POLICY BRIEF

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COVID—19: AN EMERGING DEVELOPMENT CHALLENGE, BUT OPPORTUNITY FOR THE SUSTAINABLE DEVELOPMENT GOALS (SDGs) IN NAMIBIA

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UNITED NATIONS
NAMIBIA

1. Context

The first quarter of 2020 found Namibia, together with the rest of the world having to swiftly undertake measures necessary to protect the country from irreversible effects of the COVID-19 pandemic that is claiming lives and destroying livelihoods. COVID-19 has paralysed large parts of the global economy, sharply restricted economic activities, increasing uncertainties and unleashing an economic contraction and recession unseen since the Great Depression in the 1930s.

On 11 March 2020, the World Health Organization (WHO) declared COVID-19 a pandemic, pointing to the over 118,000 cases of the coronavirus illness in over 110 countries and territories around the world and the sustained risk of further global spread. On 14 March 2020, Namibia reported the first case of COVID-19 in the country. Thereafter, the Government immediately activated the National Health Emergency Management Committee, a special committee on COVID-19 response that is chaired by the Minister of Health. On 17 March 2020, a State of Emergency was declared, which was followed by an initial lockdown of only Khomas and Erongo regions and later on all fourteen regions. In an Extra-Ordinary Meeting, SADC Ministers of Health gathered to discuss COVID-19 and its implications for the region.

While the rest of the world confirms additional cases, Namibia is so far making progress in containing the spread of the disease. As of this drafting no deaths have been reported, new cases have been comparatively minimal, and recoveries have been recorded, outcomes attributed to the various measures, undertaken by the Government, thus far. To date, COVID-19 has no effective treatment and there are no available vaccines.

Beyond the devasting effects of the disease itself, the measures taken under the state of emergency, including the lockdown that were necessitated to contain the disease, have further left behind impacts that will affect the country in the years to come. This is of concern, given that the Namibia enters this recession in an already weak position arising from consecutive negative economic growth. Moreover, projections estimate that the country has already lost a third of its economic output. Significant uncertainty about the long-term effects remains, but opportunity for development planning exist as the country concludes the 5th National Development Plan (NDP5) and commences the 6th NDP.

2. Evidence of immediate economic impact

As an emergent development challenge, COVID-19 has generated a range of effects resulting from a decline in economic activity globally. Slowed and declining economic activity (Table 1) has affected consumption, investment and output in key sectors of the Namibian economy including tourism, hospitality, and trade. Reduced economic activity, has further affected lives and livelihoods through decreased labour force participation, decreased household consumption, and ultimately well-being for the most vulnerable, at high-risk and vulnerable communities, heightening prospects for poverty and inequality.

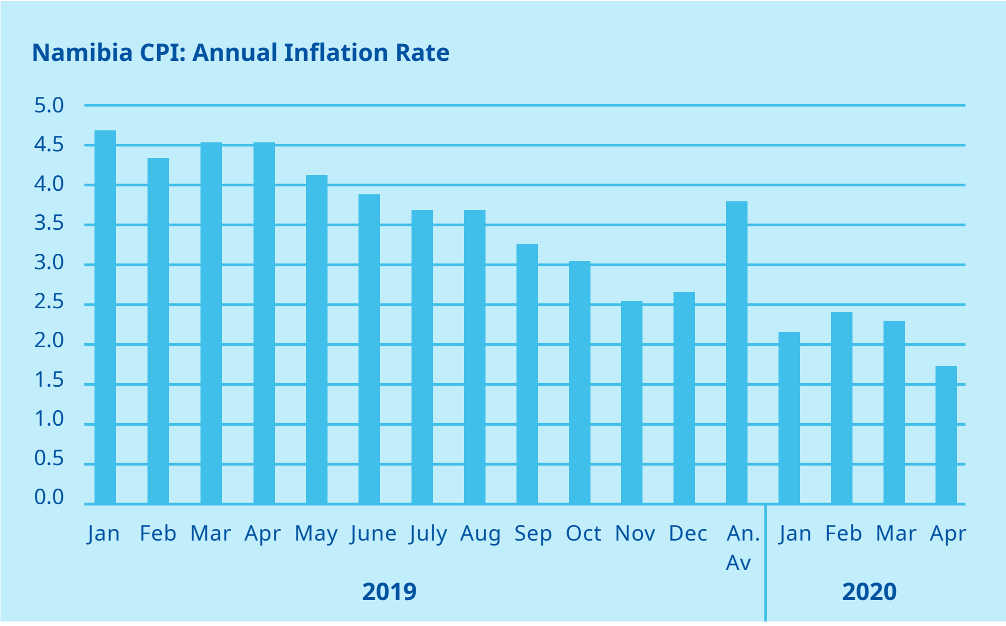
Table 1: Growth of world output, 2018–2021

