POVERTY, INCOME INEQUALITY AND ECONOMIC DEVELOPMENT

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POVERTY, INCOME INEQUALITY AND ECONOMIC DEVELOPMENT IN NAMIBIA

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PREFACE AND OVERVIEW

Preface

The fifth Annual Symposium of the Bank of Namibia on the topic Poverty, Income Inequality and Economic Development took place on August 22, 2003 at the Windhoek Country Club Resort. One of the objectives of the conference was to discuss the link between poverty and income inequality and their impact on economic development in Namibia.

It is important to point out that the Bank of Namibia supports and promotes economic policies that help to achieve sustainable economic growth, and which can reduce poverty and improve equity in the economy. On that basis, another main objective was therefore to identify effective policy strategies that assure that the benefits of the growth are shared equally among the population. For this reason, international experts in these fields have been invited by the Bank of Namibia to participate in the Annual Symposium and to share their knowledge and experiences with the view to contribute to the reduction of poverty in Namibia.

Overview and Reflections

Mr. Tom K. Alweendo, the Governor of the Bank of Namibia in his opening speech emphasized the importance of reducing poverty and achieving a more equal income distribution, so that everybody can benefit from economic growth. He emphasised that while, the interest of the Bank of Namibia is to promote economic policies that maintain monetary and financial stability and lead to economic growth, these policy should also be consistent with poverty alleviation and the improvement of equity.

Dr. Anne Epaulard from the International Monetary Fund presented a paper on Growth, Income Inequality, and Poverty Reduction in Namibia . The paper gives an overview of the key economic variables that describe the current status of poverty and income inequality in Namibia. Namibia has one of the highest GDP per capita among the Sub-Saharan African countries, but also has one of the most unequal income distribution in the world. The paper identifies three different scenarios for the evolution of income inequality and growth in Namibia. The plausible scenario, which takes into account a slow reduction of the inequality (the gini-coefficient of 0.63), shows that the annual growth rate needed to half the poverty rate within 10 years is 3.7 percent. These projections appear to be quite achievable. Finally, sectoral policies are believe to be more effective than overall macroeconomic policies in reducing income inequality.

In the paper "Economic Diversification, Income Inequality and Economic Development in Namibia , Prof. Samwel Wangwe from the Economic and Social Research Foundation, Tanzania, addresses the question how strategies that involve economic diversification can be formulated to reach a high and sustainable level of economic growth and simultaneously lead to poverty alleviation and a more equal income distribution. The paper concludes that economic diversification should be implemented on different levels, namely within the same sectors, into new sectors as well as in diversifying exports. Furthermore, Prof. Wangwe identifies productivity as a key contributor towards diversification and advises a shift from low to high productivity production systems. Special attention should be paid to the agriculture, the SME and the informal sector as well as to tourism, manufacturing and education.

Mr. R.L. Ritter (Economist), as a discussant, pointed out that economic diversification is a product of pursuing a policy of wealth creation through competitive advantages. He believes the objective rather should be to pursue competitive advantages and learning clusters within a framework of sustainable development. He further argues that Namibia has a small internal market and its future ability to grow will depend more on growing exports.

Prof. A. O. Akinboade from the University of South Africa presented a paper on Fiscal Policy, Income Inequality and Poverty Alleviation in Namibia . First, The paper acknowledges that Namibia has already made important strides in poverty reduction policies, which can be seen e.g. in the consistent fiscal spending on social services in several areas. The paper also gives a poverty profile of Namibia, revealing e.g. the fact that the vast majority of the poor lives in rural areas, and that the households headed by women are living in poverty more often than those headed by men. It is also affirmed that poverty is more pronounced, especially among the unemployed. The paper suggested that the tax policy could be considered and used as an instrument to achieve a more equal income distribution. A number of policy suggestions are made by the paper, which include the reforms of the school fee system, the health sector and the implementation of a revised social safety nets program. The discussant, John Steytler of the Bank of Namibia, complemented the paper for its detailed analysis on the role of fiscal policy. However, he cautioned that the analysis would be more meaningful if placed in the in the context of the Namibian economy.

Opening Remarks By Mr. Tom Alweendo, Governor Of The Bank Of Namibia At The Fifth Annual Symposium

22 August 2003, Windhoek

Invited guests

Ladies and Gentlemen:

Welcome to this symposium on Poverty, Income Inequality and Economic Development , as part of the Bank of Namibia s continuing effort to raise awareness with our stakeholders on issues that we regard to be important. This is the fifth symposium the Bank has organized and I would like to thank all of you who have accepted our invitation. A special welcome is extended to all our guest speakers as well as the discussants.

You may ask yourself a question as to why the issues of equity matter to the Bank of Namibia. Given that the main objective of the Bank of Namibia is to promote and maintain monetary and financial stability in order to achieve sustainable economic growth, the answer may not be that obvious. As an institution, we cannot operate in a vacuum, and as a matter of social justice, all members of society have the right to share in the benefits of economic growth. It is also true that economic policies that are perceived to be equitable are more likely to be sustainable. The Bank of Namibia supports and promotes economic policies that will achieve sustainable economic growth and that is consistent with policies that reduce poverty and improve equity.

Policies that reduce poverty and improve equity are important for various reasons. Reducing poverty and promoting an equitable distribution of income are important objectives in their own right, but they can also serve other objectives. The macroeconomic policies needed to promote sustainable growth, especially in developing economies, do include measures that are painful but necessary. For such macroeconomic policies to succeed, they require wide political support by the citizens and such support is more likely to be forthcoming when the policies are perceived by the population to be fair and socially just.

Sustainable economic growth is an important element in reducing poverty. But we also know that experience has shown that growth is often not enough to move a substantial portion of the population out of poverty or to improve the distribution of income. Growth therefore should not only benefit the most fortunate, but it must be accompanied by policies that lead to also benefit the least fortunate. Equity-oriented policies that lead to more investment in human capital can reduce poverty through a synergy of growth and equity. Greater investment in human capital enhances the growth potential of the economy, and targeting these expenditures to the poor enhances their chances to seize economic opportunities and improve their standard of living.

Although Namibia s economy has grown by more than 3 percent annually over the last ten years, the growth has been shared unevenly. Income inequality has remained high and it is estimated that 55 percent of the national income accrues to only 10 percent of the population.

I hope that the deliberations of this symposium will assist in raising the awareness on the importance of economic inequity and how it impacts sustainable economic growth. Importantly, I also hope that the symposium will provide some answers that will help policy makers in formulating the most effective policies that promotes poverty reduction and equity. We are indeed privileged to have in our midst speakers who have more experience on the subject matter and we look forward to listen to their contributions. I would also like to invite all of you to participate by sharing with us your experiences.

GROWTH, INCOME INEQUALITY, AND POVERTY REDUCTION IN NAMIBIA

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The paper looks at poverty and income distribution in Namibia. Due to its highly unequal income distribution, Namibia has a higher poverty rate than one would predict just by looking at its per capita GDP. This paper considers three scenarios for growth and income inequality. In the most plausible scenario, in which the Gini coefficient slowly declines towards that of other lower middle-income countries, the aim of halving the poverty rate in 10 years could be achieved with a per capita GDP growth rate of about 3.7 percent (and only 1.4 percent if the horizon to halve the poverty rate is extended to 15 years).

The paper discusses economic policies that could be implemented to achieve these levels of growth and income distribution. For reducing income inequality, sectoral policies are needed that increase the assets of the poor (both physical and human) and that help them to participate in the economy.

I. INTRODUCTION

Since independence, Namibia s economy has enjoyed high economic growth and in recent years stable macroeconomic conditions. However, the economic growth and macroeconomic stability have not been enough to reduce the poverty rate. According to the best household survey available so far, the percentage of population living below the $1 a day international poverty-line was around 35 percent in 1994. One of the millennium development goals is to halve the poverty rate by 2015. The aim of this paper is to evaluate the economic growth, the change in income distribution, and the macroeconomic and sectoral policies that are needed for Namibia to reach this goal.

The paper is organized as follows. Part II of the paper gives a description of poverty in Namibia using various measures for poverty. Poverty and income distribution in Namibia are compared to that of other sub-Saharan countries as well as that of other lower middle-income countries. The third part of the paper presents three

[1] aepaulard@imf.org The author thanks Rachel Gesami for helpful comments and background research during the writing of this paper. The views expressed in this paper are those of the author and do not necessarily represent those of the IMF or IMF policy.

different scenarios for the reduction of income inequality over time in Namibia. For each scenario, we calculate the annual growth rate needed to reach the millennium development goals. The fourth part of the paper describes the main empirical evidence on the effect of macroeconomic and sectoral policies on economic growth and poverty reduction. It discusses the main aspects of the strategy for poverty reduction as presented in the Namibia s second development plan (NDP2).

II. OVERVIEW OF POVERTY IN NAMIBIA

Although Namibia s per capita income of US $2000 in 2001 is among the highest in Sub-Saharan Africa, its income distribution is skewed given that the Gini coefficient is 0.7, the highest in the world (National Planning Commission, 1996). As a result, by all measures the poverty rate is quite high. For example, using the international poverty line of $1 a day[2], the Namibia poverty rate was evaluated in the 1993/1994 Namibia household income and expenditure survey at 34.9 percent. This means that 34.9 percent of the population was living with less than the 1993 PPP equivalent of US $ 1 per day. The poverty gap, which measures the depth of poverty below this line, is equal to 14 percent. In the development millennium goals set by the United Nations, one of the objective is to halve the below $1 a day poverty rate (extreme poverty). There are other measures of poverty as well. For example, Namibia classifies a household as being relatively poor if it uses over 60 percent of its expenditure on food, and as being extremely poor if such expenditure exceeds 80 percent. Going by that definition, 35.8 percent of Namibian households were relatively poor, and 8.7 percent were extremely poor according to the 1993/1994 survey. Table 1 shows various measures for poverty in Namibia. These figures point out that the poverty rate is much higher in rural areas than in urban areas.

The dimensions of poverty vary by region. According to the Human Povery Inicator (HPI), which combines life expectancy, nutrition, illiteracy and access to water and health with income data, the poverty rate is the highest in Caprivi (39.6 percent of the population) followed by Ohangwena (34.2 percent), Omaheke (33.4 percent), Oshikoto (32.9 percent), and Kavango (32.6 percent). All other regions have an HPI below 30 percent. Yet, the index varies greatly among the remaining regions, as reported in Table 2, the lowest being Erongo (18.7 percent) and Khomas (19.7 percent).

2 The $1 a day poverty line refers to a poverty line defined at 1993 international purchasing power parity (PPP) prices. See Deaton (2003) for a survey of the pro s and the con s of the use of this international povertyline.

Comparing Namibia with Sub-Saharan African and Lower Middle Income Countries

Figure 1 shows how Namibia compares to other countries on poverty rate. The scatter plot shows how the $1 a day poverty rate is related to the per capita real GDP (measured by the real GDP in 1995 dollars at PPP prices). On average, the higher the GDP the lower the poverty rate. However, the figure for Namibia is away from this average pattern: countries with the same GDP per capita have lower poverty rates, and countries with the same poverty rate as Namibia have lower GDP per capita. Interestingly enough, there is an observation that is close to that of Namibia for the year of 1993: Botswana had in 1986 the same level of GDP per capita and the same poverty rate as Namibia in 1993. Seven years later, in 1993, Bostwana s poverty rate had declined to 23.5 percent (down from 33.5 percent in 1986).

Going through other dimensions of poverty (Table 3) we see that regarding most of the indicators, Namibia is doing better than the average sub-Saharan Africa countries but worse than the average lower middle-income country. Only 72 percent of the population has access to safe water (compared with 80 percent for lower middle-income countries). Life expectancy in Namibia is above the average for sub-Saharan Africa and infant mortality is less than that for the region, although it is almost twice that for the lower middle-income countries. Health status in Namibia has been eroded due to the high levels of HIV (20 percent pof the population compared with 8.2 percent for sub-Saharan Africa). The Namibia adult illiteracy rate (20 percent) is a half of that of sub-Saharan Africa, whereas the lower middle-income countries have 14.4 percent. However, this is bound to change since primary school enrollment percentage in Namibia is significantly higher than that for both sub-Saharan Africa and lower middle-income countries.

III GROWTH, INEQUALITY AND POVERTY REDUCTION: THREE SCENARIOS FOR NAMIBIA

A. Growth, Poverty Reduction, and Inequality: What We Know

Few would refute the statement that, on average, growth benefits the poor and that poverty reduction is a product of economic growth. Moreover, empirical studies agree that, on the average the income of the poor increase by the same amount as that of the other income groups in the process of growth.

Ravallion (2001) shows that, on average, the elasticity of the $1 a day headcount poverty rate to economic growth is about -2. However, looking beyond the average, one can see that the efficiency of growth in reducing poverty varies greatly from one country to another. Using panel data across Indian states, Datt and Ravallion (2002) show that the elasticity of the $1 a day headcount poverty rate is around -1 and probably less (in absolute value) than that for the 1958—91 period. Ravallion (1997) shows that part of the cross-country variance for the elasticity of poverty with respect to growth is explained by inequality, with high inequality lowering the absolute value of the elasticity poverty rate to economic growth. Epaulard (2003) shows that the level of development (measured by the income or consumption per capita) and the Gini coefficient are good predictors of the actual elasticity of poverty to growth. In the absence of change in the income distribution, the higher the per capita consumption the more growth will reduce poverty, and the higher the Gini coefficient the less growth will reduce poverty.

A number of interesting empirical papers on poverty use the dataset put together by Deininger and Squire (1998). The main result is that the bottom quintile of the income distribution benefits from growth, although there is some uncertainty about the size of the effect. Dollar and Kraay (2001) report that, on the average, a 1 percent growth in per capita GDP translates into a 1 percent growth in the income of this population. However, Roemer and Gugerty (1997) find a relationship between the income of the bottom quintile and average income that is less than one-to-one. Ghura, Leite, and Tsangarides (2002) also show that the one-to-one relationship might not be as robust as the Dollar and Kraay results would suggest.

B. Three Scenarios for Growth, Income Inequality and Poverty Reduction in Namibia

Namibia has one of the highest GDP per capita among Sub-Saharan African countries, but with a Gini coefficient around 0.7, it has also the most unequal income distribution in the world: much higher than 0.43, which is the mean of the Gini coefficient for the group of lower middle-income countries. What are the consequences of these two features for poverty reduction in Namibia?

In 1994 the below $1 a day poverty rate in Namibia was about 35 percent. What would be the economic growth needed to reduce the poverty rate to 17.5 percent (i.e., to halve the poverty rate)? Under the standard hypothesis that income distribution can be approximated by a log normal distribution, and given the Gini coefficient, one can evaluate the growth in per capita consumption needed to achieve this goal under different hypothesis for the evolution of inequality in

Namibia (see appendix). We consider three different scenarios regarding the evolution of income inequality:

. Scenario 1: No change in inequality: that is, the Gini coefficient stays at 0.7.

. Scenario 2: Rapid reduction in inequality. In this scenario after 10 years, the difference in the Gini coefficient between Namibia and other middle lower income countries is reduced by half. This means that at a 10-year horizon, the Gini coefficient is equal to 0.56.

. Scenario 3: Slow change in inequality. In this scenario, after 10 years, the difference in the Gini coefficient between Namibia and other middle lower income countries is reduced by a quarter. This means that at a 10-year horizon, the Gini coefficient is equal to 0.63.

Figure 2 presents the evolution of the Gini coefficient over a 22-year period in the three scenarios. In the first scenario, the annual growth of per capita consumption needed to halve poverty over a 10-year period is equal to 8.5 percent, and 5.5 percent if the goal is to halve poverty in 15 years (see Table 4). Between 1997 and 2000, Namibia s mean annual per capita GDP growth rate has hardly been above 0.4 percent. Thus, scenario 1 tells us that it is not likely that the goal of halving the $1 a day poverty rate will be met, either at a 10- or 15-year horizon, unless some changes occur income distribution.

In the second scenario, the annual growth rate of per capita consumption needed to halve the $1 a day poverty rate in 10 years is equal to 0 percent. This means that poverty is reduced not through growth, but rather only by transferring income from the rich to the poor. This scenario is unlikely as well, for there is not a single example in the world where poverty was reduced in the long run solely by transferring income from the rich to the poor and without any economic growth.

In the third scenario, in which the decline in inequality is slower, the annual growth rate needed to halve the below $1 a day poverty rate in 10 years is 3.7 percent, and if the goal is to halve the poverty rate by 15 years it is only 1.4 percent. In this scenario, the Gini coefficient decreases from 0.7 to 0.63 in 10 years, and to 0.60 in 15 years. This corresponds to a slow convergence towards the average Gini coefficient for lower middle-income countries.

How plausible is this evolution? Using the Deninquer and Squire (1998) database we can compute the mean annual change in the Gini coefficients observed between two consecutive comparable surveys. Using only observations with negative changes in the Gini coefficient, we calculate that the mean annual change in the Gini coefficient is -0.004, which corresponds to a change of -0.4 over a 10-year period and -0.6 over a 15-year period. If we look now at percentage changes rather than at absolute changes, for negative changes the mean annual relative change across countries is -1 percent, which corresponds to a 10 percent decrease over a 10 year period and corresponds exactly to the drop from 0.7 to 0.63 in scenario 3. Hence, although the decrease in the Gini coefficient in scenario 3 may look slow, the evolution of inequality is plausible.

Finally, we look at the evolution of the per decile income distribution in the three scenarios. Figure 3 presents the initial income distribution and the income distribution at a 10-year horizon for the three scenarios. In each scenario, the below $1 a day poverty rate is divided by 2 after 10 years. In the first scenario, in which the Gini coefficient stays the same, income of each decile increases by the same percentage (+8.5 percent per year). In the second scenario (fast reduction in inequality, no economic growth, pure redistribution), the income of the top decile is lower than its initial level. Finally, in the third scenario, income is higher than initial level in all deciles, the relative change in income is higher for the bottom decile than for the higher decile. However, the absolute change in income is higher for the top decile than for the lower decile of the income distribution.

The main lesson from these simple and rough simulations is that poverty in Namibia cannot be reduced significantly without a reduction in income inequality. In our simulations, the per capita growth rate required to achieve the objective of halving poverty in 10 or 15 years without a change in income distribution is simply too high (+8.5 percent per year over 10 years or +5.5 percent per year over 15 years). Under a reasonable path for inequality reduction (the Gini drops to 0.63 from 0.70 in 10 years), the annual growth rate needed to achieve the objective of poverty reduction drops to 3.7 percent per year (or 1.4 percent per year for 15 years and a drop of the Gini coefficient to 0.6 over the 15 year-period).

C. Limits of the Analysis

The data for the evolution of growth and inequality reported in the previous section show what is needed to achieve poverty reduction in Namibia. However, it is true that they have been obtained under simple assumptions that could be challenged.

It is hence useful to review some important points that affect the link between growth, inequality and poverty reduction and thus the evaluation of economic growth needed to achieve poverty reduction.

National account data / household survey data

A well-known problem for poverty reduction analysis is that the variable needed to evaluate poverty rate and poverty reduction is consumption (or income) measured in households surveys. But, the evolution of consumption in household survey can be quite different from that of per capita consumption (or per capita GDP) reported in national accounts (see, for example, Deaton 2001, 2003, and Ravallion, 2003). There is a discrepancy between household survey observations and national account figures. Per capita consumption reported in national accounts is larger than the one reported in household surveys. This is due to underreporting of consumption by the rich households in surveys and to the fact that housing and banking services are left out of household surveys but are included in national accounts. Moreover, the gap between the two figures tends to widen as the economy develops. As a result, the growth rate in per capita consumption from national accounts needed to halve poverty is probably higher than the one reported in Table 4.

Consumption of services

Another well-known problem with household surveys is that they rarely cover consumption of certain services (or the option of using them) that are crucial for the well-being of the poor. The ubiquitous example of this coverage problem is a bus service that allows a poor woman to visit her relatives in the next village. Should the bus service be interrupted, the woman s well-being would decrease greatly but this decrease would not show up in most household surveys because valuing this service in the income (or the consumption) of the poor is both difficult and controversial. As a result, increase or decrease in the provision of public services to the poor impacts the well-being of the poor without modifying (at least on the short run) their income or consumption levels, leaving the poverty rate unchanged.

Income and consumption poverty / other dimensions of poverty

So far, our discussion on poverty reduction has focused on income or consumption poverty and neglected other dimensions of poverty. A number of empirical papers (Anand, 1991; Anand and Ravallion, 1993; Ranis, Stewart, and Ramirez, 2000; and Moser and Ichida, 2001) reached the conclusion that human development indicators (excluding income) are significantly correlated with average income. However, one should be cautious when restricting the analysis of poverty reduction to that of reduction of income poverty, especially when monitoring policies aimed at reducing poverty. Because reliable household surveys are difficult and costly to collect, most countries have one every five years or so. Moreover, income and consumption are more difficult to compute than other dimensions of poverty, such as infant mortality, life expectancy at birth, illiteracy. As a result, at least on the short run, discrepancies between the evolution of the headcount poverty rate and other indicators of poverty may appear. The annual U.N. Human Development Index (HDI) combines income, literacy and life expectancy. Because the conceptual foundation of such a measure is weak, it cannot be used as a substitute of the poverty rate measured by household survey (see Kanbur, 2002). However, it can be useful to keep an eye on the evolution of HDI, along with that of the headcount poverty rate or the poverty gap.

Growth and poverty reduction: is there a trade-off?

Results presented in Table 4 underline the need for a relative high per capita growth rate over a long period to reduce poverty in Namibia. The model used to derive these results is quite simple and does not allow for the possibility of a trade-off between growth and poverty reduction. If there was a trade-off, it would be that when a country enjoys a high growth rate it is less efficient at reducing poverty for each percentage of growth. Epaulard (2003) proposes two different ways of testing for the existence of such a trade-off in a sample of 43 countries that enjoyed positive growth rates. The conclusions are that (i) there is no clear evidence that countries that are good at reducing poverty for each percentage growth do so at the expense of growth, and (ii) countries that are the most efficient at reducing poverty per percentage growth, given their initial distribution, exhibit higher growth rates as well. As for the growth needed in Namibia to reduce poverty, the results presented is Table 4 do not need to be adjusted upward.

IV. STRATEGY FOR POVERTY REDUCTION IN NAMIBIA

The three scenarios presented in the previous section (and especially scenario 3) provide an evaluation of the growth and the changes in inequality needed to achieve the goal of halving poverty rate at a 10- or 15-year horizon. However, they do not provide any insights on the kind of macro and sectoral policies needed to allow for economic growth and poverty reduction.

A. Macroeconomic Policies, Growth, and Poverty Reduction

Sound macroeconomic policies are necessary for growth, and in that sense, sound macroeconomic policies help reduce poverty. One would think that there might be additional channels through which macroeconomic policies could help reduce poverty. However, most of the empirical studies on poverty reduction have difficulties to finding these. For example, most of empirical studies conclude that there is no direct effect of macroeconomic policies on income distribution. This view is challenged by Ghura, Leite, and Tsangarides (2002), who, when controlling for a large set of policy variables, show that inflation, along with life expectancy and secondary and primary schooling, might have a direct impact on the income of the lowest quintile. Moreover, there is a general finding that neither the degree of openness to trade (measured by the ratio of exports to GDP or the ratio of the sum of exports and imports to GDP) nor trade liberalization has a significant direct impact on the income of the bottom quintile once controlled for overall economic growth.

Inflation is bad for everyone, and even worse for the poor

After two decades of intensive empirical work on the relation between long-run growth and inflation, a consensus has emerged among empirical macroeconomists that there is a nonlinear relationship between growth and inflation. Under a certain level, inflation does not affect long-term growth, but for inflation rates above this threshold, there is a negative relationship between growth and inflation. Economists are now debating the level of the inflation threshold: there is evidence that it is higher for developing and transition economies than for industrial economies (see, for example, Khan and Senhadji, 2001).

Regarding poverty, this nonlinear negative relationship between growth and inflation means that medium and high inflation rates hurt the poor through their negative effects on growth. Nevertheless, there might be an additional channel through which inflation hurts the poor. The traditional argument is twofold. First, the poor are affected by inflation through the decline in their real wages owing to the rigidity of nominal wages. Second, because the poor have limited access to banking services, they cannot insulate their cash savings from inflation and thus suffer relatively more from inflation than wealthier people. This argument is often dismissed on the ground that the cash holdings of the poor are very small. Cardoso (1992) finds cash holdings by poor households in Latin America to be small. However, a study by Lim and Townsend (1994) argues that among Indian households, grain and cash represent the major forms of precautionary saving. A study by Fafchamps, Pender, and Robinson (1995) on Zimbabwe shows that in 1994, when the inflation rate was about 25 percent, small investors were receiving a negative real return on their savings while large investors with access to the money market were receiving a positive real return.

Empirical results on the potential remaining effect of inflation on poverty, once controlled for the direct effect of economic growth on poverty, are mixed. Easterly and Fisher (2001) find a positive relationship between inflation and changes in the poverty rate, and Datt and Ravallion (2002), using panel data on poverty among Indian states, find that inflation matters to India s poor and attribute this effect to short-term adverse shocks on the real wages of unskilled labor. Allowing for non-linear effect of inflation on poverty changes, Epaulard (2003) shows that high inflation harms the poor even more than other segments of the income distribution.

Trade policies, growth, and poverty reduction

Winters (2000) proposes a general analytical framework to analyze the impact of trade and trade liberalization on poverty in which he distinguishes the effects that are likely to be channeled to the individuals through the private sector, income distribution, and the government. Clearly, the relation between international trade and poverty is complex. Moreover, it may take time before most of the poor directly benefit from it. So far, there is no empirical evidence of the existence of a link between trade and changes in poverty (Dollar and Kraay, 2001; Ravallion, 2001; Bannister and Thugge, 2001), just as there is no clear empirical evidence of the link between trade liberalization and economic growth (Rodriguez and Rodrik, 2000).

With the notable exception of monetary policy (through the effect on inflation), there is so far no clear empirical evidence that macroeconomic policies have any direct impact on poverty other than the one that is channeled through economic growth. It is likely that sectoral policies are better tools to achieve pro-poor growth. This is not to say that macroeconomic policies are irrelevant for poverty reduction, since good macroeconomic policies are needed for growth.

B. Achieving Pro-Poor Growth through Sectoral Policies

Education

Namibia s indicators for education seem as good as those of other lower middle-income countries (see Table 3) and are much higher than those for sub-Saharan countries. However, the decomposition of the UN s Human Poverty Index (see

Table 2) shows that the illiteracy rate varies significantly from one region to another, and it is clear that education is needed in poorest part of the country. The Poverty Reduction Strategy of Namibia explicitly spells out the objective of reducing regional disparities in education. Moreover, the Africa Competitiveness Report 2000/2001 points out that the lack of educated workers for the needs of firms may deter foreign investment in Namibia. Among a group of nine Sub-saharan countries[3], Namibia has the second worst mark regarding the availability of skilled workers (see Table 6) after Mozambique. Lack of skill workers is one of the main reasons why FDI flows are not higher in Namibia, a country that has otherwise a good potential to attract foreign investment (see Basu and Srinivasan, 2002). Another indication of the lack of skilled workers in Namibia is the large gap between the unemployment rates between skilled and unskilled workers. The unemployment rate for the labor force with some technical or professional training beyond the secondary level is only 4 percent, in marked contrast to the rate over 30 percent that applies to the rest of the labor force. It might be true that higher and technical education would not help the poor directly. It would nevertheless foster investment needed to achieve the kind of growth needed to reduce poverty.

Health

Anand and Ravallion (1993) show that the poverty rate and public spending on healthare most accurate than the mean income in explaining life expectancy at birth. Gupta, Verhoeven, and Tiongson (2001) also assess the positive impact of public health care spending on the poorest, even though they doubt that increasing public spending alone in the absence of economic growth will be sufficient to reach the Millennium Development Goals on health. Finally, Lopes (2002) show that the total amount of social spending helps explain outcomes on health indicators such as life expectancy at birth and infant mortality rate.

Table 7, from the World Health Organization (2000), shows that the overall performance of Namibia compares to other South-African countries. The Namibia health system ranks 168 among the 191 countries the report covers. This is not a good ranking, especially if you consider that Namibia ranks 66 when it goes to per capita health expenditure. This reflects the high level of inequality in access to health services in Namibia.

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[3]Namibia, Lesotho, Bostwana, Ethiopia, Swaziland, South Africa, Malawi, Mauritius, Mozambique.

The Namibia Poverty Reduction Strategy in NDP2 aims at (i) maintaining the current level of life expectancy at birth around its (low) current level (a real challenge given the high prevalence rate of HIV-AIDS among the population), (ii) reducing infant and under-five mortality rates, (iii) reducing the maternal mortality rate, (iv) reducing under-nutrition among the under-five age group from 17 percent to 8 percent, and (v) increase rural access to adequate sanitation from 30 percent to 50 percent.

Promotion of agriculture and rural development

Because, as in many other developing countries, rural poverty is very high, promotion of agriculture and rural development is the main instrument to achieve pro-poor growth. Moreover, rural development and promotion of agriculture are efficient at reducing poverty: studying poverty reduction in India, Datt and Ravallion (2002) found that higher farm yields and higher state development spending were the main source of poverty reduction in India from 1960 to 1990. The elasticities of the poverty rate to agricultural yields (-0.11) and development spending (-0.14) are highly significant and more or less identical across different states of India. This means that, on the average, a 1 percent increase in per hectare yield would reduce the headcount poverty rate (national poverty line) by -0.11 percent, and a 1 percent increase of per capita development spending would reduce the poverty rate by -0.14 percent.

The Namibia s poverty reduction strategy aims at increasing total agricultural output by 5 percent. This alone is not sufficient to reduce significantly rural poverty in Namibia. A much higher increase in agricultural production through higher yields is necessary to reduce rural poverty in Namibia. Moreover, the land reform should explicitly be designed to promote growth and poverty reduction.

Safety net

Safety nets designed for poverty reduction should ensure that these programs help insure the poor against negative shocks. Because of the low level of their assets and the absence of financial services to rely on, the poor cannot insure themselves from idiosyncratic or macro shocks. These shocks cannot be eliminated either. Moreover, because safety nets should not lower the participation of the poor in economic activities, they should concentrate on helping the elderly, the disabled and the children.

Subbarao (1998) studied Namibia s formal and informal safety nets. He pointed out the central role of the extended family in absorbing shocks between and within households. However, he found these informal safety nets to be insufficient at times of drought (macro shocks) and strained when unemployment, and the burden of children of AIDS-infected parents, are high. As far as the formal safety net is concern, Subbarao acknowledged the positive impact on the poor of the social pension, the disability grant, and child allowances, although he concludes that the efficiency of these programs could be much improved and be made more even across regions and between urban/rural populations. With the northern and the northeastern provinces underserved, he considered that decentralization could help rationalize the deployment of staff resources in social welfare. The Second National Development Plan (NDP2) was designed to improve the efficiency and the coverage of the formal safety net with the aim of 95 percent coverage of all Namibians that qualify for social assistance grants.

V CONCLUSION

Looking at Namibia s poverty profile, we see that the prevalence of poverty in Namibia is high compared with that of countries with similar GDP per capita. This paper shows that this is related to the fact that the Gini coefficient (an index of income inequality) for Namibia is the highest in the world. Moreover, Namibia s social indicators are poorer than those of similar countries. Finally, there are huge disparities between regions within Namibia. The paper build three different scenarios for growth and the evolution of income inequality in Namibia at 10 year and 15 year horizons. It shows that the annual per capita economic growth rate needed to divide the poverty rate by two is very high (more than 8 percent) and is not likely to be achieved. When income distribution inequality decreases towards the level of income inequality observed in lower middle-income countries, less growth is needed to achieve poverty reduction. For example, even when the decline in the Gini coefficient is slow (the most plausible scenario) the goal of halving poverty at a 10-year horizon can be achieved with an annual per capita growth is 3.7 percent. While sound macroeconomic policies are needed to foster economic growth, reducing income inequality is better achieved by sectoral policies that help the poor participate in the economy, and agricultural and rural development policies that are more likely to reach the poor, who mainly live in rural areas.

Table 1: Poverty in Namibia (in percent)

	1$ a day poverty line 1/		2$ a day poverty line 1/		Namibia poverty line 2/		Human Poverty Index 3/
	Headcount	**Poverty gap**	**Headcount**	**Poverty gap**	**Extremely poor**	**Extr poor or Relatively poor**	**HPI**
Total	34.9	14.0	55.8	30.4	8.7	35.8	24.7
Urban					2.6	18.6	17.4
Rural					11.8	48.7	29.0

All figures are computed using NHIES 1993/1994. The Human Poverty Index also incorporate other data sources (see UNDP, 2000).

Sources: 1/ World Bank (2000); 2/ Namibia Central Bureau of Statistics (CBS) (1996), 3/ UNDP (2000)

Table 2: Human Poverty Index (HPI) for Namibia by region

	Non survival up to 40	Illite-racy	Under-weight	Pop. without access to safe water	No health facilities	Nutrition water & health	Over 80% income on Food (Extr. poor)	HPI-G
Region								
Caprivi	53.7	24.6	8.4	25.2	42.0	25.2	7.0	39.6
Erongo	25.7	11.5	4.6	0.3	27.0	10.6	7.1	18.7
Hardap	36.2	19.3	13.9	3.3	43.0	20.1	4.7	27.5
Karas	35.5	11.4	16.7	0.2	43.0	20.0	4.1	26.2
Kavango	38.5	26.9	17.8	34.6	38.0	30.1	19.6	32.6
Khomas	27.6	6.0	18.5	0.2	17.0	11.9	1.1	19.7
Kunene	28.7	35.7	4.2	10.2	47.0	20.5	11.3	29.6
Ohangwena	33.5	24.0	13.8	45.1	64.0	41.0	9.9	34.2
Omaheke	31.2	36.0	4.9	4.2	89.0	32.7	25.1	33.4
Omusati	34.0	17.5	9.0	50.5	38.0	32.5	9.0	29.7
Oshana	32.4	14.6	15.5	18.5	54.0	29.3	5.5	27.5
Oshikoto	38.6	18.1	16.2	21.0	68.0	35.1	9.0	32.9
Namibia	**33.5**	**19.0**	**12.0**	**17.1**	**45.0**	**24.7**	**8.7**	**27.1**

Source: UNDP (2000), page 155.

