatt-hour (kWh) to N$1.8222 per kilowatt-hour for the 2022/23 financial year'.[90]
- In May 2023, the ECB announced a further increase in bulk electricity tariffs by 8.97% from N$1.8222 to N$1.9856 per kWh as of 1 July 2023.[91]
- Tariff increases are projected to continue over the next three years: in the 2024/25 financial year, tariffs are expected to increase by N$2.08, N$2.18 in 2025/26 and N$2.29 per kWh in the 2026/27 financial year.[93]

Rising Import Costs Amidst a Growing Appreciation of the US Dollar

The accelerated appreciation of the US dollar relative to other currencies has fuelled inflationary pressures in the global economy with particularly harmful effects on net-importing, low- and middle-income economies such as Namibia. According to benchmark ICE US Dollar Index, the value of the US dollar reached a 20-year high in September 2022.[93] This was spurred by the US Federal Reserve's aggressive hiking of interest rates at a much faster pace than central banks in other major economies in order to reign in domestic inflation. This served to create a feedback loop with regard to foreign investment flows: as higher interest rates essentially guaranteed higher returns for investors on government and corporate bonds in the US, more investment funds were redirected into the US economy and away from other markets, thereby continuing to drive up the value of the US dollar.

The weakening of local currencies against the US dollar has caused the price of imports to rise sharply not only for imports originating in the US but also for other essential commodities such as oil, wheat and industrial metals, all of which are priced in US dollars. For example, local Namibian businesses were forced to pay 'about 700% more in shipping costs during 2021 and the first half of 2022'.[94] Secondly, the cost of servicing foreign debt – most of which is borrowed in US dollars – has become significantly more expensive as more local currency is required for conversion into dollars when making loan repayments. In sub-Saharan Africa, where 40% of public debt is external and over 60% of that debt is owed in US dollars, weaker currencies have led to a ballooning in the size of debt repayments and higher public debt.[95] To be sure, Namibia is an exception to this continental trend and thus finds itself in a marginally more favourable position with respect to its own high public debt burden, the majority of which is domestically sourced whereas only 24% of debt is external.

[88] Lazarus Amukeshe, 'Electricity Going Up 7,3% at Bulk,' *The Namibian*, May 06, 2022, https://www.namibian.com.na/electricity-going-up-73-at-bulk/.
[89] 'ECB Approves 2.92% Bulk Electricity Tariff Increase,' New Era, April 29, 2021, https://neweralive.na/posts/ecb-approves-292-bulk-electricity-tariff-increase.
[90] Lazarus Amukeshe, "Electricity Going Up 7,3%".
[91] Maihapa Ndjavera, 'ECB's Increase to Further Fuel Inflation Fire… As NamPower is Granted 8.97% Tariff Increase,' *New Era*, May 15, 2023, https://neweralive.na/posts/ecbs-increase-to-further-fuel-inflation-fire.
[92] Mercy Karruombe and Donald Matthys, 'Power Price Hike Looms,' The Namibian, May 15, 2023, https://namibian.com.na/power-price-hike-looms/.
[93] 'As the Dollar Soars, it Spreads Pain Globally', *Al Jazeera*, October 18, 2022, https://www.aljazeera.com/economy/2022/10/18/as-the-dollar-soars-it-spreads-pain-globally.
[94] Theo Klein (economist at Simonis Storm Securities), written questionnaire responses to the author, May 5, 2023.
[95] Laurent Kemoe et al., 'African Currencies Are Under Pressure Amid Higher-for-Longer US Interest Rates,' International Monetary Fund (blog), May 15, 2023, https://www.imf.org/en/Blogs/Articles/2023/05/15/african-currencies-are-under-pressure-amid-higher-for-longer-us-interest-rates.

Nevertheless, the currency exchange rate between the US dollar and the Namibian dollar has more than tripled over the last two decades from one USD costing N$6 in 2006 to N$18.12 in April 2023.[96] Moreover, while Namibia is not alone in its experience of elevated domestic prices fuelled by international price shocks, this global phenomenon has been 'exacerbated by the volatility (and predominant weakness) in the rand' and by extension the Namibian dollar which has pushed up the costs of imported goods even further.[97]

Rising Interest Rates: Deepening the Affordable Housing Crisis

Similar to many central banks the world over, the Bank of Namibia (BoN) has responded to the cost-of-living crisis by engaging in monetary policy tightening. This has meant that the repo rate, that is, the interest rate at which the central bank lends money to the country's commercial banks, has steadily increased by a cumulative 400 basis points since the beginning of 2022.[98]

The BoN has defended its rate hikes as the most effective means to tame inflationary pressures on the economy while safeguarding the Namibian dollar's one-to-one peg with the rand. Increasing interest rates are thought to assist in bringing down inflation by making it more expensive for consumers and businesses to borrow money, thereby slowing down the economy and causing the prices of goods and services to fall. It is also argued that if the Namibian repo rate deviates too far from that of South Africa – which stands at 8.25% at the time of writing – the Namibian economy will be marred by large capital outflows as investors seek out better returns in South Africa. In fact, during the first five months of 2023, Namibia recorded capital outflows of around N$10.1 billion to South Africa compared to N$7.75 billion in the same period the year prior.[99] To that end, the currency peg significantly curtails Namibia's 'monetary policy independence' and necessitates the implementation of capital controls in step with the Reserve Bank of South Africa.[100]

However, the central bank's use of interest rates as a 'liquidity tool to solve the inflation problem' has also been slated as an 'ineffective' strategy by some pundits who regard the root of inflation in Namibia 'not [as] a result of excess liquidity' but rather as 'imported' and thus 'entirely external' in nature.[101] Namibian inflation is instead said to be fuelled by supply side issues relating to 'transport and food inflation … and [the prices of] imported items' all of which are rooted in exogeneous shocks surrounding 'international oil prices and the exchange rate'.[102]

Rising interest rates have also had a direct bearing on the affordable housing crisis. This is because a majority of private sector credit extended by commercial banks is linked to mortgage lending accounts, implying that the majority of increased bond and loan repayment costs are being incurred at the household level. According to the Financial Stability Report for 2022 published by the BoN and the Namibia Financial Institutions Supervisory Authority (Namfisa), the average Namibian household's debt servicing costs rose from 9% in 2020 to 17.8% in 2022.[103] In more concrete terms, monthly repayments for a house valued at N$1.2 million have increased by over N$2590 over the course of the last two years.[104] Housing unaffordability has been further compounded by a rise in the cost of building materials due to increased international crude oil prices, leading to fewer building plans being submitted at the municipal level. Consequently, building plan approvals decreased by 33.6% year-on-year from 283 plans in April 2022 to 188 plans in April 2023 for Windhoek and Swakopmund combined while overall building completions declined by 27.4% in the same period.[105]

Thus, whereas supply-side challenges have traditionally been at the forefront of the housing crisis, Namibia's deteriorating hostile macroeconomic environment now poses additional demand side challenges as higher borrowing costs make homeownership an even more inaccessible feat for many Namibians. With less people signing up for bank financing to purchase homes, it also follows that the demand for already extremely scarce rental accommodation will continue to incline.

[96] Donald Matthys, "Food Prices Bite: More than Double in 10 Years," The Namibian, April 24, 2023, https://www.namibian.com.na/food-prices-bite-more-than-double-in-10-years/.
[97] Cirrus Capital, written questionnaire responses to the author, May 31, 2023.
[98] Lazarus Amukeshe, 'Cold Winter Ahead,' *The Namibian*, June 15, 2023, https://namibian.com.na/cold-winter-ahead/.
[99] Maihapa Ndjavera, 'Repo Rate Imbalance Costs Namibia N$10b,' *New Era*, June 16, 2023, https://neweralive.na/posts/repo-rate-imbalance-costs-namibia-n10b.
[100] Theo Klein (economist at Simonis Storm Securities), written questionnaire responses to the author, May 5, 2023.
[101] Josef Sheehama, 'Raising Interest Rates Kills Economy, Not Inflation,' *Namibia Economist*, April 21, 2023, https://economist.com.na/78738/columns/raising-interest-rates-kills-economy-not-inflation/.
[102] Maihapa Ndjavera, 'Banks Not Compelled to Increase Lending Rate,' *New Era*, April 20, 2023, https://neweralive.na/posts/banks-not-compelled-to-increase-lending-rate
[103] Maihapa Ndjavera, 'Households Struggle to Service Loans,' *New Era*, May 08, 2023, https://neweralive.na/posts/households-struggle-to-service-loans
[104] 'Editorial – Namibian Workers Need Relief,' *New Era*, April 21, 2023, https://neweralive.na/posts/editorial-namibian-workers-need-relief.
[105] 'Construction Activities Decline … Number of Plans Submitted Drops from 214 to 151,' *New Era*, May 15, 2023, https://neweralive.na/posts/construction-activities-decline.

Retrenchments, Lost Work Hours and Wage Stagnation: Fanning the Flames of Unemployment

Following the outbreak of the pandemic, the Namibian labour market was compromised even further as the mass closure and downsizing of businesses resulted in an onslaught of job losses and expenditure reductions. Within an eighteen-month period between January 2020 and 30 June 2021, the Ministry of Labour, Industrial Relations and Employment Creation (MLIREC) registered a total of 13,682 employee retrenchments.[106] Moreover, the bulk of all job losses were incurred as a result of state-mandated lockdowns during the COVID-19 State of Emergency. According to a study carried out by the NSA on the effects of COVID-19 on Namibian businesses, 30.2% of business owners reported having to lay off workers during this period while 48% were compelled to scale down their operations.[107] Similarly, the Namibia Employer's Federation (NEF) estimates that 815 registered companies and closed corporations 'voluntarily deregistered between January 2020 and February 2021 after failing to generate vital profit turnover to sustain operations in the pandemic.[108]

Another study commissioned by the NEF to investigate the effects of COVID-19 on Namibian households found that 36% of Namibians had their hours of work reduced due to the pandemic, presumably resulting in a proportional reduction in wages and salaries.[109] This finding is echoed by another NEF study on the impact of the pandemic on businesses which found that 39% of surveyed businesses had implemented wage cuts while another 8% had plans to do so in the near future[110]. Of these wage reductions, over 40% of businesses indicated that cuts had or would be applied to more than 40% of their workforce.[111] Wage stagnation has had a particularly harmful effect on the Namibian labour market due to the fact that wages and salaries constitute the main source of income for 48% of households.[112] Adding the inflationary pressures underpinning the cost of living crisis to the equation, it is increasingly the case that employment in and of itself cannot protect Namibian workers from the threat of poverty. On the contrary, it appears that the numbers of 'working poor' are growing concomitantly with the spiralling rate of unemployment.

