

RESEARCH

## Emerging markets and the International Monetary Fund: a Namibian case study of growth, reform, and institutional engagement

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The policy interface between the International Monetary Fund (IMF) and emerging markets remains a critical site of scholarly debate, particularly for resource-rich, upper-middle-income countries characterized by severe structural inequalities. Namibia's engagement with the Fund offers a critical case study to examine the tensions between standardized reform prescriptions and complex domestic socio-economic realities. This research interrogates the efficacy of IMF engagement in Namibia, evaluating the outcomes of its COVID-19 financing and subsequent scrutiny, diagnosing structural impediments to reform, and deriving comparative insights to inform policy in similar emerging markets. This in-depth qualitative case study employs systematic documentary analysis of primary IMF and national policy documents, complemented by a structured comparative analysis of historical IMF programs. The analysis reveals a dualistic outcome: the Rapid Financing Instrument (RFI) provided essential crisis mitigation, yet post-crisis surveillance exposes a fundamental tension between technically sound fiscal consolidation and Namibia's entrenched structural constraints, including a high-unemployment equilibrium and vulnerability to commodity cycles. Comparative evidence confirms that these domestic structures critically mediate the effectiveness of external policy advice. The study concludes that the conditional efficacy of IMF programs hinges on strategic contextualization. For resource-rich emerging markets like Namibia, sustainable growth requires a hybrid pathway that integrates fiscal discipline with robust social protection and preemptive resource governance. This finding underscores a broader imperative for global financial governance: to accommodate policy heterodoxy in structurally complex economies, moving beyond one-size-fits-all prescriptions to enable more equitable and politically viable development trajectories.

**Keywords:** International Monetary Fund, emerging markets, Rapid Financing Instrument, Article IV consultation, fiscal consolidation, structural reform, resource governance, inequality

### Introduction

The International Monetary Fund (IMF) was established on December 27, 1945, following the 1944 United Nations Monetary and Financial Conference (Bretton Woods). Initially ratified by 29 signatories, including Australia, Belgium, China, India, and others, the IMF was mandated to foster international monetary cooperation, eliminate

restrictions on current account transactions, facilitate balanced trade, promote economic growth, and support full employment conditions (1). As of November 11, 2024, it had grown to encompass 191 member states, of which 96 are classified as emerging economies, a diverse group ranging from an association of five major emerging economies: Brazil, Russia, and India (BRICS) nations to smaller resource-dependent economies.

Emerging markets today account for a substantial share of global economic dynamics, benefiting from demographic dividends, lower labor costs, and abundant natural resources. Many are challenging established multinationals in the U.S. and Europe due to increasingly competitive domestic industry landscapes (2). Classic IMF case studies such as Portugal's 2011 crisis program and South Korea's 1997 Asian financial crisis assistance demonstrate the potential for cyclical recovery and structural rebounding when combined with disciplined conditionality and reform frameworks.

However, the lessons for emerging, resource-rich middle-income African countries such as Namibia remain underanalyzed. This gap in the literature is significant, as the socio-economic structures and institutional capacities of countries like Namibia differ markedly from the European or East Asian contexts often featured in IMF case studies. This paper deeply explores Namibia's only IMF financing engagement, the US \$270.8 million Rapid Financing Instrument (RFI) during COVID-19, and its 2023–2025 Article IV consultations. It evaluates IMF policy advice regarding fiscal consolidation, public sector reforms, resource governance, and structural transformation, situating it within broader debates about institutional effectiveness and policy ownership.

## Literature review

### ***Namibia's economic profile: opportunities, constraints, and development dynamics***

According to the International Monetary Fund (3), Namibia is classified as an upper-middle-income country with a population of approximately 3.0 million and a Gross Domestic Product (GDP) per capita of around USD 4,472 in 2024, yet it continues to struggle with deep inequality and social disparity. While its Gini coefficient was measured at 59.1 in 2015, among the highest globally, poverty remains widespread, affecting several million people (3, 4). The nation remains heavily dependent on mining, particularly diamonds, uranium, and rare earth metals, which continue to be the primary sources of government revenue and exports (3). In contrast, agriculture, though vitally important for subsistence, accounts for only about 5–6% of GDP and remains highly vulnerable to recurrent droughts and climate-related shocks (3, 5).

