

*BANK OF NAMIBIA*



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Growth, Income Inequality and Poverty Reduction  
in Namibia

*Dr Anne Epaulard*

Economic Diversification, Income Inequality and  
Poverty Allevation in Namibia

*Dr S Wangwe*

Comments on 'Economic Diversification, Income  
Inequality and Poverty Allevation' in Namibia

*Mr R L Ritter*

Fiscal Policy, Income Inequality and Poverty Allevation  
in Namibia

*Dr O A Akinboade*

Comments on 'Fiscal Policy, Income Inequality and  
Poverty Allevation in Namibia

*Research Department, Bank of Namibia*

Land Reform, Income Inequality and Poverty Allevation  
in Namibia

*Dr W Werner*

Comments on 'Land Reform, Income Inequality and  
Poverty Allevation' and 'Lessons to be learned from other  
African Countries Land Reform processes'

*Dr Siphon Sibanda*



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**BANK OF NAMIBIA**

**ANNUAL SYMPOSIUM 2003**

**POVERTY, INCOME INEQUALITY AND ECONOMIC DEVELOPMENT  
IN NAMIBIA**

**Edited by Research Department**

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' **Bank of 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.