	Annual percentage change				Change from World Economic Situation and Prospects 2020 forecast	
	2018	2019 (Estimated)	2020 (Estimated)	2021 (Estimated)	2020	2021
World	3.1	2.6	-3.2	4.2	-5.7	1.5
Developed Economies	2.3	1.9	-5.0	3.4	-6.5	1.7
Developing countries	4.3	3.7	-0.7	5.3	-4.7	1.0
Africa	3.1	3.0	-1.6	3.4	-4.8	-0.1
North Africa	3.4	3.5	-1.8	4.0	-5.4	0.3
East Africa	6.6	6.3	1.5	3.4	-4.5	-2.8
Central Africa	1.6	1.9	-1.6	3.2	-4.5	0.1
West Africa	3.2	3.3	-1.3	3.1	-4.9	-0.7
Southern Africa	0.9	-0.1	-3.5	2.7	-4.4	0.8
			2020 (pre-COVID19) Forecast	2020 (pre-COVID19) Forecast	2021 (post-COVID19) Forecast	2021 (post-COVID19) Forecast
Namibia			1.5	1.4	-6.9	1.8

Source: Author, adapted from Bank of Namibia, "Economic Outlook Update, April 2020."; SADC, 2020. "Impact of COVID-19 Pandemic in SADC Economy."; UN, 2020 "World Economic Situation and Prospects as of mid-2020."

Namibia's Gross Domestic Product (GDP), which is also the main source of government revenue and foreign exchange earnings, remains dependent on the mining sector that is dominated by diamonds, uranium and zinc. Mining is a very capital-intensive industry with low direct employment effect, compared to the monetary value of its output. China and South Africa are among Namibia's key trading partners, yet they have faced major blows due to COVID-19. Decline in growth in these countries means reduced demand for Namibian exports and shortage in imports as a result of disrupted value chains. The projected recession in South Africa also affects Southern African Customs Union (SACU) revenues, which accounts for 33% of Namibia's total revenue. Already, mines are closing and so are other businesses including transport, retail and restaurants in order to contain the spread of the disease. Additionally, the lockdown and reduction in aviation activity has contributed to a decline in international tourism. As such the annual inflation rate has fallen, attributed to collapse of oil prices and the declining demand, with potential benefits to competitiveness but concerns for deflationary pressures, which may make it hard to boost economic growth.

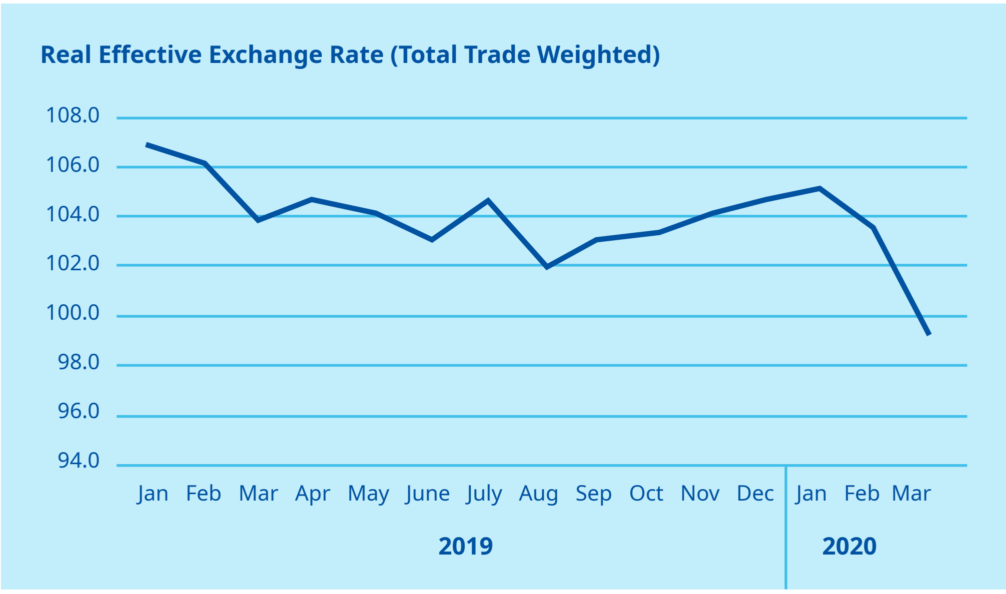
Figure 1: Trend in Inflation



Source: Author with data from National Statistics Agency.

