



NATIONAL YOUTH COUNCIL OF NAMIBIA
(NYC)

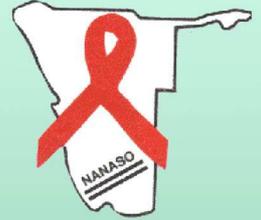


"Youth growing with the Nation"

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Making the difference! The BIG in Namibia

Basic Income Grant
Information - English, June 2009

A Basic Income Grant for All in Namibia

June 2009

Namibia is rich in economic and social potential but a large portion of the population is poor. Namibia is also a country with one of the highest levels of income inequality in the world. The huge socio-economic disparities are largely a reflection of colonialism and apartheid, but also of the class stratification that has taken place in post-independent Namibia.

For several decades, the conventional wisdom was that economic growth would result in lower levels of poverty. It was also believed that addressing poverty by simple means such as giving people money would be a waste and ineffectual and that it was better to wait for growth to “trickle down” and eventually lift the poor out of poverty. However, 19 years after independence this has not happened in Namibia and therefore we need to look at new ways of addressing poverty.

What is the Basic Income Grant (BIG)?

A Basic Income Grant (BIG) is a monthly cash grant (e.g. N\$100) that would be paid by the state to every Namibian citizen regardless of age or income. The money, which is paid to people not in need, is recuperated through the tax system. The main benefit of the grant is its ability to improve everyone's life by eradicating destitution and reducing poverty and inequality.

Where does the idea come from?

The Namibian Tax Consortium (NAMTAX) made the proposal for a Basic Income Grant for Namibia in the year 2002. The consortium was asked to review the current tax system in Namibia. The proposal for a Basic Income Grant is part of their recommendations to redistribute income in Namibia. The Consortium recommended that every Namibian should have a citizenship right to a Basic Income Grant until she or he becomes eligible for the government pension at 60 years. The level of the BIG should not be less than N\$100 per person per month. The BIG is a cash transfer, whereby the recipient can choose how to spend the money. It is an act of empowerment, of giving people enhanced freedom and personal responsibility. It is not an act of charity but it provides people with a right to a decent life.

How would a BIG work?

Every Namibian would receive such a grant until s/he becomes eligible for a state pension at 60 years. In the case of children aged 17 or younger, the care-giver would receive the grant on behalf of the child. In practice this means that if there are 6 people living in a household and the level of the grant is set at N\$ 100, this household in total would receive N\$ 600 per month from the state.

Why do we need a BIG?

Poverty is still rife in Namibia. Namibia has an official unemployment rate of 36.7% (Labour Force Survey 2004). Nearly every third child (30%) aged 5 years or below shows clear signs of malnutrition (UNICEF 2008). About 20% of all Namibians are infected with HIV. . Furthermore, Namibia has the most unequal distribution of income in the whole world (National Planning Commission, 2009). The reduction of inequality - one of the greatest legacies of Colonialism and Apartheid - is not only a justice issue, but also has been identified as a prerequisite for economic growth and investment in developing countries.

Why do the rich qualify for a BIG? Shouldn't one rather target people who are most affected by poverty?

Classic welfare programmes using a means-test to target beneficiaries have been proven to be more expensive, wasteful and also ineffective to target people and to limit social assistances to specific groups and people. If targeting is applied by means of added administrative requirements – the poorest are actually those who are least likely to get a benefit from the programmes, as they by nature are the most disadvantaged in terms of access to information, infrastructure, and administrative services provided. Instead, by giving a grant to everyone one is can be sure that all people in need receive support. The BIG is thereby self-targeting without having to rely on an administratively difficult means-test with adverse economic incentives.

With a BIG the rich will at first also receive the grant. However, through adjustments in the tax system the money is gradually recuperated. The adjustments in the tax system are made in such a way, that middle-income earners will receive the grant, but at the same time their tax is increased so that they pay back the amount of the grant. The rich, however, will be paying more in taxation than what they receive through the grant. They become net payers and income is effectively redistributed. By doing so, social assistance becomes a right, not labelling people as poor, and at the same time an effective tool in redistributing money from the rich to the poor.

What is the BIG Coalition?

