

Black Economic Empowerment in Namibia and Its Relation to the National Economy

Presented at the

SME BEE LAUNCH OF PUBLICATION

**Organised by the
Joint Consultative Council of Namibia
(JCC)**

15 September 2005

By

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<http://www.nes.com.na>**

Mr. Moderator

Right Honorable Prime Minister, Dr. Nahas Angula

Honorable Deputy Minister of Trade and Industry, Mr. Bernard Esau

Honorable Members of Parliament

Distinguished Guests

Ladies and Gentleman

I have been requested to give you a brief insight on the much talk about topic titled Black Economic Empowerment (BEE) in Namibia and what it means within the context of economic development.

But before I do that eventually, allow me to inform you cordially that on behalf of the Namibia Economic Society, it is indeed our honour and pleasure to be associated as a co-publisher on this vital and important policy oriented publication that ensures to create a foundational research on BEE within the SME sector.

As you all are aware, the Namibia Economic Society (NES) overall constitutional objective is to promote greater economic awareness and to enhance policy

discourse on some key issues. NES research agenda comprises a wide range of interested issues that is aimed at contributing to the National Developmental goals of poverty reduction, job creation and balanced regional development which is amplified in NDP2 and Vision 2030.

Personally, I can only say that if we are serious about growing and developing the economy, that we consider SME development as the key central imperative and ensure measures to realise its eventual success and development in the future. SME growth means economic growth means poverty alleviation means private sector development means increased employment opportunities means cross cutting sectoral linkages be it from tourism to handicrafts to manufacturing.

But I will certainly leave this angle of thought to the Honorable Deputy Minister of Trade and Industry where he will amplify the role of SME and its relation to BEE.

My task is to talk about BEE and what it means for the Namibian economy. The need for BEE stems from marginalisation and exclusion of the majority of the Namibian people in the economic mainstream. What is then that we as Namibians and as government of today can do to ensure that this people partake into

the economy. Well, the answer is obvious, “*involve as much as possible more people within the economy.*”

We still have people who are without employment, now estimated at 35% of the total population. If we include those that are under-employed, this official figure would still be higher around 65%. We still have people who need minimum money to ensure bare basic livelihood of survival, whereas we have others who have a lot and are living the standards of the developed world. The latest official statistics shows that the richest Namibians comprising of 10 percent receives 65 percent of income. About half of the Namibian population (say 900 000 Namibians) are considered poor and has access to food and shelter at the same level as 1% of the rich Namibians.

Mr. Moderator

We are rich but we are poor. We have income levels of N\$14 000 per head in Namibia, but at the same time, there are those (white and black alike) who have average annual per capita income of N\$100 000 whilst there are many others who receives between N\$500 to N\$4 500.

Mr. Moderator, these statistics is not merely there to indicate the skewed ness in terms of resource endowment, entitlement and access in Namibia, but also reflects the exclusion of the majority of the population in Namibia at a macro level from assets,

capital, positions, and resources, be it tangible or intangible.

Hence, the challenge is, how does one ensure that we bring more people onboard. In other words, how do we get those people, the blacks that were excluded from the economic mainstream, from the developmental pillars and the resource allocation processes so that they can escape abject poverty and become economic agents worthy of change in the economy.

One essential vehicle to ensure this is through Black Economic Empowerment.

Mr. Moderator

What is BEE in Namibia?

Black Economic Empowerment (or *Swart Ekonomiese Bemagtiging*) is in essence just what the words encompass. It means economic empowerment of those people previously disadvantaged. BEE can thus be termed a vital and essential tool to encourage the process of wealth and employment creation through balanced opportunities for all Namibians to partake into a broad based economic transformation and development.

The definition of “black” refers to the previously disadvantaged communities and individuals that were

subjected most to exclusion in the historical past, including women and people with disabilities.

As there is as yet no formalized Black Economic Empowerment Policy and Law for Namibia, but is still been drafted, I may not concretely affirm the official uniform and written definition of BEE in Namibia. But from empirical experiences, the strategic policy thrust of BEE would be centered around six key pillars: *(a) direct ownership, management, control of enterprises and productive assets (b), SME enterprise development (c) human resource and skill development, (d) achieving employment equity, (e) preferential procurement or balanced tendering, and (f) corporate social investment in HIV/Aids prevention programmes and community development initiatives.*

Some of these key areas are already being addressed by government and the private sector alike, but is not as yet concretely approached as a coherent and deliberate strategy from a BEE point of view.

Even though there is no formal approach to BEE, we should however be mindful of what has happened so far using the name of BEE. In terms of management and control or ownership, during earlier days of our independence, we had BEE companies which are adequately well-represented in the fishing sector. During the latter part of the 1990's, some equity partnership agreements have been concluded with BEE partners in the financial services sector, mining,

hotel and catering, properties, manufacturing, and energy.

In terms of affirmative employment, according to the Employment Equity Commission Reports, the proportion of top managers who are black grew at a slow rate from 67% to 69% between 2001/02 to 2002/03, whilst middle management grew from 40% to 49%. These figures may indicate that empowerment in the workplace is continuing, albeit very slowly. But care should be taken that most of the top and middle management is however from the public service and the parastatals.

Currently, we are witnessing a situation of mushrooming investment companies who show initially as a measure of hope of extending black rule and ownership to companies. This is indeed evident whereby BEE companies that are being established has black directors on board and from an initial impression seem like genuine partners in representing the concept of BEE in Namibia.

