



# **Socio-economic Impact Assessment of COVID-19 in Namibia**

**OCTOBER 2020**

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## Abbreviations and Acronyms

AEs	Advanced Economies
AIDS	Acquired Immuno-deficiency Syndrome
ARV	AIDS related Virus
BON	Bank of Namibia
CBNRM	Community Based Natural Resource Management
CDs	Communicable Diseases
COVID-19	Coronavirus disease 2019
CT	Computer Tomograms
DALY	Disability-Adjusted Life Years
ECA	Economic Commission for Africa
ECD	Early Childhood Development
EDR	Economic Development Report
EMDEs	Emerging Markets and Developing Economies
EOC	Emergency Operating Centre
EU	European Union
ERM	Enterprise Risk Management
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FPL	Food Poverty Line
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GHE	General Health Expenditure
GNI	Gross National Income
GRN	Government of the Republic of Namibia
HDI	Human Development Index
HEV	Hepatitis E Virus
HIV	Human Immunodeficiency Virus

HPCNA	Health Professions Council of Namibia
ICT	Information and Communications Technology
ICU	Intensive Care Unit
IEC	Information, Education and Communication
IGC	International Growth Centre
ILO	International Labour Organization
IMF	International Monetary Fund
LFPR	Labour Force Participation Rate
LMICs	Low- and Middle-Income Countries
MAF	Medical Aid Fund
MoHSS	Ministry of Health and Social Services
MPC	Marginal Propensity to Consume
MRI	Magnetic Resonance Imaging
NAMFISA	Namibia Financial Institutions Supervisory Authority
NAMPHIA	Namibia Population-Based HIV Impact Assessment
NCDs	Non-Communicable Diseases
NDP	National Development Plan
NDP5	The Fifth National Development Plan
NHA	National Health Accounts
NHIS	National Health Information System
NSA	Namibia Statistics Agency
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OVC	Orphans and Vulnerable Children
PEPFAR	U.S. President's Emergency Plan for AIDS Relief
PHC	Primary Health Care
PLHIV	People Living with HIV
PWD	People with Disabilities

PPEs	Personal Protective Equipment
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
STIs	Sexually Transmitted Infections
SSA	Sub-Saharan Africa
TB	Tuberculosis
THE	Total Health Expenditure
UMICs	Upper Middle-Income Countries
UN	United Nations
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
UNIDO	United Nations Industrial Development Organization
UNFPA	United Nations Population Fund
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office of Project Services
UN Women	United Nations Women
USA	United States of America
US	United States
WDI	World Development Indicators
WFP	World Food Programme
WEFM	World Economic Framework Model
WEO	World Economic Outlook
WHO	World Health Organization
WISN	Workload Indicators of Staffing Need
YLD	Years Lost to Disability
YLL	Years of Life Lost

## **Foreword by UN resident coordinator**

Mr. Sen Pang  
United Nations Resident Coordinator in Namibia

## Executive Summary

This Socio-Economic Impact Assessment of the coronavirus disease (COVID-19) report was commissioned by the United Nations in Namibia to support the Government of the Republic of Namibia (GRN) in its effort to respond to the ongoing pandemic. The assessment is premised on the five (5) pillars of the United Nations (UN) Framework for the immediate socio-economic response to COVID-19. Its aim is to highlight some of the early signals and assessments of the socio-economic impact of the COVID-19 pandemic on Namibian society, especially its economy, its social sectors health and education, and the population most at risk. The work presents response measures undertaken by the Government of the Republic of Namibia (GRN) and other entities, as well as policy recommendations aimed at building back better from the pandemic.

On 11 March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic, pointing to the over 118,000 cases of the virus in more than 110 countries. The 156<sup>th</sup> Situation Report of the WHO indicates that Africa still has a fairly low incidence of confirmed cases and fatalities attributed to COVID-19 compared to other regions. Figures as of 5 October 2020 were at 1 523 615 cases and 36 574 fatalities. Of concern was the rapid increase of the numbers in Southern Africa, especially South Africa, where cases surpassed the 100 000-case mark in the week of 22<sup>nd</sup> June, and as of 5 October 2020 had 681 289 confirmed cases and 16 976 fatalities. At the same date, Namibia registered 11 626 confirmed cases and 123 fatalities.<sup>1</sup> In Namibia, the campaign to ensure contact trace and quarantine has minimised the risk of COVID-19 spreading to many other regions, passing from a peak of 300 daily infections in mid-August to less than 100 by 30 September 2020.

Namibia registered the first two cases of COVID-19 on 13 March 2020. The Government responded swiftly with the immediate establishment of the National Health Emergency Management Committee, tasked with taking on the COVID-19 response.<sup>2</sup> On 17 March 2020, a State of Emergency was declared, followed by travel restrictions and a national lockdown after the country had registered sixteen cases in April 2020. Other measures included instituting a 14-day quarantine for people entering the country, a work-from-home policy and the closure of selected ports. At the regional and continental levels, an Extraordinary Meeting took place where Southern African Development Community (SADC) Ministers of Health gathered to discuss COVID-19 and its implications for the region.<sup>3</sup> The African Union also responded with the development of a continental COVID-19 Strategy, to be implemented through the Africa Task Force for Coronavirus and the Africa Centre for Disease Control's Incident Management System with the support of the COVID-19 Response Fund.

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<sup>1</sup> These comprise imported cases and local cluster cases concentrated in Walvis Bay.

<sup>2</sup> The Incident Management System activated and Incident Manager for COVID-19 have been appointed. There are various Sub-committees, including coordination, logistics, laboratory, surveillance, points of entry, community engagement, and case management and infection prevention and control, which have been activated and are overseeing the response. Critical in this response is the increased health resource requirement – (human, medicine and technology, services and financial) thus limiting the capacity to provide care to the population.

<sup>3</sup> [https://www.sadc.int/files/8915/8377/7889/MINISTERS\\_OF\\_HEALTH\\_MEDIA\\_STATEMENT.pdf](https://www.sadc.int/files/8915/8377/7889/MINISTERS_OF_HEALTH_MEDIA_STATEMENT.pdf)

The rapid spread of the COVID-19 pandemic has highlighted the need for global, continental, regional, and national responses to address its negative impacts on public health, the economy and the people most at risk in the society. The IMF's June 2020 World Economic Outlook (WEO) shows that global real GDP growth is projected to decline by 4.9% in 2020, 1.9 percentage points below the April 2020 WEO forecast.<sup>4</sup> The GDP contraction in advanced economies, emerging and developing markets and the sub-Saharan African countries will be 8%, 3% and 3.2%, respectively. In 2021, the same country groups are expected to recover their outputs by 4.8%, 5.9% and 3.4%, respectively. The 2020 declines are influenced by lower domestic demand and supply as well as contractions in trade and finance, which have been severely disrupted. The pandemic has also exposed high levels of inequalities across and within countries in terms of access to health, education, and opportunities. As a global recession looms, rising unemployment and poverty levels highlight the structural and systemic weaknesses of current development and political economy systems, especially in the developing world. Major development challenges are emerging, thus impacting on global geo-political relations.

The assessment is a result of the collaboration between a Inter-University Technical Team (IUTT) comprising three academic institutions – namely, the University of Namibia (lead), Namibia University of Science and Technology and the International University of Management – and the UN Inter-Agency Task Team (IATT). This partnership elaborated this Socio-economic Impact Assessment of COVID-19 in Namibia, with the objective of informing policy and programmatic responses by the GRN and its development partners including the UN system.

The macroeconomic modelling for this study was undertaken by the United Nations Economic Commission for Africa (UNECA), whose findings are complemented with assessments done by the GRN through the Bank of Namibia, Ministry of Finance, and National Statistics Agency as well as other development actors. The assessment presents an analysis of the impacts of COVID-19 pandemic on various socio-economic development indicators, including poverty and inequality, economic growth, the country's macroeconomic response, as well as the social sector such as health systems, education, social protection and safety nets for the people most at risk. It also focuses on Namibia's ability to achieve the Sustainable Development Goals by 2030, and ultimately the national development priorities.

A summary of some of the key findings and policy recommendations of the study are as follows.

### Key Findings

- ❑ **GDP growth:** The Bank of Namibia (BoN) states that the pandemic's negative socio-economic impact has manifested itself through different channels of transmission. These include global and local supply chain disruptions, layoffs and the spreading of uncertainty across the economy, leading to reductions in consumer spending, business investment and government revenue. According to the National Statistics Agency (NSA), the domestic

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<sup>4</sup> [World Economic Outlook Update, June 2020: A Crisis Like No Other, An Uncertain Recovery](#)

economy in the second quarter of 2020 contracted by 11.1%, the deepest contraction since 2013. This exceeds previous estimations of economic contractions from the World Bank (4.8%), UNECA (5.5%), the AfDB (5.6%) and the IMF (6%). NSA attributed the deep contraction on the longer-than-anticipated easing of COVID-19 containment measures. The BoN predicts that the Namibian economy will recover with a positive (statistical) GDP growth of 1.9% in 2021 and 2.8% in 2022.

- ❑ **Trade Balance (goods and services):** Namibia's trade deficit is projected to be exacerbated due to a contraction in the demand for primary commodities produced in Namibia and a slight increase in imports of health products. Overall, Evelina et al. (2020) project a decline in net exports between 2% and 3% by the end of 2020.
- ❑ **Poverty levels:** Both employment and income losses in the labour market have adversely affected the purchasing power of the poor, compromising their access to food and other basic needs (UNICEF, 2019). Since the onset of the pandemic, 747 281 Namibians have applied for the Emergency Income Grant (EIG). Prior to the pandemic, about 447,000 Namibians were living under the international poverty line of US\$1.90 per day. UNECA estimates show that the COVID-19 pandemic is expected to increase these poverty levels: the best-case scenario of a 3.4 percentage point drop in GDP growth would increase poverty from 17.2% to 19.5%. The worst-case scenario of a 6.5 percentage point drop in GDP growth would increase poverty to 21.6%, which is due to a 4.4% increase in poverty.
- ❑ **Inequalities and Unemployment:** With a Gini Index of 56 (BoN, 2020), Namibia is considered one of the most unequal countries in the world. Due to inequalities in human development, Namibia's Human Development Index is revised downward from 0.645 to 0.417, with education, health, and income contributing 25%, 22% and 53.6% to the loss, respectively. With regards to unemployment, UNECA estimates an increase between 0.75 (best-case) and 1.4 (worst-case) percentage points in unemployment, bringing it up from 33.4% to 34.2% and 34.5%, respectively.
- ❑ **Economic sectors**
  - ❑ **Agriculture and livestock:** The sector has been severely affected by droughts over the years. However, the sector has experienced a 47% growth in the second quarter of 2020, through crop farming as a result of good rainfalls after 2019. Despite this, future growth in the agricultural sector is expected to be hampered by the crisis and the continuous drought. The closure of farmers' markets has also led to a limited access market for fresh fruits and vegetables. With regards to livestock, exports of live cattle, sheep, and Swakara pelts have declined by 52.8%, 80.7% and 90%, respectively (NAU, 2020).
  - ❑ **Manufacturing and Construction:** The manufacturing sector is projected to contract by 9.2% during 2020 and to recover by 2% and 2.3% in 2021 and 2022, respectively. The construction sector is estimated to contract by 5.7% in 2020 and to recover by 1.5% and 2.6% in 2021 and 2022, respectively (BoN, 2020).

- ❑ **Services:** The tourism sector has suffered a catastrophic blow, with about 96.5% of businesses being adversely affected due to border closure, quarantine restrictions and fears surrounding virus contraction during travel. A particularly hard-hit sub-sector are the conservancies and the wildlife economy, which represent a considerable 20.3% of employment in the tourism sector (NSA, 2020).
- ❑ **Social Sectors**
  - ❑ **Health:** The sector has experienced a 6% increase in the second quarter of 2020 due to a surge in employment of health workers to assist in containing the disease (NSA, 2020). However, the pandemic has revealed serious structural problems of the sector such as: an initial lack of sufficient staff, capacity, an unequal distribution of well-equipped health facilities across the country and bottlenecks in procuring modern contraceptives, maternal and new-born health products, as well as medication for patients living with HIV and AIDS, TB, diabetes, cancer and other chronic diseases.
  - ❑ **Education:** The sector has been considerably impacted by the measures put in place to reduce the spread of the COVID-19. It has led to a loss of learning and socializing opportunities for children, the lack of pupil's access to school feeding programmes and working parents having to provide alternative care for children. In addition, the adverse effects of the pandemic have been exacerbated by the scarcity of affordable and available technology and internet connectivity to facilitate continued learning for poor households and rural dwellers.

## **Policy Recommendations**

### *Pillar N°1: Health First*

- ❑ Undertake a strategic review of One Health regulatory requirement and legal basis of all potential health measures to plan well in advance for any future pandemics.
- ❑ Design and implement an integrated health management information system that uses technologies such as telemedicine and data for surveillance and tracking of pandemics.
- ❑ Improve primary healthcare facilities and draft a multisectoral recovery plan, as well as prioritising preventative health budget allocation.
- ❑ Assess another management model where non-medical experts manage hospitals.
- ❑ Develop local capacity for production of health needs.
- ❑ Sustain investment in health awareness and effective communication messages along with a robust enforcement of all measures adopted to contain the spread of the pandemic and protect high-risk populations.
- ❑ Support the strengthening of capacity in procurement and supply chain health systems management aimed at improving storage, distribution and pharmaceutical products.

### *Pillar N°2: Protecting People*

- ❑ Put in place an effective and robust social protection system and services aimed at providing access to basic needs: food, shelter, ablution facilities, medication for those in need and psycho-social support or counselling during and after the COVID-19 pandemic.
- ❑ Support the scaling up of existing income and conditional cash transfer programmes for the poor and other vulnerable groups severely impacted by the COVID-19 pandemic. Of particular importance is a universal basic income grant for the population aged between 19 and 59 that do not benefit from any other social assistance measures.
- ❑ Support the design of employment generation and economic empowerment initiatives for women, youth, informal sector workers and other vulnerable groups to ensure economic inclusivity (formalise informal economy).
- ❑ Overcome COVID-19 related barriers for children feeding programmes through schools.
- ❑ Increase support to the Ministry of Education, Arts and Culture to design programmes for learning from home to complement face-to-face learning, as well as putting in place mechanisms for addressing barriers to children feeding programmes in schools .
- ❑ Increase awareness and sensitization of how to report cases of Gender Based Violence and child abuse during lockdowns (e.g., local numbers, LifeLine and ChildLine numbers), as well as involving women and girls in the development and delivery of services during and beyond the COVID-19 pandemic.

*Pillar N°3: Economic Recovery Response and Recovery*

- ❑ In the short-term, support continued efforts aimed at making commercial banks provide loan repayment holidays, provide credit to MSMEs and postpone single borrowing limits.
- ❑ Pursue the wage subsidy policy from the Social Security Commission to avoid lay-offs.
- ❑ Sustain investment in innovation, digital technology and effective ICTs to facilitate the introduction of e-commerce, e-trade and other online transactions.
- ❑ Undertake a comprehensive diagnostic of the informal sector to understand the factors, causes and circumstances of informality in Namibia, whose information should be used to design policies to facilitate the transition of workers to the formal economy.
- ❑ Support an effective private sector development strategy and develop an integrated management information system to make available real time data.

*Pillar N°4: Macroeconomic Response and Multilateral Collaboration*

- ❑ Adopt expansionary monetary and fiscal policy to support the GRN's recovery agenda.
- ❑ Ensure that monetary and fiscal policies are designed to support economic diversification and structural transformation of the economy beyond the traditional sources of growth.
- ❑ Develop innovative development financing instruments and their management with key development partners such as the EU, World Bank, IMF, AfDB, and the UN System.

- ❑ Work with international financial institutions to defer debt repayment to allow for a better recovery of the economy.

*Pillar N°5: Social Cohesion and Community Resilience*

- ❑ There is a need for systems' resilience building in health and education sectors to ensure continuity of services in the recovery and post-recovery phases.
- ❑ Ensure that government service providers like social and community care workers have resources for alternative service provision.
- ❑ As part of building back, adopt sustainable development methods of production to protect the environment whilst increasing economic growth for the well-being of citizens.
- ❑ Support capacity building of (sub) national institutions in the areas of planning, financing, coordination and crisis management in sectors such as education, health, agriculture, etc.

# 1. Introduction

## 1.1 Global and domestic situation

The COVID-19 pandemic outbreak has disrupted economies around the world. During time of writing, there have been around one million confirmed deaths, with an estimated 34.8 million confirmed infections and 25 million recoveries worldwide (WHO Situational Report 5 October 2020).<sup>5</sup> Despite being the continent least affected by the virus (after Western Pacific), Africa still counts 1,198,550 confirmed cases and 26,264 deaths across all 55 countries.<sup>6</sup> Since the first confirmed case of COVID-19 was reported in Namibia on 14 March 2020, the number has increased to 11,781 cases (WHO, 07 October 2020). Although Namibia managed to contain the spread of the virus in its early stages, there has been an upsurge in the number of cases. This occurred when intra-community transmission first increased in the Erongo region, then rapidly spread to the Khomas region before appearing in the other regions with lower infection rates.

The COVID-19 pandemic is disrupting local and global livelihoods, dismantling gains in the post-2008 global economic-meltdown recovery. It has exposed and has been deepening previously existing vulnerabilities such as poverty, inequality and unemployment. As a global recession looms, the pandemic threatens to further stretch the limits of the health systems and other sectors in an already weakened economy. In Namibia, it has affected economic activities through both demand and supply-side shocks: while physical distancing and lockdowns have led to reduced demand for Namibian commodities. It has also forced the labour supply to remain at home. Overall, this has led to a decline in domestic economic activities and government revenue.

