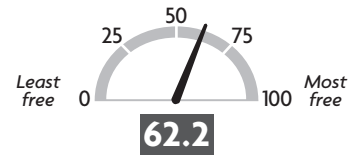


NAMIBIA

Economic Freedom Score



World Rank: **77**

Regional Rank: **6**

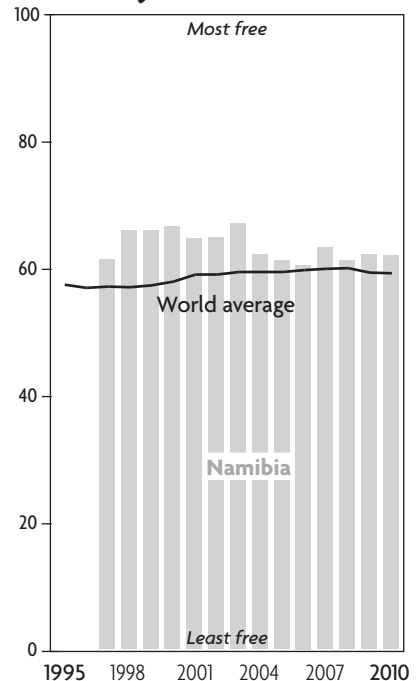
Namibia's economic freedom score is 62.2, making its economy the 77th freest in the 2010 *Index*. Its score has decreased by 0.2 point since last year, reflecting declines in five of the 10 economic freedoms. Namibia is ranked 6th out of 46 countries in the Sub-Saharan Africa region, and its overall score is above the world and regional averages.

The Namibian economy has been stable, with moderate growth averaging about 4 percent over the past five years. The overall regulatory environment is efficient and fairly straightforward. Tariff rates are average, but non-tariff barriers limit overall trade freedom.

With an average inflation rate close to 9 percent over the past three years, prices have been relatively unstable, and government measures distort domestic prices. Foreign and domestic investors are treated equally under the law, but foreign investors are encouraged to form partnerships with local companies. Scarce access to credit and banking services prevents people in rural areas from reaching their full economic potential. Property rights are jeopardized by the government's racially oriented land reform policy.

BACKGROUND: Namibia became officially independent in 1990 after years of fighting between South African troops and the South West Africa People's Organization. SWAPO leader Sam Nujoma, president from 1990 until 2005, was succeeded by SWAPO candidate Hifikepunye Pohamba. Namibia is rich in minerals, including uranium, diamonds, copper, gold, lead, and zinc. Parts of the economy are modern and well developed, but a majority of Namibians depend on subsistence agriculture and herding. Government pressure on white and foreign landowners to sell their property to the government with the objective of resettling "formerly disadvantaged" and landless Namibians has included selective expropriations. HIV/AIDS is a serious problem. State-owned enterprises operate in many key sectors. Namibia's economy is closely linked with that of South Africa, its major trading partner and former administering power.

Country's Score Over Time



Quick Facts

Population: 2.1 million

GDP (PPP): \$13.4 billion

2.7% growth in 2008

4.1% 5-year compound
annual growth

\$6,343 per capita

Unemployment: 5%

Inflation (CPI): 10.3%

FDI Inflow: \$746 million

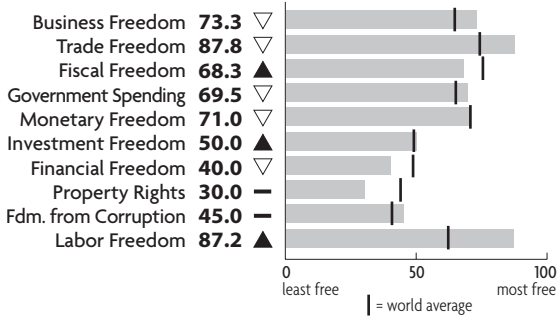
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

NAMIBIA'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 73.3

The overall freedom to start, operate, and close a business is relatively well protected under Namibia's regulatory environment. Starting a business takes an average of 66 days, compared to the world average of 35 days. Obtaining a business license takes less than the world average of 18 procedures and 218 days. Closing a business is relatively easy and not costly.

TRADE FREEDOM — 87.8

Namibia's weighted average tariff rate was 1.1 percent in 2008. The trade regime is relatively open, but import bans and restrictions, some services market access barriers, import licensing regulations, domestic preference in government procurement, corruption, and weak enforcement of intellectual property rights add to the cost of trade. Ten points were deducted from Namibia's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 68.3

Namibia has relatively high tax rates. Both the top income tax rate and the top corporate tax rate are 35 percent. Gas and oil extraction companies are subject to a special tax scheme, and diamond mining profits are subject to a surtax of 55 percent. There is also a value-added tax (VAT). In the most recent year, overall tax revenue as a percentage of GDP was 26.8 percent.

GOVERNMENT SPENDING — 69.5

Total government expenditures, including consumption and transfer payments, are moderate. In the most recent year, government spending equaled 31.9 percent of GDP.

MONETARY FREEDOM — 71

Inflation has been high, averaging 9.0 percent between 2006 and 2008. The government sets the prices of fuel products; influences prices through state-owned enterprises and utilities, including electricity, telecommunications, water, and transportation services; determines guideline prices for maize; and subsidizes agricultural production. Ten points were deducted from Namibia's monetary freedom score to account for policies that distort domestic prices.

INVESTMENT FREEDOM — 50

Namibian law provides for equal treatment of domestic and foreign investors and nondiscriminatory access to all sectors. There is no requirement for local participation in foreign investments, but the government actively encourages partnerships with historically disadvantaged Namibians. While Namibian companies are generally open to foreign investment, private domestic and foreign investments in state-owned enterprises are limited to joint partnerships. The administratively burdensome process of obtaining work permits for foreign employees is a hindrance to investment. Capital transactions, transfers, and payments are controlled. Residents and non-residents may hold foreign exchange accounts subject to restrictions and, in the case of residents, prior approval. Foreign investors can buy and own non-agricultural land.

FINANCIAL FREEDOM — 40

Namibia's financial sector is not fully developed. Financial intermediation remains uneven across the country, and scarce access to credit and banking services discourages entrepreneurial activity. The government owns the Agricultural Bank of Namibia, the Development Bank of Namibia, and the National Housing Enterprise and offers subsidized credits for subsistence farmers. Commercial banks are all at least partly foreign-owned. Namibia's non-bank financial sector has undergone modernization and reform. In 2008, amendments to the regulatory framework on pension fund and life insurance companies were introduced. The number of companies listed on the Namibian Stock Exchange has declined to less than 30 in recent years as a result of delistings and mergers.

PROPERTY RIGHTS — 30

The transfer of land owned by whites to landless blacks for resettlement is official policy, and the government has voiced concerns about the slow pace of land reform, raising fears that inadequately compensated expropriation could increase. The lack of qualified magistrates, other court officials, and private attorneys causes a serious backlog of property cases. Namibia lacks adequate mechanisms to address piracy and copyright violations.

FREEDOM FROM CORRUPTION — 45

Corruption is perceived as significant. Namibia ranks 61st out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. Despite efforts by the Anti-Corruption Commission, Office of the Ombudsman, and Office of the Auditor General, public corruption remains a problem. Critics have charged that the Anti-Corruption Commission interprets its mandate narrowly and focuses on minor cases, few of which are prosecuted.

LABOR FREEDOM — 87.2

Namibia's labor regulations are flexible. The non-salary cost of employing a worker is very low, and dismissing an employee is costless. Restrictions on work hours are moderately flexible.