Figure 1: Comparing Namibia Poverty Rate with that of other Countries

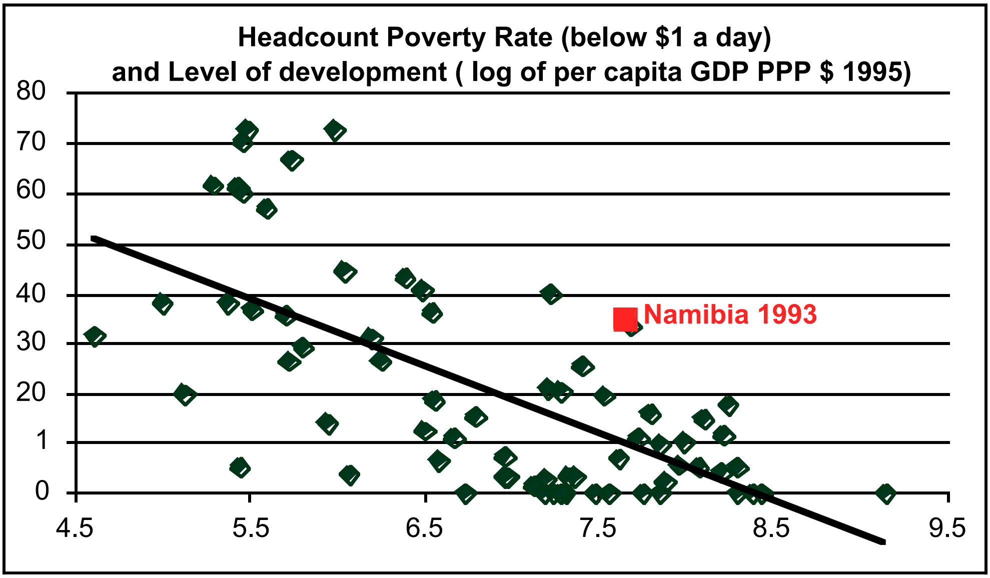

Figure 2: Evolution of the Gini coefficient in the three scenarios

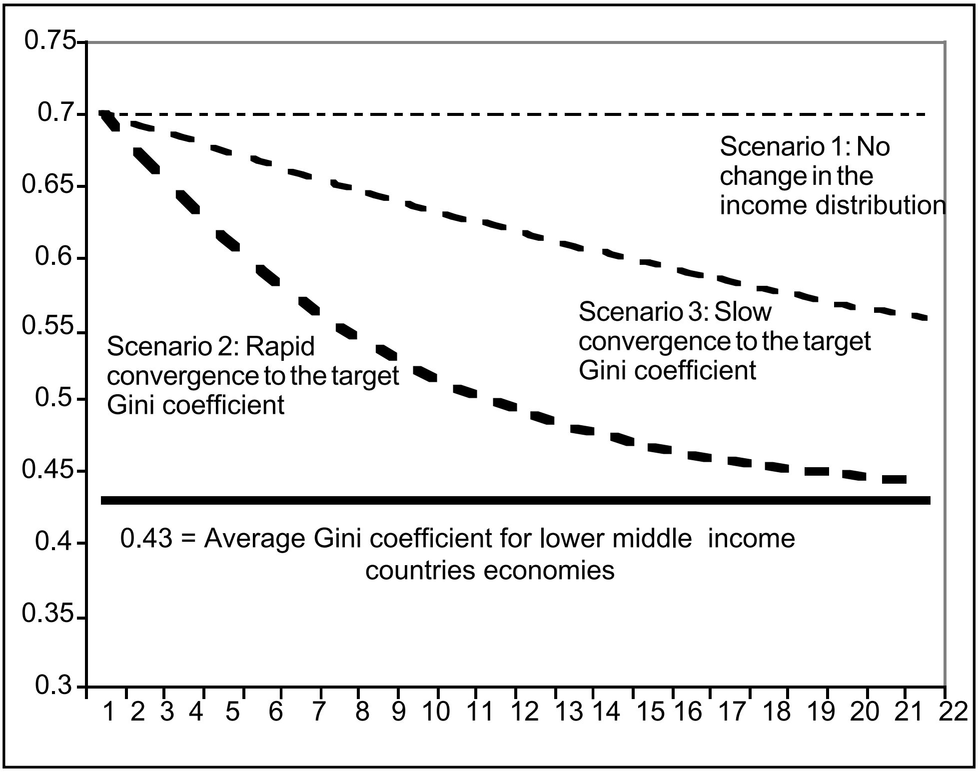

Table 3: Social indicators in Namibia, Sub-Sahara African and Lower Middle Income Counties

	Namibia	Sub-Saharan Africa	Lower Middle Income countries		Namibia	Sub-Saharan Africa	Lower Middle Income countries
GDP per capita (2001)				**Population (2001)**			
In US $	1,960	470	1,230	Total (million)	1.8	673	2200
				Annual rate of growth	2.4	2.6	0.9
				(percent) 1990-2001			
Population characteristics				**Health**			
Population density	2	29	48	Life expectancy at birth	50	47	69.2
(per sq. km, 1997)	30.9	35	45	(years, 1999)			
Urban population				Infant mortality	63	92	33.9
(percent of total, 2000)				(per 1,000 live births 1999)	4.318	...	
Population age structure							
(percent of total, 1999)	42	44	28	Population per physician	339	...	
0-14 years	54	53	66	(1990-1999)			
15-64 years	4	3	67	Population per nursing person			
65 years and above				(1993) People living with			
				HIV/AIDS (end 1990)			
				percent of adult population	19.5	8.2	0.7
Income distribution and Poverty				**Labor force (1999)**			
Poverty				Total (in millions)	0.7	282	1.119
Gini coefficient	0.70	0.49	0.43	Female (percent of total)	41	42	43.2
Poverty rate ($1 a day)	34.9	46.7	7.8	Unemployment rate	38	...	...
Access to safe water				**Education (1994-97)**			
Percent of population				Percent of age group			
(1995-2000)				Primary school enrolment	131	78	120
Total	72	49	80.5	Secondary school enrolment	61	27	70
Urban	98	81	94.6	Enrolment in tertiary education 9		3	9
Rural	63	37	70	Adult illeteracy rate(percent)1990	19	39	14.4

Sources: World Bank, World Development Indicators, 2002

Table 4: Annual growth and inequality needed to halve poverty at different horizons

	Scenario 1	Scenario 2	Scenario 3
10 year horizon			
Annual growth rate of per capita consumption	8.5%	0%	3.7%
Gini coefficient after 10 years	0.70	0.56	0.63
15 year horizon			
Annual growth rate of per capita consumption	5.5%	-1.3%	1.4%
Gini coefficient after 15 years	0.70	0.52	0.60

Figure 3: Per decile income distributions (initial and various scenarios)

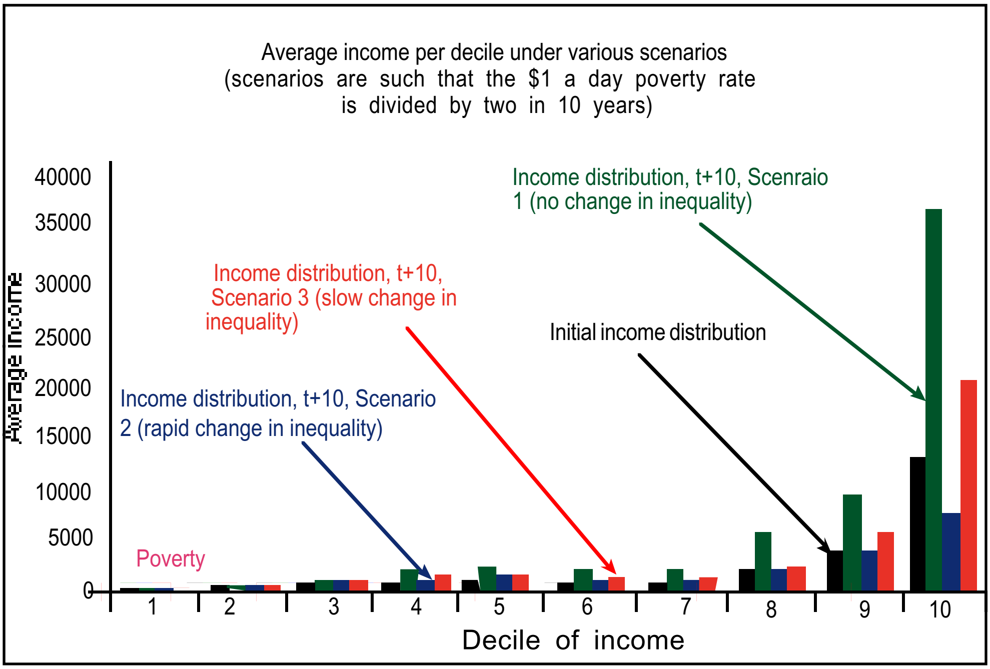

Table 5: Macroeconomic indicators from Selected Countries in Africa, 1985-99

	Botswana	Lesotho	Mauritius	Mozambique	Namibia-	Swaziland	Uganda
Real GDP growth (percent per annum)	7.4	4.8	6.3	6.0	5.5	5.8	6.4
Inflation (CPI; % per annum)	11.8	12.0	7.1	45.8	11.2	10.8	59.2
Gross fixed capital formation (percent of GDP)	27.3	47.4	25.8	20.1	18.9	26.0	13.5
Overall fiscal balance excl grants (percent of GDP)	7.9	-10.6	-3.8	-13.1	-5.7	-0.5	-11.0
Government spending on education (percent of GDP)	17.6	19.6	14.1	6.2	22.6	na	11.4
External current account balance excluding grants (percent of GDP)	6.5	-7.4	-1.8	-2.3	-10.8	1.2	-7.5

Source: Basu and Srinivasan (2002)

Table 6: Factors of competitiveness. Labor relations, productivity, skills (Mean-responses reported)

	Flexibility in determining hiring /firing practices 1/	Most important diseases or events affecting productivity: in 2000 (3 years ago) 2/	Enough educated workers for needs of firms 3/	Average days absent from work due to malaria 4/1	Most severe consequences to firm of AIDS epidemic 3/
Lesotho	4.0	Alcohol/substance abuse, 2.3 (2.6)	2.9	14	Time lost due to employees attending funerals, 2.7
Namibia	3.3	HIV/AIDS, 3.0 (3.6)	4.2	9.1	Time lost due to AIDS-related illness in employee, 2.4
Botswana	2.7	Malaria, 2.2 (2.2)	3.4	10.9	Firm's morale decreasing, 2.9
Swaziland	2.5	HIV/AIDS, 2.1 (3.1)	3.4	11.3	Time lost due to AIDS-rel. illness in employee, 2.9
South Africa	2.4	Violence, 2.7 (2.7)	4.0	7.2	Healthcare costs, 2.4
Ethiopia	4.7	HIV/AIDS, 3.3 (3.8)	3.0	13.5	Time lost due to AIDS-related illness in employee, 1.9
Malawi	4.8	HIV/AIDS, 1.8 (2.3)	3.2	11.6	Time lost due to employees attending funerals, 3.3
Mauritius	2.9	Alcohol/substance abuse 3.4 (3.4)	3.1	n/a	Healthcare costs, 1.3
Mozambique	2.9	Malaria, 1.9 (1.7)	5.1	13.8	Healthcare costs, 2.8

Sources: The Africa Competitiveness Report 2000/2001, World Economic Forum. CID

Note: 1/ 1=restricted/adverse, 6=flexible/favorable

2/ 1=strong impact/very important, 6=no impact/not relevant

3/ 1=strongly agree/very good, 6=strongly disagree/very bad

4/ Means reported

Annex I:

Under the assumption that the income distribution is log normal, the cumulative distribution function (F(x)) takes the familiar form:

$$F(x)=\frac{1}{\sqrt{2\pi\sigma^2}}\int_{-\infty}^{\ln x} e^{\frac{(t-\ln(c)+\sigma^2/2)^2}{2\sigma^2}}\,dt=\Phi\left(\frac{\ln(x/c)}{\sigma}+\frac{\sigma}{2}\right)$$

where x is income and c is the distribution mean income, σ gives the dispersion of the distribution (the higher it is, the larger the income inequality), and ϕ is the cumulative density function for the standard normal distribution (the normal distribution that has a mean of zero and a standard deviation of 1).

The headcount poverty rate is simply defined by where Pl is the level of the poverty line.

Moreover, when the income distribution is lognormal, there is a simple relationship between the Gini coefficient and the dispersion of the income distribution:

$$Gini = 2\Phi\left[\frac{\sigma}{\sqrt{2}}\right]-1$$

Using these two relationships, one can compute the effect on the \$1 a day poverty rate of both growth (a change in the per capita consumption c) and change in inequality (a change in the Gini coefficient). In case of Namibia, this simple model was calibrated using the data available for the year 1993 where the Gini coefficient was around 0.7 and the \$ 1 a day headcount poverty rate equal to 34.9 percent.

Table 7: Health system attainment and performance in various African countries, estimates for 1997

	Health		Responsiveness		Fairness in financial contribution	Overall goal attainment	Health expenditure per capita in international dollars	Overall level of health	Overall health system performance
	Level	Distribution	Level	Distribution					
Botswana	187	146	76-79	111-112	89-95	168	85	188	169
Lesotho	171	164	145-147	148-149	89-95	173	123	186	183
Mauritius	78	77	56	3-38	124	90	69	113	84
Mozambique	180	190	189-190	175	38-40	185	160	168	184
Namibia	136	173	113	156	125-127	165	66	189	168
South Africa	160	128	73-74	147	142-143	151	57	182	175
Swaziland	164	140	108-110	110	156	164	116	184	177
Uganda	186	138	187-188	165	128-130	162	168	179	149
Zambia	188	171	132-135	171	155	174	148	190	182
Zimbabwe	184	98	122	166-167	175	147	110	191	155

Source: World Health Organisation (2000)

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Economic Diversification, Income Inequality and Economic Development in Namibia

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1. INTRODUCTION

The main theme of the symposium addresses the challenges of economic development with concerns for poverty reduction and improved income distribution in the economy. The analysis of inter-linkages between poverty, income inequality and economic development leads to the important question of designing and formulating development strategies that are capable of addressing the twin objectives of development with poverty reduction and better income distribution. This paper brings into the debate challenges of economic diversification as one possible strategy of development .

This paper attempts to raise questions relating to the appropriate diversification or niche market strategy for Namibia that will sustain high rates of economic growth that would be consistent with poverty reduction and more even income distribution. The strategy to be adopted must be able to identify channels that can be used to attack poverty and reduce inequalities. The paper will attempt to throw some light on the challenges of choosing a development strategy for Namibia with special attention to the role of economic diversification as compared to the role of comparative advantages as a strategy for fighting poverty and inequalities.

After this introduction, section 2 reviews the current status of the structure of the economy and human development. The section presents the current status of economic structure and employment, poverty and human development and inequality. Section 3 addresses the concept of economic diversification and related policy interventions in Namibia. Section 4 examines principles and policy proposals for bringing about pro-poor economic diversification in Namibia. Section 5 is the conclusion.

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2. THE CURRENT STATUS OF ECONOMIC STRUCTURE AND HUMAN DEVELOPMENT

2.1 Economic structure and employment

Namibia is endowed with rich natural resources such as minerals (largely diamonds), fish and landscape for tourism. Mining contributes 10 percent of the GDP and employs 6,600 workers (1.6 percent of the total employment). Wages and salaries in this sector are generally high due to high degree of unionisation leading to distortions in the labour market. Small scale mining remains weak and unassisted. The establishment of the Small Miners Assistance Centre is expected to strengthen this sector through improved marketing and enhanced productivity (e.g. by adopting more productive technology).

The industrial, agricultural and other key sectors of the economy remain underdeveloped. The manufacturing sector contributes about 10 percent to the GDP and employs 26,000 people (some 6.5 percent of formal employment). Manufacturing activities are mainly based on inputs from the agricultural and fishery sectors. Historically, Namibia has been a supplier of raw materials to South Africa and the outside world and most exports went to South Africa. Exports consist of primary commodities which are subjected to deterioration of terms of trade while the reliance on primary commodities hampers economic growth and employment creation and puts pressure on the natural resource base and the environment. The wholesale and retail trade contributes some 9.4 percent to the GDP with most of the large retail businesses owned by South African companies.

The majority of the indigenous population (about 70 percent of the population) do not own land (NDP2). However, they occupy 41 percent of the country and they are mainly involved in small scale subsistence farming using traditional methods of cultivation. The fact that they do not hold land titles hampers access to credit as well as investment and productivity. Around 800,000 cattle from these areas are excluded from being exported to overseas markets because of inadequate veterinary services (NDP2).

The growth of GDP has largely originated from the mining sector which is capital intensive employing small proportion (less than 2 percent of the labour force). After independence the largest source of growth of formal employment has been government. However, the expansion of government is not a sustainable source of employment. According to NDP1, the main sources of new productive employment were to come from fishing, manufacturing, construction, tourism and trade as well as from the productive activities in the informal sector. The labour market is associated with several inherited constraints such as a limited skill base, high wages and uncompetitive formal labour market and discouragement of informal businesses. Informal sector employment accounts for some 25-30 percent of the labour force. According to the National Labour Force Survey of 1997 the rate of unemployment in the narrow sense is 19.5 percent and 34.5 percent in the broad sense (including those who are not actively seeking employment). Lack of access to credit, technical and managerial services continues to constrain self-employment. The structure of employment is characterised by some 40 percent formal sector employment. Urban areas are dominated by modern sector activities while rural areas are dominated by the informal sector including subsistence farming. In urban areas most households derive their incomes wages and salaries (75 percent), and from businesses (8.6 percent) while in the rural areas most households derive their incomes from small scale farming (42.4 percent), wages and salaries (28.3 percent) and pensions (9.7 percent).

The role of SMEs in employment and income generation is significant for the majority of Namibians. The place of the SMEs in the economy of Namibia is quite significant. Estimates of employment differ from one source to another but the main point made by all of them is that SMEs generate considerable employment nand incomes in Namibia. For instance, the Commonwealth and NNCCI report (cited in Erastus-Sacharia, Hansohm and Kadhikwa, 1999[2]) these enterprises employ some 16,000 people per year as compared to 3000-4000 persons employed every year in the formal large scale sector. A World Bank Report puts total employment by these enterprises at 150,000 (cited in Erastus-Sacharia et al 1999). Even if some sources show somewhat lower estimates, they all indicate that the significance of SMEs in this respect cannot be ignored. This situation presents the case for nurturing entrepreneurial development and creating conditions for developing a diversity of businesses. As regards nurturing entrepreneurial activities and SMEs initiatives have been taken to put in place the Policy and Programme for the Development of SMEs. To this end industrial parks and SME modules have been built in various parts of the country.

The budget as a tool for development is being improved by institutionalising MTEF

[2] Anna Erastus-Sacharia, Dirk Hansohm and Gerson Kadhikwa. Small Enterprise Support Institutions in Namibia. NEPRU Research Report No. 7 February 1999.

with priority being given to allocating public resources strategically to stimulate economic growth and development, to reverse the negative impact of HIV/AIDS, to reduce the size of the public service, to reform state-owned enterprises and to support the manufacturing sector with the Special Industrialisation Programme (MTEF 2002/3-2004/5).

2.2 Poverty, human development and inequality

Classified as a lower-middle income country Namibia still has large inequalities in wealth and income. Income distribution is highly skewed with a Gini-coefficient of 0.67 (NDP2)[3]. The richest 10 percent consume 44 percent of total private consumption and 65 percent of total income. There is a large gap between urban and rural living standards a factor which accounts for the large rural-urban migration. The inherited structure of economy and employment reflected a dual society with a few rich population mainly white and the bulk of low income population mainly Africans.

The dimensions of poverty vary by region. About 85 percent of the consumption-poor households are located in rural areas making their living largely from subsistence farming primarily in the Northern and North-eastern communal areas (NDP2). Poverty is closely associated with environmental degradation as poor households are concentrated in areas which are currently under high environmental pressure. The majority of the poor are engaged in subsistence farming and as farm and domestic workers. About 4000 commercial farmers occupy 44 percent of Namibia s land surface while 95 percent of the nation s farming population live on 41 percent of the total land area largely in communal lands which are generally of poorer quality.

Little attention was given to the development of human resources. The colonial policies had created a dual economy with one part of the economy being associated with high levels of poverty, low level of human development, cheap labour for foreign companies and landlessness among the indigenous population. The bulk of the indigenous population has limited access to education and knowledge and capital hampering their participation in private business. For instance, while the Afrikaans, German and English-speaking population account for 13 percent of the population of 15 years of age and above, they constitute 64 percent of all students

[3] GRN. Second National Development Plan, 2001/2-2005/6. National Planning Commission, Windhoek.

in tertiary education. In addition, the historically privileged are more likely to go to higher quality tertiary education institutions. In general the distribution of national assets has been associated with deprivation on the part of the indigenous population.

Poverty rates as measured by various indicators of human development can vary considerably across countries with similar levels of income. Namibia has lower levels of human development indicators than its level of income would permit. For instance, the income per capita of Namibia is higher than that of Cuba and slightly lower than that of Malaysia but both Cuba and Malaysia have much higher levels of human development. The population below the poverty line of $1 per day is 34.9 percent in Namibia compared with less than 2 percent in Cuba and Malaysia (UNDP, 2003). The status of human development in Namibia is low relative to its level of income. The human development index has been estimated at 0.627 for year 2001 ranking 124th among 175 countries (UNDP, 2003). In terms of income per capita (PPP US$), however, Namibia ranks much higher by 59 points (i.e. ranks 65th). The rank in terms of income per capita minus the rank in terms of the human development index is —59 which is one of the highest in the world only bypassed by South Africa (-64) and Botswana (-65). Based on what other countries of similar levels of income have managed to do, it can be suggested that with its current level of income Namibia could achieve higher levels of human development.

Namibia s NDP1 had poverty reduction as one of its development objectives. Mid-way through the implementation of NDP1, the Government of Namibia took the initiative to formulate an Integrated Poverty Reduction Strategy (PRS). The PRS has three areas of concern: fostering more equitable and efficient delivery of public resources, accelerating equitable agricultural expansion and non-agricultural economic empowerment (with emphasis on informal and self-employment options). The National Poverty Reduction Action Plan for 2001-5 (NPRAP) has been designed in the context of the NDP2 and its Public Sector Investment Programme (PSIP). The NPRAP demonstrates the holistic and synergistic response that GRN is making towards poverty reduction with clear objectives, targets, implementing agencies and monitoring indicators.

Poverty seems to be an obvious phenomenon but its definition has been a subject of considerable debate. At least four approaches to the definition of poverty: the monetary approach, the social exclusion approach, the capability approach and the participatory approach. It has been pointed out that each of the four approaches is a construction of reality, involving numerous judgements which are not always transparent (Laderchi, Saith and Stewart, 2003)[4]. It has been shown that the different approaches have different implications for policy as well as for targeting and hence for poverty reduction strategies. The policy implication here is that poverty must be defined broadly suggesting that the proposed strategy for addressing the poverty problem must also be inclusive of the disadvantaged majority and must address the dimensions of incomes, human development and capabilities and participation.

There are two ways the poor could improve their standard of living: through income redistribution from the rich and through overall growth whereby the incomes of both the poor and the rich could rise. According to Ravallion and Chen (1997)[5] , on average, growth has been more effective in reducing poverty than redistribution. They found that fast growth went with fast poverty reduction and fast contraction went with increased poverty. In fact, the decline in human development indicators in Namibia during 1996-99 has been attributed to insufficient growth (at 2.5 percent) during this period aggravated by the impact of HIV/AIDS on life expectancy (NDP2). Economic growth directly reduces income poverty of households creating conditions for increasing savings and government revenue which are needed for making investments in human development. The development debates in the 1990s have focused on the need for economic reforms, the need for strong institutions and governance and the need for social justice. Relatively little attention was paid to the structural constraints that impede economic growth and human development (UNDP, 2003)[6]. The quality of the factors contributing to growth requires fundamental attention if poverty is to be reduced and a better quality of life attained by all (Wolfenshon, 2000)[7] .

A major challenge of development in Namibia is to broaden the ownership of national assets with a view to empowering the historically disadvantaged Namibians and diversify the economy. Economic diversification should be guided by the need to broaden the sources of incomes, accelerating growth and shifting the pattern of economic growth in favour of the poor and disadvantaged groups in

4 Laderchi, C.R., R. Saith and F. Stewarrt. Does it Mateter that we don t Agree on te Definition of Poverty? A Comparison of Four Approaches.. QEH Working Paper Series No. 107, May 2003.

5 Ravallion,M. and S. Chen. Distribution and Poverty in Developing and Transition Economies: New Data on Spells During 1981-93. World bank Economic Review, 11, May 1997.

6 UNDP. Human Development Report, 2003. Oxford University Press, New York, 2003.

7 Wolfensohn,, J.D. Foreword to World Bank The Quality of Growth, Oxford University Press, 2000.

society. Taking into consideration the imperatives of globalization and competitiveness, such a strategy will need to be implemented in the context of such an environment.

3. ECONOMIC DIVERSIFICATION AND POLICY INTERVENTIONS

3.1 Economic Diversification: the concept and strategy

Diversification can be conceptualised in terms of a strategy for improving the stability and earning capacity of exports or in terms of increasing the range of high productivity activities in the economy. Diversification has often been accompanied by the process of industrialisation associated with the production of high value goods and local processing of raw materials with a view to adding value and therefore incomes. The strategy of diversification has therefore been pegged to the problem of instability of incomes or exports, overconcentration and overdependence of exports or sources of incomes in general.

The strategy of diversification can be three fold. First, it may involve diversification within the same sector such as agriculture by shifting to high value products or attain higher levels of productivity for the same products. Second it may involve processing of low value primary products with a view to increasing value. This would entail industrialisation and utilisation of improved technology in the production of manufactures and processed goods. Third, it may involve export diversification. In all the three strategies, diversification would require that the right conditions be created for local initiative and enterprise to flourish. This may require substantial resources but considerable progress can be achieved through policy changes.

The development strategy led by economic diversification is buttressed on the expected role diversified industries in bringing more resources into the economy, widening the tax base and increasing avenues of support for development projects and programmes such as roads, schools, community services and small and medium size businesses. There is a case for formulating an appropriate economic diversification strategy which is consistent with a high level of economic growth, poverty reduction and reduced inequalities. The proposed strategy is supposed to identify channels and instruments which can be appropriately used to manage economic growth in such a way that the pattern of growth incorporates poverty reduction and income distribution in the economy in a dynamic context. The implication is that economic diversification should be consistent with the growth of the sectors and activities in which the poor are actively engaged with a view to bringing about less income inequalities as the economy grows.

3.2 Policy Initiatives in Namibia

According to the NDP2, economic diversification is one of the major concerns for development in Namibia. In the context of diversification, the NDP2 has indicated major objectives such as:

- strengthening and diversifying the agricultural base to ensure food security and resilience to changes due to seasonality, environment and economic conditions.

- Ensuring that poor communities broaden their income base through diversification (e.g. by participating in tourism).

- Building a critical mass of competitive SMEs

- Expanding labour intensive public works programmes

The strategies to be adopted include establishing a framework for the promotion of investment and industries in rural areas and assisting rural communities to establish community based tourism projects. As regards non-agricultural activities, initiatives are to be taken to identify the feasibility of manufacturing, service industries and other value adding activities building on comparative advantages of regions and the availability of local resources. On the ground, however, achievements have been at best modest due to various challenges of implementation.

4. PRO-POOR ECONOMIC DIVERSIFICATION: GUIDING PRINCIPLES AND POLICIES

4.1 Diversification for inclusive growth

In the concrete situation of Namibia, where the majority of the poor are engaged in low productivity and low income agricultural activities and SMEs, diversification must mean shifting to more productive agricultural activities and creating non-agricultural employment opportunities that can provide for alternative higher incomes to the poor. The growth pattern must be characterised by a significant presence of sectors and activities which are inclusive of the poor and disadvantaged groups in society. In the case of Namibia the economic diversification strategy should ensure higher levels of productivity in SMEs operations which influence lives of the majority of the people in the Namibia. SMEs deserve high priority in the diversification strategy.

4.2 Diversification and broad based participation

Economic diversification which can bring prosperity and therefore poverty reduction occurs when all the players in the development sphere have the right incentives. The way forward must be to create incentives for effective participation for the trinity of governments, donors and individuals (private households and businesses) (Easterly, 2002)[8]. This suggests that diversification away from low productivity monoculture production systems towards higher productivity and more broad based production systems requires mobilisation of major socioeconomic agents to formulate and implement diversification programmes.

4.3 Diversification beyond static comparative advantages

In a competitive environment the process of diversification must take account of the competitiveness of the new diversified activities. Economic diversification strategy must take into account comparative advantages but its main thrust is to create new comparative advantages. Consistent with the principles of competitiveness, the basic SME development strategy will aim at developing enterprises that can compete nationally and regionally and seize opportunities offered by the globalization process while also withstanding its threats. To the extent that the country has resources which are not fully utilised, the strategy will start with identifying and effectively mobilising and utilising existing resource endowment and comparative advantages as a basis for creating competitive advantages which are more consistent with an investment driven economy and progressively transform into a technology driven economy. As the national economy exploits its comparative advantages based on its resource endowments, its structural base for competitiveness should be changing towards investment-driven economic growth and proceed further into technology-based economic growth. The strategy of economic diversification is therefore not inconsistent with comparative advantages but it must make use of existing comparative advantages as a stepping stone towards creating new comparative advantages driven by investments in new areas and technology adoption in those areas.

A first step in the formulation of an economic diversification programme must therefore start with the preparations of sector profiles in which structural constraints to the development of the sectors would be identified and the supply conditions

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8 Easterly, W. The Elusive Quest for Growth. MIT Press, Cambridge Massachussttes and London, 2002.

would be examined. The sector profiles should also establish the extent to which the poor are engaged or can be engaged in the activities of the sector, understand the market conditions and establish requirements for developing the respective sector with a thrust on inclusivity of the poor.

4.4 Needs of SMEs

The kind of support the SMEs need is reflected in their views on the key problem areas. In a survey of SMEs support institutions indicated that the most important problem areas are demand (related to quality and marketing), access to finance, business training, deficiencies in business support, government policy and legislation and information (Erastus-Sacharia, Hansohm and Kadhikwa, 1999). In general, the majority of the poor are endowed with unskilled labour but they have limited access to other key resources and assets which are needed for development. In this context, access to land, capital and upgraded skills is essential. Upgrading the skills of the rural poor, enhancing their access to financial services and accessing infrastructure including work premises deserve high priority.

4.5 Towards competitiveness in SMEs Development: direction of action

The right incentives will need to be offered to SMEs and a conducive institutional framework put in place but these will need to be complemented by more direct interventions to build capabilities of various actors especially those who have been disadvantaged. Competitiveness in SME development can be attained through actions at three levels.

First, sound macroeconomic policies. Diversification is likely to be successful if sound policies to support the SMEs development are put in place.

Second, a conducive institutional framework creates the potential for the SMEs operations to be efficient and competitive. Institutional capacity building is necessary to support and facilitate the efficient working of the market and to create markets where they are missing. These institutions can be categorised into public institutions, the private sector organisations and public-private partnerships (PPP).The strategy for public institutions will ensure that their role is to improve the business environment, making markets work more efficiently and reducing risk (actual and perceived), by doing at least four things: (i) create confidence that the policies will remain stable based on legitimacy and predictability; (ii) ensure transparency and clarity of the rules of the game for public-private interactions, with systems in place to ensure that public officials refrain from arbitrary action; (iii) ensure that a judicial framework for monitoring and enforcing private-to-private contracts is in place and that it complements the existing private mechanisms for dispute resolution; and finally (iv) ensure that public institutions develop the capacity to deliver public goods and services to the private sector with a high degree of reliability and efficiency.

SMEs are often too scattered to have influence in policy making. They need to be encouraged and facilitated to organise themselves institutionally in the form of associations or other forms of collective action so they can have voice.

Public-private partnerships (PPP) are now accepted as essential vehicles for producing socially essential goods and services whose marginal costs may exceed marginal revenues. Such goods and services may help existing markets to work better, or missing markets to emerge. It is recommended that a strategy for enhancing PPP should be formulated with high priority given to investments in infrastructure, social service delivery, technology and delivery of financial services.

Third, productivity is achieved through enhanced enterprise level capabilities to create valuable goods and services, using improved methods of production and an improved micro-level business environment which meets the business requirements of firms. The player in achieving economic growth and social equity is an SME that has the capacity to formulate effective strategies, develop effective organisational structures to support those strategies, and develop competence in production and marketing. To assist SMEs in achieving these goals, effective support services comprising training, consultancy and advisory services, marketing services, technological services, information dissemination and promotion of business linkages, etc., are critical. The main reason for using supportive services is to build the capacity of enterprises by fostering learning processes. The learning processes may occur through private learning mechanisms, for instance by hiring experts, through in-house training, or through in-house R&D activities. The learning processes may also be facilitated by collective technical support services which may be supplied as public goods by NGOs, government, donors or business associations

The strategy for supporting SME development is two pronged. The first element is to remove obstacles to learning processes by enterprises. This can be done by taking actions such as relaxing restrictive practices that inhibit the flow of information from the rest of the world to the region. The second element is to actively take the initiative to support learning processes by enterprises. This can be done by taking action to promote learning obtained from study tours, trade fairs whereby enterprises learn from the experience of others. Action could also be taken to introduce mechanisms for matching grants foster learning by individual enterprises (e.g. tax deductibility and partial refund of costs incurred on training and business travelling).

Consistent with poverty reduction strategies that Namibia has adopted, the strategy of empowering small businesses is expected to achieve productivity increase and build competitiveness, create decent jobs, facilitate social mobility and meet requirements of equity and other political economy considerations. This suggests that the development of African business should be encouraged both from the political economy point of view and from the point of view of economic diversification in the context of growth, poverty reduction and reduction of income inequalities over time. This political economy challenge can be addressed with the help of the previously privileged groups in society along the lines that the Namibia Agricultural Union has initiated development action involving empowerment of new emerging commercial farmers through the transfer of farmer skills from the more established and experienced commercial farmers (Namibia Agricultural Union, 2003). The strategy of capacity building of small businesses should involve action on four fronts: information dissemination, developing entrepreneurial skills, enhancing access to financial services, and enabling small businesses to have a voice in society and in the policy making processes. These may be elaborated as follows:

(i) Information dissemination can be promoted by taking action to have the governments collaborate with private business associations in setting up information bureau to dispense well packaged information and advice to small businesses.

(ii) The increasing knowledge content of development and trade has come to be a major determinant of competitive positions and development of nations. The strategy for economic diversification through SME development must therefore place high priority on human resource development. In this task both public and private investments and partnerships will need to be encouraged. Education and training are central to the enterprises ability to learn and compete in the market. The governments should continue to put more resources into human resource development, in particular education and longer term training while giving incentives to the private sector to invest in short-term tailor made training programmes and on-the-job training. With appropriate incentives the private sector should be encouraged to increase investments in education and training at all levels. Particular attention should be given to developing entrepreneurial skills by facilitating collaboration between private and public sector institutions, donors and NGOs to jointly develop and implement management and vocational training, networking and linkages, re-orienting educational curricula to promote agriculture as a commercial rather than subsistence activity, and to stimulate confidence in African entrepreneurial capacity. Collaboration and networking between large and better established enterprises and less established ones is another potential that can be harnessed. For example the pilot that has involved the transfer of skills from the experienced commercial farmers in Namibia to the less experienced and emerging commercial farmers has shown positive results which can be emulated and replicated more broadly (Namibia Agricultural Union, 2003)[9].

(iii) The strategy for enhancing SMEs access to financial services will entail action on two fronts. First, actions will be directed to reducing risk associated to lending to the private sector with special emphasis on the SMEs. Second, actions will target improving incentives to induce financial institutions to be more innovative in diversifying financial products to cater for the needs of the private sector especially the SMEs, agriculture and non—farm activities in the rural areas.

(iv) Giving small businesses a voice in society. For small businesses to have a more effective voice they will need to be more effectively institutionalised and special effort should be devoted to capacity building for business associations. Interventions could also include corporatisation of investment groups to spread the shareholding culture to wide sections of the population. In this context, the role of policy research and capacity building in SMEs and their institutions to enable them engage in policy processes is essential.

The strategy for supporting firms to attain the capacity to respond to markets should be designed in ways that are consistent with market forces. This means that appropriate mechanisms for cost sharing should be designed in close consultation with the respective stakeholders. The strategy of supporting the development of services for business development should be directed towards four main areas. Networking and forging linkages, business development services, information and

[9] Namibia Agricultural Union. Namibia Farmer Skills Development Action: a project concept. Tabled at the Fifth Annual Symposium of the Bank of Namibia on Poverty, Income Inequality and Economic Development,Windhoek, 22 August, 2003.

communication technologies and development of professional services.

4.6 Mechanisms of making SMEs an engine of economic diversification and growth

There are three mechanisms which must be adopted as strategies for making the SMEs be an engine of growth and economic diversification with reduced inequality in then dynamic context in Namibia.

First, the SMEs must operate in a business environment which enables the cost of doing business to be reduced. The mechanism here is essentially the efficient allocation of resources based on market competition and improved division of labour (e.g. through exploiting both the national market and an enlarged regional market), improved quality of infrastructure, quality public institutions and improved regulatory environment with minimum bureaucratic red tape.

Second, the SMEs must engage in higher levels of investment through a mechanism often identified with capital accumulation. In this process savings in the country would be converted into higher capital per worker and enhanced investments in human development, leading to rising labour productivity. The saving and investment activity is therefore central to the strategy for SMEs development. The strategy should ensure that the investment climate is characterised by governance system that allows firms and farms to pursue productive activity, respect contracts and property rights and a competition and regulatory policy that channels private initiative in socially useful directions.

Third, SMEs development should adopt a strategy of making improvements in productivity and capacity of firms including SMEs to compete nationally and progressively to compete regionally and internationally. Technology is central to competitiveness, therefore, through technological diffusion and technological innovations. Technology deserves to be given high priority as a means of raising the level of productivity and therefore levels of incomes in business operations with special attention given to improving productivity conditions in the SMEs and informal sector activities.

4.7 Some priority activities in economic diversification

Economic diversification will have to start from where the current status is and take first steps from there. This suggests that priorities would have to include searching and shifting towards higher productivity agricultural products, investing in primary products processing with a view to adding value and therefore generating higher incomes and activating inclusive tourism and other services. In the case of tourism development, for instance, the development of community tourism is one avenue for diversification of rural incomes. While the commercial farmers had been granted exclusive use rights over animal wildlife in the 1970s these rights were extended only much later to the communal farmers as a step towards leveling the playing field between commercial and communal farmers. The current trend of community-based natural resource management is a potential avenue for generating diversified incomes for the rural areas. The Namibia Community Based Tourism Association established in 1995 can assist communities to set up tourism enterprises. Labour based public works is another area of high potential for diversifying incomes in the economy. These are associated with benefits of employment creation which can be spread into from road construction where pilot projects have been successfully implemented to other sectors such as drilling holes in agriculture, construction of buildings for health and education and other constructions of rural infrastructure. In this context, the drafting and approval of a national policy for labour-based work is a commendable step in the right direction.

5. CONCLUSION

The process of economic diversification in Namibia will need to take into account three dimensions of diversification within the same sectors, diversification into new sectors and new sources of incomes and diversification of exports. Diversification will entail broadening the sources of incomes with a view to shifting from low productivity production systems towards higher productivity production systems within agriculture and in non-agricultural activities such as tourism and manufacturing. The implementation of diversification programmes will need to start with in-depth sector profiles which will unveil the supply and market conditions and potentials for diversification into broader and higher productivity activities and identify resource requirements for achieving that kind of diversification. The diversification programmes should be implemented through the pursuit of sound policies and interventions to build the capabilities of disadvantages actors including enhancing their access to key resources (land, capital, skills). In this context, agriculture and SMEs in other sectors, including those in the informal economy, are supposed to receive special attention. Consistent with poverty reduction strategies that Namibia has adopted, the strategy of empowering small businesses is expected to achieve productivity increase and build competitiveness, create decent jobs, facilitate social mobility and meet requirements of equity and other political economy considerations. This suggests that the development of SME business should be encouraged both from the political economy point of view and from the point of view of economic diversification in the context of growth, poverty reduction and reduction of income inequalities over time. The strategy of capacity building of small businesses should involve action on four fronts: information dissemination, developing entrepreneurial skills, enhancing access to financial services, and enabling small businesses to have a voice in society and in the policy making processes.

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Comments on "Economic Diversification, Income Inequality and Economic Development In Namibia"

R.L. Ritter[1]

Prof. Samuel Wangwe's paper on: "Economic diversification, income inequality and economic development" describes Namibia's current economic situation, identifies policy gaps and makes proposals and policy recommendations.

Economic diversification is on Namibia's policy agenda since independence. The Bank of Namibia, Annual Report 2002 and Prof. Wangwe's analysis come to similar conclusions about the progress of diversification: "It was found that despite a number of initiatives and policy measures put in place by the Government of Namibia to diversify the economy, this has not yet shown the desired sectoral shift." (BON, p.25)

The same could be said about inequality and poverty. Inequality is still persistent and high as well as poverty.

The question that policymakers must ask themselves today, is why are these policies to diversify the economy not effective? Secondly, what new policy recommendations are made today by Prof. Wangwe and lastly, what could be the missing links?

My function as discussant should not be restricted to a summary of the paper, but rather to highlight fresh ideas and add new ones if possible.

What is new?

If one would apply the NDP2 as a benchmark of the most recent policy framework for Namibia one would come initially to the conclusion that the paper by Prof. Wangwe entails nearly all the concepts used in NDP 2. Agriculture, SME-sector, informal sector, tourism, manufacturing and education. All these concepts do appear in the NDP2. However, it is the context that matters not the words as such.

In the paper economic growth is seen as a prerequisite for reducing inequality and reducing poverty. Prof. Wangwe points out that the decline in human development in Namibia during 1996-1999 was a result of insufficient growth. He believes that

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the direction of causality runs from growth to human development in contrast to NDP2, which sees growth as integral part without explicitly pointing out causalities.

Secondly, Prof. Wangwe points out on a number of occasions to shift from a low productivity production system towards higher productivity production system. Productivity is thus seen as a key contributor towards diversification. This view is also supported by a recent study on Namibia's prospects for growth and employment. Productivity growth is singled out as one of the main factors to drive long term per capita growth.

A third aspect touched by Prof. Wangwe is the aspect called institutional economics, meaning to improve the business environment through the efficient and reliable provision of public goods and services. To create confidence in policies through the reduction of risk (actual or perceived) by adhering to policies on the basis of clarity, transparency, legitimacy and predictability. We are good in Namibia to put policies on paper, but we lack often the will and the capacity to implement good policies. The last aspect, which I want to highlight, is the recommendation to build the capacity of enterprises by fostering learning processes and also to remove obstacles to learning processes experienced by SME's. Learning processes and the tolerance for failure creates self-confidence and self-confidence is one building block for risk taking and thus entrepreneurial behavior.