A key outcome of these developments is that Namibians have had to confront the cost of living crisis from a significantly worse off economic position than prior to the pandemic.[113] One critical risk associated with more people finding themselves in positions of acute financial distress is that of growing social unrest. A national youth unemployment protest planned for Namibian Independence Day on 21 March 2023, while officially prohibited from going ahead on the grounds of 'national security interests', resulted in confrontations between the Namibian Police and youth activists as well as several high-profile arrests. Similarly, in August 2022 President Geingob was forced to cancel his state visits to Jamaica and Cuba to attend to a planned nationwide civil service strike of over 42,000 government employees following a protracted wage dispute between bargaining unions and the government. While a 3% basic salary increment was eventually agreed before the strike went ahead, this piecemeal offering was criticised for its fractional impact relative to the skyrocketing cost of living.[114]

With inflation rates having risen even further in the months following, it is not difficult to conceive that the threat of further salary disputes and another protracted crisis in the public sector may be just around the corner. Adding to these undercurrents of labour unrest recent nationwide survey results showing a declining trend in trust in the government, local economist Theo Klein has projected that the 'dire state' of the current socioeconomic climate may lead to 'major social unrest' in the near future and 'certainly higher crime rates'.[115]

[106] 'Retrenchment Statistics Between January 2020 to June 2021 Reach Over 13,000,' *Namibia Economist*, September 21, 2021, https://economist.com.na/64632/general-news/retrenchment-statistics-between-january-2020-to-june-2021-reach-over-13000/.

[107] Namibia Statistics Agency, Survey on COVID-19: Effect on Selected Businesses, (Windhoek: Namibia Statistics Agency, 2020), https://nsa.nsa.org.na/wp-content/uploads/2021/08/Survey-on-COVID-19-Effect-on-Selected-Businesses-Sept-2020-.pdf.

[108] Kuzeeko Tjitemisa, 'Covid Exposes Social Safety Net Shortcomings … LaRRI Suggest Unemployment Insurance,' *New Era*, November 23, 2022, https://neweralive.na/posts/covid-exposes-social-safety-net-shortcomingslarri-suggests-unemployment-insurance.

[109] Christiaan Keulder and Lizl Stoman, *"We Eat Fire": Covid-19 and Namibian Households*, (Windhoek: Namibia Employers' Federation, 2020), https://surveywarehouse.com.na/wp-content/uploads/2022/04/Covid-19-household-impact-report_09.2020_FINAL.pdf.

[110] Christiaan Keulder and Lizl Stoman, *The Impact of the Covid-19 Pandemic on Businesses in Namibia*, (Windhoek: Namibia Employer's Federation, 2020), https://surveywarehouse.com.na/wp-content/uploads/2022/04/Covid-19-impact-report_09.2020_FINAL.pdf.

[111] Christiaan Keulder and Lizl Stoman, *The Impact of the Covid-19 Pandemic on Businesses, 22.*

[112] Namibia Statistics Agency, *Namibia 2011 Census.*

[113] Arwil Vivers, "Food Production and Supply," 86.

[114] Edward Mumbuu, 'Peace over Money,' *New Era*, August 05, 2022, https://neweralive.na/posts/peace-over-money.

[115] Theo Klein (economist at Simonis Storm Securities), written questionnaire responses to the author, May 5, 2023.

Rising Poverty, Food Insecurity and Household Debt: Pushing the Extremities of Endemic Inequality

The overarching effect of each of the above developments has been a greater proportion of Namibians falling into poverty. According to a recent statement by Prime Minister Saara Kuugongelwa-Amadhila at the launch of the sixth National Development Plan (NDP6), many of the impressive gains made by the Namibian government since independence with respect to poverty reduction have been 'almost completely wiped out' in recent years.[116] Similarly, the World Bank has estimated that an additional 200,000 Namibians fell into poverty in 2020 alone, bringing the total number of poor people within the population to 1.6 million.[117] The burden of poverty has also been unevenly distributed across the population such that already vulnerable groups are experiencing the largest drop in living standards as a result of the cost-of-living crisis. This is having the effect of further entrenching the extreme income inequality already endemic to Namibian society.

Growing food security issues represent another key indicator of the rising tide of poverty in Namibian society. According to one survey published by Afrobarometer in 2022, 56% of Namibians suffer from frequent deprivation of basic life necessities, an 11-percentage-point increase from 2019.[118] The same survey also found that 64% of Namibians went without food over the past year of which 24% suffered food deprivations 'many times' or 'always'. Food insecurity has been further exacerbated by reduced food availability owing to multiple supply side constraints in the global economy to which Namibia is particularly susceptible as a result of its import dependency. This mismatch between supply and demand has made food products one of the biggest targets of domestic inflation, leading to price hikes that consumers have had little means to adapt to other than simply consuming less food. A 2020 survey by the NEF found that 39% of Namibian households indicated that they would have great difficulty buying food over the next month while 50% of respondents reported having to decrease the frequency of their grocery shopping in response to growing financial pressures.[119] Moreover, between September and December 2022, 376,000 Namibians are thought to have experienced crisis or emergency levels of food insecurity, increasing to 390,000 between January and March 2023.[120]

Concurrent with decreasing financial capacities to cover essential household expenses, household indebtedness has been steadily increasing. This inverse relationship is evidenced by the fact that in 2020 Namibian household debt grew by 4.5% while household disposable income contracted by 1.7% during the same period.[121] The widening gap between household income and expenditure has particularly impacted lower-income households who tend to be more 'heavily indebted' and thus more susceptible to a 'rapid increase in interest rates' than their higher-income counterparts.[122] A Financial Stability Report co-published by the BoN and Namfisa in 2022 indicated that household debt servicing costs increased form 9% in 2020 to 17.8% in 2022.[123] Similarly, survey results from a Savings and Investment Monitoring Survey conducted by Old Mutual in 2021 revealed that over half of all survey participants had resorted to buying things on credit in order to make ends meet.[124] Accordingly, the number of household borrowers transacting with payday lenders rose by 23.3% between December 2021 and 2022.[125]

This latter finding is corroborated by another study carried out by two local economists who analysed debt discussion pages on social media to understand how indebted the average consumer has become in the wake of the cost-of-living crisis. The prevailing insight from this analysis was that a growing number of Namibians are becoming dependent on unregistered micro-lenders and other short-term loan sharks in order to offset the financial pressures associated with high personal debt.[126]

[116] 'Half of Namibian Population Living in Poverty – PM,' *The Brief*, June 22, 2023, https://thebrief.com.na/index.php/companies/item/3065-half-of-namibian-population-living-in-poverty-pm.
[117] World Bank Group, *Poverty & Equity Brief: Africa Eastern & Southern: Namibia*, April 2021, https://databankfiles.worldbank.org/public/ddpext_download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/AM2020/Global_POVEQ_NAM.pdf.
[118] Mandisa Rasmeni, 'Namibians Experience Moderate to Severe Poverty in the Past Year – Afrobarometer,' *Namibia Economist*, July 18, 2022, https://economist.com.na/71931/general-news/namibians-experience-moderate-to-high-lived-poverty-in-the-past-year-afrobarometer/.
[119] Christiaan Keulder and Lizl Stoman, *"We Eat Fire"*, 6.
[120] *IPC Acute Food Insecurity Analysis: Namibia*, (Integrated Food Security Phase Classification, 2023), https://reliefweb.int/report/namibia/namibia-acute-food-insecurity-analysis-september-2022-august-2023-published-23-february-2023.
[121] International Labour Organization, *Rapid Assessment of Skilling and Reskilling*, 23.
[122] Cirrus Capital, written questionnaire responses to author, May 31, 2023.
[123] Maihapa Ndjavera, 'Household Borrowing Surges Amidst Rising Prices … Even as Debt Servicing Costs Doubled Since 2020,' *New Era*, May 24, 2023, https://neweralive.na/posts/household-borrowing-surges-amidst-rising-prices.
[124] 'Debt Has Become a Lifeline for Many Namibians,' *New Era*, January 28, 2022, https://neweralive.na/posts/debt-has-become-a-lifeline-for-many-namibians.
[125] Maihapa Ndjavera, "Household Borrowing Surges".
[126] Enos Kamutukwata and Halleluya Ndimulunde, 'The Reality of Household Debt in Namibia,'

GOVERNMENT RESPONSES

Having considered the key effects of the global cost-of-living crisis on the Namibian economy and the wellbeing of its population, the next section will assess the nature and efficacy of the Namibian government's political and fiscal response to the crisis. The forthcoming section is divided into two parts. The first segment will briefly evaluate some of the key social protection frameworks and policy initiatives already in place to safeguard the wellbeing of individuals and businesses before the onset of the crisis. The second segment will review some of the supplementary relief measures implemented by the government in response to the crisis while also identifying critical gaps in the state's economic recovery strategy and associated provisions for the most vulnerable.

PART I: PRE-EXISTING SOCIAL PROTECTION PROVISIONS AND FRAMEWORKS

A Strong Legal Framework

The following legislation summarises some of the Namibian government's key legal responsibilities and commitments to Namibian citizens with respect to poverty prevention and welfare promotion. Collectively, each of these laws, policies and constitutional principles comprise a robust legal framework against which the relative successes and failures of government responses to the cost-of-living crisis can be effectively evaluated.

- **The Namibian Constitution (1990)**
  - Chapter 3 on Fundamental Rights and Freedoms does not provide for an enforceable right to social protection; however, it does state the inviolability of the right to dignity and that the family is entitled to protection by the state.
  - Article 95 on the Promotion of the Welfare of the People mandates the state to 'actively promote and maintain the welfare of the people' through the adoption of various policies to regulate the provision of social protections including:
    - Fair and reasonable access to public facilities;
    - Adequate income for the elderly through the provision of a regular pension to ensure 'a decent standard of living and enjoyment of social and cultural opportunities';
    - Social benefits and amenities for 'the unemployed, the incapacitated, the indigent and the disadvantaged';
    - Payment of a 'living wage' to all workers;
    - 'Consistent planning to raise and maintain an acceptable standard of nutrition and standard of living'.[127]
- **Vision 2030 (2004)**
  - 'All Namibian workers earn a decent wage, that allows them to live a life well above the poverty level; and for the disadvantaged, the social security support guarantees a decent quality of life'. [128]
  - 'There is equity in income distribution across all groups, and the disparity between rural and urban living, in terms of social and economic conditions, is at its lowest'.[129]
  - 'Poverty is reduced to the minimum, the existing pattern of income-distribution is equitable, and disparity is at the minimum".[130]
- **Harambee Prosperity Plan I (HPPI) (2016)**
  - HPPI's Economic Advancement pillar asserts that 'the most effective way to address poverty is through wealth creation … by growing the economy in a sustainable inclusive manner and through the creation of decent employment opportunities'.[131]
  - HPPI's Social Progression pillar seeks to arrest hunger poverty by providing 'emergency relief as and when required; measures to improve agricultural productivity; introduction of food banks among the urban poor; raising agricultural productivity in rural areas; and continuation of targeted social safety nets'.[132]

[127] Government of Namibia, *The Namibian Constitution*, (Windhoek: Government Printers, 1990), https://www.lac.org.na/laws/annoSTAT/Namibian%20Constitution.pdf.
[128] Government of Namibia, Office of the President, Namibia Vision 2030: *Policy Framework for Long-Term National Development*, (Windhoek: Government Printers, 2004), https://www.npc.gov.na/wp-content/uploads/2021/11/vision_2030.pdf.
[129] Government of Namibia, *Namibia Vision 2030*, 39.
[130] Government of *Namibia, Namibia Vision 2030*, 104.
[131] Government of Namibia, *Harambee Prosperity Plan I 2016/17 – 2019/20*, (Windhoek: Government Printers, 2016), http://www.nied.edu.na/assets/documents/08Governments/13HPP_page_70-71.pdf.
[132] Government of Namibia, *HPPI*, 8.