Thus, the crisis raises uncertainty surrounding the eventual recovery, in terms of both actual and potential output and what impact the crisis will have on the medium to long-term growth prospects. Exchange rates are already falling (Figure 2), and government revenues will decline resulting from declining external flows and domestic production. This lost revenue, will impact the ability of Government to finance development and ultimately weaken progress towards the achievement of the SDGs.

Figure 2: Trend in Exchange Rate



Source: Author with data from Bank of Namibia.

3. Policy options, related trade-offs and implications

As with most countries in the SADC, the Government of the Republic of Namibia is already responding to observable economic effects, speaking to its embracing of policy choices that will have an impact on the speed and shape of the economic recovery.

On 1 April 2020, the country's Minister of Finance announced the Stimulus and Relief Package. It was announced at a time when it was needed in the country as a result of constrains at both the global and national levels due to pre-existing conditions, but also added burden of COVID-19: 1) At the global level, demand for Namibian commodities has declined, which means that income has declined; 2) At the national level, the restrictive measures including the lockdown to contain transmission of COVID-19 have slowed down economic activity, production has declined and so have the prospects for Government to collect revenue, in an already suppressed economy. Thus, the Stimulus Package presented relief strategies to mitigate the effects of hardships posed by COVID-19: This was prudent focusing on the currently key and vulnerable sectors of health, households and businesses both formal and informal, which were directly affected by the lockdown measures (Table 2 below), helping to cushion them from the current economic blow.

Table 2: The Composition of the Stimulus Package (SP)

General Intervention		Cost
	Health	N$1.1 bn
i)	Health Package	N$1.1 bn
	Household	--
i)	Emergency Income Grant	i) N$ 562,000,000
ii)	Tax Back loan scheme – personal	ii) --
iii)	Water Subsidy	iii) N$ 10,000,000
	Business	--
i)	Hospitality Wage Subsidy (6months at 700 per employee) *	i) N$ 358,600,000
ii)	Construction Wage Subsidy (500 per employee per lockdown)	ii) N$ 22,680,000
iii)	VAT Refunds	iii)N$ 3,000,000,000
iv)	Payment Outstanding Invoices	iv) N$ 800,000,000
v)	Small Business Loan Scheme – DBN	v) --
vi)	Agricultural Loan Guarantee Scheme – AgriBank	vi) --
vii)	Tax Back loan scheme - non mining	vii) --
Off-balance sheet Government liabilities		N$2.3 billion
Total		N$8.1 billion

Source: Author, adapted from Ministry of Finance, Government of the Republic of Namibia.

The idea of the Stimulus Package was prudent, given the current context. Fiscal stimulus can raise output and incomes in the short run by increasing overall demand. Although, to have the greatest impact, with the least long run cost, the Stimulus Package needs to meet effectiveness criteria along the lines of being: **1) Timely; 2) Temporary; 3) Targeted.**

Timely:

In light of COVID-19, the Government acted swiftly, to stabilise the economy, which was already suppressed. It was important that the Stimulus Package be enacted at the right time to prevent further drop in output and incomes, and potential increased inflation, in case the stimulus arrived after recovery had begun. Thus, the effects of the Stimulus Package need to be felt during this period of hardship including in health, basic services, and social protection.

Targeted:

A targeted fiscal stimulus needs to protect, from the downturn, the most vulnerable (particularly labour), whose spending can then hopefully boost aggregate economic activity[1]. Through its interventions, Namibia's SP indeed endeavours to provide relief to the most vulnerable, especially those whose livelihoods may have been lost, through: 1) Health Intervention[2]; 2) Household Interventions (Emergency Income Grant; Water Subsidy; Tax Back loan scheme – personal); 3) Business Intervention (Hospitality Wage Subsidy and Construction Wage Subsidy[3]). Namibia's SP went to households and businesses most likely to raise spending in response to the stimulus, helping increase gross domestic product in the short run. It also provided the greatest benefit to the people most affected by the slowdown, including labour, leaving no one behind.