What I miss in the debate

The topic includes not only economic diversification but also economic development. Economic development does not mean growth per se. There is a distinction between growth and development. Growth is essentially an economic concept based on "classical" assumptions such as:

- The use of a single indicator - GDP or GNP per capita - as a measure of development;

- The existence of an homo-economicus maximizing his profits and minimizing his costs;

- The use of the concept itself of "standard of living", in which a non-economic idea (the well-being) is transferred to the field of economic values ("well-endowed");

- The likelihood of a society in which reaching richness and welfare is an objective per se.

If we assume that there is no single path to "development" for all societies in the world, we also have to assume that development must be seen as a whole, in which economic factors exist side by side with a concern for cultural, political, social and ecological aspects of life. Development is thus a process, which encompass several aspects of man's life, from economic security to education, from trust to the right to express divergent political opinions, from a good environment to the possibility of self-determination in choosing one's main priorities in life. Development also means the right to survival of people in different world contexts (synchronic solidarity) and the right of the future generations to live on a healthy planet and ecological healthy country. Development is thus a complex system and growth is only a part of the system. The reason for economic diversification is often the risk of developing a dependence on a primary non-renewable resource of commodity (diamonds). In the case of Namibia diamonds are seen as a long-term risk due to the limited life span of diamond income. We have to diversify into sustainable sectors is the common argument. Sustainability means the capacity of one complex system to persist in the long run, to reproduce itself and, if necessary, to grow without undermining the very properties of factors which have made it a functioning system. Sustainability thus stands on two interdependent legs:

- A physical one (natural resources and energy)
- An organizational one (the ability to solve problems)

Sustainability or collapse follows from the success or failure of problem - solving individuals, teams and institutions. To manage sustainability and complexity is thus mainly a problem - solving strategy.

If diversification was not successful up to now in Namibia, should one adopt new strategies or should one asked oneself to re-look our current thinking or paradigm? Is diversification per se our main objective, or should it be sustainability, wealth creation (with a more equal distribution of income) and development?

From the success and failure of companies we know that diversification for the sake of diversification was more often a failure than a success. Companies who pursued a strategy on core competencies and capabilities, superior market knowledge and constant problem solving, learning and innovation - survived. If we adopt the above lessons learnt to the Namibian economy, we have to forget about diversification as the main objective, but rather see diversification as a possible result of pursuing a policy of wealth creation through competitive advantages. I believe the objective should be to pursue competitive advantages and learning clusters within a framework of sustainable development. Namibia has a small internal market and its future ability to grow will depend more and more on growing exports. Companies must be competitive (not comparative advantage) and market focussed if they want to survive in the global market. They have to manage the value chain and build strong relationships and gain knowledge about competitors and markets. A good example could be the improved management of the various value chains of the food industry (fish, meat, grapes etc.).

A second paradigm shift I want to elaborate on is the thinking of Prof. Wangwe on the causality between economic growth and poverty reduction and a more even income distribution. We know that new knowledge, creativity (not capital in any form), new institutional arrangements and new technology is the fountainhead of economic growth. We also know from various studies that more than half of growth arises from human sources (human capital) and natural and physical capital account less and less towards growth. This has very important implications for theory and policy. On the theory side one can thus argue that growth is a permissive factor, this means that there is no mechanism that automatically translates growth into greater human development. It is rather vice versa. On the policy side the implications are training and education. If the proposition is that human development promotes growth the causality that growth promotes reduced poverty and lowers income inequality could be questioned. It should be rather obvious that the policy emphasis should be on relevant training, education and the creation of opportunities than growth per se. To add an additional dimension to the above argument within the context of a multi-cultural society (as Namibia portrays) is the issue of cultural diversity. Above it was argued that one should think in terms of competitive advantages and not economic diversification. If we see cultural diversity not as a liability but as an asset within the context of human development we shift the "diversity" issue from the end of the equation to the beginning of the equation. If we see different ways of life, different ways of thinking and different ways of looking at the world as a source of creativity, we surely can view Namibia's cultural diversity as an additional source of human development.

The last issue I want to elaborate on is the phenomena of persistent income inequality. If income is the fruit of economic activity, and if the market rules who gets more or less income, surely we have to critically reflect on the market as a "moral place". No system, be it economic or political, can survive if it lacks legitimacy or stays in imbalance (income inequality). The question that then arises is how can we have an economy that enhances a distribution of income? I believe that answer lies more in a re-definition of our core values and the purpose in our lives.

Fundamentally economic or business activity means "creating value" by way of producing commodities and consumables to satisfy human needs. Since any reasonably efficient economy functions on the principle of the division of labor, it is out of necessity governed by the rules of social interaction and distribution of profit. Socio-economic "value-creation" can thus be understood as a practice which has always been based on moral values and norms and that is inescapably founded on certain ideal concepts of the good life and just co-existence between individuals. We therefore have to be fundamentally be concerned with the fundamental consideration of the meaning and purpose of human existence and the moral principles on which economic activities are based.

A very unequal distribution of income requires thus moral and thus ethical dimensions as a normative framework. We must see society not as inner part of unencumbered economic rationality and economics as such, but rather economics embedded within society guided by a normative framework based on ethical reflection.

We must become a caring and inclusive society with less ethnic division and more time and resources for the elderly, poor, disabled, Aids-orphans and less fortunate children.

Fiscal policy, income inequality and Poverty Alleviation in Namibia

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About half of the Namibian population lived in poverty at independence in 1990. Forty seven percent of Namibian households were relatively poor in 1994 while 13 percent lived in abject poverty. Income inequality was and is still high, drawn along racial lines, with a small proportion of the population controlling more than half of the nations wealth. There are regional inequalities as well. Khomas, Erongo and Karas are the three most developed regions of the country while the three least developed are the Caprivi, Ohangwena and Kavango in that order. This prompted the government to focus attention at poverty alleviation as a central theme in its National Development Plans and is clearly spelt out in the country s 2030 Vision. The Namibian government set itself twin targets of reducing the proportion of poor households from 47 percent in 1994 to 40 percent by 2000 and reducing the proportion of severely poor households from 13 percent in 1994 to 7 percent by 2000. It was also planned to reduce the inequalities in income distribution between households and regions. By 1998, the proportion of households living in poverty had reduced to 40 percent and to about 35 percent by 2001.

As a result, the United Nations Economic Commission for Africa in 2003 rated Namibia fourth among African countries that have made significant stride in their efforts to reduce poverty. This article discusses fiscal measures that were undertaken by the Namibian government, which contributed to poverty alleviation during this time. Namibia has a large public sector and tax revenue is used to finance the central government as well as regional and local governments. The Namibian government has attempted over the years to address the issue of economic inequalities and poverty more from the public expenditure side rather than on the side of revenue generation.

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SECTION ONE

MEANING OF AND CONCERNS ABOUT POVERTY

1. CONCERNS ABOUT POVERTY

Eradication of mass poverty has been the overarching objective of economic development of policy makers in most developing countries since the time of political independence. Indeed, evidence from colonial rule in many developing countries is overwhelming that the authorities ignored poverty of the people they ruled over and only served their own economic and political interests. The independent governments have inevitably sought to correct the perceived failures of colonial rule by embarking on a structural transformation of their economies and societies. Given the abject poverty of their population and the then prevailing high rates of mortality (particularly infant mortality), illiteracy, extensive under-nourishment, lack of access to health and educational services for most of the population, poverty has been seen as a multifaceted phenomenon, transcending the simple notion of just inadequacy of incomes. Because the colonial era was characterised by economic as well as political exclusion of the people in the colonies, poverty is also hence interpreted as the absence of participatory democracy. Asserting that poverty eradication is the overarching economic development objective, it also appears clear that the independent states saw rapid economic growth and better distribution of incomes as instruments for achieving this objective.

1.1 The concept of poverty

A concise and universally accepted definition of poverty is elusive largely because it affects many aspects of the human conditions, including physical, moral and psychological. Different criteria have, therefore, been used to conceptualise poverty. Most analyses follow the conventional view of poverty as a result of insufficient income for securing basic goods and services. Others view poverty, in part, as a function of education, health, life expectancy, child mortality etc.

Blackwood and Lynch (1994), identify the poor, using the criteria of the levels of consumption and expenditure. Further, Sen (1983), relates poverty to entitlements in terms of the various bundles of goods and services over which one has command, taking into cognisance the means by which such goods are acquired (for example, Money and Coupons etc) and the availability of the needed goods. Yet, other experts see poverty in very broad terms, such as being unable to meet "basic needs" - (physical; (food, health care, education, shelter etc. and non - physical; participation, identity, etc) requirements for a meaningful life (World Bank, 1996).

Poverty may arise from changes in average income or changes in the distribution of income. A poverty index, measured by a particular standard, will decrease (increase) as income increases (decreases). Since higher average incomes are above the poverty line, other things being equal there will be less poverty.

Among the "other things" that are equal is the distribution of income. If we compare for instance, two countries with identical mean incomes (and poverty line), in which one has a wider area of distribution of incomes (that is one with greater income inequality); poverty will generally be greater in the country with higher inequality, since there will be relatively more people with incomes lower than the poverty line. Thus, the distribution of income has an important influence on poverty.

While poverty is traditionally defined as an individual s lack of access to an adequate minimum level of monetary resources, human poverty and its reduction are about the denial of choices and opportunities for living a tolerable life . This expanded definition of poverty is discussed in the 1997 Human Development Report (HDR), and taken further in the 1999 HDR, Globalization with a Human Face .

Poverty is about more than inadequate income. It is about access to and quality of public services vital to the poor such as education, health and water and sanitation. It is about lack of opportunities and fear of harassment. It is also about lack of voice, lack of representation and access to information.

World Bank devoted the "World Development report 2000/2001: Attacking Poverty" to the subject based on new evidences and a deeper understanding of the meaning and causes of poverty. The report argued that major reductions in world poverty are indeed possible. It shows that economic development continues to be central to success in reducing poverty, but that poverty is also an outcome of economic, social and political processes that interact with and reinforce each other in ways that can ease or exacerbate the state of deprivation in which poor people live. Consequently, the report concluded that to conquer poverty requires actions at the local, national and global levels-to expand poor people’s opportunities, empower them, and increase their security.

This paper discusses the important role of fiscal policy in reducing poverty in Namibia. The rest of the paper is organized as follows. Section two presents salient background situation on Namibia and presents a brief poverty profile with the extent of poverty, household as well as regional inequality in the country. Section three on the other hand explains reasons for the persistence of poverty and household inequality while section four examines fiscal policy measures that the government of Namibia has implemented since independence with a view to addressing poverty reduction and income redistribution objectives. Rakner (2002) suggests that the Namibian government has attempted over the years to address the issue of economic inequalities and poverty more from the public expenditure side rather than on the side of revenue generation. In the light of this, the paper will highlight more on the expenditure side of Namibian government fiscal policy. The final section makes some concluding remarks and policy recommendations.

SECTION TWO

2.1 Background information on Namibia

Namibia achieved independence in March 1990 after 70 years of South African rule that replaced the German protectorate established in 1884. The South West Africa People s Organization (SWAPO) that spearheaded the liberation struggle from the 1960s formed the first government of independent Namibia following the December 1989 elections and gained over two-thirds majority in the 1994 Presidential and Parliamentary elections. The 1999 elections were to further increase SWAPO s majority seat in Parliament. Since independence, the government of Namibia has implemented and maintained a liberal economic policy regime that emphasizes investment incentives and a stable macroeconomic environment.

Poverty reduction occupies a central focus in development policy. It is clearly spelt out un the country s development plans as it is in 2030 Vision, that seeks to align Namibia s standard of living to that of developed countries in North America, Europe and Asia. The United Nations Economic Commission for Africa in 2003 rated Namibia fourth among African countries that have made significant stride in their efforts to reduce poverty (The Namibian, 2003). Namibia has a large public sector and tax revenue is used to finance the central government as well as regional and local governments. The central government employs about 80,000 people or about 5 percent of the population (Rakner, 2002). Due to the slow pace of economic growth creating jobs on a sustainable basis, the Namibian government has been reluctant to scale down public expenditure and down-size the public service for reason of possible employment impact.

Table 1: Selected Human Development Indicators in Southern Africa

Country	SADC HPI Ranking	Human Poverty Index (HPI-1)	Probability at birth of not survi-ving till age 40 (% cohort)	Adult illeteracy rate % 2001	Population without access to safe water 2000	Population without access to health services (1981-93)	Underweigh children under 5 years % 2000	Population without safe water and health services and underweight children % 1981-98
Seychelles		-	-	16.0a	-	1	6	-
Mauritius	12	11.1	4.6	15.2	0	1	16	6.3
South Africa	11	31.7	44.9	14.4	14	25	12	15.7
Swaziland	9	27.3a	70.5	19.7	50a	45	10	35.0
Namibia	7	37.8	52.3	17.3	23	45	24	29.3
Botswana	8	43.6	61.9	21.9	5	14	13	13.7
Lesotho	10	47.7	68.1	16.1	22	20	16	24.7
Zimbabwe	5	52.0	74.8	10.7	17	29	13	21.7
DRC		42.9	47.2	37.3	55	-	31	-
Zambia	4	50.3	70.1	21.0	36	25	25	37
Tanzania	6	36.2	46.4	24.0	32	7	29	22.7
Angola	1	54.7a	49.2	55.8	73	76	28	62.3
Malawi	3	47.0	59.6	39.0	43	20	25	34.3
Mozambique	2	50.3	56.0	54.8	43	70	26	50

Source: SAPRIN (nd). UNDP (2003); a (1998 figure)

Namibia has a relative small population of 1,87 million with high concentration areas in the northern part of Namibia where 60 percent of the total population resides. About 33 percent of the population is urbanised. The annual growth rate of the population is 2.6 percent. Predominantly due to the HIV/AIDS pandemic life expectancy has come down to 43 years. The GDP is currently approximately U$1900 per capita. About 35 percent of the population is unemployed. The literacy rate is above 80 percent. Compared with Southern African countries, table 1 indicates that in terms of human poverty, Namibia fairs better than countries like Botswana, Lesotho, Malawi, Mozambique, Zambia and Zimbabwe. Mauritius, South Africa, Swaziland and Tanzania are however fairing better in respect of some indices of human development.

Using the criteria that households that devote 60 percent of their expenditures to food consumption are relatively poor and extremely poor if they devote 80 percent of their expenditure to food consumption, 47 percent of Namibian households were relatively poor in 1994 while 13 percent lived in abject poverty (Geingob, 2000). Not surprisingly, during the First National Development Plan, the Namibian government set itself twin targets of reducing the proportion of poor households from 47 percent in 1994 to 40 percent by 2000 and reducing the proportion of severely poor households from 13 percent in 1994 to 7 percent by 2000. Additionally, the planned strategies sought to reduce the inequalities in income distribution. Its target was to lower the proportion of households with an income below the average, from 60 percent in 1994 to 50 percent. By 1998, the proportion of households living in poverty was 40 percent, reducing further to 34.9 percent in 2001 (UNDP; 1999, 2003). In 2000 Namibia s Human Development index was 0.601 and Human Poverty Index[2] was 34.5 percent. In other words a little over a third of the Namibian population was living in poverty in 2001 (UNDP, 2001, 2003). However, UNDP (2003) reports that Namibia s Human Development Index was 0.627 in 2001 and that human poverty index increased to 37.8 percent.

2.2 A brief poverty profile of Namibia

2.2.1 Poverty is more pronounced in rural areas

An overwhelming majority of Namibia s poor live in rural areas and depend on agriculture either as farmers with small land holdings or as landless workers for their livelihood. Another group of poor people are the farm or domestic workers. About

2 Human Poverty Index (HPI) is a measure of deprivation in economic provision and is measured by the percentage of people not using improved water supply, percentage of children under the age of 5 who are underweight both which yield a probability at birth of not surviving till the age of 40.

three quarters of the Namibia s poor live in the rural areas of the Northern and North-Eastern provinces that depend on subsistence agriculture, cash transfers, and poorly paid wage employment on commercial farms for their income. The remaining one-quarter of Namibia's poor live in peri-urban households and depend on either wage earnings or self-employment in small businesses or are unemployed. Eighty five percent of consumption poor households live in the rural areas of the country (GON, 2001). Farm and domestic workers that live in the central and Southern regions form the second largest category of poor people in Namibia (NEPRU, 1999). The number of the urban poor seems to be growing, along with unemployment and under-employment.

2.2.2 Women and poverty in Namibia

Women also appear to be an especially vulnerable group. Women head 40 percent of households, and those households are among the poorest of the poor. In rural areas, women s lack of access to productive inputs and the absence of male labour places an additional burden on the time and health of women and children (World Bank 2000). Forty-one percent of female-headed households are living in poverty, compared to 36 percent male-headed households (Geingob, 2000). In urban areas, the incomes of female-headed households are substantially below those of male-headed households. Though women professionals make up 55 percent of the population of professionals and technical workers in Namibia, UNDP (2003) estimates that female earned income (US$4,833) in 2001 was only about half of estimated male earned income (US$9,511), a situation that may further contribute to the predominance of women in the poverty groups in Namibia.

2.2.3 The poor are unable to access short and long term credit

Financial markets play an important role in helping poor households. Access to appropriate financial services increases the coping and self-help abilities of the poor without making them dependent on public support. Financial institutions also have an important role in facilitating the provision and maintenance of shelter, which is a more "lumpy" purchase than food. An individual with access to opportunities for productive investment (such as for example in human capital) as well as finance for such investment can escape poverty in the future, provided the returns from investment are high relative to the cost of finance[3]. Imperfections in credit markets could raise the cost of finance.

[3] Financial services have the following functions: (1) Allowing transfer of purchasing power from users with low marginal rates of return to those with high rates; (2) Contributing to more efficient inter-temporal decisions about savings, asset accumulation, and investment; (3) Permitting a less costly management of liquidity and accumulation of stores of value; and (4) Helping individuals to manage economic risks.

The poor for various reasons do not have access to less expensive credit from formal credit institutions such as commercial banks. Land owned could serve as a collateral for obtaining credit. The northern regions of Namibia are highly populated and are composed mostly of poorer rural areas where few rural residents have valid land titles[4]. The Standard Bank in the 1990s considered rural women in Namibia unbankable entities within existing commercial bank framework (von Hotlz, 1991)[5] A lack of credit could prevent the poor from availing themselves of income raising opportunities in agriculture. Confronted with this situation, the poor resort to groups, which extend credit to each other on an informal basis at reasonable cost. Others obtain credit at much higher costs from moneylenders and other such informal sources or forego credit altogether[6]. The potential for climbing out of poverty, through availing of opportunities for investment with high returns, could be lost if the poor cannot get credit at modest cost. Severe credit constraints could dampen realized growth relative to potential growth[7].

In addition, the poor do not have access to long-term capital, especially from the stock market[8], owing to the small nature of their assets. The Namibian Stock Exchange (NSX)[9] was opened in September 1992. The number of companies

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4 The functioning of land markets (both for transactions in land as an asset and in land tenancies) matters for poverty alleviation. The high cost of transactions in selling or buying land could lock-in potential sellers from exiting agricultural occupation to pursue more rewarding opportunities in other sectors of the economy. Also buyers, who can use the land more productively might be prevented from entering the agricultural sector, a situation that could have improved their chances of exiting poverty.

5 The Namibian government is planning the implementation of a four-pronged financial assistance programme for the sector comprising (1) Micro Loan Scheme aimed at informal sector businesses, with each loan limited to a maximum of N$20,000 for capital expenditure and N$10,000 for working capital; (2) Credit Guarantee Scheme: the scheme is intended to encourage the commercial banks to lend to small businesses; (3) the provision of seed capital meant to pump-prime the establishment of new businesses that need funds to prove their viability; and (4) Venture capital: through venture capital, small business will be enabled to access both equity and loan finance (ILO, nd).

6 NGO Credit Unions, providing saving, share ownership and loan facilities, are growing in importance, mostly in Katutura and peri-urban areas of the North. In Katutura, the biggest Credit Union is Saam Staan, which has 500 members of whom 95 percent are women, including many single parents, and also runs a housing project (See Marcus and Barden 1992)

7 However, to the extent credit constraints reflect asymmetric information, moral hazard and enforcement problems, the impact of policy interventions to ease credit constraints is ambiguous since such interventions have two effects which go in opposite directions: a positive effect on growth by enabling the poor to invest in high return activities and a negative effect arising from exacerbation of incentive problems that are at the root of credit constraints.

8 Most African capital markets are still tiny, illiquid and fledgling -- especially in comparison with their counterparts in other regions. In sub-Saharan Africa, the Johannesburg Stock Exchange accounts for early 90 percent of the total value of the region's market capitalization (listed shares).

9 The NSX is one of the calmest markets in the region as it benefits from a law that requires Namibian companies to invest 35 percent of their funds in local assets. However, billions of dollars of Namibian funds have been invested outside the country, particularly in South Africa, where there are greater investment opportunities. The outflow of capital from Namibia, mainly to South Africa, is estimated at N$200 million per month.

listing their shares on the exchange has jumped from just one at the launch to some 40 now[10] . Trading in one or just a few stocks often dominates total trading activity. The country s indigenous companies tend to be small and medium-sized. They have so far made relatively little use of stock exchanges, in part because they lack experience and resources for issuing shares, but also because their managers fear losing control after going public.

2.2.4 The poor are to be found among the unemployed in Namibia

Unemployment is another burning social problem in the country, having increased sharply in recent years, from 19 percent in 1991 to 32.9 percent in 1993 and 34.8 percent in 1997. The combined rate of unemployment and under-employment is more than 60 percent (NEPRU, 1999). The economy has produced too few jobs. Most of the unemployed have little education and poor skills, according to 1998-2010 National Human Resource Plan and 38 percent of them are aged 15-24. The problem of unemployment among the ex-combatants who fought for Namibia's independence has been particularly explosive. Efforts to rehabilitate them through a number of Development Brigade Corporation companies, set up specifically for the purpose, failed to alleviate the problem as some of the companies went bankrupt. A total of 9,511 have been registered for possible recruitment by the government or government-affiliated bodies (Geingob, 2000).

2.3 Household income inequality in Namibia

The biggest problem in Namibia is one of income distribution. Namibia's per capita income of $2,220 (1997) was more than four times the average for sub-Saharan Africa and puts it in the league of some lower middle-income East European countries. The figure masks one of the most unequal income distribution patterns in the world. The richest 1 percent of households consume as much as the poorest 50 percent (GON, 2001) and the wealthiest 5 percent of Namibians control close to 70 percent of GDP while the poorest 55 percent control only 3 percent (World Bank, 2000). As a legacy of apartheid, income distribution is also divided along racial lines. The white minority, who own most of the land and major businesses, are in the top tier, with the black majority at the bottom. A World Bank study found extreme income inequality for the country as a whole, with the inequality line drawn clearly between races. The white population, which makes up five percent of the population, along with a small black elite, another one percent, have average

[10] In Namibia, the majority of listed companies are subsidiaries of foreign multinationals, and a minority of shares with a local float for domestic investors.

annual per capita incomes of US$16,500, while another 39 percent of the population, blacks who work in the modern sector, have annual per capita incomes of US$750. The rest of the population, all black, has annual per capita incomes of US$85.

Within Southern Africa, Namibia exhibits the worst level of inequality. This is shown in table 3 where Namibia does poorly in respect of all the indices considered. The richest 10 percent earn about two-thirds of the income, roughly 129 times the incomes of the poorest 10 percent who control only about 0.5 percent of the nation s wealth. The Gini index of 70.7 is the highest in the sub-region.

2.4 Regional inequality in Namibia

Table 4 presents a ranking of regions in Namibia by level of human development in 1999. Judging by the country s regional human development indices, Khomas, Erongo and Karas are the three most developed regions of Namibia while the three least developed are the Caprivi, Ohangwena and Kavango in that order. However, in terms of income per capita, the Caprivi outperforms Omusati and Ohangwena. The Government of Namibia is seeking to reduce regional imbalances in human and economic development as stated in the Second National Development Plan. As a part of this process, the government envisions to ensure that fiscal allocations are provided to influence regional development positively and accelerate the provision of basic infrastructure and services for the least developed areas. This regional ranking is subsequently used in this paper as the index for evaluating the impact of fiscal policy on regional income distribution.

In order to redress regional inequality, the government of Namibia launched a decentralization policy which sought to achieve a reduction in the difference between the human development index of the three most developed regions (Khomas, Erongo, and Karas) and the three least developed regions (Kavango, Ohangwena, Caprivi) from 36.6 percent to 20 percent. Also it is planned to reduce the overall Gini coefficient from 0.67 to 0.60 during the Second National Development Plan (GON, 2001).

SECTION THREE

3.1 Reasons for persistence of poverty

3.1.1 Inadequate economic growth rate

Adam Smith drew attention to the importance of economic growth for poverty reduction: "it is in the progressive state, while the society is advancing to the further

Table 2: Stock Market development in Africa

	Market capitalizatiion $ millions		% of		Value traded % of GDP		Turnover ratio: value of shares traded as % of capitalization		Listed domestic companies		S$P/IFC investable index % change in price index	
	1990	2000	1990	1999	1990	1999	1990	2000	1990	2000	1999	2000
Botswana	261	978	6.7	17.5	0.2	0.6	6.1	4.8	9	16	45.6	-6.9
Cote D Ivoire	549	1,185	5.1	13.5	0.2	0.8	3.4	2.6	23	41	-12.1	-25.6
Egypt	1,765	28,741	4.1	36.8	0.3	10.1		34.7	573	1076	24.2	-45.6
Ghana	76	502	1.2	11.8		0.3	0.0	1.5	13	22	-33.5	-50.9
Kenya	453	1, 283	5.3	13.2	0.1	0.7	2.2	3.6	54	57	-27.5	-8.1
Mauritius	268	1, 331	10.1	38.7	0.2	1.8	1.9	5.0	13	40	-6.7	-19.4
Morocco	966	10,899	3.7	39.1	0.2	7.2		9.2	71	53	-7.8	-19.1
Namibia	**21**	**311**	**0.7**	**22.5**		**0.7**	**0.0**	**4.5**	**3**	**13**	**5.3**	**-37.8**
Nigeria	1,372	4, 237	4.8	8.4	0.0	0.4	0.9	7.3	131	195	-10.3	-10.3
South Africa	137,.540	204,952	122.8	200.2	7.3	55.6		33.9	732	616	56.1	-17.3
Tanzania		181		2.1		0.1		3.4		4		
Zambia		291		9.2		0.4		4.7		8		
Zimbabwe	2,395	2,432	27.3	44.8	0.6	4.0	2.9	10.8	57	69	140.6	-24.6

Source: World Bank (2001)

Table 3: Inequality in SADC Countries compared

	UNDP HDI Rank	Income share of poorest 10%	Income share of poorest 20%	Income share of richest 20%	Income share of richest 10%	Inequality measure: 10% richest to 10% poorest	Inequality measure: 20% richest to 20% poorest	Gini index
Seychelles	36	--	--	--	--	--	--	--
Mauritius	62	--	--	--	--	--	--	--
South Africa	111	0.7	2.0	66.5	46.9	65.1	33.6	59.3
Swaziland	133	1.0	2.7	64.4	50.2	49.7	23.8	60.9
Namibia	124	0.5	1.4	78.7	64.5	128.8	56.1	70.7
Botswana	125	0.7	2.2	70.3	56.6	77.6	31.5	63.0
Lesotho	137	0.5	1.4	70.7	53.6	111.8	50.0	56.0
Zimbabwe	145	1.8	4.6	55.7	40.3	22.0	12.0	56.8
DRC	167	--	--	--	--	--	--	--
Zambia	163	1.1	3.3	56.6	41.0	36.6	17.3	52.6
Tanzania	160	2.8	6.8	45.5	30.1	10.8	6.7	38.2
Angola	164	--	--	--	--	--	--	--
Malawi	162	1.9	4.9	56.1	42.2	22.7	11.6	50.3
Mozambique	170	2.5	6.5	46.5	31.7	12.5	7.2	39.6

Source: UNDP(2003)

acquisition, rather than when it has acquired its full complement of riches, that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the stationary, and miserable in the declining state." (Smith (1937).

It generally holds that the reduction of income poverty occurs with growth in average living standards, except in situations where there are large initial income inequalities[11]. Sine independence, The Namibian government has being pursuing a liberal economic policies and has sought to diversify an economy dominated bymining and the services sector. Overall output rose at the robust average rate of 5 percent per year in the first five years after independence in 1990, growth has since slowed. Real GDP grew at an average annual rate of 5 percent between 1991 and 1995, keeping well ahead of an annual population growth rate of 2.6 percent. However, growth slowed in 1996 to a rate of 2.9 percent, dropping further to 1.8 percent in 1997, mainly due to external factors, such as falling commodity prices and adverse climate conditions, as well as declining productivity. Real GDP growth for the period 1980-99 averaged approximately 2.7 percent. For the period 1980-89, average GDP growth was about 1.3 percent compared to the 4.2 percent recorded for 1990-99. However, real GDP growth slowed down to 3.8 percent for the years 1995-99 (Alwendo, 2000). Real GDP per capita recorded an average growth of about 1.9 percent between 1990-99. Thus both real income and per capita real income have shown consistent declines since the period after independence (Alwendo, 2000). Effective poverty reduction will require sustained and higher per capita GDP growth, with strong commitment to expand opportunities and services for the poor.

3.1.2 Investment lags behind savings in Namibia

Early development economists, such as Arthur Lewis (1955) emphasized the importance of savings and the associated accumulation of physical capital for accelerating growth. The main focus of their theories was on savings and investment. It was traditionally presumed that the richer segment of the population would save a greater proportion of their income. It was hence suggested that greater inequality in the distribution of income, with a larger proportion of a given total income accruing to the rich, would augment savings, and hence, investment.

[11] One major study in 1997 by Roemer and Gugerty analyzes data for 26 developing countries in different time periods and finds that an increase in the rate of GDP growth produces an equivalent increase in the income growth rate of the poorest 40 percent of the population - an income elasticity of one.

Now-a-days, it is generally perceived that it is not just the rate of investment in capital (human or physical) but also whether there are incentives for its efficient use across activities and over time that is important for growth.

For a greater part of the period after independence, investment has lagged behind savings. At an annual average of about 25 percent of GDP for the period 1991-99, the savings rate ranks among the highest in Sub-Sahara Africa. Given the savings-investment gap, Namibia has witnessed a constant outflow of capital and a matching current account surplus for a greater part of the period under consideration. Under the Common Monetary Area to which Namibia belongs, savings from any one country can flow unhindered to a member country. The outflow of capital from Namibia, mainly to South Africa, is estimated at N$200 million per month. Gross fixed capital formation as a percentage of GDP hovered around 21 percent for the period. Both private and public investment have been on the decline, though this has been more pronounced for private investment. Two important factors that have contributed to the decline in private investment are the slowdown in government investment and the high interest rates that emerged after the financial crisis in the middle to late 1990s. The increasing savings-investment gap has remained a source of concern for policymakers particularly in the face of high domestic unemployment.

3.1.3 Lack of independent trade policy

Being a member of the Common Monetary Area (CMA), Namibia is confronted with monetary and trade policy decisions that are made for the entire membership of the Common Monetary Area as opposed to policies that take account of country specific situations. Due to the small size of Namibia within the CMA, the country s ability to influence monetary and trade policy is limited and hence, its ability to ensure that CMA member states adopt policies that might benefit the course of poverty alleviation in Namibia. South Africa is the largest economy in the CMA, and largely determines the monetary and trade policy of the group. It is well known that the process of industrialization in South Africa favours extensive importation of capital. When a situation arises where trade restrictions are imposed to protect capital-intensive importable in a labour abundant small open economy, it hurts the poor who have only their labour to sell. First, by reducing the returns to labour and, second, by raising the cost of their access to capital, as compared to a free trade equilibrium. Namibia was successful in 2002 in securing an eight-year infant industry protection from the Customs Union for its pasta, long-life milk and Broiler

Table 4: Ranking regions in Namibia by level of human development 1999

Region	Life expectancy (years)	Adult literacy (%)	School enrolment (%)	Per capita income N$ N$	Adjusted Per capita income Index (HDI)	Human Development
Khomas	56.2	94	87	11,359	4,113	0.730
Erongo	57.5	88.5	80.7	5,423	3,787	0.670
Karas	51.2	88.6	80.5	6,655	3,878	0.649
Hardap	50.7	80.7	81.0	5,945	3,828	0.621
Oshana	53.1	85.4	93.3	1,922	3,331	0.585
Otjozondjupa	53.8	64.0	71.1	3,944	3,647	0.556
Omaheke	50.1	72.0	71.4	3,659	3,614	0.556
Omusati	52	82.5	91.8	1,452	3,207	0.553
Kunene	55.5	64.3	75.3	2,203	3,391	0.540
Oshitoko	49.1	81.9	84.6	1,680	3,271	0.537
Kavango	49.2	73.1	84.3	1,763	3,293	0.520
Ohangwena	52.4	76.0	85.4	1,070	3,073	0.513
Caprivi	39.8	75.4	85.7	1,598	3,249	0.468
Namibia	**52.4**	**81**	**85.0**	**3,608**	**3,608**	**0.603**

Source: GON (2001) NDP 2.Source: GON (2001) NDP 2.

Industry, though the boiler industry is yet to take off (Namibia Economist, 2002). This will boost the manufacturing base of the country, decrease the country s dependence on imports from South Africa and increase employment. Similar country specific trade policy arrangements are needed in sectors of significance to the poorer segment of Namibia.

However, South Africa recently concluded a trade and development cooperation arrangement with the European Union. In essence, this agreement exposes Namibia to a free trade arrangement with the European Union without a corresponding increase in Namibian access to EU market. The level of protection enjoyed by some of the Namibian industries, especially the livestock and dairy products industry, will be reduced as a consequence of this agreement with an estimated annual loss of between N$1.9 billion and N$3.5 billion (Mail and Guardian, 1998). Other estimates suggest that the implication of this agreement could be a reduction of Namibian government revenue by minimum of 8.6 percent (European Research Office, 2002). This will have implications for fiscal spending and eventually poverty alleviation.

3.2 Reasons for household income inequality

Inequality in the distribution of income is the result of the inequality in the sources that generate income (e.g. stock of assets, opportunities for asset accumulations), and any inequalities among individuals in the process that transforms sources to income flows (e.g. returns on assets, failures for whatever reason to avail of opportunities). The functioning of socio-economic -political institutions is at the core of both these factors (Srinivasan, 2001).

The income of an individual (or a family or household of which the individual is a member) at a point in time depends on what that person can earn from current assets including labour. If an individual is categorised as poor in the sense of having an income below a poverty threshold, it means that the person s stock of assets is inadequate. Inadequacy of earnings from current assets does not necessarily preclude the possibility of an individual escaping poverty in the future.

3.2.1 The structure of the Namibian Economy

The pre-independence economy was designed to export Namibia s natural resources to and import consumer goods from South Africa rather than manufacture them locally (NEPRU, 1999). The structure of the Namibia economy hasn t changed very much since independence. Forty percent of the total economy is still controlled or owned by South African interests (Melber, 2000). The three main commercial banks operating in the country are all subsidiaries of South African banks and the commercial agricultural sector is tied to the South African economy through beef exports set up during colonial times.

The fishing industry is overwhelmingly owned by foreign interests! Overall, the country s business community is dominated by South African interests. A situation in which key sectors of the economy are still dominated by foreign interests implies that Namibians only have limited opportunity to earn income from the economy. Structural transformation of the economy is needed to ensure that increased control of the economy rests in the hands of Namibians. Otherwise, the current system might make it much harder to decrease inequality and poverty.

3.2.2 Limited development of small medium and micro-enterprises

Prior to independence, the regulatory environment for establishing and operating small businesses was unfavourable. The procedures for registering businesses were lengthy and the criteria for obtaining the necessary licenses extremely difficult to satisfy. Major regulatory obstacles were experienced in obtaining licenses for retail trade in general and particularly for liquor retailing, the transport of freight and passengers and the operation of hotels and catering establishments. These obstacles served as effective barriers to entry. They shut out all but those few entrepreneurs with the time, resources and contacts to overcome them. The most onerous restriction imposed on business in the pre-independence era was the Roman-Dutch law, which prevented married women from exercising their rights over property and finance. This severely affected the development of the small business sector where the majority of part-time entrepreneurs are women and contributed to widening income inequality.

3.2.3 Skewed provision of public services

At the time of independence, the provision of services such as health, education, utilities were highly skewed in favour of a minority of people. Apartheid rule denied black Namibians access to equal education leading to a severe shortage of skills in the country. Although the Afrikaans, German and English speaking population accounted for only some 13 percent of the population of the 15 years old and above, their share of student population was 30 percent for the secondary and 64 percent for the tertiary. The indigenous population that make up almost 90 percent of total population represented only 32 percent of the tertiary education in Namibia (GON, 2001). In the area of health, less than a third of children were immunized and community outreach services were low in relation to population needs (UNDP, 1997).

Namibia s major health problems include childhood diseases such as diarrhoea and respiratory infections, high rates of maternal and infant mortality, pneumonia, malaria and tuberculosis. But HIV/AIDS has become the leading cause of death, taking as many lives as malaria and tuberculosis combined. It may also be the country's greatest development threat says the UNDP Namibia Human Development Report 1998. Already, life expectancy in the 1995-2000 period is 52.4 years with the AIDS factor, compared with 61.3 years without, says the Joint United Nations Programme on HIV/AIDS (UNAIDS). Worse still, life expectancy may plunge to 40.6 years (with AIDS), in 2000-2005.

3.2.4 Taxation Policy and inequality

The Namibian central government tax structure is based on the Income Tax Act No. 24 of 1981, the sales Tax Act of 1992, the Income Tax Amendment Act of 1991 and the second Income Tax Amendment in 1991. In November 2000, the General Sales Tax (GST) and the Additional Sales Levy (ASL) were replaced by the Value Added Tax (VAT). Few moderate revisions have been effected in the Namibian tax regime since 1990, usually by adjusting the tax brackets and rebates. The Income Tax Act of 1981 has been amended 22 times (Rakner, 2002). Due to the openness of the economy and regional economic integration, the government of Namibia is reluctant to implement a programme of far reaching tax reform, as this might encourage capital flight. NEPRU (2003) criticises this across the board tax rate cut as being incapable of redressing income inequality in the country and that salary increases for workers granted in the 2003/04 fiscal year at a time when pension increases are frozen can increase income inequality in the country.

