

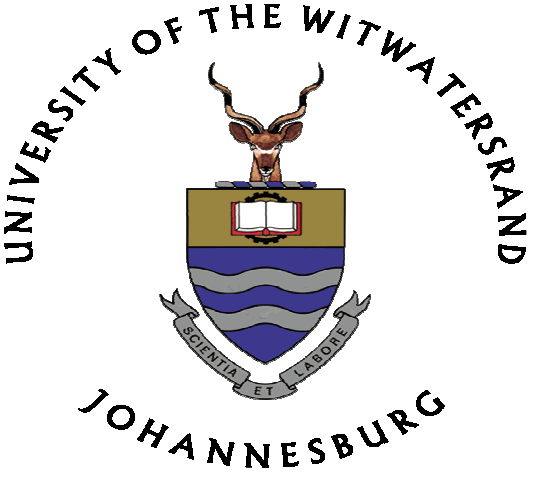
https://dspace.org/

Break with tradition: understanding Namibia's relations with the Bretton-Woods international financial institution

Sakaria, Iipumbu

2009-10-21T08:09:01Z
http://hdl.handle.net/10539/7381

Downloaded from a DSpace repository. https://dspace.org/



Break with tradition: Understanding Namibia's relations with the Bretton - Woods International Financial Institution

Iipumbu Sakaria

Student No: 334160

Supervisor: Dr. Seeraj Mohamed

A research report submitted to the Faculty of Humanities, University of Witwatersrand, Johannesburg, South Africa, in partial fulfilment for the Degree of Master of Arts

February 2009

Declaration:

(University of the Witwatersrand)

I declare that this Research Report is my own unaided work and it is submitted for the Degree of Master of Arts at the University of the Witwatersrand, Johannesburg. Where I have used the work of other authors, I have properly acknowledged them and have not copied any author or scholar's work with the intention of passing it off as my own. All interviews and informal conversations that have been conducted for the purposes of this research report have also been cited correctly and I have not passed off any of my informants' work, suggestions and quotes as my own.

This research report has not been submitted before for any other degree or examination in any other University.

.....
Iipumbu Sakaria

February 2009

To Namibia's future leaders

'If you think anybody cares about you but yourself, you make a big mistake; as of the individual so of the race. No one person is going to love you more than he loves himself'[1]

[1] Garvey, M (1937). Speech delivered in Winsor, Ontario Canada; September 1937. www.marcusgarvey.com/np6.htm. Accessed 24th December 2003

TABLE OF CONTENTS

DECLARATION

DEDICATION

ACRONYMS

ACKNOWLEDGMENTS **7**

INTRODUCTION

Abstract *8*

Introduction to research report..... *9*

Aims and rationale *10*

Methodology..... *11*

Limitations and strengths of the study *13*

Structure of the report *15*

CHAPTER 1 - LITERATURE REVIEW..... 17

CHAPTER 2 - NAMIBIA'S ECONOMY..... 51

CHAPTER 3 – NAMIBIA'S RELATIONS WITH BRETTON - WOODS..... 84

CHAPTER 4 – ETSIP & THE WORLD BANK LOAN..... 94

CHAPTER 5 - RESEARCH FINDINGS..... 108

CONCLUSION..... 124

BIBLIOGRAPHY..... 130

ANNEXES

A: List of interview questions..... 140

B: List of interviewees..... 141

List of Tables

Table 1. Namibian education at a glance.....97

Table 2. SACMEQ II countries mean scores 100

List of Figures

Figure 1. Trends in GDP growth rates.....54

Figure 2. Trends in inflation 55

Figure 3. Sectoral contribution to GDP…….....58

Figure 4. Agricultural contribution to GDP….....60

Figure 5. Fishing contribution to GDP…….....61

Figure 6. Diamond contribution to GDP…….....63

Figure 7. Distribution of NAMDEB profits to GRN and De Beers…….....65

Figure 8. Diamond revenue as a percentage of total government revenue…….....65

Figure 9. Diamond onshore and offshore mining.....66

Figure 10. Manufacturing as a percentage of GDP.....68

Figure 11. Tertiary Sector contribution to GDP.....70

Figure 12. Revenue & expenditure as a percentage of GDP…….....71

Figure 13.Expenditure analysis…….....74

Figure 14. Budget Balance……76

Figure 15. Debt as a percentage of GDP……...77

Figure 16. Education budget allocation…….98

ACRONYMS

BON	Bank of Namibia
BRETTON - WOODS	Referring to World Bank and IMF
CMA	Common Monetary Area
DPL	Development Policy Loan
EC	European Commission
ECD	Early Childhood Development
EPZ	Export Processing Zone
EU	European Union
ETSIP	Education Training Sector Improvement Program
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEF	Global Environment Facility
GNI	Gross National Income
GNP	Gross National Product
GRN	Government of the Republic of Namibia
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
IPPR	Institute for Public Policy Research
LaRRI	Labour Resource and Research Institute
MIGA	Multilateral Investment Guarantee Agency
MTEF	Medium Term Expenditure Framework
NAMDEB	Namibia De Beers (Corporation)
NDP	National Development Plan
NEPRU	Namibian Economic Policy Research Unit
NGO	Non - governmental organization
NPC	National Planning Commission
PETS	Public Expenditure Tracking Survey
SACMEQ	Southern Africa Consortium for Monitoring Education Quality
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SAPs	Structural Adjustment Programs
SIDA	Swedish International Development Agency
SWAPO	South West Africa People's Organization
WB	World Bank

Acknowledgment

First of all I want to thank the Most High God for guiding me throughout my life and for giving me strength, faith and this opportunity to pursue these studies. May he further be blessed for giving me Meme Ndeyakune Cecilia Amadhila as my mother and Mandume, Gloria and Selma as my siblings who continue to inspire me to be the best that I can be.

Special thanks go to my supervisor, Dr. Seeraj Mohamed, who agreed to supervise a project that many would have found too sensitive or potentially too controversial to pursue.

Further acknowledgement is also directed to all persons and institutions that contributed to this research, in particular those that availed themselves to be interviewed by me. Above all, I would like to appreciate the gesture by our First and Founding President of the Republic of Namibia, Dr. Sam Nujoma, for taking time from his busy schedule to avail himself for this research[2]. I hope his example will inspire other leaders to avail themselves to future students in their quest to contribute to Namibia's developmental visions and goals.

[2] Special thanks must also go to the Right Hon Prime Minister Nahas Angula, Governor of the Bank of Namibia Tom Alweendo, the World Bank representatives, as well as Mr. Justin Ellis, Herbert Jauch, Neville Andre Itope and Ndeulipula Hamutumwa, just to mention a few. I also appreciate the gesture and assistance from Kadiva Nghipondoka. A list of interviewees is attached (Appendix B).

Abstract

In 2003 the first President of the Republic of Namibia was relieved that Namibia had not taken a single penny from either the World Bank or the IMF[3]; as such, Namibia was one of the rare countries that had managed to do so since their independence. This scenario, unfortunately, came to an end in 2007 when Namibia officially requested a loan from the World Bank to start with the implementation of the ETSIP program[4] and had thus broken its long and unusual record of not taking loans from the Bretton - Woods Institutions. This study, therefore, researched how and why Namibia stayed free from Bretton - Woods' loans and why it eventually broke that tradition. The research found that Namibia had no economic crisis, whatsoever, warranting World Bank or IMF interventions; on the contrary, it strengthened a hypothesis advanced by Laila Smith[5] suggesting that the World Bank uses its knowledge brokering role as a device to foster lending relationships with countries that initially refused to do so. The research therefore suggests that careful and informed engagement with the World Bank and IMF will be crucial if Namibia is to attain its developmental goals as outlined in its Vision 2030.

[3] New African (2003: xiv). Special Report on Namibia. IC Publications New African. November 2003
[4] World Bank (2007: 28). Program document for a proposed first development policy loan to the Republic of Namibia for first Education and Training Sector Improvement program. Report No: 38571. 27 April 2007.
[5] Smith, L (2007: 236). Power and the hierarchy of knowledge: A review of a decade of the World Bank's relationship with South Africa. Science Direct Journal. Geoforum 39 (2008)

Introduction

Namibia was one of the rare countries that had not taken money from the Bretton - Woods institutions since the country's independence in 1990, but broke that tradition in May 2007. Theory suggests that there are various reasons why countries resort to IMF and World Bank loans; primary reasons include financial or economic problems or vested interests from groups that expect to benefit from those loans. There is also another theory which suggests that the World Bank, in this case, finds various means through its technical assistance programs to get countries, which were initially opposed to borrowing from them, to finally accepting to take loans[6].

Experience[7] has shown that these institutions have their own agendas, ideologies, as well as interests to pursue and it is hence important to assess the implications that arise from such a lending relationship with these institutions.

I am not merely making a case for extra - careful engagements with Bretton - Woods institution; instead I am arguing that loans from the World Bank or IMF should not be permitted to derail the developmental objectives of the country so as to suit the interest of the sponsors of Bretton – Woods. Namibia's next generation will spend more time administering Bretton - Woods'

[6] Smith, L (2007). Power and the hierarchy of knowledge: A review of a decade of the World Bank's relationship with South Africa. Science Direct Journal

[7] Richard Peet (2003). The Unholy Trinity. University of the Witwatersrand Press. Johannesburg; Stein, H (1999). Globalisation, Adjustment and the structural transformation of African economies: The role of international financial institutions, CSRG Working Paper No. 32 / 99

interests than concentrating on their own economic and human development if political leaders are not careful in their engagement with these institutions.

Aim and Rationale

The primary aim of this study is to find out how Namibia managed to stay away from World Bank and IMF loans and consequently find out why it eventually broke that tradition.

The research concentrates its attention on the history, ideology and practices of the Bretton Woods Institutions and assesses the economic, political and developmental impacts these policies had in several SADC countries. It also focuses on the Namibian economy as well as the existing relationship between Namibia and the Bretton Woods Institutions.

I am interested in understanding the influence and powers that could accrue to the World Bank as a result of the first loan and the type of conditions attached to the World Bank loan. Will Namibia have to start implementing Bretton - Woods – inspired developmental programs and policies to keep the lender happy?

The research, amongst others, tries to find out whether Namibia was enticed into breaking its policy of avoiding indebtedness and undue political influence of the Bretton – Woods institutions or whether Namibian policy makers genuinely believed that borrowing was the way forward for the country. Did the World Bank use its technical assistance as a base for a future lending

relationship with Namibia and, lastly, how will this loan affect Namibia's policy making decisions?

Methodology

The first and primary method used in this research project was critical discourse analysis. Over and above the in - depth interviews, it was indeed examination of relevant literature that provided the most insight into the subject.

An analysis of primary documentation about Namibia's Economy, the role and operations of the Bretton - Woods International Financial Institutions, and an assessment of relevant documentation about other countries' relationships and experiences with the World Bank and the IMF was arrived at through relevant data collection. The main perused documents included reports from the Bank of Namibia, the Ministry of Finance, National Planning Commission, Ministry of Education, Research Institutions and other significant documents from the Republic of Namibia. These were complemented by research reports from Namibia Economic Public Research Unit (NEPRU), as well as the Institute for Public Policy Research (IPPR), the Labour Resource and Research Institute (LaRRI) and other available publications.

Documents and views from the International Monetary Fund and the World Bank were used to get an external view of Namibia's economy as well as the Namibian Governments' relations with the World Bank and IMF. Prominent documents scrutinized included various Article IV

Consultations and country reports from the IMF as well as the Interim Strategy Note and other country documents from the World Bank[8].

The second method used to gather information was in-depth interviews. The goal of the in - depth interviews was to obtain accurate information from key stakeholders that are, and were, directly involved in the Namibian Economy and engaged in relations with the World Bank and IMF. Interviewed persons included individuals from the Ministry of Finance, Ministry of Education, Bank of Namibia, National Planning Commission and research institutions as well as NGOs, Civil Societies and Trade Unions. Most interviews occurred in structured interviews and questions were developed based on the information that was required.

Participation in this study was voluntary and informed consent of the respondents was obtained. In other words, the respondents had the freedom to choose whether to participate or not after they were thoroughly briefed on the proposed study. The researcher further ensured that the rationale, procedures, and confidentiality of information were to be upheld as stated in the interview request letters.

[8] Latest available documents

Limitations and strength of the study

The data collection was guided by the research questions and indeed the available literature and the methods applied may not have provided all the answers. Different methodologies were considered but the most appropriate one remained the one that was applied. I have, as well, been thoughtful about my own limitation to the extent to which I could answer the research question.

The literature review could not fully provide answers to the research questions as past experiences of other countries could only provide a partial analysis to Namibia's own case. It was difficult to find proof that the World Bank had changed over time or whether their staff had different attitudes to Africa. Namibia differed to most other countries in the sense that they did not seek the loan due to economic problems or vested interests. Even though it is difficult to know whether people tell the truth I got the impression that the interviewees gave a fairly accurate presentation of their attitudes and I could not find vested interests to conceal or hide certain information; instead I found people quite comfortable sharing their thoughts with me.

The research obviously missed many factors for consideration as there was not sufficient time to explore everything and there hence remain, of course, many more areas for future research.

Time limitations meant that the research proposal had to be narrowed down as much as possible so as to allow for its timely completion. This time limit put the researcher under great pressure to travel to Namibia to conduct the major fieldwork in that country when time and resources

permitted. Therefore, the views from the Ministry of Finance and the IMF were sourced from their official documents rather than in face to face interviews. As this is the first time the World Bank is ever lending money to the Government of Namibia there is no track record to assess all the risks associated with lending[9].

On the positive side though, the researcher managed to meet and interview the First and Founding President of the Republic of Namibia, His Excellency Dr. Sam Nujoma to understand why he stayed away from Bretton - Woods loans, the Rt. Honourable Prime Minister Nahas Angula who explained the status quo of the current government as well as the Governor of the Bank of Namibia, Mr. Tom Alweendo, who provided relevant economic information and assurance. The researcher also managed to interview three World Bank representatives dealing with Namibia as well as the manager of the ETSIP Program, a senior researcher from LaRRI and a diamond research fellow; just to mention a few.

The ultimate strength of the research though, lay in the fact that the researcher had a profound interest in the study and hence did everything in his ability to get the most accurate information available to him at that time and under the prevailing circumstances.

[9] World Bank (2007: 3). Proposed first development policy loan to the Republic of Namibia for a first education and training sector improvement program. Report No: 38571. Washington

Structure of the report

Chapter 1 covers the literature review and provides background information on the Bretton - Woods International Financial Institutions, starting with the history of the World Bank and IMF, their practices and policies and how these affected recipient countries. Special attention was given to the structural adjustment programs as they were predominantly experimented and imposed on African countries.

The second chapter looks at the Namibian economy and the objective of this chapter is to initially provide an analysis of the economy since independence and, secondly, to assess whether Namibia had to take that loan due to financial or economic insufficiencies. That chapter concludes with a presentation of the major challenges faced by Namibia.

Chapter 3 focuses on Namibia's relations with the World Bank and IMF from independence until 2008. This chapter might give the reader an understanding of projects and technical assistance provided to Namibia by the World Bank and IMF.

The fourth chapter briefly describes the ETSIP program and the World Bank loan that was literally attached to it. It is important to understand that the World Bank was highly involved in the development of the ETSIP program, first through technical assistance which has now culminated into a lending relation with a country that initially stayed away from Bretton - Woods' loans.

Chapter 5 provides the research findings of the study while the conclusion suggests recommendations to the future generation of Namibian leaders in their envisaged engagement with the Bretton Woods International Financial Institutions.

CHAPTER I

LITERATURE REVIEW

Neoliberal thought, as described by Joseph Cohen[10], is a process that 'seeks to transfer control of the economy from state to the private sector' and mainly deals with the market liberal policies often associated with the 'Washington Consensus[11]' in opposition to, mostly, Keynesianism. The distinguishing feature between these policies is the role of the state in the economy and development of the country. Whereas policy - makers from 1945 – 1970 were predominantly advancing a significant role of the state through employment creation and the regulation of the economy[12], policy makers after the 1970s advanced a more market – based approach to development and the regulations of the economy.

This neoliberal thought has been advanced and supported by Washington – based international financial institutions like the World Bank and the IMF and the policies they advocate include, amongst others, fiscal discipline, reducing public expenditures, tax reforms, interest rates, competitive exchange rates, trade liberalisation, encouraging foreign direct investments, competitive economy and securing property rights[13].

These policies predominantly shape Structural Adjustment Programs and Poverty Recovery Strategy Papers that countries have to implement as a condition for getting aid from the Bretton – Woods Institutions.

[10] Cohen, Joseph Nathan (2007). "The Impact of Neoliberalism, Political Institutions and Financial Autonomy on Economic Development, 1980–2003" Dissertation, Department of Sociology, Princeton University. Defended June 2007
[11] Economic policies predominantly advanced by the Washington – based international financial institutions like the World Bank and IMF
[12] Keynes (1937) and Polanyi (1944), for example
[13] Peet (2003: 205). The Unholy Trinity. University of the Witwatersrand Press. Johannesburg

Consequences of SAPs included considerable higher unemployment, stagnant growth, eroding of sovereignty, accountability to international institutions instead of the electorates, flooding of foreign companies to the detriment of local companies and potential political upheavals due to discontent with these foreign advised adjustments and hence pose a potential threat to the well being of African or developing countries[14].

This literature review, therefore, looks at the policies, practices and philosophies of the Bretton - Woods Institutions and analyses how these affected some Sub–Saharan African countries that took loans from the World Bank or the IMF. As Namibia has taken out its first ever loan from the World Bank it can learn a lesson from the experiences of other countries to assess the magnitude of its new engagement with these institutions.

The end of colonial rule in Africa brought the newly independent African States into the centre of Eurocentric ideological struggles involving neo-colonial forces in the area of economic development and modernisation which gave the capitalist powers in Europe and the United States the ability to demonstrate that the road to sustained economic growth lay in the replication of the Western historical experience[15]. According to Abrokwaa[16] 'the inherited chain of economic dependence forged during the colonial era ensured that economic, political, and educational models central to capitalist expansion would continue to play a hegemonic role in determining post–independence African development strategies'.

[14] See, amongst others, Peet (2003), Mwanza (1992), Soludo and Mwakandire (1999),
[15] In various writings of Kwame Nkrumah; 1963 and 1965 for example
[16] Abrokwaa, C (1999). Africa 2000: What Development Strategy? Journal of Black Studies. SAGE Publications

As a consequence, the issue of development engaged the attention of almost all independent African governments, making Eurocentric development strategies the foundation of policy decisions in 'post colonial' Africa. Nevertheless, after nearly half a century of firm belief in, and adoption of, imported Western development ideologies and strategies in efforts to achieve modernisation, it is painfully evident that Africa continues to be underdeveloped, poor, heavily indebted to its ex – colonial rulers, and struggling with insurmountable internal socio – economic problems[17].

It is only fair to note that these external influences were not the only reason for this turmoil as internal factors surely contributed to it too; but the external ones did have significant influence to contribute to the above mentioned failures in many countries.

Namibia, unlike many Sub – Saharan African countries, had not taken loans from either the World Bank or the IMF but decided to break that tradition in 2007 when it officially requested a loan from the World Bank for the ETSIP Program[18]. As institutions like the World Bank have their own agenda and interests to pursue it is important to note this strategic change of practice and hence analyse whether this initial first loan to Namibia will pave the way for more and further loans from the World Bank. Could this be the beginning of Structural Adjustment-type Programs and neoliberal economic policies for Namibia? What made Namibia change its policies and take the loan from the World Bank if history has shown that relationships with the World

[17] Ibid
[18] World Bank (2007: 28). Program document for a proposed first development policy loan to the Republic of Namibia for first Education and Training Sector Improvement program. Report No: 38571. 27 April 2007.

Bank have not been very promising for developing countries[19]? Has Namibia fallen into the initial traps of the neoliberal economic doctrines that are associated with the Washington consensus?

There are different ways that IMF and World Bank advance neoliberal philosophies; some countries find themselves in economic crises and thus resort to taking loans from either the World Bank or the IMF who then impose and suggest structural reforms. In Tanzania[20], although the political leadership was initially against adjustments as advised by the World Bank and the IMF, the economic crisis towards the end of the 1970s and the pressure emanating from the Bretton - Woods institutions subsequently led Tanzania with no other choice but to adopt Structural Adjustment Programs which then led to a full scale Economic Recovery Program supervised by the IMF[21].

In Zimbabwe, according to Tor Skalnes[22], there was no economic crisis that warranted the policy shift to agree to Structural Adjustment Programs. Tor Skalnes rather shows that pressure from interest groups, both domestic and external, can influence a government to adopt structural adjustment programs[23]. In the case of Zimbabwe the manufacturing industry lobbied hard, with the assistance of other pressure groups, to get Zimbabwe to agree to structural adjustment

[19] Mwanza, A (1992). Structural Adjustment Programs in the SADC. Natprint. Harare
[20] Kiondo, A (1993). Political implications of Tanzania's economic reforms: 1982 – 1984. Conference Paper presented in October 1993. University of Dares Salaam
[21] Ibid: 43
[22] Skalnes, T (1993). The State, Interest Groups and Structural Adjustment in Zimbabwe. Journal of Development Studies. 29: 401 - 428
[23] Ibid: 402

programs. Thus, according to Skalnes, there was no pressure from outside to introduce these programs but internal interests that aimed to gain from these reforms.

South Africa also adopted neoliberal policies despite being under very little pressure to accede to World Bank or IMF demands. This is demonstrated in Hein Marais' book published in 1998 where Marais states that:

'….many African countries could justifiably claim to have had little choice but to submit to IMF – decreed Structural Adjustment Programs. But the complicity of national elites in their enfeebling adjustments and the benefits they seek to draw from them has been a consistent factor. All the more so in South Africa's case, where the leverage of the IMF and World Bank is minimal and where the level of economic development provides manoeuvring space unavailable to a country such as Ghana'[24].

Laila Smith[25] added to this arguing that the World Bank used its knowledge brokering role as a device to facilitate the development of a lending relationship with South Africa which was initially reluctant to enter into this kind of engagement. There was hence internal as well as external pressure to adopt neoliberal policies.

[24] Marais, H (1998: 142). South Africa: limits to change: the political economy of transition. Zed Press
[25] Smith, L (2007: 236). Power and the hierarchy of knowledge: A review of a decade of the World Bank's relationship with South Africa. Science Direct Journal. Geoforum 39 (2008)

Understanding the World Bank and the IMF

The World Bank and IMF have their roots in the Bretton - Woods Conference that took place from the 1st – 22nd July 1944 in New Hampshire, USA. This conference was led by the United States of America (USA) and the United Kingdom (UK) who aspired to discuss economic plans for the post – war period[26]. As the world was still engulfed in World War II, nations sought peace through international economic cooperation and regulation to make the flow of capital and goods un - free and uncontrolled[27]. At the back of many leaders' minds was the Great Depression of the 1930s that led to economic chaos caused by uncontrolled finance. As World War II was approaching an end, the leaders at that time decided that they need to prevent such a situation at all costs and hence came together to work on preventative measures[28].