Temporary:

While this was the First Phase of the Economic Stimulus and Relief Package geared at addressing the negative effects arising from the first 21-day lockdown period, it is important that it stays temporary to avoid raising inflation, and to minimise the adverse long-term effects of a larger budget deficit. As of now, there is no information on the implementation timeline of the Stimulus Package and whether a new Package will be announced. This is understandable given uncertainty around the duration of COVID-19. Although, analysis through forecasting can aid with providing some basis for a timeline, and motivation to keep the fiscal stimulus, temporary.

Additionally, Namibia had also instituted monetary policy, through reduced interest rates[4] and thus, there were already existing measures to stimulate the economy alongside the temporary relief of the Stimulus Package, in line with policies, quite similar across the sub-region (Table 3).

Table 3: Comparing SADC Countries

Country	Policy Measures			
	Fiscal	**Monetary**	**Exchange Rate/Balance of payments**	**Lockdowns**
Angola	✓	✓	✓	National lockdown
Botswana	1.1% of GDP	✓	✓	Localised lockdown
Comoros	Intended	Intended	Intended	--
DR Congo	✓	✓	No specific measure	Localised lockdown

1. For the fiscal stimulus to work, it is essential that resources are spent and not saved. Thus, consumption must align with demand and supply in the economy.
2. Resourcing Ministry of Health to fight COVID-19.
3. Tourism and Construction Sectors are highly impacted by COVID-19 and the lockdown requiring social distancing.
4. Noting that the effect of reduced interest rates on economic output and jobs may not be immediate.

Eswatini	✓	✓	No measures	National lockdown
Lesotho	2 %of GDP	✓	Pegged to ZAR, which has depreciated	National lockdown
Madagascar	✓	✓	Made interventions and exchange rate depreciated.	Localised lockdown
Malawi	✓	✓	No measures	National lockdown
Mauritius	✓	✓	✓	National lockdown
Mozambique	✓	✓	Metical allowed to depreciate	Localised recommendation
Namibia	4.25 %of GDP	✓	No measures	Localised lockdown
Seychelles	✓	✓	No measures	National lockdown
South Africa	✓	✓	Not intervening in Forex market	National lockdown
Tanzania	✓	No measure	No measure	Localised lockdown
Zambia	✓	✓	No measure	Localised lockdown
Zimbabwe	✓	✓	Moved from floating to fixed exchange rate	✓

Source: Author adapted from IMF, 2020. "Policy Responses to COVID19: Policy Tracker"; UNECA, 2020. "COVID-19 Lockdown Exit Strategies for Africa." World Bank, 2020. "Assessing the Economic Impact of COVID-19 and Policy Responses in Sub-Saharan Africa."

However, concerns remain on potential for rising debt. While developed countries face domestic financing challenges, the crisis exposes the deepening external vulnerability of many developing and emerging economies that rely on external flows—trade revenues, remittances and borrowing—to finance their fiscal deficits. The sharp decline in revenues from commodities and tourism has severely increased the likelihood of debt distress in Africa, resulting from increased external debt-to-GDP ratios. Even if developing countries manage to avoid a full-blown debt crisis, some may need to monetise their debt, that is, print money to finance additional fiscal outlays to fight the pandemic. Unlike in developed economies, domestic capital markets are shallow in most developing countries, making it harder for governments to borrow without crowding out private borrowing. Excessive government borrowing from domestic banking sectors, coupled with monetisation of debt, will increase inflationary pressure and depress growth. Economic growth may suffer further setbacks if global demand and external flows remain weak. A prolonged period of weak growth will exacerbate the debt burden of many developing countries.

Namibia had committed to fiscal consolidation efforts aimed at reducing the debt burden and increasing primary surpluses, especially if raising new taxes proves difficult. Fiscal consolidation is to help reduce non-priority expenditure, while ensuring efficiency towards priority sectors. But with the economy slowed and increasing taxes not being an option during today's context, pressure on the budget endures. Moreover, fiscal consolidation measures typically reduce social sector spending and hurt the poor disproportionately.