As the income tax structure is progressive, it benefits the low-income group in Namibia. However, because the system gives farmers and manufacturers very generous exemptions in a situation in which there are no taxes on capital gains, inheritance or on land, some authors argue that the system is regressive and has not been sufficiently exploited as a tool for income redistribution (Rakner, 2002). Tax payers in the mining sector, fishing companies and farmers pay very little taxes in relation to their contribution to the GDP. Mining companies contributed only 2 percent of total tax revenue in 2001 (Namibia Tax Consortium, 2002)

3.2.5 The poor, corruption and public spending

Corruption has many faces. But a common theme is that it hurts the poor disproportionately. When public expenditures meant for the provision of services of particular importance to the poor are diverted, it affects the poor directly[12]. This is because it increases the price for public services, lowers its quality and often restricts poor people s access to basic services such as water, electricity, education, health care and many other key services. If there is corruption in the disbursement of social safety nets like pension, it invariably hurts the poor who depend largely on it to support themselves and their families. It also distorts poor people s relationships with and trust for public officials, pension administrators, staff of the state water, electricity and health services company, the police and people in authority who extort bribes from them. The poor are more vulnerable to extortion and cannot use corruption in their favour. Corruption also hurts the poor indirectly because corruption is an impediment to economic growth[13], reinforces inequality, distorts public expenditure allocation and through many other channels is an obstacle to poverty alleviation.

Transparency International collects data on the perception of corruption, mainly on the basis of private sector surveys. Corruption is defined as the misuse of entrusted power for private gain and ranks from 10 (no corruption) to 0 (highly corrupt). The organization prepares a table annually, which shows the ranking of 91 countries. In general, African countries score low[14]. Only Botswana (rank 26), Namibia (30) and South Africa (38) are ranked in the top 50. Scores below 5.5 are perceived to indicate significant problems with corruption. Namibia scored a CPI of 5.4 for 2000, a slight improvement over the score of 5.3 obtained in 1999 and the only SADC country to have improved its CPI. Based on this ranking, it could be argued that corruption in the Namibian context is not as serious as is obtained in the rest of Africa. It is however close to the threshold of being considered significant. This means that Namibia is still perceived, to a certain degree, to have significant problems with corruption. This is not good for economic growth since evidence elsewhere has proven that corruption reduces private investment owing to higher

12 In South Africa for instance, an estimated 10% of the social security budget is lost due to fraud, theft and inefficiencies. The key shortcomings lie in weak or non-existent auditing and management controls and disbursement procedures. This has especially detrimental consequences for the poor since on average, one pension drawer supports 7 to 11 people with his pension, making it the most important poverty alleviation project in South Africa (Camerer, 1997).

13 Research suggests that corruption deters foreign investment (e.g. Wei, 2000). For a firm, paying bribes is like paying a tax, but then the firm is faced with more uncertainty.

14 Countries such as Nigeria, Uganda, Kenya and Cameroon are found at the bottom.

costs and increasing uncertainty on the part of the investor, and leads to price distortions. It also affects the poor and might retard gains already made in alleviating poverty. It is therefore important to tackle corruption and ensure greater transparency in the disbursement of public funds.

SECTION FOUR

FISCAL POLICY RESPONSE TO POVERTY AND INEQUALITY

4.1 Fiscal Policy to Alleviate Poverty and Reduce Household Inequality

4.1.1 Taxation Policies

Taxation policies could in principle be used as an instrument for effecting income redistribution in Namibia as they affect inter-temporal resource allocation decisions and influence growth. Income or capital gains taxes, for example, could influence the decisions to save and invest and thereby influence growth in the short run and possibly in the long run as well. It is therefore important to examine Namibian government taxation policies since independence.

The following table shows that government revenue as a proportion of GDP is quite high, usually in excess of 30 percent and much higher than the African average of 20 percent. Government revenue as a proportion of GDP is around 11 percent in Uganda, 15 percent in Tanzania, more than 20 percent in Kenya (Kayizzi-Mugerwa, 2002).

Table 5a: Namibian Government Revenue and Grants 1990-2001 (percent GDP)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Recurrent Revenue	32.7	31.3	31.7	30.7	33.4	32.4	34.7	32.6	28.7
Tax Revenue	29.8	27.2	28.4	27.4	30.5	29.3	31.9	29.9	26.2
Taxes on income, profits, capital gains	10.0	8.9	8.7	9.0	11.8	10.8	11.2	10.5	
Sales Taxes/VAT	9.7	9.8	10.2	8.9	8.9	8.4	9.4	6.9	7.2
Taxes on International Trade	9.7	7.8	9.1	9.0	9.3	9.6	10.8	12.1	8.8
Taxes on properties	0.15	0.32	0.28	0.22	0.21	0.21	0.23	0.17	0.15
Non-Tax Revenue	2.8	4.1	3.3	3.3	2.9	3.2	2.8	2.7	2.5
Grants	0.6	0.39	0.35	0.34	0.32	0.19	0.33	0.54	0.60
Other	0.16	0.26	0.28	0.24	0.23	0.23	0.25	0.20	0.16

Source: GON (2001a,b)

The most important source of tax revenue remains taxes on income and profits, which currently accounts for more than 30 percent of government revenue including grants. The progressive nature of income tax structure benefits the low-income group in Namibia since they do not pay taxes at all owing to the tax threshold or they pay less tax than the rich because of the lower marginal tax rate. In order to offset the tax implication of inflation adjustment to salaries from disadvantaging the poorer income groups, the government plans to adjust income taxes by inflation rates and to review the tax rate of the richest segment of the society, which is low by international standards (GON, 2001a)

Namibia relies heavily on receipts from the Southern African Customs Union and this dependence has increased since independence. Therefore international trade taxes as a proportion of government revenue has increased from about 29 percent in 1993 to about 36 percent in 2000 before dropping back to about 30 percent in 2001. These two revenue sources meet the usual requirement of simplicity of collection. Exports and imports are usually bulky and visible, passing through verifiable entry or exit points. Moreover, receipts from international trade originate from the Customs Union resource pool.

Domestic sales taxes or value added taxes are also important in the government revenue pool, though the importance declined from more than 29 percent of total revenue in 1993 to a about a quarter. Value Added Tax replaced General Sales Tax and Additional Sales Levy with effect from 27 November 2000. Three tax rates exist: Zero percent for basic foodstuffs (maize and mahangu meal, which is of benefit to poor households), 30 percent for luxury items (alcohol, jewellery etc.), and 15 percent for all others. Only those companies with a turnover of more than N$200,000 per annum have to register with the tax authority.

Table 5b: Sources of Namibian Government Revenue 1993-2001 (percent Total)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax on income and profits	30.1	28.2	26.7	29.0	35.1	33.1	31.9	31.7	34.0
Tax on international trade	29.0	24.5	28.4	28.9	27.6	29.4	30.9	36.3	30.1
Taxes on goods servicees/VAT	29.3	30.7	31.8	28.8	26.4	25.8	26.8	20.7	24.5
Taxes on property	0.9	1.0	0.9	0.7	0.6	0.7	0.6	0.5	0.5
Other Taxes	0.5	0.8	0.9	0.8	0.7	0.7	0.7	0.6	0.5
Non-tax revenue	8.5	11.5	10.3	10.7	8.6	9.7	8.1	8.4	8.6
Grants	1.8	1.2	1.1	1.1	0.9	0.6	0.9	1.6	2.0
Total Revenue and Grants	100	100	100	100	100	100	100	100	100

Source: GON (2001a,b)

4.1.2 Composition of Public Spending

It is crucial to examine the pattern of Namibian government spending since independence with a view to assessing its contribution to poverty alleviation. As stated earlier, the Namibian government has attempted over the years to address the issue of economic inequalities and poverty more from the public expenditure side rather than on the side of revenue generation.

When increases in government revenues are devoted to public expenditures on goods and services (such as education, health, sanitation and hygiene) that are disproportionately consumed by the poor, they could reduce non-income facets of poverty such as poor health, high infant mortality and morbidity, lower life expectancy etc. However, if economic growth results from a shift in public expenditure away from the provision of or subsidies on goods and services of importance to the poor towards public investment in growth promoting infrastructure, it would raise poverty. In this respect, it is not growth per se that is in the source of increased poverty but the mode of financing the investment that led to growth (Srinivasan, 2001).

Namibian government spending since independence has been characterized by a high degree of preference for the social sector in the provision of community and social services. The government is investing heavily in education, training and health and community services, currently more than 49 percent of its annual budget, to correct the imbalances of the colonial past and alleviate poverty and hardship.

Table 6: Ranking of the Namibian Government Expenditure by function/ economic classification 1990-2001 (percent Total)

	1990	1993	1994	1995	1996	1997	1998	1999	2000	2001
A. Community and Social Services	**46.2**	**50.6**	**55.5**	**52.8**	**47.1**	**51.6**	**48.8**	**48.6**	**49.6**	**49.5**
Education	42.9	47.4	46.5	45.8	51.9	51.3	51.4	49.5	46.9	43.0
Health	20.8	19.5	20.0	21.0	20.7	20.6	21.5	22.3	22.1	20.2
Housing and community Amenity	18.0	16.0	16.8	17.6	12.6	13.7	12.4	11.2	13.3	17.8
Social Security, and welfare	12.1	12.1	12.2	10.8	10.8	9.4	9.7	11.9	12.9	14.7
Recreation, cultural Affairs	6.2	5.0	4.4	4.9	4.9	5.0	5.0	5.1	4.8	4.4
B.Gen. Gov. Services	**25.2**	**26.9**	**26.4**	**28.9**	**32.3**	**27.7**	**29.3**	**29.9**	**32.3**	**33.3**
Gen. Public Services	54.3	51.3	52.8	57.7	61.4	50.7	53	46.3	48.5	52.8
Public Order/ Safety	26.7	28.0	26.9	23.7	18.7	23.3	24.8	29.5	28.9	25.3
Defence	19.0	20.7	20.3	18.5	19.9	26.0	22.3	24.2	22.6	21.9
C.Economic Services	**16.4**	**19.6**	**14.5**	**15.5**	**16.9**	**17.0**	**15.4**	**15.2**	**11.7**	**10.6**
Agric. Forestry, Fishing, hunting	24.6	40.1	38.8	40.5	49.7	43.1	46.9	44.2	52.9	54.9
Transport & Comm.	60.8	43.0	42.2	40.3	32.3	41.8	30.6	35.3	12.4	7.0
Other econ. Affairs	12.2	9.1	12.3	13.4	12.6	8.4	16.1	14.4	26.1	29.4
Fuel and energy	0.1	3.9	3.6	3.2	1.7	3.5	3.9	2.9	3.9	3.4
Mining, mineral resources	2.2	3.8	3.1	2.7	3.6	3.1	2.4	4.7	4.7	5.3
Expenditure not classified	**12.3**	**2.9**	**3.6**	**2.8**	**3.7**	**3.6**	**6.5**	**6.4**	**6.3**	**6.6**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source Bank of Namibia Several Years

4.1.3 Expenditure on education

There is little doubt that education is a priority in any effort to foster growth and reduce poverty. There is a large body of research confirming that education increases labour incomes. In Africa, this is true not only in the formal wage sector, but also in agriculture and the informal sector where Africa s poor are primarily engaged (Glick and Sahn, 1997). Education is also a leading determinant of rural households capacity to enter into remunerative non-farm employment in Africa (Barrett, Reardon and Webb 2001). Because there is a positive relationship between non-farm income and household welfare indicators across most of rural Africa (Reardon 1997), greater non-farm income diversification reduces households vulnerability, allowing more rapid growth in earnings and consumption (Block and Webb 2001; Barrett, Bezuneh, and Aboud 2001). Improved access to education can thus help poorer populations access a positive feedback loop wherein those participating in the rural non-farm economy enjoy faster income growth, thereby providing the resources to plough back into expanded non-farm activity that diversifies incomes (Barrett, Reardon and Webb 2001). In terms of capabilities, education produces important capabilities such as literacy and numeracy. Education has been identified as one of the priority sectors of the government of Namibia since independence. The budgetary allocation to Education Ministries has increased from about 18 percent of total expenditure in 1990 to about 24 percent in 1999, though it has fallen to about 18.5 percent during 2003/04. This is still quite substantial compared with other that low-income countries that spend on average 13 percent of their national budget on education. However, there is still a lot of disparity between white and black education administration budgets (World Bank, 2000).

4.1.4 Fiscal Spending on health care service delivery

Budgetary allocation to medical aid schemes and to the Ministry of Women Affairs and Child Welfare increased substantially during 2001 through 2003/04 fiscal years to take account of government concern for HIV/AIDS pandemic and to cater for AIDS orphans though no emphasis is as yet placed on curbing the spread of the disease which could reduce the financial burden of the AIDS pandemic in the future (NEPRU, 2001, 2003). During 2003/04, government established a N$250,000 fund for Namibian orphans estimated at about 80,000 in number (NEPRU, 2003).

Since independence, the government has aimed to improve health services by shifting resources from curative to preventive care, with emphasis on community-based clinics and primary health care. It now spends 13.5 percent of its budget on health -- the second largest allocation after education in the 1998/99 budget- and it is trying to overcome the urban bias in favour of rural areas and the poor. This has brought significant improvements in health care.

Namibia's expenditures on health were about 4.2 percent of GDP in 2000, a reasonable proportion for a country of its income level. New clinics have been built especially in the rural areas, thus improving access to health services. Access to safe water increased from 42 percent in 1991 to about 90 percent in 1998. Table 6 shows that Namibia performs better than many other countries in the SADC region in terms of public expenditure on the provision of social services such as health and education.

Table 7: Comparative analysis of Government Social Spending in SADC Countries

	Education Expenditure				Health Expenditure	
	Share of GDP		Share of Govt Exp.		Share of GDP	
	1990	1998-2000	1990	1998-2000	1990	2000
Seychelles	7.8	7.6	14.8	10.7	3.6	4.1
Mauritius	3.5	3.5	11.8	12.1	--	1.9
South Africa	6.2	5.5	--	25.8	3.1	3.7
Swaziland	5.7	1.5	19.5	--	1.9	3.0
Namibia	7.6	8.1	19.8	24.1	3.7	4.2
Botswana	6.7	8.6	17.0	--	1.7	3.8
Lesotho	6.1	10.1	12.2	18.5	2.6	5.2
Zimbabwe	--	10.4	--	--	3.2	3.1
DRC	--	--	--	--	--	1.1
Zambia	2.4	2.3	8.7	17.6	2.6	3.5
Tanzania	3.2	10.1	11.4	--	1.6	2.8
Angola	3.9	2.7	10.7	--	1.4	2.0
Malawi	3.3	4.1	11.1	24.6	--	3.6
Mozambique	3.9	2.4	12.0	12.3	3.6	2.7

Source: UNDP(2003)

4.1.5 Social Safety Nets

To alleviate poverty, the Government of Namibia placed strong emphasis on various kinds of income support programmes which include the provision of social pensions for the elderly and the disabled, a variety of grants for children, labour-based works programs, and shelter and housing programmes. Hence social safety nets in the country currently consists of state transfers (social pensions and other targeted assistance schemes) and church, NGO, and donor-based programmes.

The most important public sector program is the social pension (all Namibians over 60 are eligible) and accounts for more than 2 percent of the GDP. In addition to social pensions, the disability grants, and selective child and family allowances are important parts of the safety net. In order to widen the area of coverage the War Veterans Subvention Act was recently passed and makes provision for establishing a Trust Fund for the War Veterans (Geingob, 2000). With N$169 million budgeted for the 1998/99 and N$117 million in 2003/04 fiscal years, social pensions play an important part in alleviating widespread poverty. A monthly allowance of N$200 per month is provided and although this hardly covers basic necessities, a significant number of households, especially in the rural areas, depend on the pensions as their main source of income. However, due to the universality of the programme almost half of the beneficiaries are non-poor (Subbarao, 1996).

The other main public sector safety net is the Remission of Rent scheme whereby residents of municipal housing in townships may qualify for rent exemptions. Eligibility for the scheme is subject to a strict means test, which also determines the amount of the subsidy. By limiting eligibility to households renting municipal housing for at least two months, the scheme is not reaching the poorest of township residents (such as squatters and single residents). It would also appear that the means test is too strict as only 3,348 people benefitted from the scheme in 1991 and as the average subsidy per household is only half the allowable amount.

Social pension injects substantial volumes of cash into poor households and communities. It has stimulated trade and marketing infrastructure, helped stabilize rural food supplies, and reduced vulnerability by providing a ’safety net’ against

[15] The Namibian Tax Consortium proposes a small monthly income grant for every Namibian older than 6 years. The automatic targeting achieved by this scheme will overcome the inefficiencies of traditional poverty relief grants. About N$500 million would be re-distributed annually, targeted at the poorest. The reduction in the disparity of income between individuals would result in Namibia s Gini coefficient improving to 0.61(See Namibia Tax Consortium, 2002).

livelihood shocks such as drought. Surveys in South Africa and Namibia have found that pension-dependent households are better off than small farmers. Since eligibility is activated by an age milestone rather than retirement, the incomes of the poor actually increase on reaching 60 years of age. The social pension even lifts many households out of poverty altogether. Increasingly, the pension is providing vital support to relatives affected by HIV/AIDS, with many elderly people fostering AIDS orphans. A positive consequence is that the pension makes elderly relatives economically independent and valuable family members, contradicting the widespread perception that they are financial burdens on their offspring (Devereaux, 2001). However, Subbarao (1996) suggests that the Northern and North-eastern provinces are considerably underserved by all transfer programmes and that the regional asymmetry is pervasive for the disability pension. The main grants for needy children also suffer from regional asymmetry and are heavily urban-biased. The pro-urban and middle class bias appears highest for in-kind programs such as school feeding programs and shelter/housing programs.

The Namibian Social Security Act provides maternity benefits (80 percent of full pay up to a ceiling of N$2400) through a mandatory combined scheme for sickness, maternity and death benefits financed by matching employer and employee contributions.

4.1.6 Affirmative Action and Reform of Labour Laws

The affirmative Action law was passed in 1998. The Act is intended to improve the representation of blacks, women and disabled persons in the formal workforce, by requiring employers with more than 50 employees to prepare affirmative action plans. The Employment Equity Commission monitors the implementation of these plans and is made up in part of persons from each of the designated groups. There must be two persons out of the total of 14 members who represent the interests of women, although only one of these two persons must actually be a woman (Hubbard, 2000).

This has been applied to women who work outside the formal workforce is through the Co-operatives Act. Any co-operative which has a substantial number of women members must ensure that there is at least one woman on its board, as a means to increase the representation of women in management positions.

Some labour law reforms in Namibia aim to remove discrimination and to ensure that women are not disadvantaged in the labour market by their role in child-bearing. The Namibian Labour Act prohibits employment discrimination on the basis of sex, marital status, family responsibilities and sexual orientation (amongst other things), and forbids harassment on the same grounds. It also provides for three months of maternity leave for any woman who has been employed for at least one year by the same employer. Working women with incomes high enough to qualify as taxpayers further benefit from the removal of discrimination in income tax law against married women[16].

These reforms obviously have significance primarily for Namibian women in formal employment and are important in poverty alleviation especially in female-headed households.

4.2 Fiscal policy to reduce regional inequality

4.2.1 Fiscal Decentralization in Namibia

There is a growing literature on the importance of the decentralization of public services and the use of social funds to allocate public investments. There is some level of criticism at the efficiency of service delivery when a large part of government resources are concentrated at the level of the central government, skepticism over bureaucratic ineptitude, policy reversals, lack of commitment and ownership, corruption etc. This has led to increasingly focused attention on decentralization as a response, or at least a complement to policy reform measures usually associated with public expenditure reviews. The proximity of policy makers to the target groups reduces information and transaction costs of identifying the poor and helps in designing potentially successful ‘capacity improving’ and ‘safety net’ policies. In an economy with significant inter-community (regional/local) variations in preferences, and when there are no significant economies of scale and scope, decentralized provision of public services can enhance efficiency in the provision of these services and result in welfare gains. General improvement in capabilities of poorer regions will require improvement in physical and social infrastructure in these regions[17].

16 Income tax payment to the Treasury is the responsibility of each tax payer irrespective of gender. Tax relief or rebates for dependants (usually children) is no longer operational.

17 In one celebrated study, Ablo and Reinikka (1998) found that local schools received only 20 percent of the non-wage education spending that was budgeted for them in Uganda in 1995. The funds were not misappropriated. They simply disappeared in administration costs. If this is true more generally in Africa, then there is great scope for improving quality by reapportioning funds from central bureaucracies to local institutions themselves. This is the goal of decentralization.

The government of Namibia launched the decentralization programme in 1998 leading to the promulgation of a decentralization enabling act in 2000, providing for and regulating the decentralisation to Regional Councils and local authority councils functions vested in line Ministries. The Regional Councils Act 22 of 1992 was amended in 2000, and provides for the establishment and structuring of regional governments and defines powers, duties and functions of regional councils. The Act authorises Councils to conduct planning for socio-economic development and to enter into joint business ventures for service provision. The Act confers full responsibility and accountability for service provision to Municipalities and establishes the basis of devolving rural development initiatives to Regional Councils. Municipalities are defined by the existence of approved townships and are financially and logistically independent of the National Government. They provide funding for infrastructure and a wide range of social services.

Though Municipalities retain autonomy in planning and budgeting, they still depend on the National Government for financial support to carry out many of the assigned functions. The Regional Development and Equity Trust Fund Act was promulgated in 2000 to make financial assistance for the development of regions and local Authorities and to fund technical assistance for development projects, negotiate business ventures and cooperate with persons interested in the implementation of the decentralisation programme[18]. There are 13 regions in Namibia whose affairs are governed by the Regional Council whose members are elected on constituency basis. The Council elects the Governor and Management Committee from among its members. Each Regional Council elects two of its members to serve in the National Council.

Public spending patterns in Namibia continue to perpetuate existing inequalities. The 1998 Human Development Report demonstrates the inequality of public spending Regional Councils. The relatively wealthy Khomas Region received almost N$200 per resident between 1993 and 1995, compared to N$22 allocated to the Hardap Region per resident and only N$8 to the Okavango Region (UNDP, 1999). In Namibia, the spatial distribution of urban centers is skewed. Most of the urban centers are located in the central and southern parts of the country. The northern regions are highly populated and are composed mostly of poorer rural areas. Few rural residents have valid land titles, they hence pay little land service taxes, thereby providing little financial tax base for regional development. Table 5 shows that while attempts are being made to progressively shift public development

18 See GON,(2001b).

Table 8: Regional Share in budgetary allocation for regional development: Namibia. 2001-2005

Region	2001	2002	2003	2004	2005	Total NDP2
Khomas	23.06	17.16	14.02	14.83	17.18	17.07
Erongo	10.55	11.00	8.75	9.00	12.48	10.60
Karas	7.0	6.72	9.62	9.98	9.23	8.63
Top 3 Regions	**40.61**	**34.88**	**32.39**	**33.81**	**38.89**	**36.3**
Hardap	3.64	3.27	4.57	4.89	5.92	4.65
Oshana	8.36	6.73	7.95	6.99	7.55	7.50
Otjozondjupa	4.63	6.81	6.23	5.22	5.46	5.68
Omaheke	4.77	4.46	6.01	7.38	5.81	5.71
Omusati	5.83	6.34	7.17	6.71	6.06	6.40
Kunene	3.96	3.09	4.44	4.21	4.55	4.11
Oshitoko	8.12	17.88	10.49	8.56	5.29	9.58
Middle HDI Regions	**39.31**	**48.57**	**46.87**	**45.75**	**40.67**	**43.65**
Kavango	6.40	7.35	9.47	8.18	6.76	7.57
Ohangwena	7.22	3.17	4.94	9.04	8.34	6.70
Caprivi	6.46	6.03	6.34	5.01	5.34	5.78
Bottom 3 Regions	**20.08**	**16.55**	**20.74**	**22.23**	**20.44**	**20.05**
Namibia	100.0	100.0	100.0	100.0	100.0	100.0

Source: GON, 2001

expenditures away from the richest three regions, it is only the middle human development index regions that are benefiting from the process. The share of public development expenditure targeted at the poorest three regions remains low. It will therefore be difficult to reduce regional inequality, as planned by the government, to the benefit of the poorer regions.

Advocates argue that if the control of funds is closer to the end users, it is more likely that they will be used to provide quality services because it is easier to hold local officials accountable (Fuller and Rivarola, 1999). As at 2003, taxing authority in Namibia is still centralized and as such revenue mobilization is concentrated at the central government. Under the current system of government, only municipalities have separate taxing authority. Their main source of tax revenue is from the taxation of properties (in major cities) and from various user charges. Fiscal decentralization to local authorities has been on the cards since the early 1990s but has not been implemented (Rakner, 2002).

The World Bank (2002) examined emerging trends and progress in decentralization in Africa[19]. Namibia scored high with respect to political and administrative decentralization but low in respect of fiscal decentralization. This implies that in Namibia locally controlled expenditures do not account for a high proportion of overall public expenditure. Namibia is included in the category of countries where less than 3 percent of public expenditures are controlled by local authorities.

SECTION FIVE

CONCLUDING REMARKS AND POLICY SUGGESTIONS

Namibia has made important strides towards poverty reduction consistent with set objectives over the two development planning horizons. This can be attributed to consistent fiscal emphasis on the provision of social services in the area of education, training and health. Housing, community amenity, social security and welfare as well as recreation and cultural infrastructure are also well targeted. This should be acknowledged and praised. However, since 1996 education spending has declined from about 24 percent of the overall budget to about 18.3 percent in 2003. If this reduction is accompanied by expenditures in other poverty alleviation projects, it may be very well understood! Spending on transport and communication has also declined from about 10 percent of total budget in 1990 to 4.7 percent in 1998 and 0.7 percent in 2001.It must however continue to be borne in mind that fiscal spending in sectors of crucial importance to the poor are in many ways essential for poverty alleviation. Much more could have been achieved if the Namibian economy had grown at the same rate as was envisioned in the National Development Plans. This highlights the importance of vigorously pursuing a policy of economic growth with equity.

Because majority of the poor are women and indigenous people, government has emphasized affirmative action policies, removed impediments to women s full participation in the Small and Medium Scale enterprises and propagated anti-discrimination labour laws with generous fiscal provision for working married women. These measures have contributed to reducing poverty incidence from almost 50 percent to about 35 percent. However, more work still needs to be done especially in equalising women s wages with those of men in the professional categories. Similarly, reducing household inequality will require better targeting of support

19 Despite the fact that decentralization, particularly of public expenditures, is an idea in vogue, its actual application remains patchy in Africa. Too much of Africa s education and health budgets are spent on tertiary services (Sahn and Younger 2000). Likewise, central administration consumes large shares of public spending, instead of local services that confer benefits on the broader population.

programmes to the poor in Namibia. Universal pension provision, across-the-board tax cuts will not reduce household income inequality to an appreciable level.

Despite the progress made in poverty reduction, the poor are still concentrated in the northern and North-central region. Available evidence suggests that much as the government desires to reduce regional inequalities between the richer and the poorer regions, the poorer regions are still not benefiting as much from public development expenditures. Fiscal decentralisation, which could have assisted in reducing poverty incidence further, has not been significantly implemented to complement political and administrative decentralization.

Therefore, this study proposes the following fiscal policy reform measures for Namibia. They have not been listed in any particular order.

5.1 Education Spending Reform

A number of authors suggest the effectiveness and efficiency of education spending in Namibia could also be improved by distributing resources more equitably and spending more on education materials and less on teachers' salaries. Inefficiency is inherent in the multi-tier system (with general administration absorbing 14.6 percent of the overall education budget), and salaries are the biggest item within the context of formal education. Personnel costs of the Namibian primary education budget accounted for about 88 percent whilst personnel costs of the secondary education accounted for about 73 percent of total secondary budget during 1999/2000. Typically government subsidies are also characteristically concentrated in urban areas and in services such as universities, where the beneficiaries are usually not poor. Primary services that benefit low-income households are sometimes neglected in Africa[20].

The Namibia government may wish to consider subsidizing the current costs of education by reducing fees or even providing negative fees, cash transfers to students households, as in the Progresa project in Mexico[21], or in-kind transfers such as school uniforms in Kenya[22]. These transfer payments provide a powerful incentive for poor families to keep their children in school because current income is more valuable to families that are liquidity constrained. The effectiveness and efficiency of education spending in Namibia should also be improved by distributing

20 See Sahn and Younger (2000)

21 See Schultz (2001)

22 See Kremer, Moulin, Mayatt and Namunyu (1997)

resources more equitably and spending more on education materials, as a proportion of total education spending, with a reduced focus on teachers' salaries. Increasing the emphasis put on access to lower secondary education by judiciously expanding strategically-located primary schools, upgrading the skills of all teachers, and improving facilities is recommended. It will also be useful to streamline and reduce the administrative apparatus to release money.

5.2 Health sector development reform

The composition of expenditures on health care service delivery could be improved further by placing more emphasis on prevention and less emphasis on curative treatment. In the past, the government subsidized health services for all -- rich and poor. Structuring cost recovery so that the wealthy and insured pay more would lower subsidies, increase equity, and release scarce resources[23]. The review of studies by Chu et al (2000) also found that public spending on health was progressive though targeting was poorest in transition countries and in sub-Saharan Africa. Other structural problems plague social service delivery in Africa. For example, a disproportionate share of resources going for wage and salary payments, leaving clinics without drugs and basic supplies, and schools without chalk board, books, and benches for children to sit on[24]. There is also the problem of the large share of non-wage expenditures that seems to be absorbed by administration and central bureaucracy, resulting in only small shares of the non-salary expenditures actually reaching the clinics[25]. It is therefore important to improve the allocation of resources that are available to this sector.

5.3 Promotion of Export Processing Zones

Success in alleviating poverty will depend on the extent to which Namibia realises the objective of achieving annual economic growth of more than 5 percent. This is the only sustainable medium term solution to poverty alleviation. It is important for economic growth to be labour using, labour being the most important asset of the poor. Although such zones have succeeded in creating perhaps millions of jobs worldwide, they are often characterized by low wages, congestion, poor working conditions, and exploitation of female labour. In the past, they have also had limited success in generating linkages to the surrounding economy, and in realizing the agglomeration benefits of training, education, technology transfer, and so on.

23 See World Bank (2000)
24 See Sahn and Bernier (1995)
25 See Ablo and Reinikka (1998)

However, their record is improving with zone differentiation and more thoughtful planning, and they can be an important tool in spatially-targeted poverty reduction strategies of developing (and developed) countries. Policymakers need to be aware of the potential problems of severe working conditions, low wages and child labour. While such investments can be important in FDI strategies cognizant of poverty reduction objectives, governments must also properly regulate them without chasing them away. FDI promotion through the Export Processing Zones must address the following concerns: (1) No disincentives to labour employment; (2) Encouraging FDI outside urban centres; (3) Balancing labour market flexibility and worker welfare; (4) Avoiding bias against, and promoting, SMMEs; (5) Enforcing environmental safeguards; (6) Promoting FDI participation in the provision of basic needs; and (7) Broad stakeholder participation in FDI-related policies.

5.4 Fiscal incentives for Affirmative Action Policy

The affirmative Action law was passed in 1998. Fiscal incentives need to be put in place to encourage local businesses and investors adopt gender sensitive affirmative action principles in procurement at both national and provincial levels. It is important to mainstream gender issues into procurement policies at all levels. This will ensure increased patronage of women-owned SMMEs in Namibia an important step in poverty alleviation. This could be in the form of generous tax breaks for large firms that are patronize SMMEs by size of SMMEs and for those that encourage the SMMEs development over say a period of two years.

Tax allowances could also be granted to companies that promote the economic empowerment of indigenous people in Namibia by appointing them into senior management positions.

5.5 Need to remove gender wage discrimination in Namibia

Women in Namibia remain poorer than men and the wage gap between male and female is huge. The government should stress the importance of equal pay for equal jobs and to ensure that women are not discriminated against at the workplaces in terms of the wages they earn.

5.6 Improvement needed in fiscal decentralization and administration

The record on decentralization has been mixed so far in Africa, in part because central governments have been more willing to devolve responsibilities (buy your own drugs; pay your teacher) than the corresponding budget (through revenue sharing, for example). Even if central governments permit the necessary budgetary reallocations, administrative capacity at the local level may be lacking. For example, weak local administration has seriously hampered the implementation of Madagascar s ambitious plan to administer health services though 111 local health districts. However, experiences elsewhere are more encouraging! For example, in response to the Ablo and Reinikka s study showing low share of resources that actually reached local schools, the government of Uganda began to disseminate information both through the media and by posting public spending information at schools and district offices. In 1999/2000, the share of resources reaching local schools had risen to over 90 percent although with delays, manifesting remarking improvement[26].

5.7 Public Spending can reduce regional inequality

Available evidence still suggests that efforts to achieve equity in fiscal expenditure between regions have been weak and are achieving only modest results. The relatively wealthy Regions still continue to receive most of the government spending per resident as compared with the poorer regions. There is a need to correct asymmetry in the allocation of fiscal resources and to ensure increased per capita development expenditure to poorer regions and better targeting of government development programmes to the Northern and North-eastern regions.

5.8 Need for Land Reform

Not having access to enough cultivable land has long been identified as a major factor in explaining poverty of a large segment of rural population. As such, land reform (i.e. redistribution of land to the landless cultivators), as well as tenancy reform (i.e. improving the security of tenure and increasing the poor tenant’s share in output), have been seen as an essential ingredient of any poverty alleviation.

5.9 Employment policy modifications

Institutions that govern the functioning of labour markets, particularly labour laws that impede the flexibility and raise the cost of hiring and laying off workers, and enforce relatively high minimum wages, could increase poverty, both by reducing employment in relatively high wage sectors protected by labour laws and by pushing workers into those less well paid sectors outside the ambit of labour laws[27]. There is a need to adopt a modified employment policy in Namibia. Employment policy is widely

26 See Renikka and Collier (2001)

27 See Srinivasan (2001)

regarded as a luxury which only prosperous industrial countries can afford. It is suggested in this paper that employment policy is affordable even in the context of African countries in transition and that it can certainly make a substantial contribution to combating poverty. It supplements government efforts under economic policy to create job opportunities, for example, by enabling the unemployed to acquire skills and, as a result, sustained income to secure a livelihood.

(1) Employment offices could be motivated to improve and expand their job placement services by drawing up special promotion programmes for problem groups. The ultimate goal of the active employment policy is to place the unemployed in jobs. The organisation of a regular, perhaps monthly, job exchange programme can contribute to the success of job placement offices. Where a forum exists for employers and job-seekers to meet with each other, the possibility is there that they maybe able to sign a job contract on the spot. Under this scenario, the unemployed also take an active part in the search for jobs.

(2) Schemes could be drawn up and implemented to assist the unemployed to acquire skills in keeping with labour market requirements. Training schemes for the unemployed could be devised and implemented in accordance with the needs of the labour market. The content of the training courses could also be made to accommodate the expressed wishes of participants as the ultimate beneficiaries of the training exercise.

(3) Incentives could be created for companies to create new jobs, for example with job cheques for young people. The institution of a system of "Job cheques" means that unemployed people are given a cheque from the employment office which any company that creates a new job for them over say a period of two years can redeem at the employment office.

(4) Public employment programmes could also be drawn up designed to integrate the unemployed into the regular labour market in the long term. Experience in other countries has shown that women are the first to leave employment when an economy is going through the transition process. Therefore a special project could be designed for women comprising training and support in setting up micro-enterprises. Furthermore, the disabled, the elderly and young people are disproportionately affected by unemployment. Some measures could be designed to meet their special needs and the needs of the long-term unemployed.

5.10 Alternative Initiatives to support SMMEs

A fiscal incentive could be put in place to encourage successful companies in Namibia to set aside a certain percentage (say 10 percent) of their profit before tax for equity investment in small scale industries. This will be tangential to alleviating poverty through joint ventures and is similar to what is currently in operation in countries like Nigeria where the Association commercial Bankers is taking the lead who are trying to alleviate poverty through the lending window[28]. The Enterprise Africa programme is developing a way for SMMEs to raise funds outside the traditional exchanges through the "private placement initiative". This will enable well-managed, solid, smaller companies in strategic sectors to issue shares or notes to investors with the help of financial intermediaries and should ultimately benefit African exchanges by providing smaller firms with capital until they become large enough to be listed[29]. Namibia could take advantage of this initiative.

Inappropriate regulation creates obstacles to the development of SMMEs by raising the costs of business entry and growth. In particular, regulation and inadequate institutions for property rights and the rule of law create barriers to transition from the subsistence and very small-scale economy to the modern more productive sector. Regulatory costs weigh most heavily on the smallest firms and should be reviewed. Among these are the many cumbersome procedures which often result in long delays in processing permits, licenses and approvals. Processes like those involved in the proclamation and establishment of townships in rural areas still take up to 24 months or more to complete. The small business environment can thus be improved through repeal or simplification of such administrative procedures[30].

5.11 Improved Access to Finance for Development is necessary

Public action is needed in order to overcome market failure in the provision of financial services to poor households. The effectiveness of financial institutions in delivering services that meet these needs can be improved through (1) Facilitating intermediation between informal and formal financial institutions, to increase returns to the depositor and to society, to facilitate transfers, to improve liquidity, and to reduce risk; (2) Increasing coverage of the poor and their specific financial needs; (3) Expanding access for disadvantaged groups, including women and the landless; and (4) Enhancing the outreach and sustainability of financial institutions.

28 See Akanji, (2002)
29 See Iving, (2002)
30 See ILO (n.d)

5.12 Adjusting the Implementation of the Social Safety Nets programme could be useful

The Regional Development and Equity Trust Fund Act was promulgated in 2000 to make financial assistance for the development of regions and local Authorities and to fund technical assistance for development projects, negotiate business ventures and cooperate with persons interested in the implementation of the decentralisation programme[31]. One way to increase local participation and control of fiscal resources is to expand the scope and activities of this Fund to include more social components, along the lines of social funds, which have greatly expanded since their inception by the World Bank in 1987. These funds are generally are used for education, health, and health-related projects (water and sanitation) that are chosen directly by communities. In practice, social fund projects devolve significant responsibility and budgetary control to communities, thereby directly increasing the poor s power over their own lives. Schools and health posts are by far the most popular projects that communities select, suggesting that there is pent up demand for education and basic health services in poor communities. These funds could be implemented in such a way as to ensure improved access by the poor to health, water and sanitation, electricity, education and others[32] .

Because social funds are relatively new, however, studies of their effectiveness are limited[33]. Available evidence suggests that the Northern and North-eastern provinces are considerably underserved by all transfer programmes whereas Khomas (Windhoek) accounts for a disproportionately large number of beneficiaries from such transfers. There is a need to correct this imbalance. Public resources should be to be reallocated to programmes of direct relevance to the rural poor. The possibility of restructuring the transfers must be explored. For social pensions, the government should consider scaling pension benefits to favour the poor. While the Remission of Rent scheme is small, it appears to be mis-targeted, and, with nearly 50 percent of the budget going to administrative expenses, it is also inefficient. The same resources could be better used as direct transfers or to upgrade housing for the poorest of the urban poor[34].

