

EXECUTIVE SUMMARY

1. The purpose of State of the Environment Reporting (SOER) is the provision of credible environmental information for measuring progress towards the sustainable utilisation of natural resources and sustainable human and economic development. SOER employs an integrated, holistic approach with three key characteristics namely:
 - the interpretation, assessment and integration of high quality data to generate meaningful information,
 - the development of spatial and temporal trend information, and
 - the linkage between environmental and socio-economic considerations within a sustainable development context.
2. The Ministry of Environment and Tourism, through its Directorate of Environmental Affairs, has launched a national programme entitled “Information and Communication Service for Sustainable Development in Namibia”. The Government of Finland financially supports this programme. Its objectives are to provide pertinent information for policy makers, technicians and the general public on the health and trends in Namibia’s environment and to provide key indicators for the long term monitoring of the state of the environment and environmental policy performance.
3. Seven sectors namely fresh water resources, the socio-economic environment, transport, energy and mining, marine fisheries and coastal resources, bio-diversity, parks and tourism, agriculture and rangeland resources and laws, regulations and institutional framework has been identified as the sectors for which SOE Reports need to be prepared.
4. This State of the Environment Report deals with the socio-economic environment of Namibia. It consists of two sections. Section 1 provides background information on a wide range of socio-economic issues in Namibia. These issues are related to the environment. Their selection is focused on those actions and/or conditions taking place or evident in Namibian society which influence and are influenced by the natural environment and environmental conditions. The background data provided in Section 1 serves as a filter for the identification of the most appropriate indicators of the state of the socio-economic environment in Namibia. Socio-economic variables or combinations of a number of variables were selected on the basis of the strength of the relationship of these variables or groups of variables with the natural environment and sustainable development. They are elaborated upon in Section 2 and developed into useful and measurable indicators. These socio-economic indicators are used as proxies for the continuous monitoring of the state of the natural environment within the context of sustainable development.
5. The well being of human beings and their activities in interaction with the environment is the main focus of the report. The Government of Namibia, through its various organs, is responsible for the health and well being of both its people and the environment. The indicators identified and

developed in this report should serve as a monitoring tool for all decision makers within Namibian society to measure the effectiveness of their programmes and policies and the progress towards sustainable development in Namibia.

6. The socio-economic environment in Namibia is currently characterised by the following trends which potentially have a great influence on our ability to attain acceptable levels of sustainable development:

- Namibia is the most arid country south of the Sahara. Rainfall is low and variable and droughts occur frequently. The inherent human carrying capacity is low.
- Due to its aridity, the environment is extremely sensitive to overutilisation.
- The population growth rate of approximately 3% is high, even by African standards.
- 70% of Namibians depend directly on natural resources, particularly agricultural land, for much of their livelihood.
- A large portion of the population is concentrated in certain areas causing even more pressure in these areas.
- Namibia's manufacturing sector is extremely small and development of the sector has been too slow to make a significant impact on reducing the already high levels of unemployment and underemployment.
- Economic activity in the services sector and manufacturing is concentrated in a few urban centres with no or very limited access to income sources other than from agriculture for the majority of Namibians;
- Industrial support infrastructure has been and is being developed in a number of rural and urban centres in pursuit of economic diversification objectives;
- The real rate of economic growth in recent years was negative indicating that the economy is not able to grow at the same rate as the population. The result is rising un- and underemployment.
- Government's budgetary operations are increasingly characterized by fiscal indiscipline with the growing budget deficit and rapidly increasing real cost of borrowing placing an ever increasing burden on the taxpayers and the economy at large;
- The tourism sector has over the past few years developed into a good alternative for the agricultural use of land providing job opportunities and generating significant foreign exchange;
- The income distribution in Namibia is extremely skewed with a large part of the population living in poverty. Levels of vulnerability to natural and personal disasters are high among some sections of the population.
- Significant progress has been made in the fields of primary health care and universal primary education but much remains to be done to improve the efficiency of the health and education systems. AIDS present a major threat to Namibian society both in terms of its effect on the structure of the labour force and the direct medical cost involved.
- More and more people are moving to the urban areas. Urbanisation can have many positive elements if it is managed. Local and Regional Authorities are presently not able to accommodate and manage the constant stream of migrants and to provide basic services to ensure the health and well being of these migrants. Economies of scale are not utilised and this seriously militates against the positive elements of urbanisation.

