The head and the heart

The International Monetary Fund and Namibia's Basic Income Grant Coalition are publicly at loggerheads but the technical advantage seems to be held by the campaigners

The International Monetary Fund (IMF) has a mean reputation in this part of the world having been associated with the dreaded Structural Adjustment Programmes that followed the debt crisis of the 1980s, which have been credited, especially by those on the left, with deepening poverty in Africa. But at least the hard men of the Fund could comfort themselves that they based their policy prescriptions, however harsh, on sound and rigorous economic reasoning rather than woolly morality or outdated ideology.

In recent years the IMF has tried to shed its hard image and attempted to engage with governments and even NGOs on issues broader than just the soulless areas of the balance of payments or the money supply. In Namibia this change of approach has been led in recent years by the personable Johannes Müller who has raised the issue of poverty in his reports to government. "The IMF sees a major need to step up efforts to fight poverty in Namibia," he told **insight**. Müller and his team have even engaged with campaigning organisations outside government. But what the German economist Müller didn't reckon on was that one organisation in Namibia, the Basic Income Grant (BIG) Coalition, was armed with two formidable German economists of its own: Claudia and Dirk Haarmann, both doctors of social development and Lutheran ministers to boot.

High profile

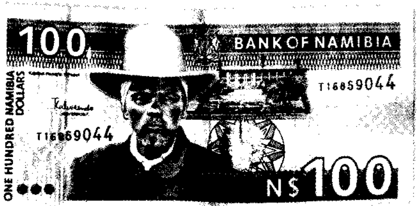
With high-profile assistance from Bishop Kameeta and others, the Haarmanns have helped create the BIG Coalition in Namibia, based on their work in South Africa and elsewhere, which focuses on a very simple idea. Instead of trying to alleviate poverty by devising complicated and expensive welfare systems to hand out money to the deserving poor, why not give every single person in the country a certain amount of cash and try and claw some of it back from the richer population through the tax system? Such a scheme, while never really tried anywhere in the world, avoids the problems of other welfare systems which typically cost a lot to administer, foster corruption, distort incentives to work, and mostly end up reaching privileged urban populations. Based on extensive Namibian household and tax data, the determined Haarmanns have taken forward work done by the Namibian Tax Consortium for the Ministry of Finance in 2001 and are more convinced than ever that the idea could work in Namibia.

On several occasions the IMF has disputed the Coalition's proposals, arguing that it would not be fiscally responsible to embark on such a course – an argument that Namibia's Cabinet has so far bought. However, the tide seems to be turning in the Coalition's favour. In South Africa where the idea was first pooh-poohed by Cabinet some years ago, the South African Minister for Social Development Zola Skweyiya has repeatedly been calling for the introduction of a BIG.

Going for the jugular

But the real frustration for the Coalition is that the IMF has so far refused to demonstrate that its calculations are unaffordable. The IMF claims the scheme, which would give N$100 a month to two million people could cost over 5 percent of GDP, far too much for Namibia's fragile public finances. The Coalition responds that it is the net cost of the scheme that is important, in other words the overall cost once the tax system has clawed back money from the rich. This they estimate is a far more modest 3.2 percent of GDP and eminently affordable if government really is serious about tackling poverty. "They just have never bothered to do the calculation, as they have determined before doing the calculations that it is 'unaffordable" the Haarmanns complain bitterly.

The Coalition clearly smells blood and is going for the jugular in trying to publicly discredit the IMF as a dispassionate source of sound economic advice to government. To this end it organised a highly publicised press conference last month where the IMF was put squarely in the dock. Its lack of desire to come up with alternative calculations is seen as evidence of policy by prejudice rather than reason and sound economics. Yet the Coalition is also coy on certain critical issues such as what level of public spending it believes is sustainable in Namibia. "The limit on government spending is hard to put into one figure," the Haarmanns told **insight**.



The BIG Coalition wants to give every Namibian one of these each month

"Namibia faces significant fiscal pressures over the medium term, and a reprioritisation of government spending is needed," Müller warns. He prefers to suggest other more conditional schemes government could adopt to tackle poverty such as the "Bolsa Familia" in Brazil.

Whether any of this debate will make much of a difference is hard to say since it is by no means clear that government listens much to the IMF. The Fund has, for instance, warned of the dangers of imposing drastic domestic asset requirements on Namibia's outflow of contractual savings but government is going ahead anyway. Perhaps the Coalition is going for the easy target. After all it is the decision-makers in the sovereign government of Namibia who will really have to be persuaded of the case. At this stage they seem far from convinced.