31 See GON, (2001b)

32 In South Africa, the government provides 6 kilolitres of water, 50 kilowatts of electricity and 5.88 kilolitres of sanitiation per month free of charge to poorer households in the Tshawne and Surrounnding areas (See City of Tswane, 2003).

33 See Newman, et al., (2000); Chase and Sherburne-Benz,(2000); Sahn and Younger, (2000).

34 See World Bank (2000).

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Comments on Fiscal Policy Inequality and Poverty Alleviation Paper

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Oludele Akinloye Akinboade s paper examines the role of fiscal policy in addressing income inequality and poverty alleviation in Namibia. The paper provides a fine overview about poverty and inequality in Namibia. It shows that rapid economic growth and better distribution of income are essential for reducing poverty. It also argues that poverty is about more than inadequate income. It is also about the quality of life and the access to basic necessities. Most importantly the author argues that poverty reduction is possible. The author also shows that the Namibian government has made great strides in reducing poverty in Namibia. While the theoretical link between growth, inequality and poverty reduction is well explain, one gets the feeling that the author did not pay sufficient attention to the role of fiscal policy on these variables within the Namibian context. Also some of the facts and figures that the author cited are outdated. Finally the author fails to come up with clear fiscal policy measures that could effectively reduce poverty in Namibia. Some other weaknesses in Akinboade s paper are outlined below.

In part B of his paper Akinboade examines the sources of inequality and poverty and the factors influencing them. Seven sources are identified, namely, poverty and rural areas, women and poverty, inadequacy of earnings from current assets, capital market imperfections, trade policy, unemployment and savings and investment. However the link between some of these sources and poverty reduction are not always clearly worked out. For instance, the section on capital market imperfections argues that stock market development can contribute to poverty reduction. However, the paper does not articulate clearly how stock market development may influence distribution and poverty. It should be noted that stock market in general are associated with those who already have, while the accessibility of the poor to these institutions are rather limited. Perhaps the author should have cited an example in the world where the stock marker has significantly contributed to the reduction of poverty.

On the issue of trade policy, the author seems to argue that open policies are generally poverty friendly. Again are there lessons that one could learn from countries that have opened up and experienced reduction in poverty? Some countries (especially in the African context) that opened up rapidly experienced a sharp increase in the rate of poverty. Is there something to be learned from these countries? Also too much focus on the export of one or two cash crops under a export oriented regime may lead to increased poverty among the majority of the population. On the issue of unemployment in Namibia, the author uses outdated figures. For example, the issue of ex plan combatant has been resolved in the mean time.

Putting it into the Namibian context could have strengthened the second paragraph of the section of unemployment. There is a general perception that wages in Namibia are high by regional standards and that may impact on the competitiveness of the country. What is the trade off between higher paid formal wages and employment reduction? Also the issue of savings and investment in Namibia is not clearly linked to either poverty or inequality. In general the second section of the paper could have been strengthened considerably by more reference to Namibia. Finally on section B it is noted that a number of sub sections, notably B3, B4 and B5 do not contain any reference to Namibia at all.

In section C the author attempts to analyse fiscal policy and poverty in Namibia, but with limited success. As already mentioned in the introduction, the paper established a clear link between growth, inequality and poverty. The paper assumes that increased growth will automatically trickle down to greater poverty reduction. This is not always the case in reality. Further the link between fiscal policy and poverty within the context of the Namibian economy are not clearly articulated. In this regard the paper could have benefited from a comparison of fiscal performance and poverty between Namibia and other developing countries. How effective was Namibia in reducing poverty through fiscal policy measures in comparison with other countries developing countries? How did fiscal policy impact on Namibia s growth performance? One of the key stimulus packages that the author elaborates on at length is the economic processing zone. First it should be noted that the EPZ programme is not solely a fiscal policy issue, but it is to a great extend also a trade and industrial policy initiative. The author attributes great success to the EPZ initiative in reducing poverty. He argues that EPZs tend to attract more investment, which in turn leads to greater output and hence the reduction in poverty. However, it would have been useful if the author could quantify how much the EZP contributed to the attraction of FDI in Namibia, the creation of jobs and the reduction of poverty. One of the important initiatives of Government in addressing poverty is the promotion of small and medium enterprises. Apart from mentioning how much money was earmarked for promotion of SME, the paper is quite on the success of these SME

On taxation, one would have like to see the author s views on VAT and poverty reduction. There are some who argue that VAT discriminates against the poor in favour of the rich. The author also suggest that tax rate of the richest in Namibia are low by international standards. This is debatable, because in rich industrialised societies the returns that the rich get from paying tax are probably much higher than in Namibia. In this regard the effective rate of tax maybe higher in Namibia. Thus, the scope for further increasing tax rates for richer individuals may be not feasible. Also within the context of SADC Namibians are taxed quite heavily.

The author argues correctly that more money should be spent on education materials. However, this should not be done at the expense of lowering the salaries of teachers. This may lead to low moral amongst teacher and may even cause a brain drain. Already in the case of Namibia, teachers feel that they are under paid and many of them have already left the profession for greener pastures. On the decentralisation policy, it is crucial to emphasis that if well implemented it could have a positive impact on poverty alleviation.

Land Reform, Income Inequality and Poverty Alleviation

Wolfgang Werner[1]

1. Introduction

Sustainable and equitable improvement in the quality of life of all people in Namibia .

This is the vision of NDP 2, which maps out Namibia s development trajectory for the period 2001/2-2005/6. It argues that in the short- and medium term a multitude of income generation and safety net initiatives will be required from both the private and the public sector to sustain a new pattern of growth which will reduce poverty while accelerating economic growth (RoN 2002a: 50-51).

The primary concern in formulating this vision was undoubtedly the high level of poverty experienced in the country. It is estimated that between 50 percent and 67 percent of all households (depending on the measure used) are poor. 85 percent of consumption poor households are located in rural areas (RoN 2002a: 559). They make a living on just 55 percent of the national average income (N$ 17,198 in the mid-1990s). The northern and north-eastern regions are considerably poorer than the central and southern regions. Annual household incomes in five of the former regions (Ohangwena, Caprivi, Omusati, Oshikoto and Okavango) was less than half of the national average (Hansohm et al 1999: 19). These are regions where access to land is obtained through customary tenure arrangements and where farmers practice cultivation together with animal husbandry. With the exception of Otjozondjupa region, average household incomes in regions where commercial farming is taking place are above the national average. These average figures conceal intra-regional income differentials, however. Urban areas such as Windhoek, for example, increase the regional average for Khomas Region considerably.

To compound high poverty levels, the distribution of income is highly skewed. Namibia has the unenviable reputation of displaying some of the highest income inequalities in the world. In the late 1990s its Gini-coefficient was 0.70 (Hansohm et al 1999: 17). Ten percent of households representing 5.3 percent of the population

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consume 44 percent of total private consumption, while 90 percent of households consume an estimated 56 percent. The richest 10 percent of the population receives 65 percent of income (Ibid.).

The pattern of poverty in Namibia mirrors the unequal distribution of land. At Independence in 1990 the new Namibian government inherited a highly skewed distribution of land. Approximately 36,2 million hectares representing 44 percent of the total land area or 52 percent of agriculturally utilisable land continue to be held under freehold title. This land is commonly referred to as the commercial farming sector. Under previous Apartheid policies, access to this land was reserved for white farmers, who owned that land under freehold title. The sub-sector is still dominated by white land owners (RoN 1991: 147).

By contrast, the non-freehold areas, formerly known as native reserves and referred to today as communal areas, comprise about 33,4 million hectares, representing 41 percent of total land area or 48 percent of agricultural land. However, these aggregate figures overstate the agriculturally usable land in communal areas, as large tracts of communal land are situated in semi-desert areas, with mean annual rainfall ranging between 50-100mm, or are rendered unusable for agricultural purposes due to the absence of exploitable ground water. If these factors are taken into consideration, the commercial farming sector (36 million ha.) comprises 57 percent of agriculturally usable land, and communal areas only 43 percent or 27 million ha (Ibid.). This underlines the fact that access to productive land and agricultural resources was structured along racial lines before Independence.

While land reform is widely regarded to play a major role in alleviating poverty in the country, policy statements in this regard remain ambiguous. The National Land Policy states that government policy will at all times seek to secure and promote the interests of the poor and ensure equity in access to land and in security of tenure (RoN 1998: 1). Cabinet, after a retreat at the end of the year 2000 was reported to have reiterated the importance of land in alleviating poverty by having stated that without achieving a breakthrough in the land reform programme, the fight against poverty would not succeed (New Era 22.12.2000-12.1.2001).

However, the importance of land in alleviating poverty does not enjoy similar prominence in some key documents on poverty alleviation. The Poverty Reduction Strategy for Namibia, which was approved by Cabinet in 1998, does not accord redistributive land reform a long-term role in poverty alleviation. It argues that the agricultural base is too weak to offer a sustainable basis for prosperity and foresees that in a quarter century from now, the large majority of the country s inhabitants are likely to have moved into urban centres (RoN 1998a: 3, 5). While the Poverty Reduction Strategy sees a significant potential in alleviating poverty through the development of the livestock sector, further opportunities for the development of cultivation in the freehold or commercial farming sector are regarded as limited. It argued that at best, land reform and an associated shift to intensive cultivation could yield a one-time gain for poverty reduction in those few areas that are well watered but presently farmed by extensive commercial methods (Ibid.: 10). These statements echo the conclusions drawn by a World Bank study on poverty reduction that preceded the Poverty Reduction Strategy (World Bank 1997: 12). Land reform does not feature in the National Poverty Reduction Action Programme 2001-2005 (RoN 2002d) which was tasked to concretise the Poverty Reduction Strategy.

The Second National Development Plan (NDP 2) also does not provide any more detail on how land reform will support a broad based rural development strategy aimed at reducing poverty. In a cross-sectoral chapter on poverty reduction (RoN 2002a: 558f), access to land as a strategy to reduce poverty is not discussed at all. The only reference in that particular chapter to land and poverty alleviation is found under the heading of targets and performance indicators for the agricultural sector, which simply states that land will be provided to poor landless families (Ibid.: 565).

Although poverty alleviation remains high on the land reform agenda, calls for land redistribution are driven by other concerns as well. Most important in this regard is the demand for greater equity in land ownership. Colonial land dispossession left indigenous communities with little more than 40 percent of agricultural land in 1990. With the exception of an estimated 15 percent of the land that is either desert or land proclaimed as nature reserves, the remainder was owned by white farmers. Land reform, and redistributive land reform in particular, is here to stay. In implementing a land reform programme, the National Land Policy commits government to secure and promote the interests of the poor and to ensure equity in access to land and security of land tenure (RoN 1998..: 1).

This paper will start by presenting a brief discussion of the current framework and government policies with regard to land reform and poverty alleviation. It will not only focus on redistributive land reform but will also look at tenure reform in the non-freehold or communal areas. It will conclude by asking a few questions about land reform and suggest some improvements to the programme.

2. THE POLICY AND LEGISLATIVE FRAMEWORK

A programme of land reform was started in 1990. The programme consists of four main components:

- Redistributive land reform;
- Tenure reform;
- Development of unutilised communal land; and
- The Affirmative Action Loan Scheme.

A policy and legal framework is in place to guide land reform. This consists of the following:

- The Constitution of the Republic of Namibia;
- Agricultural (Commercial) Land Reform Act, 1995;
- White Paper on Resettlement, 1997;
- National Land Policy, 1998;
- Communal Land Reform Act, 2002.

Redistributive land reform

Redistributive land reform is implemented in accordance with the provisions of the Agricultural (Commercial) Land Reform Act, 1995[2] (RoN 1995a). The provisions of the Act include the following:

- it lays down a preferential right of the state to purchase commercial farm land;
- it provides for market related compensation;
- it establishes a Land Reform Advisory Commission consisting of stakeholders to advise the Minister of Lands;
- it prescribes the way in which commercial farm land was to be planned and allocated;

2 The Act will be referred to below as the Land Reform Act

. it provides for the subdivision and survey of holdings for small scale farming.

. it restricts the acquisition of commercial farm land by foreigners; and

. it establishes a Lands Tribunal to solve possible disputes over prices between sellers and the government.

The Land Reform Act provides a very wide definition of beneficiaries of land reform. These will be

Namibian citizens who do not own or otherwise have the use of agricultural land or adequate agricultural land, and foremost to those Namibians who have been socially, economically or educationally disadvantaged by past discriminatory practices.

The National Resettlement Policy (RoN 2002b: 3) narrows the definition of main target groups down to three main classes:

. people who have neither land, income nor livestock;

. people who have neither land nor income, but few livestock; and

. people who have not land but have income or are livestock owners, but need land to be resettled on with their families and to graze their livestock.

Income levels do not matter in the selection of land reform beneficiaries according to the Permanent Secretary in the Ministry of Lands, Resettlement and Rehabilitation (The Namibian 21.11.2002).

Within these broad categories previously disadvantaged Namibians with less than 150 large stock units or the small stock equivalent qualify for resettlement (Ibid.: 5). Farmers whose livestock numbers exceed this maximum need to apply for a loan under the Affirmative Action Loan Scheme administered by Agribank, to buy a farm. Priority will be given to members of the San community; ex-soldiers; displaced, destitute and landless Namibians; people with disabilities and people from overcrowded communal area (Ibid.: 3-5)

The National Resettlement Policy (Ibid.: 3) lists the objectives of and options for resettlement on land acquired under the Land Reform Act. Amongst other things, government will seek

. to give an opportunity to the target groups to produce their own food with a view towards self-sufficiency;

. to create employment through full-time farming;

. to bring small holder farmers into the mainstream of the Namibian economy by producing for the market; and

. to alleviate human and livestock pressure in communal areas.

Redistributive land reform and resettlement are thus aimed at alleviating poverty by improving the productive capacity of the poor by purchasing and allocating land to enable them to make a living (Ibid.). After five years of government support, settlers are expected to completely support themselves (Ibid.: 8). The White Paper does not spell out exactly the level of welfare at which settlers are expected to support themselves and make a living . It merely asserts that a target minimum income level has to be established (Ibid.: 6).

Namibia s land and resettlement policies seek to bring about this improvement in the standards of living of previously disadvantaged people by transforming the large scale commercial farming sector into small-scale units. Anticipating increasing pressures on existing land as a result of population growth, the National Land Policy proposes to make the subdivision of large scale farming units conditional on the maintenance of farming units of an economically viable size (RoN: 1998: 16).

The determination of what constitutes an economic unit was left to the Land Reform Advisory Commission (LRAC) which was established in terms of the Land Reform Act. Underlying its recommendation on minimum farm sizes was a minimum target income for beneficiaries of N$ 15,000 per annum. This figure was proposed by the Central Bureau of Statistics as the minimum required to provide a decent standard of living for a household of 5-6 people. Based on this figure the LRAC decided that beneficiaries should not be allocated less than 1,000 ha. in the central and northern regions for livestock farming and at least 3,000 ha. in the southern parts of the country.

Tenure of resettlement land

Government s position on tenure rights to redistributed land seems ambiguous. The Agricultural (Commercial) Land Reform Act, 1995 provides for the granting of 99 year leasehold rights to allocated farming units and subsequent registration of such lease agreements in the Deeds Office. The Land Reform Act also provides for the possibility to buy an allocation after five years, subject to certain conditions. In terms of the Act, however, these rights are circumscribed in so far as rights to assign, sublet, mortgage or in any way encumber a farming unit allocated by the MLRR is subject to the written approval of the Minister. However, in a legal opinion the Office of the Attorney-General expressed the view that a mortgage could be registered on any lease agreement registered in the Deeds Office.

In spite of this legal opinion, the Draft Land Tenure Policy (RoN 2002f) continues to state that the rights of settlers will be subject to a number of limitations which include the right of the Minister to change the agreement with settlers and the power to revoke a lease if the holder is in breach of the terms and conditions relating to the productive use of the land, financial viability etc. The Draft Policy proposes that even the erection of buildings on a holding should be prohibited unless consent from the Minister has been obtained.

Towards the end of 2002 the Minister of Lands, Resettlement and Rehabilitation introduced an amendment to the Land Reform Act, in which he proposed that the section of the Act which provides for the option to purchase a farming unit after five years be deleted. Such land, he argued, should never be for sale. Instead, it should rather serve as place where some future potential commercial farmers should graduate from and be able to acquire their own agricultural land .

Communal land reform

Tenure reform in the non-freehold or communal areas was not regarded as particularly important by policy makers. In view of the fact that the majority of Namibians are living off the land in communal areas and indications that traditional tenure rules and administrative structures are disintegrating, tenure reform in communal areas should enjoy a much higher priority. On the one hand, a programme of tenure reform would go some way to secure the customary rights to land and natural resources of rural people. On the other hand it would protect small scale farmers on communal land against future land inequalities as local elites and agri-business seek to secure rights to land. Finally, secure tenure relations in non-freehold areas may have a positive influence on investment and economic development in these areas that have been neglected under the Apartheid dispensation.

The Communal Land Reform Act (RoN 2002e) which was passed in the latter half of 2002 and signed into law in early 2003 addresses many of these issues. In broad terms, the Act provides for the registration of all land rights held in communal areas. It distinguishes two different kinds of rights to be recognised: (i) customary land rights; and (ii) rights of leasehold.

With regard to customary land tenure, the Act recognises and confirms the powers of traditional leaders to allocate and revoke rights in land. However, customary land administration will be formalised. Proposed Communal Land Boards will control customary allocations and revocations of land rights. Future applications for new customary allocations of land will have to be addressed in writing to the Traditional Authority. After their approval, the latter will have to inform Communal Land Boards about new allocations and furnish particulars with regard to such allocations to the Board. Once the Board has satisfied itself that a particular allocation does not infringe on the land rights held by another person, does not exceed the maximum area prescribed and does not fall into an area reserved for common usage, such a right will be registered by the Communal Land Board and a certificate of registration will be issued to the applicant. In this way customary land rights will be legally protected.

Existing customary land rights holders will have to apply to their respective Land Boards for recognition and registration of their land rights. The same criteria used in new allocations will be applied to assess the legitimacy of such allocations. Should there be reason to doubt the validity of a claim or that there are conflicting claims, Land Boards will have to initiate a hearing.

The Act provides for the inheritance of customary allocations through the Traditional Authority of a particular area. These provisions are aimed to ensure that rights to land will remain in a particular family for as long as a family wishes to keep them. Any other transfers of customary rights can only occur with the written consent of the Chief or Traditional Authority of a particular area.

The Communal Land Reform Act seeks to make unused communal land available to individuals under leasehold with a view to promote agricultural development. This will effectively reduce the areas of jurisdiction of traditional leaders by bringing customary land under the control of the state. The Act empowers the Minister of Lands to designate portions of a particular communal area within which long term leases may be granted for agricultural development purposes within such a designated area. Designation has to be preceded by consultations between the Minister, the Land Board and Traditional Authority under whose jurisdiction the proposed designation falls. Communal Land Boards are only authorised to grant rights of leasehold if Traditional Authorities have consented to this. Should the latter refuse, the Land Boards will submit the matter to arbitration.

Grantees of leaseholds may be required to survey their land at their own expense. Once surveyed, the leasehold will be registered in the Deeds Office under the Deeds Registries Act, 1937. The Act also provides for the legalisation of enclosures of communal pastures and prescribes an elaborate procedure for assessing such applications. This procedure affords members of traditional communities who feel aggrieved by enclosure to contest these. Finally, persons who are aggrieved by a decision of a Traditional Authority and/or Land Board will be able to appeal against such a decision to an appeal tribunal appointed by the Minister of Lands.

Development of unutilised land

The development of unused communal land for agricultural purposes is the third component of the land reform programme. The feasibility of this option was investigated for the National Conference on Land Reform and the Land Question in 1991. The consultants concluded at the time that this was a high cost option and that benefits were unlikely to be widely distributed (RoN 1991: 498). Following up this option, the Ministry of Lands, Resettlement and Rehabilitation appointed consultants to investigate the potential and feasibility of developing unused communal land for agricultural purposes. They identified approximately 13,700km2 (1,370,000 ha) of communal pasture land that could be developed in the four north-central regions and another 8,860 km2 (889,000 ha) in Kavango (IDC 2000: 32; 2002: 18). It is proposed that these farms be developed into commercial units ranging in size between 3,600 and 4,000 ha. The development cost of a farming unit that size was estimated to be N$ 392,000 compared to the average of N$ 1,2 million the Ministry had paid for developed land (Republikein 16.5.2002).

The Affirmative Action Loan Scheme.

An Affirmative Action Loan Scheme (AALS) was first implemented in early 1992. Its primary objective is to relieve grazing pressures in the non-freehold or communal areas by encouraging well-established and strong communal farmers to purchase commercial farms (Agribank 2002: 12). Initially only full-time farmers qualified for an Affirmative Action loan, but in 1996 an amendment enabled part-time communal farmers to benefit as well.

Currently the following criteria must be fulfilled to qualify for an AALS loan:

. The applicant must be identified as a farmer in the communal areas.

. He/she must own a minimum of 150 large stock or 800 small stock or the equivalent thereof.

. Proof must be rendered by the authority of the communal area of the numbers of the applicant s stock in the area.

. The applicant must furnish proof that he/she has removed his/her total stock out of the communal area (Agribank 2000: 15).

In terms of the AALS, Agribank provides loans for a 25 year period at interest rates which are subsidised by the government. Loans are granted against security of mortgage bond and productive use of land is insisted upon. A ten year restriction clause is registered against properties to avoid speculation. In practical terms this means that AALS farmers may only dispose of their land during the first ten years with the consent of Agribank in concurrence with the conditions imposed by the Minister of Agriculture, Water and Rural Development. The subsidy contributed by government must be paid back when selling within ten years (Agribank 2000: 14).

Different repayment schedules apply to full-time and part-time farmers. Full-time farmers are not required to repay either interest or capital during the first three years. From year 4 onwards, the outstanding amount is redeemed over the remaining 22 years at an escalating interest rate. Part-time farmers my elect to service the interest portion only during the first three years, redeeming the outstanding amount over the remaining period at interest rates that are determined by non-farming income bracket. Another option for part-time farmers is to capitalise the interest portion for the first three years and redeem the outstanding amount in the period thereafter (Agribank 2002: 13).

State guarantees were introduced to finance the difference between the purchase price of commercial farmland and the reasonable value of that land for agricultural and pastoral purposes. The latter valuation is based on what the land can produce, and is generally well below the market price. It was anticipated that communal area farmers might experience difficulties in financing this difference. The total amount of land acquired under the Affirmative Action Loan Scheme is summarised in Table 1

Table 1: Summary of loans granted under the Affirmative Action Loan Scheme, July 2003

Category	No. of applications	Total hectares	Total loan granted (N$)
Full-time farmers	307	1,799,001	254,513,059
Part-time farmers	214	1,172,906	199,691,400
Total	521	2,971,907	454,204,459

Source: Agribank 2003

It is interesting to note that more than four times as much land was acquired by previously disadvantaged Namibians under the Affirmative Action Loan Scheme than through the official resettlement process.

3. IMPACT OF LAND REFORM

To date no independent assessment of land redistribution and resettlement has been carried out. This makes it impossible to put forward authoritative statements on the impact of land redistribution on the macro-economy, the environment and poverty alleviation. A Technical Task Team was appointed by the Ministry of Lands, Resettlement and Rehabilitation recently to review resettlement experiences to date within the next nine months.

At the outset it can be stated that the impact of land redistribution on the land ownership pattern in the freehold sector has been modest. By March 2003 the Ministry of Lands, Resettlement and Rehabilitation had acquired 118 commercial farms comprising 709,568 hectares at a cost of N$ 105,4 million. Included in the total number of farms are five farms that were donated to government by a large Namibian business group. In total 1,479 families or 8,874 people were resettled by government. Of these one third or 493 households are headed by females (Pohamba 2003: 3, 5). It must be assumed that the total figure of resettled people includes those resettled on resettlement schemes on non-freehold land.

The total amount of land owned and utilised by previously disadvantaged Namibians in the freehold sector amounts to approximately 13 percent. This total is made up of land bought for resettlement as well as 66 farms which were bought prior to Independence to accommodate small scale farmers from non-freehold areas. In addition, 2,971,907 hectares of land were acquired under the Affirmative Action Loan Scheme. Table 2 below provides a summary.

Table 2: Total area of land owned/utilised by previously disadvantaged Namibians in the freehold sector, 2003

Year	Type of acquisition	No. of farms	Total area (ha.)
1990	Representative Authorities	181	980,260
2003	Resettlement (MLRR)	118	709,568
2003	Affirmative Action Loan Scheme (Agribank)	521	2,971,907
	TOTAL	820	4,661,735
	Total freehold area		36,000,000

Source: RoN (1991: 126); Pohamba (2003: 3); Agribank 2003

Evidence on the socio-economic impact of land redistribution of beneficiaries is contradictory. In 1999 it became clear that the results of resettlement had been disappointing in some instances. The Minister of Lands was quoted as saying that We had hoped resettlement would empower these categories to improve their livelihood, but alas, not so many of our resettled beneficiaries have changed for the better. Most of them have even degraded the land we have allocated to them (The Namibian 6.5.1999).

That some land reform beneficiaries experienced problems establishing themselves on allocated land was borne out by reports in 2000 that some settlers on two farms in Omaheke Region were leasing out their allocated land to communal farmers for as little as N$ 200 per month. The former were described as cash strapped peasants with very limited means (The Namibian 17.5.2000).

There is reason to believe that access to credit continues to be a problem for some land reform beneficiaries, making it difficult for them to buy livestock and other means of production. In part this problem relates to a lack of resources in the Ministry of Lands, Resettlement and Rehabilitation to produce survey diagrams of allocations so that these can be registered in the Deeds Office. Very few lease agreements have been registered. Unless lease agreements are registered in the Deeds Office, settlers cannot use heir land as collateral for agricultural credit.

Against these disappointments, however, the Ministry of Lands, Resettlement and Rehabilitation reported recently that land reform beneficiaries had made substantial progress in improving their living conditions. The Minister of Lands stated in the

National Assembly that some resettled farmers who had very few livestock when settled had accumulated sufficient numbers to qualify for Affirmative Action loans administered by Agribank (Pohamba 2003: 4). This statement could not be independently verified.

Evidence on the impact of land redistribution on the environment is scattered and purely circumstantial. In the latter half of the 1990s suggestions were made that land was degraded by settlers, when the Minister of Lands was reported to have said in the National Assembly that most people resettled by Government had run their newly-acquired land into the ground . Because of that, resettlement was suspended during 1998 to allow the Ministry of Lands to revise certain aspects of the programme. After this internal revision, more emphasis was placed on providing professional services to beneficiaries and constant supervision, particularly on stock breeding and control so as to avoid overgrazing (The Namibian 6.5.1999).

It is not possible at this stage to speculate on the macro-economic impact of land redistribution. Baseline data on the productivity of commercial farms is notoriously difficult to obtain. It is thus not possible to compare current productivity levels with those prior to acquisition and redistribution. It is likely, however, that the settlement of small scale farmers has increased the output on some commercial farms, if it is borne in mind that many white commercial farmers are selling farms in order to retire. But no systematic analysis has been carried out to establish the costs and benefits of resettlement and the impact on overall agricultural production and output. It can be assumed, however, that the overall impact on the national economy has been slight, as the number of farms purchased to date amounts to less than 3 percent of the estimated 4,200 farming units in the country.

Budgetary impact is also insignificant. During the five year period 1995/96-2000/01 government provided N$ 20 million annually for land purchases. For financial year 2003-2004 the budget for land acquisition was increased to N$ 50 million. This amounts to barely 0.4 percent of the overall expenditure of N$ 12.3 billion and to little more than 4 percent of the total development budget. Once again, this amount is not likely to have a major impact on the overall budget.

Farm workers

The impact of land redistribution on farm workers is likely to have been negative. Farm workers are widely regarded as the poorest employees in the country. The Commission of Inquiry into Labour-related Matters affecting Agricultural and Domestic

Employees concluded that they found themselves caught in a cycle of dependency and poverty (RoN 1997b; Werner 2001a). On a number of indicators such as access to acceptable housing, running water, sanitation, education and health services they were worse off than other employees. Of particular concern is the insecurity of tenure on farms, which, amongst other things, has lead to unfair dismissals.

Towards the end of 2002 the insecurity of tenure of farm workers both on commercial farms and redistributed land was dramatically highlighted, when a commercial farmer in Omaheke Region obtained a court order to evict generational workers from his farm without an alternative place to accommodate these workers. This gave rise to the temporary occupation of the farm by SWAPO Youth League members and high level meetings to diffuse the situation. At the same time, the eviction of farm workers from farming units allocated to land reform beneficiaries by the MLRR was given considerable publicity. Protests about these actions was limited to the press, and no action was forthcoming from any quarter in support of farm workers rights on redistributed land.

Although no accurate data on evictions of farm workers from redistributed land is publicly available, it must be assumed that most farm workers on such land have lost access to employment and land without compensation (Werner 2001a; Werner 2002a). At present no integrated plan exists to accommodate farm labourers within the wider ambit of land reform and rural development. For as long as this is not in place, farm labourers are likely to be the losers of land reform. In a very profound sense, redistribution would alleviate poverty among those who were allocated land by increasing poverty levels among dismissed agricultural workers.

In response to the crisis on the commercial farm in Omaheke, the President instructed the Minister of Lands to secure tenure for farm workers along the lines recommended by the Commission of Inquiry into Labour-related Matters affecting Agricultural and Domestic Employees. A Committee chaired by the Minister of Lands was appointed to do the groundwork for the implementation of the recommendations of the Commission (The Namibian 15.11.2002).

It is not clear whether the brief to the Minister of Lands and his committee included the lot of farm workers who lost and stand to lose access to employment and land a result of land redistribution. Suffice to say therefore, that the Commission had some very specific recommendations on the matter. Amongst other things it recommended that:

▪ Government consider agricultural employees as primary beneficiaries of the land reform policy, in order to break the cycle of poverty and dependency from which generational workers, in particular, suffer;

▪ Government allocate State-owned land to, or purchase freehold land for individual or groups of agricultural employees and their families;

▪ Government and agricultural banks consider granting loans to agricultural employees to buy into, and thereby jointly own, private land, on condition that employees obtain a minimum 50 percent share of such property; and

▪ Government consider purchasing privately-owned land in selected areas to be used for the resettlement of currently employed or retired agricultural employees and their dependants, and to be managed on an individual or collective basis (RoN 1997b: 228).

Dismissals of farm workers from redistributed land illustrates a particular dilemma of redistributive land reform. This dilemma is determined to a large extent by the fact that the land targeted for redistribution is of a marginal nature with limited scope for intensification. At present, the commercial farming sector employs on average one labourer and his dependents on 1,000 hectares of land. In terms of the recommendations of the Land Reform Advisory Commission, allocations of agricultural land should not be less than 1,000 hectares in the central and northern regions and at least 3,000 hectares in the more arid south. A rough calculation suggests that sustainable redistributive land reform will not necessarily put more people on the land than are currently employed in the commercial farming sector. While redistributive land reform along these lines will contribute towards greater equity in land ownership, its impact on poverty levels may be relatively small.

Communal land

Due to the recent approval of the Communal Land Reform Act, the impact of tenure reform on communal land administration has been insignificant. However, the Ministry of Lands has acted swiftly to establish Communal Land Boards, and at the time of writing these had been established in just about all regions. These Land Boards will play an important role in making land and resource tenure more secure in non-freehold areas and help to facilitate dispute resolution. More secure tenure, both in terms of customary allocations and leasehold, is likely to encourage investment in communal areas and thus bring about economic development.

Namibia s proposed Green Scheme is one recent example of how the prospect of leasehold in non-freehold areas has positively impacted on investment decisions.

4. STRATEGIC OPTIONS

Government has been consistently criticised for not redistributing land fast enough. The Ministry of Lands, Resettlement and Rehabilitation and other stakeholders have advanced several reasons for the delays. These include a perceived unwillingness of commercial farmers to offer quality land to the state, inflated land prices, the lack of a credited valuation institutions resulting in prolonged negotiations (RoN 2002a: 245) and the cumbersome provisions of the Commercial (Agricultural) Land Reform Act of 1995. It must be conceded that some or all of these factors have contributed towards the slow pace of redistribution. These impediments need to be investigated with a view to remove some of the obstacles in order to accelerate land delivery to beneficiaries.

However, despite these problems, the Ministry of Lands, Resettlement and Rehabilitation has far exceeded the targets set by the first National Development Plan (NDP 1) for land acquisition. During the NDP 1 period it purchased 450,000 ha. of freehold land or three times more than targeted (Werner 2002b: 6). Targets for land acquisition and resettlement are equally modest for NDP 2 (2001/2002-2005/2006). These commit the Ministry of Lands, Resettlement and Rehabilitation to buy at least 360,000 hectares of land and settle 180 families by 2006, i.e. 36 families per year for 5 years starting from 2001/02 (RoN 2002a: 247).

In view of the 243,000 Namibians (40,500 households) who are in need of land (RoN 2001b: 2) these targets do not seem high enough to reduce rising pressures for accelerated land redistribution. This must have been the assessment of Cabinet during its retreat in late 2000. In view not only of poverty levels in Namibia but also the unfolding situation Zimbabwe it decided that it was necessary to accelerate the acquisition and settlement of land considerably. It therefore decided that a minimum of 9,552,072 hectares of land should be acquired until 2005 (within 5 years of the retreat) for resettlement. At an average price of N$ 250 per hectare this would require N$ 1 billion. Cabinet expressed the hope that foreign partners would provide financial support (New Era 22.12.2000-12.1.2001). In order to accelerate land reform, additional options for land acquisition and allocation need to be explored without compromising the constitutional and legal framework governing land reform.

Optimising benefits by reducing the vulnerability of beneficiaries

Small holder farming is the preferred model for resettlement, as it allows the benefits of agriculture to be shared amongst large numbers of people in an equitable and sustainable way (RoN 1995b: 34). In addition, a substantial body of economic literature argues that small scale farms tend to be more productive than large farms. On the one hand labour on small scale farms consist mainly of family labour, thus reducing intensive supervision and transaction costs associated with hired labour (See Hansohm et al 1999: 9). On the other hand, small farmers are more efficient, because they have few livelihood alternatives but to exploit their own and families labour. (Maxwell and Wiebe 1998: 20). The transformation of large scale commercial farms into small scale units should, therefore, improve the productivity of freehold agricultural land in the medium to long term, in addition to impacting positively on a more equitable distribution of land.

The potential benefits of small scale farming are likely to be reduced unless a number of serious issues are addressed. Perhaps the most issue relates to vulnerability to drought of small scale commercial farmers. Drought is a permanent feature of agricultural production in Namibia. Evidence suggests that Southern Africa and Namibia are becoming progressively drier (Sweet 1998: 11). This implies that the risk of agricultural failure both in terms of cropping and livestock farming is high. Successful farming is thus crucially dependent on effective drought preparedness planning and responsive drought management.

Large scale commercial farmers on freehold land pursue several strategies to cope with drought. In general they are able to draw on greater reserves of capital during droughts than small scale communal farmers and have better access to markets and supplies, making it possible to sell and buy livestock and supplies quickly. They also find it easier to obtain credit to fund drought mitigating strategy on account of the fact that they have collateral. Apart from being better able to move livestock from one locality to another during localised droughts, commercial farmers able to maintain some surplus grazing through conservative stocking (Sweet 1998: 26-27).

By contrast, the traditional response of communal farmers to drought is to move animals to seasonal cattle posts. Buying fodder is an option that only wealthier farmers can afford. For several reasons, the selling of livestock in response to drought is not a common strategy particularly among smaller communal farmers (Ibid.: 25)

It is not known, however, how small scale resettlement farmers will respond to droughts. The sub-division of commercial ranches into small scale farming units is likely to create major challenges in terms of establishing appropriate support infrastructure. The management of small herds on fenced commercial farming units is likely to be difficult due to the uneven spatial distribution of rainfall and the unavailability of fall back areas in times of drought (Adams 2000: 3). It remains to be seen whether the size of allocated land units is sufficiently large to facilitate conservative stocking rates without jeopardising reasonable income expectations. Unless properly addressed, grazing pressures are likely to impact negatively on animals, pastures and the soils.

To reduce the vulnerability of land reform beneficiaries to drought, appropriate agricultural support services and long-term multi-level agricultural development planning is required (RoN 1995b: 13). This will be greatly facilitated by a better understanding of the characteristics of beneficiaries. Access to off-farm income streams will also have to be developed and strengthened.

Encouraging the sub-division of commercial farms

At present, the willing seller willing buyer principle is the main mechanism to improve access to agricultural land by previously disadvantaged people. It has been widely blamed for the slow progress in land delivery. Some of that blame must go to the provisions of the Agricultural (Commercial) Land Reform Act, 195. These provisions were designed initially to facilitate transparency in the acquisition and allocation of land purchased by the state as well as the sustainable utilisation of such land once allocated through proper planning. A review of these provisions is called for to decrease the time between first offer of a farm and allocation without jeopardising proper planning and transparency.

In addition to the current mechanism of buying and allocating land, different options have to be explored to enable the landless to obtain land more swiftly. One option is to encourage prospective settlers to buy small portions of large commercial farms. The sub-division of commercial farms is still governed by the Sub-Division of Agricultural Land Act (No. 70 of 1970), which requires that the Minister of Agriculture has to give his consent before sub-division can take place. The latter must be satisfied that sub-division will not result in the creation of uneconomic units. In the 1980s an economic unit was defined as an area of land that could sustain at least 400 large stock units or 2,000 small stock (Adams and Werner 1990: 66). These criteria reflected the income expectations of white farmers, but may not be appropriate for small scale farmers.

Since Independence, these criteria have been revised. Approval for sub-division is now granted for portions of land that can support at least 200 large stock units or 1,000 small stock units. However, these requirements are still higher than the criteria for resettlement, which determine that anybody with more than 150 large stock units or the equivalent in small stock should apply for an Affirmative Action Loan. The viability of relaxing criteria for sub-division even more to accommodate farmers with less than 150 large stock units or the small stock equivalent should be looked into. Appropriate financing mechanisms need to be developed by Agribank to enable people to obtain credit for the purchase of small commercial farming units. Moreover, this option should be open to part-time farmers.

On the one hand this option is likely to ease pressures on the state to provide small scale farming units at its own cost, by developing a framework that will encourage small scale farmers to buy their own land. On the other hand, large scale commercial farmers will have an opportunity to sell some of their land to private buyers without necessarily having to sell their entire farm.