- **National Development Plan 5 (NDP5) (2017)**
  - NDP5's Social Transformation pillar identifies the need to scale up the coordination of social protection programmes across different government sectors while strengthening existing legal frameworks for the reduction of poverty and inequality.
  - 'By 2022, the proportion of severely poor individuals has dropped from 11% in 2016 to 5%'.[133]
  - 'By 2022, Namibian households living in improvised houses reduced from 19% in 2016 to 12%'.[134]
  - 'By 2022, the rural quality of life and socioeconomic wellbeing has improved with rural poverty declining from 37% in 2010 to 25%'.[135]
- **Blueprint on Wealth Redistribution & Poverty Eradication (2017)**
  - Drafted by the then Ministry of Poverty Eradication and Social Welfare, this document identifies strategic priority areas to address the exclusion and insufficient coverage of some vulnerable groups through existing social protection programmes.
  - Proposed focus areas include ending hunger through food assistance, enhancing agricultural productivity, empowering women for equal opportunities and improving access to water, sanitation, housing, electricity, education, skills development and health services'.[136]
  - Enhancement of social safety nets is to be achieved through the establishment of food banks; addressing deprivation from basic social services; expanding training and skills development; and promoting employment creation through SMEs and community development activities.[137]
- **Harambee Prosperity Plan II (HPPII) (2021)**
  - HPPII retains its predecessor's Social Progression pillar with an overarching aim to 'alleviate poverty by arresting hunger poverty; delivering urban land, housing and sanitation; improving access to public healthcare [and] the quality of public education … and arresting gender-based violence and violence against children'.[138]
  - Strategies for the elimination of hunger poverty include securing household food security and consolidating social grants and the Food Bank.
  - 'While the Government's intention is not to create a culture of dependency, Government has the dual responsibility to take care of the needy, while creating an enabling environment where those with ability can prosper'.[139]

Social Assistance Programmes

Since independence, the government has progressively implemented a 'comprehensive social protection system (both in terms of risks covered and types of schemes) … consisting of social assistance, social insurance and occupation and private pension provisions'.[140] In 2021, the Ministry of Gender Equality, Poverty Eradication and Social Welfare (MGEPESW) spent 94% of its total N$5.4 billion budget on funding for social safety net grants to roughly 773,463 Namibians.[141] This allocation amounted to 7.72% of total expenditure and 2.90% of GDP for the 2020/21 financial year, signifying a significant financial commitment from the government to expanding social protection.[142] Moreover, a sizeable proportion of the social protection budget is earmarked for non-contributory cash transfers including a universal pension for all elderly Namibians; orphans and vulnerable children's grants including children's maintenance grants, special maintenace grants and foster care grants; grants for people with disabilities; and a war veterans' grant.

The **Basic Social Grant (BSG)** otherwise known as the **Old Age Pension** is a universal, non-means tested cash transfer accessible to all Namibians over the age of 60 who reside within the country. The universality of the state pension scheme represents a critical lifeline in the context of structural unemployment and entrenched labour precarity. Given that approximately 66.5% of Namibian workers do not have access to any other form of pension, medical insurance of social security, many rely exclusively on the BSG for income when they retire.[143] Coverage of eligible Namibians consistently exceeds 90 percent by all accounts. Moreo-

[133] Government of Namibia, *Namibia's 5th National Development Plan (NDP5)*, (Windhoek: Government Printers, 2017), https://www.npc.gov.na/wp-content/uploads/2021/11/NDP5.pdf.
[134] Government of Namibia, *NDP5*, 68.
[135] Government of Namibia, *NDP5*, 23.
[136] Mally Likukela, "Implications of Fiscal Consolidation on Social Protection in Namibia", in *Perspectives on Namibia's Social Protection 2017 – 2020*, eds. Trywell Kalusopa and Olga Katjiuongua (Windhoek: Friedrich Ebert Stiftung, 2021).
[137] Government of Namibia, Ministry of Poverty Eradication and Social Welfare, *Blueprint on Wealth Redistribution and Poverty Eradication*, (Windhoek: Government Printers, 2016), https://info.undp.org/docs/pdc/Documents/NAM/Blue%20Print%20on%20Wealth%20Redistribution%20and%20Poverty%20Eradication%20%20PDF.pdf.
[138] Government of Namibia, *Harambee Prosperity Plan II 2021 – 2025*, (Windhoek: Government Printers, 2021), http://hppii.gov.na/storage/2021/03/HPP2.pdf.
[139] Government of Namibia, *HPPII*, 44.
[140] International Labour Organization, *Namibia's Social Protection Floor*, x.
[141] Shelleygan Petersen and Charmaine Ngatjiheuewith, 'Over 770 000 Namibians Depend on Social Grants,' *The Namibian*, September 29, 2021, https://www.namibian.com.na/over-770-000-namibians-depend-on-social-grants/.
[142] Government of Namibia, Ministry of Gender Equality, Poverty Eradication and *Social Welfare, Social Protection Policy 2021 – 2030*, (Windhoek: Government Printers, 2021), https://www.civic264.org.na/images/pdf/2022/4/Social_Protection_Policy_2022_Final.pdf.
[143] Government of Namibia, *Social Protection Policy 2021 – 2030,* 7.

ver, the 2015/16 NHIES found that the pension accounts for 65% of total consumption for the extremely poor and 34% of total consumption for moderately poor individuals.[144] The size of the state pension has increased steadily over time though not systematically in line with inflation. The most significant increases have been implemented since 2015 with the monthly grant increasing from N$600 to N$1400 by 2023. Of all of the cash transfers dispensed by the state, the BSG is considered the most effective deterrent against poverty and inequality owing to its multiplier effects in also providing for the young family members of its elderly recipients.

Several others means-tested grants are also allotted as part of the state's social protection strategy:

- A **War Veterans' Grant** is extended to Namibians who participated in the liberation war using strict qualifying conditions with payments contingent on years of service, employment status and income levels. In addition to monthly stipends of N$2500, veterans and their descendants may also benefit from medical assistance, funeral assistance, educational grants of up to N$25,000 per annum, and funding for income-generating projects up to a maximum of N$200,000 per project.
- A **Disability Grant** is accessible to all Namibians over age of 16 confirmed by a state doctor to be either temporarily or permanently disabled or who have been diagnosed with AIDS while a separate **Special Maintenance Grant** is also available for caregivers of children living with the same category of disabilities. Until 2022, the cash transfers amounts received by adults and children with disabilities stood at N$1300 and N$250 respectively. The adult disability grant has since been increased to N$1400 while the child disability grant was also raised to N$1400 per beneficiary per month during the 2023/2024 financial year.
- **Several disbursements fall under the umbrella of Orphan and Vulnerable Children (OVC) grants including the child maintenance grant**, special maintenance grant, and foster parent grant. Child maintenance grants provide monetary support to children with a parent who is disabled, receiving the BSG or disability grant, deemed unfit for paid work, or is absent due to imprisonment or death. Access is restricted to persons who earn less than N$1000 per month. Existing OVC grant distributions of N$250 per child up to six children per household were increased by a further N$100 to N$350 during the 2023/24 fiscal budget.
- A **Foster Parent Grant** provides means-tested cash allowances for Namibian citizens and permanent residents who care for any child who is not their biological offspring but who have been placed in their custody. Beneficiaries received N$200 per month per foster child until 2013 with no upper limit on the amount of child support given to fostering households. In 2014, grant disbursements increased to N$250 before being raised to N$350 per month during the 2023/24 budget statement.

In FY2015/16, social assistance covered an estimated 45.6% of the population inclusive of direct beneficiaries and their families.[145] Moreover, the distribution of transfers is generally progressive across the board meaning that more funding is received in absolute terms by the poor than the wealthy. In this way, social protection arguably represents one of the most impactful tools at the government's disposal for closing the country's poverty and inequality gaps. In fact, the collective impact of all social protection programmes combined are said to have reduced the poverty gap by 36.8%, with the BSG wielding the biggest influence and broadest reach to 45.2% of poor Namibians.[146] However, the effectiveness of social assistance has been gradually waning as issues surrounding persistently high unemployment and spiralling living costs have become more entrenched. Indeed, despite government commitments to raising monthly grant amounts over the years, it appears increasingly the case that social assistance alone is no longer enough to cater to even the most basic needs of many Namibians.

Affordable Housing Schemes

Housing affordability in Namibia remains a chronic issue primarily driven by the scarcity of serviced land for development coupled with the slow pace of affordable housing delivery, particularly in urban areas. In an effort to alleviate the pressures on prospective homeowners and renters in this regard, the government has instituted various policies and programmes to lead in the provision of affordable housing to low- and middle-income Namibians.

In 2013, the **Mass Housing Development Programme (MHDP)** was introduced with the National Housing Enterprise elected by government as the principal steering agent. Endowed with a budget of N$45 billion, the MHDP envisaged the delivery of 185,000 affordable houses by 2030 with an average of 10,278 houses intended to complete construction on a yearly basis.[147] The MHDP was designed to tackle inflated housing prices and rental costs by scaling up the provision of affordable homes which could in turn be used as collateral assets to economically empower programme beneficiaries while at the same time stimulating employment creation. However, the MHDP was abruptly halted in 2015 following the unearthing of contracting and billing irregularities. At the time,

[144] Government of Namibia, *Social Protection Policy 2021 – 2030*, 13.
[145] World Bank Group, *Namibia Systematic Country Diagnostic*, 103.
[146] Government of Namibia, *Social Protection Policy 2021 – 2030*, 11; World Bank Group, *Namibia Systematic Country Diagnostic*, 103.
[147] Government of Namibia, *Social Protection Policy 2021 – 2030*, 11; World Bank Group, *Namibia Systematic Country Diagnostic*, 103.

the housing stock produced was far lower than initially projected with only 4130 units completed and occupied and 891units unoccupied.[148] The programme was later relaunched with the central government assigned as its new caretaker in 2016.

The **National Housing Enterprise (NHE)** is a publicly funded state-owned enterprise with a mandate to assist Namibians with earnings between N$5,000 and N$20,000 per month in undertaking and financing housing projects. The scheme requires beneficiaries to provide either collateral of 20% or a deposit of 5% before housing provisions may proceed. Up until 2011, the government provided subsidies amounting to N$56.7 million for NHE projects.[149] However, since its inception in 1993, efforts by the NHE to meet the country's escalating demand for formal housing have been marred by inefficiencies. Consequently, despite projected goals contained in the NHE's 2015-2022 Strategic Plan to construct 5000 houses between 2017/18 and 2022/23, the enterprise has only been able to construct 896 houses between 2016 and 2022.[150] Costly construction processes have also rendered many NHE units too expensive for many of its target users.

The **Build-Together Programme (BTP)** is another SOE mandated to assist ultra-low and low-income Namibians with monthly incomes primarily under N$3000 who would otherwise be considered ineligible for credit through private sector lending institutions with micro-loans ranging from N$3,000 to N$40,000. Beneficiaries are thereafter expected to construct their own houses with the assistance of their own families or hired labour. The programme is subdivided into four categories including the urban and rural housing loans scheme; the social housing scheme; the single quarter transformation scheme; and the informal settlement upgrading scheme. BTP became a decentralised initiative under the administration of local authorities and regional councils in 1998. After being briefly absorbed into the MHDP, the BTP was re-launched in 2016. One key issue confounding progress under the BTP has been the number of unfinished projects resulting from loan beneficiaries running short of funds to complete construction processes.