In September 2003, the Synod of the ELCRN stated that Namibia faces the problem of poverty and inequality. In this context, it welcomes the proposal of a BIG by the NAMTAX commission. It believes that a BIG has the ability to lift people out of poverty, enabling them to become economically active. Furthermore, it acknowledges that a BIG can facilitate the redistribution of wealth. The synod has made a resolution to work with the Namibian government to further investigate and implement this proposal. In November 2004, the ELCRN organised an international conference on income security where the idea of a BIG for Namibia was discussed between many different stakeholders, including churches, NGOs, and Government representatives. This conference resolved to launch a BIG coalition in Namibia. On April 27th 2005, the coalition was officially launched in Windhoek and the Council of Churches, the National Union of Namibian Workers, the National NGO Forum, the Namibian Network of AIDS Service Organisations, the Legal Assistance Centre, and the Labour, Resource and Research Institute are part of the coalition. The National Youth Council (NYC) joined the coalition in 2009. The aim of the coalition is to work together with Government to make the BIG a reality in Namibia.

The Namibian government has not yet taken a decision on the question of a BIG for the country. Some government officials regard it as an unaffordable welfare measure and the International Monetary Fund (IMF) did its utmost to discourage Namibia's policy makers from implementing the BIG. After 2 years of debating and lobbying, the BIG Coalition could not yet convince government to implement the grant and the Coalition thus decided to implement a basic income grant in one particular village. This was meant to demonstrate the impact of a BIG in practice.

The BIG in Omitara

The chosen location was the settlement of Otjivero in the Omitara district in Eastern Namibia. About 1200 people live there, most of them retrenched former farm workers and their families who have nowhere else to go. Poverty and desperation were widespread there and the Coalition believed that if the BIG could make a difference in the lives of the residence of Ojtivero, it would certainly be able to make a difference for Namibians in the rest of the country. The pilot project started in January 2008 with all residents below the age of 60 years receiving a Basic Income Grant of N\$100 per person per month, without any conditions attached. The pilot project is accompanied by a research team, which

closely monitors the impact of the BIG.

Results

In July 2008, the first impact assessment study, followed by a second study in November 2008. The key findings include the following:

- Before the introduction of the BIG, Otjivero was characterised by unemployment, hunger and poverty. Most residents settled there because they had nowhere else to go, their lives were shaped by deprivation and they had little hope for the future.
- The introduction of the BIG ignited hope and the community responded by establishing its own 18-member committee to mobilise the community and to advise residents on how to spend the BIG money wisely. This suggests that the introduction of a BIG can effectively assist with community mobilisation and empowerment.
- As the BIG was only introduced in one particular location, there was a significant migration towards Otjivero. Impoverished family members moved into Otjivero, attracted by the BIG, even if migrants themselves did not receive the grant. This points to the need to introduce the BIG as a universal national grant in order to avoid migration to particular regions, towns or households.
- The migration to Otjivero affected the data obtained for this study. Per capita income from the BIG dropped from N\$ 89 per month in January 2008 to N\$ 67 in November 2008. We thus analysed the impact of the BIG, taking the influence of migration into consideration.
- Since the introduction of the BIG, household poverty dropped significantly. Using the food poverty line, 76% of residents fell below this line in November 2007. This was reduced to 37% within one year of the BIG. Amongst households that were not affected by in-migration, the rate dropped to 16%. This shows that a national BIG would have a dramatic impact on poverty levels in Namibia.
- Similarly, the BIG resulted in a huge reduction of child malnutrition. Using a WHO measurement technique, the data shows that children's weight-for-age has improved significantly in just six months from 42% of underweight children in November 2007 to 17% in June 2008 and 10% in November 2008.
- HIV positive residents' access of ARVs was hampered by poverty and a lack of transport before the BIG was introduced. The BIG enabled them to afford nutritious food and gain access to the medication. This was further enhanced by government's decision to make ARVs available in Otjivero, freeing residents from the need to travel to Gobabis.
- Before the introduction of the BIG, almost half of the school-going children did not attend school regularly. Pass rates stood at about 40% and drop-out rates were high. Many parents were unable to pay the school fee. After the introduction of the BIG, more than double the number of parents paid school fees (90%) and most of the children now have school uniforms. Non-attendance due to financial reasons dropped by 42% and this rate would have been even higher without the effects of migration towards Otjivero. Drop-out rates at the school fell from almost 40% in November 2007 to 5% in June 2008 and further to almost 0% in November 2008.
- The residents have been using the settlement's health clinic much more regularly since the introduction of the BIG. Residents now pay the N\$ 4 payment for each visit and the income of the clinic has increased fivefold from N\$ 250 per month to about N\$ 1 300.
- The BIG contributed to the reduction of household debt with the average debt falling from N\$ 1 215 to N\$ 772 between November 2007 and November 2008. Savings increased during that

period, which was reflected in the increasing ownership of large livestock, small livestock and poultry.

