



**WELCOMING REMARKS BY MR. JOHANNES !GAWAXAB, GOVERNOR OF THE BANK OF NAMIBIA, AT THE BANK OF NAMIBIA'S 24<sup>th</sup> ANNUAL SYMPOSIUM, THURSDAY, 5 OCTOBER 2023, MERCURE (SAFARI) HOTEL, WINDHOEK, NAMIBIA "TRANSFORMATION OF THE RURAL ECONOMY IN NAMIBIA."**

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Director of Ceremonies

Honourable Erastus Uutoni, Minister of Rural and Urban Development

Honourable Ministers and Deputy Ministers Present,

Members of Parliament,

Members of the Diplomatic Corps,

Executive Directors of Government Offices/Ministries and Agencies,

Deputy Governors and Board Members of the Bank of Namibia,

Distinguished Speakers,

Distinguished Panelists,

Captains of Industry,

Members of the Media,

All invited guests,

Ladies and Gentlemen,

Good morning!

- 1. It is my profound honour and pleasure to welcome you to the Bank of Namibia's 24<sup>th</sup> Annual Symposium.** I wish to express my gratitude and appreciation to our invited guests and discussants for accepting our invitation and availing time to be with us on this occasion and share their views and knowledge on this important topic, the ***Transformation of the Rural Economy in Namibia***.
- 2. The Annual Symposium of the Bank of Namibia aims to contribute to Namibia's development and economic policy discourse.** Annually, the Bank identifies a vital development and economic issue facing Namibia, to which this dialogue can contribute evidence-based solutions. The Annual Symposium is, therefore, a forum designed to bring

together policy experts, academics, and economic development stakeholders to discuss the economic and policy issues on the identified topic.

3. **The rural economy is not a monolithic entity.** It is made up of a diverse range of sectors and industries, each with its own unique challenges and opportunities. Rural economic transformation is about finding ways to support the growth and development of these sectors and industries while also addressing the challenges they face. Therefore, my remarks this morning are intended to set the scene and background for the ensuing discussions and interventions by specially highlighting three key factors that are paramount to rural transformation. These key aspects, I am convinced, will enable the country to reimagine rural economic transformation. These are the promotion of sustainable agriculture, rural infrastructure development, and supporting the informal sector. But before I delve into these issues, allow me to reflect on rural Namibia briefly.

**Director of Ceremonies, Ladies and Gentlemen**

4. **For inclusive development, Namibia must revive its rural areas.** Namibia's rural areas seem to have been forgotten and have become zones of economic misery. High levels of poverty, unemployment, and limited access to basic services characterise them. This is also coupled with the phenomenon of essential service providers, including financial institutions, shying away from these areas, which exacerbates inequality and financial exclusion, amongst others. The disparity between rural and urban areas not only undermines overall economic development but also exacerbates social inequality and hinders the country's progress towards achieving Vision 2030 goals.
5. **Namibia is witnessing a steady increase in urbanization.** The pull factors are better economic opportunities, education, health care, and infrastructure in urban areas. Some of the key factors of rural-urban migration are the huge disparities in living conditions as well as the lack of employment opportunities in rural areas. The Labour Force Survey of 2018 (the latest available) shows that unemployment in rural areas remains higher than in urban areas, particularly among the youth. Youth unemployment in rural areas was estimated at 49.1 percent in 2018, compared to 44.0 percent in urban areas. This has led to an accelerated rate of urbanization in the country. According to a World Bank report, by 2050, 72 percent of Namibians are expected to live in urban areas, putting pressure on existing space and infrastructure, increasing land prices, and reducing land access, especially for the poor. This calls for careful planning and devising of appropriate policies

and strategies to mitigate the situation and reduce the pace at which rural-urban migration is happening.

### **Director of Ceremonies, Ladies and Gentlemen**

- 6. Realizing rural economic transformation is critical for Namibia's inclusive growth and development.** Given the complex nature of rural development, a focused approach is required. We must identify a few key developmental and impactful initiatives that will help us to intervene and make progress on rural economic transformation. I now wish to reflect on the three key aspects that I spoke of earlier, which, if we prioritise as a country, would lead to rural transformation, namely, the promotion of sustainable agriculture, the development of rural infrastructure, and supporting of the informal sector.