Persistent structural flaws in Namibia's public finance and labor sector are evidenced by critical unemployment metrics. The 2023 Labour Force Survey recorded an official jobless rate of 36.9%, a figure that balloons to 54.8% upon accounting for discouraged workers (Namibia Statistics Agency, as cited in Reuters (6); Mboti and Emvula (7)). A particularly alarming aspect of this is youth disengagement; Mboti and Emvula (7) note that 41.9% of young Namibians are not in employment, education, or training. Collectively, these

numbers signify a labor market struggling with saturation, a misalignment of skills, and high levels of despondency among the workforce.

A rigorous appraisal of potential reform pathways requires an understanding of the intersection between IMF policy prescriptions and Namibia's entrenched structural challenges. These challenges, which significantly complicate the economic environment, involve a bloated public service, inefficient state-owned enterprises (SOEs), and fiscal instability driven by volatile South African Customs Union (SACU) transfers (3, 8).

### ***IMF engagement trajectory: RFI support and surveillance missions***

In March 2021, Namibia received US \$270.83 million under the IMF's RFI to address urgent balance-of-payments and fiscal pressures resulting from the COVID-19 pandemic, following a sharp economic contraction of  $-7.2\%$  in 2020 and a subdued recovery of approximately  $2.1\%$  in 2021 (9). Under the RFI, unlike traditional IMF programs with formal conditionality, this funding supported vaccine procurement, stepped-up health and education spending, enhanced social safety nets, and strengthened private-sector resilience through public finance governance mechanisms (10).

According to the International Monetary Fund (11), Namibia's real GDP growth slowed to  $3.5\%$  in 2024, primarily due to a significant contraction in agriculture and a decline in diamond prices. The IMF projects a recovery to  $4.0\%$  growth in 2025, contingent upon the end of the drought and stabilization in the global diamond market. Inflation has decreased to approximately  $4\%$ , facilitating a cumulative reduction of 100 basis points in the central bank's policy rate between mid-2024 and early 2025 (12).

### ***IMF advice: fiscal discipline, structural reform, and growth-enhancing strategies***

International Monetary Fund (IMF) Executive Directors welcomed Namibia's economic resilience amid external headwinds but cautioned against stagnation, inequality, and structural rigidities, urging more decisive fiscal consolidation to sustain favorable debt dynamics and bolster the external position (13).

Directors emphasized the need for comprehensive civil service reform to contain the wage bill, restructuring of SOEs, improvements in public financial and investment management systems, and more efficient tax administration. They also encouraged greater public investment to address critical infrastructure gaps in water, energy, and transport, while expanding social protection systems to mitigate the impacts of climate shocks and poverty (14).

Monetary policy alignment with the South African Reserve Bank (SARB) was recommended to sustain the currency peg. IMF Directors advised that, in the absence of capital outflows, Namibia should gradually close the existing 50 bps

policy rate differential with SARB to support exchange rate stability (14).

Furthermore, the IMF highlighted the importance of macroprudential tools such as robust bank resolution regimes, countercyclical capital buffers, and formal resolution frameworks to mitigate financial stability risks stemming from sovereign bank linkages and rising household debt (14).

Finally, the directors emphasized that proactive removal from the Financial Action Task Force grey list remains a priority to enhance Namibia's financial credibility and reduce its country risk premium (14).

## Methodology

### Research questions

1. To what extent has IMF engagement contributed to economic recovery and reform in Namibia post-COVID-19?
2. What structural challenges persist in Namibia that may inhibit the effective implementation of IMF recommendations?
3. How can lessons from other IMF-supported emerging markets inform policy alignment in Namibia?

### Research objectives

1. To evaluate the economic and institutional outcomes of Namibia's engagement with the IMF.
2. To assess how IMF-recommended reforms align with Namibia's structural and developmental challenges.
3. To draw comparative insights from other IMF engagements in middle-income emerging markets.

This paper adopts a qualitative case study approach, using Namibia as a single unit of analysis to allow for an in-depth investigation of a complex real-world phenomenon (15). The research design is descriptive and analytical, based primarily on documentary analysis. The data collection process involved a systematic review of:

1. **Primary Documents:** IMF RFI agreements, staff reports, and Article IV consultation reports for Namibia (2021–2025).
2. **National Data:** Official publications from the Namibia Statistics Agency, the Bank of Namibia, and national budget documents.
3. **Secondary Literature:** Academic books and journal articles on IMF programs, structural adjustment in Africa, and resource governance.

The analytical process involved thematic analysis. Data from the primary documents were coded for key themes corresponding to the research objectives, such as “fiscal consolidation,” “structural impediments,” and “resource governance.” These themes were then analyzed in relation to the secondary literature and comparative cases (Portugal and South Korea) to identify patterns, tensions, and insights. This method was selected because it is particularly suited for policy analysis where the focus is on the interpretation of documents and the contextual understanding of policy processes.