Other key stakeholders in the government's affordable housing strategy include the Government Institutions Pension Fund (GIPF), the Shack Dwellers' Federation of Namibia (SDFN), the Ongos Valley Development Project, regional councils, local authorities and private sector developers who have entered into public-private partnerships with government entities. Following the decentralisation of selected planning functions to local authorities through the Urban and Regional Planning Act of 2018, government subsidies have been extended to local councils to expedite the servicing of land for development and the proclamation of new townships. Similarly, the SDFN, a community-based network comprised of 1036 savings groups working to secure land for ultra-low-income Namibians, has received government subsidies exceeding N$91.8 million since its founding in 2000.[151]

Progressive Taxation

The large proportion of public expenditure dedicated to social spending is further supported by Namibia's progressive income tax schedule wherein Personal Income Tax (PIT) is applied at progressive marginal rates across income brackets. This type of tax regime is designed to amass a greater proportion of income from the wealthy than the poor. Accordingly, the poorest 90% of the Namibian population accounts for approximately 30% of PIT collection while the remaining 70% of collections are picked up by the richest 10% of the population.[152] With a PIT rate pegged at 37% for individuals earning above N$1,500,000 per year, Namibia's marginal tax rate on those with the highest incomes is also well above the 31% average for Africa.[153]

Indirect taxes in Namibia are primarily sourced from value-added tax (VAT), a tax on consumer expenditure, business transactions and imports, and the fuel levy, a surcharge applied on top of standard transport fees to account for fluctuations in fuel costs. VAT is imposed at a universal rate of 15% on the supply and import of the majority of goods and services. However, the government has exempted various essential food commodities such as mahangu and maize meal, beans, sunflower cooking oil, bread, milk and sugar most commonly consumed by the poor from taxation. Indirect subsidies are also extended to the housing sector through the BTP and the NHE and to water provision through the rural water infrastructure and services program. The latter subsidy has a high absolute rate of progressiveness owing to the fact that it is targeted to rural areas where the majority of poor and low-income Namibians reside.

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[148] Government of Namibia, *Summary of Blueprint on Mass Housing Development Initiative in Namibia*, (Windhoek: Government Printers, 2013), https://urbanforum.nust.na/sites/default/files/documents/Blueprint%20Mass%20Housing.pdf.
[149] Oswald Siku Mughongora, 'Opinion – Namibia Must Take Monitoring and Evaluation Serious,' *New Era*, November 04, 2022, https://neweralive.na/posts/opinion-namibia-must-take-monitoring-and-evaluation-serious
[150] Maihapa Ndjavera, 'Housing Backlog Headache,' *New Era*, July 12, 2022, https://neweralive.na/posts/housing-backlog-headache.
[151] Maria David, 'Shack Dwellers Federation Commended for Unique Housing Solutions,' *Informanté*, May 24, 2022, https://informante.web.na/?p=319954.
[152] Victor Sulla et al., *Does Fiscal Policy Benefit*, 31
[153] Kyle McNabb and Hazel Granger, "Employment Income Tax in Africa: Findings from a New Dataset" (Working Paper 619, Overseas Development Institute, London, 2022), https://cdn.odi.org/media/documents/ODI-EITD_WP-JAN2022.pdf.

Namibia also features amongst the top 20 countries with the highest corporate income tax rates in the world, with a non-mining corporation tax of 32%.[154] However, according to local financial experts at Cirrus Capital, Namibia's high corporate tax rate is actually fairly regressive in practice owing to its 'incredibly one-dimensional tax regime' which applies blanket tax rates to all firms operating inside the country regardless of size such that 'a large multinational bank faces the same tax rate and tax administration as a small start-up'.[155] This, it has been argued elsewhere, serves as a 'material barrier to the success' of many Namibian SMEs and start-up businesses, while also acting as a generalised disincentive for foreign investment outside of the mining sector.[156]

Active Labour Market Policies

The government has also implemented a range of active labour market policies (ALMPs) to address structural unemployment and to stimulate labour-intensive economic growth. ALMPs refer to measures taken by governments to facilitate the entry of the unemployed into the labour market and to ensure job retention for already employed individuals. These measures can be broadly categorised into four policy clusters including 'vocational training, assistance in the job search process, wage subsidies or public works programmes, and support to micro-entrepreneurs or independent workers'.[157] ALMPs constitute a particularly critical intervention in a concentrated labour market such as Namibia's where the scarcity of employment options have greatly inflated the relative bargaining power of employers. Some of the primary government interventions in this regard include:

- Funding and regulation of **Technical and Vocational Education and Training (TVET)** through the **Namibia Training Authority (NTA)**.
  - The NTA currently manages seven vocational training centres (VTCs) nationwide offering courses ranging from plumbing, welding, electrical services, mechanics, bricklaying, technical drawing, dressmaking, to office management.
  - Enrolment by school leavers in VET has risen rapidly from just 152 admissions in 1992 to 2,852 in 2004, 16,000 in 2015, and 35,000 student intakes in 2020.
  - The fiscal sustainability of TVET is ensured through the VET Levy on all Namibian-registered employers with an annual payroll of N$1,000,000 who are required to pay one percent of the value of their actual annual payrolls as a levy to the NTA's National Training Fund.
  - VTCs routinely receive thousands more applications than they have places to offer; in 2017, for example, 26,800 candidates applied for admission to VTCs but only 3,968 were successful.[159]
- Registration of prospective jobseekers through the **Namibia Integrated Employment Information System (NIES)**, an interactive database portal developed by the Labour Ministry in 2010 to connect jobseekers with potential vacancies and employers through jobs and skills matching and vocational counselling.
- Supporting Micro, Small and Medium Enterprise (MSMEs) through the provisions of the **National Policy on MSMEs in Namibia**.
  - The main objective of this Policy is create an enabling business environment for MSMEs to flourish by promoting better 'access to finance, technology and markets; enhanced capacity to innovate; and improved entrepreneurial skills'.[160]
  - The approval of the **MSME Financing Strategy** saw the promulgation of four vehicles for tailored economic assistance: the Credit Guarantee Scheme, the Mentoring and Coaching Programme, Skills Based Lending Facility and the Venture Capital Fund at the Development Bank of Namibia with assistance from the MFPE.[161]
  - The establishment of the **Namibia Investment Promotion and Development Board** in 2020 fulfilled the MSME Policy objective of developing a comprehensive framework of support services for all levels of MSME development at the national level while also elevating the role of MSMEs to the Office of the President.
- Extension of credit and credit guarantee schemes to MSMEs alongside other previously disadvantaged, youth and women-owned enterprises through the **DBN and Agribank supported by MFPE allocations of more than N$100 million per annum**.[162]

[154] Cristina Enache, 'Corporate Tax Rates around the World, 2022', Tax Foundation, https://taxfoundation.org/publications/corporate-tax-rates-around-the-world/.
[155] Cirrus Capital, written questionnaire response to the author, May 31, 2023.
[156] Ogone Tihage, 'High Corporate Tax Rates Stifling Businesses,' Namibian Sun, May 5, 2023, https://www.namibiansun.com/local-news/high-corporate-tax-rates-stifling-businesses2023-05-05?reloaded=true.
[157] Martín Montané, Luca Sartorio and Eduardo Levy Yeyati, 'Understanding What Works for Active Labour Markets', Centre for Economic Policy Research, https://cepr.org/voxeu/columns/understanding-what-works-active-labour-market-policies.
[158] International Labour Organisation, Namibia's Social Protection Floor, 100; Paheja Siririka, 'VTCs Ready for Face-to-Face Classes,' *New Era*, June 10, 2020, https://neweralive.na/posts/vtcs-ready-for-face-to-face-classes.
[159] 'Vocational Training Gets Priority to Fight Unemployment', The Namibian, September 21, 2018, https://namibian.com.na/vocational-training-gets-priority-to-fight-unemployment/.
[160] Government of Namibia, Ministry of Industrialisation, Trade and SME Development, *National Policy on Micro, Small and Medium Enterprises*, (Windhoek: Government Printers, 2016), 9.
[161] Titus Ndove (Executive Director of the Ministry of Finance and Public Enterprises), written questionnaire responses received by the author from Helvi Fillipus (Economic Advisor), June 30, 2023.
[162] Titus Ndove (Executive Director of the Ministry of Finance and Public Enterprises), written questionnaire responses received by the author from Helvi Fillipus (Economic Advisor), June 30, 2023.

- Supporting MSME business owners and prospective entrepreneurs who cannot access collateralised credit through the private banking sector with government grants and loans.
  - The **Income Generating Activity Fund** under the **MGEPESW** offers grant support to all previously disadvantaged Namibian adults who wish to embark on economically viable projects in various fields such as 'brick making, skin and leather tannery, tailoring, salon, mining, catering, carpentry, welding, and poultry' raising.[163]
  - The **Namibia Youth Credit Scheme** under the **Ministry of Sport, Youth and National Service** offers both start-up and business expansion loans between N$1,000 and N$100,000 to prospective entrepreneurs who fall under the category of unemployed and out of school youth between the ages of 18 and 34.
- While state support for MSMEs is fairly extensive, the current system of benefits is highly fragmented across various OMAs. It has therefore been suggested that a Central SME Fund be established under which all funding opportunities can be orchestrated with assistance from the National Planning Commission.[164]

PART II: RELIEF MEASURES

Carryover of COVID-19 Relief Measures

Several policy interventions and programmes initially executed in response to the economic fallout of the COVID-19 pandemic in 2020 have had carryover effects in providing extended relief to Namibians during the ongoing cost of living crisis.

The **Governance and Economic Recovery Support Programme** (GERSP) was designed as a series of two consecutive budgetary support initiatives aimed at strengthening the country's post-pandemic economic recovery through governance and real sector reforms. The first phase of the programme was approved in March 2021 with a multisectoral focus on attaining fiscal sustainability by increasing fiscal space for capital and social spending and enhancing domestic resource mobilisation; supporting and incentivising private sector-led agriculture and industrial sector transformation; and enhancing economic and social inclusion with an emphasis on MSME support, social protection, and gender mainstreaming.[165] Government funding was supported through its receipt of a N$1.5 billion loan from the African Development Bank (AfDB) and a N$4.1 billion loan through the IMF's Rapid Financing Instrument. The second phase of the GERSP was approved in September 2022 and maintains the same multisectoral focus as its predecessor with target beneficiaries including the Ministries of Finance and Public Enterprises; Industrialisation and Trade; Agriculture, Water and Land Reform; and Gender Equality, Poverty Eradication and Social Welfare. Co-financing support was secured through the government's receipt of a second loan tranche of N$2.3 billion from the AfDB alongside a loan of N$877 million from the German Development Bank Kreditanstalt für Wiederaufbau (KfW).

The N$500 million **COVID-19 SME Loan Scheme** was launched by the government in partnership with the Bank of Namibia and other commercial banking institutions in November 2020. The scheme was intended to enable financially distressed SMEs to access bank loans at prime lending rates with deferred interest and capital repayment schedules. The primary impetus for this intervention was to ensure that businesses could continue covering their operational expenses despite the hostile macroeconomic environment created by the pandemic. This would in turn safeguard business productivity, job retention and the financial stability of the country as a whole. However, after it was determined that just N$6.4 million or 1.3% of the total availed funds had been utilised for these purposes between the scheme's inception date and January 2023, stakeholders opted to revise and relaunch the scheme to make it more accessible to target beneficiaries.[166] The programme was subsequently relaunched as the **SME Economic Recovery Scheme** in February 2023 with expanded qualifying criteria no longer limited to the effects of the COVID-19 pandemic. However, access to the scheme continues to be restricted to registered businesses with business owners also required to have a pre-existing relationship with the commercial bank to which they are applying for a loan. This means that the majority of informal economy enterprises, most of which are not registered with the relevant authorities, have been left out from accessing the emergency financial assistance on offer.