### ***Sustainable Agriculture***

- 7. Agriculture holds the key to rural economic transformation.** It is already playing a vital role in the rural economy, providing employment opportunities and food security. To revive and transform the rural economy, we must make agriculture - a business, where agri-entrepreneurs are grown and nurtured, indeed a wealth-creating sector. To be clear, agriculture is not a development sector. Agriculture is a BUSINESS.
- 8. Agriculture should shift from subsistence farming to increase productivity and diversification.** Diversification involves developments in technology, the provision of better infrastructure, and well-functioning agricultural markets to support more diversified production. Agricultural diversification has been a policy objective of most developing countries during their structural change process<sup>1</sup>. Asian nations such as Japan, Thailand, and South Korea have been successful in diversifying their agricultural sector<sup>2</sup>.
- 9. Rainfall patterns in Namibia have become more unpredictable and inconsistent with the traditional farming seasons, as exacerbated by climate change.** The country has been experiencing persistent drought conditions for over seven years. The Namibian government declared national emergencies in 1992/1993, 1995/1996, 2012/2013, 2013/2014, 2015/2016, and 2018/2019 due to extreme drought events, and by the end of 2019, which was the worst drought recorded in 90 years, agriculture production was at its

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<sup>1</sup> (Timmer, 1997)

<sup>2</sup> (World Bank, 1990)

lowest, increased livestock deaths were reported, and many families had their essential livelihood affected. The rural population is the most affected by droughts as they highly depend on crops and livestock production on communal land. The Namibia Drought Assessment Report of 2022 estimated that about 750,000 Namibians are food insecure. In fact, studies highlight that the SADC region is highly vulnerable to climate change due to its geographical location, social and economic characteristics, and dependence on natural resources. This is extremely worrisome, and if we do not put measures in place to remedy the situation, we might have a national crisis on our hands. For this reason, climate-resilient practices in the agricultural sector should be prioritized now more than ever.

**10. Other challenges facing rural farmers are access to markets, inadequate infrastructure, and availability and inadequate use of technology and financial resources.** There is thus a need to focus and invest in rural infrastructure, including irrigation systems, storage facilities, and transportation networks. Equally, it is important to ensure access to finance and technical support to enable the adoption of modern and sustainable farming techniques. We must leverage innovation and technologies. It should not be a far-fetched dream for agriculture to use sophisticated technologies such as robots, temperature and moisture sensors, aerial images, and GPS technology to enable more profitable, efficient, safer, and more environmentally friendly practices and methods. Such actions will go a long way in enhancing and improving rural agricultural productivity and transforming the rural economy. Therefore, the importance of irrigation schemes, such as green schemes, in the transformation of the agricultural sector and its contribution to food security cannot be overemphasized. Additionally, we must enhance the support and extension services provided to our farmers in rural areas while simultaneously preventing corruption and inefficiencies that misallocate resources from this vital sector.

**11. The area of food security, in particular, offers immense opportunities and is suitable for the unskilled profile of our unemployed population.** Equally, it offers an opportune and ideal structure to kickstart our rural and regional economies, as alluded to. We need to invest in agri-technology, skills continually, and business know-how development, as well as designing productive programmes such as equipment schemes that can raise productivity in the agricultural sector. I have previously emphasized the importance of decreasing our dependence on imported food and products, especially in industries where we have a comparative advantage. This is a simple goal we can achieve by replacing imports with products made or grown in our own country. Collectively, these measures, I

believe, have the potential to increase Namibia's value addition, economic diversification, and self-sustenance, which in turn translates into economic growth. Combinedly, these represent prospects in which the youth need to be encouraged and supported to create self-employment.

