Indefinite article

The IMF has published its latest report on Namibia but there is little sign government will follow its advice

Namibia joined the International Monetary Fund (IMF) shortly after independence in 1990. Since then, although Namibia has thankfully never been on the receiving end of an IMF programme, the government has made use of the technical assistance it provides in a range of macro and micro economic policy areas. It has also held annual "Article IV" discussions with the Fund. Under Article IV of the International Monetary Fund's Articles of Agreement, the IMF holds bilateral discussions with its members, usually every year. The discussions serve as a way of exchanging opinions on economic policy and can act as an early warning of economic problems ahead.

For their eyes only

In the bad old days the contents of the Article IV reports produced by the visiting team of IMF experts were treated with strict confidence. Member governments were not keen to have their dirty economic washing hung out in public. Nowadays they are posted on the IMF's website. Not only that but the IMF now goes to considerable lengths to meet not only top politicians, civil servants and technocrats, but also private sector and civil society players. This time, for example, they met up with the Basic Income Grant coalition – the group of churches, NGOs, and trade unions lobbying government to introduce a universal cash benefit to all Namibians.

The latest report, produced by a team led by the affable economist Johannes Mueller, is an admirably clear and concise document accessible to pretty much anyone interested in Namibia's economy. The overall picture presented is that the IMF and the government of Namibia have very few substantial differences of opinion on economic policy. As a result Namibia receives a clean bill of health and considerable praise for its "commitment to macroeconomic stability", rise in growth, low inflation and "strengthening of external accounts".

Déja vu

Those with long memories who have followed discussions over the years will not have been surprised to see many of the old themes make their annual appearance. The IMF emphasises the need to "reduce the fiscal deficit through expenditure restraint and civil service reform". The country's currency peg to the South African rand has "served Namibia well". The traditional reference to Namibia's high prevalence of HIV/Aids, unemployment and widespread poverty were made.

Yet instances of clear suggestions for an alternative way forward are hard to track down. The most important occur in the areas of state-owned enterprises (SOEs), labour legislation, domestic investment and land reform. On SOEs, the IMF recommends that "government should not subsidise insolvent or unprofitable parastatals, especially those operating in competitive environments, but consider restructuring or privatising them". The IMF seems to have Air Namibia very much in mind.

On the labour market, the IMF states that "the need to enhance the quality of education will be key". The report provides few clues on how this should be done and remains agnostic about government's proposed reforms. However, it believes improving skills is the most promising way of reducing unemployment. Interestingly, it proposes relaxing immigration restrictions and scrapping provisions in Namibia's new Labour Act which it fears may "impose costs on enterprises and make labour markets less efficient".

The IMF appears less than impressed with government's revised domestic asset demands, pleading for it to reconsider domestic investment requirements which, it believes, "could lower investment returns, direct funds to unprofitable projects and raise non-banking financial institutions' risk exposure." Yet the same remark was made ten years ago when government first introduced such measures. On land reform, what is required is expropriation based on "objective and transparent criteria" and "in full accordance with the Constitution".

Simply too BIG

The report is bad news for the BIG coalition. Although the IMF says the government "may also want to consider new approaches to poverty including cash grants", it believes the BIG proposal "could put macroeconomic stability at risk and compromise prudent fiscal policy". Instead a "targeted cash grant" should be considered, rolled out gradually to "contain costs, gain experience and tackle administrative obstacles".

It is difficult to know how seriously government takes this advice. Under former president Sam Nujoma, the IMF and its sister organisation the World Bank were seen as quasi-imperialist organisations bent on compromising the sovereignty of African countries and keeping the continent weak. One of the defining characteristics of the post independence period was that involvement with the two institutions was politely kept to a minimum. Fear of an IMF programme was arguably the single most important weapon in the armoury of successive Namibian ministers of finance in their struggle to keep the nation's finances in check.

But the IMF perceives change in the air, believing that the Namibian authorities "have recently become more receptive to Fund policy advice". That may have something to do with the change in approach by the IMF as well as the arrival of a new government. Certainly Mueller goes about his business with none of the old IMF arrogance. Yet while it is no bad thing to have received a good report from one of international economics' sterner teachers, those interested in boosting Namibia's growth to Chinese rates will come away thinking that what the Fund recommends falls somewhat short of what the country needs. ∎

The report can be downloaded from www.imf.org