[163] 'Income Generating Activity Fund (IGA)', Ministry of Gender Equality, Poverty Eradication and Social Welfare, https://mgepesw.gov.na/income-generating-activity-fund-iga-.
[164] Mekondjo Erastus (Senior Researcher and Head of ESG at Monasa Advisory and Associates), zoom interview with the author, Windhoek, June 1, 2023.
[165] 'Namibia – Governance and Economic Recovery Support Program (GERSP)', African Development Bank Group, https://projectsportal.afdb.org/dataportal/VProject/show/P-NA-K00-004.
[166] Maihapa Ndjavera, 'Govt Repackages Covid Loan Scheme… Only 1.3% of N$500 Million Utilised,' *New Era*, February 03, 2023, https://neweralive.na/posts/govt-repackages-covid-loan-scheme.

Launch of Namibia's First Social Protection Policy

The launch of Namibia's first Social Protection Policy (SPP) at the height of the cost of living crisis in March 2022 symbolised a welcome intervention by government in expanding existing policy frameworks to prevent more Namibians from falling into poverty. The overarching objective of the SPP is to increase coverage and access to social protection in order to assist beneficiaries in coping with the 'risks, vulnerabilities and shocks' that may confront them at various points 'throughout their life cycle' including poverty, illness, hunger, loss of income, and lack of access to basic services.[167] Ensuring that the country's social protection system is better prepared to 'respond to sudden/severe shocks' is another key policy theme with particular relevance to the broader socioeconomic context surrounding post-pandemic economic recovery and the global cost of living crisis.[168] The steady expansion of the government's financial commitments to social protection is identified as one of the chief means to achieve these ends. In FY2020/21, for example, government increased its allocations for social assistance transfers to N$4.97 billion amounting to 7.72% of total expenditure.[169]

The SPP also responds to the need for a more coherent policy framework to address Namibia's fragmented social protection system across multiple OMAs and the lack of coordinated policy planning, information sharing, execution and monitoring and evaluation processes between them. The ongoing use of time-consuming manual administrative systems is singled out as a particularly problematic practice encumbering already overloaded social workers and support staff from executing proper case management. To resolve these institutional inefficiencies, the document outlines plans for the MGEPESW to establish a High-Level National Social Protection Steering Committee comprised of senior managers from all OMAs responsible for different facets of social protection.[170] In addition, the establishment of a National Core Team comprised of technical experts from various OMAs tasked with monitoring the execution of social protection programmes is prioritised.[171]

The SPP also pledges to address the coverage gaps present within existing social protection schemes. In recognition of the 'substantial exclusion' faced by young people with regard to skills training and employment, the Policy recognises the need to fortify existing Youth Enterprise Funding schemes with additional seed capital from government.[172] Other supportive undertakings such as the prioritisation of businesses owned by youth in public procurement along with the introduction of a 'national incentivised apprenticeship, entrepreneurship and internship programme … to address the issue of skills mismatch' are also identified.[173] Similarly, child grants are acknowledged to have been 'significantly degraded by inflation' such that they are 'no longer sufficient' to guard against the disproportionate effects of poverty and inequality on younger demographics.[174] This observation is corroborated by findings from a 2020 UNICEF report which estimated that since child grant amounts had not been adjusted since 2010, inflation had led to a 34% loss in their value a decade later.[175] However, despite including a universal child grant in the draft policy document released in 2019, this proposal was not included in the final draft; rather, the SPP indicates that the children's, along with other old age, disability and veterans' grants will be fortified in their current form.

Another significant policy intervention proposed in the SPP is the conversion of the Harambee Food Bank and the Marginalised People's Feeding Programme into a monthly cash transfer, 'as a first step to phase in a Conditional Basic Income Grant, in line with the HPP II'.[176] Accordingly, the Cabinet directed that the estimated 45,000 beneficiaries of existing food bank programmes should begin receiving a monthly cash transfer of N$500 per household from April 2022. However, the programme has attracted criticism from civil society advocates for its extremely narrow reach, catering to just 2% of the population while between 400,000 and 1.6 million Namibians are thought to be living in poverty.[177] The Harambee Cash Grant has also been slated for its confusing use of the term 'basic income grant' despite being conceptually distinct from the universal basic income grant, an initiative that civil society groups such as the Economic and Social Just Trust have long been campaigning for, whereby people 'do not have to prove they are poor'.[178]

167 Government of *Namibia, Social Protection Policy,* 16.
168 Government of *Namibia, Social Protection Policy*, ix.
169 Government of *Namibia, Social Protection Policy*, 5.
170 Government of *Namibia, Social Protection Policy*, 21.
171 Government of *Namibia, Social Protection Policy*, 21.
172 Government of *Namibia, Social Protection Policy*, 21.
173 Government of *Namibia, Social Protection Policy,* 21.
174 Government of *Namibia, Social Protection Policy*, 10.
175 United Nations Namibia, *Socio-Economic Recovery Plan Summary 2020*, https://namibia.un.org/sites/default/files/2021-06/UN%20SERP%20Report.pdf.
176 Government of Namibia, *Social Protection Policy*, 23.
177 Basic Income Grant in Namibia (BIG), Facebook, April 04, 2022, https://www.facebook.com/basicincomegrantnamibia/videos/779046569731238/.
178 Puyeipawa Nakashole and Shelleygan Petersen, 'Food Bank Mess,' *The Namibian*, April 04, 2023, https://www.namibian.com.na/food-bank-mess/.

National Budget Priorities for the 2022/23 and 2023/24 Financial Years

Namibia's most recent national budgets for FY2022/23 and FY2023/24 are instructive in assessing the government's fiscal response to the global cost of living crisis, the effects of which began to take root in earnest at the end of 2021.

Whereas shrinking fiscal space had a limiting effect on fiscal policy options during and in the immediate aftermath of the COVID-19 pandemic, fiscal space has marginally increased in tandem with a tentative recovery in revenue streams in recent times and particularly over the last year. Total revenue collections for FY2022/23 were expected to come in at N$59.7 billion, representing an 11.7% increase on collections from the previous financial year. These projections were subsequently revised upwards by 7.51% to N$64.16 billion at the beginning of the FY2023/24 for which total revenue is projected to rise by 8.5% to N$74.74 billion after previously being revised upwards by 11.5% in the mid-year budget in October 2022.[179] In FY2022/23, the main drivers of revenue growth were special dividends, profit shares from public enterprises and other state royalties including the proceeds of listing MTC. For the current financial year, revenue growth is set to be fuelled by higher collections on goods and services, value added tax, personal income and corporation taxes. A surge in collections from SACU receipts by 71.6% has also significantly increased projected revenue pools.[180]

Signalling a shift in policy focus away from fiscal consolidation towards fiscal sustainability, the government has used these marginal increases in fiscal space to allow expenditure to rise across the board. While total expenditure for FY2022/23 was projected at N$70.77 billion, representing only a modest increase of 1.6% on spending from the previous year, expenditure is projected to reach N$83.58 billion in FY2023/24, signifying a momentous 14.9% increase from earlier projections in February 2022.[181] This figure also represents the largest budget ever tabled by the MFPE.[182]

The MFPE has characterised the 'supportive policy packages' bolstering expenditure in its most recent Budget Statements as key fiscal mechanisms to 'guard against the erosion of purchasing power, especially in the social assistance programmes' in order to 'cushion the most vulnerable members of society against the significant cost of living pressures and associated decline in real incomes'.[183] Some of the key government budgetary priorities in this regard can be summarised as follows:

- **Sustained Prioritisation of Social Sector Spending**
    - In 2022/23, 45.9% of the total budget was allotted to the social sector: N$14.1 billion for the Ministry of Education, Art and Culture (MEAC); N$3.3 billion for the Ministry of Higher Education, Technology and Innovation (MHETI); and N$8.4 billion for the Ministry of Health and Social Services (MHSS).
    - In 2022/23, the MEAC received a 24.4% majority of the government's total operational budget of which N$8.54 billion is allocated to primary education and N$4.00 billion to secondary education.[184]
    - In 2023/24, social spending rose even further to N$38.4 billion equating to 53% of total government expenditure. The main beneficiary of this allocation was the MEAC which received 23.1% of the total budget of which N$200 million is for the recruitment of more teachers while N$570 million is earmarked for the construction and renovation of classrooms and hostels.[185]
    - The next biggest beneficiary in the 2023/24 budget is the MHSS which received N$9.68 billion of which N$700 million is to be set aside for investment in public healthcare facilities along with the recruitment of medical personnel and the acquisition of more pharmaceuticals and ambulances.[186]
    - The MHETI was allocated N$3.8 billion in the 2023/24 budget. Included in this allocation is funding for the construction of three new VTCs under and a faculty in NUST for TVET with an eye on green hydrogen and oil.

[179] Eric van Zyl, Danie van Wyk and Hugo van den Heever, *National Budget Review 2022/23 – 2024/25*, (Windhoek, IJG Namibia, February 2022), https://ijg.net/research/wp-content/uploads/IJG-Budget-Review-202223.pdf; Eric van Zyl, Danie van Wyk and Hugo van den Heever, *National Budget Review 2023/24 – 2026/27*, (Windhoek, IJG Namibia, February 2023), https://ijg.net/research/wp-content/uploads/IJG-Budget-Review-202324.pdf.
[180] Van Zyl, van Wyk and van den Heever, *National Budget Review 2023/24.*
[181] Van Zyl, van Wyk and van den Heever, *National Budget Review 2023/24.*
[182] Van Zyl, van Wyk and van den Heever, *National Budget Review 2023/24.*
[183] Titus Ndove (Executive Director of the Ministry of Finance and Public Enterprises), written questionnaire responses received by the author from Helvi Fillipus (Economic Advisor), June 30, 2023.
[184] Van Zyl, van Wyk and van den Heever, *National Budget Review 2022/23.*
[185] Lazarus Amukeshe, '$100 for Pensioners in 'Pro Poor' Budget', *The Namibian*, February 23, 2023, https://namibian.com.na/n100-for-pensioners-in-pro-poor-budget/.
[186] Amukeshe, "$100 for Pensioners".