### ***Infrastructure development***

- 9. Secondly, infrastructure, including organizational structures, is a key factor for rural economic transformation.** Access to infrastructure networks, such as roads, electricity, mobile telecommunications, and decent housing, are critical enablers of rural economic transformation. Firstly, roads are the arteries through which the economy pulses and connects rural areas with urban centers and markets. By linking producers to markets, workers to jobs, students to school, and the sick to hospitals, roads are vital to any development agenda. Therefore, improved rural road infrastructure enables connectivity and safe mobility. Namibia is consistently ranked top in Africa in the quality of roads; however, the overall quality of rural roads is far below the target value. This is because a large part of the rural road network remains unpaved, mostly gravel, unsealed, and poorly maintained. Such circumstances make it challenging and difficult for meaningful rural productivity improvements and rural production to take off. Rail transportation must also be in the mix to decongest roads and create a viable logistics sector that takes the produce of farmers to the market in an efficient manner.
- 10. Similarly, reliable and affordable energy and access to water are essential for rural economic activity.** Limited access to electricity and inadequate water supply hinders rural economic growth and discourages investment. We must prioritise the construction and maintenance of rural infrastructure, build and upgrade roads, and expand rural electrification, especially when considering the opportunities available for renewable energy. Blessed with 300 days of sunshine per year and offering a climate well-suited for solar generation, Namibia represents a viable solar energy market. However, according to the Namibia household national data of 2016, there are 235,884 rural households, of which only 35,855 are connected to the grid, while 18,324 rural households have access to solar energy. This gives a rural electrification rate estimation of 21%. There are various government options available for renewable energy, such as the Solar Revolving Fund (SRF), under the Ministry of Mines and Energy. The Ministry of Mines and Energy, through the Solar Revolving Fund, has recently indicated that they will provide funding for 400 off-grid households in an effort to promote rural electrification - a step in the right direction.

However, with a low electrification rate, there is a need for considerable improvement to close the gap.

**11. Although we have limited water resources, we are not utilizing them efficiently.** We should utilise the water resources from both perennial rivers in the north and south of the country, along with the Calueque-Oshakati canal, to boost agricultural production in nearby regions. In order to improve water conservation in semi-arid and arid central areas, innovative solutions are needed to reduce pipeline leakages while considering alternatives including constructing a desalination plant. However, while cost recovery is essential, it is important to avoid burdening rural communities that may not have the means to pay for this vital resource. Investing in water and energy infrastructure will contribute to a conducive environment for the rural economy to transform and thrive.

**12. Another important aspect of the rural economy is decent housing.** Rural housing must be addressed. The rural areas in Namibia are filled with corrugated zinc or silver houses, as you might know. This is considered an upgrade from the mud houses. However, when we consider the hotter conditions that the country is experiencing, corrugated zinc houses cannot be considered decent housing at all. One of the recommendations made by the High-Level Panel on the Namibian Economy (HLPNE) was that land needs to be handed over to the people living in silver houses to enable them to build proper brick houses. This goes back to issues of land access, land servicing and land use in the country.

**13. Unlocking the potential of rural Namibia will require a new legislative framework.** The land tenure system is a prohibitive factor contributing adversely to citizens and businesses alike, especially not exploiting the full potential of communal areas where the majority of Namibians live. Access to financing through converting title deeds into some form of tradable leasehold, which may unlock funding, is required. This, in turn, can boost agricultural productivity and tourism activities in communal areas. Furthermore, a recent study conducted by the Bank of Namibia has revealed that acquiring property in Namibia is a complex and challenging process. There are various obstacles related to costs, regulations, and procedures that make the overall process extremely inefficient. The process is also fragmented, expensive, and time-consuming, which can be a burden for potential buyers, investors, and other market participants. The Bank, in its advisory role, will soon be calling a stakeholder workshop with all players with the aim of ensuring the process is streamlined and recommendations are actioned in the shortest possible time.

We urge all stakeholders to fully support this crucial work, which could unlock the potential of property ownership including in our rural areas.