Townlands

Approximately 350,000 hectares of land is registered in the name of municipalities. These areas are known as townlands and intended to provide for the future expansion of towns. Keetmanshoop has the largest townlands measuring 62,000 hectares followed by Gobabis and Windhoek with 48,290 and 47,812 hectares respectively (RoN 1991a: 124). To this must be added 160,000 hectares controlled by settlements such as Aranos, Kalkrand and Aus. The total area controlled by local authorities and settlements thus amounts to slightly less than the total amount of land bought by government. Most of this land is fairly well developed into grazing camps and stock watering points. It is leased to stock farmers for grazing on a tender basis (Ibid.: 123). Modalities to make this land available to previously disadvantaged Namibians on favourable terms should be investigated. This may provide the urban poor with some form of subsistence.

Decentralising land acquisition and resettlement

The Ministry of Lands, Resettlement and Rehabilitation has made some progress in decentralising resettlement. Regional Resettlement Committees consider applications for land and forward their recommendations to the Ministry in Windhoek for approval. By definition this is time consuming. Modalities should be investigated to let Regional Resettlement Committees take final decisions, subject to a review of the Land Reform Advisory Commission (World Bank 2003a: 8).

The acquisition of land remains a highly centralised process. The Land Reform Advisory Commission which has to make recommendations to the Minister with regard to the purchase of land on the basis of land use plans prepared by the MLRR sits only in Windhoek. Decentralising land acquisition is likely to accelerate the process of acquiring land and allocating it to beneficiaries. It may also facilitate a better match between the available land and the needs and expectations of prospective settlers, and increased involvement of beneficiaries in planning and implementing their own resettlement. At present the MLRR provides whatever support is provided free of charge. Some resettlement projects even have project managers (World Bank 2003a: 7-8).

This option is only feasible if more resources are made available to the Ministry of Lands, both financial and technical. Planning capacity at regional level in particular needs support.

Settler selection and access to off-farm income

The Ministry of Lands, Resettlement and Rehabilitation estimates that 243,000 people are in need of resettlement. This figure includes people from overcrowded communal areas , ex-farm workers, unemployed and landless people (RoN 2002b: 2). Specific needs of these people are likely to span a wide spectrum ranging from wanting land to meet welfare needs to needing land for commercial purposes. Criteria for resettlement provide for all these categories.

Government came under harsh criticism towards the end of 2002, when it became known that some well paid people including senior civil servants were allocated land under the land reform programme. While these actions are incongruous with the emphasis on poverty alleviation, care should be taken not to reject the broad categories of beneficiaries set out in the National Resettlement Policy out of hand. To be sure, these include some not-so-poor people. The latter are likely to have access to off-farm resources that may assist them in building up their farms, but also to survive regular droughts. This will in turn free the Ministry of Lands from having to support people who are able to look after themselves and concentrate on those in need of financial and other technical support.

In order to do this, clear settler profiles are needed. This will enable the Ministry of Lands to tailor support packages specifically to those groups of beneficiaries listed in the National Resettlement Policy. Beneficiaries with the means to do so should use their own resources to develop and sustain their farming enterprises.

Financial support

Without operating capital, land reform beneficiaries are not likely to establish successful and productive farming enterprises. Government should consider introducing a settlement grant to get small-scale farmers off the ground. Depending on the category of beneficiaries, the payment of a settlement grant may be made conditional on a nominal contribution from settlers.

In the long run, however, settlers will need access to credit. This seems to be a serious problem at present. Reports surfaced in 2000 that some land reform beneficiaries on two farms in Omaheke were leasing out their land allocations to communal farmers for as little as N$ 200 per month. Those leasing their land were reported to be cash strapped peasants with very limited means (The Namibian 17.5.2000).

However, access to credit is dependent on collateral. Section 42 of the Commercial (Agricultural) Land Reform Act provides for the registration of 99-year lease agreements in terms of the Deeds Registries Act, 1937 (Act 47 of 1937). However, this requires a diagram approved by the Surveyor-General, implying that every sub-divided portion of a former commercial farm needs to be surveyed for the purposes of such a diagram. This process has been severely delayed by a lack of financial and human resources to carry out surveys. The result is that land reform beneficiaries are not able to raise credit on the strength of their land allocation. The requirements of the Deeds Registries Act as well as the survey legislation should be reassessed in order to explore ways to expedite the registration of commercial farms land. Considerable work has already been done for the Ministry of Lands, Resettlement and Rehabilitation in the urban context regarding alternative ways to define boundaries of land such as photogrammetry (See e.g. Alberts et al 1995; 1996; Christensen et al 1999).

Another option that could be explored is the possibility of extending the Affirmative Action Loan Scheme administered by Agribank to small groups of farmers. An appropriate credit contract would need to include a binding agreement to the principle of joint liability for the loan, a capital requirement similar to that applying to individual applicants, e.g. for the group to jointly own at least 150 large stock units and an agreement that the group can lease or sell the land of a group member who is in arrears (World Bank 2003a: 7).

Joint venture partnerships

Mechanisms for the participation of farm workers as co-owners of land-based enterprises should be explored. Models such as equity share ownership schemes have already been established in high value niches in South Africa. This option would offer opportunities for previously disadvantaged Namibians and farm workers in particular, to participate more fully in their enterprises as co-owners. While this would increase their responsibilities, potential benefits are also likely to be higher. Individual farmers in the freehold sector have already started to explore ways to involve their workers more. In the communal areas, joint ventures in tourism are already in existence, offering rural communities much higher returns on their land than would otherwise be possible (D Haese et al 2002: 48-49; Werner 2002). These initiatives should be documented and supported both legally and financially.

Where joint ventures prove difficult to implement, the recommendations of the Commission of Inquiry into labour Related Matters affecting Agricultural and Domestic Employees (RoN 1997b) should be implemented to improve tenure security on farms, both commercial and resettlement. Several ways to achieve this are being implemented in South Africa (See Werner 2002a). These should be critically assessed and applied in Namibia. This is a task that needs the support from farm owners/lessees, government, trade unions and NGOs.

Capacity building

Land reform beneficiaries often lack skills and experience to farm commercially. In an unpredictable environment such as Namibia, localised experience is frequently required to make a success of farming. In recent years, isolated groups of commercial farmers have begun to share their experiences and skills with commercialising farmers. Up to now these initiatives have been purely voluntary and driven by goodwill. As these efforts are competing for time with the work schedules of commercial farmers, it is not clear how long they can be sustained on this basis.

An assessment of current initiatives should be made to strengthen them and put them on a more sustainable footing. Issues that need to be looked at include skills levels among commercial farmers and their ability and availability to share them. These need to be matched with training needs of newly settled farmers. On the basis of these findings, a structured training programme should be worked out. Financial support will be needed to provide for the logistics of such training as well as to compensate participating commercial farmers for their services at professional rates.

Monitoring and research

Efforts to accommodate larger numbers of people on agricultural land need to be strengthened by appropriate support systems. In order to do this effectively, research is necessary to better understand the nature of commercial small scale farming. Constant monitoring will enable organisations involved in supporting land reform beneficiaries to adapt their support strategies as and when required.

5. CONCLUSION

To date the Namibian government has sought to address the land question within the constitutional and legal framework of the country. Policies and legislation exists to guide land reform in the freehold and non-freehold areas. Having stuck to the provisions of this framework has contributed to a pace of land redistribution in particular that is widely perceived as being too slow. It is likely that pressure will increase on government to set aside the legal framework in the interest of accelerated land redistribution. These pressures can only be contained by accelerating land redistribution. In order to do this, more resources need to be made available to the MLRR, both financially and in terms of technical capacity. Budgetary provisions for land purchases do not always reflect the importance of land redistribution. Alternatives need to be explored to augment exiting efforts to broaden access to freehold land. Efforts already underway to build human capacity through training need to be supported. The Technical Task Force appointed recently is likely to come up with recommendations on how the process can be improved in future.

While land redistribution has been the priority of government since Independence, tenure issues in the non-freehold areas will be addressed more seriously now that the Communal Land Reform Act is in place. However, its implementation will require additional resources. A new institutional framework needs to be created which in turn requires trained personnel.

It is important to emphasise that there are no ready made and fail safe solutions for the problems and difficulties encountered in the implementation of redistributive land and tenure reform. The viability of different options needs to be tested in the form of pilot programmes. Successful land reform is an iterative process. Constant monitoring and evaluation of different options is necessary to make adjustments where these are called for.

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Comments on Land Reform, Income Inequality and Poverty Alleviation by Dr. Wolfgang Werner and Lesson to be learned from other African Countries Land Reform processes

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1. INTRODUCTION

Namibia s colonial and apartheid experience mirrors that of other former settler colonies in Southern Africa, Central Africa and North African sub regional systems. The former settler colonies of South Africa, Zimbabwe, Kenya and Algeria experienced in their respective histories the following characteristics:

- a racially skewed land distribution with a minority settler population having a disproportionate share of the productive land resources;
- a dispossessed majority of the indigenous African population confined to the former home lands and ex-South African Development Trust areas (13 percent of the land surface area) in South Africa; the reserves in Zimbabwe comprising 40, 698.5 million hectares; the scheduled areas or reserves in Kenya which were located outside the so-called Kenyan highlands; and the traditional sector in Algeria;
- a dual system of land tenure rights (registrable, tradable and transferable land tenure rights for the minority settler population on the one hand and land tenure rights granted on the basis of unregistered customary law rights on the other hand for the majority of the indigenous African populations); and an agricultural productivity crisis in the peasant agricultural sub-sector accessioned by high levels of unemployment, low levels of incomes and consumption levels.

Following the attainment of independence, these former settler countries embarked on land tenure reforms[1] in order to redress the legacies in the land and agrarian

[1] According to Professor John Bruce (1998), land tenure reform refers to an institutional and structural process of redistributing not land but rights in land. It starts with property rights (such as ownership, leases, servitudes (praedal servitudes, personal servitudes, usurfruct, habitatio, sectional title and a bundle of rights as embedded in customary forms of tenure) which are formed of a bundle of more specific rights and duties. Tenure reform consists of the removal of some of these rights from the bundle and awarding them to others. It has also to do with the adjusting of the relative powers and responsibilities among the State, communities and individuals. While land may not change hands, the changes in the rights and responsibilities have long-term distributive implications in so far as the clans, communities, families, households or persons gain certain rights. Tenure reform therefore, is not just a matter of changing the rules regarding the property rights, but it has to do also with the implementation of the rules. The changing of the rules dealing with property rights requires the recognition and reorientation of the existing land administration institutions or the creation of new institutions to administer the land tenure rights on behalf of the owners of land.

sectors and to implement the reforms within the broader context of rural development. The extent to which these countries managed to bring about a symbiotic relationship between land tenure reform and rural development is an empirical question beyond the realm of this paper. However, the available literature suggests that none of these countries have been able to link land tenure reform with the general rural development strategy with the result that there has been a disjunctive between land policy and rural development strategy. The discussion that follows seeks to examine and analyse Namibia s approach to land tenure reform and rural development as articulated in Dr Werner s paper on land reform, income inequality and poverty reduction. The paper is divided into five sections. The first section of the paper deals with the general issues that need to be noted. The second section of the paper examines other substantive issues arising out of Dr Werner s paper. Section three examines and analyses Dr Werner s strategic options for dealing with the inherited colonial and apartheid legacy in land and agrarian relations. Section examines other possible options that could be entertained to deal with the same inherited legacies in the land and agrarian sectors in Namibia. Finally, section five brings into the examination and analysis of Dr Werner s paper, lessons from comparative experience with the implementation of land tenure reform programme.

SECTION 2: THE GENERAL ISSUES TO BE NOTED

2.1 The Current Conceptualization Issue of Land and Agrarian Reform Programmes in Namibia and South Africa: an Anomaly

The land and agrarian reform[2] programme in Namibia has been conceptualised as follows:

- redistributive land reform programme; tenure reform programme;

- development of unutilised communal land programme; and the affirmative action land scheme programme.

These programmes are designed to deal with the inherited legacies in the land and

2 If land tenure reform has to do with the redistribution of property rights or rights in land as well as the forms of rights and their administration, agrarian reform according to F. Kuhnen (1982) can be defined as a bundle of measures for overcoming the obstacles to economic and social development that are based on the shortcomings in the agrarian structure. The bundle of measures for overcoming the obstacles to the economic and social development include both the conditions for land tenure (such as ownership, leases, servitudes (praedal servitudes, personal servitudes, usufruct, habitatio, sectional title and a bundle of rights as embedded in customary forms of tenure) known as reform of land ownership and those aspects of land use (such as farm size, supporting institutions) often called land management and administration reform.

agrarian structures in Namibia. The Namibian political economy is characterised by structural and institutional anomalies. The structural and institutional contours of inequality and poverty have their genesis in the colonial and apartheid inherited unequal distribution of land. According to Dr Werner, at independence in 1990, the land and agrarian structure was divided along racial lines. The commercial agricultural sub-sector, which was dominated by the white landowners and transnational corporations, had 36.2 million hectares of land and represented 44 percent of the total land area[3] . This agricultural sub-sector was held under freehold title. The sub-sector is still dominated by the white landowners and transnational corporations thirteen years after the attainment of independence.

The communal land areas on the other hand are made up of 33.4 million hectares of land and comprise 41 percent of the total land area[4]. The communal land agricultural sub-sector suffers from a number of constraints. Large tracts of land in this agricultural sub-sector are semi-desert and experience an annual rainfall ranging between 50 to 100mm. This means that a farming regime based on the growing of crops is impossible in the absence of any irrigation potential.

The inequalities in the income levels and consumption patterns are in large part a function of these colonial and apartheid legacies in the land and agrarian sectors. According to Dr Werner s paper, between 50 and 67 percent of all households are poor and 85 percent of these live in communal land areas. The skewed distribution of income and consumption patters in Namibia is not different from trends obtaining in other developing countries where only a small percentage of the population enjoys access to the means on the country's productive resources and wealth whilst the majority of the population lives in abject poverty. As purported by Werner, the richest 10 percent of the population receives 65 percent of income and consumes 44 percent of the total private consumption while 90 percent of the households consumes 56 percent of the total private consumption. Therefore, the gap between the poor and the rich is widening with the poor getting poorer and the rich becoming richer.

Unlike the Namibian programme, the South African land and agrarian reform programme rests on three legs namely, the restitution programme; the redistribution programme; and the tenure reform programme.

3 Ibid, p. 2.
4 Ibid, p. 2.

In South Africa, the restitution programme deals with the persons or communities disposed of property after 19 June 1913. The programme is a direct response to section 25(7) of the Constitution, which states that:

A person or community dispossessed of property after 19 June 1913 as a result of past racially discriminatory laws or practices is entitled to the extent provided by an Act of Parliament, either to restitution of that property or to equitable redress [5].

Persons or communities described in section 25(7) of the Constitution were up to 31 December 1998 entitled to lodge a claim for restitution of that property or comparable redress. The Restitution of Land Rights Act, 1994 (Act No. 22 of 1994) was promulgated in 1994 to give effect to section 25(7) of the Constitution. In terms of this Act, claimants have a right to restitution of their rights in land. The restitution process addresses all options in terms of a possible restitution package. In this regard, restitution can take many forms such as:

- restoration of the land dispossessed; provision of alternative land; payment of compensation; alternative relief, including a combination of the above; and access to development.

By implication, there is neither guarantees of restoration to specific land of which a person or community was dispossessed nor is there any pre-determined position that a person or community may not be restored to such land.

The redistribution programme is the second leg of the South African land and agrarian reform programme. It aims to provide poor people including rural women with land for residential and productive purposes in order to improve their livelihoods. In this regard, the programme seeks to respond to the widely differing needs and aspirations of the rural people in a manner that is both equitable and affordable, and at the same time contributing to national economic growth and rural poverty reduction. The programme is also a response to the constitutional imperative, which states that

> *The state must take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis [6].*

5 The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), p. 12.
6 Ibid, p. 12.

A formula was developed to deal with the unequal distribution of land along racial lines. To this end, land held by the white commercial farmers can only be acquired for the land and agrarian reform programme on a willing-buyer-willing-seller basis or expropriated with just and equitable compensation in terms of section 25 of the Constitution. The willing- buyer-willing-seller principle implied in the Constitution as well as the Expropriation Act, 1975 (Act No. 63 of 1975) provide for the ideological and legal basis for the implementation of the land and agrarian reforms in South Africa.

In terms of the Provision of Land And Assistance Act, a single and yet flexible grant mechanism to a maximum of R16 000 per household has been used to purchase land from the white commercial farm owners on a willing-buyer-willing-seller principle for the benefit of the rural poor including rural women. Between 1994 and 1999, land redistribution took several forms such as group settlement with some production; group production; commonage schemes; on and off-farm settlement of farm workers and farm occupiers; and farm worker equity schemes.

A range of additional financial resources have supported the basic grant. In this regard, the planning grant, facilitation and dispute resolution services have been provided to the land and agrarian reform beneficiaries as well. This approach to land and agrarian reform has been application or demand driven in that it has not involved the prior acquisition of land by the State for subsequent resettlement. As land has been both relatively costly and unavailable in small grant-sized parcels, people wishing to acquire land with the grant have had to form themselves into groups to acquire land on the open market.

Since June 1999, the scope for land and agrarian reform in South Africa has broadened to include bringing on board the black commercial farmers. The Land Redistribution for Agricultural Development sub-programme (LRAD) is de-signed to provide grants to black South African citizens to access land specifically for commercial agricultural purposes. In the context of the struggles against abject poverty characterising the vulnerable groups in society, LRAD

. provides an excellent vehicle for redressing gender imbalances in land access and land ownership;

. serves as a means of creating opportunities to enable the rural folk including women to develop in various spheres of life, thus giving them security against poverty and providing them with an independent economic status;

. ensures that the rural folk including women participate fully in asset redistribution and agrarian reforms; and

. helps government to meet its international commitments, for example in terms of the Beijing Platform for Action (1995) and the Convention on the Elimination of All Forms of Discrimination Against Women (1996).

The third leg of the land and agrarian reform in South Africa has been christened the tenure reform programme. It is seen as a distinct programme from the other two programmes. It aims to

. provide people with secure tenure in situ, that is on the place; or comparable redress where the security of tenure in situ is not possible;

. prevent arbitrary evictions of farm dwellers on white commercial farmland; provide for independent tenure rights for farm dwellers on white commercial farmland; and

. fulfill the constitutional requirement that all South African citizens must have access to land and legally secure tenure in land.

This programme, like the restitution and the redistribution programmes has its foundation in the Constitution. Section 25(6) of the Constitution states that

A person or community whose tenure of land is legally insecure as a result of past racially discriminatory laws or practices is entitled to the extent provided by an Act of parliament, either to tenure which is legally secure or to comparable redress [7] .

It covers three main focal areas, namely; the former homelands and ex-South African Development Trust (SADT) areas; the former coloured areas; and the white commercial farm areas and peri-urban areas where farm workers, farm dwellers and labour tenants[8] are mainly found.

On the basis of the definition of land tenure reform provided for in footnote number one, it is argued that land tenure reform is the basis for the restructuring of the proprietary regime including the latter s institutional and administrative apparatus and that anything else other than land tenure reform is nothing but a mechanism for

7 Ibid, p. 12.

8 Labour tenants are people who are living on commercial farms with the right to occupy and use a piece of a farm in exchange for their labour to the white farm owner.

achieving land tenure reform. To appreciate this reasoning one needs to understand conceptually what land tenure and land tenure reform mean respectively.

2.2 The Conceptualisation of Land Tenure and Land tenure Reform in Namibia and South Africa

Land tenure has to do with the relationship between a community or group or a person and the physical entity called land. It defines the socio-economic and political relations between a category of people in respect of an object of tenure, that is land. This category of people could constitute a social phenomenon called a clan or a community or a person. In this context, there is a system which defines the ways in which clans, communities families, households or persons acquire, hold, transfer or transmit property rights in land. It is culture specific and at the same time dynamic.

In many African countries, the customary land tenure systems have undergone profound changes as a result of colonisation of the continent by the former imperial powers, the emergence of new land use practices, the commercialisation of land as well as the rising populations and so on. As a result of this customary tenure systems have been transformed. However, there has been change and continuity.

Such a land tenure system is made up of a bundle of rights. The bundle of rights relates to the following:

- the right of avail or access to land in order to gather fruits, grass and minerals and other essential s of life from the wilderness amongst other things.

- the right to use land for a variety of land use purposes such as

- cultivation, grazing livestock;

- making permanent structures and improvements on the land

- burying the dead; the right to occupy land; and

- the right to alienate land (that is the right to transmit land, transfer land, sell, lease, bequeath, subdivide and donate land).

Land tenure reform on the other hand refers to a planned change in a given land tenure system in the terms and conditions on which land is held, used, occupied, held, owned, transmitted and transacted. It refers to the purposeful changing and implementing of the rules regarding how clans, communities or groups or persons relate to the land in terms of the bundle of rights alluded to above as well as how these entities organize themselves around an asset called land. Such planned change amongst other things requires the restructuring and the reorientation of the existing proprietary regime and the institutions or the administrative machinery that supports a particular proprietary regime or the creation of new institutions or structures to be responsible for administration of land and land rights[9] in order to facilitate the attainment of security of tenure by the clans, communities, groups, families, households or persons.

A major goal of land tenure reform is to enhance peoples land tenure rights with a view to delivering or securing tenure security. Tenure security is achieved when the members of a clan or members of a community or persons have rights to occupy a homestead; use the land for cultivation; graze livestock; to make permanent improvements on the land; bury the dead on the land; have access to the common property for various purposes.

Tenure security is also achieved when the members of a clan or the members of a community or persons have rights to transact; own the land and exclude others from the above listed bundle of rights at every level of social and political organization; and enforcement of the legal and administrative provisions of the law in order to protect their rights.

9 Land administration has to be understood within the context of a land tenure system. According to Dylan Rawlins and Ashley Westaway, (2000), a land tenure system differentiates between individuals exercising their rights within their bundle and a body of governance that must serve in the interest of the public good . In this context, land administration refers to a system of governance around the land and land tenure rights. It refers to a system of governance that underwrites the land tenure rights of communities or groups or households or families or individuals. It is through land administration that there is the authoritative allocation of the goods and services to the various members of a community or society. In this case, it is useful to see land administration as an instrument of a tenure system in so far as the regulation of the various rights in the bundle and the management of the communities natural resources are concerned. In concrete terms, the underwriting of the security of tenure of the members of clans or the members of communities or groups or households or families or persons is achieved by:
the enactment of laws relating to land tenure rights and the management of the land resources, setting norms and standards in regulations;
overseeing land surveying and conveyancing of land parcels, by coming up with land use plans to cater for various land needs;
providing spatial information for various land use purposes;
providing for an accessible system of mediation of disputes;
the surveying; and
the registration of deeds of transfer, or
the registration of notarial leases or certificate of registration as provided for in the Namibian Agricultural (Commercial) Land Reform Act, 1995 and the Communal Land Reform Act, 2003.

The nature and strength of property rights affect economic decision-making through their effects on the people s expectations of a return on their investment of labour and capital. In this regard, land tenure reform in Namibia and South Africa will indeed facilitate development and investment decisions and actions by rural folk, government institutions, and the private sector and will in turn benefit rural livelihoods, facilitate infrastructure developments, service provision and economic development if only it is accompanied by institutional and extension support. In this regard, land tenure reform is therefore, a necessary but not on its own, a sufficient condition for socio-economic development. It has to be accompanied by access to inputs, credit, extension services, transport, markets and government complementary actions to stimulate the rural economy. Only then can the full benefits of tenure reform be realised in terms of increased production of goods and services, growth and investment.

Having given a conceptual definition of land tenure and land tenure reform, it is abundantly clear that land tenure reform has to do with the reorganisation of society in terms of how the clans, communities or groups or persons relate to land and the strengthening of the clans, communities or persons security of tenure through the various land administration instruments. As noted in the discussion immediately above, land tenure reform is the basis for the restructuring or reorganization of a proprietary regime and the institutional and administrative order that sustains such a proprietary system. What is called redistributive land reform programme, development of unutilized communal land programme and affirmative action land schemes in Namibia and the restitution programme as well as the redistribution programme in South Africa are but instruments or mechanisms for achieving land tenure reform as defined in footnote number one. It is therefore, time that land tenure reform is properly located in Namibia as well as in South Africa political economies.

2.2.1 Asset Redistribution and the attendant tenure forms as elements of Land Tenure Reform in Namibia

With this understanding of land tenure reform as a basis structural and institutional change in the proprietary regime and the associated institutions, it stands to reason therefore, that the Land Reform Act and the National Resettlement Act in Namibia and the Restitution of Land Rights Act and the Provision of Land and Assistance Act in South Africa provide the legal framework for the implementation of land tenure reforms in the respective countries. These pieces of legislation are instruments for implementing the land tenure reform programmes in these two countries. They facilitate the respective Governments efforts aimed at the restructuring and reorganisation of the proprietary regimes and the attendant institutions in order to achieve the development visions of the two countries. Dr Werner has in his paper uncritically the Namibia Government s problematic conceptualization of the land tenure reform programme. The perpetuation of this erroneous conceptualisation of the land tenure reform programme only leads to conceptual confusion.

Within the context of this argument, it is therefore, fitting to argue that land tenure reform in Namibia is being realised through the mechanisms such as

- redistributive land reform;
- development of unutilised communal land; and
- the affirmative action land schemes.

Redistributive land reform as mechanism for implementing a land tenure reform programme involves the purchasing of land from the white landed gentry on a willing-seller-willing-buyer principle and allocating it to clearly identified land tenure reform beneficiaries on the basis of a leasehold form of tenure. In this case, land tenure reform amongst other things, deals with the restructuring of a defective land tenure system that does not promote the participation of the majority of Namibian citizens in the generation of wealth, employment and income opportunities through the productive use of part of the 36.2 million hectares under freehold title.

Furthermore, from the vantagepoint of the reconceptualised land tenure reform programme in Namibia, the development of unutilised land in communal land areas is a second mechanism for implementing the land tenure reform programme. Seen from this perspective, land tenure reform in Namibia has also to do with the development of unused communal land for agricultural purposes. This is intended to deal with the malevolent neglect of the communal land areas by the colonial and apartheid State. It is planned that unutilised communal land will be brought to production thorough rearing of livestock primarily. Currently, approximately 1, 370 000 hectares of communal pasture have been identified in the central regions of the country and another 889 000 hectares of land in the Kavango region for the purposes of raising livestock on a commercial basis by the previously historically disadvantaged Namibians. The intention is to develop this hectarage into commercial farming units ranging in size between 3, 600 and 4, 000 hectares.

The Affirmative Action Loan Schemes are a third mechanism for implementing the land tenure reform programme. Through the Affirmative Action Loan Schemes, the previously historically disadvantaged persons are enabled to purchase commercial farms to participate in the macro economy on a full time or part time basis. These were first implemented in 1992. All in all, the implementation the land tenure reform programme in Namibia through the above mentioned mechanisms is aimed at the attainment of the development trajectory contemplated in the NDP 2 for the period 2001/2-2005/6.

Land tenure reform does not only entail asset redistribution through the mechanisms of redistributive lad reform as well as the development of unutilised communal land and the affirmative action loan schemes. It also involves institutional and administrative reforms. To this end, there are three institutional reforms contemplated in the Namibian land tenure reform programme. The first institutional reform relates to the introduction of new forms of tenure and the provision of legal recognition to the existing forms of tenure. However, those who have access to land through the redistributive land reform mechanism or the development of unutilised communal land mechanism or the Affirmative Action Loan Scheme mechanism do so on the basis of registrable leasehold rights as opposed to freehold title. It is clear from Dr Werner s paper that in the resettlement areas, there is one dominant tenure form, that is the leasehold right. According to Dr Werner s paper, the Agricultural (Commercial) Land Reform Act, 1995 provides for the granting of 99-year leasehold rights. Initially, the 99 year leasehold rights were granted with an option to buy an allocation after five years. However, the option to buy an allocation is no longer applicable.

However, those who receive land through the customary law processes do so on the basis of registrable customary law rights. The registration of customary law rights is a major achievement considering the fact that these rights have operated on the periphery of the formal legal system throughout the colonial and apartheid eras. The recognition of customary law rights through the registration process and procedures within a unitary survey and registration system in Namibia is an indication of the acceptance of the fact that these rights are indeed property rights. Colonialists did not want to accord such rights proprietary attributes. There was an assumption that such rights were like weeds and as such they were destined to wither away by virtue of their internal contradictions. The customary tenure system and the attendant land tenure rights have proved to be resilient contrary to the expectations of colonialists and their ideologists and they have afforded security of tenure to the majority of Namibians living under such tenure regimes.

Dr Werner informs his readers that in the communal land areas, two tenure forms are provided for and these are as follows: customary land rights; and leasehold rights.

Both the customary land rights and leasehold rights are registrable in terms of the Deeds Registry Act, 1937 (Act No.47 of 1937). In the case of a communal land right that has been registered, a certificate of registration is issued to the applicant. The Communal Land Reform Act, 2002 provides that a customary land right can be inherited through the offices of the Traditional Authority of a particular area. Leasehold rights in communal land areas are granted to the land tenure reform beneficiaries who access land in terms of the development of the unutilized communal land mechanism.

The provision of these tenure forms in the resettlement as well as in the communal land areas raises a number of questions that are not dealt with in Dr Werner s paper. The questions that arise areas follows:

- Why is the State in Namibia seeking to perpetuate the paternalistic notions of holding on behalf persons? What is the rationale for the retention of the State s ownership of land in the resettlement and communal land areas through the leasehold system?

- Does the provision of a leasehold system in communal land areas not lead to the reduction of communal land held in terms of customary law?

- How are gender issues taken care of in the registration of leasehold rights and customary land rights? and

- Can women own land independent of their spouses?

The granting of leasehold rights to the beneficiaries of tenure reform is problematic. A leasehold right is a limited right and the result of giving such a limited right to anyone is that the citizen remains perpetually dependent on the nanny State which continues to be the owner of the land in question. Since the leasehold rights are much weaker than freehold ownership rights, the implication of such an approach to institutional land tenure reform in Namibia is that at no point in the lives of the beneficiaries of land tenure reform will they ever become owners of land in their own right on an equal footing with their white compatriots. A further weakness of granting the leasehold tenure forms to beneficiaries of land tenure reform is that this approach to institutional restructuring leaves a stronger element of discretion in the hands of the State with the consequent reduction in the strength and the status of the holder s rights.

This approach to institutional restructuring does not bring the previously disadvantaged persons in Namibia on an equal footing with the white owners of land in so far as the ownership of land is concerned. In so far as the ownership of land in title is concerned, there is no discretion given to the State. The law governing the ownership of land is not easy to change. It applies more evenly across the board to everyone. The discretion inherent in the leasehold system permits a possibility of unevenness in the exercise of that discretion. Do the Namibian people want such a system, which has its origins in the apartheid era? During the apartheid days, a leasehold system was developed specially for the Black people.

Dr Werner s paper does not give an insight into the rationale for the provision of a leasehold system. It can only be assumed that this tenure form has been motivated by the need to protect the vulnerable citizens of Namibia from the risks associated with the freehold tenure form. In South Africa, the opponents of the State divesting itself of the ownership of communal land have cited the example of Kenya as a bad model to follow in so far as the provision of freehold tenure form to persons is concerned. The critics of the Communal Land Rights Bill s approach to tenure reform in South Africa have argued that

> *Comparative experience in countries such as Kenya indicate that the titling approach has delivered few of the anticipated benefits. The net effect has been to increase landlessness with poorer families selling up their holdings and moving to the cities. The ongoing fragmentation and subdivision of plots have led to the creation of holdings that are not economically viable and worsen the circumstances of overcrowding with only real benefits accruing to the local elites [10].*

From the vantagepoint of the Kenyan experience with the titling programme it is the critics considered view that,

> *Private ownership by one individual/group, as established under the Bill,*

[10] COSATU, Submission on the Draft Communal Land Rights Bill, Submitted to the Department of of Agriculture and Land Affairs, 17 December, 2002, p. 4.

may extinguish existing cropping and grazing rights of another person [11] *.*

Other critics of the South African approach to institutional land tenure reform have also argued that the granting of freehold ownership to communities and persons

> *would quickly lead to the destruction of rural, land-based communities. In pursuit of short-term benefit (the sale price of the individual s piece of land), long-term problems would be exacerbated. Such individuals-and their families and descendants- would no longer enjoy the self-sustaining link to land, crops or livestock which has historically guaranteed a minimum level of sustenance. An increase in urbanisation is likely, resulting in further growth of informal settlements*[12]*.*

In its criticism of the communal land Rights Bill, the Southern African Bishops Conference has maintained that

> *a commitment to environmental standards to the upgrading of agricultural skills, to the improvement of transport and marketing infrastructure, and to the provision of water and other essential inputs, can legitimately be expected of the owner if it is in a position to satisfy these needs*[13]

and to this end, it is only the State that

> *... is in such a position, but the same cannot be said of the thousands of small, separate communities which will each assume ownership of discrete parcels of land* [14] *.*

As part of the argument justifying the retention of the State s ownership of communal land the critics of the Communal Land Rights Bill in South Africa have pointed out that

> *what is urgently needed is rural development in the widest sense, not merely the handing-over of land to new owners who lack the resources to carry out the development themselves* [15] *.*

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11 Ibid, p. 4.

12 Southern African Catholics Bishops Conference, Comment on the Communal Land Rights Bill, 2002 (As published in the Government Gazette 23740 of 14th August 2002), pp. 3.

13 Ibid, p. 3.

14 Ibid, p. 3.

15 Ibid, p. 3

It is not clear from Dr Werner s paper whether the granting of leasehold rights in the resettlement and communal land areas in Namibia is motivated by similar considerations. In the South African situation, experience shows that neither the granting of ownership of land nor the denial of ownership of land or State ownership of land is the answer to the risks and problems identified by land activists, organs of civil society and church bodies. If the risk is the

- alienation of land leading to a social and economic problems of landlessness and land fragmentation; unwise disposals of land;

- lack of capacity and support to understand the roles and responsibilities associated with the ownership of land, its management and development;

- lack of resources; orpower struggles leading to the exploitation of the vulnerable sections of society and corruption

the answer does not lie in the nature of the right held by a community, family, household or a person but in the exercise, control and disposal of those rights and the provision of what is lacking such as

- the policy, legislative, institutional, material and technical support to communities, families, households or persons in an integrated governmental manner to enable the beneficiaries of land tenure reform to participate in the micro and macro social and economic environments;

- the empowerment of communities, families, households or persons in the ownership and sustainable management and administration of their land asset;

- the provision of the necessary resources and capacity and support to the land tenure reform beneficiaries so that they are able to understand the roles and responsibilities associated with the ownership of land, its management and development; and effective inter-governmental institutional arrangements.

The denial of ownership to a community, family, household or a person smacks of a gross injustice. Such denial of ownership rights to the land tenure reform beneficiaries may precipitate a constitutional challenge to such a policy position. It stands to reason therefore, that this anomaly must not be perpetuated. The policy of providing only leasehold rights to Africans in communal land areas is in fact a continuation of the model adopted by the apartheid government. It is the continuation of a bifurcated State. It is a State in which the whites and well-resourced blacks are able to acquire land in full title. They are also able to take full advantage of the opportunities that full title in land presents to them. But the majority of the African people living in depressed rural communities are being confined to a different land dispensation and they have no choice but to continue to live as tenants on land owned by the state and are subject to the whims of that State.

Furthermore, the provision of leasehold rights to Africans in communal land areas amounts to the nationalization of communal land. If the intention is to nationalise communal land, the same policy should apply to the rest of the country presently held under freehold common law tenure form. In this case, there is a need to go first through the Tanzanian and Mozambican experience with the nationalisation of all land in order to level the playing field otherwise if this is not done the outcome will be socialism in one sector in so far as the socialisation of the means of production, that is communal land in the former homelands and the ex-South African Development Trust areas is concerned.

South Africa experience in this regard is different. The country is moving away from the inherited leasehold system because the State is of the view that the ownership of land is the strongest right that a clan, community, family, household or person can have. South Africa does not seek to own the land in the resettled land as well as in the communal land areas. In terms of the resettlement programme, the beneficiaries of land tenure reform are encouraged to come together as a group in order to consolidate their grants for the purposes of buying land as a group. The land so purchased by the State on a willing-buyer/willing-seller principle is then allocated to the beneficiaries. The beneficiaries then obtain a collective title deed to the land. The individual members rights are determined in terms of a trust deed or the Communal Property Association Constitution. However, access to land made available to individuals in terms of LRAD is on the basis of the individual freehold title. In the communal land areas, the State seeks to divest itself of the ownership of communal land. This means that the State or the Ingonyama Trust in KwaZulu-Natal will transfer communal land to the clans, communities, families, households or persons in ownership.

On the transfer of this land to its rightful owners, communal land will be privatised in the sense that this land will be owned privately by the clans and communities. The transferred land will cease to be registered in the name of the State or to be held in trust by the Minister for Agriculture and Land Affairs or the Ingonyama. To this end therefore, the clans and communities will receive a title deed conveying the clan s or the community s ownership of the outer boundary of the land within the framework of a customary or communal land tenure system. Clearly therefore, the Communal Land Rights Bill empowers the Minister and the Ingonyama to divest themselves of the nomineeship or trusteeship status that they have on communal land. In this regard, the clans and communities are made the direct legal owners of communal land in the former homelands and ex-South Africa Development Trust areas. The paternalistic way in which communal land is now being held will be a thing of the past on the promulgation of the Communal land Rights Bill.

The Communal Land Rights Bill, 2003 contemplates introducing a new model of land ownership in communal land areas in South Africa. In setting out the new model of land ownership in communal land areas in terms of section 26(3), the Minister may determine that:

(a) the whole of an area of communal land which is or to be surveyed is to be or remain registered in the name of a specified community;

the whole of an area contemplated immediately above is to be subdivided into portions of land, each of which is to be registered in the name of a person and not a community; or

a part of an area contemplated in paragraph (a) is to be or remain registered in the name of a specified community, and part of such land is to be subdivided and registered as contemplated in paragraph (b);

an old order right is to be-

converted into ownership or into a new order right , and must determine the nature and the extent of such a right; or

cancelled in accordance with Chapter 4 and —

the land to which such right relates being incorporated into land held or to be held by a community; and

(bb) the holder of such right being awarded specified comparable redress as contemplated in Chapter 4[16] .

16 I The Communal Land Rights Bill , 2003, pp. 22-23.

This new model of land ownership translates into the following tenure forms:

On one hand, section 26(3)(a) makes it possible for a clan or a community or a group to choose to hold and own land in terms of commonhold title. In terms of this tenure option, the outer boundary of the land would be registered in terms of the Deeds Registries Act, 1937 (Act No. 47 of 1937) in the name of the relevant community and not in the name of institutions or structures. The clan or community or group would be the owner of the outer boundary of land in full and free property/all rights or title or freehold ownership as the juristic persona. Within the framework of commonhold title, the members of a clan, community or group will have their old order rights confirmed or converted into ownership or a new order right or cancelled in accordance with Chapter 4 of the Bill by the Minister as contemplated in section 26(3)(d).