- Traditional management of the communal land tenure system is losing its effectiveness. This is leaving a management void that could have a detrimental effect on sustainability of the natural resource.
 - Gender equality is now firmly entrenched in Namibian legislation. However, gender bias and stereotyping resulting from historical and cultural processes still exist and will be difficult to change.
7. Combined, these make for increased pressure on the natural environment and the natural resource base.
 8. Society responded with a number of policies and programmes to improve the situation. These need to be evaluated and adjusted continually to ensure efficiency and additional programmes need to be developed to address certain untouched problems.
 9. In section two 14 socio-economic indicators are identified which can be used to evaluate and monitor the state of the socio-economic environment. These are related to the state of the natural environment. Changes in the indicator values can be used to predict what is likely to happen to the natural environment. They simplify the communication process of transmitting information to the user and can be of value to decision makers if updated annually. If applied astutely, these indicators have the potential to reduce the level of uncertainty associated with decision making.
 10. The selected indicators are:-
 - **FDI as percentage of GDP**
is the ratio between the net foreign direct investment inflows into the country as a percentage of Gross Domestic Product (which reflects the total value added of all economic activity of the country); and it is used as (1) an indicator to measure the extent to which the country is able to mobilize external sources in support of economic development and (2) a proxy indicator for the extent of technology transfer;
 - **“Fiscal Indiscipline”**
is developed as a combination of (1) the country’s debt service and (2) total tax income, both as a share of GDP. It is used to indicate the extent to which the financing of the Government budget deficit (1a) is carried over to future generations and/or (2a) is passed onto the economically active population, thereby reducing disposable income;
 - **Real Economic Growth Rate**
relates the overall performance of the economy to the population growth rate. It provides an indicator on the extent to which the economy is able to carry its population (note that this indicator does not cover the distribution of income) and is calculated as the economic growth rate minus the population growth rate;

- **Tourism Earnings as Percentage of GDP**
 is the ratio of **all** tourism related income as recorded in the National Accounts and the GDP. It indicates the extent to which the natural environment is used for tourism instead of primary resource utilization (agriculture and mining);
- **Economic Diversification**
 is developed as a composite indicator from the sectoral composition of GDP, Manufacturing Value Added (MVA) and the trend in the country's Terms of Trade. It measures the purchasing power of exports in relation to imports showing the change in reliance on primary commodity production, reliance on primary inputs into manufacturing and the level of dependence on primary commodity exports;
- **Human Poverty Index**
 derived from five variables namely life expectancy, literacy, percentage of underweight children, access to safe water and access to health care. The indicator measures the general incidence of deprivation rather than the depth or severity of poverty.
- **Human Development Index**
 derived from four variables namely life expectancy at birth, school enrolment, adult literacy and per capita income. The indicator measures the general level of wellbeing of the population.
- **Collective Land Management Indicator**
 derived from the area of land registered as commercial and communal conservancies as a proportion of the total land area excluding national park areas.
- **Results of Junior Secondary Certificate Evaluations**
 providing a measure of the quality of education and allowing for comparison from year to year.
- **Vulnerability Indicator**
 derived from a classification of vulnerable sections of the population and environmental and economic conditions during a specific year. The data for this indicator is gathered on an annual basis by the Early Warning Unit and the Emergency Management Unit.
- **Rate of Unemployment**
 measures the proportion of the labour force which are not employed and which are available for employment and are seeking employment.
- **The Extent of Gender Equality**
 Derived from the extent to which women hold senior position in government as a proxy of access to decision making and the de-facto level of gender equality.

- **Rate of Growth of the Urban Population**
measuring the speed at which the size of the urban population is growing. By comparing the growth in urban population with the overall population growth rate in a specific geographical area, the change in pressure on both rural and urban environments can be deducted.

 - **Population Pressure Indicator**
is derived from a combination of growing periods, population density, use of firewood for cooking and dependency on agriculture. It combines four variables with data at different levels of disaggregation to provide an indication of the extent of pressure exerted on the environment. It is expressed as the percentage of landmass under strong and medium pressure and is calculated through GIS spatial analysis.
11. Each indicator sets a benchmark of trends and current values against which any future change and therefore policy performance can be evaluated. The direction of the indicators for 1998 are reflected in the balance sheet below.