The Bretton - Woods conference thus created the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), today better known as the World Bank. At that same meeting another institution, the International Trade Organization (ITO), was created and transformed itself from GATT[29] into the World Trade Organisation in 1995. This paper will confine itself to the practices, policies and attitudes of the World Bank and the IMF only.

[26] Peet, R (2003: 27). The Unholy Trinity. Wits University Press. Johannesburg
[27] Ibid
[28] Peet (2003)
[29] General Agreement on Trade and Tariffs

It is important to understand the situation before the creation of the Bretton - Woods institutions to fully grasp their roles. According to Richard Peet[30], the era between 1875 and 1914 was characterized by peace amongst European nations and the racist notion to annex colonies through imperialism and trade. Until then the international economic trade order was rather stable as currencies were backed by the gold standard led by the supremacy of Britain. The 1st World War had negative effects on Britain as it lost its political and military power to countries like France and Germany[31].

Communism, on the other hand, was progressing and seemed not affected by the happenings in the capitalist countries. Something urgently had to be done to, firstly, lessen the economic catastrophe and, secondly, to protect the capitalist hegemony from the threats of communism and fascism. That is when countries started thinking about economic collaboration which was in fact initially advanced by the bankers who seemed more concerned with finding an economic solution to the problems at hand[32].

As Britain, the former industrial frontrunner, was negatively affected by the War, room was created for a new power to take over from Britain and since the USA was not seriously affected by WW II it was in a perfect position to take over that new role as the world's new leader. European countries, on the one hand, wanted the US to take over as it had the financial and military power to defend Europe from falling to communism, but on the other hand, were also

[30] Peet (2003: 28)
[31] See Block (1997) & Peet (2003)
[32] Peet (2003: 28)

sceptical of the powers that the US was thus to acquire[33]. As Helleiner (1994) and Block (1997) point out, the US was not prepared to take on the type of role that Britain played in stabilizing the global financial system and the Gold Standard. As a result, the attempt to return to the Gold Standard failed and contributed to the development of the Great Depression.

The Bretton - Woods conference was consequently predominantly prepared by the USA with the assistance of the UK; the USA led and UK was involved as a negotiating partner, but resolved policies were largely those favoured by the USA. Most countries only saw the documents at the actual conference and by the end of the day, did not quite know what exactly they had signed or entered themselves into[34]. The power of finances hence shifted from London to Wall Street in New York. Alternatives to US drafts were not encouraged whilst all secretaries and their assistants were Americans to ensure that minutes and conference documents met US interests[35]; the technical discourse of the conference was further beyond the reach of non - experts.

Roles of the World Bank and IMF

The IMF was created for two reasons, namely for the regulation of foreign currency exchange and for assisting countries that faced balance of payment problems. The IBRD, on the other hand, was created to assist post – war European reconstruction. The World Bank's role before the 1980s was thus reminiscent of its name as it concentrated on the reconstruction and development of the European countries that had been ravaged by WW II. Towards the late 1960s

[33] Peet (2003)
[34] Ibid: 40
[35] Ibid: 48

European countries had recovered and the World Bank all of a sudden did not have too many 'customers' anymore.

In 1968 the World Bank got a new president in the person of Robert McNamara who was an influential figure in the USA and played a significant role in the Vietnam War. McNamara made it his point to contribute to the fight against poverty and thus more developing countries, instead of just European countries, became beneficiaries of the World Bank programs[36]. That is where the now freed colonies played a significant role.

According to the first President of Ghana, Kwame Nkrumah, the World Bank was controversial at that time already as it;

'forced would - be borrowers to submit to various offensive conditions, such as supplying information about their economies, submitting their policy and plans to review by the World Bank and accepting agency supervision of their use of loans. As for the alleged development, between 1960 and mid – 1963 the International Development Association promised a total of U$500 million to applicants, out of which only U$70 million was actually received[37]*.'*

As time went on the World Bank changed dramatically, to the extent that Peet referred to them as acting or behaving like a development agency whose dream is 'a world without poverty'[38]. The World Bank initially concentrated on reconstructing European war – torn countries and then

[36] This could have been a direct response to the fact that the World Bank needed to find new 'customers' or clients
[37] Nkrumah, K (1965: 241/2)
[38] Peet (2003:111)

resorted to poverty alleviation as most countries were recovering from the damages of the war, poor countries were predominantly in South America and Africa and its focus therefore shifted more to these continents. At first, lending money for social programs like education and health, were seen as a waste of precious resources but it moved away from that philosophy and then started funding education and health projects as well. The first ever loan to Namibia is to reform education in that country[39].

According to Peet (2003), the Cold War played a great part in the World Bank's focus on social lending to 3rd World Countries as there was a need to influence geo - strategic areas of the globe; as well as the Bank needing new 'areas' to lend money to as Europe was recovering. They referred to it as 'investment for peace'[40].

The real World Bank controversies arose after the oil crisis when countries needed foreign exchange to import oil; the World Bank strategically used these loans to induce 'reforms' in recipient countries[41]. These 'reforms' came in the form of Structural Adjustment Programs (SAPs) that demanded that countries 'reform' their economies and reduce state intervention in their markets. It further paved the way for demanding the liberalisation of capital and financial markets and removing subsidies while advancing the privatisation of state owned enterprises[42].

[39] Through a World Bank developed program known as ETSIP
[40] Peet (2003: 115)
[41] Jauch, H (1999). Structural Adjustment Programs: Their origins and international experience. Background Paper. Labour Resource and Research Institute
[42] Ibid

These interventionist policies became evident when Robert McNamara left the Bank and was replaced by Mr. A.W Clauson. During Clauson's tenure 'poverty alleviation' took a back seat and right wing doctrines emerged more evidently[43]. These were highly influenced by political events around the globe as Margaret Thatcher, Ronald Reagan and Helmut Kohl took over control of Great Britain, the United States and Germany respectively. These leaders were firm believers in right wing philosophies[44].

At that time it was even speculated that the World Bank had 'socialist tendencies' and a study was commissioned to find out whether the World Bank indeed had 'socialist tendencies'. Ronald Reagan supported a reduction in US spending into the World Bank and conditionally – based loans then became the norm. The Bank now fully believed in the 'magic of the market'[45] and its Structural Adjustment Programs became tools to advance neo – classical economic thinking. The 'good governance' doctrine became increasingly a dominant subject in the World Bank too.

Due to the many failures of the Structural Adjustment Programs the Bank started talking about adjustments with a humane face and came up with reforms that were apparently 'owned' by the countries implementing them. This was done to remove the thought that Structural Adjustment Programs were advanced by the World Bank without the willingness of recipient countries. Due

[43] Peet (2003: 124)
[44] The conservative or reactionary section of a political party or system; http://www.answers.com/topic/right-wing-politics
[45] Peet (2003: 123)

to criticism of how the Bank did things the Bank set in motion public relations exercises; without really changing the way they did things though[46].

As mentioned already, the International Monetary Fund (IMF) was created to regulate foreign exchange transactions and assist countries that had balance of payment problems and came into existence formally in December 1945 when its first members signed the Articles of Agreement. The IMF's membership rose sharply in the 1960s, as a large number of former colonies became 'independent', and again in the 1990s when the IMF welcomed as members the countries of the former Soviet bloc upon the dissolution of the Soviet Union. The needs of the new developing and transition countries were different from those of the IMF's founding members, calling for the IMF to adapt its policies.

Other major challenges to which it has adopted, included

'the end of the par value system and the emergence of generalised floating exchange rates among the major currencies following the United States' abandonment in 1971 of the convertibility of U$ to gold, the oil price shocks of the 1970s, the Latin American debt crisis of the 1980s, the crisis in emerging financial markets in Mexico and Asia, and the Argentine debt default of 2001'[47].

The IMF is currently the world's central organisation for international monetary cooperation and maintains stability and prevents crises in the international monetary system. It reviews national,

[46] See Richard Peet (2003). The Unholy Trinity and Wade, R (1996). Japan, the World Bank and the Art of Paradigm Maintenance – the East Asian Miracle in Political Perspectives.
[47] Peet (2003).

regional and global economic and financial developments as well as providing advice to its members[48].

Mohamed (2008)[49] summarized the era between 1945 to the present very clearly. He states that there has been a fundamental ideological shift in thinking between the years of 1945 – 1970 and the years of 1970 to the present. He calls the era of 1945 – 1970 as the Golden Age of capitalism and refers to the era after 1970 as the neoliberal one. The ideological shift in these two eras regards the role of the state. From 1945 to 1970 the state was seen as a necessary agent of development which has been highly influenced by the likes of John Keynes and Karl Polanyi, amongst many others. John Keynes and Karl Polanyi all advocated for a significant role of the state; Keynes advocated the role of the state in creating and maintaining full employment while Polanyi advanced the notion that unregulated markets destroy society and therefore had to be regulated[50].

During the 1970s to the present, which Mohamed refers to as the neoliberal age, the role of the state has been downplayed, or discredited, by the likes of Milton Friedman and Friedrich von Hayek except to the extent of creating favourable investment environments. This neoliberal area has unleashed free – market capitalism and is the driving force of economic globalisation. It is in this very era that the World Bank and the IMF have acquired amazing powers that have unleashed havoc on countries' economies.

[48] IMF (2007). Annual Report. International Monetary Fund, Washington.
[49] Mohamed, S (2008). Economic Policy, Globalisation and the Labour Movement: Changes in the global economy from the golden age to the neoliberal era. Global Labour University Working Papers
[50] Keynes (1936) and Polanyi (1944)

Structural Adjustment Programs

Structural adjustments have dominated policy making in sub – Saharan Africa since the early 1980s[51] and many countries in SADC are implementing Structural Adjustment Programs that were initially of a short – term nature but have become more comprehensive and long ranged[52]. However, whether structural adjustment programs have been beneficial for the economies of the countries involved has always been controversial.

Structural Adjustment Programs can be defined as the total set of policies or reforms that countries have to agree to implement in order to receive AID for their development. According to Mwanza (1992)[53] "structural theories are not a recent invention as they were already being developed and refined in Latin American countries during the 1950s and 1960s'. Campos (1990) said that the 'basic argument for the monetarist school is that inflation had reached serious proportions and needed to be stopped by curbing excess demand through monetary and fiscal policies, supplemented by international financial assistance'[54].

More than 20 years after the advent of World Bank and IMF – supported adjustment policies, controversy continues as to the effects of these reforms, both in terms of economic performance in general and the well being of the poor in particular. For many years it was difficult to describe this controversy as a debate, since there were entrenched positions on both sides. On the one

[51] Noorbakhsh, F & Paloni, A (2001).
[52] Mwanza (1992:1)
[53] Ibid:1
[54] Campos (1990), cited in Mwanza (1992:2)

hand the World Bank, IMF and their supporters argued that market – oriented reform was necessary for the growth required to reduce poverty. On the other hand, critics argued that these policies increased poverty by slashing government expenditure, reducing subsidies on essential items, introducing user charges for social services and failing to revive growth[55]. Some scholars contend that the adjustment policies supported by the World Bank in Africa are inappropriate and they therefore advocate the adoption of a rather more eclectic approach. These programs contain concepts that have taken root in many African political debates like 'freedom', 'efficiency', 'modernisation', markets and 'liberalisation' despite the apparent failure of these programs in socio – economic terms[56].

The World Bank model for structural adjustment programs for Africa was articulated in its 1981 World Development Report. That report acknowledged the structural and external factors that lead to crises 'but argued that the economic crises were caused and aggravated by government policies that stood in the way of efficient markets[57]. Until today the World Bank and the IMF do their best to limit government intervention in the market by arguing that the market, left to itself, will function better. Polanyi[58] argues to the contrary, that the market left to itself will not function well as it would devour society through its quest to commodify everything, and in order to prevent that state intervention was necessary to protect society from the market.

[55] Stein, H (1995:2).
[56] Bracking, S (1999). Review of African political Economy. No. 80: p.207 – 226. ROAPE Publications
[57] Mwanza (1992)
[58] In his book The Great Transformation (1944)

The World Bank further argued that there was an urgent need to eradicate government – perpetrated economic distortions, such as overvalued rates, price controls and inefficient government intervention through the implementation of Structural Adjustment Programs. Structural type of adjustments, even though seen as able to help countries; has often led to deteriorating terms of trade mainly brought about by declining prices of exports and rising prices of imports[59].

According to Streeten[60] adjustments are aimed at reducing the vulnerability of the given economy to future shocks by increasing flexibility and adaptability through the interplay of market forces. This is one fundamental aspect of Structural Adjustment Programs as they are all predominantly aimed at reducing state participation in the economy and consequently allowing market forces to operate freely, a recent example is Seychelles[61]. The underlying assumption is that the private sector is more effectient than the public sector; the other factor, though not mentioned, is that opening up markets gives corporations more power to do what they want. Mwanza thus sees Structural Adjustment Programs as 'essentially privatisation programs'[62]. As economic growth, in most cases of structural adjustments declines, one can generally state that SAPs are not essentially designed to stimulate economic growth[63].

[59] Nkrumah, K (1963 & 1965)
[60] Streeten (1987), cited in Mwanza (1992)
[61] According to the IMF Press Release of 14 November 2008; Press Release No. 08 / 282, Seychelles is to see a reduction in the role of the state in the economy to boost private sector development, through further privatization, enhanced fiscal governance, and a review of the tax regime for a U$ 26 million standby agreement. http://www.imf.org/external/np/sec/pr/2008/pr08282.htm
[62] Mwanza (1992)
[63] Ibid: 4

The opening up of local markets, through structural adjustment programmes, undermined local businesses because they were followed by the inflow of foreign private companies and capital. "In fact, most countries implementing SAPs are characterised by low or stagnant economic performance, increasing income inequality, declining currency values and rising inflation and unemployment[64]. Further critics argued that SAPs led to higher unemployment, greater insecurity, environmental damage, reduced government services and social spending and further redistribution of wealth from the poor to the rich[65].

Some SADC experiences

According to Mwanza[66], the main reasons Zimbabwe, Zambia, Malawi and Tanzania sought assistance from the World Bank and IMF was due to the fact that they were all experiencing large internal and external trade imbalances, although in varying degrees[67]. The above mentioned countries sought help from the World Bank as they were mainly characterised by external imbalances, unemployment and dormant or diminishing economic performances and all these countries received similar structural adjustment programs even though the countries differ greatly. This is not surprising as Structural Adjustment Programs are known to be of the 'one

[64] Ibid: 5
[65] Africa Recovery (2000: 3). United Nations Department of Public Information Volume 14, No. 3; October 2000
[66] Ibid: 198
[67] It is worth noting though that Skalnes and Mwanza differ in respect to why Zimbabwe ended up with Structural Adjustment. According to Skalnes Zimbabwe was not induced by economic problems to seek World Bank assistance but rather by interests within the manufacturing sector in Zimbabwe that thought that they would benefit from opening up and working closer with the World Bank.

size fits all' policy[68]. It is like giving patients suffering from different ailments literally the same medicine which is, obviously, bound to end catastrophic.

In both Malawi and Zambia, adjustment efforts began during the early 1980s in response to declining economic performance. Tanzania and Zambia even went to the extent of trying out 'home – grown' programs but the IMF and World Bank did not support these and eventually forced those countries to implement IMF / World Bank designed and sponsored adjustment programs[69]. This suggests that the IMF and World Bank are more interested in the implementation of their own programs instead of any other alternatives that would be outside of their control.

Implementation of structural adjustment programs is considered to be one way of winning the support of the donor country despite an observed tendency for aid receivers to become more indebted to the IMF and the World Bank[70]. Rise in debt service puts strains on the already meagre resources of developing countries and Zambia's debt crisis, for example, had been symptom and cause of the economic crisis during the early 1990s.

Structural adjustment programmes also have political implications as they detach the masses of African people from any formal political organisation[71] . When Tanzania and Zambia showed some resistance to certain aspects of adjustment programs and attempted to design alternative

[68] Jauch. H (1999)
[69] Mwanza (1992: 199)
[70] Mwanza (1992)
[71] Soludo & Mkandawire (1999)

reform programs, financial and economic blackmail and, in some cases, pressure and propaganda were used by the donor community to bring these countries back to the IMF and World Bank fold[72]. It is astonishing that a 'donor' will literally go to that extent to have you within their fold; essentially, you do not force anybody to be 'assisted' by you. In such a case, the word assistance loses its true meaning, because assistance comes from the heart and if you have to 'coerce' somebody to assist him, then there should be clearly other motives behind that assistance.

The Zambian example has indicated the political consequences associated with structural adjustments as these unfavourable IMF / World Bank policies led to rioting, urban violence and the dissolution of the social fabric[73]. 'Strikes and riots in 1983 - 4 led to some backtracking; riots in December 1986 over a maize price rise were a profound shock to the Zambian government, and escalating strikes in January to May 1987 including riots in April over a petrol price rise were the final straws in the governments' decision to abandon IMF talks'[74].

Several IMF proposals in draft letters of intent surprised the Zambians, thus exacerbating internal division and delay of these programs[75]. Controversy was also evident when it came to the amount of adjustment needed to return the balance of payment to equilibrium, the economic feasibility of the program and the amount of adjustment that was needed to correct inadequate policies. According to Martin (1991) 'government internal divisions was the key factor delaying or preventing agreement as the ministries and central banks, economic advisors, cabinet, party

[72] Mwanza (1992: 200)
[73] Stieglitz (2002: 30)
[74] Martin (1991:70)
[75] Ibid: 30

leadership and leaders of the armed forces were always divided over whether they should pursue structural adjustments or not'[76]. These divisions reflected beliefs, interests and power while unrealistic expectations of quick results disillusioned government and the people.

After seeing that divisions and popular protest were growing President Kenneth Kaunda came to believe that the political and social costs of the program outweighed its economic benefits and gradually decided to end talks[77].

The IMF and World Bank believe that the elimination of protective tariffs will make domestic industries more competitive. In reality, domestic manufacturing often collapsed and imported consumer goods replaced domestic products, while unemployment escalated. After multinational companies drive out local competition they use their monopoly power to raise prices and the 'benefits' of low prices are then, obviously, short lived[78].

Furthermore, introduction of SAPs meant that most countries had to make major cuts in their education and health budgets to cut fiscal deficits. This is obviously a direct blow to human development as every nation needs educated and healthy citizens that can contribute to a countries' development. This further led people to rebel against the decisions of their governments, while opposition political parties used these unrests to score cheap political points

[76] Ibid: 36
[77] Ibid: 73
[78] Jauch, H (1999)

by denouncing the actions of the government. Indeed, these policies resulted into social and political chaos[79].

One of the lessons learned from the Zambian experience is that a country can easily 'rebel' against Structural Adjustment Programs. When attempts were made to scrap the maize meal subsidies the populace felt provoked and resorted to food riots[80] which eventually led to the erosion of the political support for the ruling United National Independence Party (UNIP). The UNIP did not survive the elections as the opposition MMD Party came to power promising to resolve the subsidy issues. Another lesson from Zambia shows that a lack of popular support for Structural Adjustment Programs can lead to its failure; especially true if the population is only informed after the decision has been made to implement these programs. It is practically evident that a lot of secrecy surrounds the design or implementation of adjustment programs'[81].

According to Mwanza[82] the evidence from the four case studies suggests that structural adjustment policies are not genuine development strategies but conditionalities that advance the reign of the market. This is evidenced by the fact that structural adjustments advocate the reduction of government 'intervention' in the market and the increased role for private capital, as we saw with the recent example of Seychelles.

[79] Stieglitz (2002:18). Globalisation and its Discontents. Allen Lane, London
[80] Mwanza (1992:203)
[81] Ibid
[82] Ibid: 206

As Namibia has broken its tradition of not taking loans from either the World Bank or the IMF to actually taking a loan from the World Bank; Namibia will have to prepare to deal with this 'new' relationship. 'Aid' from these institutions is not as friendly as it sounds, as history, in most cases, has shown. The first President of Ghana, Kwame Nkrumah, explained some of the conditions that come with these so – called 'Aid' in a book released in 1965; he said:

'....nor is the whole story of 'aid' contained in figures, for there are conditions which hedge around it: the conclusion of commerce and navigation treaties; agreements for economic cooperation; the right to meddle in internal finances, including currency and foreign exchange, to lower trade barriers in favour of the donour country's goods and capital; to protect the interests of private investments; determination of how the funds are to be used; forcing the recipient to set up counterpart funds; to supply raw materials to the donour; and use of such funds – a majority of it, in fact – to buy goods from the donour nation. These conditions apply to industry, commerce, agriculture, shipping and insurance, apart from others which are political and military'[83].

It is difficult to imagine that the World Bank would change its 'modus of operandi' just to suit Namibia.

The advocacy for trade liberalisation, usually packaged in Structural Adjustment programs, is probably what the IMF and World Bank is best known for. Richard Peet argues that these

[83] Nkrumah (1965:243)

institutions have literally imposed identical sets of neoliberal economic policies to all countries that came to them for assistance[84]. Peet further found that the IMF and World Bank cooperate in a coherent and unifying policy position of 'free trade'.

Reducing public expenditure usually takes the form of reduced spending on health, education, defence and public administration. Ideally, countries are told to reduce their public sectors in order to cut costs, as Uganda noticed[85]. This has massive unemployment implications and can lead to discontent among the citizenry.

Trade liberalisation, is hence seen as one of the most controversial conditions of these loans as countries are additionally advised to treat local and foreign firms on the same basis and should not discriminate against on that basis[86].

The Bretton Woods' conditionalities do not sound harsh and bad on paper but the history of industrial development shows that the current developed countries have not generally used the type of economic policies they now advise to developing countries. To fully understand the contradictions of current development policies we refer to Ha - Joong Chang (2005) who concluded that, " in most of the now developed countries, policies that were used are almost the opposite of what the present orthodoxy says they employed and currently recommend that the

[84] Peet (2003: 200)
[85] In Uganda the public service payroll was slashed from 35000 to 15000 in the early 1990s after the World Bank had recommended them to do so. Mathibeng, A (2001:17).
[86] Peet (2003)

presently developing countries should use[87]". Looking at today's development policies and philosophies makes it clear that there have been few attempts to apply the lessons that have been learned from the historic experiences of developed countries to problems facing contemporary development.

During the 1870s free market policies were advancing pretty well in Britain due to internal and international macroeconomic stability, low barriers to the international flow of goods and sound industrial policies at home[88]. Then came the First World War and countries reversed the free market policies and returned once again to trade barriers. The United States of America, Germany and other countries followed the lead, introduced or increased tariffs and proceeded with the creation of cartels and combines in order to strengthen their economies. Free Trade ended when Britain officially reintroduced tariffs[89].

In order to protect their industries, "virtually all developed countries actively used interventionist industrial trade and technology policies aimed at promoting infant industries during their catch – up period. Some countries, notably Britain and the USA, used these policies even after they had caught up[90]; indicating that industries of the current developed countries were protected through tariffs. These tariffs ensured that it become costly to import manufactured goods and thus rather promoted the exportation of finished products.