The COVID-19 pandemic has presented both challenges and opportunities for reflection on the priorities and strategic programmes under the United Nations Partnership Agreement Framework (UNPAF) implementation period (2019-2023). The current assessment provides insights on the socio-economic impact of the COVID-19 pandemic on Namibia, building on the five pillars of the UN framework for the immediate socio-economic response to COVID-19. These are 1) Health first: protecting health services and systems during crisis; 2) Protecting people: social protection and basic services; 3) Economic recovery: protecting jobs, small and medium-sized enterprises, and the most vulnerable productive actors; 4) Macroeconomic response and multilateral collaboration; and 5) Social cohesion and community resilience.

The UN programming is premised on the principle of ‘Leave No One Behind’, which is a key guiding principle of the 2030 Agenda for Sustainable Development. It is in this context that the study assesses the impacts of the COVID-19 pandemic on the economy and the people most at risk, spanning across gender, health, education, age, labour, housing and food security dimensions.

Since independence, the GRN has made major efforts to promote sustained and inclusive development, resulting in a broad range of people-centred development programmes including investment in basic education, public health, communication infrastructure and the promotion of

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<sup>5</sup>[https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200928-weekly-epi-update.pdf?sfvrsn=9e354665\\_6](https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200928-weekly-epi-update.pdf?sfvrsn=9e354665_6)

<sup>6</sup> First reported case in the continent was on 26 February 2020.

economic diversification through the stimulation of MSMEs. The provision of social protection services to the society’s most needy people and communities has been delivered through dedicated programmes that target the poor, the marginalised and the underserved groups. Programmes directed at addressing gender justice and the empowerment of women and girls whilst promoting a Human Rights informed development lens have also received priority across the UN support to the GRN.

## 1.2 Objectives, scope, and assumptions of the SEIA

As stated, the objective of the study is twofold. First, to undertake a socio-economic impact assessment (SEIA) of the COVID-19 pandemic in Namibia, paying particular attention to key vulnerable groups in the society. Second, to provide key policy recommendations that would enable the GRN to mitigate the virus' adverse impacts in the most complete and efficient way. By doing so, the assessment explores the specific steps needed for the UN Country Team to provide assistance, propose credible methodologies, assist in data collection and risk management, review joint work plans at the country level and help with costing activities.<sup>7</sup> Further, the SEIA hopes to galvanize resource mobilization of the humanitarian and development community.

In this assessment, UNECA has undertaken macroeconomic simulations to forecast the socio-economic impacts of COVID-19 on Namibia. The detailed assumptions of the scenarios modelled are contained in Table 1 and Figure 1 below. In the scenarios, a one-time COVID-19 shock for the year 2020 is assumed, with the pandemic subsiding at the beginning of 2021.

*Table 1 Detail assumptions of each scenarios modelled*

<i>Shocks due to COVID-19</i>	<i>Optimistic</i>	<i>Less Optimistic</i>	<i>Pessimistic</i>
<i>Labour Force</i>	-20.50%	-30%	-41%
<i>External Demand</i>	-7.50%	-11.50%	-15%
<i>Oil Price</i>	US\$ 40	US\$ 35	US\$30
<i>Non-oil Price</i>	-5%	-10%	-16.70%
<i>Non-oil export price index</i>	-12.50%	-17.50%	-20.50%
<i>Non-oil import price index</i>	-10%	-7.50%	-5%
<i>Investment</i>	-13%	-22.50%	-32%
<i>Government Revenue</i>	-16%	-24%	-32%

The main impacts of both the COVID-19 pandemic and the policies enacted by the GRN to combat its spread are as detailed below:

- ❑ **Labour supply:** In the worst-case scenario, it is assumed that the labour force will decline by 41% during 2020 due to lockdown or other containment measures. This is consistent

<sup>7</sup> This includes helping with regards to financing strategies and utilization of different financing tools –including linkages to International Financial Institutions (IFIs) and other financial institutions like vertical Funds–, providing guidance as to where and how to incorporate the socio-economic response to COVID-19 into Common Country Assessments (CCAs) and the United Nations Sustainable Development Cooperation Frameworks (UNSDCFs), *i.e.* adjusting existing ones or incorporating support to Government’s plan for socio-economic recovery into upcoming CCAs/UNSDCFs.

with the end of June ILO (2020) estimates of the full-time equivalent employment loss in Africa.

- ❑ **Investment:** In the worst-case scenario, it is assumed that investment will fall by about 32%, consistent with the expected fall in Foreign Direct Investment (FDI) according to the 2020 investment report by UNCTAD.
- ❑ **Government revenue:** The worst-case scenario assumes a 32% fall in government revenue, in line with the fall in government revenue by the South Africa Treasury.
- ❑ **External demand:** Namibia’s external demand is expected to decline due to the economic slowdown from its top-trading partners (China, South Africa, EU and the UK). In 2020, the external demand of Namibian exports will decline between 7.5% (best-case scenario) and 15% (worst-case scenario).
- ❑ **Commodity prices:** Prices of Namibia’s main export commodities are expected to fall, decreasing its competitiveness and deteriorating its terms of trade. On the global level, oil prices declined by more than 40% in 2020, and non-oil commodity prices as well (copper, zinc, aluminium, etc.). Looking at the regional specific-trade prices (non-oil exports and non-oil imports), the impact of international price fluctuation on African economies will be significant, as the negative effects of exports prices on economic growth and real income will not be offset by the positive effects of import prices.

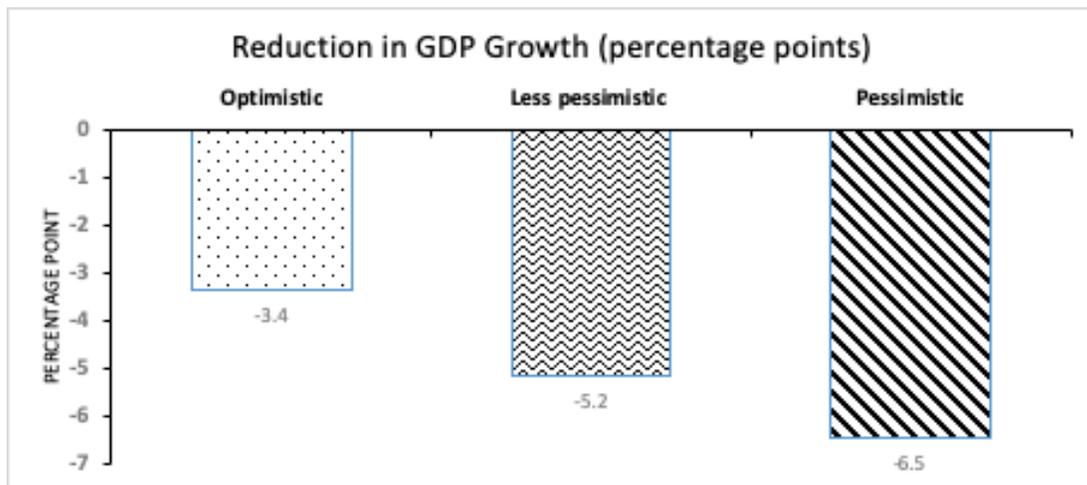


Figure 1 Expected reductions in GDP Growth due to COVID-19, Source: ECA estimates, 2020

### 1.3 Pre-COVID-19 situation: baseline information of the Socio-Economic Impact Assessment:

The COVID-19 pandemic has battered economies globally with most countries plunged into recession. The IMF’s June 2020 World Economic Outlook (WEO) shows that global real GDP growth is projected to decline by 4.9% in 2020, 1.9 percentage points below the April 2020 WEO forecast. GDP contraction in advanced economies, emerging and developing markets and the sub-Saharan African countries will be 8%, 3% and 3.2%, respectively. In 2021, the same country groups are expected to recover by 4.8%, 5.9% and 3.4%, respectively. This recovery stems from the assumption that the present measures and interventions adopted around the world are effective

in stopping the spread of the virus. Nigeria and South Africa – the two biggest economies in SSA – will have their GDP growth contract by 5.4% and 8% in 2020, respectively, before expanding to 2.6% and 3.5% in 2021, respectively. Before presenting the five pillars of the UN with regards to the socio-economic impact assessment of the COVID-19 pandemic in Section 3, it is of interest to present pre-COVID-19 key development trends of Namibia and the GRN’s national policy objectives.

**1.3.1 Key development trends**

The macroeconomic environment of the post-2008/09 financial crisis in Namibia was relatively stable. According to the BoN and the NSA, real GDP growth averaged above 5% per year from 2010 to 2015. Figure 2 shows a significant growth in the tertiary industry, with sectors such as public administration and defence, education, and real estate driving the process. This is followed by the secondary industry, championed by manufacturing and the construction sectors. The primary industry, mostly mining and quarrying, also played a role in contributing to the growth of the economy. During this period, monetary policy set a repo rate that could simultaneously keep inflation within target and maintain a stable exchange rate pegged to the South African Rand (see Figure 3). In this context of economic stability, the financial sector was also stable with the banking system being well capitalised, profitable, and liquid.

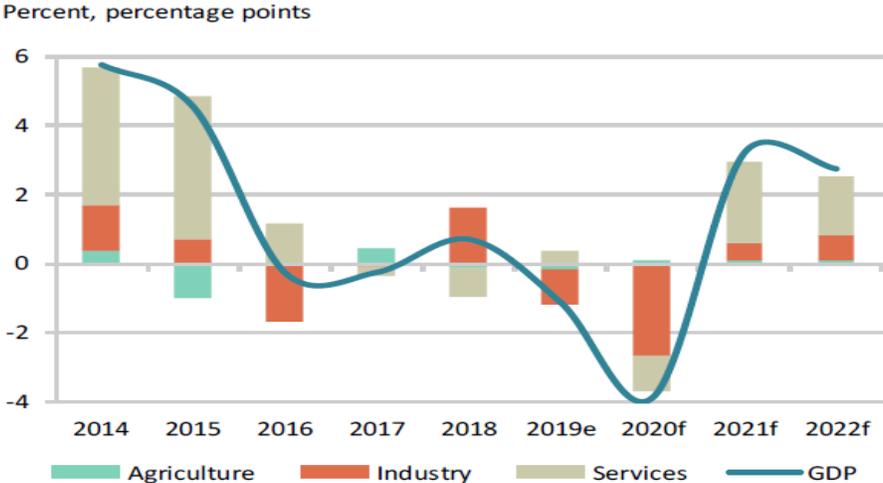


Figure 2: Namibia / Real GDP growth and sectoral contributions, Sources: MPOSSA, 2020



Figure 3 Inflation trends; Source: Macrotrends (2020)

Starting 2016, however, the economy’s positive trajectory changed its course. Despite GDP per capita having risen steadily over the years, it began to drop due to the sudden contraction of GDP growth (see Figure 4). This contraction, which continued until 2019, was largely due to two factors. First, the commodity price decline in the global market impacted export revenue from Namibia’s main exports, notably diamonds. Second, there were severe droughts that impacted Namibia’s production sectors. Agricultural output for instance, declined by 42% below 20 years’ previous productivity. The decline in agricultural output had a significant impact on Namibia, as between 25% and 40% of its population – particularly female headed households, larger families, children, and the elderly–depend on subsistence agriculture activities for livelihood. The droughts also caused output declines in industries by dropping water and electricity generation, both critical inputs in the mining of minerals like Uranium. These factors contributed to the fall in GDP and resulted in unemployment values estimated at 33.4% in 2018 (NSA, 2019). Efforts to further reduce poverty during this period were hampered by the failure to stimulate production diversification and enhancement of labour-absorbing sectors capable of curbing unemployment levels.

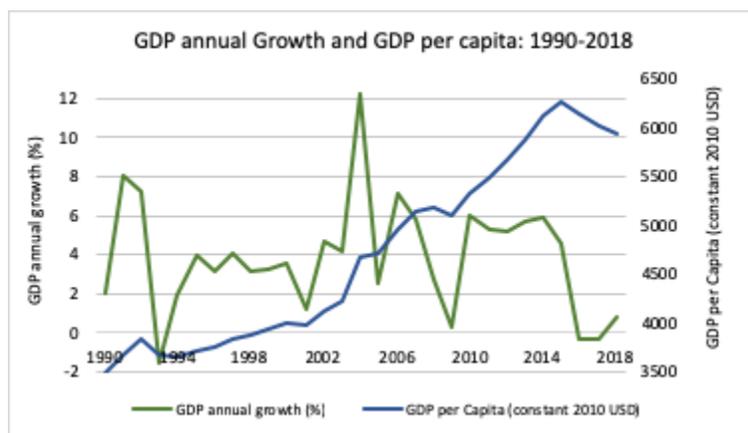


Figure 4: Namibian Economic Output (1990 – 2018), Source: BON, NSA, WDI

Dampened economic activities also meant rising debt and fiscal policy. General government debt as a percentage of GDP equalled 53% in the 2019/2020 financial year, and was a direct consequence of declining government revenue due to reduced tax collection from a constrained economy. Specifically, government revenue and expenditure stood at 33.0% and 39.4% of GDP, respectively. Between 2016 and 2019, the GRN implemented a fiscal consolidation plan, at which time the current account balance witnessed a significant improvement from -15.3% of GDP in 2016 to -3.0% in 2019. With regards to private sector credit expansion (PSCE), it has continually decreased since 2009 (it remained low at 7.2% as of December 2019), due to a deeper contraction in instalment sales and leasing, supported by a decreasing growth in all the credit categories. Overall, the Namibian economy had been experiencing setbacks even before COVID-19. Indeed, the Economic Development Report (EDR) highlighted that the economy performed short of expectation with respect to the output growth anticipated in the fifth National Development Plan (NPC, 2020).

### **1.3.2 National policy objectives and measures**

The Namibian national policy objective is rooted in the country's Vision 2030, which is being implemented through seven consecutive 5-year National Development Plans (NDPs). With four of them having been completed, Namibia is currently implementing the 5<sup>th</sup> NDP 2017/18-2021/22. The overarching goal is to ensure that Namibia becomes a developed economy by undertaking necessary structural transformation and industrialisation whilst also increasing living standards. This includes having a diversified and open market economy, a competitive resource-based industrial sector and a functioning commercial agriculture with a focus on skills development, innovation and technology. The thrust of the country's long-term vision is to ensure that by 2030 poverty will have been eliminated and inequality levels cut down, to provide Namibians with equal access to opportunities so that no one is left behind. The main goal is to transform Namibia into a healthy and food-secure nation where a high living standard is engendered via high quality education and health. Thus, prioritising investment in the health and education sectors through training, increased quality and affordable services remains essential as the channels to unlock opportunities and foster a people-centred development approach.

## 2. Potential transmission channels: Africa and Namibia

The African continent is highly interconnected with the rest of the world and thus there are several channels through which the COVID-19 pandemic can impact it, which is the focus of this section. It presents some of the transmission channels highlighted by the UNECA via which the crisis is disrupting countries, with specific reference to Namibia.

- ❑ **Social:** The pandemic has led to lockdowns, forced citizens to work from home, led to the suspension of schools, self-quarantine of health workers and others exposed to the virus, and limited gathering of people in social events and ceremonies. The restrictive measures heightened gender-based violence, with the Namibian Police Force reporting that between March and July 2020 they recorded 1 706 GBV related cases, with 203 of them being child abuse cases. The lockdowns and state of emergencies introduced by various governments around the world also led to increases in poverty due to income loss, thus widening inequality and limiting access to key services. According to UNICEF, a 1% decrease in per capita GDP in Namibia will increase poverty by approximately 1.7% and infant mortality rate by 0.4%. In addition, it will take five years or more with an average growth of 4% to reach the growth and per capita level experienced by the country in 2015 (UNICEF 2020).
- ❑ **Price:** There has been a general decline in production, thus affecting the entire supply chain, which could lead to inflationary pressures and possible exchange rate instability. However, weak demand is playing a key role in suppressing inflationary pressure. According to the NSA in August 2020, the annual inflation rate slowed to 2.4% from 3.7% recorded in August 2019, while on a monthly basis, the inflation rate increased to 0.4% compared to 0.2% recorded last month. The slow growth in the inflation rate for August 2020 was mainly as a result of declines in the price levels of housing, water, electricity, gas and other fuels that declined by 1.5% compared to the 1.9% increase in August 2019.
- ❑ **Fiscal position and Debt:** The fiscal positions of African countries have been affected through unintended increases in health expenditures in addition to a decline in revenue linked to the region's economic slump. In addition, lower tax revenues and higher social protection spending are further deteriorating countries' fiscal positions. The Namibian Expenditure Framework for 2020/21 explains that due to the need to fight the spread of COVID-19, the 2020/21 Operational Expenditure was increased by N\$2.1 billion. This is for the Economic Stimulus and Relief Package that caters to health spending, the Emergency Income Grant, Water and Wage subsidies, Construction Subsidies and the deployment of the Security Cluster during the State of Emergency. Plus, an amount of N\$600million is allocated to the Ministry of Education, Arts and Culture for rapid response to COVID-19 in terms of the provision of water, ablution facilities and hostel construction at 193 schools. At the same time the treasury has allocated an extra N\$727 million to the Ministry of Health and Social Services in a response to COVID-19. As a result, the deficit for FY 2020/21 is estimated in the May 2020 Budget to rise to 12.4% of GDP, much higher

than the previous fiscal year. The GRN is currently seeking around N\$21.4 billion from domestic and international sources to fund the N\$72.7 billion budget (including interest).