- **Expansion of Social Protections Framework**
  - During FY2022/23, the MGEPESW was allotted N$5.50 billion of the budget of which N$4.97 billion was earmarked for social protection transfers, breaking down to N$2.94 billion for the old age pension, N$1.08 billion for foster parent grants and N$787.0 million for disability grants.[187]
  - For the current 2023/24 fiscal year, the MGEPESW's budget allocation rose to N$6.46 billion of which around 92% is earmarked for social protection services.
  - The 2023/24 budget provides for the expansion of existing social safety nets by increasing direct cash transfers for pensioners and former food bank recipients by N$100 per month and increasing the child disability grant from N$250 to N$1400. N$69.8 million is also availed for the extension of coverage of the Orphan and Vulnerable Children Grant to a further 30,000 Namibian children while existing beneficiaries of grants under this umbrella will see their monthly disbursements increase from N$250 to N$350.
- **Tax Relief Measures**
  - The 2023/24 budget implemented a longstanding recommendation from the Namibia Chamber of Commerce and Industry to increase the tax-exempt threshold for individual income taxpayers from N$50,000 to N$100,000 effective from FY2024/25.
  - The 2023/24 budget also contains provisions for incrementally lowering the corporate tax rate from 32% to 31% with effect from 1 April 2024 followed by a further reduction to 30% by FY2026/27, positioning Namibia as a more competitive regional territory for foreign and domestic investment.[188]
  - The long-awaited passage of tax relief measures is particularly significant to the Namibian context where revenue collections in relation to GDP have long been considered 'high by global standards' and 'especially so for a developing country'.[189] This means that the tax burden on Namibian taxpayers was already considered to be unduly heavy prior to the onset of the cost of living crisis.
  - Notably, government once again chose not to implement temporary reductions in indirect taxes on VAT and imported goods in order to 'lower inflationary pressures on key products' as was done in neighbouring Botswana in August 2022.[190]

The Enduring Threat of High Public Debt

Namibia's modest but faster than expected economic recovery from the 8% contraction in economic activity suffered as a result of the COVID-19 pandemic coupled more recently with stronger revenue projections appear to be tempering government commitments to sustained expenditure restraint. Revenue growth exceeded expectations for FY2022/23 and projections for FY2023/24 are indicative of even stronger growth trends on the back of a N$10 billion increase in earnings from SACU receipts. Critically, however, expenditure is also expected to grow by 'roughly the same absolute amounts as revenue' over the Medium-Term Expenditure Framework (MTEF).[191] In fact, all Votes with the exception of Vote 19 (Industrialisation and Trade) were allocated more funds for FY2023/24 than the previous year, illustrating the 'looser fiscal conditions brought about by revenue increases'.[192] In the context of already high public debt levels, this implies that budget deficits will continue to feature as a part of Namibia's overall macroeconomic outlook for some time as fiscal consolidation policies are gradually downscaled.

On the one hand, an increase in 'targeted, efficient and timely spending' in place of continued fiscal consolidation is argued by local economist Theo Klein as the most prudent strategy for supporting the country's economic revival following the lockdown-induced recession of 2020.[193] Accordingly, the MFPE has ascertained that in drafting its Budget Statement for FY2023/23 which saw an increase in spending on goods and services by 21.3% and capital spending by 51.6% while at the same time increasing direct cash transfers to vulnerable groups, the government continued to prioritise 'long-term macroeconomic stability and fiscal sustainability' by comprehensively assessing the affordability of such measures 'not only in the year adjustment is confirmed but in the medium term too'.[194]

On the other hand, domestic growth prospects continue to be tempered by unfavourable global economic conditions and thus may not yet be high enough to warrant a return to high expenditure on the domestic front regardless of the outwardly cautionary approach taken by government. More significantly, higher expenditure in other areas necessarily detracts from the momentous task of paying down Namibia's high domestic and foreign debt and reducing its annual borrowing requirements. Indeed, while the pace of debt accumulation may have slowed in recent years, the total debt-to-GDP ratio has continued to grow.

[187] Van Zyl, van Wyk and van den Heever, *National Budget Review 2022/23.*
[188] Van Zyl, van Wyk and van den Heever, *National Budget Review 2023/24.*
[189] Van Zyl, van Wyk and van den Heever, *National Budget Review 2023/24.*
[190] Theo Klein (economist at Simonis Storm Securities), written questionnaire responses to the author, May 5, 2023.
[191] Van Zyl, van Wyk and van den Heever, *National Budget Review 2023/24.*
[192] "Namibia's National Budget 2023/24 …And Breathe", (Briefing Paper, Institute for Public Policy Research, Windhoek, 2023), https://ippr.org.na/wp-content/uploads/2023/03/Namibias-National-Budget-2023_24.pdf-web.pdf.
[193] Theo Klein (economist at Simonis Storm Securities), written questionnaire responses to the author, May 5, 2023.
[194] Titus Ndove (Executive Director of the Ministry of Finance and Public Enterprises), written questionnaire responses received by the author from Helvi Fillipus (Economic Advisor), June 30, 2023.

- Operational and development spending for FY2022/23 were estimated at N$65.8 billion and N$5.0 billion respectively whereas revenues were expected to reach N$59.7 billion, yielding a budget deficit of N$11.1 billion or 5.6% of projected GDP.
- However, these figures were subsequently revised upwards at the end of the year with revenue outturn increased by 7.51% to N$64.2 billion while expenditure stood at N$74.9 billion, over N$4 billion higher than initially forecast in the FY2022/23 budget.[195]
- After the aforesaid revisions, the FY2022/23 budget deficit was moderated upwards from N$9.2 billion to N$10.72 billion, bringing debt interest payments to 14.5% of total revenue.[196]
- Revenue and expenditure for FY2023/24 are estimated at N$74.7 billion and N$84.6 billion respectively, yielding a budget deficit of 4.6% of estimated GDP.
- With the total debt stock expected to reach 70.1% of GDP by the end of FY2023/24, debt servicing costs are forecast to reach N$10.02 billion, equivocal to 13.4% of revenue.
- Over the MTEF period, interest payments are projected to rise once again to 13.8% in FY2024/25 and 14.2% in FY2025/25 as total debt stock climbs still further to N$165.48 billion or 75.8% GDP by March 2025.

CONCLUSION AND RECOMMENDATIONS

Economic Outlooks for 2023 and Beyond

Although global growth projections for 2024 are marginally more positive than years prior, the extent and pace of economic recovery across the world remains fragile and uncertain. While the IMF has anticipated that global growth will increase from 2.9% in 2023 to 3.4% in 2024 on the back of improving geopolitical conditions and loosening monetary policy, the World Bank, JP Morgan and Standard and Poor's Financial Services offer less optimistic growth predictions at 1.7%, 1.6% and 1.4% respectively.[197] Moreover, despite raising its 2023 global economic outlook to 2.1% in June, the World Bank cut its 2024 growth forecast to 2.4% from the 2.7% initially projected in January 2023, citing the 'lagged effects of central bank monetary tightening and more restrictive credit conditions that were reducing business and residential investment'.[198] Meanwhile, while speaking at the World Economic Forum in Davos, Switzerland in January 2023, the IMF's Deputy Executive Director, Gita Gopinath cautioned that while 'food prices have come down … they are still 30% above 2019 levels, and we are likely to see retail prices … going up, especially in the developing world'. [199]

The latter projection is indicative that economic recovery trajectories are likely to vary widely with uneven outcomes across geographic regions and national wealth brackets. For example, despite the financial setbacks endured to some degree by all countries over the past few years, higher-income regions are still expected to reach the World Bank's target of no more than 3% of their respective populations living in extreme poverty by 2030 whereas poverty is projected to remain well above this target in Sub-Saharan Africa. In fact, to achieve the same goal within the same time frame, the continent would need to achieve 'growth rates about eight times higher than historical rates between 2010 and 2019'.[200] Current growth trends do not suggest that such an acceleration is set to materialise in the near future. Although growth for Sub-Saharan Africa is expected to increase moderately from 3.8% in 2023 to 4.1% in 2024, 'a subdued outlook for external demand' is likely to undermine overall growth prospects as the region's two largest economies, Nigeria and South Africa, continue to trail average continental growth rates at 3.2% and 1.2% respectively.[201]

As for Namibia, real GDP growth is projected to moderate downwards from an improved growth performance of 4.6% in 2022 on the back of sustained recoveries in the primary and secondary industries with particularly high earnings in the diamond mining sector to 3.0% in 2023 and 2.9% in 2024 as a result of weaker global demand.[202] Impending headwinds include a 'higher import bill and lower SACU revenues' due to ongoing global commodity price hikes and higher interest rates emanating from sustained monetary policy tightening.[203] Meanwhile, the inflation rate for 2023 is projected to average 5.3% before scaling down

[195] Van Zyl, van Wyk and van den Heever, *National Budget Review 2023/24.*
[196] *Van Zyl, van Wyk and van den Heever, National Budget Review 2023/24.*
[197] Bank of Namibia, *Economic Outlook Update: March 2023*, (Windhoek: Bank of Namibia, 2023), https://www.bon.com.na/CMSTemplates/Bon/Files/bon.com.na/61/61cee409-f8c1-42b4-879a-d93e97107dff.pdf.
[198] David Lawder, 'World Bank Cuts 2024 Global Growth Forecast Over Rate Hikes, Lifts 2023 Outlook,' Reuters, June 6, 2023, https://www.reuters.com/markets/world-bank-lifts-2023-global-growth-forecasts-cuts-next-years-outlook-2023-06-06/.
[199] Vincent Owino, 'Cost of Living to Hit African Nations Harder than Rich Ones,' *The East African*, January 2022, 2023, https://www.theeastafrican.co.ke/tea/business/cost-of-living-to-hit-african-nations-harder-4093604.
[200] World Bank Group, *Correcting Course*, 8.
[201] Bank of Namibia, *Economic Outlook Update: March 2023*, 2.
[202] Bank of Namibia, *Economic Outlook Update: March 2023*, 4.
[203] Namibia Economic Outlook, African Development Bank Group, https://www.afdb.org/en/countries/southern-africa/namibia/namibia-economic-outlook#:~:text=Real%20GDP%20is%20projected%20to,and%20retail%20trade%20and%20tourism.

to around 4.3% by the end of the year.[204] However, this incremental decline in domestic inflation could potentially be offset by increased internal risks as the Bank of Namibia continues to rapidly raise the repo rate with increases of 75 basis points in the second quarter of 2023 alone from 7.0% in March to 7.75% at the end of June.

In Lieu of Conclusion

While there is no 'good' time for any society to experience a global pandemic followed by unprecedented economic and geopolitical disruptions culminating in a global cost of living crisis, Namibia was particularly ill-prepared for the challenges brought forth by the compounding crises of last few years. The origins of these challenges in the Namibian context have been at once international and domestic. On the one hand, external headwinds in the form of global monetary tightening and a breakdown in global commodity value chains leading to skyrocketing import costs and worsening terms of trade have been acutely impactful on Namibia's small, open, net-importing economy. Likewise, the path to economic recovery for resource-intensive economies such as Namibia has been and will likely continue to be more protracted given their structural dependence on prevailing market conditions which remain relatively unfavourable amidst ongoing global economic slowdown.

On the other hand, worsening macroeconomic imbalances have also been fuelled by internal factors, most notably the accumulation of high public debt. Namibia's high debt-to-GDP ratio and large budget deficits have primarily been a function of expansionary fiscal policy geared more towards consumption than productive expenditure coupled with inconsistent revenue streams that have made it difficult for policymakers to balance budgets. Consequently, a growing proportion of state revenue is having to be spent on debt servicing, imposing constraints on government's policy options with regard to taming inflation and expanding capital expenditure to tackle unemployment and reduce poverty. Positively, however, the bulk of Namibia's public debt has been mobilised through domestic sources thanks to its modern banking sector and developed local capital markets. This puts the country in a relatively more favourable position than many of its peers for whom higher proportions of foreign debt have significantly increased their susceptibility to interest rate hikes brought forth by the crisis.