[87] Chang (2005:19). Kicking away the ladder: Development Strategies in historical perspective. London, Anthem Press
[88] Ibid : 3
[89] e.g. Block (1997)
[90] Chang (2005 : 15)

A typical example of this hypocrisy was African colonies which were essentially importers of western finished goods and exporters of African raw materials[91]. In the west trade subsidies were implemented providing incentives to manufacturers while governments focused on investing in public – private enterprises in order to strengthen their industries. Historically, and until today, the USA is known to have been the most protective economy in the world, in spite of their current advocacy for 'free trade'[92].

With regards to democracy, as advocated today, it is worth noting that current developed countries believed that democracy was not good for economic development as it was seen as rather too expensive to maintain[93]. Most developed countries first developed their economies and only then resorted to democratic governance.

In short, there is a contradiction between the neoliberal development philosophies that are preached by the Bretton - Woods International Financial Institutions and advised to developing countries, and the philosophies that most Western and East Asian countries used to develop. They preach that developing countries must be democratic while they themselves were not democratic at that stage; the 'good governance' doctrines of the World Bank are a case here. This evident hypocrisy, unfortunately, questions the morality and genuine intention of these conditionalities. It is strange to prescribe a patient a medicine that one self has never taken at that time of being sick, as a matter of fact that medicine is historically known to have not been used by such 'patients'.

[91] Nkrumah (1963)
[92] Chang (2005)
[93] Ibid: 71

Developed countries used protectionist principles during their stage of development, just like the East Asian countries[94]. There is currently a comparable difference between the development of Latin American countries that adhered to the neoliberal 'Washington consensus' doctrine and the East Asian countries[95], that used literally the opposite route from the one prescribed by the Washington consensus;

Peet (2003) is of the opinion that the World Bank and IMF have been captured by a neoliberal ideology that places them on the side of those who already have so much money they know not what to do with it[96]. Stieglitz emphasises that economic globalisation has left many countries worse off; the rules of the game are not fair and have been designed to benefit the industrial countries while economic policies that were advanced for needy countries where neither appropriate or progressive[97].

To understand why institutions behave the way they do requires an understanding of the interests that are at play behind the scenes to comprehend in whose interest this institutional complex works. To answer that question we need to look at the suppliers of capital and political power to institutions; with regards to the Bretton - Woods Institutions it is the finance capitalists, mostly bankers from Wall Street, multinational companies and the political institutions of Washington

[94] Stieglitz (2002)
[95] Sometimes even referred to as the 'miracle countries'
[96] Peet (2003: 223)
[97] Stieglitz (2007: 9). Making Globalisation work: The next steps to global justice. Allen Lane, London

that give them that leverage[98]. Can the World Bank and the IMF then actually implement philosophies without regards to the powers that be?

Hall and Sikkink[99] talked about interests and ideologies and from Hall (1989) we learned that; "any new idea that is to be introduced to become policy or to be considered for implementation has to go through a certain process where its feasibility will have to be analysed so as to make sound judgements whether that new idea should actually be accepted or not". In other words, before a policy or set of ideas can be implemented it needs to be politically, economically and administratively viable[100].

According to Hall (1989) there are four kinds of factors that affect the influence of proposals, namely the orientation of the governing party, the structure of the state and state – society relations, the nature of national economic discussion and current prevailing events[101]. Economic viability refers to the capacity of the new idea to solve current economic problems[102]. Current economic problems, in this case, can relate to the fact that capital needs new markets to operate in as it has mostly saturated its own, usually local, market and needs new room for manoeuvre. This would justify the call for countries to liberalise their financial and capital markets to create room for Wall Street bankers and multinational companies to enter.

[98] Peet (2003)
[99] Hall (1989) and Sikkink (1991)
[100] Hall (1989: 363)
[101] Ibid
[102] Ibid : 371

Another important aspect that all new ideas have to comply with is the administrative viability of that new proposal. This plainly means that the new idea must be implementable in the current system and preferably with as little additional costs as possible.

A total overhaul of the new system, with additional administrative costs, is always seen as rather unnecessary and would thus preferably be avoided; those quarters that call for reform and other changes in the global financial institutions must take this point into perspective. No institution will willingly reform itself if that exercise is seen as costly, ineffective and cumbersome. The World Bank and IMF have over time acquired vital information and knowledge on how to run their administration. In such cases it is more difficult to find a new design that will be administratively feasible considering the tremendous administrative infrastructure, especially knowledge - based, that is already at hand. Administrative viability is very important because if an idea is seen as not being feasible or seemingly too difficult and complex to be implemented it will, by and large, be discouraged and rejected.

No policy can further be implemented if it does not appeal to the politicians at hand[103]. If anybody wants to reform the World Bank or IMF they will have to appeal to the political powers that be. In this case we are predominantly dealing with the politics of Washington. They have their own interests in keeping the institutions the way they are and will not jeopardise the gains that they derive from these institutions by changing or reforming them just to suit those who suffer due to those policies. The overall goal of the political parties in power plays a big role, as

[103] Hall (1989: 347)

well as the perceived interests of the various coalition partners that would be part of the envisaged policy. New ideas will also be measured against other matters that are high on the prevailing political agenda and, of course, an important thing will be how the advocates of a certain philosophy are viewed in public.

The ones that call for reform in financial global institutions are usually not well perceived. They are more often than not labelled as leftists, anarchists or troublemakers and will thus not be taken seriously enough to change the hearts and minds of the political powers that be. This just goes to say that the character of the people who advocate policies play a vital role in whether the idea will be accepted or not. Taking all this into consideration it is really difficult for the World Bank and IMF to come up with projects that are purely and in the truest sense to the advantage of recipient countries; their own interests, especially the interests of financiers and politicians, comes first.

On the other hand though, the advocates of neoliberal globalisation argue that globalisation and its leading financial institutions are largely misunderstood. Martin Wolf author of *Why Globalisation Works* (2005) defends this globalisation by arguing that the failure of our world is not that there is too much globalisation but that there is too little. The potential for greater economic integration is barely tapped. Wolf's main argument is that '*globalisation has been a progressive force throughout history, and that the expansion of markets across borders is both morally and materially superior to placing restrictions on this process, and the criticisms that have been leveled against various aspects of globalisation are either misinformed, misconceived*

or even both'[104]. According to Martin Wolf trade liberalization has created opportunities for countries to compete and specialize in products that they have a comparative advantage in, and it forces countries to be constantly innovative and finding ways to improve their productivity.

Martin Wolf[105] further talks about how globalisation promotes desirable objectives such as economic growth, reduction in poverty and inequality, good governance and personal freedom and all who cherish these ideals should thus support globalisation. Wolf opines that the opponents of globalisation have their facts wrong as they often do not understand how markets work and their solutions can thus only reduce both the welfare and freedom of people throughout the world. Globalisation and the expansion of markets actually bring people closer as there is an exchange of cultural, political and technological experiences; thus restricting globalisation can only lead to fascism and international trade restriction.

Therefore globalisation is an old phenomenon and should not be discredited at this time just because people don't understand it. One can only benefit from engaging with globalisation and hence Wolf thinks that there are many trading opportunities available to developing countries if they just make use of them. He further elaborates that globalisation is neither the cause of poverty nor a panacea. Instead; countries should rather develop the institutions and the politics that will allow them to take full advantage of the opportunities that are offered by international markets[106].

[104] Quoted from Bernstein (2005: 3). *Why Globalisation works*, in New Frontiers. Issue 3 February 2005
[105] Wolf (2005)
[106] Bernstein (2005: 27)

Ferrard et al[107] also argue that markets work for the poor as they are the organizing principles of production and consumption, meaning that the good performance of the market is good for everybody. Markets, according to Ferrard et al, are part of people's daily reality, lead to substantial reductions in poverty and therefore need to be made to work for you instead of working against you and they cite China and South Asia who have obtained salaries that are beyond the poverty line due to the market[108]. In explaining why financial institutions like the World Bank and IMF are misunderstood Ferrard et al gave this metaphor: "while the conductor may know the melody he wants, the orchestra cannot play much of it and, in any case, thinks it is not right for them'[109].

This means that it is important to understand what global institutions actually advocate for in order to appreciate and implement it. On why policies sometimes fail, the following metaphor, again by Ferrard et al, was used: 'Impulsive interveners have become players in the orchestra and the wider conducting task has been neglected'[110].

Thus markets are critical for poverty reduction and the question should rather be: 'how can the market orchestra be assisted to perform well? The failure of businesses in Africa is often rather because of a failure to address the discontinuity that characterizes its economics, according to Ferrard et al, and not due to the necessary failures of the 'Washington consensus'. They further argue that development is more than a once – off hit. "It is about making a lasting and substantial

[107] Ferrard et al (2004: 2). Making markets work for the poor. An objective and an approach for governments and development agencies. ComMask Trust, Johannesburg
[108] Ibid : 12
[109] Ibid : 6
[110] Ibid : 8

difference"[111], meaning that developing countries should actually just hang in there and things will turn out fine with time. Opening eyes to new possibilities is a prerequisite for change. A pro – market approach is further necessarily seen as anti – government while Ferrard et al argue that this does not have to be the case as governments are crucial in determining how markets are to function.

Joseph Stiglitz[112] advocates the notion that economic globalisation and its leading institutions are not inherently bad but the way they have gone about their activities has not been appropriate or beneficial and therefore needs to be revisited. According to these doctrines there is a lot that is good about economic globalisation, especially to the benefit of consumers. It has given people an unlimited choice of goods; people are able to buy goods that they would not have had in their countries, it has also made life easier through communication and technology, as distance and space has been 'reduced'. People can communicate with each other anywhere in the world and transport has made it quicker for people to visit each other and transport goods from one country to another[113].

Not many have disputed the benefits of economic globalisation; it is the dominant negative aspects that seem more like re - conlonisation than actual development[114], that are a matter of concern to many.

[111] Ibid : 17
[112] Stiglitz, J (2006). Making Globalisation work. Penguin Books. London
[113] Ibid
[114] As put by Fantu Cheru (2008: 23) in his article; Africa in the age of globalisation

The World Bank and IMF are convinced that what they do is for the good of humanity and clearly advocate that mantra through their public relations instruments. Considering all these different views it just makes natural sense that people and institutions tend to defend themselves whenever they are attacked; but it seems very clear that all these actors, through their many defenses, are more engaged in what Wade (1996) describes as paradigm maintenance[115].

[115] Wade, R (1996) 'Japan, the World Bank and the Art of Paradigm Maintenance – the East Asian Miracle in Political Perspectives'. By paradigm maintenance Wade means that the World Bank will reformulate whatever is needed without really moving away from their initial practice or modus of operandi.

CHAPTER II

NAMIBIA'S ECONOMY

The Namibian Economy has performed modestly over the past 18 years. Economic growth has averaged around 4.3% but has not been sufficient to reduce poverty and contribute to achieving the country's development goals enshrined in Vision 2030[116]. According to the national development programs Namibia needs economic growth of at least 5% to reduce poverty and unemployment. Namibia's economy is largely driven by the primary sector, dominated by diamonds and other mineral exports.

Namibia's debt ratio target is 25% of GDP which has generally been maintained at that level but with a few exceptions. The debt is mostly made up of local debts while foreign debt stood at approximately 3% of GDP, making Namibia's debt ratios one of the lowest in the SADC region. Fiscally the government has been tight and has tried to keep the budget deficit below 3% which has not been achieved in a number of years; indeed Namibia's first budget surplus was only achieved in the 2006 / 07 financial year.

Since independence the country has not experienced balance of payment problems and has therefore never needed the assistance of the IMF.

Overall, despite many challenges, Namibia's economy has been fine and has never warranted IMF or World Bank interventions. Below we shall look at the segments of the economy in more detail.

[116] Vision 2030 is Namibia's roadmap to take the country from the present to the future and guide the country to make deliberate efforts to improve the quality of life of Namibia's people to the level of their counterparts in the developed world by the year 2030.

Namibia has a small, open and fairly free – market economy linked to South Africa. As Namibia was a colony of South Africa the territory had been ruled and governed as a Province of South Africa and it is consequently no surprise that the Namibian Economy is heavily dependent on the South African economy.

Initially, sovereign Namibia lacked its own monetary system as it was rigidly linked to the monetary system of South Africa through the Common Monetary Area; and as a result South Africa continued to set monetary and exchange rate policies for Namibia even after it gained independence[117]. Thus a fully-fledged Central Bank, the Bank of Namibia, was created on the 16th July 1990 which fulfilled the role of banker to government and to local commercial banks as well as being supervisor of the monetary and exchange system. Namibia's own currency, the Namibia Dollar, was introduced on 15 September 1993, which allowed Namibia to build up foreign exchange reserves and to provide some scope for pursuing appropriate interest rates and monetary policies in the country[118].

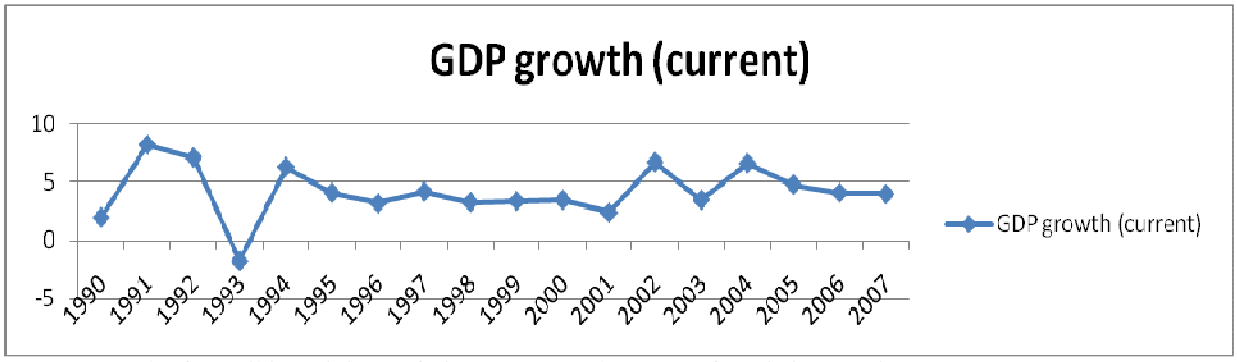
The Namibia Dollar was pegged 1 to 1 to the South African Rand whilst the Rand remained a legal tender in Namibia until this very day. According to the Governor of Namibia's Central Bank, Tom Alweendo, the economic benefits of the peg outweigh the economic costs associated with the peg[119] and he has supported that stance ever since[120].

[117] Kalenga, P (2001).
[118] Ibid
[119] Alweendo, T (2000). The challenges of Monetary Policy for Namibia within the Common Monetary Agreement. A Paper read at the Bankers Conference on the 6th October 2000. Windhoek
[120] Hopwood, G (2008: 108). Guide to Namibian politics. Namibia Institute of Democracy. Windhoek

GDP growth

Since the time of independence Namibia has averaged a steady GDP growth of approximately 4.3% (see figure 1 below) which has been modest but not enough to achieve Vision 2030 and reduce poverty[121]. This GDP growth over the last decade has been due to favourable conditions for primary sector output, especially diamonds and sound macroeconomic policies[122] and not because of employment creation or discovering new mines [123]. The negative GDP growth in 1993, as shown below, was thus mainly due to the significant drop in diamond production, other mining and commercial agriculture.

Figure 1
Annual GDP growth in percentage: current prices



*Source: Bank of Namibia, Ministry of Finance, Central Bureau of Statistics; (various)

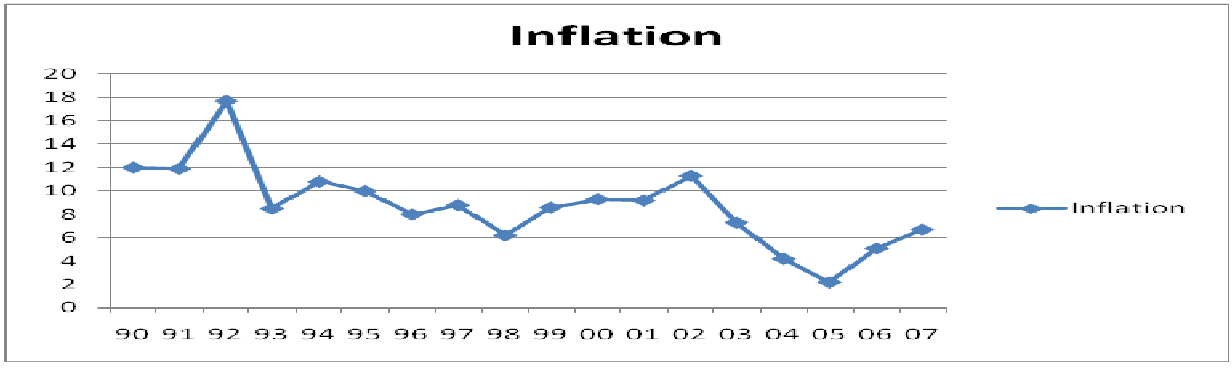
The rise in GDP after 1990 was due to an upswing in the mining industry since the political situation calmed after independence.

[121] Bank of Namibia (2007). Media Release; Mr. Tom Alweendo. Governor of the Bank of Namibia. Interview 11th June 2008
[122] NEPRU (2008). Viewpoint No 64 / March 2008
[123] Mr. Tom Alweendo. Interview 11th June 2008

Inflation

Namibia's inflation has been moderate. The peg to the South African Rand has linked local inflation to South Africa's inflation targeting framework and hence inflation trends follow closely the trends in South Africa[124]. Namibia's inflation is thus, to a large extent, imported inflation transmitted through South African import prices[125] and since the country had no currency of its own it found itself with very little policy instruments to mitigate the effects of this imported inflation.

Figure 2
Annual Inflation rate: percentage



*Source: Bank of Namibia, Ministry of Finance, Central Bureau of Statistics, NEPRU

Inflation increases mainly due to volatile international oil and food prices and considering that Namibia is an importer of both oil and food the country is vulnerable to changes in the prices of these goods. Namibia is further highly energy – dependent and thus feels the squeeze whenever oil prices rise.

[124] World Bank (2008). Namibia Country Report April 2008
[125] Bank of Namibia (1991). Annual Report

As figure 2 above showed, inflation stood at roughly 12% at independence and sharply rose to 18% in 1992 which was largely due to the introduction of the Value Added Taxation (VAT) in Namibia[126]. After that it moderated and has generally been under 10% thereafter. SADC Bankers Data of 2007 show that Namibian inflation is higher than other SACU countries but lower than the average of SADC countries[127].

Namibia has had a current account surplus ever since independence, a record unusual among middle – income countries. These surpluses are not only high by Namibia's past standards, but also by the standards of lower – middle income countries. In 2006 Namibia was in the top 10% of lower middle – income countries ranked by current account performance[128] and this good performance was largely credited to the high global commodity prices for Namibia's exports.

The country has also benefited from strong external surpluses and between 2002 and 2005 the current account surplus was around 6.5% of GDP. The external current account, for the years 2006 and 2007, rose to high levels reflecting strong diamond exports, higher prices for minerals and large SACU receipts[129]

[126] Ibid
[127] SADC Bankers Data (2007:25)
[128] IMF (2008: 5). Namibia Country Report February 2008
[129] Ibid

Namibia is exporting its savings, mainly to South Africa, with total investments in foreign equities, bonds and other securities exceeding N$ 12.7 Billion in 2006[130] and the upward trend continues unabated.

Namibia, a trade–dependent country, is highly vulnerable to volatility in international financial markets whilst the value of its imports and exports exceeds GDP. Its main trading partners are South Africa, European Union, United States of America, China, Japan and India. Exports of goods are dominated by a few products originating from the primary industries whereas consumption accounts for a large share of its imports; as a result the trade account has been in deficit since independence[131]; fortunately prices of exports have increased more rapidly than prices of imports and therefore have had positive effects in terms of trade.

Exports account for almost 40% of GDP. Live animals and processed meat, fish and fish products, ores & minerals as well as copper from the copper smelter made up approximately 87% of exported of goods in 2006[132]; diamonds and other minerals alone make up approximately 60% of total export[133]. Agricultural exports in 1990 were dominated by cattle, small stock (goats and sheep) and karakul pelts while manufactured exports were overwhelmingly the fish and meat products and beverages, mostly beer and cold drinks[134]. Prior to independence Namibia's export markets were limited to South Africa but due to South – South relations Namibia has broadened

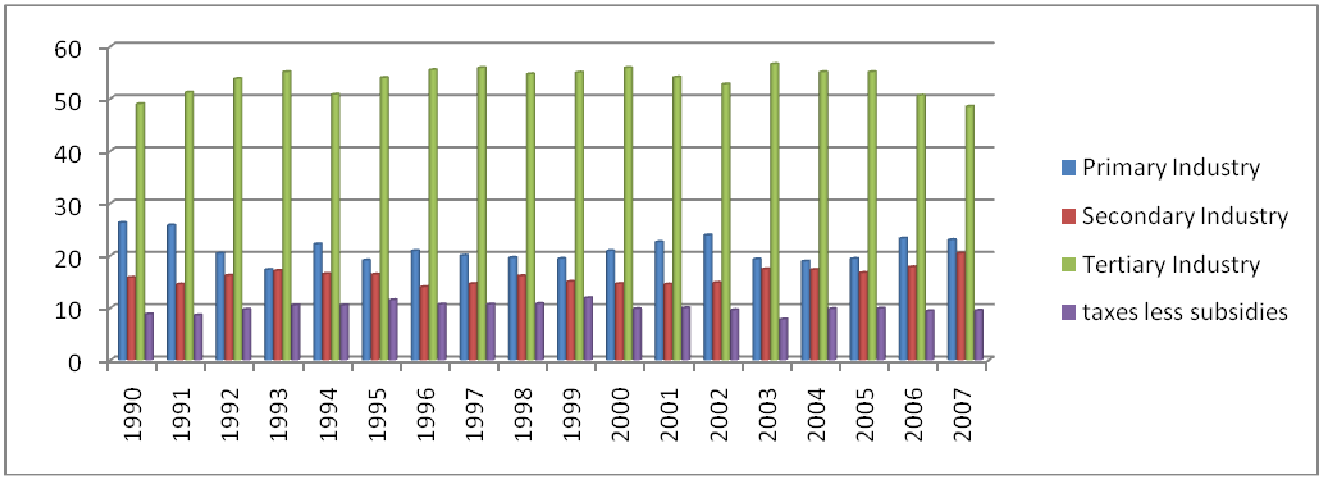
[130] Angula, H (2008). Global Economic Environment and the Economy of Namibia. Statement for the 2008 Budget
[131] National Planning Commission (2006). National Accounts
[132] Ibid: 37
[133] World Bank (2008). Namibia Country Report April 2008
[134] Bank of Namibia (1991). Annual Report

that scope, evident in the increasing trade with a country like China.[135]. With regards to imports, Namibia relies largely on imported foodstuffs such as maize, rice and most of its fruits despite the fact that most of the imported food can actually be grown in Namibia. Other major imports include oil, minerals and transport equipment.

Sectoral contributions

As Figure 3 below shows Namibia's major contributors to GDP are the tertiary and the primary sector.

Figure 3
Sectoral contributions to GDP in percentage: current prices



*Source: Central Bureaux of Statistics: National Accounts, Bank of Namibia, Ministry of Finance

Namibia's main primary sectors are mining and quarrying, fishing and agriculture. Below we shall deal with these subsectors individually.