- ❑ **Trade:** With a travel ban across the world, trade in Africa has been greatly affected both directly—through its links with China, USA, and EU—and indirectly through trade links between China, Europe, etc. The tourism and hospitality sectors in many countries have been greatly impacted with serious job and revenue losses. According to the World Tourism Organisation (2020), the COVID-19 pandemic caused a 22% fall in international tourist arrivals during the first quarter of 2020, and international tourist arrivals could fall between 60% and 80%, putting 120 million jobs at risk with an estimated US\$1.2 trillion lost in exports. With regards to contraction in global trade, according to the IMF WEO, the synchronized nature of the downturn has amplified domestic disruptions around the globe. Trade contracted by close to 3.5% in the first quarter (with respect to the previous year), reflecting weak demand, collapse in cross-border tourism, and supply dislocations related to shutdowns (exacerbated in some cases by trade restrictions). Mineral output and diamond processing, which constitute a big share of domestic trade with the rest of the world, recorded contractions of 18.6% and 39.2%, in 2020's second quarter, respectively.
- ❑ **Compression in demand (economic slowdown):** COVID-19 measure relative to the state of emergency such limited number of people in a gathering, no sit in at restaurants, temporary ban on sales of alcohol, lockdown of Erongo and Khomas resulted in a decline in trade of goods (primary commodities) and services (transport and tourism). In addition, access to goods and services has been reduced because businesses have been shutting down or decreasing office hours. All these have resulted in the economy losing around N\$5.7 billion (11.1%) in the second quarter of 2020, partly leading to retrenchment of 11 009 employees by 795 employers with the Khomas and Erongo Region by 21 September 2020. The compressed demand and consumer confidence is further captured by NSA 2nd quarter report, which shows that the wholesale and retail trade registered a decline of 22.5% in real value added compared to a decline of 8.6% recorded in the same quarter in 2019. While its revenue declined by 19.2% the second quarter of 2020.
- ❑ **Investments/Financial Markets:** FDI flows and domestic investment have been declining due to the outbreak of the COVID-19, which has resulted in job losses (high unemployment), capital flight and domestic financial market tightening. On the other hand, apart from declining inflow, the outflow was also curbed at a certain rate, as the country observed low capital flight .The Bank of Namibia in the Quarterly update observed that Namibia's foreign direct investment liabilities registered an inflow of N\$0.4 billion during the second quarter of 2020 compared to outflows of N\$1.6 billion recorded in the corresponding period a year ago and N\$2.0 billion captured in the preceding quarter. The inflow was mainly due to reinvestment of earnings, as some enterprises made profits and did not pay any dividends during the review period. The country portfolio investment registered a lower net inflow of N\$4.8 million compared to N\$783.0 million registered in

the corresponding quarter of 2019. This was mainly due to the redemption of a JSE bond worth N\$840 million during the review period.

- ❑ **Increased debt and banking sector fragility:** While no country was prepared for this pandemic, as part of the response measures, many African countries have resorted to borrowing mainly for consumption, increasing their debt levels further. As it relates to banking sector fragility, liquidity and banking credit. Domestically, the overall liquidity position of the banking sector decreased on an annual basis while it rose on a quarterly basis during the second quarter of 2020, as defined by the Bank of Namibia in its quarterly update. The banking industry's overall liquidity position posted a level of N\$3.5 billion on average during the second quarter of 2020, compared to N\$4.1 billion a year ago. The Bank reveals that declining liquidity levels were mainly as a result of huge withdrawals of funds, as companies paid their corporate taxes at the beginning of the year, coupled with a rise in demand for liquidity.
- **Exchange rate:** Many developing economies experienced capital flight through the stock market and dumping of weak currencies for the US dollar exerting pressure on the exchange rate. According to the Bank of Namibia September quarterly update, the Namibia Dollar/South African Rand weakened as demand for emerging market currencies slowed on the back of growing concerns over the impact of COVID-19. Investors also migrated to safe haven assets on fears of a second wave of global COVID-19 infections. Therefore, the Namibia Dollar/South African Rand depreciated on average by 24.8% against the US Dollar, by 20.4% against the British Pound and by 22.1% against the Euro over the year to the second quarter of 2020. Similarly, on a quarterly basis, the Namibia Dollar on average depreciated by 16.9% against the US Dollar, by 13.4% against the British Pound and by 16.6% against the Euro.

### **3. A Socio-Economic Impact Assessment of COVID-19 in Namibia based on the UN 5 Pillars**

#### **3.1 Pillar N°1: Health First**

##### **3.1.1 Healthcare system: an overview**

COVID-19 has strained the health systems worldwide and its impact has been more devastating in developing countries, with Namibia's health system not being spared. Before the outbreak of COVID-19, shortages of vital medicines, equipment, and staff at major public healthcare facilities had been reported (Ngatjiheue & Amukeshe, 2020). Namibia was hit by a lack of reagents at the end of April, which slowed down testing and led to a backlog till early September when more private labs were brought in. Before testing was possible locally, samples had to be sent to South Africa, which led to long waiting times. The Namibian Institute of Pathology (NIP) started testing in Windhoek at the end of March 2020 free of charge, while private laboratory PathCare joined in April with a cost of about N\$ 850 per test. The Government has increased spending for testing equipment, allowing a considerable increase in testing. While only 362 tests had been conducted at the end of April, by 10 October 2020 a total of 105 612 tests had been carried out.

Another important issue that the pandemic has manifested is the risk of limiting healthcare access for other health conditions. The first is the unbalanced allocation of funding to curative health (80.1% in 2020/21) compared to preventative health at the regional level, with UNICEF calling for a balanced expenditure. This situation comes in a context where a Hepatitis E outbreak in the last three years<sup>8</sup> has increased the health vulnerability of poor communities where more awareness and preventative measures are needed.

Second, procurement of critical medication heightened the inefficiency and vulnerability in the health sector, with the Pharmaceutical Society of Namibia saying that the country is experiencing a shortage of medicine which has never been seen in more than 20 years. The procurement issues were magnified by a nationwide shortage of antipsychotic medication, which forced doctors in public schools in the north to use alternative medication for mental issues (Namibian Sun 2020). Although patients resorted to private pharmacies during the lockdown, it wasn't possible, as some ran out, while most of the patients could not afford. The procurement bottlenecks were heightened by South Africa export regulation amendments. Moreover, the public health sector also suffered a blow, as it failed to procure adequate PPE for the health workers. To date, 468 health workers have contracted the virus, and 65% of those are from the public sector.

Third, there is a risk of reduced health services for other diseases. Healthcare workers in the area of non-communicable diseases (NCDs) were reassigned to support COVID-19 services in 94% of countries, with these mostly being low- and middle-income countries (LMICs). With over 85% premature deaths from NCDs occurring in LMICs, disruption in treatment could be detrimental.

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<sup>8</sup> Bustamante, N. D., Matyenyika, S. R., Miller, L. A. et al. (2020). Notes from the Field: Nationwide Hepatitis E Outbreak Concentrated in Informal Settlements-Namibia, 2017-2020. *MMWR Mortal Wkly Rep* 2020; 69:355-357. DOI:<http://dx.doi.org/10.15585/mmwr.mm6912a6>.

Namibia is no exception to this: NCDs account for 41% of all deaths each year (WHO, 2016) and communicable diseases (CDs) like HIV and AIDS and TB are the significant causes of death. A survey analyzing the impact of COVID-19 on the availability and accessibility of HIV and AIDS and TB services to inmates in correctional facilities shows HIV prevention services were disrupted, especially in facilities where services could not be provided on-site (UNODC, 2020). To address this issue, the PEPFAR initiative has supported the MoHSS to decongest clinics and treat non-COVID-19 diseases, by increasing its budget by \$US 8 million, to reach \$US 89 million dollars for 2021.

The effects of the pandemic on the healthcare system are both direct through related morbidity and mortality and the shift in health resources towards preventing the spread of the virus. This is through immediate and long-term financial shocks to the health system due to shut down in elective surgeries, reduction in patients' volume and the measures taken to prepare for a surge in hospitalisation.

Overall, although the rate of transmission in Namibia has been relatively low until recently, its baseline health capacity and presence of diseases suggests that the health system and lives of the vulnerable are at risk, should the spread of the virus continue to rise. Thus, as caseload increases, strategic shifts are required to ensure that increasingly limited resources provide maximum benefits for the population.

### **3.1.2 Namibia Health systems capacity**

#### *Health sector capacity and the Impact of COVID-19 on the health systems*

Although Africa remains one of the continents with the lowest confirmed cases, health systems remain relatively weak. As such, the COVID-19 will likely have a significant impact on the strained health systems should the number of infections continue to increase. For example, Lombardy (Italy)—one of the first regions severely affected by the pandemic—has more than 700 Intensive Care Unit (ICU) beds for a population of 10.4 million. In comparison, Uganda has 55 ICU beds for 42 million people, (IGC, 2020). Prior to the advent of the pandemic, Namibia's health system had 85 ICU beds and 39 ventilators for a population of about 2.5 million people.<sup>9</sup> However, only 18 of the ICU beds in Namibia belong to public health facilities, with the rest belonging to the private sector which serves only 18% of the population and charges over N\$40,000 per day per ICU bed (Christians, 2020). Additionally, the number of ICU beds are unequally distributed over the country with Windhoek alone having 74 (87%) of the beds (Lamprecht, 2020). This puts the country's 13 remaining regions at high risk, when the virus spreads over there. Besides, as shown in Figure 5 below, there is a disproportionate shortage of workers across regions, with healthcare facilities generally concentrated in urban areas.

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<sup>9</sup> <https://www.namibian.com.na/189697/archive-read/Only-18-ICU-beds-in-public-health-sector>

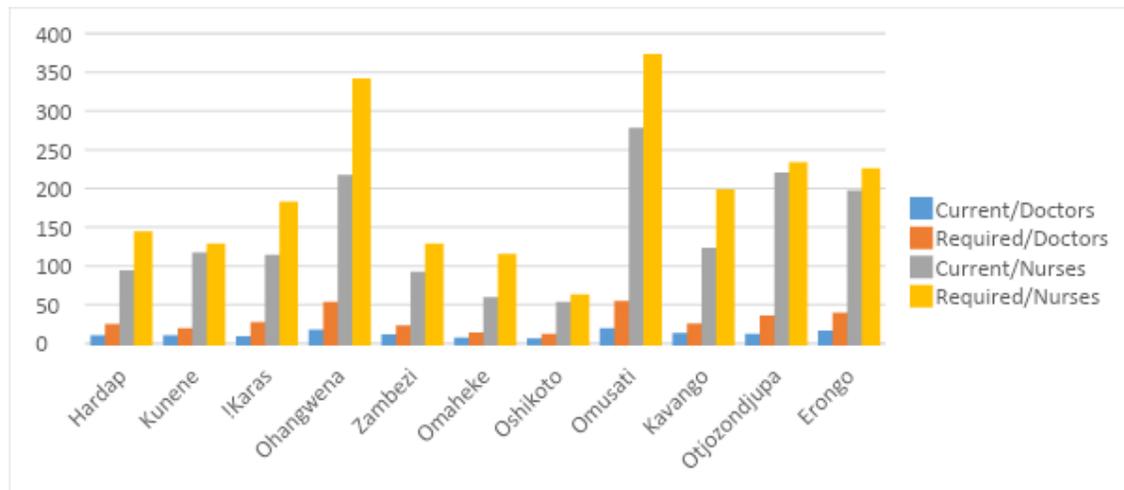


Figure 5 Distribution of health workers by region; Source: Namibia National WISN report 2015

In 2018, Namibia had about 474 health facilities (373 public and 101 private) providing a total of 8,695 (7,551 public and 1,144 private) hospital beds (World Bank, 2019). This translates to approximately 3.2 hospital beds per 1,000 people, a higher value than the African average (1.2) but below advanced nations like France (6.5) and Italy (3.5). This makes access to healthcare services comparably good in Namibia with over 76% of the population living within a 10km radius of a health facility (Christians, 2020). However, issues are exacerbated when looking at rural locations given the fact that over 97% of urban households compared to only 68.6% of rural ones have access to clean water suggesting that community transmission could be quicker in rural areas (NHIS, 2015/16). Furthermore, regional differences in the burden of these diseases also raise concerns about regional preparedness to treat COVID-19 patients without compromising treatment for patients with other health conditions (see Figure 7).

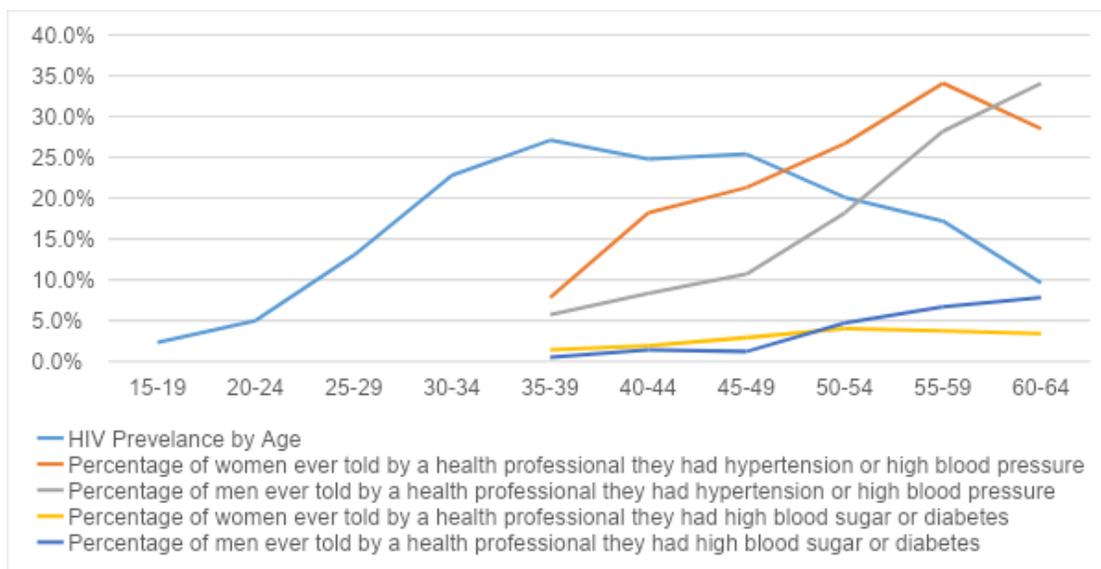


Figure 6 Pre-existing Health Conditions

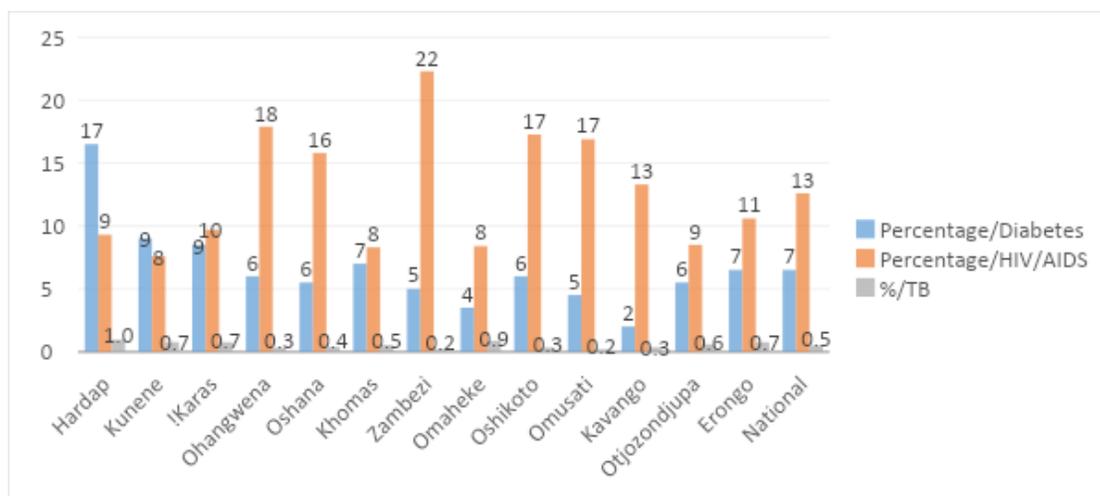


Figure 7 Percentage distribution of disease burden by region

Sources: Namibia TB disease prevalence survey report 2019, Namibia populated-based HIV impact assessment NAMPHIA 2017

Another important aspect of the COVID-19 virus is that its impact has been more severe for older populations. On this note, Europe’s population is on average much older than SSA’s population, with the former having over 40% of the population above the age of 50 compared to only 10% for the latter.<sup>10</sup> In Namibia, about 12% of the population is above the age of 50 (NHIS, 2015/2016). Another positive outcome from Namibia’s young population relates to its dependency ratio, estimated at 6.6 per 100 people in Namibia, a very low value (UNDP, 2019).<sup>11</sup> This means that Namibia should have a sufficient labour force to fuel economic recovery from COVID-19 and assist those most in need, with investment in labour-intensive sectors. However, this ‘advantage’ of a younger population can be offset by the fact that many people’s immune systems are severely weakened by the high prevalence of other conditions such as HIV and AIDS (11.8% for adults aged 15 to 49) and other chronic diseases.

According to the WHO epidemiological analysis, the peak time of the virus spreading in Namibia was 34 weeks after the first recorded case on the 13 of March 2020, with 2 123 confirmed cases. After that, the tendency was gradually decreasing, with week 49 recording 94 cases. The WHO (2020) also reported that infections were skewed towards males (55%) rather than females. By the 28 of September, the country testing capacity had been enhanced with not only NIP but also Path-Care, Namdeb and UNAM labs, enabling the country to carry out 96 012 samples. The WHO has recommended that the GRN should fast track the use of the District Health Information System (where data is compiled and loaded) countrywide to enable real time data and facilitate analysis, as well as providing more ICU infrastructure at referral hospitals in the regions.

