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March 29, 2021

Statement by Mr. Hendrick and Mr. Corvalan Mendoza on Namibia (Preliminary)
Executive Board Meeting
March 31, 2021

We thank staff for the informative report on Namibia and Ms. Mannathoko and Ms. Nainda for their helpful Buff statement.

We support the authorities' request for a purchase under the Rapid Financing Instrument (RFI). The country's efforts to mitigate three years of stagnation was temporarily halted by the COVID-19 pandemic shock, which has put additional strains on macroeconomic results. Economic growth for 2020 is expected to contract by 7.2 percent, which is categorized as the deepest recession since the country's independence. The RFI would buttress the authorities' Harambee Prosperity Plan II, support the peg to the South African Rand, and help catalyze additional financial resources from development partners to close the financial gap.

We commend the authorities' immediate efforts to contain the impact of the pandemic by reprioritizing spending and reinforcing health services, as well as protecting jobs and the most vulnerable population. This is more important if we take into consideration the high level of unemployment at 20 percent, where the youth (39 percent) are particularly hit. The authorities' resolution to return to the fiscal consolidation path is a welcome step once the pandemic wanes, to resume the downward path of the debt-to-GDP ratio, which increased rapidly to 60 percent of GDP, before the pandemic hit.

Public debt remains sustainable. We take note that the dynamics remain manageable considering the uncertainties the COVID-19 pandemic might bring. Special attention should be given to risks of potential natural disasters, and the recognition of contingent liabilities from state-owned enterprises (SOEs). Nonetheless, the authorities' have reiterated their commitment to macroeconomic stability for the medium term. Therefore, continued engagement with the Fund is highly relevant to catalyze financing and technical assistance from development partners and the donor community to support the economy in these times of distress.

We welcome authorities' safeguarding transparency and accountability on how public resources are being used during these difficult times and their efforts to enhance governance and create an opportunity to rearrange existing budget allocations in order to limit the overall rise in spending. Key information on procurement contracts will also be published.

Regarding monetary policy, we welcome the Bank of Namibia (BoN) policies to appropriately allow the peg to the South African Rand to be sustained, even under extraordinary external shocks. We learned from the report that the BoN coordinated action to follow the South African Reserve Bank's rate cut, to ease the monetary policy stance, and at the same time sustain the peg, which served the country well for many years. Monetary policy remains accommodative to ensure sufficient liquidity to the financial system. We take positive note of the authorities' willingness to develop a liquidity forecasting framework with the help of the Fund. The latter would prove handy to enhance liquidity forecasting by the BoN and preserve an orderly functioning of the financial system, which according to the report, remains resilient.

With these comments, we wish the people of Namibia all the best in these challenging times.