### ***Supporting the informal sector***

**14. Lastly, I would like to talk about the informal sector, as this is key to rural**

**development.** The informal economy plays a critical role as the largest employer in the country, especially in the rural areas. The latest available data from the National Labour Survey of 2018 shows that the proportion of informal to total employment in the country stood at 55.8%. In addition, in 2020, about 3.5% of businesses were estimated to have closed as a result of the COVID-19 pandemic, which led to job losses for many, especially for those dependent on the informal economy for their livelihood. This estimate seems modest compared to the figures released by the Namibian Employers Federation (NEF) in 2022, which indicate that in 2019, 158 companies and, in 2020, some 52 companies filed for liquidation in the High Court. This rapidly escalated to 815 registered companies and closed corporations who voluntarily deregistered between January 2020 and February 2021. As such, if the total number of businesses closing down is anything to go by, in the aftermath of the pandemic, the proportion of informal to total employment has further increased.

**15. Despite the challenging working conditions for those operating in the informal economy, they contribute significantly to Namibia's GDP.**

According to the 2016 report by the Namibia Statistics Agency, the informal sector accounts for around 16.2% of the country's GDP. It is imperative, therefore, to reduce decent work deficits and vulnerabilities in the informal economy and facilitate pathways to formality. Doing so will ensure that the informal economy contributes to and benefits from inclusive economic development in order to reduce poverty and address social inequalities.

**16. For this reason, the Bank of Namibia, in collaboration with the United Nations System in Namibia and other key stakeholders, formed a National Working Group focusing on studying the informal sector.**

The main objectives of the diagnostic of the informal economy in Namibia are to gain a better understanding of the informal economy and identify pathways to addressing the associated challenges while also highlighting opportunities for intervention. This collaboration is built upon the recognition that the high levels of informal employment in Namibia have significant implications for the country's economic and social development. Accordingly, a comprehensive diagnostic of informality

is required to develop an evidence-based policy framework to address the challenge. These efforts will be complemented by the Bank's initiatives towards the promotion of innovative financial services solutions and financial literacy for the rural areas, including MSMEs, youth and women.

**Ladies and gentlemen,**

**17. My remarks are not aimed at preempting the discussions and ideas that will flow from the discussions during the course of this Symposium.** They are not to create an impression that the Bank knows and has all the solutions. The Symposium offers us the opportunity to collectively reflect, scrutinise and deliberate on this important topic, particularly around identifying those few things which must be prioritised to transform the rural economy and make a meaningful contribution to the Namibian economy. We must seize the opportunities underlaid in the challenges in our rural economy. In this regard, I would like to suggest these few questions for the consideration of the experts on this subject, those of us who are policymakers or practitioners in this sector, and all participants in this Symposium.

- ✓ How can Namibia promote and accelerate sustainable economic development in her rural areas?
- ✓ Which of the existing rural development strategies need to be enhanced, and which ones need to be done away with?
- ✓ What can we do as a country to ensure there is much-needed infrastructure development in rural areas, especially with the limited available resources?
- ✓ How do we ensure that rural communities have access to land, not only for productive agricultural use but for tradability as well?
- ✓ What policies are most effective in increasing income-generating activities as well as improving economic well-being in rural areas?
- ✓ How do we ensure that rural communities have access to markets without the need to travel to urban areas?
- ✓ How can stakeholders such as the financial sector respond to the evolving needs of rural communities?

**Director of ceremonies, ladies and gentlemen,**



**18. Rural economic transformation is essential for a balanced and inclusive society.**

Achieving rural economic transformation will unlock the latent potential that lies within our rural communities. It will enable them to break free from traditional livelihoods and embrace new avenues for economic development. Let us work together to prioritise and invest in rural development and lay a foundation for sustainable and equitable economic development and create a prosperous future for the nation as a whole.

**19. Our Symposium this morning is a renewed dialogue aimed at pin-pointing the challenges that stakeholders face and finding solutions that work in our context so that we can reimagine our rural economies, create much-needed jobs, reduce inequalities and poverty and give them a new lease on life.**

With that, ladies, and gentlemen, I thank you!