### Health systems management

The Namibian health care system is organised in a three-tier structure with operations at central, regional and district levels. The central level has devolved authority to 14 regional MOHSS

<sup>10</sup> Data from the UN population database: <https://population.un.org/wpp/>.

<sup>11</sup> Dependent people are considered those aged between 0 and 14, and those aged more than 65 years old.

regional directorates and 34 districts. Service delivery is premised on the primary health care (PHC) approach. It is people-centred (service delivery reform), focused on health equity, solidarity and social inclusion (universal coverage reforms), and revolves around reliable health authorities (public policy reform).

The critical areas in the health system that require accelerated capacity development include human resources (adequacy, skills and competencies), organisational capacity (operational systems, financial resources and technology) and availability of strategic information (empirical data/evidence) to inform choices and decision making for national health programmes and emergency response. Strengthening national capacity for resource mobilisation is critical, given that Namibia is no longer eligible for many concessional grants and loans based on the previously mentioned classification by the World Bank.

### *Health System Financing and Total expenditure on health*

Namibia, like many other countries, is faced with the challenge of finding adequate resources to finance its health system and provide a basic package of health services. The total health expenditure is the sum of expenditure from different sources, namely government general revenues, government transfers, employee contributions, contributions and premiums to private medical aid funds (MAF), donor financing, and out-of-pocket payments made by patients. The GRN's commitment in reaching universal health care has led to a steady increase in government total expenditure on health. Specifically, Government health expenditures as a percentage of total government expenditure increased from 11.3% in the 2016/17 financial year to 13% before COVID-19 struck, close to the Abuja Declaration of a 15% allocation. Despite the Namibian government spending a higher share on health relative to the average UMIC, its health outcomes appear to be lower, an issue that requires further research. The country performed poorly on health outcomes compared to the upper-middle income country (UMIC) average. As displayed in Table 2 below, life expectancy is much lower and mortality for various groups (maternal, child and infant) remain high. On a final note concerning financing, donor funding in Namibia is also high, but it is mainly directed towards HIV and AIDS care.

*Table 2 Health expenditure and outcomes compared to the UMICs average*

	Namibia	UMICs
GHE as a % of general government expenditure	14.5	10.6
Donor funding for health as % of THE	7	0.4
Total health expenditure as % of GDP (2016)	9	6.7
% of under-5 stunted (2013)	23.1	6.9
Male life expectancy at birth	61.4	73.1
Female life expectancy at birth	67.2	77.6
Maternal mortality per 100,000 births (2015)	265	41
Under-5 mortality per 1,000 live births	45.2	14.4
Infant mortality per 1,000 live births	32.7	12.2

Source: World Bank Group. (2018). Databank: World Development Indicators.

### Out-of-pocket household payments for health to total expenditure on health

The government and private firms are the main financial contributors of the health sector in Namibia, with the government alone being responsible for over 63% of total health expenditures (THE). Both the private sector and household share have declined between 2015 and 2017, equalling 19% and 11%, respectively (see Figure 8). Based on the NHIES<sup>12</sup> 2015/16, over 28% of poor households compared to the 11% of richest households could not afford to pay for needed medical services and 16% compared to 15%, respectively, had difficulties accessing medical services due to distance to the nearest health facility. Thus, the low household spending on health suggests inequity in access, despite the government's nominal fee policy that exempts lower-income patients from payment. Out-of-pocket expenditure remained within the WHO threshold of less than 20% (at 7.7%) and is lower than the 32% average observed in UMICs.

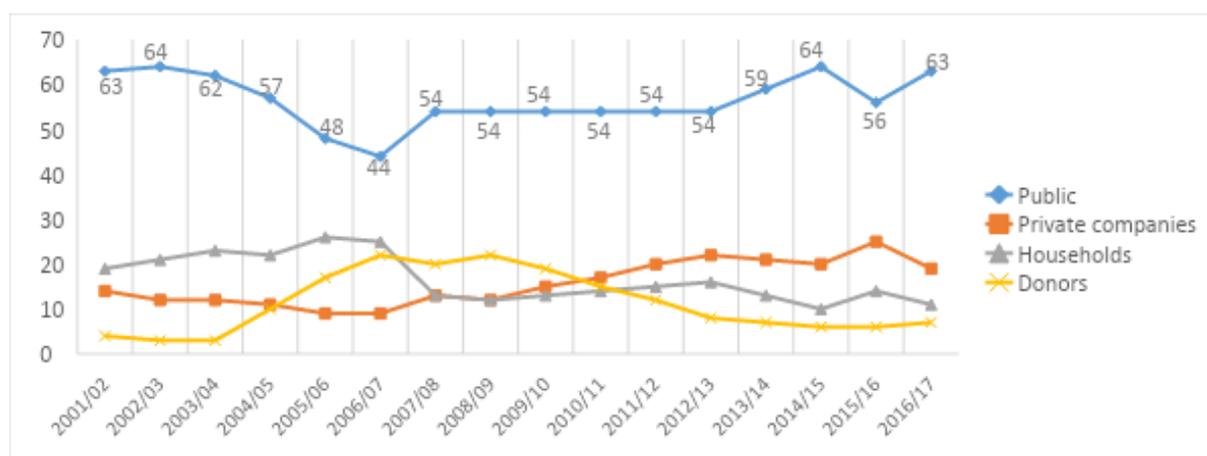


Figure 8 Share of health financing, by sources, 2001-2017; Source: Namibia Ministry of Health and Social Services, 2018

### Infrastructure and health facilities

Namibia has a moderately good health infrastructure when compared to its SADC counterparts. However, regional inequalities in the distribution of health facilities and hospital beds per 1000 of the population remain a significant challenge in the country, with most health facilities found in few cities in the northern and central regions (see Figure 9). The Ohangwena region reports the lowest bed density compared to other regions but has a relatively high number of primary care outpatient facilities. Namibia also has a vibrant private health sector (mainly found in the Khomas and Erongo regions) with a population-to-bed ratio of 0.5 beds per 1000 people. With the advent of COVID-19, there is a need for the government to leverage on the strength of the private sector. However, this should be carefully coordinated with public investment to prevent regional overcapacity, as this could cause private providers to increase prices and overall health care costs.

<sup>12</sup> NHIES is the Namibia household income and expenditure survey.

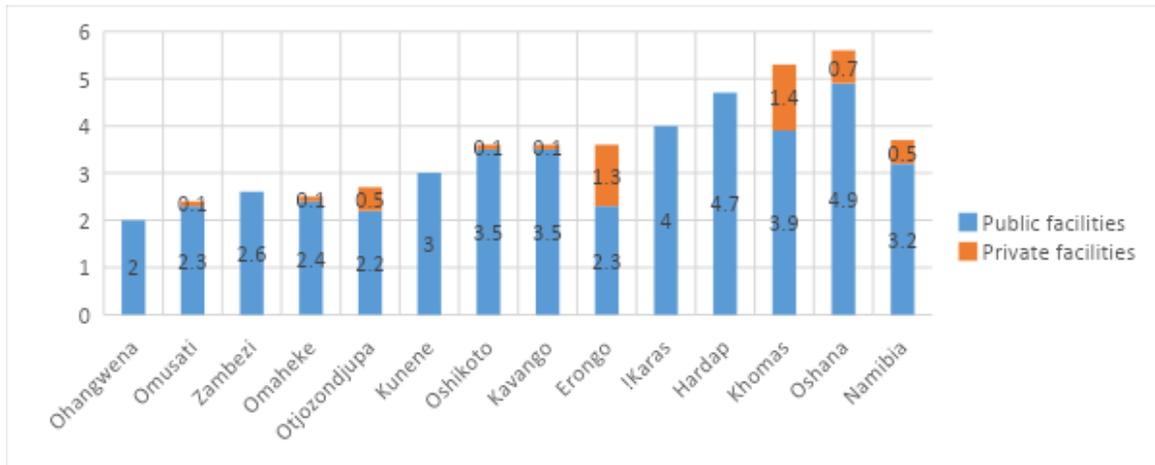


Figure 9 Hospital beds per 1,000 people by region in 2018; Source: MoHSS, <https://mfl.mhss.gov.na/location-manager/locations>

Medical technology and pharmaceuticals are among the biggest costs in health systems that treat populations with a growing NCD burden, thus requiring careful planning to manage the growth of overall health expenditures. The private sector in Namibia has reached sufficient capacity in medical devices and dominates the medical devices market.<sup>13</sup> For example, eight out of twelve Computer Tomograms (CT) in Namibia are in the private sector, and all seven Magnetic Resonance Imaging (MRI) units are in the private sector.<sup>14</sup> As a method of comparison, Figure 10 below shows how Namibia fares with respect to some OECD countries.

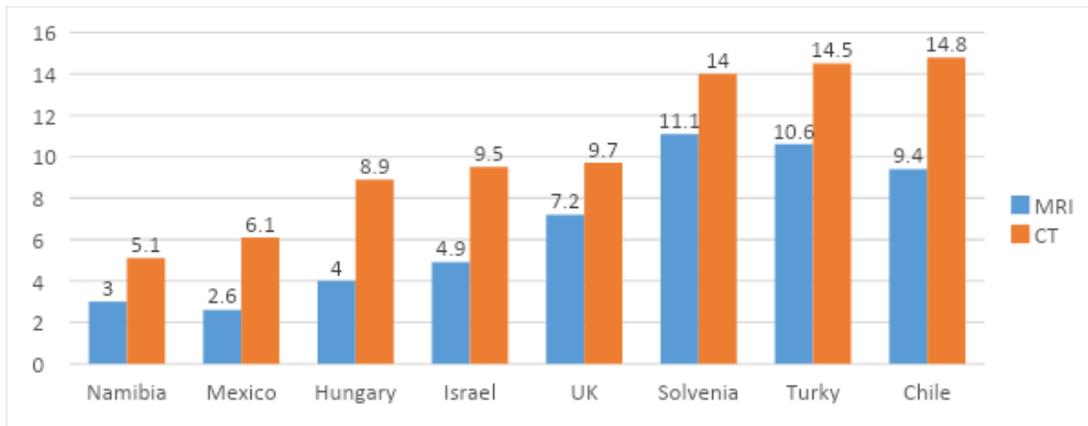


Figure 10 MRI units and CT scanners per 1 million population; Source: MoHSS and OECD Health Statistics 2018

Public hospitals send their patients to the private sector for MRI examination, as it may be cheaper than investing in the purchase of MRI units for the public sector. However, here could lie opportunities for public-private sector partnerships to improve access. For instance, the GRN could contract out more technology and laboratory services to the private sector at favourable rates to ensure access. Regulating the public-private contracts and tariffs ensures quality in service delivery at a financially viable price for the government. Pharmaceutical management has been strained by

<sup>13</sup><http://documents.worldbank.org/curated/en/268141563376806867/pdf/Namibia-Health-Sector-Public-Expenditure-Review.pdf>

<sup>14</sup> On a side note, the private sector mainly caters to a small proportion of patients in higher income groups.

declining government and donor funding, and weak procurement capacity as compared to other countries. Thus, modernising the logistics system can help to speed-up delivery to health facilities.

### 3.2 Pillar N°2: Protecting People

#### 3.2.1 Poverty and Inequality

As a consequence of the economic struggles that Namibia has endured since 2016, there have been some setbacks in poverty reduction even before COVID-19. GDP per capita fell by 1.1 percentage points in 2019, contributing to a rise in the extreme poverty rate from 15.8 to 17.2%. This is equivalent to approximately 447,000 people living below \$1.90 per day poverty line. Notably, there are differences in poverty levels across the population, such as women being relatively more impacted than men, and urban areas being less affected than rural ones. Poverty levels are relatively higher than the national average in the Kavango, Zambezi, Oshikoto, Otjozondjupa, Omaheke, Ohangwena and Kunene regions.<sup>15</sup> These income losses and poverty increases are likely to be exacerbated by the pandemic. UNECA estimates that the increase in income poverty that the pandemic is expected to generate varies between 2.3 percentage points (best-case scenario) and 4.4 percentage points (worst-case scenario), pushing the percentage of the population living below US\$1.90 per day to 19.5% and 21.6%, respectively (see Figure 11).<sup>16</sup> This would see approximately 105,600 more people, including 45,400 children, falling into poverty and in urgent need of social protection.



Figure 11 Reduction in GDP growth and poverty effects in Namibia; Source: ECA estimates and calculations (2020)

The increases in poverty figures also aggravate the distributional effects through pre-existing inequalities. Firstly, the surge in demand for medical services leads to an increase in health costs, for the low-income population with no medical coverage. Secondly, the large informal sector has been more susceptible to losses in labour income, as the pandemic measures lead to the closure of

<sup>15</sup> <https://www.npc.gov.na/download/pbriefs/rootcauses.pdf>

<sup>16</sup> These estimates are based on what the literature says on the growth-poverty elasticity of -0.68 for Africa overall.

informal markets. Leading to significant demands for increases in cash transfers. The situation is exacerbated for rural self-employed, as agri-food supply chains and markets are disrupted due to lockdowns and movement restrictions (FAO, April 2020). Added to the fact that the majority of informal workers are women may also result in a reversal in efforts to improve gender parity.

With regards to inequalities, Namibia is one of the countries with the highest monetary inequality index (Gini) in the world, standing at 0.562 (BoN). The UNDP 2019 Human Development Report states that Namibia has a Human Development Index (HDI) of 0.645, placing it at number 129 out of 189 countries (UNDP, 2019). When taking into account losses in human development due to inequality, the loss is 35.3%. With education, health and income responsible for 25%, 22% and 53% of the losses, respectively.<sup>17</sup>

The Namibian population can be categorized under four labour market groups: the employed (39.4%), those engaged in subsistence agriculture (11%), the unemployed (20.8%) and the non-economically active (28.4%).<sup>18</sup> This indicates that about 60% of the population does not participate in (registered) productive economic activities, probably having a major impact on poverty levels. Although the mining sector remains the driver of economic growth, the fact that it employs merely 2% of the total working population limits its employment creation capacity.

An important feature characterizing the Namibian labour market is the considerable size of the informal sector. Specifically, around 57.7% of the employed population is classified as informal, with this value being higher for women (61.2%) than men (54.1%). Furthermore, unlike other African countries, informality is spatially distributed with 41.8% of the employed population in urban areas and 78.9% in rural areas.<sup>19</sup> These disparities are likely to be highlighted by the COVID-19 pandemic, as vulnerable people such as rural, informal and women workers are likely to be disproportionately affected, leading to stronger poverty increases for these groups.

The expected drop in GDP growth due to the pandemic is bound to lead to further unemployment and income loss. UNECA estimates that in the best-case scenario (a decline of growth by 3.4 percentage points) would lead to a 0.75 percentage points increase in unemployment, pushing the current high unemployment figures of 33.4% to 34.2%, which translates to an increase of the unemployed population by 18,000 people.<sup>20</sup> In the worst-case scenario, the 6.5 percentage points decline in GDP would lead to a 1.4 percentage point increase in unemployment (See Figure 12).<sup>21</sup> Although the pandemic has also opened up short-term employment opportunities in the health sector—with an increase in the recruitment of health practitioners—only time will tell how sustainable this job generation will be for the overall reduction in unemployment.

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<sup>17</sup> UNDP (2019) Human Development Report 2019: Inequalities in Human Development in the 21st Century.

<sup>18</sup> National Labour Survey 2018, Government of Namibia (NSA, 2019).

<sup>19</sup> See the Namibia Labour Survey (2018) for more details.

<sup>20</sup> Unemployment rates in Namibia is higher in rural areas compared to urban areas. The surprisingly high level of unemployment in rural areas reflects the lack of alternative labour absorbing sectors to agriculture and the widespread feeling of the respondents in rural areas to be unemployed as they are trapped in subsistence agriculture or low-earning informal economy activities.

<sup>21</sup> The growth-employment elasticity of -0.22 was used, computed based on data over 2000-2014, which was found to be lower than the Africa aggregate of -0.41 placing Namibia as being particularly low in the employment intensity of growth.



Figure 12 Reduction in GDP and employment effects in Namibia; Source: ECA estimates and calculations

Namibia has a well-developed programme of cash transfers to vulnerable segments of the population that represents 5% of GDP, considerably higher than the OECD average of 2.9% (Honorati et al 2015).<sup>22</sup> This will be increasingly important going forward, especially for the handling of issues such as food insecurity which is likely to be aggravated in the near future. The recently concluded Food and Nutrition Security Monitoring Assessment, conducted biannually since 2016, indicates that Namibia produces less than 40% of what it consumes.

### 3.2.2 Social Sectors

#### *Sexual Reproductive Health (SRH) and Gender Based Violence*

While COVID-19 itself has affected more males than females in Namibia – a total of 5719 (53.6%) male positive infections against 4944 (46.4%) females – the opposite appears to be true with regards to the subsequent fallout from the pandemic. According to the World Bank, women are likely to experience a significant burden on their time given their multiple caregiving responsibilities as closures and confinement measures are adopted, possibly leading to reductions in working time and permanent exit from the labour market. Since women in Namibia are also largely engaged in the informal sector and other vulnerable forms of employment (self-employment in small business, domestic work), they are likely to be left out of formal social protection measures for workers.