[135] Angula, H (2008). Global Economic Environment and the Economy of Namibia. Statement for the 2008 Budget

Agriculture

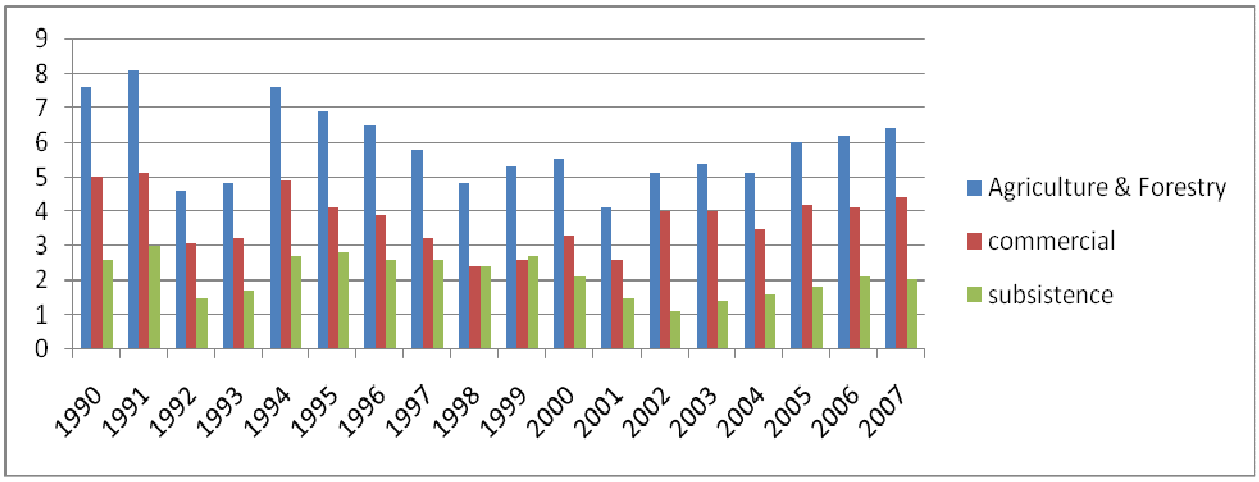
Agricultural plays a big role in the economy dominated by the commercial sector which is engaged in the export of live animals and processes meat predominantly for the export market. Cattle are the major source of agricultural income while other livestock farming includes pigs, sheep, goats and poultry.

The importance of agriculture to the economy goes well beyond its contribution to GDP as it is one of the largest employers and sustaining some 70% of the population. One of Namibia's central objectives has therefore always been to increase agricultural productivity and improve the incomes of rural communities so as to raise their living standards; since 2002 it is estimated that the expansion in irrigated grape production on the Orange River has resulted in the creation of nearly 7000 jobs and many more ancillary employment[136].

As can be seen in Figure 4 below, agricultural contribution to GDP in 1991 and 1992 stood at approximately 7.5% and 8% respectively. The figure below also shows that the agricultural sector's output declined significantly in the years of 1992 and 1993 which was due to a severe drought in 1991 and 1992 which destroyed agricultural crops[137] as well as affecting meat output. The agricultural sector is obviously dependent on climatic conditions and it is thus no surprise to see such fluctuations. In 1995 there was another drought which was followed by low rainfalls in 1996 which further undermined agricultural production.

[136] Republic of Namibia (2007:117). Government Report to the SWAPO Party Congress
[137] Bank of Namibia (1991). Annual Report

Figure 4
Agricultural contribution to GDP in percentage: current prices



*Source: Central Bureau of Statistics National Accounts, Bank of Namibia, Ministry of Finance

A considerable part of the Namibian population, due to poverty, can be classified as vulnerable and food insecure and Namibia therefore needs to increase its local food production for self – sufficiency as it is not sustainable to import nearly 70% of food requirements; in 2003 one - third of the population needed humanitarian food assistance[138]. Irrigation schemes and projects have been embarked upon at the Orange and Kavango Rivers[139] aimed at contributing to Namibia becoming self sustainable in food production.

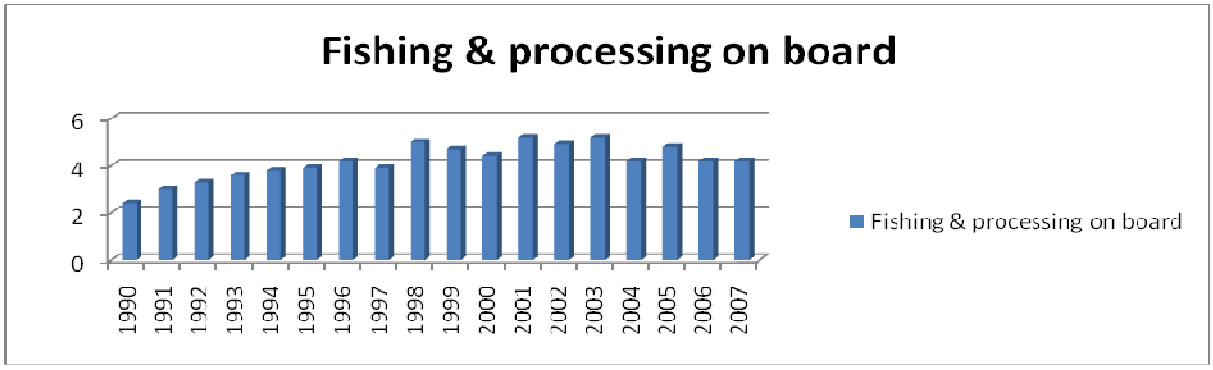
[138] Angula, H (2008).
[139] Republic of Namibia (2000: 48). Ten years of freedom, peace and prosperity: 1990 – 1999

Fishing industry

Since independence Namibia's fishing industry has grown to become the second largest export earner after mining. Namibia has focused on rebuilding the fish stocks, establishing a national industry namibianising ownership and employment in the sector[140].

Due to the Benguela current, which is one of the most productive fishing grounds in the world, the country is endowed with rich fisheries and marine resources. However, 'the number of stocks is relatively low which is likely due to large variations in environmental conditions whilst these variations cause fluctuations in landings which are sometimes considerable'[141]. As Figure 5 below shows, averagely, the fishing sector's contribution to GDP has varied from 2% – 5 % ever since independence.

Figure 5
Fishing sector contributions to GDP in percentage: current prices



*Source: Central Bureau of Statistics National Accounts, Bank of Namibia, Ministry of Finance

[140] Republic of Namibia (2007). Report to the SWAPO PARTY Congress on the work of government offices, ministries and agencies
[141] Ibid

The government has strongly promoted the development of the thriving aquaculture subsector as Namibia enjoys immense aquaculture potential with its attendant economies of scale. The Inland Fisheries Act came into force in 2003and its aims include getting communities to become active participants in the management of inland fisheries by granting regional councillors and traditional authorities the power to issue inland fisheries permits[142].

Mining and quarrying

Mining is the major driving force in Namibia and the country is known for its diversity of minerals[143], including base rare metals and non-metals, precious and semi-precious stones, as well as precious metals. The mining industry therefore continues to be a strong pillar of Namibia's economy due to its relatively disproportionate contribution to state coffers, especially foreign exchange revenue. In recent years the industry has experienced healthy growth trends, with the inflow of significant investment capital and the opening of new mines; examples are the Scorpion Zinc mine and Ongopolo Mining and Processing Ltd at Tsumeb[144].

The diamond industry, due to its significance for the Namibian economy, is briefly described below.

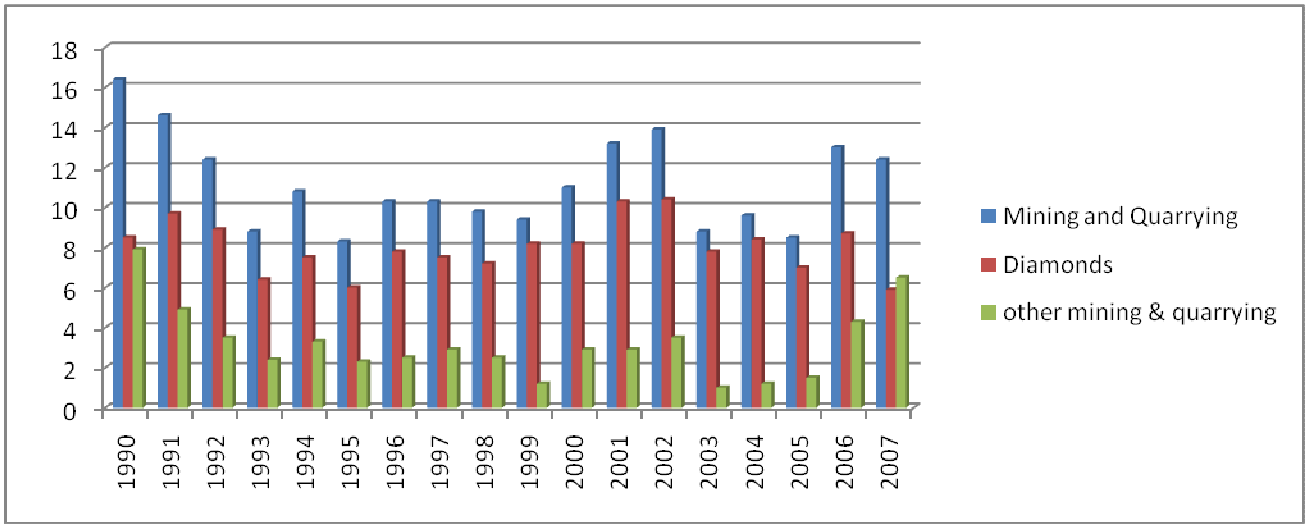
[142] Ibid: 115
[143] Bank of Namibia (1991). Annual Report
[144] Republic of Namibia (2007: 106) Report to the SWAPO PARTY Congress on the work of government offices, ministries and agencies

Diamonds

Diamonds have played an important role in the Namibian economy ever since they were first discovered in Lüderitz in 1908. De Beers, in 1931, was the sole producer through its wholly owned Consolidated Diamond Mines of South West Africa (CDM) until 1990 when Namibia gained its independence from South Africa and opened the diamond industry up to competition.

In 1994, De Beers operations in Namibia were renamed NAMDEB Diamond Corporation and it became a 50-50 joint venture with the Government of the Republic of Namibia[145]. The diamond industry continues to be a major contributor to Namibia's revenue as figure 6 below shows.

Figure 6
Diamond's contributions to GDP in percentage: current prices



*Source: Central Bureau of Statistics, Bank of Namibia, Ministry of Finance

[145] Boer, M & Sherbourne, R (2004). Managing Diamond Dependency: Should Namibia risk more to gain more?....Also confirmed by Ndeulipula Hamutumwa, a diamond research fellow, in an interview held on the 7th October 2008; Windhoek

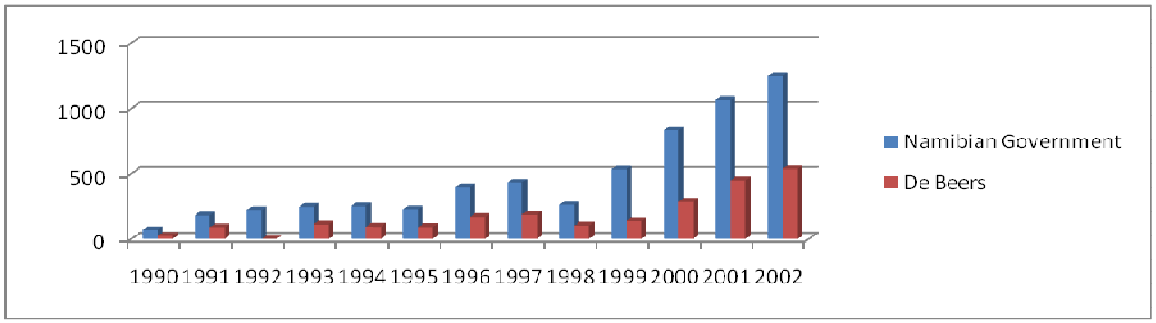
Diamond mining makes a contribution of approximately 10% to Namibia's Gross Domestic Product (GDP) but the contribution to government tax and non-tax revenues is even higher because diamond-mining companies pay a tax of 55% of taxable income, a 10% royalty tax, and dividends from NAMDEB as well as the 10% non-resident shareholders tax[146].

Namibia is the sixth largest diamond producer by value after Botswana, Russia, South Africa, Angola and Canada. This is due to the fact that Namibia largely produces 'Gem quality' diamonds which pushes up the value of its diamond production. When looking at the average value per carat of rough diamonds, Namibia's diamonds are the finest in the world at US$321, more than double that of second-place Angola[147].

As Figure 7 on the next page shows, the overall contribution of the diamond mining industry to Government tax and non-tax revenues has almost tripled to 14.7% in 2002/03 from 5.7% in 1990/91. Despite the economic importance of the industry, diamond mining employed only 3,295 people in 2002 attributed to a combination of industry consolidation, technological improvements and the fact that marine mining is much less labour-intensive[148].

[146] Ibid
[147] Boer, M & Sherbourne, R (2004:8)
[148] Ibid

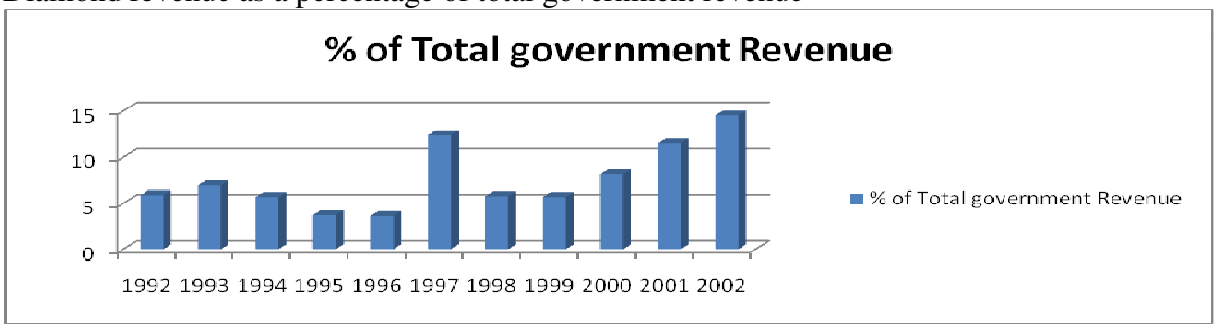
Figure 7
Distribution of NAMDEB Profits to Namibia's Government and De Beers: N$ millions



*Source: Boer, M & Sherbourne, R (2004:7)

The significance of diamonds to Government revenue is presented below in Figure 8:

Figure 8
Diamond revenue as a percentage of total government revenue

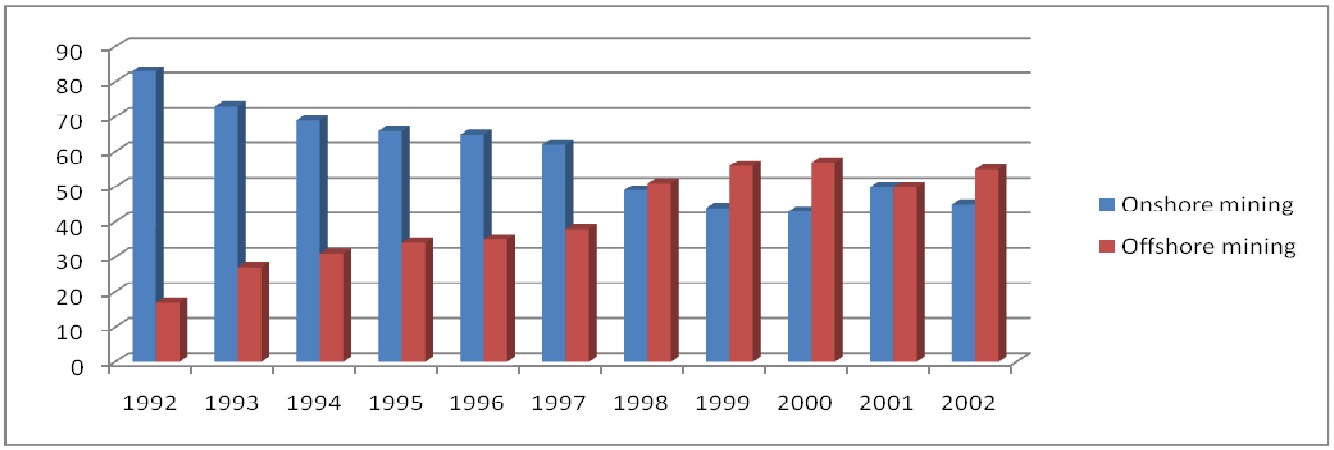


*Source: Boer, M & Sherbourne, R (2004:8)

After a century of mining diamonds in Namibia, it has become clear that the industry's future hinges more on marine diamond mining; evident as offshore production surpassed onshore output over the past few years[149]. Figure 9 on the next page makes this clearer:

[149] Republic of Namibia (2007:107) Report to the SWAPO PARTY Congress on the work of government offices, ministries and agencies

Figure 9
Onshore vs. offshore mining since 1992



*Source: Boer, M & Sherbourne, R (2004: 8)

As shown above, diamonds were predominantly mined onshore but this has changed as more diamonds have been mined offshore for the first time in 1998. This trend has continued and the future of diamond mining in Namibia is no longer onshore but offshore.

De Beers initially used to export 100% of the Namibian diamonds to its Diamond Trading Company (DTC) in London. As this did not auger well with the adding value vision of the country the two partners sat down and drafted an agreement to change that situation which led to a milestone signing of a new agreement providing for up to 16% of diamonds to be retained in Namibia for local manufacturers[150]. The ultimate aim is to ensure that those diamonds are truly cut and polished in Namibia to create employment and transfer skills and technology to Namibians.

[150] Mr. Ndeulipula Hamutumwa; Diamond Research fellow. Interview held on the 7th October 2008, Windhoek

There are currently seven diamond polishing factories in the country employing a substantial number of people but compete with low-cost cutting centers of India and China and with highly skilled ones in Antwerp, New York and Tel Aviv[151].

As Namibia's diamonds are predominantly exported to add value to other countries' industrial developments, the performance of this sector is highly dependent on the activities of external economies, notably the United States of America which is the largest buyer of Namibian diamonds. Consumers in the United States of America determine the demand for Namibia's diamonds meaning that if the US economy does not do well then neither do the diamonds of Namibia[152].

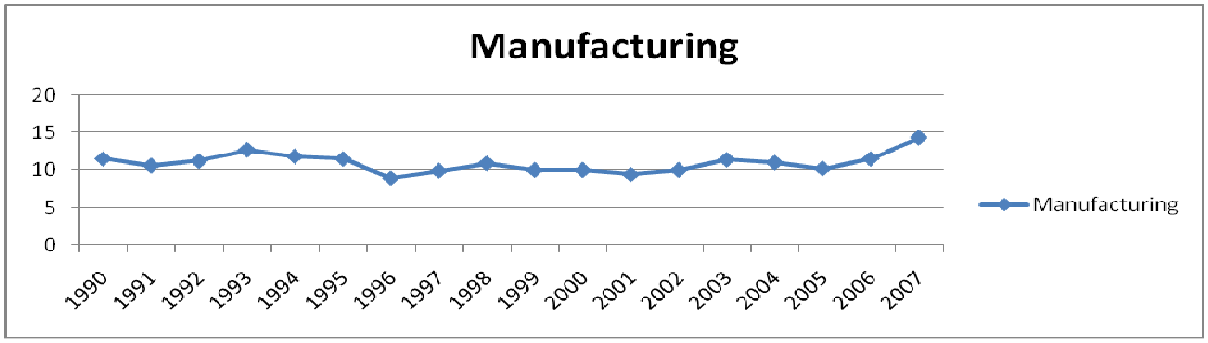
Secondary industry

Namibia's raw materials have generally, and are still to a large extent, being exported unprocessed and creating wealth and employment elsewhere while poverty and unemployment continues to grow in Namibia[153]. This includes the diamonds, beef, fish and karakul, amongst others[154]. Seeing that industrialisation is one of the ways to create employment it does not auger well for its quest to reduce unemployment.

[151] Boer, M & Sherbourne (2004:11)
[152] Angula, H (2008). Global Economic Environment and the Economy of Namibia. Statement for the 2008 Budget
[153] Angula, N (1998). The Namibian Newspaper 13th March 1998
[154] Republic of Namibia (2000). Ten years of freedom, peace and prosperity: 1990 – 1999

The industrial sector is therefore still not at the level at which it plays this vital role of employment creation and the revitalisation of this sector will continue to be a challenge for Namibia[155]. The production of food and beverages dominates manufacturing with meat packaging, fish and mineral processing and beverages being the major industries[156].

Figure 10
Manufacturing as a percentage of GDP: current prices



*Source: Central Bureau of Statistics, Bank of Namibia, Ministry of Finance

The lack of a manufacturing sector in Namibia is a colonial legacy; there was hardly any training of people to industrialise the country as the country was rather used as a source of raw material to benefit the industrialised countries that owned colonies. This legacy, of not building an industrial base in colonies, has long been talked about and described by Kwame Nkrumah[157].

Since 1990 the government pursued programmes and activities aimed at transforming the economy from its heavy reliance on the production and export of raw materials to one in which

[155] Ibid: 97
[156] Bank of Namibia (1990). Annual Report
[157] See Kwame Nkrumah's books: Africa must unite (1963) and Neo-colonialism, the last stage of imperialism (1965), etc

manufacturing becomes a key component. According to the Ministry of Trade and Industry[158] a number of policy and legislative measures have been initiated since independence in pursuit of the broad goal of economic growth and development.

These include the Foreign Investment Protection Act[159] while the 1992 *White Paper on Industrial Development* constituted the basis for the introduction of a special package of incentives for manufacturing activity in 1993. The Export Processing Zone Act[160] established Namibia's EPZ regime to serve as a tax haven for export-oriented manufacturing enterprises in exchange for technology transfer, capital inflow, skills development and job creation. The *Policy and Programme for the Development of Small and Medium-Sized Enterprises,* approved by Cabinet in 1997, provides the policy framework for the development of this sector as key to the creation of employment and wealth.

Namibia's approach to industrial development is based on the concept that there will be two types of manufacturing units. Some of these will be built around the utilisation of local materials while the other type will be based on imported components[161].