## Results and analysis

This section presents the findings from the analysis of Namibia's IMF engagement, structured around the research questions.

### Contribution to economic recovery and reform

The IMF's RFI disbursement in 2021 provided critical, timely support, helping to mitigate the severe balance-of-payments and fiscal shocks induced by the pandemic.

The key finding is that the low-conditionality nature of the RFI allowed for essential social and health spending without imposing a heavy reform burden during a crisis period. Subsequent Article IV consultations have served as a continuous mechanism for policy advice, focusing on long-term fiscal sustainability and structural issues. However, the direct causal impact of IMF engagement on broad economic recovery is difficult to isolate, as the recovery has been influenced by multiple factors, including commodity prices and climatic conditions.

### Persistent structural challenges

The analysis confirms that Namibia's deep-seated structural problems present significant barriers to implementing IMF recommendations. The results highlight a clear tension: IMF advice often prescribes fiscal consolidation and civil service reform, which, in the Namibian context of high unemployment, risk exacerbating social tensions if not carefully managed (16). The pervasive inefficiency of SOEs and the economy's heavy reliance on volatile mineral revenues and SACU transfers create a fiscal environment that is resistant to swift consolidation. These structural impediments limit the government's fiscal space and capacity to act on IMF advice effectively.

## Comparative insights

The comparative analysis with Portugal and South Korea yields critical insights. Both cases demonstrated that successful IMF-supported adjustments were underpinned by strong export sectors and robust institutional capacity, which facilitated a relatively swift recovery. A key analytical finding is that Namibia's context differs fundamentally. Its economy is less diversified and faces a unique combination of extreme inequality and climate vulnerability. This suggests that a direct transplantation of reform models from other regions is unlikely to succeed. The lessons from Angola and Nigeria further underscore that without transparent resource governance, new resource booms could perpetuate existing problems of inequality and corruption (17, 18).

## Discussions

This study set out to evaluate Namibia's engagement with the IMF. The discussion synthesizes the findings and places them within the broader academic and policy debate.

## Interpretation of findings

The findings indicate that the IMF's role in Namibia has evolved from a crisis lender (via the RFI) to a permanent advisory body through Article IV consultations. The effectiveness of this engagement is mixed.

While the RFI was undoubtedly successful in providing immediate fiscal relief, the uptake of broader Article IV recommendations has been slower, constrained by the structural realities discussed above. This supports the argument of scholars like Kentikelenis and Stubbs (19) that the domestic political economy and institutional capacity are critical determinants of IMF program success.

## Comparison with existing literature

The findings align with critical literature suggesting that standard IMF policy prescriptions can be problematic in contexts of high inequality (20). The emphasis on fiscal consolidation, if implemented without countervailing social policies, could undermine Namibia's social stability. Conversely, the IMF's technical advice on resource governance and macroprudential policy is highly relevant and aligns with best practices for managing resource wealth (17).

## Limitations of the study

This study has several limitations. As a qualitative case study, its findings are specific to Namibia and not universally

generalizable. The analysis relies heavily on publicly available IMF and government documents, and a lack of access to internal policy deliberations limits insights into the domestic political decision-making process regarding IMF advice. Furthermore, the recent conclusion of the Article IV process means that the long-term outcomes of the discussed reforms cannot yet be evaluated.

## Conclusion

This research concludes that the IMF is a significant actor in Namibia's economic policy landscape, providing not only financing but also a structured framework for policy analysis. However, the path to sustainable growth is not merely through adopting IMF recommendations wholesale.

The primary conclusion is that for IMF engagement to be truly effective in Namibia, it must be strategically contextualized. The government must exercise strong ownership, adapting standard prescriptions to fit the national context. This means:

1. Sequencing reforms carefully to avoid social backlash, for instance, by pairing civil service reforms with expanded social protection.
2. Prioritizing institution-building, especially in resource revenue management and public investment, before large-scale revenues from oil and gas materialize.
3. Explicitly integrating inequality and climate vulnerability as central considerations in all economic planning, moving beyond them as secondary concerns.

Further research on this topic should empirically explore the social impact of specific IMF-recommended reforms in Namibia and monitor the development and efficacy of its nascent sovereign wealth fund. Ultimately, Namibia's economic trajectory will be shaped by its ability to leverage global institutional advice while crafting a development strategy that is authentically its own.

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## Conflicts of interest

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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