Nevertheless, the global cost of living crisis continues to wield the potential to alter the long-term developmental trajectories of many low- and middle-income countries, including Namibia. One policy component of particular concern is the longevity of Namibia's social protection system which currently serves as a critical lifeline to over one million Namibians. To be sure, the government has thus far prioritised the preservation and in some areas expansion of social protection in spite of the hostile macroeconomic climate, a feat that should be applauded given that social welfare has tended to be among the first sectors to experience funding cuts in the budget balancing exercises of many of its peers in the region. However, the realities of shrinking fiscal space, low to marginal growth prospects, and persisting structural imbalances in the economy and the labour market suggest that the fiscal sustainability of the Namibian welfare state may be reaching its upper limits. Thus, to foster the long-term viability of social protection and indeed to strengthen the resilience of the Namibian economy as a whole, public revenue needs to be significantly expanded by 'absorbing as many people into the labour market as possible … [to create] a bigger middle-income class' from which to draw a larger pool of taxes to maintain government redistribution to the poor.[205]

In lieu of conclusion, the final sub-section of this paper contains several additional policy recommendations for how to prevent the socioeconomic scarring of the global cost of living crisis from becoming a residual feature of Namibian society for years to come.

[204] 'Bank of Namibia Raises Inflation Forecast to 5.3% for 2023,' *The Brief*, February 15, 2023, https://thebrief.com.na/index.php/companies/finance/item/2414-bank-of-namibia-raises-inflation-forecast-to-5-3-for-2023.
[205] Trywell Kalusopa and Ndeshi Namupala, "Rethinking Socail Protection in the Context of Rising Inequalities in Namibia: Lessons and Prospects" in *Perspectives on Namibia's Social Protection 2017 – 2020*, eds. Trywell Kalusopa and Olga Katjiuongua (Windhoek: Friedrich Ebert Stiftung, 2021).

Policy Recommendations

1. Improving the Efficiency and Productivity of Government Expenditure

According to local financial services firm Cirrus Capital, Namibia's main budgetary challenge is not one of insufficient spending but rather of 'extremely inefficient spending'.[206] This points to the need to optimise the quality and efficiency of both operational and developmental expenditure to ensure that limited fiscal space is being used productively. Wasteful expenditure can be avoided in several ways.

Arguably the most salient feature of public expenditure which could benefit from further streamlining is the civil service wage bill. Upon taking office for a second term in 2020, President Geingob implemented cuts to the number of substantive cabinet portfolios as well as the benefits received by political officers, reportedly saving close to N$200 million.[207] The most recent budget statement also implemented a 46% reduction in allocations to Public Enterprises for FY2023/24, a welcome adjustment given the high number of SOEs that are 'loss-making or not even producing annual financial statements'.[208] However, the wage bill for the 107,000-strong civil service is still projected to take up just under 40% of total expenditure in FY2023/24, representing a 2.6% increase on the previous financial year. It follows that more concerted public sector reforms are required to scale down the wage bill. A sustained reduction in the rate of new public sector hires could be supported through the introduction of policy mechanisms to allow for easier staff transfers across agencies and departments. Additionally, rather than implementing mass retrenchments and upholding real wage cuts for lower-ranking civil servants, more public funds could be saved by scrapping highly paid positions such as those of deputy ministers and regional governors which are largely ceremonial in nature and a duplication of functions performed in other roles.

More performance-based conditionalities could also be attached to funds received by OMAs, and particularly votes such as education and health whose large budgets are 'heavily geared towards salaries and wages, but with shocking outcomes' in terms of service delivery.[209] HPPII has already addressed the need for improved execution and monitoring and evaluation processes to ensure a higher success rate in delivery of public goods and services. Under Goal 4 of the Social Progression pillar, for example, HPPII provides for the establishment of a Teachers Professional Regulatory Body to improve the quality of training and to prescribe minimum standards for entry into the profession. However, in light of the high failure rates of grade 11 and 12 learners writing their NSSCO and AS level exams of whom only 24% qualified for tertiary education in 2022, there is an urgent need for more accountability-driven policy interventions underpinned by stronger M&E frameworks to ensure that funds are being spent efficiently to improve public educational outcomes. Similarly, targeted quality control measures are needed to improve the standard of Early Childhood Development as well as foundational numeracy and literacy skills taught at the entry-level of primary school education which, according to local ESG expert Mekondjo Erastus, represent key causal factors fuelling the low educational completion rates of grade 12s.[210] The same argument can be applied to the MHSS which was recently found to have overspent its budget for FY2021/22 despite public health standards remaining less than favourable.[211]

2. Promoting Agriculture as a Labour-Intensive Industry for Development

To resolve the structural imbalances in the labour market fuelling high unemployment and the high dependency rates brought forth as a result, a greater pool of public investment needs to be targeted towards labour-intensive industries such as housing construction and agriculture. As well as diversifying and expanding domestic output, promoting agriculture for development could also greatly improve domestic food security. According to Oxfam International, 'chronic underinvestment in agriculture' by African governments was a key driver of the upsurge in hunger experienced on the continent in 2022.[212] In fact, 48 out of 54 African governments spend an average of just 3.8% of their budgets on agriculture with 'nearly three quarters of these

[206] Cirrus Capital, written questionnaire responses to the author, May 31, 2023.
[207] Kuzeeko Tjitemisa, 'Geingob Warns Against Intimidation During Strike,' *New Era*, August 03, 2022, https://neweralive.na/posts/geingob-warns-against-intimidation-during-strike.
[208] Namibia Media Holdings, "REPEAT: Robin Sherbourne I The Evening Review – 6 October 2022", YouTube video, 25:49, October 6, 2022, https://www.youtube.com/watch?v=OvY4PJq0iaU&ab_channel=NamibiaMediaHoldings.
[209] Cirrus Capital, written questionnaire responses to the author, May 31, 2023.
[210] Mekondjo Erastus (Senior Researcher and Head of ESG at Monasa Advisory and Associates), zoom interview with the author, Windhoek, June 1, 2023.
[211] Eino Vatileni, 'Health Ministry Overspends Budget by N$462 Million,' *The Namibian*, June 25, 2023, https://www.namibian.com.na/health-ministry-overspends-budget-by-n462-million/.
[212] Victor Oluouch, 'Over 20 Million More People Hungry in Africa's "Year of Nutrition",' Oxfam International, February 17, 2023, https://www.oxfam.org/en/press-releases/over-20-million-more-people-hungry-africas-year-nutrition#:~:text=In%20the%2012%20months%20that,Botswana%2C%20Namibia%20and%20Zimbabwe%20combined.

governments having reduced their agricultural spending since 2019', leading to a significant drop in the production of staple foods by 2022.[213] Such budgetary decisions have served to further exacerbate food insecurity issues since the onset of the global cost of living crisis which has seen food inflation rise by 'double digits in all but ten African countries'.[214] Namibia is no exception to this continental trend: the total budget allocation for the Ministry of Agriculture, Water and Land Reform for FY2023/24 amounts to 2.45%, as compared to the 7.6% currently being spent on defence.[215]

There is also a need for greater technical as well as financial support for the agricultural sector to realise its potential as a GDP multiplier. Improving technical expertise will require public finances to be supplemented by higher private sector investment and the forging of more sustainable public-private partnerships to improve infrastructure development. Increasing the productivity of smallholder farming in Northern Communal Areas (NCAS) by reviewing livestock management policy and facilitating access to farming inputs, irrigational and post-harvest facilities could be a key focus area in this regard.[216] Such interventions would assist in modernising local production methods by expanding smallholder farmers' access to value addition and food processing technology, particularly in regions such as Zambezi, Kavango East and Kavango West where fertile land is not being optimally utilised. Support could also be extended in the form of knowledge sharing on climate-smart best practices; training and skills transfer and increased incentives for local food production.

Land reforms could also help jumpstart Namibia's nascent agricultural potential. Currently, there exists an inverse relationship between farm size and productivity whereby many of Namibia's large-scale commercial farms produce little in the way of agricultural output relative to their size. This situation is exacerbated by the maintenance of the Veterinary Cordon Fence (VCF), 'ostensibly used to control the spread of animal disease but which, in practice, acts as a market barrier' for smallholder farmers in communal areas.[217] Not only does the VCF prevent the estimated 1.5 million cattle in NCAs from being sold on Namibia's most lucrative commercial export markets; it also locks northern communities into paying high prices for meat products originating from the south. During the Second Land Conference, a resolution was passed directing government to gradually remove the VCF by 2032. However, resistance by farmers south of the VCF and other market stakeholders seeking to preserve what is essentially a regional monopoly over national beef exports has slowed progress towards these ends. Going forward, fast-tracking the removal of the VCF is advisable to expand local agricultural output and food security and to ensure that productivity gains are more equally distributed throughout the population. Essential contingency plans such as ensuring quarantine facilities in the NCAs are operational and developing a 'coordinated strategy to manage grazing rights' of communal livestock farmers living on the borders of Namibia, Angola and Zambia should also be executed.[218]

3. Filling the Gaps in Social Protection Coverage

Despite the recent expansion of Namibia's relatively comprehensive social assistance system, there still exist large coverage gaps in state protections for the most vulnerable. Of particular concern is the absence of universal social safety nets for children and the unemployed. A case in point is the fact that 45 children were found to have died of malnutrition in Omaheke region alone between January and June 2023.[219] This shocking figure underlines the need to expand the reach of child protections through the passage of a universal child grant. To be sure, this recommendation is not a new one; the former MPESW itself advocated for the implementation of a universal child grant of N$275 (an increase of 10% on current grant amounts) as well as a once-off maternity grant payment of N$2000 during the review stages of its draft Social Protection Policy in 2019.[220] These proposals were based on recommendations made following a 2013 study by UNICEF and the MGESW into the efficacy of Namibian social protection in reducing child poverty as well as the ILO's Social Protection Floor Assessment of Namibia in 2014. The introduction of a universal child grant could also take some of the pressure to provide off of elderly populations. While the multiplier effects of the old age pension are well documented, the demands on elderly recipients are often so large that pensions 'end up being spread too thinly' such that pensioners themselves 'may end up poor'.[221]

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[213] Oluouch, 'Over 20 Million More People'.
[214] Oluouch, 'Over 20 Million More People'.
[215] Vetumbuavi Mungunda, 'Avoiding the Dreaded Dutch Disease in the Face of Oil Discoveries and Green Hydrogen,' *The Namibian*, April 16, 2023, https://www.namibian.com.na/avoiding-the-dreaded-dutch-disease-in-the-face-of-oil-discoveries-and-green-hydrogen/.
[216] Josef Kefas Sheehama, 'Namibia's GDP Needs to Grow at 8.5% Per Annum Over the Next Five Years to Halt Unemployment,' *Namibia Economist*, August 23, 2022, https://economist.com.na/72917/perspectives/namibias-gdp-needs-to-grow-at-8-5-per-annum-over-the-next-five-years-to-halt-unemployment/.
[217] Government of Namibia, Social Protection Policy, 6.
[218] Mekondjo Erastus (Senior Researcher and Head of ESG at Monasa Advisory and Associates), zoom interview with the author, Windhoek, June 1, 2023.
[219] Martin Endjala, 'Basic Income Grants Needed to Address Malnutrition,' *Windhoek Observer*, July 11, 2023, https://www.observer24.com.na/basic-income-grants-needed-to-address-malnutrition/.
[220] Selma Ikela, 'Poverty Ministry Proposes N$380 Grant for Unemployed People,' *New Era*, September 9, 2019, https://neweralive.na/posts/poverty-ministry-proposes-n380-grant-for-unemployed-people.
[221] Blessing M. Chiripanhura and Miguel Niño-Zarazúa, "Social Safety Nets in Namibia: Structure, Effectiveness and the Possibility of a Universal Cash Transfer Scheme," in *Bank of Namibia 15th Annual Symposium: Social Safety Nets in Namibia: Assessing Current Programmes and Future Options,* (Windhoek: Research Department of the Bank of Namibia, 2013).