Another concern is the risk of increased Gender-Based Violence (GBV) due to confinement measures, mainly towards women and girls. As communities around the world are forced to stay at home, women and girls are at a heightened risk of domestic violence, intimate partner violence, child abuse and other forms of sexual and GBV. Research conducted by Onyango and Reagan (The Conversation, 2020) indicates that an increase in GBV was observed during the 2013-2015

<sup>22</sup><http://documents.worldbank.org/curated/en/415491467994645020/pdf/97882-PUB-REVISED-Box393232B-PUBLIC-DOCDATE-6-29-2015-DOI-10-1596978-1-4648-0543-1-EPI-1464805431.pdf>

Ebola outbreak in West Africa. During the outbreak, quarantines and school closures were put in place to contain the disease, just like what is being done with COVID-19. However, no protocols were established to protect girls and women from violence during the outbreak, leaving them vulnerable to coercion, exploitation and sexual abuse.

Mistakes made during the Ebola epidemic are valuable lessons for the COVID-19 response. Governments must ensure the protection of women and girls right from the beginning of the pandemic. However, a top-down approach is not enough. Prevention and mitigation initiatives need to be integrated across sectors. The data collected by the UNDP shows that for the period of March 2020 to July 2020, the police has recorded 1 706 GBV related cases that majority are violence within households. Out of those cases, 230 were against kids and 209 towards female kids. In this regard, comprehensive data on the gendered impact of COVID-19 should be collected and used for policy and programmatic responses. In addition, domestic violence hotlines, shelters for GBV survivors, sexual and reproductive health services, GBV referral pathways, and justice mechanisms are essential in ‘normal’ times but are even more urgent during crises such as this.

#### *Water, sanitation and hygiene*

Considering the COVID-19 outbreak, global sanitation and hygiene are more important than ever before. This is bound to be an issue for Namibia, as it has one of the lowest levels of sanitation coverage in Southern Africa.<sup>23</sup> Specifically, only 34% of the country’s population has access to improved sanitation facilities, a value that drops to 14% in rural areas. The practice of open defecation, which increases the spread of diseases and majorly impacts general health, is also higher in rural areas (77%) than urban ones (14%). Overall, rural populations and the poorest households are the most disadvantaged in terms of access to water, sanitation and hygiene. Along with the people living in informal settlements, prisons, refugee camps and other overcrowded living conditions (*e.g.*, urban slums), they are particularly at risk of contracting COVID-19. In addition, movement restrictions and lockdown enforcements hinder people’s ability to earn their much-needed daily wages to pay for both drinking and washing water. Maintaining personal hygiene through frequent handwashing with soap is at the heart of preventing COVID-19. Thus, limited access to water and sanitation leads to a vicious cycle of increased risks of infection, serious health outcomes and poor living conditions.

Since 2006, the country has been working to improve sanitation levels through organizations that have provided increased access to facilities. In 2017, for instance, the population using at least primary drinking water sources was estimated at 83.0% (UNDP 2019). However, these efforts have not been enough to face a crisis such as this one. In order to minimize the risk of transmission of COVID-19 infections in health facilities as well as treatment, isolation and quarantine facilities, a significant investment is needed to improve the existing infrastructure. This includes not only health centres offering primary care, but also the hospitals, hotels and residence halls in use for

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<sup>23</sup> [https://www.unicef.org/namibia/Sanitation\\_fact\\_sheet\\_print.pdf](https://www.unicef.org/namibia/Sanitation_fact_sheet_print.pdf)

isolation and treatment of (suspected) COVID-19 cases. If these issues remain unaddressed, the containment of COVID-19 will further be exacerbated.

### *Education*

The education sector is one of the most affected by the countrywide lockdown. The country was forced to close schools and tertiary institutions to decrease the spread of the virus. The situation has created a massive shock that affected all areas of the sector including students, teachers, service providers and support staff, as well as presenting numerous challenges. For one, an immediate impact of school and Early Childhood Development (ECD) facility closures was the loss of learning opportunities and care for many young students. School closures not only directly limit students' abilities to acquire specific training and skills, but it also indirectly affects their health. For many vulnerable households, the closure of schools and care facilities resulted in the loss of access to nutritional feeding schemes and the disruption of immunisation programmes. Second, working parents had the challenge of providing alternative care and supervision for children, complicating the earning of income.

One of the most notable policies pursued everywhere around the world is moving teaching to online platforms if possible (home-learning if not), harnessing diverse tools of remote education systems. The problems associated with the lockdown and attempts to introduce online teaching and learning are multiple. However, the Namibian education sector is constrained by lack of access to adequate technology, and internet connectivity is unaffordable to most poor households in both urban and rural areas. It is estimated that the country's highest number of learners live in poor, rural, isolated communities where technologies already at hand are almost always mobile phones and radios. An almost 32% of schools do not have access and capacity to adopt modern learning techniques, putting children from these the risk of not being engaged in virtual learning, dropping out of school, getting exposed to various forms of exploitation and abuse including early marriage and child labour. As a result, many students were unable to continue with meaningful learning during this period. Based on the current level of national enrolments of 756,994 learners, and a learner ratio of 25 pupils, the classroom deficit is estimated at 4,479, at a total cost of N\$2.2 billion. An additional N\$4.5 billion would be required for the construction of 142 hostels and wash facilities across the 14 regions.

Overall, the fragmented Namibian education infrastructure has not been able to adapt to the new normal of teaching during the pandemic and lockdown. Disruptions have affected the entire education system including teacher training, examination cycles and the viability of the academic year across all learning levels. The disparities between public and private service providers have highlighted the need for policy reform to ensure quality and access to education by all citizens. Various strategic interventions require serious consideration. Of immediate concern is the impact on children and adolescents in terms of mental health and psycho-social support systems. The long-term impact of the disruption to the learners will need a monitoring system to effectively assess the impact on outcomes through results and other performance indicators. Further

disruptions were in the form of migrating to online learning with parents and guardians encouraged to assume a more direct role in the delivery of learning to children.

### 3.3 Pillar N°3: Economic Recovery

#### *Agriculture, livestock, rural livelihoods, and food security (food access and availability)*

The COVID-19 pandemic has negatively affected the Namibian farming communities, both commercial and small scale (*e.g.*, household). It has done so by reducing the contribution of agriculture to the national economy and livelihoods, disrupting food value chains, logistics and processing chains, as well as market access and food availability. Despite the 47% increase in agricultural output during the second quarter of 2020, due mostly to good rainfall after the 2019 drought (NSA, 2020), future output is slated to be affected by the pandemic. Overall, both crops and livestock have experienced disruptions in production and also revenue as a result of restriction. This comes as a result of limited labour and inadequate availability of farming inputs caused by the lockdown measures put in place to curb the spread of COVID-19. If not supported, the income loss to small-scale farmers will not allow them to pay for farming inputs, labour and utilities. Although some activities considered essential services were allowed—such as animal health and production extension services—the overall fear of contracting the COVID-19 did not allow for a smooth delivery of such services. The following also contribute to worsen the situation:

- ❑ Delays on imports and exports due to restricted cargo movements and COVID-19 testing requirements for truck drivers.
- ❑ Road closures and security checkpoints increase transaction costs and food waste.
- ❑ Social distancing measures and the disease affected fish processing plants' operations, as well as informal trading of fresh produce and other foods in low-income areas.
- ❑ Limited points of sale for foods and agro-food inputs translate into loss of income opportunities for actors in food value chains, causing consumption to contract.
- ❑ Closures of hotels and restaurants dampen demand for fresh produce (*e.g.* vegetables, fruits) and disrupt fish supply chains.

In addition to crop farming, the livestock sector was also impacted, with cattle, sheep, dairy, poultry and Swakara pelts taking considerable hits. With regards to cattle, prices decreased by 4.3% in the second quarter of 2020 compared to the first quarter. In addition, the exports of live cattle declined by 52.8% and slaughter at export abattoirs contracted by 54.3% when considering 2019 (January-June) and 2020 (January-June) figures. As for sheep, exports of abattoirs declined by 80.7%, from 119 022 exported units of sheep in the first half of 2019 to 22 924 sheep in the first half of 2020 (NAU 2<sup>nd</sup> Quarter Review, 2020). The dairy sector has also been adversely impacted by COVID-19. Over the past few years, to reduce and control feeding costs (which equal 71% of dairy production costs), Namibian farmers have been using spent grain, which is a by-product of beer brewing sourced from Namibia Breweries. However, with the State of Emergency declaration prohibiting the sale of alcohol, there has been a non-availability of spent grain. This

has resulted in an increase in feeding costs, reducing milk production and forcing farmers to change dairy rations to supplement for spent grain. Another important sector hard hit by the pandemic refers to poultry. Since MSMEs contribute a significant amount to the sector and it caters for over 67% of the local consumption (Ministry of Industrialization, Trade and SME Development, 2020), it is a crucial sector for Namibians. The lockdown measures have inhibited the cross-border imports of raw materials (e.g. importation of parent chicks from neighbouring countries such as Zambia), and closed informal markets, resulting in income loss. Finally, 2020 added additional challenges to the Swakara sector, already strained by the 8-year drought in the south and south-western parts of Namibia. The ban of international travel affected the transport of pelts to auction markets, pushing the sale of 27 393 pelts from the April 2020 auction to that of September 2020 (NAU, 2020). As a result, Swakara farmers are experiencing serious cash flow challenges that threaten the longevity of their business.

The slowdown in economic activities has also affected consumer income, thus changing their purchasing behaviour and protein demand. Consumers have shifted from demanding restaurant services to going grocery shopping. At the household level, the reduction in employment and income losses have affected purchasing power of the poor and their access to food. The closure of local and farmers' markets has limited access to nutritious foods such as fresh fruits and vegetables for the urban poor people. The situation has therefore also engendered food and nutrition insecurity. Finally, the temporary closure of schools meant that more than 370,000 pupils in 1,400 schools in Namibia could no longer get access to school feeding programmes that provided important sources of nutrition for young children.

### *Manufacturing and construction*

Historically, both the manufacturing and the construction sectors have been major contributors to Namibia's GDP, despite fluctuations in their growth rates (see Figures 13 and 14 below). The country's vision of long-term industrialisation hinges on the manufacturing sector, and despite efforts over the years to grow the sector by attracting FDI, growth has generally appeared to stagnate. Specifically, it has been characterized by a low growth rate averaging 1.8% for the periods 2000-2018 and 0.3% during the post 2008/09 financial crisis period. The weak growth in the manufacturing sector prior to the advent of COVID-19 provided a very dire situation given the measures undertaken to fight the spread of the virus. Indeed, the sector recorded a decline in real value added of 8.3% during the first quarter of 2020 compared to a 5.9% growth recorded in the corresponding quarter of 2019 (NSA, 2020). The decline was due to negative growth in the subsectors of beverages, basic metals, and diamond processing by 2.1%, 9.5% and 18.4%, respectively. This goes against the strong growth rates achieved during the same quarter in 2019, which were 14.6%, 20.5% and 16.1%, respectively.<sup>24</sup> The manufacturing sector has been projected

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<sup>24</sup> Diamond processing is the most affected sub sector since lockdown and travel restrictions have prevented the travel of customers. Moreover, being a luxury good, consumption has shifted during the pandemic towards basic necessities like medical supplies and food items.

to contract further by 9.2% during 2020, before recovering and growing by 2.0% in 2021 and 2.3% in 2022 (BoN, August 2020).

The construction sector is not any different, as it is also expected to contract in the wake of the COVID-19 pandemic. This is notwithstanding the sector with a strong growth of 19.8% in real value added for the first quarter of 2020 compared to a negative growth of 26.6% recorded in the same period in the prior year (NSA, 2020). However, this growth is expected to be reversed, with a predicted contraction of 5.7% in 2020, due mostly to delays in the commencement of a number of major projects because of labour movement restrictions (BoN, August 2020).

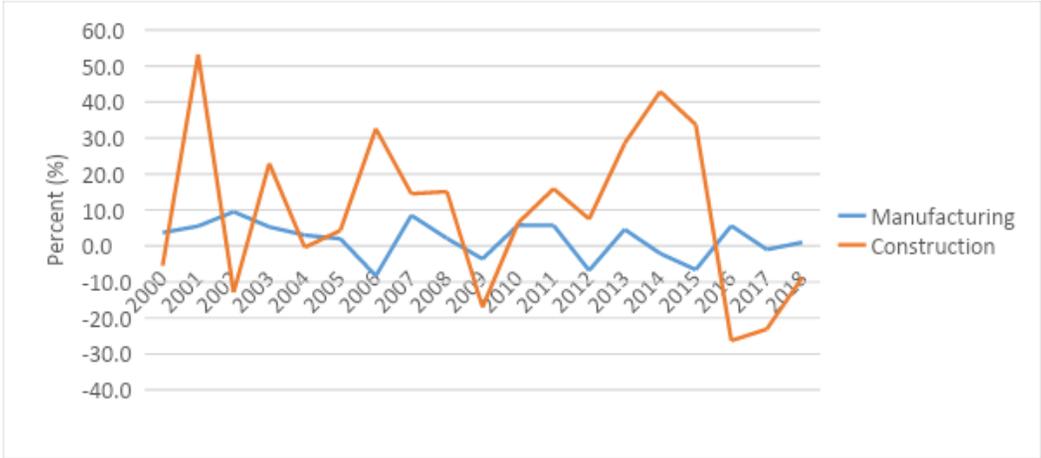


Figure 13 Manufacturing and construction real value-added growth rate; Source: BON Economic Outlook



Figure 14 GDP at Current Prices; Source: BON Economic Outlook

*Services: tourism, conservancies and hospitality*

According to the Ministry of Environment, Forestry and Tourism, before the COVID-19 pandemic, the tourism sector was functioning well and contributing to the national economy. In communal conservancies for example, ‘many of the lodges were operating at 40 to 70+%’. As can be seen in Figure 15 below, the tourism sector has suffered a catastrophic blow due to the

pandemic. About 96.5% of businesses in the sector were adversely affected due to border closure, quarantine restrictions and fears of contracting the virus by travel (NSA, 2020). Further, lodges, hotels and hospitality businesses fear the need to endure retrenchments and closures. For instance, the highest percentage (5.3%) of businesses that were temporarily closed were recorded in the ‘Hotels and restaurants’ sector followed by real estate (3.5%). Overall, tourism-related income losses could amount to N\$2 billion in 2020 (Julius, Nuugulu and Julius, 2020).

Chart 1: Beds & Rooms Occupancy Indices

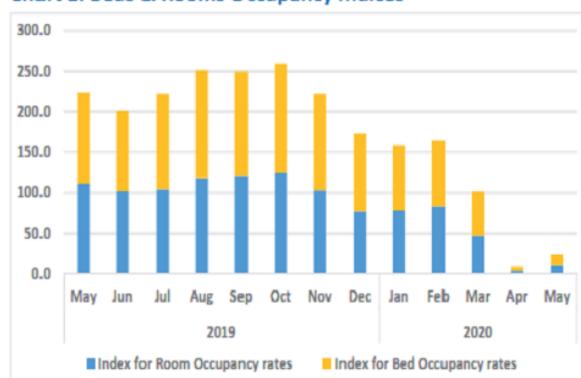


Chart 2: Regional & International Arrivals and Departures Indices

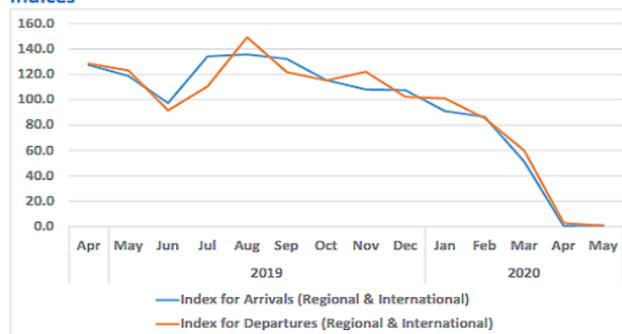


Figure 15 Index of Beds and Rooms Occupancies and Tourists arrivals and departures indices

A particularly hard-hit sub-sector in the tourism industry are the conservancies and the wildlife economy. Employment in the communal conservancies, which represent a considerable 20.3% of employment in the tourism sector, or an equivalent of 2200 jobs, is at risk.<sup>25</sup> Since the community-owned businesses of the communal conservancies do not have collateral, banks do not extend loans to them, putting them in danger of declaring bankruptcy. According to the Ministry of Environment, Forestry and Tourism, a decline of income for these conservancies could have dire consequences for the environment and wildlife preservation. While half of the projected N\$ 60 million income loss in the sub-sector is used to cover conservation management costs and human wildlife conflict, the rest goes to social development projects in the community. These pandemic-related losses are thus bound to have a ‘major negative impact on both people’s livelihoods and on the country’s biodiversity’.

#### Enterprises and employment: MSMEs, the informal economy and employment structure

The micro, small and medium-sized enterprises (MSMEs) are considered the engine of growth and employment in the Namibian economy, due to the important role they play in employment creation, revenue generation, poverty eradication, and facilitation of industrialization. In recognition of this, the GRN through the Ministry of Industrialisation, Trade and SME Development crafted a national policy in November 2016 to support their growth and development. Pursuant to this policy, and to address the high unemployment rate in the country (especially for the youth), the Ministry commenced several entrepreneurship initiatives in 2019.

<sup>25</sup> These jobs include community game guards, tourists’ guides, managers, bookkeepers and enterprise officers.

These include a comprehensive entrepreneurship MSME capacity-building project and business advisory initiative that is supported by the UNDP.