The limited domestic market, high transport costs and lack of skilled personnel are factors that contribute to the minimal manufacturing industry and manufacturing has thus rather been export - oriented. The SADC Bankers Data of 2007 show that Namibia's manufacturing sector lacks far

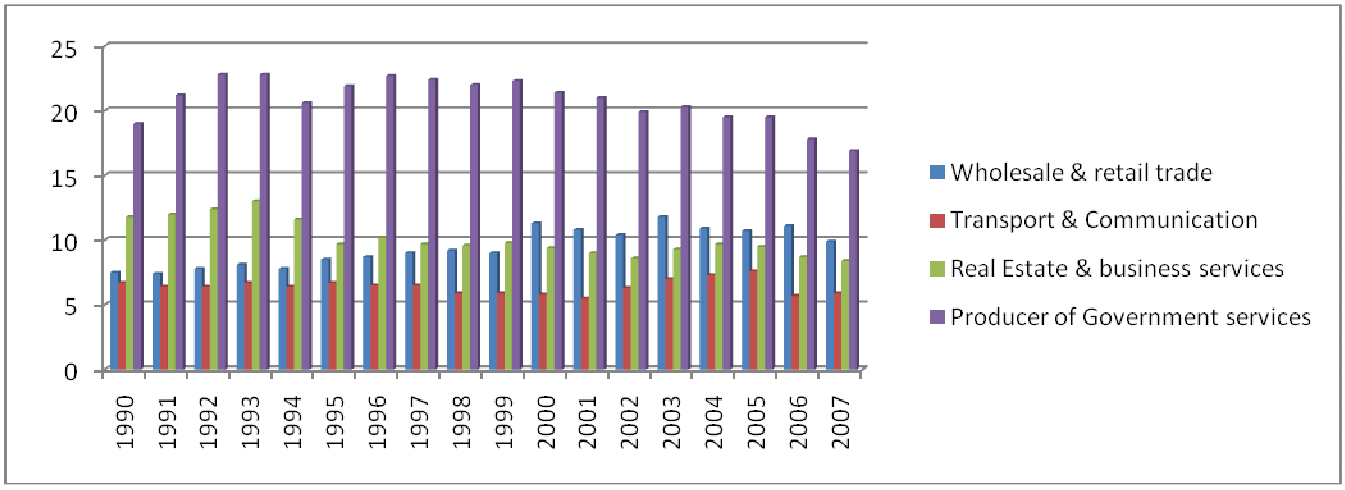
[158] Republic of Namibia (2000). Namibia: A decade of peace, democracy and prosperity
[159] Act No 27 of 1990
[160] Act No 9 of 1995
[161] Republic of Namibia (2000). Namibia: A Decade of peace, democracy and prosperity 1990 -1999

behind the manufacturing sector of fellow SACU and SADC countries. There is hence an urgent need for value addition to Namibia's abundant raw materials.

Tertiary industry

Figure 11 below shows that the biggest contributor to Namibia's tertiary industry is the producer of government services sector followed by the wholesale & retail sector and the real estate & business services.

Figure 11
Tertiary sector contributions to GDP in percentage: current prices

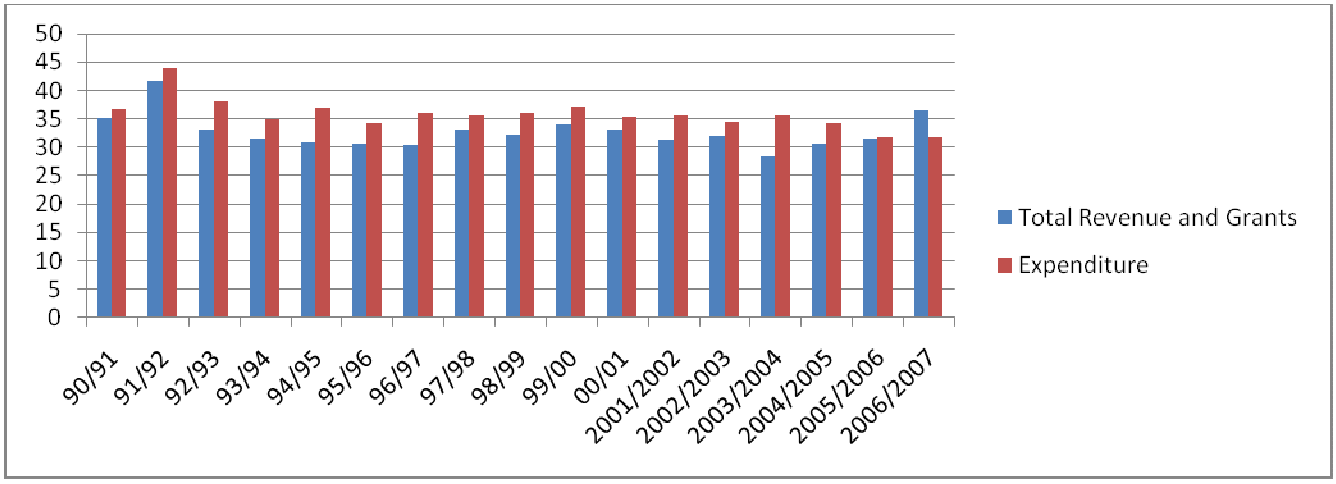


*Source: Central Bureau of Statistics, Bank of Namibia, Ministry of Finance

Government financial operations

Fiscally, the government has been running on tight budgets keeping the debt and deficits at manageable levels. For instance, the domestic public debt is about 25% and external public debt a little over 3% of GDP. Namibia's fiscal performance has been rather good and therefore financial institutions have been more than willing to extend loans to Namibia[162]. The country's position, however, is that they prefer not to borrow, and if they must, they will rather borrow locally preferably for productive projects instead of for consumption[163]. That stance needs to be applauded.

Figure 12
Revenue including Grants and expenditure as a percentage of GDP: current prices



*Source: Ministry of Finance, Bank of Namibia

[162] According to Paul Randall; advisor to the Ministry of Finance, during interview held with him on the 26th June 2008. Windhoek
[163] Ibid

Revenue

Revenue decreased marginally in 1990 / 91, compared to the previous year, mainly due to the demilitarisation of Namibia and the withdrawal of UNTAG[164] as well as declines of taxes paid by the mining companies[165].

Namibia is in a fortunate situation where about 97% of its expenditures are funded from its own resources; this is fortunate because the risk of becoming dependent on donour funds can hence be avoided[166]. The revenue is predominantly allocated to social safety nets, human resource development in the form of education and health services and job creating investments especially for the tourism and agricultural sector.

Namibia's income is predominantly derived from taxes comprising of tax on revenue and profits, domestic taxes on goods and services and taxes on international trade. International taxes are dominated by SACU[167] revenue and indeed SACU receipts play a very important role for Namibia's income. During the 2007/ 08 fiscal year SACU revenues were estimated to comprise about 41% of total tax revenue[168]. This income stands to be threatened by the reforms at SACU, the ongoing Economic Partnership Agreements (EPA) and the creation of a SADC Customs

[164] United Nations Technical Assistance Group which assisted Namibia during its transition to independence.
[165] Bank of Namibia (1991:16). Annual Report
[166] Republic of Namibia (2007:89). Report to the SWAPO PARTY Congress on the work of government offices, ministries and agencies
[167] Southern African Customs Union; SACU is a customs arrangement among countries whose economies have historically been closely integrated with South Africa; these include Lesotho and Swaziland
[168] NEPRU (2008). Viewpoint No 64 / March 2008

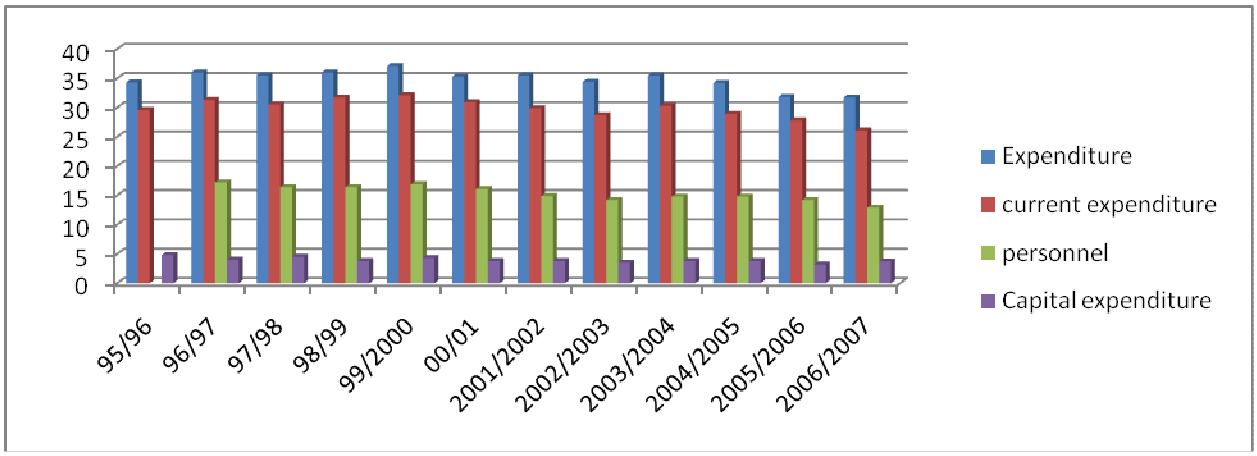
Union[169]. Namibia should therefore reduce its reliance on the Euro markets, since Economic Partnership Agreements (EPAs) or the Interim Economic Partnership Agreement (IEPA) will constrain the economic growth and development due to non – competitiveness of the Namibian products compared to European products[170].

Expenditure

At independence the government set education, health, housing and agriculture as well as rural development amongst its priority sectors[171]. The lion's share of the revenue has always gone to the education sector and Namibia's expenditure target, as a percentage of GDP, is 30%[172]. The 1991 / 92 expenditure increased to develop the Namibian economy[173] whilst 1992 / 93 expenditure was spent on development projects in order to address socio – economic imbalances inherited from colonialism.

[169] Ministry of Finance (2008). Budget Statement March 2008
[170] Angula, H (2008)
[171] Bank of Namibia (1991: 16). Annual Report
[172] Bank of Namibia (2004). Working Paper on the Central Government Debt Sustainability
[173] Bank of Namibia (1992). Annual Report

Figure 13
Expenditure analysis since 95/96:



*Source: Ministry of Finance, Bank of Namibia

As the figure above shows, Namibia has continuously exceeded its expenditure target of 30% of GDP; however the country's problem lies rather in how its money is spent. Current expenses dominate the total expenses and these current expenses are further dominated by personnel expenses.

Personnel expenditure and public spending in Namibia is high by regional standards. The first task of the government after independence was to adopt innovative approaches to rationalise the eleven ethnic administrations into one national Public Service by absorbing both those who were excluded by apartheid and those who served in the pre-independence administration. This resulted in the Namibian Public Service expanding considerably from approximately 46 500 at independence to about 69 478 funded posts in the 1998/99 financial year[174].

[174] Republic of Namibia (2000). Namibia: A decade of peace, democracy and prosperity 1990 - 1999

The high wages situation was born out of the realisation that if the hard-won peace, which is a *conditio sine qua non* for development, had to be maintained, some degree of accommodation needed to be effected[175], and as the figure shows; it indeed did.

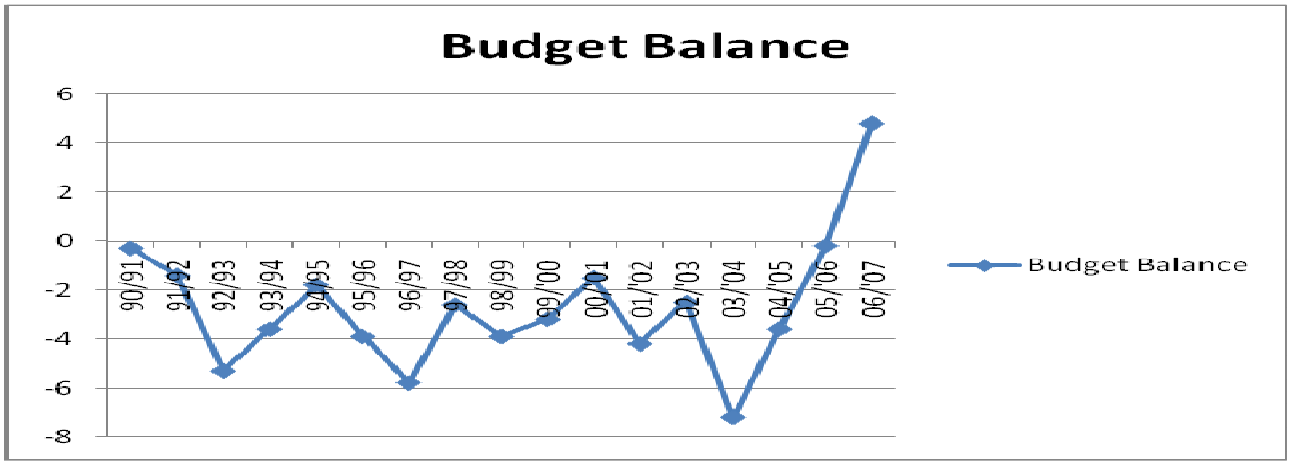
Accountability reports have lately been introduced to ensure that public money is appropriately spent as well as to minimise wastage of scarce resources. State – Owned Enterprises will in the future have to account for the subsidies they get and have been encouraged to get credit ratings[176].

Budget Deficit

According to a Bank of Namibia report[177], low and stable fiscal deficits are of critical importance for the favourable long run prospects of any country so as to avoid short – run macroeconomic ills of high inflation and real interest rates, amongst others. In short, it is good if debts are declining in the long – run. If GDP growth, budget deficits, interest rates and inflation are not in check any debt can become unsustainable. According to the fiscal target the budget deficit should not exceed 3%[178] and this, according to Figure 14 below, has not been achieved for a number of years.

[175] Ibid
[176] Ministry of Finance (2008). Budget Speech March 2008
[177] Bank of Namibia (2004). Working Paper on Central Government Debt Sustainability
[178] Ibid

Figure 14
Budget balance as a percentage of GDP



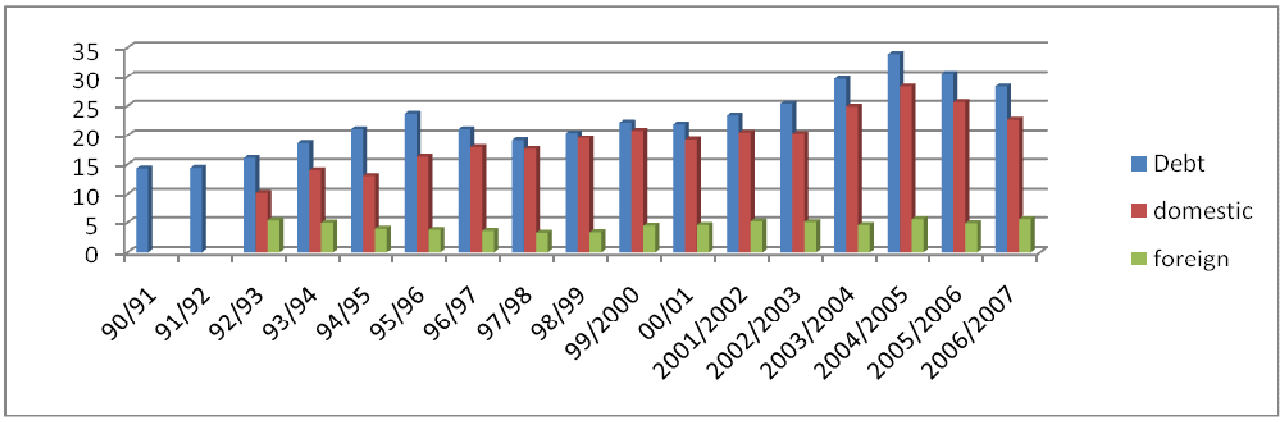
*Source: Ministry of Finance, Bank of Namibia

Namibia has had a budget deficit since independence that reached a peak high of 7.2 % in the 2003/04 financial year. The first ever budget surplus, achieved in the 2006 / 07 financial year, was mainly due to tight expenditure management and favourable revenues from SACU.

Debt

At independence Namibia had a significant debt taken out by the South African Government in Namibia's name. The loan was written off by the new South African ANC–led Government which was of the opinion that Namibia could not reasonably be expected to pay the debt because it had largely been taken out to fight against the liberation movement of Namibia.

Table 15
Debt as a percentage of GDP



*Source: Ministry of Finance, Bank of Namibia

Looking at Figure 15 above indicates that Namibia's debt level has been increasing since independence but has always been prudently managed and stands lower than most Sub – Saharan African countries; therefore, the indebtedness has generally been low, according to the World Bank[179]. The sustainability of the fiscal policy has always been important and, according to the Minister of Finance, over the past few years debt has been growing slower than the economy[180].

Namibia's debt target is 25% of GDP and as the Figure shows that mark was exceeded in the financial year of 2002 / 03; the fiscal target to keep debt below 25% of GDP was achieved as of July 2007[181] for the first time in six years. Due to the fact that Namibia prefers to borrow domestically instead of externally, domestic debts, which is dominated by bonds while treasury

[179] World Bank Namibia Country Report April 2008
[180] Namibia's Finance Budget Speech 2008
[181] Ibid:20

bills amount for the rest, makes up the larger share of Namibia's total debts. Foreign debt composition is dominated by bilateral credits[182].

To assess whether debt is sustainable depends largely on the real interest rates on the debt, GDP growth, budget deficits and debt ratio in prior perids[183]. A working paper on the sustainability of central government debt[184] found that the increase in debt was mainly due to the need to finance the budget deficits but the good thing remains that borrowing was acquired mainly from domestic sources. The country, luckily, does not by and large borrow from foreign sources for consumption purposes but rather to finance capital projects[185]. Internationally, Namibia's credit ratings are well and the FITCH ratings for the country in 2007 was **BBB-** [186]**.**

As attested to by World Bank and IMF documents[187] Namibia's economic fundamentals were sound, indireclty proving that World Bank and IMF rescue packages were not applicable to Namibia.

[182] Bank of Namibia (2007). Annual Report
[183] Bank of Namibia (2004). Working Paper on Central Government Debt Sustainability
[184] Ibid
[185] Ibid
[186] Namibia Budget Statement March 2008
[187] See 2008 IMF Article IV Consultations and World Bank's Interim Strategy Note for Namibia.

Challenges facing Namibia

Income inequality and poverty

Namibia, in a nutshell, is a rich country with poor people[188]. Although it is classified as middle – income it has one of the most unequal societies in the world with a Gini – Coefficient of 0.63 while middle income countries have a rating of 0.43[189]. Over 60% of the population is very poor by Namibian standards and by the standards of the world[190]. According to the Director of the National Planning Commission, Prof Peter Katjavivi, '*the average per capita income in Namibia is about US$3,400. However the wealthy, who account for only 2 percent of the households, have an average per capita income of about US$19,700, while the poor, accounting for 25 percent, have an average per capita income of US$225'*[191].

This inequality was inherited from the colonial past and is deep – rooted; whilst a few prosper the majority is generally marginalized in all aspects of their life.

[188] Angula, N (2008). SAPs: A wrong diagnosis & a mistaken prescription. The Namibian Newspaper. 13 March 1998

[189] National Planning Commission (2007). Namibia's Economic Challenges & how the donour community can assist. Country Paper for the International Conference on Development Cooperation with Middle Income Countries (MICs), Madrid, Spain, 01 – 02 March 2007

[190] Republic of Namibia (2000: 3). A Decade of Peace, Prosperity and Progress 1990 - 1999

[191] Katjavivi, P (2008: 10). Bank of Namibia 10th Annual Symposium Publication. Bank of Namibia. Windhoek, also confirmed in Republic of Namibia (2007:88). Report to the SWAPO Party Congress on the work of government offices, ministries and agencies

Namibia's private sector is dominated by middle - men and – women as traders, the foreign natural resource exploitation companies and the foreign branches of service industry[192]. It is these people, the previously advantaged, that amass most of the wealth to the detriment of an entire population. The middle – income status is therefore seen as problematic as it is neither representative of the broader base of the population as well as making getting AID more difficult.

Yes, Namibia might be better off than most SADC countries but it is definitely worse off than the average middle – income countries. According to a Hans Seidel Foundation report (2007)[193] there is a broad class of poor people, a few people of middle class and a very limited rich upper class. Even though the per capita income was estimated at approximately US$ 3000 in 2006 the majority of the people have incomes closer to people in countries that are regarded as least developed[194]. The Hans Seidel Foundation document adds that 35% of the population lives below the income poverty line of U$ 1.00 a day while about 56% of the population lives below the poverty line of U$ 2.00 per day.

Another unfavourable factor that contributes to the status quo is the outflow of capital which contributes to a negative capital account. This money could be positively invested in Namibia and thus contribute to the alleviation of unemployment and poverty. Plans are already in place to amend the applicable regulations to mitigate the negative capital outflows[195].

[192] Angula, N (1998). SAPs: A wrong diagnosis & a mistaken prescription. The Namibian Newspaper. 13 March 1998
[193] Namibia at a glance 2007
[194] National Planning Commission (2007)
[195] Minister of Finance Budget Speech March 2008

Economic growth over the past 18 years has, in short, not substantially reduced poverty and, least of all, has it been distributed to the masses.

Unemployment

Another crippling legacy of colonialism in Namibia is mass unemployment, which is one of the most pressing challenges facing the country; the unemployment rate is high even by broader African standards[196]. Despite having had sound economic growth for the past decade this growth has been jobless growth; in other words, despite the growth not enough employment has been created to absorb graduates and the growing population at large. Even though Namibia is, according to IMF and World Bank documents, economically stable, that does not mean that everything is rosy as unemployment is the big challenge Namibia faces[197]. Herbert Jauch is of the opinion that the unemployment rate in the country is a clear indication that the economy is in deep crisis; 'when an economy cannot create jobs for its population then, in my view, it is time for crisis; a social crisis. These are signs of an economy in deep crises'[198].

The labour absorbtion capacity in the fastest growing sectors has been limited and in 2004 Namibia's unemployment rate stood at 36.7 %; the most effected are the youth where the rate is estimated to be around 60%, again, said to be one of the highest rates in Africa[199]. The IMF[200]

[196] IMF Namibia Country Report April 2008
[197] Tom Alweendo. Governor of the Bank of Namibia. Interview 11th June 2008
[198] Herbert Jauch. Senior Researcher at Labour Resource and Research Institute, Interview, Windhoek 16th June 2008
[199] National Planning Commission (2007)
[200] IMF (2008:56). Country Report April 2008

lists the low levels of skills, lack of diversification of the economy and labour market inflexibilites as the most common factors contributing to the high unemployment rate. More than half of the labour force is unskilled, un – or semi – educated which is traced back to the education system prior to independence and the challenges faced by that ministry after independence.

Other factors contributing to the high unemployment are high skills scarcity to operate technology, trade policies and the significant mismatches between the sectoral shares of employment and their contribution to GDP; growth in Namibia has been mainly capital intensive, predominantly in the mining and quarrying sectors of the economy.

The sectors that have potential to employ many people are the agricultural, tourist and fisheries sectors as well as the promotion of Small & Medium Enterprises (SME) and infrastructural development. As skills development has been identified as one of the major contributors to unemployment the Namibian Government adopted an Education Training Sector Improvement Program (ETSIP) that is to address the supply of skilled labour to meet the demand in the labor market. ETSIP, the program that is to be financially assisted through a first – ever World Bank loan for Namibia will be dealt with in Chapter 4.

Namibia's first and founding President Sam Nujoma once said that 'we believe that the success of our democracy, and continued peace and tranquility depend on our having a vibrant economy'[201]. In contributing to the 2008 / 09 Budget Helmuth Angula[202] added that; 'all economic, social and political problems are anchored around the rising unemployment and those problems are aggravating'.