4. A multi-sector, multi-stakeholder whole of Government approach

The COVID-19 Pandemic has showcased the highly inter-connected nature of socio-economic challenges and recalled the need for integrated responses, as was envisioned by the Agenda 2030 of the Sustainable Development Goals. It has also highlighted the extent to which a single development phenomenon can impact all the 17 SDGs in a given context (Table 4).

Table 4: COVID19 and Effect on the SDGs

SDG	Impact
Goal 1: No poverty	Loss of income, leading vulnerable segments of society and families to fall below poverty line
Goal 2: Zero hunger	Food production and distribution, disrupted
Goal 3: Good health and wellbeing	Devastating effect on health outcomes
Goal 4: Quality education	School for many closed, remote learning less effective and not accessible for some
Goal 5: Gender equality	Women's economic gains at risk and increased levels of violence against women. Women account for majority of health and social care workers who are exposed to COVID-19
Goal 6: Clean water and sanitation	Supply disruptions and inadequate access to clean water hindering access to clean handwashing facilities, one of the most important COVID-19 prevention measures
Goal 7: Affordable and clean energy	Supply and personnel shortages leading to disrupted access to electricity, further weakening health system response and capacity
Goal 8: Decent work and economic growth	Economic activity suspended, lower income, less work time, unemployment for certain occupations
Goal 9: Industry, Innovation and Infrastructure	Slowed, disrupted
Goal 10: Reduced inequalities	Exacerbated by effects of Goal 4, Goal 5, Goal 8, Goal 11
Goal 11: Sustainable cities and communities	Population living in slums faces higher risk of exposure to COVID-19 due to high population density and poor sanitation conditions
Goal 13: Climate action	Reduced commitment to climate action, but less environmental footprint due to less production and transportation
Goal 16: Peace, justice and strong institutions	Conflicts prevent effective measures for fighting COVID19; those at in conflict are most at risk of suffering devastating loss from COVID 19
Goal 17: Partnerships for the Goals	Aggravate backlash against globalization, but also highlight importance of international cooperation on public health.

Source: Author adapted from UN, 2020 "Secretary General's Report on responsibility, global solidarity: Responding to the socio-economic impacts of COVID19."

However, COVID19 has also brought to fore once again, the need to link the various means of implementation (MOIs) of the SDGs with development. The MOIs are the interdependent mix of financial resources; technology development and transfer; capacity building; inclusive and equitable globalization and trade; regional integration as well as the creation of a national enabling environment required to implement the SDGs.

Accordingly, the UN system has established a UN's Framework for the immediate socio-economic response to COVID-19 and provide policy options in the short-term, medium-term, and long-term measures, along 5 Pillars.

i) Health First;
ii) Protecting People;
iii) Economic Response and Recovery;
iv) Macroeconomic Response and Multilateral Collaboration;
v) Social Cohesion and Community Resilience.

These pillars, if implemented based on the realities of the country and the effective channeling of resources towards pressing and high-value development priorities, can go a long way in contributing to the much-needed economic transformation of the country, post-COVID19. This agenda needs to be closely aligned with the priorities in the 5th National Development Plan (NDP5) as it comes to expiration, and the imminent planning for the 6th NDP and as based on existing clustering of the SDGs (Table 5).

Table 5: Clustering the SDGs with National Development Priorities

Subtheme	SDGs cluster
People	Goals 1 (No poverty), 2 (Zero hunger), 3 (Good health and wellbeing), 4 (Quality education) and 5 (Gender equality)
Prosperity	Goals 7 (Affordable and clean energy), 8 (Decent work and economic growth), 9 (Industry, Innovation and Infrastructure), 10 (Reduced inequalities) and 11 (Sustainable cities and communities)
Planet	Goals 6 (Clean water and sanitation), 12 (Responsible consumption and production), 13 (Climate action), 14 (Life below water) and 15 (Life on land)
Peace	Goal 16 (Peace, justice and strong institutions)
Partnerships	Goal 17 (Partnerships for the Goals)

Source: Author, adapted from 2020 Africa Regional Forum for Sustainable Development.

The localisation of economic transformation also contributes to the various clusters of the SDGs, and in alignment with the 5 Pillars of the UNs recovery and response for COVID.