One of the most urgent issues that the MSMEs have to help solve is unemployment. Even prior to the pandemic, unemployment was generally high in the economy, with the employment to population ratio being 47.1% in 2018 (NSA, 2019).<sup>26</sup> Particularly alarming is that youth unemployment has increased from 43.4% in 2016 to 46.1% in 2018. Additionally, the percentage of youth neither in education nor employed was estimated at 34.9% for the same year (NSA, 2019). The issue becomes more pressing when analysing informal employment. As stated by the Namibia Labour Force Survey in 2018 (NSA, 2019), informal employment stands at 57.7% of total employment. While 54.1% of males are in the informal sector, this number rises to 61.2% for women. These gender disparities are a reflection of overall youth unemployment, in which 49.2% of young women are unemployed compared to a much lower 36.1% for young men.

Policies aimed at reducing the spread of the pandemic have worsened the employment situation in the country, especially for informal workers which is not documented. To date 11 009 people have been retrenched since the beginning of the year, with 2 726 of those retrenched due to Covid-19 impact (Ministry of labour, 2020) Despite GRN's support through fiscal easing to enhance the capacities of companies to pay their employees, a number of businesses are still unable to do so, resulting in retrenchments. Although most sectors have suffered losses due to the pandemic, the information and communications technology (ICTs) sector has increased by 11% (NSA, 2020). It will be important to explore how this growth can be leveraged for addressing youth unemployment and overall employment in the economy.

### 3.4 Pillar N°4: Macroeconomic Response and Multilateral Collaboration

#### 3.4.1 Macroeconomic Response

Estimates from the ECA model show that, from a pre-COVID-19 baseline forecast of 1% GDP growth in 2020, the value contracted to 2.4% in the best-case scenario and 5.5% in the worst case scenario, with the impacts persisting over the medium-term (see Figures 16 and 17 below). The projected GDP contraction is mainly driven by the decline in global demand, the fall in commodity and oil prices, significant job and income losses across various sectors, and the overall slowdown in economic activities due to the lockdown and other containment measures. While the ECA's estimates are in line with the AfDB estimates (-5.6%), its revisions are a bit optimistic when compared to the IMF estimate (-6%) and pessimistic with regards to World Bank estimates (-4.8%).<sup>27</sup> However, BoN estimates paint the bleakest picture, with GDP growth expected to contract by 7.8%, with a worst-case scenario of 12.2%.

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<sup>26</sup> The employment-to-population ratio is 50.2% in urban settlements and 44.1% in rural areas.

<sup>27</sup> <https://www.afdb.org/en/documents/african-economic-outlook-2020-supplement>;  
<https://www.worldbank.org/en/publication/global-economic-prospects>;  
<https://www.imf.org/en/Publications/REO/SSA/Issues/2020/06/29/sreo0629#:~:text=Regional%20Economic%20Outlook%20for>

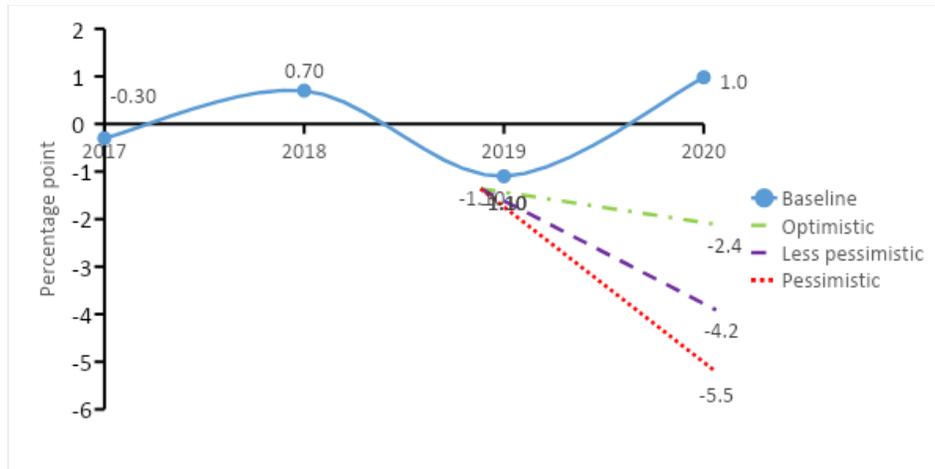


Figure 16 Impact of COVID-19 on real GDP Growth, 2020 Source: ECA estimates, 2020

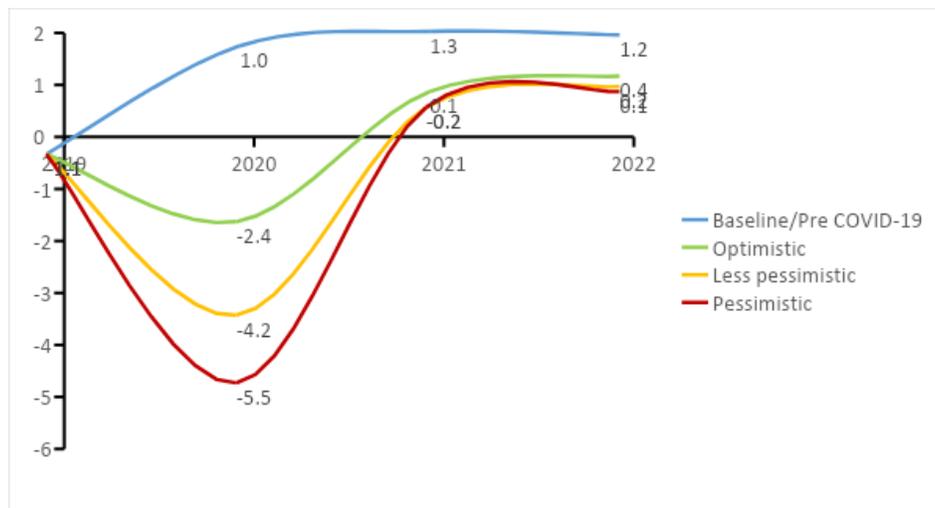


Figure 17 Impact of COVID-19 on real GDP Growth (%), 2020-2022; Source: ECA estimates, 2020

### Fiscal policy

Namibia has traditionally collected government revenue averaging 33% of GDP over the period 2010-2018, above Africa’s average of 22% (See Figure 18). However, after 2015, growth contraction led to a decline in revenue collection to 31.6% of GDP in 2018. In addition, between 2010 and 2016, Namibia adopted an expansionary fiscal stance, which resulted in the fiscal deficit doubling from 4.5% of GDP in 2010 to 9.2% in 2016 (See Figure 19). Furthermore, the Namibian government incurred a threefold increase in debt, from 16.2% of GDP in 2010 to 49.2% of GDP in 2019. Overall, negative economic growth, dwindling revenue collection and rising government debt have posed a challenge to managing fiscal policy over the past few years.

[%20Sub%2DSaharan%20Africa%2C%20June%202020%20Update&text=Growth%20is%20projected%20to%20recover.that%20have%20played%20out%20elsewhere.](#)

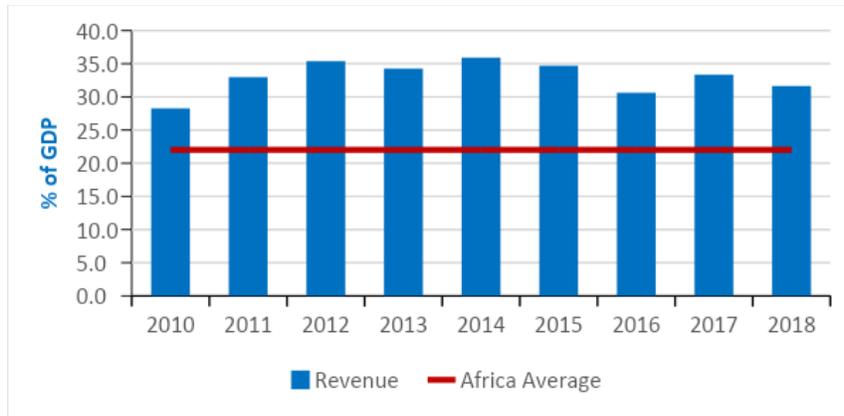


Figure 18 Revenue trended downwards pre-COVID-19; Source: IMF, World Economic Outlook, April 2020

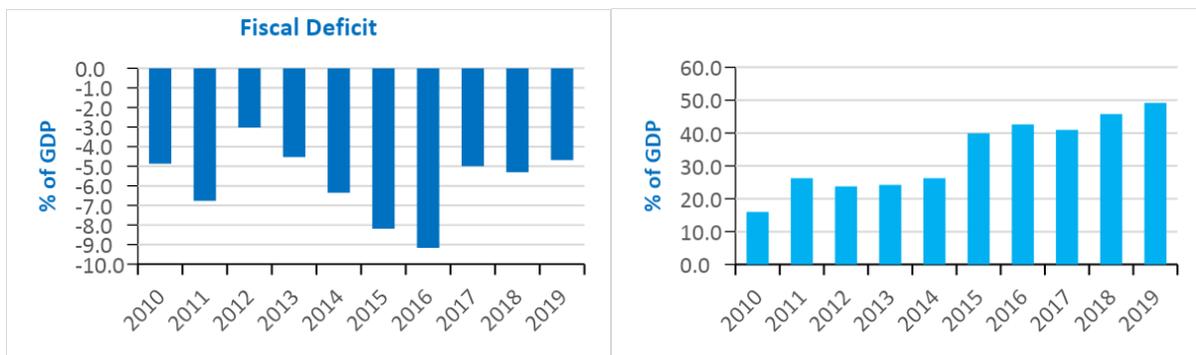


Figure 19 Narrow fiscal space may have compromised COVID-19 response; Source: ECA, World Bank, IMF

As the impacts of COVID-19 unfold, government revenues are expected to decline due mainly to a contraction of the manufacturing sector—a major source of tax revenue—and a decline in commodity prices among other non-tax revenue losses. In addition to this, fiscal deficit and debt levels are expected to increase due to the COVID-19 fiscal stimulus package. UNECA projections estimate that the increase in fiscal deficit from a baseline of 6.3% of GDP will be between 11.2% (best-case scenario) and 14.1% (worst-case scenario) in 2020. With regards to debt, UNECA projects a debt level increase from 62.3% of GDP in the best-case scenario to 68.2% of GDP in the worst-case scenario (see Figure 20). In sum, the decline in revenue and the concurrent increase in government expenditure to mitigate the health and economic effects of the COVID-19 pandemic will result in fiscal pressures in the short- to medium-term in the economy.

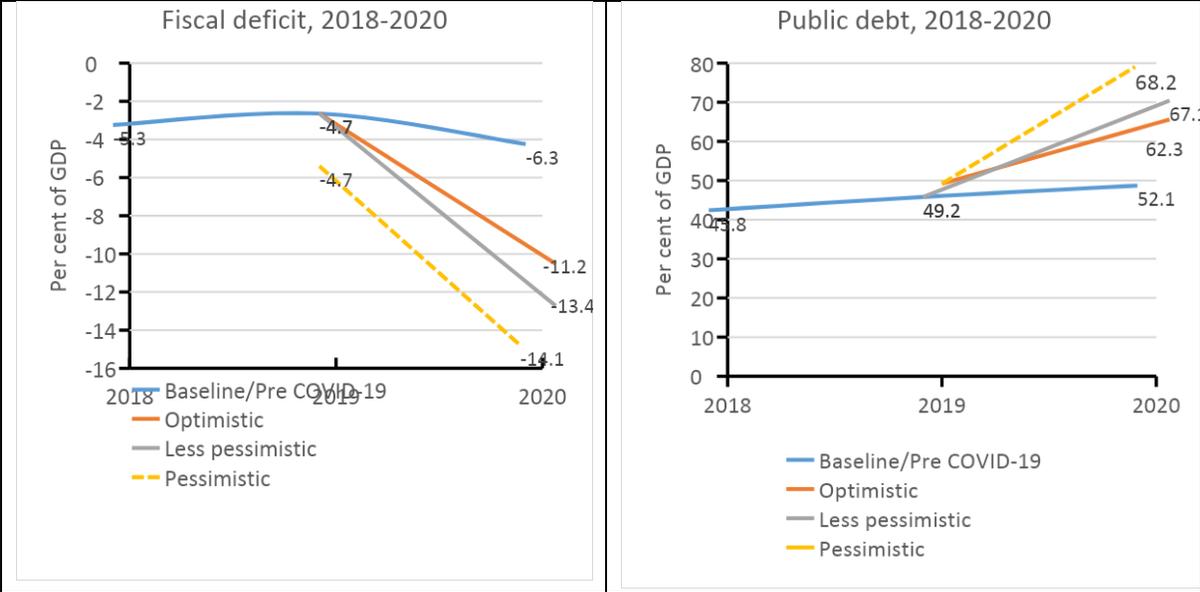


Figure 20 Fiscal pressures will worsen fiscal and debt positions; Source: ECA estimates

**Monetary Policy**

Since 2017, the decline of the economy’s inflationary pressures has enabled the BoN to support economic growth by easing off its monetary policy. Specifically, the BoN has cut its policy rate (*i.e.*, repo rate) by 50 basis points between 2017 and 2019, going from 7.0% in 2016 to 6.5% in 2019. This policy was done on the backdrop of dropping inflation, which declined by more than half from 6.5% in 2016 to 3.6% in 2019 (See Figure 21(a)). It is this low and stable inflation over the period that offers the BoN relatively enough monetary policy room to mitigate the adverse economic effects of the COVID-19 pandemic and support economic recovery (see Figure 21(b)).

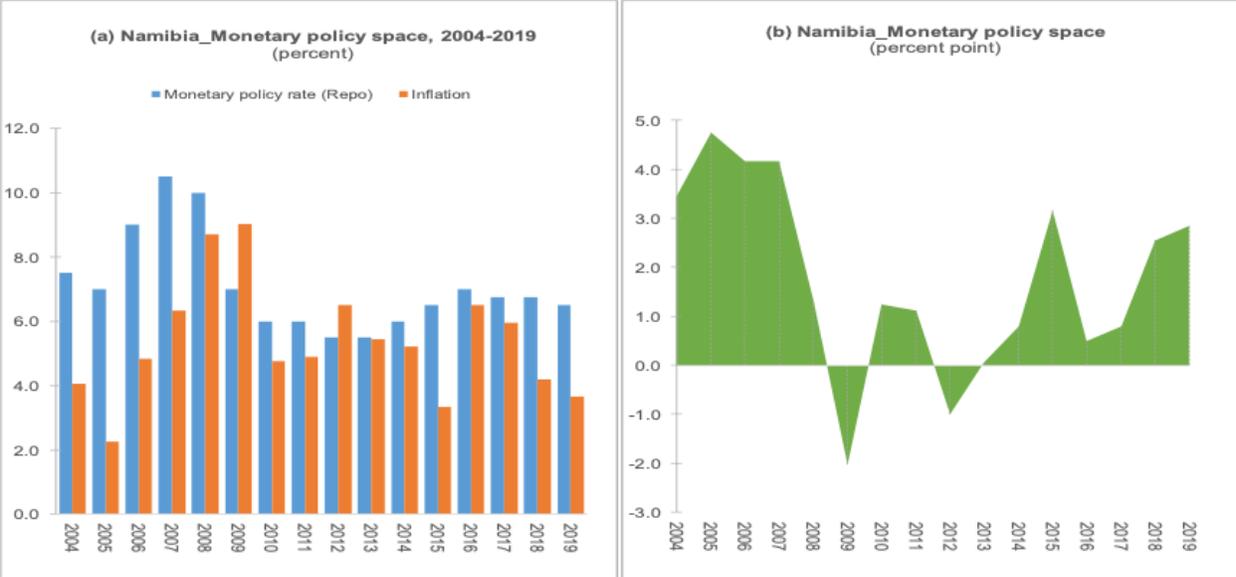


Figure 21 Monetary policy stance in Namibia, 2019; Source: ECA Staff calculations based on data from IMF, International Financial Statistics.

To stimulate economic activity in response to the crisis engendered by COVID-19, the BoN reduced the repo rate by 275 basis points, reaching a historic low of 3.75% on 18 August 2020. The overall effect that this crisis will engender on inflation is still uncertain. On the one hand, the general decline in production across the supply chain may result in inflationary pressures and exchange rate instability. On the other hand, downward risks are expected to weigh on inflationary pressures as the country will benefit from lower import prices (oil, food, manufactured goods) and lower domestic demand. UNECA estimates that over the medium-term inflation is forecast to remain below 3.5% (Figure 22). With regards to Private Sector Credit Extended (PSCE), current BoN data indicate that growth had slowed to 2.8% during the quarter ending June 2020, driven by a contraction in credit extended to businesses as a result of repayments and write-offs made during the quarter under review.

The expansionary monetary policy aims to support liquidity and provide favourable financing conditions to households, government, businesses and banks. It is done with the hopes of enhancing the provision of credit and induce confidence in the economy, boosting domestic demand and investment (Figure 23). Other measures to take into account for the future could include the provision of capital buffers to companies facing disruptions and liquidity shortages, the deferment of loan repayment, the easing of supervisory requirements, and the increase of macro prudential actions by expanding the range of eligible assets under the corporate sector.

