LETTERS

Dear Editor,

In your article on the latest IMF report on Namibia, you state that "The report is bad news for the BIG coalition". If the report indeed had unveiled bad news on the Basic Income Grant (BIG) front, it would be bad news for Namibia – not for the Coalition. Yet, before we jump the gun, let's look at what the IMF actually said and you might be surprised about the news covered under the usual IMF rhetoric.

The IMF's critique: The report states that the IMF "considered that the BIG could compromise fiscal sustainability". This consideration is based on so-called "staff calculations", which had put the cost for a BIG at 5.5% of GDP. "IMF staff calculation" sounds like serious and very sophisticated stuff, but after having recovered from this initial shock, it turns out to be rather simple, in fact oversimplified: The IMF simply did the following calculation: 1.9 million (number of people living in Namibia) multiplied by 12 (months) multiplied by N$100 = N$ 2.3 billion / 5.4% of GDP (calculating on a GDP of N$42.7 billion as given in the IMF report for 2006). These are admittedly the arithmetic of the gross costs of a BIG. The gross costs, however, are not very important from an economic and fiscal point of view. Instead the net-costs reflect the real costs government has to bear. To give an example: If the BIG is paid out with an income tax adjustment, the calculation looks as follows: 1.9 million people/minus the people in richest 40% of HH ~ 1/3 of people, who receive the grant but do not need it and pay it back through the tax adjustment / minus 10%, who receive a state pension/1.14 million x N$100 x 12 months = N$1.37 billion / 3.2% of GDP. Depending on your 'cut-off' point for the income tax and other measures like an increase in VAT or a combination of the two self-targeting mechanisms, the real costs for a BIG in Namibia would be between N$0.8 billion to N$1.4 billion. The Coalition had already pointed out this very mistake during a meeting with the IMF in November. The IMF delegation had agreed to redo their calculations. The sad news of this report is rather that the IMF bases its judgement on calculations already proven to be wrong.

Besides the above mentioned, one has to admit that the deliberations between the BIG Coalition and the IMF were surprisingly constructive. This also found reflection in the IMF's report. In long sections, the report reads like a motivation paper for the introduction of a BIG. The report finds that the "extreme inequality is mainly a consequence of the economic and social structures inherited from the apartheid period", that Namibia's "high incidence of poverty and a limited social safety net coincide with a need for catching up with respect to some MDGs". In order to address this urgent problem they propose a cash-grant system! Fair enough, they are against a universal grant system – and from the point of view of the Washington-based Bank maybe that would allow the poor a bit too much self-determination? The IMF now advocates a conditional cash grant system for Namibia, to which they pointedly do not add a price tag. Maybe because the financing could cause economic problems unlike the BIG? Further, one wonders why - when it comes to the poor – self-determination and cash transfers come with conditions? Why all of a sudden an interventionist approach, which says, government should pay you, but only if you prove that you are not working and you lose your grant the moment you start to work? What is so threatening about the idea? That a BIG gives everybody a basis from which to live and to work and does not withdraw its support the moment you actually become economically active.

The IMF points to Brazil as a possible role model in terms of its cash transfer programme. We could not agree more! The Bolsa Familia programme, which the IMF refers to, has in itself already universalised and replaced four previous fragmented cash transfer systems. It is currently extended to 11.2 million families. Moreover, the latest developments seem to have gone by unnoticed in the IMF's recommendations. President Lula has signed a law, which – while addressing the shortcomings of the current conditional cash-grant system – enacts the gradual implementation of a BIG in Brazil! Thereby Brazil is the first country to have taken this bold empowerment step for the poor. The question is, when is Namibia ready to follow this role model and introduce a BIG?

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