Namibia is therefore sitting on a timebomb and will need to address this potential threat before it becomes too late. Could some of these challenges have encouraged Namibia to seek the assistance of the World Bank?

[201] Republic of Namibia (2000: foreword). Ten years of freedom, peace and prosperity: 1990 - 1999
[202] Angula, H (2008).

CHAPTER III

NAMIBIA'S RELATIONS WITH THE BRETTON - WOODS INTERNATIONAL FINANCIAL INSTITUTIONS

The World Bank comprises of two institutions; IBRD and IDA. The above – mentioned institutions, along with the IFC, MIGA[203] and the International Centre for Settlement of Investment Disputes (ICSID), make up the World Bank Group[204].

Relations with the World Bank

Namibia joined the International Bank for Reconstruction and Development, the International Finance Corporation and the Multilateral Investment Guarantee Agency shortly after independence. Though Namibia joined the World Bank Group in 1990 relations have been limited to occasional analytical and advisory activities. A number of these analytical and advisory services, in education, EPZ industry and water, were undertaken but none generated tangible outcomes[205]. Investment operations were also attempted though none led to actual projects; which was, in part, due to the projects not meeting the Government's priorities and due to insufficient follow up from the World Bank[206].

As per the World Bank relations with their members the Minister of Finance is a member of the board of directors whilst the Permanent Secretary acts as an alternate member of the World Bank. Through technical assistance officials from the Ministry of Finance, Bank of Namibia and other key staff members regularly attend courses organised by the World Bank[207].

[203] Please see acronyms
[204] World Bank (2007: 4). The World Bank Annual Report 2007. The World Bank. Washington
[205] Unpublished Development Cooperation Document between Namibia and the World Bank
[206] World Bank (2007). Namibia Interim Strategy Note
[207] Bank of Namibia (1992:34). Annual Report

As a lower–middle income country Namibia does not qualify for International Development Association funds and other concessional loans and is only eligible for IBRD funding[208]. To date the Multilateral Investment Guarantee Agency has not been active in Namibia.

An interest by the Government in the services provided by the World Bank accelerated the momentum of engagement as it indicated an interest in non lending services like in – depth economic and sector work and technical assistance[209]. The analytical and advisory activities conducted in Namibia broadly concentrated on the economic legacy of the country, the developmental challenges and potential World Bank areas for support.

The most evident engagements with the World Bank are in the education and environment sectors. This is not surprising as the World Bank is the world's largest source of external investment support for improving education in middle – and low – income countries[210]. Improved relations in the education sector have been due to the results of a long – term effort that started with a World Bank study on the constraints and challenges faced by the education sector[211]. This report contributed to the eventual development of the ETSIP[212] program with the assistance of 13 international and 15 national partners.

[208] World Bank (2007: 2-3). Annual Report 2007. The World Bank. Washington .
[209] World Bank (2007). Interim Strategy Note: An engagement framework for Namibia. April 25, 2007. Report No. 39195 - NA
[210] World Bank (2007). The World Bank Annual Report 2007. The World Bank. Washington
[211] Namibia Human Capital and Knowledge Development for Economic Growth with Equity (2005). Africa Region Human Development Working Paper Series. No 84,
[212] Education Training Sector Improvement Program; discussed in more detail in the following chapter

The other area of World Bank engagement with Namibia has been the assistance to environmental and nature conservation which has led to two ongoing Global Environment Facility projects. The GEF is an international mechanism for providing new and additional grants to achieve global environmental benefits in climate change, biodiversity, international waters and ozone layer depletion[213]. Namibia received grants from this Global Environment Facility in that respect and that grant was indeed the first ever World Bank financed project in Namibia[214].

The second GEF project, worth U$ 4.9 million, was approved in September 2005 and promoted conservation, sustainable use and mainstreaming biodiversity in coastal ecosystems[215]. A third GEF project and a country environmental analysis are on their way.

Grants from the Institutional Development Fund (IDF) were used to support a public expenditure tracking survey (PETS) and to support Public Private Partnership against HIV / AIDS. This grant amounting to U$ 499 000 became effective in March 2005[216].

The International Financial Corporation has been involved in small investments and its portfolio in Namibia was U$ 16.2 million in 6 projects[217]. IFC's main projects are in Pescanova, in the fishery industry, and an equity investment in an indigenous life insurance company. IFC has further provided a U$ 1.4 million loan for the construction of a 110 – room hotel in northern

[213] Development Cooperation between Namibia and the World Bank (2008). Unpublished Document received from Mrs. Maria Hangula on the 11th June 2008 – Deputy Director for external relations: National Planning Commission
[214] Ibid
[215] Ibid
[216] Ibid
[217] This was before IFCs loan to United Africa Group in September 2008.

Namibia and worked with the Namibian Agronomic Board to raise funds for a feasibility study of a cotton ginning industry[218]. The IFC is also involved in improving Namibia's investment climate infrastructure through the Foreign Investment Advisory Service (FIAS)[219] and has recently announced a U$ 10 million loan to United Africa Group for the development of the first ever five – star hotel in Namibia[220].

Furthermore, a Public Development Information Centre has been opened at the Polytechnic of Namibia. This centre is a partnership initiative of the World Bank and includes the Government, civil society organisations and development agencies active in the centre[221]. The centre will provide free publications as part of a public information service, develop dialogue sessions on developmental issues and provide access to publications of development partners.

The first ever Interim Strategy Note[222] for the period 2007 – 2009 was presented to the World Bank's Board of Executive Directors in May 2007[223]. According to that document the World Bank took Namibia's Vision 2030 as a starting point for relations with the country[224]. For that reason, the World Bank recognises the Government as the leader in shaping the future for the country whilst it assists through analytical and technical assistance[225].

[218] World Bank (2007: 10). Namibia Interim Strategy Note
[219] Development cooperation between Namibia and the World Bank Document
[220] The Namibian Newspaper (2008): The World Bank bankrolls 50% of first ever – five star hotel in Namibia. 2 September 2008. www.namibian.com.na
[221] www.worldbank.org/website/external/countries/africaext/namibia
[222] An outline of relations
[223] www.worldbank.org/namibia & World Bank (2007). Report No: 38571
[224] This is contrary to the past World Bank practice where they would rather impose ideas instead of taking a country's development vision as starting point
[225] World Bank. Namibia Interim Strategy Note. May 2007

According to the Interim Strategy Note for Namibia, World Bank engagements will concentrate on strengthening communication and coordination as well as identifying priority areas. This will be complemented by analytical and advisory work that will include the strengthening of local capacity and the development of a joint research program. The two years will also be used to familiarise the Namibian Government with various World Bank instruments while ensuring that World Bank interventions are in line with Namibia's needs[226]. This will be achieved through a joint Government – World Bank committee representing various key partners.

The remainder of the 2 year period for engagement will be based on the established areas of collaboration; education and environment; the usual services provided to member countries and analytical work joined with technical assistance[227]. The assistance from the World Bank Group is channelled through economic and sector work (ESW/AAA) and the main studies that have been completed include the poverty strategy, recent economic development prospects, merging pension system: evaluation, challenges and options, selected development impact of HIV /AIDS and a study on human capital development and knowledge management for economic growth[228].

The chairman's concluding remarks in the Namibia Interim Strategy Note, mentioned that there is a need for greater IFC presence and renewed engagement with MIGA[229] as the World Bank's experience with ETSIP proved that it can mobilise partners and donours. The World Bank can

[226] Ibid : 12
[227] World Bank Namibia Interim Strategy Note 2007
[228] Development cooperation between Namibia and the World Bank Document
[229] Chairman's concluding remarks. Namibia Interim Strategy Note. Document No 39908, May 24 2007

thus use that experience as a leverage to establish itself as a credible and reliable development partner for Namibia.

The IFC has followed up on the chairman's recommendations by granting a loan to United Africa Group in June 2008. We can expect engagement to increase even more through the second Tranche disbursement, cooperation in the health sector and the potential activation of MIGA engagements as suggested by the closing remarks of the chairman.

There is a lot of engagement with the World Bank's agencies – technical advice, funding of environmental and other projects and IFC lending to the private sector – however, the ETSIP loan is the first borrowing from the World Bank to the Government of Namibia; this loan will be looked at in the following chapter.

Relations with the International Monetary Fund

According to the IMF the institution is 'the world's central organisation for international monetary cooperation in which almost all countries in the world work together to promote the common economic good and its primary purpose is to safeguard the stability of the international monetary system'[230]. This is achieved through providing advice to countries; assisting them with balance of payments problems and providing technical assistance wherever it is needed[231]. All of the IMF's 185 member countries are represented on its executive board which serves as a forum

[230] IMF (2007). Annual Report 2007. Washington
[231] Peet (2003)

where they can discuss the national, regional and global consequences of their economic policies[232]. Therefore, the governor of the Bank of Namibia is a member of the IMF while the deputy governor acts as the alternate member to the IMF.

Namibia's relations with the IMF date back to the days of independence. Even though the country does not have a formal program with the IMF, collaboration has been improving. Namibia joined the IMF on the 25th September 1990 and accepted the Article VIII Section 2, 3 and 4 on the 20th September 1996[233].

The first governor of the Bank of Namibia, Dr. W L Bernard, was seconded to the Bank of Namibia by the IMF and had been recruited, by the IMF, from the Bank of Netherlands and assigned to the Bank of Namibia under the UNDP / IMF Technical Assistance Program. Dr. Bernard presided over the Bank as the governor and chairman of the Board for 13 months until he resigned in May 1991. As at 31st January 1992 nine (9) staff members of the Bank of Namibia were expatriates seconded to the Bank under the UNDP / IMF and SIDA[234] technical assistance program[235].

[232] IMF (2007). Annual Report 2007. Washington
[233] IMF. Namibia Staff Report for the 2007 Article IV Consultation. 2nd January 2008.
[234] Swedish International Development Authority
[235] Bank of Namibia (1991:27). Annual Report

Discussions during the 2004 Article IV consultations led to a joint IMF / World Bank Financial Assessment Program (FSAP), a fiscal report on observance of standards and codes, and technical support delivered through IMF missions[236].

Due to the importance of having comprehensive balance of payment statistics, considerable effort was devoted to this area of statistics with the help of the Advisor on Balance of Payment Statistics under the joint IMF / UNDP technical assistance project. In 1992 staff members from the Bank of Namibia attended technical training courses organised by the IMF[237] and more technical assistances have been provided since. The UNDP / IMF project on money and banking statistics was completed in June 1992 and when Namibia introduced its own currency all the necessary arrangements with the IMF, for a country introducing its own currency, were completed[238].

The IMF also assisted Namibia in expenditure control and revenue forecasting, monitoring and evaluation of budget execution, rationalising and streamlining of the functions of the Ministry of Finance and financial management in general. Technical assistance in 2007 was largely directed to the Bank of Namibia and the Ministry of Finance while the other beneficiary was the Central Bureau of Statistics[239]

[236] World Bank (2007: 8). IBRD program document for a proposed first development policy loan in the amount of U$ 7.5 million to the Republic of Namibia for ETSIP. World Bank. Washington
[237] Bank of Namibia (1992:34). Annual Report
[238] Bank of Namibia (1993:31). Annual Report
[239] IMF. Namibia Staff Report for the 2007 Article IV Consultation. 2nd January 2008

The IMF sends a yearly staff mission to Namibia to conclude the Article IV consultation and discussions[240]. The 2007 mission was led by Mr. Peter Allum and the mission gave Namibia a generally favourable report[241] as well as encouraging Namibia to subscribe to the Extractive Industry Transparency Initiative[242], amongst many other recommendations.

According to a statement by Peter Gakunu and Ebson Uanguta[243] the Namibian authorities appreciate the IMF's engagement and support for their economic program and appreciate and continue to rely on the IMF's advice on areas of interest to the country's policy challenges. That statement furthermore indicated that the Namibian authorities also trust that the IMF and the international community would support their request to be considered for concessional borrowing, given the country's high income inequality and widespread poverty.

Future IMF support is expected to focus on long–term growth prospects, fiscal and monetary policy as well as the exchange rate peg. A survey of the health of the financial sector and possible reforms of the pension systems and parastatals are also envisioned[244]. Additionally, and not surprisingly, the 2006 discussions supported the education sector reform (ETSIP) developed with World Bank technical assistance.

[240] Under Article IV of the IMF's Article of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collect economic and financial information, and discusses with officials the country's economic developments and policies.
[241] Statement at the conclusion of the Article IV staff mission to Namibia. Press Release No. 07 / 263. 16 November 2007
[242] IMF (2008). Namibia: 2007 Article IV Consultation. IMF country report No. 08 / 83. February 2008
[243] Statement by Peter Gakunu and Ebson Uanguta on 18 January 2008. Peter Gakunu is the Executive Director for Namibia while Ebson Uanguta is an advisor to the executive director
[244] World Bank (2007: 9). IBRD program document for a proposed first development policy loan in the amount of U$ 7.5 million to the Republic of Namibia for ETSIP. World Bank. Washington

CHAPTER IV

ETSIP & THE WORLD BANK LOAN

This chapter provides a pre – and post - independence outline of education in Namibia and explains how the post – independence educational challenges led to the development of ETSIP.

At independence Namibia inherited an education system that was segregated along racial and ethnic lines and characterised by major disparities in terms of distribution of educational opportunities and facilities among the different sections of the Namibian community[245]. While education was compulsory for whites, Africans had to pay in cash or in kind[246] as well as being treated to Bantu education where Standard 2 was the basis for literacy, Standard 6 for general labourers, Standard 8 for teachers, nurses and police while Standard 10 was the barometer for further and higher education. Tekaligne Godana and John M. Ashipala (2006)[247] rightly conclude that Bantu education was a system that rather supplied labour than a means to improve society.

Analyzing the system available to Africans would not surprise anybody that learners functionally left school illiterate. Those who taught Africans had hardly reached Standard 6 while whites had predominantly qualified teachers. In 1985 only 10.7% of the teachers were qualified but the proportion of qualified teachers differed from one administration to the other ranging from 1% in the Owambo Administration to about 70% in the white administration[248]. Secondary and tertiary education was by and large not meant for Africans evident in the significant underfunding of schools in the populous northern regions. Teachers, parents, administrators and workers were

[245] Bank of Namibia Working Paper No. 1 / 02 (2001) & NEPRU Working Paper 106 (2006) & Various annual reports from the Ministry of Education
[246] Godana, T; Ashipala, J (2006). The Impact of education quality on rates of return to education in Namibia. NEPRU Working Paper No. 106. Windhoek
[247] Ibid
[248] Ibid : 4

largely excluded from the decision-making process and an extremely unequal ethnic based financial resource allocation system manifested itself before independence[249].

The quality of education for Africans was compromised at an early stage and this colonial legacy continues to haunt the majority of the population up this very day.

After independence educational reforms became one of Namibia's priorities as the country took that very fragmented, unequal system and reorganised it into one national system. The Ministry adopted an 'education for all' policy and set itself five goals; namely the improved and equitable access to education, improved quality in the education system, enhancement of democratic participation in the education system, improved efficiency and the promotion of life – long learning[250]. These post – independence education policies and visions were articulated in documents like 'Towards Education for all (1993)', Presidential Commission on education, culture and training (1999), Vision 2030 background study on human resources development and institutional capacity building (2001) as well as Vision 2030 background papers on knowledge, information and technology (2002)[251].

Despite many challenges, Namibia has achieved a certain amount of progress in education as eighty - three percent of adults (15+ years) and ninety percent of 15 to 24 year olds are literate today; complement of the 'education for all' policy. Net enrolment ratios for primary, basic, and

[249] Ibid
[250] Zaaruka, B; Biwa, B & Kalenga, P (2001). Public Expenditure management in Namibia: Health and education sectors preliminary analysis. Working Paper of the Bank of Namibia. No. 1 / 02. Windhoek
[251] World Bank (2007:10). IBRD program document for a proposed first development policy loan in the amount of U$ 7.5 million to the republic of Namibia. Washington. 2007

senior secondary education are 96, 95 and 53% respectively[252]. Namibia currently has 1661 schools and 570 623 learners and 20333 teachers who are predominantly female[253]. Table 1 below provides more educational statistics.

Table 1
Namibian education at a glance

	TOTAL	**MALE**	**FEMALE**
Gross Intake in Grade 1 (%)	100	99	100
Primary Gross Enrollment Ratio (%) (7 years)	99	99	100
Primary Repeaters (% of primary cohort)	15.1	17.4	12.9
Primary Drop Out Rate (%)	23.8	26.5	21.2
Primary Completion Rate (%)	74	70	77
Expected Primary Completion Rate (%)	71	66	76
Number of Primary Age Children Out of School (thousands)	116	64	52
Secondary Gross Enrollment Ratio (%) (5 years)	56	52	60
Lower Secondary (%) (3 years)	72	67	78
Upper Secondary (%) (2 years)	29	28	30
Tertiary Gross Enrollment Ratio (%)	6.1	5.7	6.5

*Sources: UNESCO Institute for Statistics (UIS), World Bank, UNAIDS, ILO, Household Surveys, IMF, Country Data are for the most recent year available in 2000-2005.

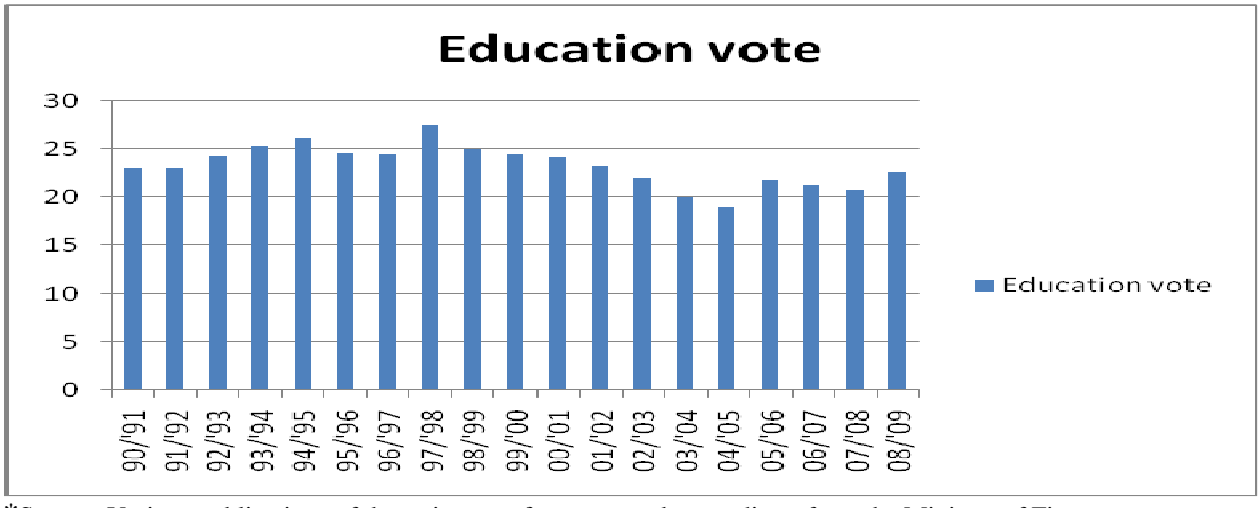
A working paper of the Bank of Namibia in 2001 concluded that the Namibian educational system is financially burdensome and accounts for almost 10% of GDP[254]. That study aimed at

[252] World Bank (2007). Program information document (PID): Appraisal stage; Report No: AB 2883
[253] EMIS Education Statistics 2007; Chapter 1
[254] Zaaruka, B; Biwa, B & Kalenga, P (2001). Public Expenditure management in Namibia: Health and education sectors – preliminary analysis. Working Paper of the Bank of Namibia. No. 1 / 02. Windhoek

analyzing the expenditure efficiency on the education and health sectors because these receive approximately half of the Namibian budget[255].

The worrying trend in the education sector though, is the fact that the huge investment into it goes predominantly to personnel costs; to the detriment of adequate textbooks and other teaching material. Various statistics show that current expenses account for over 90% of the education budget while less than 8% actually goes to capital expenditures[256]. This makes teaching difficult as you employ teachers but at the same time frustrate them because they do not have equipment to do their work accordingly. Financially, Namibia has always prioritized education and stands out as one of the biggest spenders on education and training[257].

Figure 16
Education share of total budget: in percentage



*Source: Various publications of the estimates of revenue and expenditure from the Ministry of Finance

[255] Ibid: 1
[256] Ibid : 11
[257] Namibia (2005: 75). Human capital and knowledge development for economic growth with equity. World Bank Working Paper Series No. 84. Washington.

Input into education, compared to most low middle income countries, is huge; but the output of the education system remains low[258] as manifested in the high dropout and repetition rates. To be precise, Namibia tops investment into education charts as well as topping lowest output tables; clearly confirming that there is a skewed disparity between what goes into the education sector and what actually comes out of it.

Quality has always been difficult to measure but the best indicator of the quality of an education system is students' learning achievement. In Namibia various measures pointed to a decidedly ineffective system[259]. Student performances during the Grade 10s and Grade 12s have not been satisfactory and always left a lot to be desired. According to Dr. Marope's report[260] student performance on both the 1995 and the 2000 SACMEQ[261] reading literacy and mathematics survey was on average worse than for all comparison countries in the region. A UNESCO survey[262] of student reading skills also showed that reading was low; only 7.6% of Grade 6 learners had the desirable level of reading skills, while 25.9 % only achieved minimum reading skills.

The 2000 SACMEQ II country mean scores are presented in Table 2 below:

[258] Namibia spends about 24% of its budget on education; this is one of the highest allocations in the world
[259] Namibia (2005: 37). Human capital and knowledge development for economic growth with equity. World Bank Working Paper Series No. 84. Washington.
[260] Ibid: 38
[261] Southern Africa Consortium for Monitoring Education Quality
[262] Namibia (2005: 39). Human capital and knowledge development for economic growth with equity. World Bank Working Paper Series No. 84. Washington.

Table 2
SACMEQ II countries mean scores:

Country	**Reading score**	**Mathematics score**
Seychelles	567	539
Kenya	532	548
Tanzania	531	508
Mauritius	521	568
Swaziland	515	503
Botswana	507	499
Mozambique	504	516
Uganda	469	493
Lesotho	439	435
Namibia	**436**	**419**
Mean score	500	500

*Source: Namibia (2005: 38). Human capital and knowledge development for economic growth with equity. World Bank Working Paper Series No. 84. Washington.

This was partly confirmed by a teacher, Mr. George Lututu Jnr[263]who revealed that up to 70% of learners that sit for grade 10 cannot read or comprehend the questions they are to answer. Some teachers in the northern part of the country, according to Mr. George Lututu Jnr[264], teach certain subjects in their vernacular which explains why some learners score A's and B's in most subjects but get 'Ungraded' in English.

[263] Interviewed on the 22nd June 2008
[264] Ibid

A look at the output of education in many countries shows that other countries perform better with less monetary injections[265]. Considering the mismatch in input and output of the education sector left the country with no other choice but to call for a presidential commission into education and subsequently invite the World Bank to assess education in Namibia.