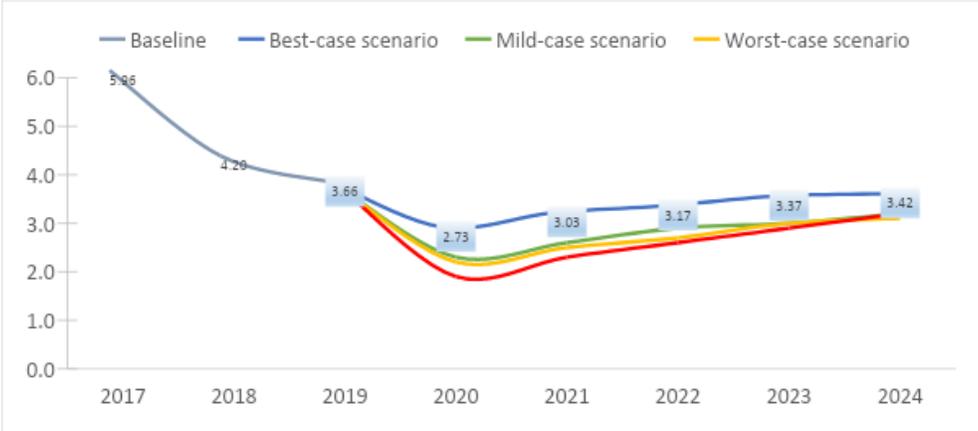


Figure 22 Inflation trends and forecasts (%), 2017-2024; Source: ECA estimates, 2020

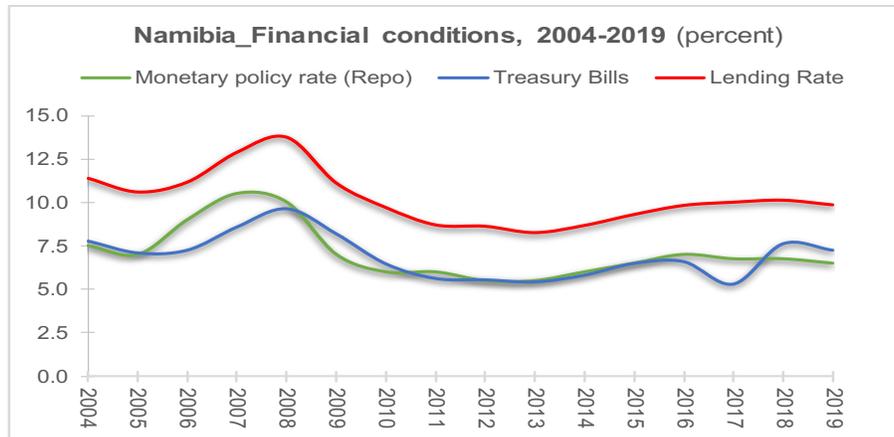


Figure 23 Financial conditions in Namibia, 2004-2019;  
Source: ECA Staff calculations based on data from IMF, International Financial Statistics.

### Trade Balance (Goods and Services)

The Namibian economy relies on capital-intensive farming and industry and is highly dependent on the earnings generated from primary commodity exports. Since Namibian exports are largely commodities (copper, diamonds, uranium, zinc, meat and fish), the decline in external demand along with the fall in non-fuel export prices are expected to lead to a decrease in Namibia’s exports by the end of 2020. Evelina et al. (2020) project net exports to decline between 2% (best-case scenario) and 3% (worst-case scenario). Concerning exports, they project a decline due to supply chain disruption, border closures, limited export markets due to weak global demand, and a depreciated Namibian dollar against foreign currencies. With regards to imports, they project a slight increase due to the need to import supplies for the health sector. ECA arrives to the same conclusion, albeit stating that there might be an opposite effect due to dampened domestic demand which will have a downward effect on imports.

Overall, with an already widening trade deficit in the pre-COVID-19 period, increasing from 17% of GDP in 2018 to 19% of GDP in 2019, the pandemic outbreak is expected to worsen the country’s trade performance. NSA trade statistics show that the country registered a trade deficit of N\$3.5 billion in July 2020, the highest during the period under review (July 2019-July 2020). The economy is also highly reliant on the tourism sector, which has been substantially affected by COVID-19. In addition to tourism, the sectors most affected by travel restrictions and other measures are hotels and restaurants, mining and quarrying, transport and storage, manufacturing, wholesale and retail, financial and insurance services and construction.

### 3.4.2 Multilateral Collaboration: impact on UN programming and adaptation of activities

Due to the urgency presented by the COVID-19 pandemic, each UN agency has adjusted its current development assistance support programmes based on the UN framework for an immediate socio-economic response. Some of those adjustments are presented as follows:

**UNESCO:** Part of UNESCO's initial budget for the financial year 2020-21 was reprogrammed to support the Ministry of Education, Arts and Culture's response to COVID-19. This was done through the dissemination of Information, Education and Communication (IEC) materials, capacity building of Education Officers, and support to the government to ensure various modes of distance learning like e-learning, online, offline, print materials, use of radio and television.

**UNFPA:** UNFPA programmes are guided by the UNFPA Global Response Plan and it complements the WHO COVID-19 Strategic Preparedness and Response Plan. Support provided includes: i) Strengthening the health care system to respond to COVID-19 focusing on protection of health care providers and ensuring access to sexual and reproductive health services, especially for pregnant women, young people and vulnerable groups and availability of data for targeting purpose; ii) Strengthening the capacity of youth organizations to engage adolescents and youth safety, effectively and meaningfully in the prevention and response; and iii) providing technical support to integrate GBV risk mitigation into all aspects of the pandemic response and ensure that GBV prevention, clinical management care, psychosocial support and referral systems are functioning according to national guidelines.

**WFP:** The WFP's focus in Namibia shifted from food aid to providing technical assistance to the Government. However, food assistance programmes like school meals and the Zero Hunger Programme implementation were maintained.

**UNDP:** The UNDP Namibia Office re-programmed (jointly with its government counterparts) some of the 2020 interventions to accommodate immediate 'COVID-19 socio-economic response and recovery' activities. Some of these include financial support provided to the Conservation Relief, Recovery and Resilience Facility; support provided to procuring materials for the Namibia Institute of Pathology; support provided to the Emergency Operating Centre (EOC) with much needed pharmaceutical equipment; and re-programming resources to provide financial support to entrepreneurs trained in 2019. UNDP will also support the GRN to develop an integrated national financing framework, with the aim of effectively linking planning with budgeting and mobilising alternative sources of financing beyond traditional ones.

**UNICEF:** UNICEF is working with health experts in providing tips and guidance on everything from how to talk to children about COVID-19, to how to wash your hands properly, to providing advice for teenagers on how to protect their mental health. UNICEF plans to support the GRN to formulate and strengthen its financing architecture to be able to mobilise all possible sources of financing for the realisation of the SDGs and NDP5.

**ILO:** The ILO has continued to provide technical advisory services to constituents in Namibia as part of the global response, and to ensure that the national response reflects the world of work considerations. To this end, it has conducted enterprise and household surveys examining the pandemic's effects on socio-economic and labour market outcomes for workers and businesses in Namibia. The outcomes of the surveys are expected to inform the dialogue between government, businesses and workers in finding lasting solutions to the challenges faced during this pandemic

guided by the four-pillar policy framework, based on international labour standards: Pillar 1 - Stimulating the economy and employment; Pillar 2 - Supporting enterprises, jobs and incomes; Pillar 3 - Protecting workers in the workplace and Pillar 4 - Relying on social dialogue for solutions.

**FAO:** FAO reprogrammed and rescheduled some of its projects in order to mitigate the impact of the pandemic on its service delivery. Some of its support areas include the provision of infection prevention control, supplies to stakeholders, data and evidence generation for food and agricultural input price monitoring, and help in achieving food security.

**UNHCR:** UNHCR continues to provide capacity development support to professional refugees in Namibia's Osire settlement. It has also continued to support communication efforts through existing and newly built community networks, as well as providing guidance and fact-based information on prevention measures.

**UN Women:** The organisation is dedicated to women's empowerment and gender equality, ensuring that their rights are protected in all areas, and that they have access to education, health and employment, among others. In this regard, it has continued to raise awareness on the fight against gender-based violence, making sure women play their roles as agents of peace at the community and national levels. In the midst of the COVID-19 pandemic, the women and girls' human rights have garnered more prominence, universality and urgency than ever before. In collaboration with the UNFPA, it has supported the Government with the development and printing of GBV referral pathways for all 14 regions, to be translated into all local languages. It has also supported CSOs' interventions during COVID-19 related to GBV Prevention, Response and Recovery.

**UNIDO:** The Organization aims to eradicate poverty through inclusive and sustainable industrial development. It aims to do so by providing technical cooperation, fulfilling analytical and research functions and offering policy advisory services.

**UNOPS:** The organisation is supporting countries to achieve the SDGs, mainly through three channels: enabling partners to do more with less through efficient management support services, delivered locally or as global shared services; helping people achieve individual, local, national and global objectives, through effective specialized technical expertise grounded in international norms and standards; and supporting countries to expand the pool of resources available to achieve the 2030 Agenda.

**UNODC:** It has been supporting Namibia prisoner rehabilitation projects by providing practical guidance and assistance to the prison administrations and helping them to develop sustainable programmes which meet international standards. UNODC has recently launched a soap production facility at the Windhoek Correctional Facility, a rehabilitation project particularly relevant in containing the COVID-19 pandemic.

### 3.5 Pillar N°5: Social Cohesion and Community Resilience

This section focuses on the impact of the COVID-19 pandemic on the society and its capacity to withstand shocks at the community level while fostering social cohesion and building resilience due to the crisis. Specifically, it views the social dynamics including the social capital between varying populations and their relationships due to the impact of the COVID-19 pandemic. As stated in the UN framework for a COVID-19 response, the pandemic has placed considerable strains on social cohesion, magnifying existing fault lines and creating new ones (UN, 2020). As such, it highlights specific issues regarding the degree of community resilience that Namibians have exhibited during this crisis, and the cohesiveness of policies enacted to protect vulnerable populations and avoid curtailing progress prior to the pandemic.

The poverty, unemployment and inequality figures for the country are the main contributors to human vulnerability in Namibia (UNDP, 2019). However, other indicators can be identified affecting women and girls, orphans and vulnerable children (OVC), People Living with HIV (PLHIV), people with disabilities, the elderly, adolescents and youth, the urban poor, and people with co-morbidities amongst others. The degree of vulnerability to COVID-19 varies across these groups, depending on their socio-economic conditions. The rural populations living far from infrastructure and urban settlements are more vulnerable compared to those in urban areas. The recent spike in the infection rate of the virus especially in Walvis Bay in the Erongo region was largely linked to inadequate housing where it became difficult for most people to become socially distant from one another given the high population household density. Poverty is also highest among previously marginalised groups. The GRN has been active in helping vulnerable populations, by providing social safety nets and engaging in strong campaigns of public health messages to inform and facilitate community behavioural change.

As an infectious disease, COVID-19 will also affect age groups differently. The patterns in Europe and the USA indicate that the elderly population (over 60 years) and those with underlying health conditions were more vulnerable. In Namibia about 480 of the total confirmed cases (4.5%) are elderly persons of 60 years and above (SITREP Report No. 188). Namibia also has relatively high incidences of non-communicable diseases (NCDs), which could pose a problem if a more community-based spread of COVID-19 were to occur.<sup>28</sup> As with Europe, strict enforcement of non-visitation to old age and frail care centres was enforced, as well as hospitals, public prison and rehabilitation places. However, in contexts where community living prevents isolation of the elderly, efforts to protect them would have to be put in place. Equally vulnerable are the homeless, for which efforts were made to provide shelter and reunite homeless children with guardians.

With regards to the exacerbation of community disparities due to COVID-19, an in-depth analysis of Namibian society reveals that historic disparities across racial, ethnic and gender lines have persisted in the post-independence period (UNDP, 2019). Structural inequalities such as access to land, housing, jobs and opportunities for education have been replicated even when efforts have

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<sup>28</sup> National Multisectoral Strategic Plan for Prevention and Control of NCDs in Namibia 2017/18 – 2021/22.

been made to reverse these patterns. In terms of gender inequalities, cultural practices such as limited education opportunities for girls and childcare duties for women and girls persevere. Further, economic opportunities in formal sector employment have been less available for under-educated groups leading to higher unemployment rates among people with low education attainment. These groups are also mostly residing in informal settlements with little access to clean water and sanitation.

GBV, including child abuse and domestic violence, is relatively high in Namibia: 26.7% of females aged 15 and older are said to have experienced it. High rates of adolescent pregnancies (15% of women aged 15-19) and reported incidences of forced sex remain key challenges and will be harder to monitor should the pandemic escalate further. Data from studies across the world where teenage pregnancies have been reported to increase have highlighted the challenge of GBV, especially sexual violence where young girls have been forced into sexual relations with males in the community or guardians and close family members. UNICEF has highlighted the dangers of girls being out of school for extended periods and being forced into early sexual relationships and marriages. Cultural practices that condone child marriages further predispose the girl child to vulnerability. It is reported that 7% of women aged 20 – 24 years are married or in a union (UNDP, 2019). For young women and girls, schooling also provided an additional protection mechanism, which will be compromised by lockdown and prolonged stay at home periods where abuse could already be a challenge. Another social issue for the future relates to orphans. In Namibia, 13.3% of children aged below 18 years old are orphans, with two-thirds of these children being in rural areas and a third in rural ones. While 10.6% of children in urban areas are orphans, this value reaches 15% in rural ones.<sup>29</sup> These issues require further research to determine the scale of the problems, and the links to the pandemic of such incidences.

A rather alarming problem that has come to light during the pandemic, and that is bound to be a long-term issue to resolve, is the consequence of COVID-19-related policies on people with disabilities and mental health. Regarding the former, it is estimated that the number has increased from 42,932 in 1991 to 98,413 in 2011, with 52% of these being women. The proportion of persons with disabilities without any formal education was higher in rural areas (82.3%) than in urban areas (17.7%). To date, only 33.0% of people that have disabilities in Namibia receive disability grants (NSA, 2016).<sup>30</sup> With regards to mental health, it is an area that is deeply under recognised, underreported, underfunded and under-monitored, making an estimation of the pandemic's effect very hard to develop. According to the Mental Health Atlas of 2017, the Disability-adjusted life years per 100,000 population was 2838.71 in 2017 in Namibia (WHO 2019). Since the beginning of lockdown measures, several countries have reported an increase in mental health challenges and complications for already existing cases. The restrictions imposed have caused significant disruption to individuals, families and communities. People returning to Namibia are experiencing

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<sup>29</sup> About 0.1% of Namibian households are headed by orphans.

<sup>30</sup> The 2001 and 2011 census data provided by the NSA (2016) shows that main disabilities include blindness (33.7%), deafness (19.1%) and impairment of legs (18.4%).

double trauma, as many have suffered physical difficulties enroute to and upon return to Namibia, by being put in mandatory quarantine. If this isn't dealt with caution, it could leave them with feelings of hopelessness and could lead to Post-traumatic Stress Disorder.

Another source of susceptibility to COVID-19 incidence by vulnerable groups pertains to nutrition, an issue that has become more pressing in the recent decade due to climate change. For instance, child malnutrition is widespread, with about 30% of children estimated to be short for their age (UNDP, 2019). Namibia experienced severe droughts both in the 2012/2013 and 2018/2019 seasons, severely affecting agricultural production. This worrisome situation of food insecurity influenced Government policies to initiate drought relief food assistance to more than 700 000 Namibians. Access to a healthy diet is also critical for the efficacy of any medical treatment. For people living with HIV and AIDS, a caloric intake between 10 and 30% is essential. Added to the impact of drought are COVID-19 related issues such as rising food prices and loss of school-based feeding programmes,<sup>31</sup> thus aggravating the issue of food security. Food prices are beyond affordable levels, which make it impossible for households to manage nutritional diversification. The GRN has intervened with regards to this issue, by distributing food parcels to poor and needy households.

Finally, the health crisis impact became very critical on the cultural and creative sector. The closure of heritage sites, cultural institutions, interruption of cultural production and markets, closure of museums, galleries, craft markets, theatres and cinemas, cancellations of performances, concerts, festivals, award ceremonies, and exhibitions has had (and will continue to have) an impact on the cohesiveness and resilience of communities and their inhabitants. The sector is also affected economically because it is largely informal and fragmented, leading to several challenges such as lack of securities and financial safety nets.

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<sup>31</sup> School feeding programmes were able to provide food nutrition support for school going children and youth, including provisions for ECD in community-based facilities.

#### **4. Impact on 5<sup>th</sup> National Development Plan and the Sustainable Development Goals**

As we can infer from the results presented by this report, both the NDP5 and SDG performance indicators have been negatively impacted by the COVID-19 pandemic. As a result, the attainment schedule of the SDGs will no doubt be affected in the medium and long-term. In what follows are summary details of how Namibia's development plans have been impacted by the COVID-19 pandemic:

- ❑ The pandemic has reduced the capacity of the GRN to generate revenues that would further reduce poverty (SDG N°1), improve access to (and quality of) water and sanitation (SDG N°6), decrease inequality (SDG N°10) and promote sustainable and inclusive economic growth that is capable of generating decent employment for all (SDG N°8) by 2030.
- ❑ The pandemic has further adversely impacted on food security in Namibia, due to worldwide governmental policies that have constrained both domestic and international trade and restrictions of movement. This will surely have a negative impact on achieving zero hunger (SDG N°2) by 2030.
- ❑ The pandemic has disrupted the advances made by Namibia to increase the well-being of its population and promote good health (SDG N°3), to provide quality education to all (SDG N°4) and to achieve gender equality and empower women (SDG N°5).
- ❑ The attainment of some SDGs is projected to be accelerated due to the pandemic and the measures taken to slow down its spreading. These include the strengthening of prevention and treatment of substance abuse like narcotic drug abuse and harmful use of alcohol (SDG N°3.5), halving the global deaths and injuries from road traffic accidents by 2020 (SDG N°3.6) and substantially reducing the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination (SDG N°3.9).
- ❑ The pandemic has had a drastic impact on all tourist- and nature-based activities, community-based natural resource management (CBNRM), conservancies and wildlife economies. The decreased revenue in these areas are bound to affect the financing, which protects and conserves the environment. As a result, the conservation of life below water (SDG N°14), the preservation of life on land (SDG N°15) and efforts to combat climate change (SDG N° 13) will be compromised.
- ❑ The need to increase digitalization and the use of ICTs to replace physical engagements has come as a major challenge for Namibia, as it lacks the necessary infrastructure to do so. In addition, travel restrictions and social distancing have impacted the country's ability to collaborate and partner face to face. In addition, being an upper middle-income country puts the country in a challenging position to access donor support and concessional loans, thus impacting significantly on its ability to achieve SDG N°17 by 2030.
- ❑ All of the prevailing situation puts Namibia in a challenging position to effectively and efficiently achieve the four strategic goals of its NDP, which are Economic Progression, Environmental Sustainability, Social Transformation, and Good Governance).