The problem with these companies is that they become sort of a “fly by nite” companies whereby capital injection intended for the sustainable development of this companies tend to be redirected for personal use. In addition, these companies are increasingly been established with a sole view of netting in “quick bucks” for self enrichment.

Thirdly, the directors and investors alike of these companies do not simply want to take the “*road less traveled*” approach whereby its better to reap the fruits of the profits after the company has established itself but starts to eat from the root itself. In other words the capital intended to the company to get it off the ground seem to be squandered mercilessly. We as a nation need therefore to learn perhaps more about delayed gratification and reaping only what we are sowing and not “gupple up” what we ought to use in the first place to develop the companies that ensures a foundational example of the concept of BEE.

The profile of the directors and managers alike running these investment companies become also increasingly questionable in the sense whether they have the necessary qualification, expertise and experience to start a business venture. In other words, do any directors or managers for that matter have appropriate project management skills to get the company off the ground. If you are concerned about developing a chicken farm for example, you ought to read a lot first about chicken farming in general for example and employ a manager who may have some experience in that regard who also have a good sense of PEST and SWOT analysis of such a project venture.

The question that is now on everybody’s mindset is. Have we failed as economic agents the concept of

BEE. Does the latest developments inform us that we are not well equip to get this vital process off the ground. Are we as a nation now saying lets give up on the idea and start to look at alternatives of empowering our people.

The key is that there is still a need to empower people and I mean more people. The answer that I would like to provide to the question above is therefore *NO, we have not failed the BEE.*

Most of the failures we have witness recently in the name of BEE is that those investment companies rather resolved to take “short cuts” for self enrichment and aggrandizement. BEE remains an essential and vital tool for economic growth and development. The approach we need to take to make BEE a success lies in STRUCTURING BEE.

Firstly, we as a nation should be mindful where we want to take our economy forward. Do we want to become the Nigeria of today or of Singapore of tomorrow. We need to be mindful of moral values, integrity of knowing what is right and wrong and adhere to be visionary in one direction with a common purpose and a shared plan of action. Some people might say but that’s what we are doing with Vision 2030. I agree but some people pay “lip service” to the vision and simply use it to justify their ill gains in terms of black economic empowerment. That should not be the case.

Secondly, when we are in essence starting investment companies, start with some capital base to prove your worthiness. You may do this by saving or forming a investment club. These approach avoids the “moral hazard” problem of receiving just everything on a silver platter and squander it accordingly. Also I want to appeal to the business and corporate public sector to put in place tendering rule of investment companies having at least a reasonable collateral. This may also apply to the SME sector. The collateral may not be in capital only. It can also be qualification, expertise or experience of the black empower in the field that he or she wants to do business in. Or it could be even be a track record of moral and business integrity of the person.

Thirdly, Structuring empowerment requires businesses sense and I would appeal that investors who are ensuring capital provision do a background check adequately and also whether this may not be a “fly by nite” investment company.

Fourthly, its time to put in place understandable and well explaine empowerment charters. I do commend some sectors such as energy and mining who has taken the lead. But the charters can only work if you produce realistic scorecards that can govern the process of broad based economic empowerment for the sectors according to the pillars I have mentioned before.

Fifthly and most importantly, I call upon the government to finalise the black economic empowerment law and policy. I know we have setbacks and maybe the incentive of even talking about BEE has been drastically due to recent events. I can only say that to move BEE process forward, requires a legislative framework that lays down the ground rules of the BEE structuring process thereby ensuring also accountability and transparency on the part of the BEE agents. Having the law in place can actually provided disincentives for the “fly by nite” investment companies not to exploit the current loopholes of BEE and adhere to the concept of structured BEE.

Lastly, for any economy, sector, industry or organizations to grow, we need champions to drive the process forward. We have the Tokyo Sexwales and the Ramaphosa’s in South Africa. When you mention those names, of course negative comments come to surface like they are elites and is enriching themselves and is becoming billionares whereas the rest of the country is still in a poverty trap. Unfortunately, I have news for you. Broad Base Black Economic Empowerment can only be realized through Championing a Black Empowerment process. It is unfortunately the first phase of a successful BEE transformation. Having black people who serve as icons that they succeed in business is vitally important. Unfortunately this takes time and delayed but when we do support the likes of Akapandi,

Okalindis, Indongos, and Namundjebos who are trying their best to succeed in this hostile business environment, we may need to rally behind them as long as the process of doing business is ethical and has integrity to put black business on the map.

I am sure that there is potential in that regard. Such champions can open up doors for a broader scope of an black empowerment processes that involves job creation, rural development, urban renewal, poverty alleviation, specific measures to empower black women and the disabled, skills and management development, education, meaningful ownership, and access to finance for households and for the purpose of conducting business.

Of course the role of organized business such as NCCI and the government alike must have at its core a visionary purpose to accelerate real and effective empowerment. Recent BEE examples are hardly anything to classify it in that respect and hence we should strive to implement structured BEE in Namibia, of course within the framework of good corporate governance.

I thank you

Mihe Gaomab II is the President of the Namibia Economic Society (NES) who advocates tirelessly on BEE and SME development. He is also a Member of the NCCI standing Committee and on Black Economic Empowerment.