ETSIP

ETSIP has its roots in the Presidential Commission on Education, Culture and Training which pointed out the shortcomings of Namibian education and called for urgent change[266]; consequently many studies were undertaken to provide background information before the implementation of ETSIP began in June 2006. Considering that a lot of money had been invested into education with very poor results, the Government[267] decided to invite the World Bank to have a look at the education system in Namibia and provide recommendations on the way forward. According to a World Bank document; ''the purpose of this work was to comprehensively assess the education, training, and skills development sector and to advise on how education may best support the national development reform envisioned in Vision 2030''[268].

That report concluded that the current education system could not supply the required skills needed by the labour market and was thus not suitable to support the developmental vision of the

[265] Zaaruka, B; Biwa, B & Kalenga, P (2001); also confirmed by Mr. Justin Ellis during an interview with him on the 16th June 2008
[266] Minister of Education Nangolo Mbumba's address during the ETSIP Advocacy Campaign on the 25th June 2008
[267] Led by then Minister of Education Nahas Angula who wanted to find out what had happened to all the investment into education
[268] World Bank (2007: 10). Proposed first development policy loan to the Republic of Namibia for a first education and training sector improvement program. Report No: 38571. Washington

country[269]. The second major finding of the report was the prevailing inequality in the distribution of education outcomes and attainments. As employers had been complaining of a shortage of skilled labour it was further recommended that Namibia upgrade the quality of their skilled labour[270]. Harold Pupkewitz mentioned that there cannot be progress without a well educated workforce and made it clear that the formal sector has no room for Grade 10s, especially the failures. He stressed that there was an oversupply of these Grade 10s and 12s but mentioned that there was no quality[271].

After presenting the findings and recommendations of the World Bank report the cabinet approved the recommendations and transformed them into a 15 year sector strategic plan that is now known as ETSIP; also termed as the road of education to achieve Vision 2030'[272]. The conclusions that emanated from that report are as follows[273];

- Poor learning outcomes at all levels
- Inefficiency of the system
- Persisting inequalities
- Poor relevance to the economy

[269] Namibia human capital and knowledge development for economic growth with equity (2005). This report was mainly written by Dr. Mmantsetsa Marope and she confirmed the findings to me during an interview held with her on the 2nd October 2008 in Pretoria.
[270] World Bank (2007). Proposed first development policy loan to the Republic of Namibia for a first education and training sector improvement program. Report No: 38571. Washington
[271] Executive Chairman of one of the biggest companies in Namibia, Pupkewitz Holdings (Pty) Ltd on the 25th June 2008 during the ETSIP Advocacy Campaign. Windhoek
[272] World Bank (2007: 9). Proposed first development policy loan to the Republic of Namibia for a first education and training sector improvement program. Report No: 38571. Washington
[273] Ibid: vi

- Poor capacity to implement reforms
- Inadequate and declining resources, and
- The threat of HIV / AIDS

And hence recommended that Namibia;[274]

- Improve student learning outcomes
- Improve efficiency of the system
- Eradicate inequalities across all levels of the system
- Improve the economic relevance of the education and training system by expanding outputs where the demand is strong
- Strengthen capacity for knowledge creation and innovation
- Strengthen capacity to implement the reforms
- Expand and diversify the financing base for the education and training system, and
- Improve strategies for curbing the spread of HIV / AIDS and mitigating its impact

The ETSIP program is based on Vision 2030 and aims to transform the education sector to support national development by improving the quality of general education in Namibia, spread information communication technology throughout the sector, contribute to greater efficiency through reduced wastage and performance contracts and reform and expand vocational education and training. It will further aim to strengthen tertiary education and training, develop a system of

[274] Ibid

knowledge management and innovation and contribute to early childhood development and pre – primary education, amongst others[275].

According to Justin Ellis it is not just a plan for education for education sake but rather for the nation; creating a knowledge economy, doing away with inequality and having a peaceful society with people co existing with each other as well as ensuring that Namibians become a life –long learning nation[276]. The report of the presidential commission into education in 1999 already expressed that Namibia should become a 'learning nation in which all citizens have opportunities for learning throughout their lives[277], which is integrated into ETSIP.

In his address to the ETSIP Advocacy Campaign Minister of Education Nangolo Mbumba called upon all Namibians to contribute to the success of ETSIP and stressed that only through the collective efforts of each and everyone, can ETSIP be successfully implemented[278].

The Ministry of Education will be primarily responsible for the implementation of ETSIP and will be assisted by various stakeholders like the Ministry of Gender and Equality, Ministry of Information, the National Training Authority as well as the Ministry of Finance and the National Planning Commission, amongst others[279].

[275] http://www.etsip.na/about.php & http://www.etsip.na/objectives.php
[276] Mr. Justin Ellis; ETSIP Program Coordinator. Interview held on the 16th June 2008
[277] World Bank (2007: 10). Proposed first development policy loan to the Republic of Namibia for a first education and training sector improvement program. Report No: 38571. Washington
[278] Ministry of Education (2008). Speech by Honourable Nangolo Mbumba, Minister of Education at the official launch of the ETSIP Advocacy Campaign. 25 June 2008. Windhoek
[279] World Bank (2007). Program information document (PID): Appraisal stage; Report No: AB 2883

The sector improvements entailed in ETSIP 1 will cost U$ 354.9 million and together with government's efforts the World Bank's technical support leveraged U$ 323.8 million external funds, leaving a financing gap of U$ 31.1 million[280]. As most of the external funds are programmed for the 3rd – 5th years of program implementation the Government requested the World Bank to meet half of that financing gap; U$ 15 million, to be disbursed over the first two years of program implementation. The U$ 323.8 million was raised at a roundtable pledging conference; U$ 278.8 was raised as grants while U$ 45 million was raised as a soft loan[281].

The first ever World Bank Loan to the Namibian Government

The World Bank approved the request and granted a Development Policy Loan (DPL1) on the 24th May 2007[282] and disbursed the first tranche, U$ 7.5 million, to Namibia on the 15th July 2008[283]. This U$ 15 million loan is divided into two tranches and there were prior actions that had to be fulfilled before the first disbursement while certain 'triggers' will have to have been complied with before the second tranche is disbursed[284].

As this is a policy development loan it is said to be suitable for Namibia because it focuses on policy, institutional and legal reforms rather than on specific investments. The overall objective

[280] Ibid : 8
[281] Ibid
[282] New Era Newspaper. ETSIP secures World Bank millions. 29th May 2007; http://www.newera.com.na/archives.php?id=16075&date=2007-05-29; World Bank Press Release on 24th May 2007
[283] According to Dr. Mmantsetsa Marope: World Bank Senior Education Specialist; the time period has been confirmed by Mr. Paul Randall, an advisor to the Namibian Ministry of Finance
[284] World Bank document containing the loan proposal with Namibia.

of this operation is to support the implementation of the first 2 years of Namibia's Education and Training Sector Improvement Program[285]. The specific aims of DPL1 further aim to 'support the development of specific policies and policy instruments to guide and give effect to planned sector reforms, legal instruments to enforce policy implementation and to support institutional capacities required for effective implementation of planned sector reforms'[286].

The World Bank's approach to education has often involved addressing problems outside education that hinder development of the sector[287] and Namibia's loan falls exactly into this category as it will be used to fund policy reforms.

DPL 1 will support the setting up of performance standards that all schools should keep and the establishment of conditional grants to enable under – resourced schools to meet set standards[288].

According to the DPL 1 program document the justification for the World Bank involvement in Namibia's education sector is the Government's recognition that World Bank technical assistance is essential for the success of the reform, the fact that the World Bank is best – placed to support the implementation of the reform as it contributed to developing ETSIP and to close the financing gap within the first two years[289]. Further justification comes from the fact that the World Bank brings leverage and confidence to donours as well as its support in raising grants for the ETSIP program. Last but not least, the World Bank ensures that policy; legal and institutional

[285] World Bank (2007). Program information document (PID): Appraisal stage; Report No: AB 2883
[286] Ibid : 2
[287] World Bank (2007: 16). Annual Report 2007. Washington
[288] World Bank (2007). Program information document (PID): Appraisal stage; Report No: AB 2883
[289] Ibid

reforms that are required to give effect to the transformation of education are indeed put into practice[290].

Potential risks associated with lending to Namibia include risks of external shocks to the economy, procurement system that could contribute to a delay in implementation, financial management risk dealing with budgeting and auditing inadequacy and interest based resistance to proposed policy reforms. Interest – based resistance relates to trade unions, wealthy parents and civil servants that would be negatively affected by some policy reforms[291]. Further risks deal with implementation delays due to over consultations and consensus building, inadequate implementation capacity, the threat of HIV / AIDS and the potential discontinuity of financial support by any of the 13 development partners[292].

[290] Ibid
[291] Policy reforms include delinking teachers' salaries from the current payments system and allocating more resources to schools that have historically been disadvantaged to make room for the per capita funding philosophy that is to be introduced soon.
[292] World Bank (2007: 4). Program information document (PID): Appraisal stage; Report No: AB 2883

CHAPTER V

RESEARCH FINDINGS

As said at the beginning of this report, many countries either resort to loans due to economic problems or due to the advancement of group interests and ideas.

In the case of Namibia the macro – economics of the country did not warrant any World Bank loans or IMF interventions. According to the Governor of the Bank of Namibia, 'when one looks at Namibia's debt ratio there is nothing indicating that Namibia could have been in trouble. There are countries that have to borrow just to pass a budget in their parliament and Namibia was definitely not in such a situation when it took the loan[293]. The sound macro economic state of the country, despite many challenges, has been documented in various reports including the 2007 IMF Article IV Consultations and the World Bank Namibia Interim Strategy Note[294].

Relations with Bretton - Woods

As Namibia was ideologically opposed to the World Bank it was quite difficult to work and operate there. In fact, Dr. Mmantsetsa Marope[295], a senior education specialist at the World Bank, thinks that Namibia is the most difficult country she has ever worked with due to their stance towards the World Bank. According to Herbert Jauch[296] of LaRRI, this scepticism within government is because SWAPO leaders, while in exile, had seen what IMF and World Bank influence can do. The relationship between Namibia and the Bretton - Woods institutions is

[293] Tom Alweendo. Interview 11th June 2008, also confirmed by Prime Minister Nahas Angula, ETSIP Director Justin Ellis, advisor to the minister of finance Paul Randall, Herbert Jauch and Dr. Mmantsetsa Marope
[294] See 2007 IMF Article IV Consultations and World Bank Interim Strategy note
[295] Dr. Mmantsetsa Marope. World Bank Senior Education Specialist. Interview, Pretoria, 2nd October 2008.
[296] Herbert Jauch, Senior Researcher at Labour Resource and Research Institute, Interview, Windhoek, 16th June 2008

nonetheless very good as attested to by the governor of Bank of Namibia[297]; even though Namibia does not necessarily do everything that is advised by these institutions[298]. According to Preeti Arora the relationship has not been very strong until lately but the process is in motion. The World Bank is still grappling to develop relations with the government and how to prove to the populace that the World Bank can assist[299].

How did Namibia manage to stay away from Bretton - Woods' loans?

There are many reasons why Namibia managed to stay away from Bretton - Woods loans. With regards to the IMF, a country seeks its assistance when it encounters currency or balance of payment problems; as Namibia has never had such problems that could warrant IMF intervention, they have never had the need to borrow from the IMF.

With the World Bank it was different as there were economic as well as political reasons that contributed to Namibia staying away from these loans. Namibia is classified as a lower middle – income country and hence does not qualify for concessional loans from the World Bank and would therefore have to borrow at interest rates that are very high and could just as well borrow elsewhere. The World Bank is a lender of last resort[300] and with Namibia's credit ratings the country can borrow money from anywhere else. This, for example, is not the case with Malawi

[297] Tom Alweendo. Governor of Bank of Namibia. Interview, Windhoek, 11th June 2008
[298] Buti Hambira. Economist and acting personal assistant to the Minister of finance at the time of the interview. Interview. Windhoek, 26th June 2008
[299] Preeti Arora. World Bank Senior Country Economist. Interview, Pretoria, 26th August 2008
[300] Meaning that if all other institutions refuse to borrow to a country due to its weak economic stability, the World Bank would still have a facility where that country can lend from. When all else fails one can still resort to the World Bank for assistance.

that does not have the luxury to borrow from anywhere else; they would have to come to the World Bank as the lender of last resort[301].

Namibia further adopted an attitude to first exhaust grants while borrowing was to be concessional. Mr. Maamberua adds that after soft loans and grants were sourced and exhausted, the country stood its grounds not to borrow from the IMF or World Bank[302]. He added that 'the priority areas for the government then were clearly education and health and these are social development areas and you cannot take commercial loans for such social projects as they will not give you commercial returns'[303]. Ms Preeti Arora[304] confirmed that there had been strong resistance from the Namibian treasury to borrow from the World Bank.

What certainly made Namibia's stance easier is the fact that the country has in the main not been heavily indebted as the government had a deliberate policy not to incur huge budget deficits, especially when current Minister of Finance, Saara Kuugongelwa – Amadhila,[305] took over.

The political reason why Namibia never borrowed from Bretton - Woods was due to the World Bank tendency of attaching conditions to their loans,[306] as well as their neo-colonial outlook. According to Paul Randall[307], having recently won independence the founding president, His

[301] Eugene Marinova. World Bank Country Officer for Namibia, amongst others. Interview held on the 5th September 2008
[302] Interview held on the 24th September 2008 in Johannesburg
[303] Ibid
[304] World Bank Senior Economist based in Pretoria, during an interview with her on the 26th August 2008
[305] Herbert Jauch (2008). Interview 16th June 2008. Windhoek
[306] Paul Randall. Interview held on 26th June 2008
[307] Ibid

Excellency Dr. Sam Nujoma, was not going to be told what to do by these institutions. The first President, Dr. Sam Nujoma, confirmed this during the interview with him and made it clear that Namibia trades with other countries and should continue to do so but should always strive to be self reliant;

'At independence we adopted a policy of self reliance so that we do not need to depend on handouts from these institutions. No handouts so that we can prevent those who have neo - colonial tendencies to come and interfere in the internal affairs of our country'[308], he said.

His strategy premised instead on training and educating Namibians to enable them to contribute to the future development of the country, especially through adding value to Namibia's abundant natural resources. According to him the country can only be developed through the hard work of Namibians themselves and not through philanthropic gestures from foreign institutions;

''*Africa cannot be build on the policies that emanate from everywhere but Africa. So here we make our own policies based on self reliance, hard work and discipline and ensuring that Namibians are ruled by Namibians in the interest of the Namibian people as well as Africa by Africans and the assistance of the Diaspora*''[309].

[308] Interview held with His Excellency Dr. Sam Nujoma held on the 19th June 2008.
[309] Ibid

According to Eugenia Marinova from the World Bank[310] Namibia did not take loans because at that time there was no interest to take loans. She explained that there are things that people borrow money from a bank for and other things that people do not borrow for. Countries were, according to her, also still hesitant due to the conditionalities that used to be attached to loans.

Mr. Maamberua adds that perhaps Namibia has had the benefit of late independence and knew what these loans did to other countries and this might have influenced them not to take loans. A similar view was observed by Herbert Jauch[311] who affirmed that there was a healthy scepticism towards these institutions at independence.

Will the loan be repaid in time?

The research found a firm confirmation that the loan will be easily payable as it is seen as a small amount and therefore poses no threat to meeting the scheduled repayments[312]. Additionally, the World Bank foresees a low risk that the good economic management will be threatened during the period of engagement. This, according to the World Bank Namibia Interim Strategy Note, rests on Namibia's track record of sound economic management, moderate level of external indebtedness and the fairly good credit ratings assigned to the country by Fitch[313].

[310] During interview held on the 5th September 2008
[311] During the interview with him on the 16th June 2008
[312] This was confirmed by the Rt. Hon Prime Minister, the Governor of the Central Bank, the advisor to the ministry of finance and the director of the ETSIP program as well as Eugenia Marinova stating that Namibia anyways spends a lot of money on education
[313] Namibia Interim Strategy Note (2007 : 13)

Conditionalities of the loan

According to Namibia's Prime Minister the loan did not come with conditionalities per se except that Namibia needs to achieve what it said it would do[314]. 'There were no conditionalities as such but prior actions that the government was in any case going to take and these were derived at jointly', explained Eugenia Marinova[315]. So there are no ulterior motives behind the conditions attached to the loan as confirmed by Ms Preeti Arora who mentioned that the World Bank does not have an agenda and does not just impose things on countries[316]. According to Dr. Marope the conditionalities are taken from Namibia's own policies and all Namibia has to do now is implement them[317]; literally meaning that the World Bank will only act as an oversight to ensure that Namibia implements its own decisions.

The World Bank proposal for ETSIP funding[318] makes it clear that;

'the disbursement of the loan will follow the World Bank's disbursement procedures for Development Policy Loans and will be disbursed against satisfactory implementation of the development policy program and not tied to any specific purchases or be subject to procurement requirements. If the proceeds of the loan are used for ineligible

[314] During the interview held on the 9th October 2008; this was confirmed by Mr. Justin Ellis who also mentioned that Namibia will have to implement what they set themselves to do. Herbert Jauch also confirmed that the loan did not come with imposed conditions
[315] Eugenia Marinova, interviewed on the 5th September 2008
[316] During an interview held with her on the 26th August 2008
[317] During interview on the 2nd October 2008
[318] World Bank (2007: 24). Program document for a proposed first development policy loan in the amount of U$ 7.5 million to the Republic of Namibia for a first education and training sector improvement program. Report No: 38571. Washington

purposes, as defined in the Loan Agreement[319], upon notice from the World Bank the Borrower will be required to promptly refund an amount equal to the amount of said payments'.

The money must be accounted for and an audited report of the account will have to be sent to the World Bank and the participating development partners. According to the ETSIP Coordinator, Mr. Justin Ellis, the conditions are problematic; in his own words;

'The kind of loan we took is not a project loan but development policy loan meaning that the loan is taken on condition that certain development policies are being implemented. These policies have a term known as Prior Actions. So to get the 1st Tranche loan we had to fulfil prior actions, a string of them. 12, 20....so these were things we had to show that we had done them. In the 2nd round we are dealing with 17 prior actions, I should say that they are pragmatic. So this is a kind of contract, if you want money; they will agree, they will give you money but you must show us that you are doing the things that you said you will do. We had one on textbooks, we had to get a new policy of textbooks developed and accepted by cabinet and this was done, as well as an early childhood development policy.

They get more and more difficult. I think what will happen is that the World Bank will now need to see results, meaning they won't look at programmatic things but they will assess the improvement of learners. The European Union has notified us that they are not interested in pragmatic results but in quality results, they want to see how the learners are doing. Are our policies being effectively implemented, are they successful? They will assess the results of the learners. So this is a very difficult process, I don't think it is easy for anybody, if there is no change there won't be money coming anymore. Education is a difficult thing; education is a long term learner; if I would want to improve a Grade 10 learner than I can't start in the 10th grade; so this thing will give us problems in the future. It can't be done overnight, some of these things take time. That is the difficult thing in these conditions[320]**,**.

[319] To finance goods or services on the standard negative list of the loan document
[320] Mr. Justin Ellis. ETSIP Coordinator during an interview with him on the 16th June 2008

All prior actions have been met to disburse the first tranche and they included the adoption of a national HIV / AIDS policy for the education sector, approval of the policy on ICT in the same sector, transfer of pre – primary education from the Ministry of Gender Equality and Child Welfare to the Ministry of Education, approval of the Vocational Education and Training Bill, the establishment of the National Council for Higher Education, the establishment of the Namibia Training Authority and the establishment of the Advisory Council for Teacher Education in Namibia[321]. Prior actions taken under the DPL 2 program included:

- Tertiary pre – entry programs in mathematics, science and information, communications and technologies enrolling 50 students per area
- Approve the revised lower primary curriculum and start implementing it
- Approve national textbook policy
- Assign academic performance targets to each primary and secondary school
- The baseline data to enable the establishment of a school register of needs
- Approve a new formula for determining applicable levels of subsidies to private schools
- De – link teacher salaries from unnecessary and irrelevant qualifications and link it to performance[322]

[321] World Bank (2007: 30 - 31). Program document for a proposed first development policy loan in the amount of U$ 7.5 million to the Republic of Namibia for a first education and training sector improvement program. Report No: 38571. Washington

[322] These were received by Cristina Romero, assistant to Dr. Mmantsetsa Marope

Implications of 'new' relations

The Prime Minister made it clear that Namibia has not engaged into *new* relations with the Bank, Namibia remains a member of the Bank and relations will continue just like before the loan.

Others were of the opinion that the implications point to a greater influence for the World Bank in the country. As Herbert Jauch put it; 'when you do not owe them money you can, at least in theory, choose to ignore and not follow their advice; but now it gives them of course much greater say because once certain loans are tied to certain performances the World Bank will have stronger influence'[323]. I certainly agree with this statement, and as Mr. Maamberua said; 'many countries that borrowed from the World Bank had the World Bank literally taking over an economy and indirectly running it through structural adjustment and the likes[324]. It is not so much the size of the loan but maybe the interventions of the World Bank that will matter; once they lend you money they somehow have a hold of you'.

An additional implication, according to Mr. Maamberua[325], is that the country will be in it for a long time. These loans come with conditions to assure the World Bank that they will get their money back. Once you take loans you literally co – manage the economy with the World Bank which can negatively affect sovereign decision – making in the country. A clear implication will further be the need to increase the capacity to comply with the conditionalities and if that

[323] Herbert Jauch (2008). Interview 16th June 2008
[324] Mr. Usutua Maamberua during that same interview
[325] During the interview with him on the 24th September 2008

capacity is not there then Namibia will have to invest in it or go back to the World Bank so as to implement the project.

After the 2nd Tranche loan the memorandum of understanding says that Namibia will pay directly for technical assistance[326] and Namibia has therefore set aside U$ 2 million to pay for World Bank technical support beyond the first two years of the loan to ensure the program's technical sustainability. On a need base, this fund may also be used to cover upstream analytical work that will reinforce implementation downstream[327].

The Secretary General of the Namibia National Student Organisation[328], although praising ETSIP, did not welcome the World Bank loan and called it a blunder. He said; 'we all know what the World Bank is about and what they have done to many, many countries; thus asking money from such an institution for such a vital area like education is really disappointing'. He added that; 'when you take loans from these institutions they would want you to follow their advice and also restrict who you should have relations with. If they do not like a certain country they can affect or influence you to break ties with that country'.

Herbert Jauch thinks that the move to accept World Bank loans was unnecessary and will in the medium term also be counterproductive, because it opens the door for more World Bank advisors to have an increasing influence in education, literally a foot in the door policy. History

[326] According to Paul Randall
[327] World Bank (2007). Program document for a proposed first development policy loan in the amount of U$ 7.5 million to the Republic of Namibia for a first education and training sector improvement program. Report No: 38571. Washington
[328] Mr. Andre Neville Itope during an interview with him on the 18th June 2008

showed that this leads to the commodification of education, introducing user pay principles, and making education efficient cost wise[329].

Did Namibia ever feel that it needed Bretton Wood's loans before?