## **5. Conclusive remarks and policy recommendations**

### **5.1 Conclusive remarks**

The present assessment has provided insights into the socio-economic impact of the COVID-19 pandemic in Namibia on key sectors of the society. Specifically, areas that have been examined are economic growth, fiscal space and the public debt, monetary policy and inflation, the balance of payments and trade in goods and services, poverty, inequalities and the social sectors of the economy. In broad terms, it was found that the COVID-19 pandemic has had adverse impacts on these development indicators in the economy. However, the degree of their vulnerability to COVID-19 and impact thereof varies across sectors. Major concerns stemming from the pandemic's effect on the economy include food insecurity, environmental protection, poverty and inequality reduction, gender-based violence, vulnerable populations, health and education, tourism and agricultural production.

As stated above, there are categories of the population which classify as the people most at risk from the spread of the virus. Women, girls, female-headed households, children, youth, informal sector workers, people living with disabilities, the homeless, people living with HIV/AIDS and TB, those in informal settlements, and rural dwellers are all considered as the most vulnerable, with either a higher potential of being infected with the virus, or suffering tougher hardship as a result of the GRNs policies to fight the spread of the virus. Further, an analysis of the Namibian society has shown that historic disparities across racial, ethnic and gender lines have persisted in the post-independence period, thus making these people also vulnerable to the COVID-19 pandemic. More so, gender inequalities –which are often rooted in cultural and economic practices– are likely to increase the risk and vulnerability of women and girls to public health threats.

Therefore, in respect of the most vulnerable groups, it is critical that GRN and her development partners including the UN system in Namibia and other development actors continue to provide targeted policy and programmatic support in a drive to directly reach the vulnerable groups and address their basic needs during this challenging time in our world. Such policy and programmatic support should also be aimed at addressing the challenges faced in the economy and the health and education sectors including the negative growth, fiscal deficit, trade deficit, and fully capacitating the health and education sectors to provide effective, quality and safe services to citizens, students and all persons within the borders of Namibia.

### **5.2 Response to COVID-19 and Policy recommendations**

To recap, the pandemic has affected Namibia's economy through three different channels of transmission. Firstly, the pandemic has led to global and local supply chain disruptions, which have affected commodity prices, production activities and Namibia's external demand. Secondly, the pandemic has reduced labour supply due to layoffs or illnesses. Thirdly, it has spread uncertainty in both consumers and businesses, which has led to reductions in both consumer spending and business

investment with knock-on effects on government revenue (ECA, 2020). Faced with these issues, Namibia enacted several key public health policies at the onset of COVID-19 in March 2020. However, given the impact of the pandemic on other sectors such as nutrition, trade and education, it was imperative that the Government of the Republic of Namibia have in place systems to fully address the negative impact of COVID-19 on the country's economy, society and health systems. In what follows, the preventive measures that the GRN has done to respond is detailed following the United Nations 5 pillars of response and recovery, along with some ideas for policy.

### **5.2.1 Pillar N°1: Health first**

Public health communication messages and strong monitoring are at the core of the prevention measures adopted by the government. Further, employers and businesses must strictly adhere to prevention measures such as compulsory wearing of masks, social and physical distancing, and use of hand sanitizers. The key message for people to wash their hands regularly, stay at home and minimise unnecessary travel continue to be the main messages the government communicates to prevent widespread infections. National borders were closed, and international travel restrictions enforced until the end of the State of Emergency on the 17 September 2020.

The main gains from the GRN's management of COVID-19 in terms of public health procedures has been to ensure that the country's health systems are mobilised and aligned to combat the pandemic. Further, a team of experts at the highest level was commissioned to handle data collection, coordinate testing, manage quarantine protocols and develop both the regulatory and public health communication systems. The leadership of the response from the highest office in the country also ensured there was effective leadership guiding the national response. Namibia followed WHO protocols, which included the lockdown regulations, restrictions to the movement of peoples and temporary closure of businesses.

As stressed throughout this document however, the sudden shock of a pandemic such as this one has shown the limits of the Namibian health systems, making evident where improvements needed to be made. For one, the health system requires an improvement in human resources capacity (adequacy, skills and competencies), in organizational capacity (logistics system, operational systems, financial resources and technology) and strategic empirical information generation. It is crucial to provide strategic support to the strengthening of capacity in procurement and supply chain health systems management aimed at improving storage, distribution and pharmaceutical products. This has become even more necessary since Namibia has become an upper middle-income country, as it is no longer eligible for certain concessional grants and loans. In addition, the GRN should better leverage on the strength of the private sector by developing regulatory public-private sector partnerships and contracting out more technology and laboratory services at a favourable rate to ensure access. This will require careful coordination with overall public investment to prevent regional overcapacity and to be aligned with national hospital planning. It is also important to consider the design and implementation of an integrated health management information system and technologies such as telemedicine and smarter use of data for surveillance and tracking the pandemics/epidemics. For the long-term, it is recommended to undertake a strategic review of One Health regulatory requirement

and legal basis of all potential health measures to plan well in advance for any future pandemics/epidemics including the effective implementation of the national action plan to improve health security.

### **5.2.2 Pillar N°2: Protecting people**

The measures to prevent the spread of COVID-19 such as restrictions, lockdown, social distance, and quarantine have not been as effective as previously anticipated. One major reason is the inadequately functioning social protection and insurance mechanisms. There is a high proportion of the population that live in informal settlements and cannot afford basic hygiene. Hence, they are exposed to an enormously high risk against the disease. The recent increase in the transmission of the virus has been blamed on housing and water and sanitation shortages –especially in the Erongo region– as it could not engender social distancing. This calls for the implementation of social protection, assistance and insurance mechanisms that safeguard citizens, restore livelihoods and provide access to food, shelter, clean running water, ablution facilities and drugs. As estimated by UNECA (2020), 39% of the urban population were living in informal settlements in 2016. It may be necessary to consider measures that will balance reducing the spread of the disease without jeopardising their ability to earn income. This could mean selective lockdown in areas that are highly affected with high infection rates.

The lockdown, which increased the pressure of job loss on an economy already characterized by high unemployment rates, was particularly felt amongst the youth. For this reason, it is necessary to support the design and operationalisation of employment generation and economic empowerment initiatives for women, youth and other vulnerable groups like those in the informal sector and informal settlement to ensure inclusivity in the economy. This issue is even more important since the increased stress of income loss has the potential to fuel GBV and children-related incidents. In addition to palliatives that the government and its development partners have been making in this area, there is the need to strengthen psycho-social support to ensure highly vulnerable groups are protected. All these call for both vertical and horizontal expansion of social protection, including moving towards progressive universalism of the child grant.

Even before the pandemic Namibia depended on imports to feed its people, as only around 40% of the required food is produced locally. Coupled with droughts, other environmental challenges related to food systems, supply chain and trade disruptions, abrupt price changes and reduced market access due to social distancing, the economy is challenged in ensuring enough essential foods and nutrition services for its population. Despite the fight against the pandemic leading to a redirection of resources from financing the NDP5 agenda and increasing food security, the GRN must not lose focus on hitting its targets related to this matter. Meanwhile, in the short-term, the country needs to ensure continuous support in making the required food available to the most vulnerable at a much cheaper rate<sup>32</sup>. The country development partners, like the FAO would need to re-prioritise its support to ensure that immediate needs are met. Efforts need to be harnessed to engage the unemployed youths in farming

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<sup>32</sup> More on how this can be achieved in the upcoming UN Socio Economic Recovery Plan.

by making the sector a lot more attractive. Strategic support provided to the scaling up of existing income and conditional cash transfer programmes for the poor and other vulnerable groups severely impacted by the COVID-19 pandemic is recommended. For instance, fast tracking the implementation of the newly developed Social Protection Policy that recommends rolling out a Basic Income Grant could go a long way in addressing the vulnerabilities of the poor and the unemployed.

### **5.2.3 Pillar N°3: Economic recovery**

With the prolongation of lockdown, quarantine, physical distancing, and other isolation measures to suppress transmission of the virus, the global economy is sliding into a recession. Many MSMEs are on the verge of bankruptcy, domestic industries are subject to sudden external trade shocks and both businesses and employees have had to incur income losses. In the medium-term, increased government expenditure on infrastructure and construction projects would provide a growth impetus. These sectors are some of the largest employment creators in Namibia and have a high multiplier effect on many other interdependent sectors. To provide better estimates, strengthening data gathering and analysis across sectors is an area that needs investment by GRN with support from development partners. For this, it is recommended to support the private sector to develop its capacity through an effective private sector development strategy and strategic plan as well as developing an integrated management information system to make available real time data for its members and the public as part of the process of building back better.

In the face of a shock such as COVID-19, the importance of evidenced based policy intervention cannot be overstated. It would also be essential to involve major private infrastructure companies and provide stimulus (and support) packages to ensure their liquidity and capital access for minimum cash flow stability. With regards to the informal sector, it is crucial to undertake a comprehensive diagnostic of it to understand the factors, characteristics, causes and circumstances of informality in Namibia, whose information should be used to design and implement policies, legislation and programmes to facilitate the transition of workers from the informal to the formal economy. Poverty reduction can also be further addressed by enhancing the current agricultural capacity to increase food security for subsistence farmers. In addition, it is important to mitigate job losses in the service and tourism industries as well as World Heritage sites. Additional support from development partners should be accelerated and redirected to priority areas, either in cash, kind, or technical assistance.

### **5.2.4 Pillar N°4: Macroeconomic response and Multilateral Collaboration**

In the wake of the pandemic, a number of interventions have been made by the government. On the monetary policy side, intervention includes reducing the repo rate to 3.75%, repayment holidays, commercial banks write-offs and relaxed provision rules, postponement of single borrowing limits, capital conversions, and relief liquidity measures. In terms of fiscal policy, there was a N\$8.1 billion stimulus package, with N\$5.8 billion aimed at supporting businesses and households, and N\$2.3 billion for off-balance sheet contingent liabilities. While these measures provided immediate relief,

it has not been enough to offset the damage done by COVID-19. Hence, the economy has suffered great losses that will require further interventions and sustained policies to bring it back on track. Efforts should be made to continue the expansionary fiscal policy with a complementary monetary policy to avoid uncontrollable inflation. Where the government has control, it can provide debt relief packages as medium to long-term policy measures. For instance, working with international financial institutions to defer debt repayment to a more suitable time period to allow for better recovery and strategic support to the economy. Also recommended is to support the strengthening of capacity to develop innovative development financing instruments and their management with key development partners such as the World Bank, International Monetary Fund, African Development Bank, European Union and the UN System. With regards to multilateral collaboration, the leveraging of the recently ratified AfCFTA in pooled procurement, localized production and quality assurance could also mitigate costs and create fiscal space in the medium term.

Government's economic policy should factor in unforeseen disasters like the current COVID-19, as a long-term policy measure. This should be done through the initial stages of economic policy crafting. The short- to medium-term policy is for the government to focus on consolidating the domestic market. This should be done by strengthening the country's manufacturing and production sectors. Priority should be placed on trade as a zero-sum game, where Namibia has an absolute advantage. It is proposed that the country focus on the production of goods and services for which it has the comparative advantage, to best reap the profits it can gain from trading with other nations<sup>33</sup>. In doing so, the country needs to continue to honour trade agreements with its partners, especially South Africa, as it accounts for the chunk of its trade abroad. In this way, continued supply of essential food and medical supplies can be assured during and beyond the pandemic.

### **5.2.5 Pillar N°5: Social cohesion and community resilience**

In the short term, to assist consumption costs amid the lockdown, it is commended that the GRN continue to provide direct cash transfers and food parcels to the most vulnerable households to cushion the loss of income. In addition, sectors hit by the COVID-19 crisis will need an array of support measures such as bailout packages and wage subsidies to minimize layoffs. In addition, during this pandemic it is crucial to build social trust to prevent discrimination, repression or censorship, including the targeting of women, journalists, human rights and environmental defenders.

With regards to climate change resilience, much has yet to be done, and the pandemic might have generated negative repercussions. The consequences are that such out-of-pattern activities might make the ecological system in Namibia more vulnerable, and as such further worsen the state of climate change in the country. As part of building back better and ensuring a balance in the industrial production and environmental protection, the priority needs to be sustainable development production methods. In a drive to fight the COVID-19 pandemic by buying equipment and medicines, the GRN has offered to auction its 60% share in the country's fish reserve to raise the required funds. Care

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<sup>33</sup> More on this in the upcoming UN SERP (Socio Economic Recovery Plan from COVID-19) report for Namibia.

must therefore be taken to ensure that the proceeds are effectively and efficiently managed for the greater good of the nation and its people.

Investments in ICTs can help in this regard, as it will ensure that production processes utilise new technologies that generate less emissions. What is more, local communities could be stakeholders in carbon credit schemes for their benefits. This will help to empower local citizens to be part of decision making on sustainable development measures. There is also the need to respect local wisdom during decision making processes on policies that will affect their livelihood. Overall, the country will need to try and compensate for harvesting natural resources and generating carbon emissions by designing an economic recovery plan that takes into account low-carbon industries. Finally, the COVID-19 pandemic has made evident the importance of supporting capacity building of national and sub-national institutions in the areas of planning, mitigation, financing, coordination and crisis management in sector plans such as education, health and agriculture, among others, to establish resilience for future catastrophic scenarios such as this one.

## ANNEXURES

### Annex I. Methodology of the study

The terms of reference for this assignment requires for preparation of a comprehensive socioeconomic impact assessment report by ensuring the quality, logical frame and flow, soundness of analysis, accuracy and appropriateness of accompanying disaggregated data on the vulnerable population. In the absence of direct primary data collection, the analysis depended on knowledge, information and expertise of the UNCT in Namibia, in addition to any accessible secondary source of information from Government Counterparts, Experts and Partners including development partners, private sector, civil society and academia. This information was useful in generating preliminary and rapid social-economic assessment of the situation, in the country, and informative in the assessment of the macroeconomic impact of COVID-19.

Secondary data and the macroeconomic model that was used to simulate various scenarios and estimating the impact of COVID-19, were meant for helping with generating policy options and recommendations for long-term response and recovery. The macro-economic model summarizes the effects of ongoing and expected shocks to the Namibian economy, and its implications in some areas of the economy, including households, prices of basic goods and services, and the ability of the government to finance essential services.

To analyse the macroeconomic effects of the COVID-19 pandemic on the Namibian economy, the study adopted a United Nations Economic Commission for Africa (UNECA) model precisely the Autoregressive Distributed Lag (ARDL) model for the macroeconomic effects of COVID-19 on Namibia. The model is characterised by the long run neoclassical supply side and short run Keynesian demand side and is developed to evaluate the Namibian macroeconomic environment and the possible impact of the pandemic with the view to assist in undertaking sustainable development plans for the country. The Error Correction Model is also adopted to ensure that the country carries out forecasting for rigorous policy analysis and formulation. The UNECA model utilised the UN database for various countries.

Noting that the results of the assessment form part of the basis for the, Response and Recovery Plan that in turn will support the Government's Response and Recovery efforts key, Government Statutory Institutions such as the Ministry of Finance, National Planning Commission and the Bank of Namibia were thus considered in the exercise for reflection purposes.

Away from the macroeconomic model, throughout the exercise there were frequent consultations with the UN Country Team (UNCT), as well as the other UN Regional Offices. In addition, selected Government officials assisted in the collection and compilation of information, and in providing strategic guidance. Meetings with the UNCT and other UN Regional offices were also organized by the UNDP.

The generated outputs are integrated into the UNPAF for country joint programming, going forward. The resulting policy options and recommendations consider socio-economic

vulnerabilities along demographic lines, potential severity of economic consequences in order to inform policy responses and the basis for mapping out opportunities for UN Namibia to engage with citizens, decision makers and partners in responding to the crisis and contributing to future preparedness and recovery, and overall the realisation of the SDGs.

### Limitations

Techniques used for computing the vulnerability index require a comprehensive dataset containing indicators and variables that reflect vulnerability hazards. A good number of variables that provide a better picture of the community or society are required as inputs into the vulnerability assessment methodologies such as the principal component analysis (PCA). In addition, the techniques require that variables be quantitative in nature. In many of the data sets available, such as the Namibia household income and expenditure survey (NHIES), the indicators of vulnerability lacked quantitative data, making it difficult to apply the different techniques for computing the vulnerability index or to develop the vulnerability metrics. There is no readily available or comprehensive data to compute the vulnerability index for Namibia or the different regions of the country, and thus, a survey that takes into consideration the different vulnerability indicators and makes sure that they are quantitative, is required. At this stage, the proportion of individuals belonging to different vulnerable groups are discussed.

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