Section 26(3)(b) on the other hand provides for the individual freehold title to land. This gives effect to the wishes of many people to hold and own land in terms of freehold ownership. The effect of this is that those persons who wish to have their old order rights determined in terms of section 26(3)(b) will be able to enjoy the benefits of freehold ownership subject to the same common law, case law, statutory laws, the survey and the registration systems as they exist presently in South Africa. This is just an option provided for the beneficiaries of land tenure reform. It is not imposed on people. Furthermore, it is in line with the requirements of the White paper on South African Land Policy to the extent that the latter states that:

> *One of the options available to members of the group ownership systems will be to convert their rights into individual ownership as long as the decision is taken by the democratic majority*[17] *.*

Finally, section 26(3)(c) provides for the elements of both the communal form of tenure and individual freehold tenure. In this regard, there is a provision for a hybrid system of communal and freehold ownership of immovable property, that is land. This option is akin to the Communal Property Association model. However, unlike the Communal Property Associations model, the communal ownership of land in this model is diminished by the amount of land excised as a consequence of the formal surveyed residential, arable and business areas with consequent registration. This option is consistent with the requirements of the White Paper on South African Land Policy, which provide amongst other things that in some

[17] The White paper on South African Land Policy, September, 1998, p. 64.

situations, the members of the group ownership systems may

> *choose to individualize only certain areas and impose particular conditions in these areas* [18].

The guiding principles of tenure reform as stated in the White Paper on South African Land Policy provide that

> *Tenure reform must allow people to choose the tenure system which is appropriate to their circumstances* [19] *.*

In this regard, the National Government policy states that persons or communities contemplated in section 25(6) of the Constitution must be provided with a variety of tenure options to meet the differing needs and circumstances of all South African citizens. In terms of the White Paper on South African Land Policy, persons or communities are entitled to security of tenure under a variety of forms of tenure. It is abundantly clear therefore, that in terms of section 26(3), that the National Government has lived up to its promise as contemplated in the White paper on South African Land Policy to provide:

> *"forms of ownership which accommodate different choices including a combination of individually owned areas within group ownership systems. This may be done by amending existing laws to make current legal options accessible to people living under isolated rural conditions. The intention is to provide people with a range of options from which they can choose, it is also to design the system to be flexible to accommodate change over time "*[20]*.*

Dr Werner s paper also points to the fact that both the customary land rights and leasehold rights are registrable in the Deeds Office. However, the paper is silent on how gender issues have been factored into the reform processes although there is mention of the fact that out of 1, 479 families resettled, a third of these families are female headed households. It is not clear whether the allocations of land are registered in the names of the women who head the 493 households that have been resettled to date. It is a commonly held view amongst many people that customary law is not gender sensitive.

18 Ibid, p. 64.
19 Ibid, p. 57.
20 Ibid, p. 64.

The assigning of the sole role to allocate land tenure rights to eligible applicants in terms of customary law to traditional leaders is problematic in the sense that it likely to perpetuate the gender inequities in the use and allocation, and ownership of land and access to land. Traditional leaders in Southern Africa come from a system of patriarchy. As long as this system of patriarchy remains what it is there is no hope that women issues will be taken seriously by the men folk. Despite the fact that a system of checks and balances exists in the sense that the Communal Land Rights Boards will control customary land and land tenure rights allocations and revocation of land tenure rights, Dr Werner s does not provide any clues as to the composition of the Communal Land Rights Boards. There is a possibility that these Boards are predominantly male in their composition.

The approach to vesting of land tenure rights to persons has not been taken lightly in South Africa especially where gender issues are at stake. In all the three tenure forms contemplated in section 26(3) of the Communal Lnad Rights Bill, the gender issues are taken on board actively. The new order rights of persons regarding residential sites, arable land and business sites are to be conferred and registered in the Deeds Office following the Minister s determination without gender discrimination as contemplated in section 26(4)(b). The subsequent new order rights granted by land administration committees in terms of section 32(2)(a)(i) following the Minister s determination as contemplated in section 26 will similarly be governed by section 26(4)(b) in so far as the gender relations are concerned.

In securing the position of a woman and her dignity, section 26(4)(b) states that in making a determination in terms of section 26(3), the Minister may:

(a) confer a new order right on a woman-

(i) who is a spouse of a male holder of an old order right, to be held jointly with her spouse;

(ii) who is the widow of a male holder of an old order right, or who otherwise succeeds to such right, to be held solely by such woman; or

(iii) in her own right and

validate a putative old order right which was acquired in good faith; and declare invalid such right which was not acquired in good faith; and must determine the holder or the holders of a new right[21] .

This is a revolutionary statutory provision in that it provides justifiable discrimination in favour of the women. This is a necessary discriminatory provision intended to rectify the past discrimination against women in terms of law and practice. In terms of section 26(4)(b), a new order right can be held jointly by a man and woman who are married. Such a right can also be conferred on a woman who is a widow of a male holder of an old order right . She now qualifies to inherit such a right in her own right. Finally, section 26 makes it possible for a new order right to be conferred on a woman in her own right.

Dr Werner further informs his readers that the Communal Land Reform Act in Namibia also provides for the inheritance of customary allocations through the Traditional Authority of a particular area. He maintains that in terms of the provisions of the law, the

> *.rights to land will remain in a particular family for as long as the family wishes to keep them. Any other transfers of customary rights can only occur with the written consent of the Chief or Traditional Authority of a particular area*[22] *.*

This is indeed a scurry statutory provision. This statutory provision provides for the unstructured institutions of traditional leadership to make such fundamental decisions affecting the persons land tenure rights. Furthermore, Dr Werner s paper does not clarify what the future of the principle of male primogeniture in the proprietary regime is going to be in the scheme of things in Namibia. Does the Communal Land reform Act nullify the principle of male primogeniture in the same way as section 26(4)(b)(ii) and (iii) of the Communal Land Rights Bill does in South Africa? If it does not do so, gender inequities and inequalities in inheritance and succession procedures are protected within the existing legal system in Namibia.

On the issue of the registration of customary land tenure rights within a unitary registration system Namibia and South Africa share the same vision. In this regard, both the Communal Land Reform Act and the Communal Land Rights Bill seek to:

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21 Ibid, pp. 23-24.

22 Wolfgang Werner, Land Reform, Income Inequality and Poverty Alleviation , Paper presented at the Bank of Namibia Annual Symposium on Poverty, Income Inequality and Economic Development, 22 August 2003, Windhoek, p . 11.

. give legal recognition to customary land tenure rights ;

. confer legal security of tenure in terms of such rights;

. provide for the registration of customary land tenure rights within a unitary registration system; and make the rights secure and enforceable in courts.

However, Dr Werner s paper is not clear on the process followed in Namibia to recognise, confirm, confer and register the customary land tenure rights. In South Africa, the recognition, confirmation, conferment and registration of land tenure rights in situ upon communities and their members, families, households or persons as required by section 25(6) of the Constitution takes place where the factual and legal situation makes it is possible to do so. The objective situation can only be ascertained through a land rights inquiry process, which aims to unscramble the egg. In this regard, the strengthening and registration of land tenure rights in situation where it is possible must be considered as the first prize.

Where the factual and legal situation on the ground demonstrates that it is unlikely that the recognition, confirmation and conferral and the registration of land tenure rights in situ would lead to a legally secure tenure, it would not be prudent to proceed on the principle of obtaining the first prize at what ever cost. Where it is not possible to secure the first prize, the second best prize becomes the logical thing to aim for. The second best prize relates to the provision of comparable redress as contemplated in section 25(6) of the Constitution. This is one of the fundamental principles underpinning the Communal Land Rights Bill.

2.2.2 The Land Administration System of an element of Tenure Reform in Namibia

The second, institutional reform observable in the Namibian land tenure reform programme has to do with the setting up of the land administration system to manage and administer the land and land tenure rights of the members of the clans as well as the members of the respective communities in communal land areas. Land administration within a customary or communal tenure system is understood to refer to the management and administration of the land tenure rights of members of an African traditional community vis- -vis each other and the group as a whole as well as the sustainable management of the land resources of the community or group. In terms of customary law or the shared rules or the established practice of a clan or community, land administration refers to a system of determining access to land. Access rights granted in terms of customary law or shared rules or established practice of a clan or community are trans-generational and carry an obligation of stewardship for the benefit of the present members of a clan or community as well as for posterity.

Furthermore, the access rights acquired by members of a clan or community are permanent and hence secure within the context of such a system. The fact that these rights vest in terms of specific functions also means that the use of the resources of the community is available to individuals as well as the collectives whether exclusively, concurrently or sequentially. The land tenure rights have a minimum content, such as secure access to a site on communal land etc, and a variable content, such as whether or not the rights may be alienated to people who are not members of the community.

In the regulation of the land tenure rights and the management of the natural resources whether in terms of classical western land administration systems or customary law or shared rules or established practice of a clan or community, a regulatory body is required to ensure that the members of a clan or a community exercise their land tenure rights and manage their natural resources in the interests of individuals and society and in a sustainable manner. To this end, the Communal Land Reform Act, 2003 provides for the recognition of the role of traditional leaders and the Traditional Authorities in the administration of communal land. In addition to providing a regulatory body to manage and administer the land tenure rights of the members of a clan or a community in Namibia, the Communal Land Reform Act also provides for the establishment of Communal Land Rights Boards whose purpose is to

. provide a system of checks and balances on the exercise of power and authority in land administration by traditional leaders and Traditional Authorities;

. control customary allocations and revocations of rights;

. recognise customary land rights;

. register a land right and issue a certificate of registration to the applicant; and

grant the leasehold rights subject to the consent of Traditional Authorities.

The role of traditional leaders in the administration of communal land in most of the Southern African Countries has been a subject of intense political debate.

Traditional leaders in these countries would like to have carte blanche powers in land administration in terms of customary law. There have been various responses to the issue of the role, powers and duties of traditional leaders in a democratic dispensation in the various countries in the Southern African sub-regional system. In Botswana, in terms of the Tribal Land Act of 1968, the power to allocate land tenure rights was taken away from the traditional leaders and given to the Land Boards. Since 1968, the traditional leaders in Botswana have operated on the periphery of the land administration in communal land areas. In the case of Namibia, Dr Werner s paper does not examine and analyse the nature and the extent of the political debates surrounding the issue of the role, powers and duties of traditional leaders in land administration in Namibia.

In Namibia, the Communal Land Reform Act recognizes and confirms the powers of traditional leaders to allocate and revoke land tenure rights within a status quo framework provided by the inherited colonial and apartheid laws dealing with land administration and traditional leadership. Dr Werner is not critical of the Namibian Government s approach to accept the status quo approach to the role of traditional leaders in the administration of communal land in Namibia. Despite this lack of critical awareness by Dr Werner regarding this approach to land administration in communal land areas in Namibia, he however tells his readers that the traditional leaders powers and duties to allocate land tenure rights to members of a communities is subject to approval of such allocations by the Communal Land Boards. This means that the wings of traditional leaders have been clipped in so far as their substantive powers and duties in land administration are concerned. They cannot do much because everything that they do is subject to the approval of the Communal Land Board. On the face of it, the traditional leaders think that they are important when in actual fact they are not. It is the role of the Communal Land Board to register the right so allocated by traditional leaders and to issue a certificate of registration to the applicant.

Dr Werner also does not tell his reader why the powers and duties of traditional leaders in land administration have been circumscribed. In a constitutional and democratic State such an action is an imperative. This is so because customary law, which governs land administration in communal land areas in Namibia, is weak on issues of fairness, accountability and the democratic forms of political suffrage. It appears that the subjecting of the decision-making processes of traditional leaders in matters related to land and land tenure rights of communities or persons to approval of the Communal Land Rights Boards in Namibia is therefore, aimed at dealing with this lacuna.

South Africa s approach to the issue of the role, powers and duties of traditional leaders in land administration is far more radical than the position adopted by Namibia. South Africa has addressed the concerns of traditional leaders within the framework of the White Paper on South African Land Policy and the Constitution. The traditional leaders concerns have been accommodated in the

. establishment of the land administration committees;

. the composition of the land administration committees (traditional leaders have a participative role within the new institutional and administrative order as opposed to being given carte blanche power and duties in land administration);

. the composition of the Land Rights Boards(the traditional leaders are represented); and

. dispute resolution mechanisms through the customary courts as one of the courts of first instance.

The Communal Land Rights Bill provides that a community must in terms of its rules establish a land administration committee, which will be responsible for the administration of the community s land and the land tenure rights of persons. This statutory provision also provides for the de-establishment of a land administration committee if the latter is no longer required.

In so far as the accommodation of the traditional leaders concerns within the new institutional and administrative order is concerned, the Communal Land Rights Bill provides that a land administration committee established in terms of section 29 must comply with section 30(2) to (7) in its composition. In this regard, (2) (a) The recognised chieftainess, chief, headwoman or headman of the community concerned or her or his nominee must be a member of the relevant land administration committee by virtue of her or his office and, if provided for in the community rules, an additional number of persons nominated by the traditional leader to represent the traditional leadership of the community may be members of such committee up to a maximum of 25 percent of the total membership.

However, section 30(2)(b) introduces a proviso. This statutory provision states that there is dispute concerning the traditional leadership of a community, such a dispute *must be resolved as provided for in legislation governing such matters, or failing such legislation, by the Minister in the prescribed manner after consultation with the Minister of Provincial and Local Government and the Premier of the relevant province*[23]*.*

Furthermore, in an effort to democratise land administration in communal land areas, section 30 provides that

(3) The remainder of the members of the land administration committee must be persons not holding any position in traditional leadership and must be elected by the community.

(4) At least one third of the total membership must be women.

(5) Where applicable —

(a) one member must represent the interests of households headed by minors; and

(b) one member must represent the interests of persons with disabilities.

(6) One member must represent the interests of the youth as defined in section 1 of the National Youth Commission Act, 1996 (Act No. 19 of 1996)[24] .

In addition to the processes contemplated in subsections 2 to 6 above, section 30(7) provides that each of the Minister for Agriculture and Land Affairs, the chairperson of the Land Rights Board, the relevant provincial Member of the Executive Committee for agriculture, the relevant provincial Member of the Executive Committee for provincial and local government and the council of the relevant local municipality or, failing a designation by such council, the council of the relevant district or metropolitan municipality, may designate an official or a member to attend meetings of a land administration committee as a non-voting but participating member of such committee[25] .

The participation of the designated officials from the Department of Land Affairs, Department of Agriculture and organised local government are an assurance to all and sundry that the National Government is not abdicating its responsibility for the

23 Communal Land Rights Bill, op cit, pp.26.
24 Ibid, p. 27-28.
25 Ibid, pp. 26

development of these areas. As non-voting but participating members of land administration committees, these officials will be an invaluable asset to the land administration committees. The officials will be able to educate the owners of land about the Government policies and any matter related to their socio-economic and political development. Very often, expertise of various sorts is lacking in communities and these officials will thus provide the necessary expert advice regarding the management of the land and land tenure rights and the general development of these areas.

Unlike the Communal Land Reform Act in Namibia, the Communal Land Rights Bill in South Africa seeks to make a clean break with the past. It makes it clear that it will not be business as usual in so far as the administration of communal land is concerned. The role, powers and duties of traditional leaders in land administration as conferred upon them by the Black Authorities Act, 1951 (Act No. 68 of 1951) and the KwaZulu Amakhosi and Iziphakanyiswa Act, 1990 (Act No. 9 of 1990) will be governed by the Bill within the context of the new institutional and administrative order contemplated in sections 29, 30 and 32 of the Bill.

In South Africa, the transformational impact of the Communal Land Rights Bill is evident. It makes the composition of land administration committees broad based in order to overcome the legacy introduced and perpetuated by customary law as modified by colonialism and apartheid in terms of the Black Authorities Act and the KwaZulu Amakhosi and Iziphakanyiswa Act. It also includes the participation of other actors who hitherto have been excluded from participation in such institutions or structures. The compulsory inclusion of women in such institutions or structures is thus an indication of the National Government s commitment to gender equality and gender equity.

Although section 30(4) removes the dominance of males in the decision-making processes of the land administration committees in number, women can be their own enemies to the extent that they may because of the inertia of custom defer to men in so far as the making of decisions is concerned. In this regard, in order to maximise womens effective participation in land administration committees, the National, Provincial and local Governments must provide the necessary training to the land administration committees and in particular to women in order to reap the benefits of the Communal Land Rights Bill.

The land administration committees will perform the powers and duties contemplated in section 32 of the Communal Land Rights Bill. It is abundantly clear that section 32(2)(a)(i) and (ii), (b) and (e) provides the most prized generic powers and duties of a land administration committee in land administration. This duty relates to the allocation of land and land tenure rights for residential and arable purposes to eligible members of a community and the resolution of land and land tenure rights disputes at the micro level of social and political organization, subject to rules and customs adapted to the requirements of the Bill of Rights.

Historically, the existing customary institutions or structures of traditional leadership have performed this function either within the framework of colonial and apartheid modified customary law following well-known community processes and procedures or within the framework of the administrative law introduced by the colonial State since the 1800s. Their role has been to grant residential and arable rights to eligible members of a community in terms of the colonial and apartheid modified customary law.

The land tenure rights so allocated remained outside the framework of the South African legal regime. They were partly brought into the framework of the South African legal regime only when the traditional leaders recommended to a magistrate the issuance of Permissions to Occupy (PTO) certificates. In KwaZulu-Natal, the Department of Traditional and Local Government Affairs under delegated authority from the Minister for Agriculture and Land Affairs issues the Permissions to Occupy to eligible applicants.

The envisaged role of traditional leaders in the new institutional and administrative order in South Africa differs markedly from that which obtains in Namibia. The role of traditional leaders in land administration is defined in terms of their participation in the land administration committees by virtue their offices. The land administration committees, of which the traditional leaders will be full members, will be responsible for the allocation of residential and arable allotments in terms of section 32 of the Communal Land Rights Bill amongst other things. The traditional leaders will also be represented in the Land Rights Boards. As members of the Land Rights Boards, they will be able to advise the minister on various land and land tenure rights issues affecting the members of the clans and communities. Furthermore, the traditional leaders will have a critical role to play in the resolution of land and land tenure rights disputes in terms of customary law in customary courts as one of the courts of first instance as contemplated in Chapter 6 of the Communal Land Rights Bill.

2.2.3 Provision of Institutional Support as an element of Land Tenure Reform

There is a third institutional reform, which is referred to, in Dr Werner s strategic options. The third institutional reform has to do with the provision of access to inputs, credit, extension services, transport, markets and government complementary actions to stimulate the rural economy. As argued in section 2.1 of this paper, it is only when this institutional reform is operationalised that the full benefits of land tenure reform delivered through the mechanisms of redistributive land reform, the development of unutilised communal land and the Affirmative Action Loan Schemes will lead to the attainment of the sustainable and equitable improvement in the quality of life of all people in Namibia . The discussion in section 3.1 makes a point that because of the existence of a disjunctive between land policy and rural development, the increased production of goods and services, growth and investment both at the micro and micro levels of the economy and the improvement of the quality of the life of the wretched of the earth remains an illusive goal for a number of countries in the Southern African sub regional system including Namibia.

2.3 The Speculative Analysis of the Impact of Tenure Reform Programme on the Socio-economic Situation of the Previously Historically Disadvantaged and Vulnerable Groups

Dr Werner s paper is weak on the impact analysis. Thirteen years following the attainment of independence, one would have expected that some evaluation studies would have been carried out either through the concerned Ministry s monitoring, research and evaluation systems as well as independent academic research. There is a need to know how Namibia has fared in the implementation of its tenure reform programme in terms of the following indicators:

- the extent and procedures of reform;
- land tenure structure; the macro-economy and its relation to reform;
- support and supplementary measures such as the following:
- extension and credit services;
- machinery;the provision of fertiliser, pesticides and improved seeds;
- the organisation of irrigation, transport and marketing facilities; and

- the provision of social infrastructure such as school and health facilities;
- farm investment, agricultural production and productivity;
- employment opportunities; income distribution;
- the incidence or the extent of rural-urban migration;
- beneficiary participation in decision-making processes related to planning and implementation of land tenure reform;
- the gender mainstreaming of the programme; and
- the HIV/AIDs mainstreaming of the programme;

There are a number of reasons that could be advanced to account for this gap in Dr Werner s paper. Assuming that data and information exists on the performance of the Namibian land tenure reform programme, it is possible that there was no adequate time given to the assembling, collation and analysis of data and information on the performance of the programme. There is also a possibility that data and information on the performance of the programme exists but it is not accessible for bureaucratic and political reasons. It is also possible that there is absolutely no data and information available to do an impact analysis of the Namibian land tenure reform programme. If this is the case, Dr Werner is not to blame. Given this situation, one wonders how the Ministry concerned plans its work in the absence of concrete data and information on the performance of the programme.

SECTION 3: OTHER SUBSTANTIVE ISSUES ARISING OUT OF DR WERNER S PAPER

A number of issues arise out of Dr Werner s paper, which needs to be flagged for discussion and consideration beyond this symposium. The issues are as follows:

- A misfit between land policy and rural development in Namibia;
- the slow pace of land delivery ;the criteria for participation in tenure reform as a beneficiary;
- the situation of farm workers within the Namibian land tenure reforms;

- tenure forms in the resettlement land and communal land areas;
- other institutional reforms in communal land areas; and the strategic options.

3.1 A Misfit between Land Policy and Rural Development in Namibia

Not withstanding the gaps apparent in Dr Werner s paper, he deserves to be given credit for acknowledging that there is a disjuncture between land policy and rural development strategy in Namibia. Faced with the legacy of colonialism and apartheid, Namibia s greatest challenge in the past thirteen years has been to balance the economic growth imperatives with the urgent need to redress the past injustices in the land and agrarian sectors. This balancing act has not been easy to attain. It is true that often in an attempt to strike this balance, the livelihood and development issues are compromised in favour of delivery on scale in terms of the numbers game. South Africa s experience with the implementation of its land tenure reform programme has demonstrated that such reforms should not be limited only to providing the previously disadvantaged persons with access to land but that the reforms should also address issues of sustainable livelihoods and development.

Dr Werner notes correctly that

> *While land reform is widely regarded to play a major role in alleviating poverty in the country, policy statements in this regard remain ambiguous* [26]

and

> *The Poverty Reduction Strategy for Namibia, does not accord* redistributive land reform a long -term role in poverty alleviation [27] .

The rationale for this disjunctive between the national land policy and Poverty Reduction Strategy has its basis in the policy makers putting a major emphasis on the deliverables that are tangible. The result of this has been that the equity considerations in so far as the asset distribution is concerned have been placed above strategies that deal with rural development. Furthermore, this approach has been justified in terms of the perceived weaknesses of the agricultural base in particularly in communal land areas in stimulating a sustainable basis for the socio-economic transformation in these areas.

26 Werner, op cit, p3
27 Ibid, p.3

Given this scenario, it is has been the view of the policy makers in Namibia that rural development will give way in the next twenty-five years to urban development. This is an erroneous view given the fact that both the industrial and manufacturing sectors are ill equipped to absorb large numbers of persons into productive employment in the near future. Furthermore, the State does not have the capacity to cater for the health, housing and other social needs of the persons migrating to the urban areas. The conclusion that the large majority of the country s inhabitants would have moved to the cities in a quarter century reflects no medium to long-term plan for rural development. This is a serious indictment for any country that has just emerged from the ashes of colonialism and apartheid. Namibia is not alone in this predicament. South Africa also suffers from a similar indictment. Recently, a Think Tank on land and agrarian reform noted that

The South African Government as well as some provincial governments have made several attempts to develop a viable rural development strategy, Yet land reform, particularly redistributive land reform, has remained an appendage to these policies rather than the central and driving force envisaged in the 1994 Reconstruction and Development Programme of the ANC [28].

According to the Think Tank ,

> *The misfit between land policy and rural development is most evident where land reform is being pursued by a government primarily as a quasi-constitutional right or a means of redressing past injustices, rather than as a basis for sustainable rural livelihoods. Even in the latter case, redistributive land reform is proving to be extremely difficult process to carry through. Redressing gross racial imbalances in land ownership is one thing; recreating sustainable livelihoods on the land is infinitely more difficult [29].*

In this regard, Dr Werner s introductory Chapter makes an important contribution to the debate on this issue. Land tenure reform should not merely be about asset redistribution in order to deal with the skewed land ownership patterns in Namibia. It should form part of a wider strategy of poverty reduction within the framework of rural development[30]. Asset redistribution should indeed be supported by the provision of institutional and structural support such as the provision of clinics,

28 Seeking Ways Out of the Impasse on Land Reform in Southern Africa: Notes From an Informal Think Tank Meeting, held at Manhattan Hotel, Pretoria, South Africa, 1-2 March 2003, p. 5.

29 Ibid, pp. 5-6.

30 Department of Land Affairs, Focus on Land Month in Land News, Volume 1 No.2 2003, p. 18.

roads, schools, and agricultural inputs and markets in order to provide for sustainable livelihoods and development[31]. To this end, Dr Werner s strategic options dealing with financial support, capacity building, monitoring and research become relevant.

3.2 The Slow Pace of Land Delivery

The Namibian tenure reform is similar to the South Africa s land reform programme; Zimbabwe s resettlement programme; and Kenya s Million acre schemes to the extent that these programmes have relied on a legal regime based on a willing-buyer/willing-seller principle to provide for asset redistribution. Algerian had a different experience. The flight of the French settlers following the workers revolution lead to an administrative vacuum in the management of the large and small commercial farms. The State was thus forced to take over the management of the farms in the interim pending decisions on how to allocate the farms to workers and the peasantry. Namibia s transition to independence notwithstanding the armed struggle that was waged for many years, did not lead to a chaotic situation in the land and agrarian sectors similar to the situation that obtained in Algeria, Angola and Mozambique following the violent decolonisation processes. In order to have the confidence of the commercial farming sector, the State in Namibia adopted the willing-buyer/willing-seller principle to effect asset redistribution. As a consequence of this strategy, the commercial farmland in the hands of white landowners has since 1990 been the target of the tenure reform programme.

How has Namibia fared in the area of asset redistribution through redistributive land reform mechanism? According to Dr Werner, by March 2003 the State had acquired 118 commercial farms comprising 709 568 hectares at a cost of N$ 105.4 million on the basis of the willing-buyer/willing-seller principle. Working within this framework, the amount of land that has been acquired is below a million hectares. In total, 1, 479 families or 8, 874 persons had been resettled by March 2003. Of the total numbers of persons resettled, 493 were female-headed households. Because of dearth of information, it is not clear whether or not the total figure of resettled persons includes those resettled on resettlement schemes on non-freehold land.

Namibia s performance in the area of asset redistribution over a period of thirteen years has been hardly impressive. Why is this so? According to Dr Werner, the reasons for this slow delivery of land to the land tenure reform beneficiaries can be

31 Ibid, p 18.

attributed to a number of factors. The limiting factors amongst other things

> *include a perceived unwillingness of commercial farmers to offer quality land to the state, inflated land prices, the lack of accredited valuation institutions resulting in prolonged negotiations and the cumbersome provisions of the Commercial (Agricultural) Land Reform Act of 1995*[32] *.*

Other factors that have hampered the implementation of the programme include the lack of adequate funding and a critical shortage of skills. These are the issues that the Namibian Government has to address to avoid a tinderbox situation that characterised Zimbabwe in 2000.

Although Dr Werner does allude to the issue of the slow pace of land delivery being in part a function of the willing-buyer/willing-seller principle, nowhere in the paper does he provide a clear conceptual definition of this principle. Furthermore, he is also silent on the debates surrounding the efficacy of this principle in the redistribution of wealth and power in agrarian societies. In the debates regarding the efficacy of the willing-buyer/willing-seller principle in dispensing redistributive justice to the poorest of the poor, there is a view, which holds

> *that in the market-led redistribution, the state works to correct for any market failures that exist (in land, capital, etc), and then stands back and allows the market mechanisms to drive the more efficient distribution of land*[33] *.*

This is a *laissez-faire* approach to the redistribution of wealth and power in the rural political economy. There is also a Statist argument surrounding the concept of willing-buyer/willing-seller. The proponents of the Statist approach to land tenure reform within market framework anticipate a significant ongoing role of the State in the form of the provision of capital to the willing buyers amongst other things[34]. Within these two perspectives, three levels of debates have ensued regarding the willing-buyer/willing-seller principle. At one level,

> *the debate concerns the question whether market mechanisms are preferable to non-market methods in pursuing the redistribution of land*[35..]

32 Werner, op cit, p. 22.
33 Ibid, p 1.
34 Ibid, p 1.
35 Ibid, p 1.

At another level, the debate has been about the efficacy of the market-based approaches in improving the quality of life of the poor, especially in the light of the various market imperfections that almost automatically discriminate against the poor. For example, it is argued that

> *those having acquired land through some sort of redistribution are likely to end up forfeiting it because imperfections in the capital markets are such that they are not able to use the land as profitably as would otherwise be possible*[36]*.*

Finally, at a much more fundamental level, the debate is also about

> *whether the introduction of a market-oriented approach is an arbitrary legitimisation of the status quo pattern of land ownership- i.e. it presumes the assertion of property rights to existing property owners, regardless of the dubious means by which the land came into their ownership in the first place*[37]*.*

Citing, Jeffrey Riedinger et al, 2000, Michael Aliber and Reuben Mokoena argue that an epic moment in these debates was reached at the International Conference on Agrarian Reform and Rural Development (ICARRD), held in the Philippines in December 2000. Jeffrey Riedinger presented a paper at this conference in which he came to the following conclusions:

. A market —based approach to agrarian reform will redistribute little land and benefit few landless families.

. A market-based approach to land reform is likely to be unaffordable to the would-be beneficiaries because the market value of land exceeds the agronomic value of the land.

. If implemented, large-scale market-based agrarian reform will drive up land prices, effectively excluding poor farmers from the benefits of reform.

. Would-be beneficiaries of market-based agrarian reform lack access to affordable private credit markets to finance their share of the land cost.

36 Ibid, p 2.
37 Ibid, p 2.

. The empirical record of market-based reforms offers little evidence that this approach will result in rapid or significant redistribution of land.

. Uncertainty in the agricultural sector can best be addressed by a clear commitment to rapid completion of conventional — compulsory acquisition-based-agrarian reform[38].

3.3 The Issue of the Criteria for Participation in the Tenure Reform Programme as a Beneficiary

The question of who is entitled to participate in the tenure reform programme in Namibia is a crucial one because amongst other things it has a bearing on the extent of land tenure reform in terms of the numbers game. In Namibia, one qualifies to participate in the programme on the basis of falling within the definition of previously historically disadvantaged Namibian as well as on the basis of one s lack of access to land. On reading Dr Werner s paper, it appears that no importance is placed on a discriminatory criterion. Income or class as a criterion for participation in the land reform programme is not a determinant. The implication of such a broad-based approach to beneficiary participation in the land tenure reform is that both the haves and the have-nots qualify to participate in the programme. If the objective is provide land to the tenure reform beneficiaries and particularly the poorest of the poor in order to reduce poverty envisaged in the Poverty Reduction Strategy, a policy and legislative approach that does not discriminate on the basis of income and class within a category of people dubbed previously historically disadvantaged Namibians is destined not to meet the needs of the poorest of the poor in Namibian society. Such an approach is likely to benefit the rich at the expense of the poorest of the poor with the result that the gap between the rich and the poor will increase exponentially.

It appears that the rich in the private and public sectors qualify for land allocation as long as they demonstrate a land need and also fall within the definition of the previously historically disadvantaged population. To what extent can such a broad approach to the question of the definition of a tenure reform beneficiary lead to the poorest of the poor (the San community, demobilised soldiers, the displaced, the destitute, people living with disabilities and persons from the overcrowded communal land areas) benefiting in reality and in practice from land tenure reform contemplated in the Land Reform Act and the National Resettlement Act? Although

38 Ibid, p 3.

the land tenure reform beneficiaries with more than 150 large stock units are excluded from participation in the resettlement programme, it is possible that such people have also benefited from the resettlement programme at the expense of the poorest of the poor in the absence of any monitoring and enforcement mechanisms. Given the opportunities that exist in this programme for the haves in the Namibian society to benefit disproportionately from the programme in relation to the have-nots, a discriminatory criterion should be factored into the selection processes.

In South Africa, LRAD offers grants to previously historically disadvantaged persons. The LRAD gives grants on a sliding scale with the effect that those with other resources getting access to a bigger grant. The poor by virtue of their station in life remain at the lowest point of the sliding grant system. Both the Namibian and South African approaches to land reform are flawed in that in terms of the income criterions, the poorest of the poor are not necessarily the targets.

Over and above purchasing land and allocating such land to the broad categories of tenure reform beneficiaries, the tenure reform programme in Namibia also seeks to bring about an improvement in the standards of living of the previously historically disadvantaged persons by transforming the large scale commercial farm land into small-scale units. The National Land Policy makes provision for the subdivision of large scale farming units into smaller but economically viable units. It is unclear what an economically viable unit is. In South Africa, there is an ongoing debate in respect of the LRAD regarding the issue of an economically viable farming unit. Although there is an attempt by the Namibian Central Bureau of Statistics to provide guidance on this issue, this question is dependant on a variety of factors e.g., type of enterprise, quality of land (soils, grasses and rainfall) Skills, the list is endless. Using these guidelines, it is unclear from Dr Werner s paper what constitutes an economically viable farm size in Namibia.

3.4 The Situation of Farm Workers within the Namibian Land and Agrarian Reform Programmes

There is no indication in Dr Werner s paper of why there is no specific programme in Namibia, which targets farm workers specifically. It appears that there are no advocacy groups lobbying for the inclusion of the issues affecting the farm workers into the broader tenure reform policy. In South Africa, the Non-governmental organizations (NGOs) that represent the interests of farm workers and labour tenants are in regular contact with government and often add richness to the debate that would be otherwise missing. The experience in South Africa is that if the issues of farm workers are left to the redistribution programme as currently constituted, they get left behind or forgotten about. In the context of the existing tenure reform programme in South Africa the State has introduces legislation, which is specific to farm workers and labour tenants. The programme looks at and tries to address the issues, which lead to illegal evictions, joblessness and landlessness among farm dwellers.

The response to the crisis in the Omaheke Region seems which was to follow the recommendations of the Commission of Inquiry into Labour-related Matters Affecting Agricultural and Domestic employees seems to be a step in the right direction. However, in the absence of a clear programmatic approach from government, the well-intentioned recommendations from this Commission could have a negative impact on the lives of farm dwellers. For example, one of the recommendations cited relates to the government considering purchasing privately owned land in selected areas for the resettlement of currently employed or retired agricultural employees and their dependants[39]. The South African experience has been that the focus on tenure reform for farm dwellers often is narrowly on the need for residential security and leaving out any livelihood issues. The South African experience has shown that farm workers or farm dwellers are in need of more than a residential site, but also access to productive land. Access to productive land will give the rural poor an opportunity to engage in mixed livelihood activities that allow them to supplement their household nutritional needs and/or continue to provide their labour to commercial farmers.

The recommendation that loans be made available to agricultural workers to buy into going concerns has risks. The agricultural workers are best protected if their tenure rights are separate from the business concern. If this is not done the workers will be left landless and homeless if the business fails. The allocation of State land should only be considered if it is nearby or adjacent to commercial agricultural land. In South Africa, most of the communal land areas are not situated near productive commercial farms. Offering State land to farm workers therefore, takes them far away from agricultural employment. If workers want to remain with their families, have access to some productive land, and also have the option of providing their labour in the agricultural sector, then they will have to be given land that is situated in these areas, not in remote areas that forces them to travel long distances for farm employment and to become tenants on commercial farms.

39 Werner, op cit, p.20.

In the absence of a clear programmatic approach to land rights for farm dwellers, it is impossible for any government to adequately address the complex issues and develop appropriate policy and legislation to guarantee that this vulnerable group is not left out of tenure reform.

SECTION 4: DR WERNER S STRATEGIC OPTIONS FOR DEALING WITH THE APARTHEID LEGACY IN THE LAND AND AGRARIAN SECTORS

It is abundantly clear that Riedinger et al have no faith in the market-based land and agrarian reforms. It is within the context of these debates and the position taken by Jeffrey Riedinger et al on the efficacy of the market-based mechanisms in facilitating the redistribution of wealth and power in agrarian societies, that Dr Werner s discussion regarding the slow pace of land delivery to the previously historically disadvantaged Namibians and the presentation of the strategic options should have been located.

Without giving the reader the benefit of engaging with the arguments presented in the debates, Dr Werner goes on to present a number of strategic options aimed at dealing with the slow pace of land delivery in Namibia. The following are some of the options examined and analysed in Dr Werner s paper:

. encouraging the subdivision of commercial farms; use of town lands to provide for future expansion of towns;

. decentralisation of land acquisition and resettlement;

. settler selection and access to off-farm income; financial support;

. joint venture partnerships; capacity building; and monitoring and research.

Of the eight strategic options Dr Werner examines and analyses, only four of these are relevant to the discussion related to speeding up land delivery to the land tenure reform beneficiaries. The strategic options in question relate to the need to encouraging the subdivision of commercial farms; using town lands to increase access to land; the provision of joint venture partnerships; and decentralising land acquisition and resettlement.

Each of the strategic options presented by Dr Werner is examined and analysed in the discussion that follows.

4.1 The subdivision of Commercial Farms

Dr Werner is of the view that one way of making land available on the market is by way of subdividing white commercial farmland in Namibia. This is also motivated by the philosophy articulated by R Schumaker that small is beautiful. This allows the benefits of agriculture to be shared amongst large numbers of people in an equitable and sustainable manner. While the subdivision of commercial farms may have this effect, in the Namibian agro-ecological and climatic conditions, it is clear that such a proposal is an enemy of the of the economies of scale. There is also the vulnerability of small-scale farms to drought in Namibia that has to be taken into account. Since drought is a permanent feature of the Namibian agriculture, small-scale farms are unable to pursue several strategies to cope with drought. In the Namibian agro-ecological and climatic conditions, small is not necessarily beautiful. It could have disastrous consequences for the socio-economic development of the land tenure reform beneficiaries.

The subdivision of commercial farms could have an unintended consequence of fragmentation of land unless there are strict controls. Fortunately, the sub division of commercial farms in Namibia is still governed by the Sub-Division of Agricultural Land Act, 1970 (Act No. 70 of 1970). The Act requires that the Minister of Agriculture has to give consent before a subdivision of a land can take place. In effect, the Act optimises the minimum size of land. Despite the existence of this Act, sub division by inheritance in terms of customary law may continue to take place. This is the most natural process by which land in agrarian societies becomes subdivided. The sub division of land by inheritance could lead to a situation where there are sub-economic units of land that cannot be used to generate wealth, employment opportunities as well as income earnings.