Current social protection schemes also provide little in the way of respite to the masses of Namibians impacted by the country's extremely high structural unemployment rate. Introducing an unemployment grant for all unemployed Namibians between the ages of 18 and 59 could potentially provide individuals with a basic threshold of financial security from which to gain entry and long-term integration into the labour market. For example, jobseekers would be able to afford taxi fares to drop off their resumés with prospective employers. An unemployment grant is arguably particularly warranted given the high number of job losses that resulted from the COVID-19 lockdowns imposed by government on the grounds of public health and safety in 2020 but on which the public itself was not consulted.[222]

However, the structure of the Namibian labour market presents obvious challenges to the workability of this kind of policy intervention. Most significantly, identifying the grant's intended beneficiaries is bound to prove practically challenging and administratively costly given the number of Namibians employed in the informal economy and other subsistence-based activities. It follows that a universal basic income grant (BIG) may represent a better strategy to close the social protection gap. As has long been campaigned for by the Namibian BIG Coalition and the Economic and Social Just Trust, among others, a universal BIG of N$500 per month for those between the ages of 19 and 59 would have myriad positive effects in holistically addressing Namibia's triple challenge of unemployment, poverty and inequality. As well as reducing day-to-day consumption poverty, a predictable cash transfer would contribute to raising the country's human capital index by enabling families to invest in their children's nutrition, health and education, creating a 'larger payoff in terms of future productivity and incomes'.[223] The BIG would also provide much needed liquidity injections to the domestic economy, raising consumer purchasing power while at the same time providing a protective buffer to entrenched labour precarity and broader economic shocks such as the strong inflationary headwinds brought forth by the global cost of living crisis.

4. Offsetting the Affordable Housing Backlog by Fast-tracking Flexible Land Tenure and Implementing Rent Controls

The scale of Namibia's affordable housing backlog and the slow pace at which serviced land is being made available for development is well-documented. These issues are particularly acute with respect to housing provisions for ultra-low and low-income earners. To offset pressures on housing delivery to this demographic specifically, the central government could enhance its collaboration with local authorities to fast-track the implementation of the flexible land tenure system. The Flexible Land Tenure Act was passed in 2012 and provided for the establishment of community land trusts to hold plots in trust for the benefit of the community with a range of tenure options including short-term leases and certificates of acknowledgment of land occupation rights which could in turn be translated into title deeds. A directive was also issued at the Second Land Conference for government to facilitate the formalisation of informal settlements by establishing a flexible tenure registration system to complement freehold tenure registration. Flexible land tenure schemes were subsequently piloted in Oshakati, Windhoek and Gobabis local authorities in 2020.

Government has since made its preference for flexible land tenure as a cheaper and easier to administer alternative to the formal system of freehold tenure clear. According to the Minister of Agriculture, Water and Land Reform Calle Schlettwein, the government's traditional approach of constructing houses for the poor 'brought with it a financial burden for those who wanted to occupy the houses' that can be effectively bypassed through flexible land tenure which allows government to 'provide you [informal residents] with a piece of land … [where] you can then develop your house through your own means'.[224] In other words, this approach could directly address the mismatch between the costs of public housing products and the financial abilities of target users. The system may also provide pathways to credit worthiness for its recipients whose land titles can be used as collateral in applications for future loans to fund the construction of formal housing to replace shack dwellings, for example. Thus far, however, the implementation of flexible land tenure has been generally slow with central government on the one hand citing a reluctance to avail land by some local authorities and on the other hand local authorities bemoaning inadequate subsidies from central government to support land delivery. This points to the need for improved stakeholder communication and coordination to fast-tack the number of community land trusts being established

[222] Theo Klein (economist at Simonis Storm Securities), written questionnaire responses to the author, May 5, 2023.
[223] Arup Banerji and Ugo Gentilini, "Social Safety Nets: Lessons from Global Evidence and Practice" in *Bank of Namibia 15th Annual Symposium: Social Safety Nets in Namibia: Assessing Current Programmes and Future Options*, (Windhoek: Research Department of the Bank of Namibia, 2013).
[224] NBC Digital News, "Government to Roll out Flexible Land Tenure system for Swakopmund and Walvis Bay municipalities," June 7, 2021, YouTube Video, 1:45, https://www.youtube.com/watch?v=OYWbV5y2E3M&ab_channel=NBCDigitalNews.

and the number of leases and land titles issued to informal residents.
With the costs of homeownership out of reach for many Namibians, pressures on the country's housing rental market have increased. However, average costs of rental units tend to be largely incongruous with average real wages which have stagnated even more against the backdrop of rising inflation in recent times, further driving up rental growth. FNB's Residential Rental Index posted a 12-month rental index growth of 0.6% at the end of March 2022, the highest growth rate recorded since the early stages of the pandemic in May 2020.[225] Similarly, the average rent for more than three-bedroom units reached the highest level on record at N$19,329 at the end of March 2022.[226] Consequently, Namibia's rent-to-income ratio has increased to 39%, placing it on the cusp of the prescribed affordability ceiling of 40%.[227] These developments point to the urgent need for government to come up with a workable Rent Control Bill to enable the implementation of rental control measures and the operationalisation of the Rent Control Board. Rent controls would provide tenants with essential protections against economic exploitation by landlords who stand to benefit from the severe shortage of affordable rentals on the market. However, despite provisions contained in HPPI for the Bill to be tabled in Parliament by the end of 2021, its status remains pending in 2023 while the Rent Control Board, now under the MURD, remains inactive.

5. Fostering the Structural Transformation of the Economic Base and Investing in 21st Century Skills Development

In its Systematic Country Diagnostic of Namibia for 2021, the World Bank cautioned that economic growth potential had 'peaked' under the existing macroeconomic framework.[228] This suggests that the structural transformation of Namibia's economic base should now be placed at the heart of all aspects of policymaking going forward. A transformative policy approach requires that deliberate economic interventions be made to diversify the economic base 'away from extractivisim towards beneficiation and local production' in order to support local job creation along with the strengthening of internal competencies through 'legislative and regulatory reforms' to enable easier integration of local SMEs into the value chains of emerging industries.[229]

Positively, the government appears to have made some progress towards these outcomes over the last 18 months through its pursuit of 'economic diversification and investment promotion into nascent high value industries'.[230]
In his 2023 state of the nation address, President Geingob revealed that Namibia had experienced the 'highest year-on-year growth' in foreign direct investment since 2015 during the first nine months of 2022.[231] The majority of recent foreign inflows have been garnered on the back of oil exploration resulting in a number of promising oil discoveries between January 2022 and July 2023 alongside large-scale investments in prospective green hydrogen and ammonia production. However, while oil is projected to contribute more to the fiscus with huge revenues expected after 2030, green hydrogen could make a more sustainable contribution in terms of job creation and infrastructure development. Moreover, excess production of oxygen and electricity could be used to fill the gaps in local consumption demands. To that end, green hydrogen could hold the most industrial potential to foster the structural transformation of Namibia's economic base.

[225] FNB Namibia, 'Rents Continue to Soar in the First Quarter of 2022,' LinkedIn Post, June 28, 2022, https://www.linkedin.com/pulse/rents-continue-soar-first-quarter-2022-fnb-namibia/.
[226] FNB Namibia, "Rents Continue to Soar".
[227] FNB Namibia, "Rents Continue to Soar". World Bank Group, Namibia Systematic Country Diagnostic, 19.
[228] World Bank Group, *Namibia Systematic Country Diagnostic*, 19.
[229] Herbert Jauch, 'Arrest the Unemployment Crisis – Not the Youth!,' *The Namibian*, April 4, 2023, https://www.namibian.com.na/arrest-the-unemployment-crisis-not-the-youth/; Mungunda, "Avoiding the Dreaded Dutch Disease".
[230] Titus Ndove (Executive Director of the Ministry of Finance and Public Enterprises), written questionnaire responses received by the author from Helvi Fillipus (Economic Advisor), June 30, 2023.
[231] Maihapa Ndjavera, Edward Mumbuu and Aletta Shikololo, 'Geingob Upbeat About Economic Revival… Leaves Opposition Hanging,' *New Era*, March 17, 2023, https://neweralive.na/posts/geingob-upbeat-about-economic-revival.

To optimise the labour prospects of the country's ambitious green hydrogen plans for ordinary Namibians, government should fortify its efforts to develop local skillsets to match emerging market demands. According to Jane Olwoch, the director of Southern African Science Service Centre for Climate Change and Adaptive Land Management (SASSCAL), the expansion of digital, scientific, and technological literacy and other 21st century skills should be key focus areas for government through the extension of opportunities in fields such as 'data science and analytics, remote sensing and GIS, programming, mathematical modelling, and engineering'.[232] Encouragingly, the German government has pledged to support the upskilling of the Namibian population in this regard by availing N$87.7 million to fund both academic and vocational scholarships through SASSCAL's Youth for Green Hydrogen scholarship programme. Beyond developing local technical expertise for the renewable energy sector, government should work to localise value chain linkages through targeted investment in adjacent sectors such as manufacturing and product assembling as well as the service sector in local economies such as Lüderitz which is set to host an influx of industrial workers when Hyphen becomes operational.

It would also be beneficial for government to strengthen the legal framework governing the operations of the emerging green hydrogen industry. While political commitments have been made to the inclusion of local expertise, labour, and materials in the industry, ensuring that these benefits are realised in practice will require supporting legislation. The improvement of local content policies (LCPs) comprising legislative and regulatory instruments as well as contracting and licensing arrangements to compel firms to make use of local goods and services is of key importance to these outcomes. This is especially critical given the fact that the current LCPs model for the mining sector is characterised by vague qualitative criteria, lax reporting and compliance, and weak implementation and thus 'does not create sufficient confidence that Namibians will benefit' from green hydrogen production. As has already been suggested by the IPPR in relation to the National Upstream Petroleum Local Content Policy, the creation of 'independent oversight bodies' tasked with 'overseeing the selection of pre-approved local suppliers that can be vetted to ensure they have clean track records' would also be advisable with regard to the green hydrogen industry.[234]

[232] OneAfrica, "Namibia Urged to Invest in 21st Century Skills for Green Hydrogen Project," August 19, 2022, YouTube Video, 1:12, https://www.youtube.com/watch?v=XALUujgmupY&ab_channel=OneAfrica
[233] Rewaldo Quest and Nicole Tjitendero, 'Namibia's Green Hydrogen Strategy: A Catalyst for Local Value Addition and Socio-Economic Development?', ENSafrica, March 23, 2023, https://www.ensafrica.com/news/detail/6795/namibias-green-hydrogen-strategy-a-catalyst-f.
[234] 'National Upstream Petroleum Local Content Policy Could Be Abused,' *The Brief*, May 17, 2023, https://thebrief.com.na/index.php/economy/item/2879-national-upstream-petroleum-local-content-policy-could-be-abused.

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