SOER SOCIO-ECONOMIC BALANCE SHEET 1998

ECONOMIC DEVELOPMENT

| PROGRESS | DECLINE |
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| <ul style="list-style-type: none"> • Foreign Direct Investment Inflows have picked up since Independence with the FDI Ratio (FDI as a % of GDP) now at 3.8%. This compares relatively well to other African countries but is far from sufficient to effect the necessary boost in economic activity required to sustain the high population growth and ever increasing number of labour market entrants. FDI also brings to Namibia new production technology and management techniques supportive of a more sustainable and economical use of available natural resources. • Tourism Earnings have improved dramatically over the past few years with the Tourism Earning Ratio (Net Export Earning from Tourism as a % of GDP) steadily growing from 4.5% to 7.1% over a period of only 5 years (1993-97). Given that the use of available land for tourism rather than for agriculture is more sustainable, this is a positive development. • The Namibian economy is slowly moving into the direction of a more sustainable utilisation of resources with increase industrial production and services as compared to the dominance of the primary sector in the early 1980's. In terms of economic diversification away from the direct utilisation of primary resources, however, Namibia still has a long way to go. | <ul style="list-style-type: none"> • The Government's fiscal management has not been disciplined over the past few years resulting in a growing Budget Deficit. Interest repayments on foreign and domestic loans now stand at 5.2% of Total Government Expenditure which is equal to nearly 33% of Government spending on economic services. The tax rates have increased reducing the taxpayer's disposable income and subsequent savings and investment potential. Tax Burden (Total Tax Income as a % of GDP) is very high as around 35% which level compares to that of high income countries with well established social security and welfare infrastructures. Pertinent and urgent for sustainable economic development is the reduction of the size of the public sector. • The negative Real Economic Growth Rate recorded in the past few years demonstrates a lack of sufficient economic production and growth to keep Namibia on the sustainable economic development track. The Government's Population Policy should be revisited and stringent measures put in place to enhance the country's economic performance. A deterioration in the general welfare of a country's people is not in support of sustainable development objectives. The Real Economic Growth Rate stands at -1.3% (1997). • The limited and stagnating contribution of the secondary sector to GDP is a cause of concern and so is the concentration of manufacturing activity in only a few sectors. Compared to other low income countries the size of the secondary sector in Namibia is small, 18% of GDP compared to 27% of GDP on average for low income countries. Furthermore the public sector component in the tertiary sector (services) is too high at 23%. The sharp decline in the Terms of Trade over the past 5 years is also of concern and should be addressed by diversifying production and exports. |
| <p>The development of Regional GDP figures is needed for a more accurate monitoring of the intricate relationships between economic development and the state of the natural environment.</p> | |

HUMAN DEVELOPMENT

| PROGRESS | DECLINE |
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| <ul style="list-style-type: none"> • The general level of human development is on the increase with the figure for the total country rising from 0.734 in 1996 to 0.744 in 1997 and to 0.770 in 1998. | <ul style="list-style-type: none"> • Considerable levels of inequality still persist in virtually every sphere of life although these inequalities are slowly being redressed. • Although attention is given to the plight of the |

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| <ul style="list-style-type: none"> • The level of deprivation as measured by the N-HPI is slowly decreasing (from 26.9% in 1997 to 20.5% in 1998) but there are certain areas of deprivation which still need urgent attention. • The drive towards universal primary education in Namibia is bearing fruit as is evident from the high levels of school enrolment. • The government is committed to the improvement of the education system as reflected in the consistent expenditure of more than 7.5% of GDP on education. • Access to safe water supply has been improved considerably through the implementation of rural water supply projects. This reflects positively on the N-HPI. • The establishment of conservancies which embody the principles of community natural resource management is a positive step towards sustainability. • A number of systems have been developed to form a safety net for the most vulnerable groups. These include pensions, food security monitoring through the EMU and the establishment of the Social Security Commission. • The re-orientation of the health care system from a curative to a preventative system has made health services more accessible to the majority of the population. • Much progress have been made to improve gender equality especially in the fields of legislation and equal access to education. | <p>vulnerable in the rural areas, little is done to address the problems of the urban poor. Poor conditions in the urban areas are underlined by the high incidence of malnutrition in the commercial regions of Khomas, Hardap and Oshana.</p> <ul style="list-style-type: none"> • School enrolment ratios are on the decline and this trend must be monitored for remedial action. • The supply of safe human waste disposal systems and other general services in the urban areas are lacking. Where urbanisation is normally associated with an improvement in the level of sustainability, poor management of urbanisation and the absence of an urbanisation policy turn the current pattern of urbanisation into a negative trend. • The rate of unemployment is on the increase. Seen together with the negative real economic growth rate, this is a red flag which should be addressed as a matter of urgency. Current initiatives by the government do not seem to have the desired effect. • The rate of rural to urban migration has a negative effect on the rural areas. Vulnerable women and children are left behind in the rural areas to tend the family farm while the able –bodied move to the urban areas in search of employment. The effect on the social fabric is a cause of concern. • Population density is on the increase. Together with high levels of dependency on renewable natural resources for their livelihood, natural resources are being put under increasing pressure by having to sustain more and more people. Some 7% of the total land mass of the country can be classified as under high pressure from human activity while another 6% may be regarded as under moderate pressure. The importance of an explicit population policy is hereby underlined. • Much remain to be done to achieve gender equality in the fields of access to economic and decision making opportunities. Culturally and historically based gender bias and stereotyping represent the biggest challenge to achieve true gender equality. |
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