



Press Release

In the past six years, Namibia has experienced robust economic growth, which averaged 4.5 percent, and is expected to reach almost 5 percent in 2007 and 2008, AfDB says

Windhoek, Namibia, June 18, 2007-- *Namibia has experienced robust economic growth, which averaged 4.5 percent over the past six years, and is expected to reach almost 5 percent in 2007 and 2008*, according to a new major report by the African Development Bank and the OECD.

The African Economic Outlook (AEO) notes that growth in Namibia has been driven by exports and private investment in the mineral sector, as well as prudent macroeconomic policies. Over the period 2007-2009, other significant investments that are expected to boost growth include the continuous introduction of new technologies for mining diamonds; the development of new uranium mines; and the development of the Kudu Gas Field and construction of the gas-fired power plant.

On balance, the government has pursued a prudent fiscal policy, reducing the deficit from 7.5 percent of GDP in 2003/04 to an expected surplus of 2.2 percent of GDP in 2006/07. A windfall of SACU receipts, which accounted for 40 percent of total revenue and grants, offset the growth in the public sector wage bill. The volatility associated with SACU receipts means that the government needs to diversify its sources of revenue and undertake substantial efforts to improve sustainable revenue collection. The government also needs to re-orient spending away from wages and subsidies towards priority sectors, namely, health, education and infrastructure.

Oshikoya notes that ***“although Namibia has the continent’s fifth-highest per capita income and the eleventh-highest Human Development Index, it faces several socio-economic challenges.”*** The economy of Namibia is poorly diversified, relying heavily on extractive mining of export earnings and fiscal revenue, and is thus exposed to large and unpredictable fluctuations in commodity prices. Namibia has one of the highest levels of income inequality

in Africa. Its Gini coefficient of 0.6 is among the worst in the continent. It has high rates of rural poverty of about 42 percent. HIV/AIDs prevalence averages 19.7 percent in 2004 and has contributed to reducing life expectancy at birth from 53.9 years in 1970-75 to 48.6 years in 200-05.

The African Economic Outlook 2006/2007 notes that Africa has experienced its highest economic growth in the last two decades, with the GDP growth rate, which averaged about 5 percent annually in the past six years, rising to 5.5 percent in 2006, and is expected to reach 6 percent in 2007.

The main factors supporting Africa's growth performance were strong external demand for oil and non-oil minerals, increased investment in these sectors, and good growing conditions in agriculture. The continuation of sound macroeconomic policies in most of the countries in the continent has also increased business confidence leading to a pick up in private investment generally.

Growth has been robust in Africa's four largest economies, (South Africa, Algeria, Nigeria, and Egypt), termed the SANE, which account for half of the continent's GDP and nearly a third of its population. The SANE countries averaged 5.1 percent growth rate. In the remaining African countries, economic growth rates were even higher at an average of 6 percent. Net oil exporters across the board enjoyed high growth, averaging 5.9 percent, while net oil importers recorded growth rate of 5.2 percent.

Going by sub-regions, real GDP growth in North African countries averaged 6.3 per cent in 2006, significantly higher than the 4.6 per cent registered in 2005. Economic growth in the countries of West Africa was 4.8 per cent in 2006, substantially less than in 2005; it is projected to accelerate to 5.9 per cent in 2007 and to remain high, at 5.1 per cent in 2008. Average GDP growth in Central Africa slowed to 3.9 per cent in 2006. Projections indicate an increase in real growth to 5.2 per cent in 2007 and an acceleration of growth to 6.3 per cent in 2008. Economic growth in East Africa averaged 5.1 per cent in 2006, and is projected to accelerate to 5.8 and 6 per cent in 2007 and 2008, respectively.

Economic growth in Southern Africa was 5.4 per cent in 2006, about the same as in 2005. Overall, the average growth rate for Southern Africa is projected to increase from 5.4 per cent in 2006 to 6.1 per cent in 2007, reflecting the projected near doubling of Angola's growth rate from 14.8 per cent in 2006 to 27 per cent in 2007 (largely due to rising oil sector activity in new oil fields, and to a lesser extent by increased diamond mining). Growth should also be boosted by the coming on stream of a large number of mega-projects in the mining sector in Mozambique. In Zimbabwe, economic activity continued to decline in 2006, contracting by about 5 percent.

In South Africa growth—at 5 percent, its highest since the end of Apartheid—has been broad-based and mainly driven by domestic demand. The projections for South Africa indicate that GDP growth should remain robust at about 4.5 percent in both 2007 and 2008, marking an important break from the relatively slow growth rates experienced over the past ten years.

The *Outlook* 2006/2007 analyzes recent performance in African countries and assesses their prospects. The report is principally based on country studies, in which is examined, for each of the countries, macroeconomic performances and policies, structural issues and social and political developments. Each country is subjected to the same survey process, which provides the basis for well-informed comparative analysis. The *Outlook* also includes a focus on a topic of high relevance for policy makers in African countries.

The *Outlook* 2006/2007 includes the thematic analysis of issues on ‘Access to Drinking Water and Sanitation. One of the important targets of the MDG is Access to Drinking Water and Sanitation. The report examines this theme and makes clear that progress remains inadequate in relation to needs and, as with other targets, the likelihood of reaching the MDG access targets for drinking water and sanitation is low. Some important exceptions are also noted. ***“Overall, although progress in sanitation has been moderate, Namibia is ahead of schedule in meeting the MDG on access to drinking water. From a total of 57 percent of people having access to drinking water in 1990, the percentage increased to 87 percent in 2004, which is ahead of the target of 78 percent, says Dr. Oshikoya.”***