5. Economic-Transformation as Risk Mitigating and Resilience Enhancing

Crises can be opportunities for countries to recalibrate their policies and actions towards implementation of more long-term sustainable economic transformation strategies that feed into national visions. For Namibia, this can mean strengthened commitment to diversifying sources of revenue. It also means enhancing economic diversification through beneficiation, developing the natural resources value-chain, alongside the range of complementary policies including human capital development and economic governance. These measures comprise the February 2020 recommendations of the High-Level Panel on the Namibian Economy (HLPNE), presented to the President, alongside the numerous planning and strategic documents of the country.

Against the backdrop of challenges to sustaining economic performance, including fast-changing and uncertain shocks and fluctuations, and climate related risks that threaten hard-won development gains, economic transformation for the SDGs,

comprises fundamental changes in the economy that raise the overall productivity level while ensuring adequate quantity and quality of employment, equitable distribution of income and wealth, and access to quality public services, and protection of environment. (UNDCO, 2019)

The economic transformation for the SDGs requires that countries reframe economic policies and practices for inclusive, diversified and job-intensive economic transformation that leaves no one behind, protects the planet and strengthens the ecological foundations of economies.

It presents opportunity to link people, firms, and the macro-economy towards sustainable development, with the following concrete objectives:

i) Raising productivity by investing in human capital and facilitating the movement of labour and entrepreneurship from lower value-added to higher value-added economic activities; promoting modernisation and upgradation of technologies; improving the business environment, including rule of law, and delivering other long-lasting economic changes that are consistent with and advance other dimensions of sustainable development;

ii) Diversifying the economy both horizontally and vertically, making it competitive, and improving macro frameworks to make it resilient to a wide range of economic shocks, such as sudden downturns in global economy, rapid outflow of capital, collapse of commodity prices, etc.;

iii) Creating decent jobs taking into account demographic (population growth and the potential youth bulge, ageing, migration, urbanization), technological and inequality trends and investing in skills that better match present and future employment needs; ending informalization and precarisation of labour; ensuring gender parity in employment and wages; breaking sectoral and occupational segregation, and paying particular attention to youth employment and training;

iv) Making the economy resilient to climate change and its adverse effects, including sea level rise, desertification, extreme weather events, natural resource depletion, etc.;

v) Decoupling economic growth from environmental degradation; decreasing the carbon intensity of output; ending dependence on fossil fuels; achieving carbon neutrality by 2050; decreasing resource intensity and increasing efficiency in production; adopting clean technologies across all types of economic activities; promoting sustainable use of all economic and natural resources; encouraging the circular economy to minimize virgin resource use and the creation of waste products;

vi) Ensuring equal opportunities and equitable distribution of income and access to public services and resources; and providing adequate fiscal space for provision of social protection, investments in quality education and health, basic service delivery, and critical infrastructure to tackle both vertical and horizontal inequalities;

vii) Promoting the development and proper use of new technologies; mitigating risks and harnessing their benefits; ensuring compensation for loss of jobs during transitions; ending technological and digital divides across and within countries;

viii) Making the best use of the advantages of global trade opportunities including the African Continental Free Trade Area (AfCFTA); harnessing the potential benefits of FDI, promoting participation in regional and global value chains; and creating opportunities for Micro, small and medium enterprises (MSMEs) to participate in the global economy;

ix) Deepening national capital markets and promoting access to financial services for underserved areas and sectors with potential for sustainable growth;

x) Protecting and promoting human rights; paying attention to issues of peace and security, which are a pre-requisite for successful economic transformation; and noting that in conflict and post-conflict countries, the process of economic transformation has to be in sync with the processes of building peace, rehabilitation, and reconstruction.

Namibia's current overall unemployment level at 33.4%, is the highest since independence. Youth (43.3%) and women (38.3%) are most affected. For economic transformation, employment is the cornerstone of the links between economic growth and social development. It is through creation of decent jobs that productivity gains can be translated into improvement of quality of life of the vast majority of the population. Commitment is evident in the range strategies and policies in the country. To further fully unleash the benefits, identification of critical challenges, constraints and opportunities needs to happen, based on the policy space, institutional capacity, potential policy synergies, trade-offs. This will enable selection of forward-looking priorities for the country, including on sectoral policies and cross-sectoral enablers for competitiveness and private sector development.***

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