The efficacy of this strategic option in accelerating asset redistribution is questionable. In any case, commercial land has to be obtained in the market place on a willing-buyer/willing-seller principle before it can be subdivided and allocated to a number of tenure reform beneficiaries. One has to remove whatever constraints have existed in the past thirteen years militating against the accelerated land delivery before considering the issue of the subdivision of commercial farmland. Furthermore, given the unfavourable agro-ecological and climatic conditions obtaining in Namibia, it would not be a prudent policy to subdivide commercial farmland willy-nilly.

4.2 The Use of Townlands Option as a way of Increasing Access to Land

Dr Werner is also of the view that the use of townlands can go a long way towards increasing access to land by the previously historically disadvantaged Namibians for the purposes of improving their quality of life. He argues that there are approximately 350 000 hectares of land registered in the name of municipalities. Most of this land is fairly well developed into grazing camps and stock watering points. Currently, this land is leased to stock farmers for grazing purposes on a tender basis. Although the target population for this strategy is the urban poor, it is not immediately clear whether the beneficiaries of this strategy will be collectives or groups or individuals. Since the focus of this strategy is the urban poor, by implication the rural poor are excluded from benefiting from the provision of access to land in terms of the townlands strategic option. The exclusion of the rural poor from this strategy seems to contradict the policy providing for urban development in the next twenty-five years. However, the exclusion of the rural poor from this strategy is probably

called for otherwise the inclusion of the rural poor would lead to rural-urban migration. Assuming that there was an open policy, the amount of land available for allocation to the beneficiaries is not sufficient to meet the demand for land. The townlands approach to asset redistribution is a possible option. But it is limited way of increasing access to land for the benefit of the previously historically disadvantaged Namibians. It can only contribute minutely to the reduction of the 36.2 million hectares of land currently in the hands of the white landowners.

4.3 The Joint Venture Partnerships in Land-based Enterprises as a Way to Increase Access to Land

The implementation of joint venture partnerships is also proposed as a possible strategic option in the efforts to speed up land delivery to the previously historically disadvantaged Namibians. According to Dr Werner, joint venture partnerships are mechanisms for the participation of workers as co-owners of land-based enterprises. In South Africa share equity schemes have been developed to achieve a similar purpose. In South Africa, in terms of the share equity schemes, the farm workers are enabled through the governmental grant system to buy into an ongoing land-based business enterprise. The grant given to the farm workers is used to purchase shares in the enterprise in question.

In practice a number of problems have surfaced in South Africa in the opreationalisation of the equity share schemes. Although technically, the farm workers are equal partners in the enterprise with the former enterprise owners, the latter have tended to treat the former farm workers as ordinary farm workers to be used to enrich the white enterprise owner. Notwithstanding the partnership that has been created, in practice it has been business as usual. Experience gained in South Africa shows that the former white enterprise owners have not imparted business and management skills to former farm workers who are now co-owners of the land-based business enterprise. To the extent that this has been the case, the share equity schemes in general have not been the viable mechanisms for socio-economic transformation in favour of the former farm workers.

The relationship between the former white land-based enterprise owner and the former farm workers has been in general unequal from the point of view of the benefits arising from the enterprise as well as the provision of the necessary skills to run the enterprise. There have been cases in South Africa where the former white enterprise owners have walked out of the partnership leaving the former farm workers vulnerable. Lacking in the business and management skills, such enterprises have tended to collapse. Where loans have been obtained from financial institutions, the latter have sequestrated the land-based enterprises leaving the former farm workers landless and with no means for generating a living. Given such an experience, the joint venture partnerships can hardly be taken seriously as vehicles for speeding up access to land for the benefit of the previously historically disadvantaged Namibians.

4.4 The Decentralisation of Land Acquisition and Resettlement as a Way to Speed up Land Delivery

The decentralisation of land acquisition and resettlement is proposed as yet another strategic option that can facilitate the speedy delivery of land in Namibia. According to Dr Werner, the current processes of land acquisition remain highly centralised. The decentralisation of land acquisition and its allocation to the beneficiaries in this manner is likely to accelerate the process of asset redistribution. It may also facilitate a better match between the available land and the needs and expectations of the prospective settlers as well as the increased involvement of the beneficiaries in the planning and implementation of their own resettlement. It is conceded that this option is

only feasible if more resources are made available to the Ministry of Lands, both financial and technical[40]*.*

40 Ibid, p 27.

This option is indeed endorsed in the light of the direction South Africa has taken in the last two years towards decentralising the implementation of land tenure reform.

If the position taken by Jeffrey Riedinger et al at the ICARRD in December 2000 is anything to go by, it is abundantly clear that the pursuit of the suggested strategic options would have a minimal impact in speeding up land delivery to the poor in Namibia. The options only provide a palliative solution. They all operate within the framework of a market-based agrarian reform that Riedinger et al have condemned[41]. This suggests that non-market mechanisms such as expropriation of the land belonging to the landed gentry coupled with the payment of just and equitable compensation or in Riedinger s terminology-the compulsory acquisition-based-agrarian reform, may enable Namibia to get out of the quagmire of the slow pace of land delivery to the previously historically disadvantaged Namibians.

The other strategic options dealing with financial support, capacity building and monitoring and research that Dr Werner examines and analyses have nothing to do with the speeding up of land delivery to the previously historically disadvantaged Namibians. These strategic objectives are only necessary to support asset redistribution. Once land has been acquired from the white landowners on a willing-buyer/willing-seller principle and allocated to the land tenure reform beneficiaries, the financial support, capacity building and monitoring and research kick in to provide the necessary support in the generation of wealth, employment and income opportunities for the wretched of the earth to use Frantz Fanon s concept.

SECTION 5: OTHER POSSIBLE OPTIONS THAT COULD BE USED TO DEAL WITH THE APARTHEID LEGACY IN THE LAND AND AGRARIAN SECTORS

Apart from the strategic options presented in Dr Werner s paper, what other options can be explored to facilitate the speeding up of land delivery to the previously historically disadvantaged Namibians? The following options also needed to have been explored in Dr Werner s paper:

. the implementation of a solatium option; the expropriation of commercial farmland; and the land invasions by the wretched of the earth

41 According to F Kuhnen, 1982, agrarian reform can be defined as a bundle of measures for overcoming the obstacles to economic and social development that are based on the shortcomings in the agrarian structure. Agrarian reform includes both the conditions for land tenure (like ownership, lease etc) known as the reform of land ownership and those aspects of land use (like farm size, supporting institutions) called land management reform.

5.1 The Implementation of a Solatium Option

It is common knowledge that not every white landowner in Namibia is prepared to get out of the farming business at this point in time. It stands to reason therefore, that one of the options the Namibian Government can adopt is to consider making an offer the white landowners cannot refuse. This may take the form of paying the white commercial farm owners the market value of their land plus a minimum of 10 percent over and above the market value of the land in question. This is what is called a solatium option. This option is used in many countries including South Africa. The beauty of this option is that it can be operationalised outside the context of expropriation law. The effect of this option is that it creates the incentive for the white landowners to release land for the land tenure reform programme. It is not immediately clear from Dr Werner s paper why the Namibian Government has not considered the solatium option in its dealings with the white landowners in the past thirteen years. In the absence of such an incentive, there is nothing that will make the white landowners to voluntarily give up their farmland in order to provide land for the land tenure reform programme.

This option has fundamental problems that effect the essence of land tenure reform. Namibia cannot afford to pay a solatium to the landed gentry and still have a land tenure reform that will benefit a large number of landless and land needy persons. Tenure reform implies much more than the purchase of land or resale of real estate. Land tenure reform involves the redistribution of wealth and power in the rural landscape. Paying a solatium to the landed gentry in Namibia would be inconsistent with the major thrust of tenure reform dealing with the redistribution of wealth and power in the rural political economy. Furthermore, there may be problems with the operationalisation of the solatium option in the sense that the Government fiscus is always limited and it has to be utilised within the context of competing priorities. At the end of the day, it is up to the Namibians to decide whether or not this option will enable them to achieve their development vision as contemplated in the NDP 2 for the period 2001/2-2005/6.

5.2 The Expropriation of Commercial Farmland

It is interesting to note also that notwithstanding the statutory provision providing for the preferential right of the State to purchase commercial farmland and the expropriation of the white commercial farmland provided for in the Agricultural (Commercial) Land Reform Act, 1995, the speedy delivery of land to the land tenure reform beneficiaries has eluded the post-colonial State in Namibia. The statutory provisions alluded to above clearly empower the State to intervene in the land market. Why have these statutory provisions not been applied in the past thirteen years? Dr Werner s paper does not provide any clues at all on whether or not these provisions have ever been applied. There is virtually no discussion of the expropriation of white commercial farmland as a possible strategic option to the slow delivery of land to the tenure reform beneficiaries.

One would like to think that expropriation law exists in Namibia and that it is used many a time in the expropriating land for roads, parks and other public infrastructure. If this is the case, there is reason to believe that the same law can be used to expropriate white farmland with just and equitable compensation[42]. The content of the expropriation provisions must amongst other things provide for the legal classification as to which white commercial farmlands are subject to expropriation as well as the various criteria that condition their acquisition. The existence of this legal classification of the targeted land and the criteria for the acquisition of the land in question provide an accurate indicator of the potential reach of any land tenure reform law. However, it would appear that there is no legal classification of the commercial farmland to be targeted for expropriation in Namibia. Furthermore, there is no criteria guiding the acquisition of such land. In the absence of these, it stands to reason that there is no readiness or political will to use the expropriation provisions of the existing law as a means to acquiring land for land tenure reform purposes. If this is a plausible scenario, why should any white landowner sell their land when the Government is not in a position to compelling them to doing so? The white landowners are not desperate to sell their land and they can only do so if the Government is in a position to making an offer they cannot refuse. Alternatively, the white landowners can only part with their land through legal compulsion in the form of expropriation law that takes into account the legal

[42] In terms of the South African Constitution, just and equitable compensation refers to a compensation reflecting an equitable balance between the public interest and the interests of those whose properties are to be expropriated, having regard to all relevant circumstances, including - (a) the current use of the property; (b) the history of the acquisition and use of the property; (c) the market value of the property; (d) the extent of direct state investment and subsidy in the acquisition and beneficial capital improvement of the property; and (e) the purpose of the expropriation. In the formulation of section 25(3) of the Constitution of the Republic of South Africa, the drafters of this legal document may have been influenced by the fact that South Africa could not afford to base compensation for expropriated properties solely on their market value and still have a land tenure reform that will benefit a large number of landless and land needy persons. As seen from the discussion of the solatium option in section 3.2.6 of this paper, tenure reform implies much more than the purchase of property or resale of real estate. In essence, it involves the redistribution of wealth and power. In this case, the compensation of the expropriated properties solely on their market value is inconsistent with this objective.

classification of land to be expropriated and the criteria for expropriating such land.

In the absence any information on why the State has not used the available expropriation mechanisms to acquire white commercial farm land, anything that one says is speculative. However, it is possible that the expropriation option has not been seriously countenanced in Namibia notwithstanding the fact that there are over 120 properties earmarked for expropriation. There are problems associated with delays and costs. Furthermore, expropriation evokes negative connotations that make the politicians to be wary of venturing into a terrain where angels fear to tread.

Notwithstanding whatever problems exist regarding the use of expropriation mechanisms in Namibia, the mere presence of the expropriation provisions giving legal classification of land to be expropriated and the criteria for the acquisition of such land coupled with the State s obligation to pay just and equitable compensation could lead to a market situation where the white commercial land owners would be more willing to sell land at negotiated market related prices. The rationale for subjecting the white commercial farmland in Namibia to expropriation would amongst other things include the following factors:

. the unequal distribution of land along racial lines;

. the excess land not fulfilling a social and economic function[43] ;

. the corporate ownership of large tracks of land[44] ;

. the pending expropriation cases[45] ;

. the unauthorised sub-divisions of land[46] ;

43 In terms of this criteria of acquisition of land for land tenure reform purposes, all rural properties in excess of a particular size of irrigated land regardless of their efficiency would be expropriated.

44 This refers to all farms owned by corporations and legal persons.

45 This refers to properties over which expropriation proceedings are pending. In Namibia, according to news paper reports, there are about 120 properties targeted for expropriation. It is not immediately clear what the basis for targeting these properties for expropriation is.

46 This refers to sub-divisions of land that take place informally by the landed gentry in anticipation of expropriation laws. There could be properties larger than is socially acceptable that were subdivided informally before the enactment of the Agricultural (Commercial) Land Reform Act, 1995 by the landed gentry in Namibia to in order to avoid this law.

47 This refers to land that is abandoned or poorly exploited farms of any size, that is unutilised or underutilised farms.

48 These are farms owned by absentee land owners living in South Africa or Germany or elsewhere outside Namibia.

. the low productive land[47] ; and the absentee ownership of land[48]

If the legal classification of land to be expropriated and the criteria for the expropriation of white commercial farmland does not exist in the current land reform laws in Namibia, the Government would have to engage the services of lawyers, agronomists and economists to come up with the necessary legal requirements. The services of these professionals do not always come cheap.

The threat of expropriating the land so classified would thus provide the necessary incentives to white landowners to sell commercial farmland required for the purposes of land tenure reform to the State voluntarily. This would have the effect of increasing the numbers of farms offered to the land tenure reform programme by the white farm owners. With the presence of the expropriation provisions in the land reform law, any white land owner who is not willing to sell their land at all despite the fact that the land in question is needed for tenure reform purposes, would be more inclined to sell if they know that expropriation of their land is the only option available to effect asset redistribution in terms of the rationale for subjecting properties to expropriation and that the Government is committed and fully prepared to apply the provisions of the law without fear or favour. Furthermore, any white land owner who is willing to sell their land but at an inflated price, will know that in the event of any expropriation of their land, they would only be entitled to a just and equitable compensation as provided for in the Constitution and not necessarily to market prices although the market value of the land would form the basis for any transaction between the protagonists, that is the Government and the landed gentry. In this regard, the expropriation of commercial farmland for tenure reform purposes in Namibia would thus go a long way towards preventing the development of a tinderbox situation.

5.3 Encouragement of Land Invasions by the Wretched of the Earth to Effect the Redistribution of Wealth and Power

It is interesting that Dr Werner s paper is singularly silent on the issue of land invasion as a way to speed upland delivery in Namibia. There is a need to examine and analyse the efficacy of the land invasion or occupation approach as a strategy for dealing with the inherited institutional and structural legacies in the land and agrarian sectors in Namibia. Land invasions or occupations can have the effect of altering the wealth and power balance between the landed gentry and the wretched of the earth provided that there is a vanguard political party to canalise the aspirations of the wretched of the earth . International experience on this phenomenon shows that in instances where land invasions or occupations have occurred, nationalistic Governments have tended to prioritize those areas that have been illegally occupied in their land tenure reform agendas by bringing all the resources to bear on the event associated with the land invasions or occupations. However, from the perspective of the South African Government, land invasions or occupations are incidents, which are not part of the total strategy to effect wealth and other resource transfers in land and agrarian sectors from the privileged landed gentry to the wretched of the earth .

The land invasion or occupation approach distracts Government from its central vision of bringing about an orderly implementation of the constitutionally mandated land tenure reform programme. It interferes with the balancing act. The balancing act refers to the tradeoffs that need to be made in order to maximize the achievement of both the equity and production with growth imperatives. Time and resources are lost in this crisis management situation. This in turn sets a wrong precedent to all land hungry people, and those who are awaiting their turn in the queue. In effect, land invasion as an approach to speeding up land delivery prejudices those who abide by the law and reward lawbreakers.

SECTION 6: LESSONS FROM A COMPARATIVE PERSPECTIVE WITH THE IMPLEMENTATION OF LAND TENURE REFORM PROGRAMME

Namibia is certainly not alone in experiencing the slow delivery of land to the land tenure reform beneficiaries. From a comparative perspective, it is interesting to note a similar slow pace of delivery has punctuated South Africa s experience with asset redistribution between 1994 and 2003. What factors have impinged on the South African Government s ability to deliver land to the land tenure reform beneficiaries at scale? The discussion that follows examines and analyses some of the birth pangs experienced by South Africa in its implementation of the land tenure reform programme through the restitution of land rights and the land redistribution mechanisms.

6.1 The Implementation of Land Tenure Reform through the Restitution of Land Rights Mechanism

Table 1 shows the progress made to date in the implementation of the land tenure reform programme through the restitution of land rights mechanism.

Table 1: Land Claims Settled from 1995 to 2003

Fin Year	Claims	Households	Beneficiaries	Hectares	Total Awards Cost
1996/1997	1	350	2100	2420	5,045,372.00
1997/1998	6	2589	14951	31108	15,568,746.00
1998/1999	34	569	2360	79391	2,988,577.10
1999/2000	3875	10100	61478	150949	155,045,907.00
2000/2001	8178	13777	83772	19358	321,526,061.00
2001/2002	17783	34860	167582	144111	994,168,313.25
2002/2003	6809	21416	111759	89573	402,717,408.17
Total	**36686**	**83661**	**444002**	**516910**	**1,897,060,384.52**

Progress in the resolution of claims rose from only one claim settled during the financial year 1996/1997 to 17 783 claims in the financial year 2001/2002. In so far as the restitution of land rights of those who were dispossessed of their land and land rights by the colonial and apartheid State is concerned, the following factors have affected the speedy delivery of land to the respective beneficiaries:

. the long and burdensome judicial approach to the restitution of land rights;

. late lodgement of claims;difficulties surrounding the rural claims;

. exorbitant land prices and uncooperative white farmers; and

. protracted negotiations, disputes and mediation.

In addition to these inhibiting factors, the negotiations between claimants, the current white landowners and the government have tended to take too long a time. The issues, which take long to resolve, include the following:

. the agreement on the beneficiaries; the validity of the claim;

. the identification of rightful claimants;

. the extent of land (property description), land use, settlement and so on;

These are there fore, some of the factors that have contributed to the slow processing and finalisation of the restitution claims in the past nine years. The implementation of the land tenure reform through the land redistribution mechanism has similarly experienced some inhibiting factors. The discussion that follows examines and analyses some of these constraints.

6.2 The Implementation of the Land Tenure Reform Programme through the Land Redistribution Mechanism

Within the limitations imposed by the limited financial resources, experience, capacity and skills required to implement the land tenure reform programme, approximately 87,000 households benefited from the implementation of the tenure reform programme through the land redistribution mechanism between 1994 and 2001 both in terms of accessing land for settlement and the use of the land for production purposes. The figure of 87,000 households translates to 435 000 people based on the average family size of 5 persons per household . By the end of 2001, close to one percent of the country's total private agricultural land had been redistributed to 87, 000 households at a total cost of R959 143 174.00. The general picture that emerges from these figures is that a small inroad had been made towards reducing the white monopoly control of the 82 percent of the land surface of South Africa by the end of 2001. However, it needs to be noted that the numbers of people benefiting from the asset redistribution in a period of eight years remained relatively small.

In the first five years of the implementation of the tenure reform programme through the mechanism of the land redistribution, emphasis was placed on redistributing land to the rural poor. While the focus on the rural poor people had been largely successful, this approach neglected the development of black commercial farmers. Under the second African National Congress (ANC) government, the scope of land tenure reform programme has been broadened to include assistance to the black commercial farmers. The emphasis on the development of the black commercial farming class will not lead to the neglect of the rural poor. The beneficiaries of the programme in the main continue to be the farm workers, farm occupiers, labour tenants, the landless in general, the youth and women.

Since the end of 2001, with the accelerated implementation of land tenure reform through the mechanism of LRAD, there has been a phenomenal progress in asset redistribution. Over-achievement has been recorded in terms of the number of hectares delivered and the number of people assisted through LRAD during the 2002/2003 financial year. It is estimated that of the total number of persons resettled, 32,6 percent of the land tenure reform beneficiaries were from the marginalised groups such as the labour tenants and farm workers, who received approximately 22 474 hectares of land. The expenditure patterns during the past eighteen months were in the region of 97 percent of the total budget allocated by Parliament to the programme. Such an expenditure is indeed significant considering the fact that in the last seven years the Department of Land Affairs was not able to spend much of the budget allocated for this purpose. The expenditure patterns on the asset redistribution remained between 50 and 60 percent of the total budget allocated for this purpose between 1996 and 2000.

The implementation of the tenure reform programme through the land redistribution mechanism has been affected by a number of inhibiting factors such as the following amongst other things:

- lengthy project cycles and excessive bureaucratisation and centralization of the land acquisition and resettlement processes;

- unwillingness of owners to sell land to black beneficiaries;

- Government's lack of strategy to promote redistribution of land in areas with an active land market;

- lack of a "supply-led" land reform delivery system; and

- lack of high level capacity and skills to mention only a few.

Some analysts of the South African land tenure reform programme have argued that the operation of a land market in South Africa is a contributory factor to the slow land delivery. However, empirical evidence suggests that this is merely a perception and not a reality. There is no concrete evidence to support the hypothesis that the land market operations have an inhibiting effect on the speedy delivery of land in South Africa for the purposes of the land tenure reform programme. From a recent study conducted by M. Aliber and M.R. Mokoena (2002), there is an active and vibrant land market in South Africa. However, the asset redistribution activity in terms of the land tenure reform programme within the broader land market activity has been very low. Why has this been the case?

According to M.R. Mokoena and G. S. Thomas 2001 M. Aliber and M. R. Mokoena, 2002, the land market cannot be blamed for the slow delivery of land to the land tenure reform beneficiaries. One of the major factors accounting for the slow pace of land delivery within the context of the overall active and vibrant land market activity has to do with the lengthy project cycles which are a result of excessive bureaucracy and over centralization of the land acquisition and resettlement processes. The effect of this is that the applicants can often not take advantage of the good opportunities presented in the land market as a result of the bureaucratisation and centralisation of the processes. Hence the need for a decentralised system of land acquisition and resettlement. It is in this respect that the efficacy of Dr Werner s strategic option regarding the decentralisation of land acquisition and resettlement becomes salient. This strategic option is supported. The solution to this problem indeed lies in the South African experience lies in the decentalisation of the land acquisition and resettlement processes.

Other people have blamed the Constitution for the slow delivery of land. Whether or not the Constitution is a constraint to land reform delivery depends on one s ideological disposition. The principle of willing-seller-willing-buyer as set out in section 25(3)(c) of the Constitution has been perceived in South Africa as a constraint to the speedy delivery of land to the land tenure reform beneficiaries. In terms of this principle, the market value of property is determined by what any willing-buyer is able to pay to the willing-seller. In reality in South Africa, the principle of willing-buyer/ willing-sellerr in itself is not a constraint to land delivery per se in a situation where there is an active and vibrant land market. But, it is a constraint only in so far as the landowners are unwilling to sell land to the would-be land tenure reform beneficiaries at a price the beneficiaries can afford. Also, it is a constraint to the extent that it requires the financial, human and material resources to implement the land tenure reform programme.

The critics of the Constitution also point to the property clause as another inhibiting factor to the speedy delivery of land to the land tenure reform beneficiaries. In terms of the property clause in the Constitution, any landowner or any individual citizen can be deprived of property and any right in land only in terms of the law of general application. If property is expropriated in the public interest, the State is obliged to compensate the property owner or an individual citizen for whatever it takes. Section 25(3) of the Constitution sets out minimum criteria for the calculation of compensation. This minimum criterion for calculating compensation in the event of expropriation of any property has been confirmed in the recent decisions taken by the Land Claims Court. The Re Former Highlands Residents: Ash and Others v Department of Land Affairs, LCC 116/98 and Khumalo and Others v Potgieter and Others, LCC 34/99 are cases in point.

It has to be noted that the Court has taken a conservative approach in these cases in the determining the market value as a starting point for the calculation of compensation. However, it has discounted the market price by taking into consideration other factors as set out in section 25(3) of the Constitution. The principle is that compensation will not exceed the individual s own personal investment in the land. In this regard, the Constitution per se is not a constraint to the speedy delivery of land. However, meeting the requirements of the Constitution does result in financial, human and material resource constraints. These financial, human and material resources constraints affect the speedy implementation of the land tenure reform programme whether in terms of the restitution of land rights or the land redistribution mechanisms.

It is abundantly clear therefore, that the Constitution of the Republic of South Africa measured in terms of the operationalisation of the willing-buyer/willing-seller principle or the property clause is not a real constraint to the speedy implementation of land tenure reform. This is so from the point of view of the operation of the rule of law. The Constitution provides for an enabling environment for the implementation of an orderly land tenure reform programme. It requires that all interests should be balanced. In this regard, it provides for a balancing act in a situation where there are competing interests. It does not pose insurmountable constraints with regard to the issue of calculating "just and equitable compensation", as it clearly sets out a formula with various options and factors to be taken into account. The Constitution does not ignore the rights of individual citizens or place the responsibility for the implementation of land tenure reform on their shoulders. On the contrary, it accepts the State s responsibility for the cost of implementing the land tenure reform programme. It can only be said that the Constitution is a constraint only against theft.

Outside the commercial privately owned land, the unencumbered land registered in the name of the State, has problems that affect the speedy delivery of land to the land tenure reform beneficiaries. The legal requirements dictate that such land should be valued when it is disposed of. This indeed imports the market value concept into the use of State land for land tenure reform purposes. This could therefore, in the same way be a constraint on land delivery. However, this constraint could possibly be removed by permitting the State to dispose of State land that is not needed for other State domestic purposes or land that is not already encumbered for land tenure reform purposes without having to place a value on it. The placing of value on State land imposes an additional financial, financial and material resources burden on the State.

Furthermore, the South African experience with the implementation of the land tenure reform programme demonstrates that when the State intervenes in the land market on behalf of the wretched of the earth there are price hikes. The price hikes add another constraint to the "willing-buyer-willing-seller" approach. When the price of the land becomes a deterrent as a result of the State s intervention in the land market or the collapse of negotiations around the price of the land, what other options have been available to the State? The State in South Africa has at its disposal, the expropriation as a mechanism for implementing land tenure reform. However, the expropriation provisions in the Expropriation Act of 1975, the Constitution as well as in the other land tenure reform laws have not be utilised in practice to date to effect the wealth and power redistribution in the rural political economy. Why has this been the case given the slow pace of land delivery in the past nine year?

This is so for the following reasons. The State in South Africa does not wish to coerce its citizens to achieve particular objectives. As a matter of policy, it prefers to negotiate with individuals in order to achieve a particular outcome. This is a sensible policy because the State does not want to play the role of big brother. The State has also preferred not to get involved in legalistic debates and formalistic defenses that are often raised about whether or not the State is entitled to expropriate the properties of its individual citizens. In this regard, the State has come to the conclusion that to negotiate around the prices of land in order to implement an orderly land tenure reform programme is the correct thing to do. In the South African experience, the State considers this to be a cost-effective way of implementing the constitutionally mandated land tenure reform programme.

However, the only instance where expropriation of property of the landed gentry has been countenanced is in the Boomplaats restitution of land rights case in Lydenburg District, in the Mpumalanga Province. In the Boomplaats case, the Minister for Agriculture and Land Affairs withdrew the notice of expropriation on the advice of the legal team acting on behalf of the Department. The reason for the withdrawal of the expropriation notice was that the notice itself was defective in that it included a portion of land, which was not under claim. Another problem that arose was related to the fact that the way in which the Department interpreted the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994) did not afford the Minister the necessary locus standi or powers to expropriate the land in question. In terms of the legal team’s interpretation of the Restitution Act, only the Minister of Public Works could expropriate the land in question and not the Minister for Agriculture and Land

Affairs. Serious shortcomings were also identified in the applicable legislative framework, where the Expropriation Act of 1975 which is administered by the Department of Public Works in cases of expropriation for a public purpose, was found to be inapplicable in land reform cases where expropriation would be required in the public interest as provided for in the Constitution.

Beyond the threat of expropriation used in the Boomplats restitution of land rights case, no extra-legal methods have been contemplated or actively encouraged by the State for the purposes of facilitating the speedy delivery of land to the land tenure reform beneficiaries. There were sporadic instances of land invasion that were reported on in the press in the year 2001. These instances of land invasion were related to the following:

> *the burning of cane-sugar fields in Kwazulu-Natal where a land claim had been lodged and still needed to be resolved, the threatened land invasions in the Wakkerstroom district in Mpumalanga; and the Kempton Park land invasion to mention only a few of such instances.*

The instances of land invasion that occurred during the year 2001 were not State sponsored extra-legal methods to deal with the slow pace of land delivery. These and a few other cases of land invasion were however, sporadic incidents and have not been large-scale orchestrated "tinderbox" events. In all such instances, the rule of law has prevailed.

What else has the State in South Africa done to deal with the inhibiting factors to the delivery of land to the land tenure reform beneficiaries? In order to overcome the problems experienced in the South African land tenure reform programme, the State is developing a pro-active land acquisition strategy amongst other things. This pro-active land acquisition strategy is to be utilised by the State where it seeks to purchase land up-front in the market place for allocation to the identified beneficiaries. This means that the State will no longer rely exclusively on the demand-driven approach to the implementation of land tenure reform programme. The State now seeks to complement the demand-driven approach to the implementation of the land tenure reform with a supply-driven approach.

The State is also currently reviewing the expropriation legislation. To this end, the Expropriation Act of 1975 and the Restitution of Land Rights Act, 1994 (Act No. of 1994) are currently under review. The expropriation Act was promulgated in 1975 and as such it is out of line with the constitutional order in so far as it does not refer to public interest as contemplated in the Constitution in the justification for any expropriation of property. In order to make the Expropriation Act to be in line with the new constitutional and democratic order, amendments to this Act are being considered. Section 42D of the Restitution of Land Rights Act is being amended in order to empower the Minister for Agriculture and Land Affairs to deal with the problems experienced in the land delivery. In so far as the principal Act is concerned, it is being amended by the Restitution of Land Rights Amendment Bill, 2003. Currently, this amendment Bill is in Parliament for consideration. The amendment to section 42D of the principal Act reads as follows:

> *42E. (1) The Minister may purchase, acquire in any other manner or expropriate land, a portion of land or a right in land for the purpose of restoring or awarding such land, portion of land or right in land to a claimant in terms of this Act or for any other land reform purpose.*
>
> *(2) Subject to this Act, the Expropriation Act, 1975 (Act No. 63 of 1975), shall with the necessary changes apply to an expropriation under this Act and any reference to the Minister of Public Works in that Act, must be construed as a reference to the Minister for the purpose of such expropriation.*
>
> *(3) Where the Minister expropriates land, a portion of land or a right in land under this Act, the amount of compensation and the time and manner of payment shall be determined either by agreement or by the Court in accordance with section 25(3) of the Constitution.*
>
> *(4) The rules of the Court made under section 32 shall govern the procedure of the Court in the determination of compensation in terms of subsection (3)* [49]*.*

It is hoped that this amendment to section 42D of the Restitution of Land Rights Act will provide an enabling environment for the speedy delivery of land to land tenure reform beneficiaries. Learning from a sister country, Namibia may want to have a similar expropriation provision in the Commercial (Agricultural) Land Reform Act of 1995. However, such provisions are meaningless if there is no willingness by the powers that be to apply the law in order to achieve the stated objectives of land tenure reform.

49 Republic of South Africa, Restitution of Lands Rights Amendment Bill, [B42-2003], p3

The implication of the policy developments around the pro-active land acquisition strategy and legislative amendments relating to the expropriation provisions is that the Government has to provide adequate financial, human and material resources to enable the land to be delivered at scale to the land tenure reform beneficiaries. For the Department of Land Affairs, through the mechanism of a willing-buyer-willing-seller to deliver land on scale and to provide the entire support infrastructure, it needs ernoumous resources for this purpose. It is expected that 30 percent of white commercial farmland will be redistributed over a period of 20 years. If the Department had to deliver at scale, it would need to have more money than is currently allocated for the acquisition of land. Currently, the land redistribution budget stands at R300 million per year. Delivery at scale would require that the Department receives between R800 000 to R1 billion a year if the set targets are to be realized. South Africa unlike Zimbabwe relies on its domestic resources to finance the implementation of land tenure reform. The budget is thus a critical variable for the success of the implementation programme in South Africa. As long as the Department of Land Affairs operates on the basis of the current budget, delivery at scale in order to reach the stated targets will remain an illusive goal. Despite the fact that the South African land tenure programme is implemented in terms of the rule of law, if delivery on the ground does not meet the landless peoples need for land for various purposes, one cannot rule out a situation of the radicalization of the landless persons in the near future.

Conclusions and Issues emanating from the Symposium Research Department

Conclusions

Namibia is one of the richest countries in Sub-Saharan Africa in terms of its GDP per capita, almost four times the average for Sub-Saharan Africa. However, poverty seems to be highly prevalent in Namibia mainly due to the high income inequality (as measured by the Gini coefficient of 0.67). Furthermore, the dimensions of poverty vary by region and it is allways more severe in rural than urban areas. It is interesting to note that all the papers presented were in agreement that the Namibian government had made considerable progress in devising policy initiatives aimed at managing poverty reduction and income distribution in the economy. However, empirical evidence indicates that some policy responses were not implemented properly and at times not thoroughly researched. Moreover, the lessons that government should note is that policy implementation is an all-inclusive process that has to be done in a coordinated fashion. In particular, policy makers should pay close attention to specific issues such as objective of policies, timeframe, targets and outcomes.

The following policy issues emanated from the symposium

Globalisation and its impact on poor nations

With the advent of globalization, developing countries are forced to open up their economies and expose their local industries to competition from foreign established companies. In other words, it has become difficult in terms of global trade rules for developing countries to protect their local small industries for too long against foreign domination. Thus the extent to which developing countries could use import substitution policies is currently limited. However, developed countries still protect their agricultural industries by means of subsidies against developing countries exports despite international pressure on developing countries to open their markets. This dilemma has shifted the international trade debate as to whether import substitution could still be a viable option as a industrial promotion policy for developing countries. The consensus here was that selective protection of small-scale industries is still possible and necessary under the global trade rules subject to reasonable period of learning rather then broad-based and indefinite protection.

Against this background, it is suggested that Namibia should explore selective small scale industry protection policies aimed at import substitution similar to the experiences of China and Vietnam. These countries have successfully reduced poverty by protecting their selected small scale industries and gradually removing trade barriers to expose their local industries to international competition at a stage when they were ready and able to compete.

Fiscal Policy in particular the tax system as a poverty reduction and income distribution strategy

Namibia s tax revenue as a percentage of GDP is currently between 25-30 percent exceeding the IMF benchmark of 20 percent. It is also worthwhile to note that the Namibian government has successfully introduced pro-poor tax breaks to people with earnings below a certain level. This implies that Namibia has less room for raising additional revenue through taxes that can be used for poverty reduction programs. However, a closer scrutiny reveals that the tax system is generous (concessionary) towards corporate (big companies and therefore perpetuating the wealth in the hands of the rich. Similarly, the tax rate on individuals on average declines sharply (or increases slower) as it reaches the upper income bracket (higher earning individuals). This is contrary to what is expected from a progressive tax system.

Besides its tax system, the government could also enhance the procurement policy to promote small scale industries by procuring their supplies from these companies or alternatively only from big companies that have subcontracting arrangements with small scale companies. This implies that Government should use it expenditure to promote growth. Government could also introduce skills and development levies that compel companies to train individuals.

Social safety nets in Namibia

The Namibian government spends a significant portion of its national budget on social services (Health and Education) mainly aimed at reducing poverty. However, the type of safety net programs in Namibia is very few and at times not specifically targeted towards the poor. The most important social safety net program aimed directly at the poor in Namibia is the old age pension, which is at N$250 per month. Other host of different social safety net programs such as disability grants, selective child and income support, which exist in Namibia, are not known to the wider least fortunate public. The recommendation on social safety nets is that Namibia should explore well-targeted additional social safety net programs aimed at the poor and create awareness on the availability of these programs.

Land and tenure Reform as a strategy for poverty reduction and income distribution

Land reform is widely regarded to play a major role in alleviating poverty in Namibia. It is argued that the patterns of poverty in Namibia mirror the unequal distribution of land. However, in official government documents i.e. NDP2 and Poverty Reduction Strategies, very little is mentioned about the use of land reform as a long term strategy in alleviating poverty and reducing income inequality. Similarly, the progress on land reform has not been very encouraging thus far mainly because of low land acquisition targets set by government and also the lack of sufficient resources set-aside for the purchasing of land. More-over, resettled farmers and affirmative action loan beneficiaries have not been very successful in establishing themselves as commercial farmers due to lack of adequate support structures and after care services i.e. access to loans for livestock, training and skills development, marketing and research etc.

The challenge therefore facing Namibia is to provide the enabling environment for the newly established farmers to succeed and at the same time making access to commercial land easier for prospective commercial farmers from the communal areas. There are various strategies proposed for achieving these twin goals. One of the strategies is to address the tenure reform in non-freehold areas in order to enable farmers to use tenure security for accessing bank credit. Another strategy is also to allow farm workers to participate as co-owners of land based enterprises by forming joint ventures with their employers. Government should also review the current qualifying requirements for Affirmative action loans and resettlement programs to ensure that it is pro-poor.

Another critical issue that was strongly emphasized was the selection criteria for resettlement program. The concept of historically/ previously disadvantage was found to be very broad and inclusive of all, in respect of income levels attained. There is a need to specifically target the current poor people and the unemployed.

Impact of HIV on poverty

Various studies have acknowledged that the impact of HIV-AIDS on different sectors of the economy has a regressive effect on poverty reduction. Moreover, the empirical evidence show that the impact seems to be more severe on smallholder agriculture which relies almost exclusively on family labour, which is one of the most important factor of production the poor people depends on. HIV-AIDS induced morbidity and mortality that constitute a serious threat to smallholder agriculture through its adverse effects on household demography, productive capacity and food and livelihood security. At the household level HIV-AIDS increases the vulnerability of rural families and communities to food and livelihood insecurity and pushes many of them to impoverishment through loss of young adult on and off farm labour leading to a decline in production; decline in income causing a decrease in food consumption, increased drop-out among school children and poorer health status; dramatic rise in expenditures for medical treatment and transport and funeral costs and others. It is also worth to note the national impact of HIV/AIDS is devastating to all sectors of the economy, as the pandemic reduces the productivity of the labour force in all the sectors of the economy. Given the high levels of poverty and infection rate of HIV-AIDS in Namibia, there is a need to assess the various consequences of the pandemic on the poor people and the economic sectors in the country. Furthermore, there is a need to strengthen programmes and policies aim at reducing the prevalence of HIV/Aids in Namibia.