Namibia has never in the past felt that it needed Bretton - Woods loans as confirmed by the Founding President Sam Nujoma, the Governor of the Bank of Namibia Tom Alweendo, the advisor to the Minister of Finance, and Mr. Maamberua as well as a senior researcher from LaRRI[330]. Namibia, more than anything else, has sought the technical assistance and tapped into the World Bank as a knowledge institution instead of seeking money from it. That knowledge is appreciated as the World Bank can give 'uncomfortable' advice to any country; the country does not have to do what is advised but it is always good to listen[331].

Why then did Namibia break its practice and seek a loan from the World Bank?

Rt. Hon. Prime Minister Nahas Angula says Namibia is not an island and needs the external community to function, therefore Namibia, just like other countries, is a member of the World Bank and may need the World Bank in one way or another[332]. According to him[333], Namibia engaged the World Bank as a knowledge institution to develop ETSIP. As the costs of ETSIP

[329] Herbert Jauch (2008). Interview 16th June 2008. Windhoek
[330] During their respective interviews, see attached appendix
[331] Mr. Justin Ellis. Interview held on the 16th June 2008
[332] Interview held on the 9th October 2008. Windhoek
[333] ibid

could not be met by the government alone a roundtable pledging conference was organised, with the assistance of the World Bank, and attracted a lot of donours including the EU.

The donours then questioned the aid effectiveness of the country and demanded oversight of their funds if they were to provide money for ETSIP. As this oversight could only be provided by the World Bank, the institution said that if it was to provide that oversight Namibia will have to take a loan to provide that service[334]. As the donours made it clear that without oversight there would be no money, and since the World Bank was the only institution that could provide that oversight, they demanded that Namibia take out a loan to pay for that service. Namibia therefore, according to the Prime Minister, took the loan so as to retain the World Bank oversight that was needed by the donours.

Mr. Paul Randall[335] gave a similar account as he maintains that the loan was a condition for continuing to receive technical assistance for ETSIP. According to the ETSIP Program Coordinator, Mr. Justin Ellis, the government decided to take that loan mainly as a way of retaining technical advice and the commitment of the World Bank to the program[336].

There is another view with regards to why Namibia eventually took that loan. According to Mr. Buti Hambira, an economist in the Ministry of Finance and, at the time of the interview, the acting personal assistance to the Minister of Finance, Namibia was literally trapped as technical

[334] Rt. Hon. Nahas Angula. Interview held on the 9th October 2008
[335] Paul Randall was the current special advisor to Namibia's minister of finance; interview held on the 26th June 2008
[336] During an interview with him on the 16th June 2008.

assistance was conditional to taking a loan from the World Bank; according to him the World Bank Pretoria Office country representative has always had ulterior motives as she was there for a long time and it looked bad not to 'get' Namibia[337]. He therefore concludes that Namibia was trapped as the loan was literally forced onto the country. A further perspective adds that 'the World Bank played it very clever as they manoeuvred their way through technical assistance. 'These experts came in to review education and then we got ETSIP. They were then, obviously, contributing to its funds[338]', opinionated Herbert Jauch. This is in line with the research findings of Laila Smith[339] who concluded that the World Bank manoeuvres through technical assistance to create a lending relationship with countries that initially refused to do so.

Herbert Jauch's observation suggests that Namibia took that loan because neoliberal type of thinking has found its way into Namibia 'as the government seems to have adopted a market – driven development strategy which is largely due to advice from Bretton - Woods'[340]. According to Herbert Jauch before independence SWAPO was already moving away from its socialist ideals and after independence introduced a very moderate reformist agenda based on capitalist economy[341]. The changes, prior to independence, were all indicators towards a shift to those policies and the commercialisation and privatisation schemes in the later 1990s were clear signs of neoliberalism and shows that the government was clearly listening to Bretton - Woods'[342].

[337] Economist and then (26th June 2008) acting personal assistance to the minister of finance. Interview held on the 26th June 2008
[338] Herbert Jauch (2008). Interview 16th June 2008. Windhoek
[339] Smith, L (2007: 236). Power and the hierarchy of knowledge: A review of a decade of the World Bank's relationship with South Africa. Science Direct Journal
[340] Herbert Jauch (2008). Interview 16th June 2008. Windhoek
[341] Ibid
[342] Ibid

Herbert Jauch argues that Namibia has adopted a neoliberal approach to economic policies with some social welfare system here and there, but in terms of key financial and economic policies Namibia has definitely gone neoliberal. However, Tom Alweendo[343] thinks that no country actually decides to follow one principle at the expense of the other; 'it is all situational really and the differences are not so much pronounced; we have a mixture of both and at the end of the day these concepts are just theoretical and for academic purposes only'.

Anyways, according to the Governor of Namibia's Central Bank, not all debt is bad. 'If you borrow to invest then that debt is good, unlike when you borrow for consumption; but for infrastructural development you can borrow and that is good debt as long as it is within your target[344]. The Prime Minister also attested to this saying that borrowing from the World Bank is principally not bad; it just really depends what you borrow for[345].

The World Bank is not an ordinary bank, it offers technical assistance besides just providing loans; this assistance, according to Eugenia Marinova, is appreciated by countries and also contributes to them accepting loans from the World Bank as other banks will just give you the money and then leave.

[343] Governor of the Bank of Namibia. Interview 11th June 2008
[344] Mr. Tom Alweendo (2008). Interview held on the 11th June 2008
[345] Interview held on the 9th October 2008

The classical explanation, though, came from Dr. Marope[346] who used a Chinese saying to explain Namibia's decision to eventually taking a loan, saying that; *'sometimes you need to ride the back of the dragon to cross the river'*.

[346] World Bank education specialist, as interviewed on the 2nd October 2008

CONCLUSION

As the literature alludes to, loans from Bretton – Woods are geared to advance neo – liberal policies that, at the end of the day, preserve the interests of these institutions. Though the loans are said to be beneficial to recipient countries, these benefits are only short – lived and the negative implications far outweigh the good that these loans are supposed to achieve. As the statement of Dr. Marope suggests, it is clear that these institutions are indeed risky and potentially dangerous to borrow from[347].

As Laila Smith said, ‘‘the World Bank uses its knowledge brokering role as a device to facilitate the development of a lending relationship with countries that may initially be reluctant to enter into this kind of engagement’’[348]. The World Bank indeed paraded itself as a knowledge institution, what was initially perceived to be only technical assistance turned out to become a lending relationship.

Namibia’s economy did in fact not show any signs of failures needing the bailout, intervention or assistance of the World Bank or IMF. Yes, the country faced a big challenge with education but, from my own perspective, the World Bank worked it cleverly to ensure that Namibia finally takes a loan from them.

As already highlighted at the beginning of the report, the main objective was to find out why and how Namibia stayed away from Bretton - Woods’ loans since independence and consequently find out why Namibia eventually broke that practice.

[347] See page 123
[348] Smith, L (2007: 236).

The findings point to a healthy skepticism within government towards these institutions as a driving motive of abstaining from these loans as well as to a confirmation of Laila Smith's[349] analysis that the World Bank uses its knowledge brokering role as a device to lure countries, which were initially not keen on lending from the World Bank, into lending relations.

Namibia hence invited the World Bank, as a knowledge institution, to assess its education and provide recommendations as to how the education sector can be used as a vehicle to achieve or contribute to Vision 2030 which was done because the huge input into education did not match the poor output that the system produced.

The Bretton Woods Institutions have the interests of their sponsors to cater for and will thus continue to advance neoliberal policies that are eventually aimed at getting governments to accept Washington consensus-type policies and ensure that the interests of the developed countries are eventually supported. It is business as usual and he who pays the piper dictates the tune; therefore Namibia should abstain from Bretton - Woods' loans as much as possible. Once you owe the World Bank or IMF money, it is more difficult to pursue your own independent development path.

With regards to ETSIP and the current loan, I recommend that the country implement the conditionalities as outlined in the Development Policy Loans and Agreements so as to retain the financial support of the donours to the ETSIP program. The World Bank has leverage power and

[349] Ibid

as soon as conditions are not satisfactorily complied with donours will be told to hold their money which can negatively affect the implementation of ETSIP. It is therefore further suggested that ETSIP be sustained, as much as possible, through local funding so as to avoid any disruptions caused by the potential withdrawal of donours for whatever reasons.

Relations with the Bretton - Woods Institutions should not be underestimated and taken lightly as their sponsors indeed have controversial and interest – based economic, development and political outlooks. The country hence needs to ensure that future relations with these institutions are not to the detriment of the socio – economic development and quest for economic emancipation in Namibia. The future generation should remain with the policy space to contribute towards their own development instead of just nurturing the interest of the sponsors of the IMF and World Bank.

Although these institutions are said to have changed, and are still changing, the predominant view still holds that these are indeed western imperialist machineries that aim to unlock the world's natural resources and cheap labour for the benefit of their sponsors[350] and the local class interests that are to gain from something that is to the detriment of the masses. For that reason, careful and informed engagement with these institutions will be vital for the future people - centered socio – economic development of the country and the attainment of Vision 2030.

[350] Spearheaded by 'economic hitmen' as outlined in Hiatt, S (ed) (2007). *A Game as Old as Empire: The Secret World of Economic Hitman and the Web of Global Corruption*. San Francisco: Berrett – Koehler Publishers Inc; and John Perkins' (2004) ground breaking '*Confessions of an Economic hitman'*. Berett – Koehler.

Namibia as a country needs to be congratulated for its progressive stance on the Bretton - Woods Institutions over the past years which greatly contributed to no indebtedness to these institutions. In the same vein, Namibia must learn from its current experience with the World Bank that further technical assistance will, as well, be geared towards projects that will eventually require loans from the World Bank. The World Bank provides non – lending services and technical assistance, *not attached or conditioned to future loans*, should be the way to go.

This study has convinced me that further research is required into the field of Namibia – Bretton Woods' relations so as to enhance the actual benefit to both stakeholders. I further found that the involvement of these institutions in the economies of developing countries is inevitable, but, alone; not sufficient for sustainable socio – economic development as the interests of the sponsors of Bretton Woods and those of the masses of developing countries indeed head into opposite directions.

But, as often proclaimed by Kwame Nkrumah, it can only be achieved through unity of purpose and action. Groups of countries should cooperate to help one another and use regional development banks rather than turning to the technical advice, loans and bailouts from the Bretton –Woods institutions. Further, there may be help from other governments and other institutions that may not be pushing neo-liberal policies and countries can thus improve their bargaining power with the West and the Bretton –Woods institutions by leveraging cooperation and support from other non-neo-liberal countries; examples are the good relations existing between developing countries and China.

It certainly is possible; 'the budding future is always stronger than the withering past'[351].

[351] Nkrumah, K (1965: 252). Neo – colonialism; the last stage o imperialism. Panaf Books. London

Bibliography

Abrokwaa, C (1999). Africa 2000: *What Development Strategy*? Journal of Black Studies. SAGE Publications

Alweendo, T (2000). *The challenges of Monetary Policy for Namibia within the Common Monetary Agreement.* A Paper read at the Bankers Conference on the 6th October 2000. Windhoek

Angula, H (2008). *Global Economic Environment and the Economy of Namibia. Statement for the 2008 Budget*. Windhoek

Angula, N (1998). *SAPs: A wrong diagnosis & a mistaken prescription*. The Namibian Newspaper. 13th March 1998

Bank of Namibia (various). Annual Symposium. Windhoek

Bank of Namibia (various). *Annual Reports*. Windhoek

Bank of Namibia (various). *Economic Outlooks*. Windhoek

Bank of Namibia (various): *Quarterly Bulletins*. Windhoek

Bank of Namibia (2004). *Central Government Debt Sustainability*. Working paper of the Research Department of the Bank of Namibia. Windhoek

Bernstein, A. (2005). "*Why Globalisation Works*", in New Frontiers. Issue 3 February 2005, The Centre for development and Enterprise.

Block, F. L (1997). *The origins of international economic disorder*: A study of US International Monetary Policy from WWII to the Present, Berkeley University of California Press

Boer, M & Sherbourne, R (2004). *Managing Diamond Dependency: Should Namibia risk more to gain more?* Institute for Public Policy Research Report No. 6. IPPR. Windhoek

Bond, P (2006). *Talk left, Walk right: South Africa's frustrated global reforms*. UKZN Press

Bracking, S (1999). Review of African Political Economy No. 80:207 – 226. ROAPE Publications

Brown, Richard P.C (1992). *Public Debt and Private Wealth: Debt, Capital Flight and the IMF in Sudan*. London: Macmillan (Chapter 2: *The Evolution of the IMF's Role in Sub - Saharan Africa.)*

Central Bureau of Statistics. *National Accounts 1983-1998 and Preliminary National Accounts 2007*, Windhoek.

Central Bureau of Statistics (2006). *Namibia Household Income & Expenditure Survey 2003 / 2004.* Central Bureau of Statistics. Windhoek

Central Bureau of Statistics (2008). A Review of poverty and inequality in Namibia. Windhoek

Chang, H-J (2005). *Kicking away the ladder: Development Strategy in Historical Perspective.* Anthem Press, London

Cohen, Joseph Nathan (2007). "The Impact of Neoliberalism, Political Institutions and Financial Autonomy on Economic Development, 1980–2003" Dissertation, Department of Sociology, Princeton University. Defended June 2007

Ferguson, J. (1995). *From African Socialism to Scientific Capitalism: Reflection on the Legitimation Crisis in IMF – ruled Africa*. "In Debating Development Discourse: Institutional and Popular Perspectives, David B. Moore and Gerald J Schmitz, eds. London: Macmillan

Ferrard.D, Gibson.A, Scott.A (2004). *Making markets work for the poor. An objective and an approach for governments and development agencies*. ComMask Trust. Johannesburg

Gibbon, P (1992). "*The World Bank and African Poverty, 1973 – 91*." Journal of Modern African Studies, V. 30, no.2

Hall, P. (1989) 'Conclusion: The Politics of Keynesian Ideas' in Hall, P. (ed.) 'The Political Power of Economic Ideas- Keynesianism across Nation' Princeton: Princeton University Press

Hanns Seidel foundation (2007). *Namibia at a Glance*. Windhoek

Hiatt, S (2007). *A Game as Old as Empire: the Secret World of Economic Hitman and the Web of Global Corruption*. Berrett – Koehler. San Francisco

Hopwood, G (2008). *Guide to Namibian politics*. Namibia institute for democracy. Windhoek

International Monetary Fund (2008). *Namibia Country Report* No: 08 / 82; Namibia

International Monetary Fund (various). *Article IV Discussions with Namibia*

Jauch, H (1999). Structural Adjustment Program: Their origin and international experiences. Background Paper. Labour Resource and Research Institute

Kalenga, P (2001). *Monetary Policy Framework in Namibia.* Paper presented at the Conference on Monetary Policy Framework in Africa. Pretoria

Kiondo, A (1993). Political *implications of Tanzania's economic reforms: 1982 – 1984.* Conference Paper presented in October 1993. University of Dar es Salaam

Lehman, H P (1993). *Indebted Development: Strategic Bargaining and Adjustment in the Third World.* London: Macmillan (Chapter 4: The State and Debt Management Strategies.)

Mathibeng, A C (2001). *The role of international financial institutions and the debt crisis: a case study of Uganda*. University of the Witwatersrand. Johannesburg

Marais, H (1998). *South Africa - limits to change: the political economy of transition*. Zed Press

Martin, M (1991). The *Crumbling Facade of African Debt Negotiations: No Winners*. (Chapter 2: *Negotiating Economic Policy with the IMF*). Macmillan; London

Melady, T. P (1996). *Western policy and the third world*. Hawthorn Books, Inc. New York

Ministry of Trade and Industry (1990). Foreign Investment Act. Windhoek

Ministry of Trade and Industry (1995). Special Incentives for Manufacturers and Exporters. Windhoek.

Mkandawire, R & Soludo, C (1999). *Our continent, our future: African perspectives on structural adjustment*. Africa World Press, Inc. Eritrea. Codesria

Mohamed, S (2008). *Economic Policy, Globalisation and the Labour Movement: Changes in the global economy from the golden age to the neoliberal era*. Global Labour University Working Papers. Berlin

Mosley, P; Harrigan, J and Taye, J (1991). *Aid and Power: The World Bank and Policy - based lending*. (London and New York: Routledge, 1991). (Chapters 3,4,5)

Mwanza, A (1992). *Structural Adjustment Programs in the SADC*. Natprint. Harare

National Planning Commission (2007). *Namibia's Economic Challenges & how the donour community can assist*. Country Paper for the International Conference on Development Cooperation with Middle Income Countries (MICs), Madrid, Spain, 01 – 02 March 2007

New African (2003). *A special report on Namibia*. IC Publications. November 2003

Ndishishi, A (2002). *Industrial policy, trade strategy and growth in Namibia.* Paper presented at the Bank of Namibia Annual Symposium, 2002. Bank of Namibia. Windhoek

Nkrumah, K (1963) *Africa Must Unite*. Heinemann. London

Nkrumah, K. (1965). *Neo colonialism: the last stage of imperialism*. Panaf Books. London

Noorbakhsh, F; Paloni, A (2001). *Structural Adjustment and growth in sub – Saharan Africa: the importance of complying with conditionality*. Economic Development and Cultural Change. Chicago

Peet, R (2003). *Unholy Trinity: The IMF, World Bank and WTO.* University of Witwatersrand Press. Johannesburg

Perkins, J (2004). *Confessions of an Economic Hitman*. Berett Koehler. New York

Republic of Namibia (Various). *Budget Statements*. Ministry of Finance. Windhoek

Republic of Namibia (Various). *Medium Term Expenditure Frameworks.* Ministry of Finance. Windhoek

Republic of Namibia (2000). *Namibia: A decade of peace, democracy and prosperity, 1990 – 2000.* John Meinert Printing. Windhoek

Republic of Namibia (2000). *The State of the Nation addresses by the President of the Republic of Namibia*. Ministry of Information and Broadcasting. John Meinert Printing. Windhoek

Republic of Namibia (2004). *Vision 2030*. Office of the President. Namprint. Windhoek

Republic of Namibia (2004). *National Report on the development of education in Namibia.* Paper presented at the International Conference on Education: Geneva 2004. Ministry of Basic Education, Sport and culture. Windhoek

Republic of Namibia (2004). *Namibia's foreign policy and diplomacy management*. Ministry of Foreign Affairs. Windhoek

Republic of Namibia (2007). *Education Training Sector Improvement Program (ETSIP): Planning for a learning nation. Programme document phase 1 (2006 – 2011).* Ministry of Education. Windhoek

Republic of Namibia (2007). *Report to the SWAPO PARTY Congress on the work of Government Offices, Ministries and Agencies*. Office of the Prime Miniser. Windhoek

Shimi, I (2002). *An overview of Namibia's investment and growth performance, 1990 – 2001.* Paper presented at the Bank of Namibia Annual Symposium, 2002. Bank of Namibia. Windhoek

Sikkink, K (1991). "*Ideas and Institutions: Developmentalism in Brazil and Argentina*", Ithaca: Cornell University Press

Skalnes, T (1993). *The State, Interest Groups and Structural Adjustment in Zimbabwe*. Journal of Development Studies. 29: 401 – 428

Smith, L (2007). *Power and the hierarchy of knowledge: A review of a decade of the World Bank's relationship with South Africa*. Science Direct Journal. Geoforum 39 (2008)

Stein, H (1995). *"The World Bank, Neo-Classical Economics and the Application of Asian Industrial Policy to Africa*", in Asian Industrialization and Africa: Studies in Policy Alternatives to Structural Adjustment, Howard Stein, ed. New York: St Martin's 1995

Stein, H (1999). Globalisation, Adjustment and the structural transformation of African economies? : The role of international financial institutions. CSRG Working Paper No. 32 / 99

Stiglitz, J (2002). Globalisation and its Discontents London. Allen Lane. London

Stiglitz, J (2006). *"Making Globalisation Work: The Next Steps to Global Justice*". Allen Lane. London

Wade, R (1996). '*Japan, the World Bank and the Art of Paradigm Maintenance – the East Asian Miracle in Political Perspectives'*

Woods, N (2002). *"Global Governance and the Role of Institutions"* in D. Held & A. McGrew (eds) Governing Globalisation: Power, Authority and Global Governance Cambridge: Polity Press

World Bank (2005). *Namibia Human Capital and Knowledge Development for Economic Growth with Equity.* Africa Region Human Development Working Paper Series – No. 84. Washington

World Bank: (2007). Meeting of the Board of Executive Directors. Namibia Interim Strategy Note. Chairman's concluding remarks (document No. 39908)

World Bank (Various). Annual Reports. Washington

World Bank (2007). *Program document for a proposed first development policy loan to the Republic of Namibia for first Education and Training Sector Improvement program*. Report No: 38571. 27 April 2007. Washington

Appendix A

List of Interview Questions:

- How did Namibia's economy perform since independence?
- How is the relationship between Namibia and the World Bank and IMF?
- How has Namibia, unlike many other countries, stayed away from World Bank /IMF loans?
- Did Namibia ever feel that it needed World Bank or IMF rescue?
- Why has Namibia decided to break tradition and take that loan from the World Bank?
- Will Namibia be able to repay that loan in time?
- What are the implications of this new relationship with the Bretton Woods Institutions?
- Has Namibia changed its policy towards these institutions?
- How has education fared since independence?
- What exactly is ETSIP?
- What conditionalities came with the World Bank loan?
- How can Namibia protect itself from the onslaught of economic globalisation which is in some quarters even seen as a new form of neo - colonialism?

Appendix B

List of Interviewees:

NAME	CAPACITY	PLACE	DATE
His Excellency Dr. Sam Nujoma	First President: Republic of Namibia	Windhoek	19th June 2008
Rt. Hon Nahas Angula	Prime Minister: Republic of Namibia	Windhoek	9th October 2008
Mr. Tom Alweendo	Governor: Bank of Namibia	Windhoek	11th June 2008
Preeti Arora	World Bank: Senior Country Economist	Pretoria	26th August 2008
Eugenia Marinova	World Bank: Country Officer	Pretoria	5th September 2008
Dr. Mmantsetsa Marope	World Bank: Senior Education Specialist	Pretoria / Waterkloof	2nd October 2008
Usutua Maamberua	Private capacity; former Permanent Secretary in the Ministry of Finance	Johannesburg	24th September 2008
Justin Ellis	ETSIP – Program Coordinator	Windhoek	16th June 2008
Sandra van Zyl	Ministry of Education	Windhoek	16th June 2008
Paul Randall	Special Advisor to the Minister of Finance	Windhoek	26th June 2008 & 8th October 2008
Herbert Jauch	Senior Researcher: LaRRI	Windhoek	16th June 2008
Buti Hambira	Economist: Ministry of Finance	Windhoek	26th June 2008
Alfred Ndabeni	Chief Trade Promotion Officer	Windhoek	10th June 2008
Ndeulipula Hamutumwa	Diamond Research Fellow	Windhoek	7th October 2008
Neville Andre	SG - Namibia National Student Organisation	Windhoek	18th June 2008
George Lututu Jnr.	Teacher	Windhoek	22nd June 2008