

COUNTRY PROFILE:**REPUBLIC OF NAMIBIA****DATED:****JANUARY 2009****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	2B	No Restriction

Recent Political Highlights

- ❑ Chief of state since March 2005 has been President Hifikepunye Pohamba.
- ❑ The president is elected for a five-year term and is eligible for a second term. The next election is due in November 2009.
- ❑ Namibia's Secretary General McHenry Venaani has urged Government officials and agencies distributing drought relief aid to stop claiming that the food is coming directly from the ruling Swapo Party after receiving reports that officials were blatantly using poor communities' lack of knowledge to blackmail beneficiaries to in return comply with voting for the ruling party that provides them with food. The aid came from national resources and not any political party and recipients were entitled to it without being pressured for a vote.

Recent Economic Highlights

- ❑ Namibia's GDP was estimated at \$7.4bn in 2007 with growth that year of 3.6%. An IMF mission met with Namibian authorities in light of the global economic meltdown. The Fund noted that after three years of solid economic expansion, Namibia's growth was expected to have moderated to 3% in 2008 and is forecast to slow to 2% in 2009. The recent drop in fuel prices is expected to help inflation fall to single digits this year from 12% at the end of last year. The IMF shared Government's view that further development of the domestic financial sector would facilitate broad-based economic growth, but is concerned that the new state pension fund and insurance company regulations would be difficult to implement and would distort capital flows at the expense of lower returns and higher risk to domestic savings. The IMF also urged the finance ministry to improve the consistency of reporting on the budget to facilitate informed discussion of policies and the rationalisation of Government spending.
- ❑ For the first time in five years, inflation reached a two-digit level in 2008. It rose from 9.7% in May to 10.5% in June. Despite the high inflation, Government maintained prime lending rate of 10.5% in the first half of 2008. The central bank held the country's slow economic growth to the 27% fall in diamond output. The mining sector has been the mainstay of Namibia – where some of the world's best quality diamonds come from.
- ❑ Uranium deposits have been discovered at the Paldin Energy's Larger Heinrich mine in Namibia. The Australian uranium miner said that its mining licence has the largest calccrete hosted uranium deposit in the world. Drilling results confirmed the uranium deposit as being world class. Overall grade at Langer Heinrich remains 0.006% uranium oxide. There is a strong expectation that the new resource estimate would significantly extend both mine-life and subsequent upgrade in production.
- ❑ Absa, which planned on opening its first commercial branch in Namibia in March this year, is now reviewing its strategy for entering the local banking industry. It released a statement stating that it was reviewing its entry strategy for Namibia and will inform the market in due course.
- ❑ The latest National Early Warning and Food Information System (NEWFIU) paints a gloomy picture regarding production of the staple millet crop in the Kavango Region, where the bulk of subsistence farmers have expressed deep concern over the shortage of seed. The lack of seed could spell doom for the 2008/9 season. Poor harvests for the past two cropping seasons and demand for seed has outweighed supply. Farmers however drew consolation from the fact that supplies of uncertified seeds of pearl millet, maize, beans and groundnuts were readily available on the open market though at very steep prices. Cases of foot and mouth disease suspected to have spread from the far north-eastern Caprivi Region, have been reported in most parts of the constituency which is located at the border separating Caprivi from Kavango Region. In other regions, good rains have prevented a catastrophic scenario of many herds of cattle succumbing to drought.
- ❑ Namibia entered into an agreement with De Beers last year over Namibian diamond sales until 2013 where partly state-owned Namdeb was to get a larger share of the downstream industry and diamond trade through the deal. The agreement would ensure that \$300m worth of diamonds would be made available locally by 2009, representing 5% of Namibia's GDP. Diamonds still account for 40% of Namibia's export revenue, 7% of Government revenue and 10% of GDP. Namibia produces \$700m worth of diamonds per year, but has noted declining production for several years.

Latest Trade Developments

- ❑ Government procurement of locally manufactured goods is one of the challenges that the local manufacturers hope to overcome this year, along with improved trade access to Angola and other countries in the region. SA, Namibia and Angola have sent the EU a letter reiterating concern about the interim economic partnership agreement and urging the EU to allow more time before the pact is signed. This puts the future of Sacu again under a cloud. It is understood that the new EU Trade Commissioner Baroness Catherine Ashton will now travel to SA in the first week of next month to win over SA and attempt to broker a deal. The EU wants to formalise the deal in the first quarter of this year.

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