- The BIG has contributed to a significant reduction of crime. Overall crime rates – as reported to the local police station – fell by 42% while stock theft fell by 43% and other theft by nearly 20%.
- The introduction of the BIG led to an increase in economic activity. The rate of those engaged in income-generating activities (above the age of 15) increased from 44% to 55%. Thus the BIG enabled recipients to increase their work both for pay, profit or family gain as well as self-employment. The grant enabled recipients to increase their productive income earned, particularly through starting their own small business, including brick-making, baking of bread and dress-making. The BIG contributed to the creation of a local market by increasing households' buying power. This finding contradicts critics' claims that the BIG would lead to laziness and dependency.
- The introduction of the Basic Income Grant has reduced the dependency of women on men for their survival. The BIG has given women a measure of control over their own sexuality, freeing them to some extent from the pressure to engage in transactional sex.
- The criticism that the BIG is leading to increasing alcoholism is not supported by empirical evidence. The community committee is trying to curb alcoholism and has reached an agreement with local shebeen owners not to sell alcohol on the day of the pay-out of the grants.
- The BIG is a form of social protection, which reduces poverty and supports pro-poor economic growth. As a national policy it would greatly assist Namibia to achieve the Millennium Development Goals to which the country has committed itself.
- The costs of a national BIG in Namibia are substantial. The net costs will be between N\$ 1,2 – 1,6 billion per year, equivalent to 2,2 – 3% of Namibia's GDP. There are various options to finance such a national grant. A moderate adjustment of VAT combined with an increase in income taxes is one option. This would benefit all middle and lower income households in terms of available incomes. Other financing options include a re-prioritisation of the national budget and the introduction of a special levy on natural resources.
- An econometric analysis revealed that Namibia's tax capacity exceeds 30% of the national income. The current collection rate is below 25% and thus Namibia's excess capacity to raise tax revenue significantly exceeds the net costs of a Basic Income Grant. This makes the BIG affordable in Namibia.
- A national BIG would have several medium to long-term benefits. Based on the developments in Otjivero-Omitara, it is safe to argue that the BIG will reduce poverty and unemployment, increase economic activities and productivity, improve educational outcomes and the health status of most Namibians.

The benefits of a BIG were practically seen in Otjivero, whose residents said:

“Generally, the BIG has brought life to our place. Everyone can afford food and one does not see any more people coming to beg for food as in the past. What I can say is that people have gained their human dignity and have become responsible.”

“We don't expect everything to change overnight because people were hungry and N\$100 is not enough for everything to change. In the beginning the parents were using the money for school fees and uniforms and to make sure they have sufficient food. The BIG has really helped the community in Otjivero, people now feel part of the nation”

How much would a BIG for Namibia cost and how would it be funded?

There are four basic options (or a combination thereof) out of which a BIG can be funded:

1. Adjustments in the income tax structure. Higher income earners would bear the cost in form of a solidarity levy to finance the benefit to the poor.
2. The NAMTAX consortium proposed an increase in the Value Added Tax (VAT). This would affect most consumer goods but the vast majority of Namibians would still benefit as the income from the BIG would be far greater than the additional tax payments.
3. The introduction of a special levy on unprocessed raw materials that are exported from Namibia (such as minerals, diamonds and fish) and/or a small levy on tourists visiting Namibia.
4. Reprioritisation in the national budget.

Economic studies have shown that depending on the mix of the tax adjustments, the net-cost to the state for a BIG ranges from N\$ 1.2 to N\$ 1.6 billion per annum, which equals 2.2% to 3.0% of GDP. The economic studies prove that while these costs are substantial they fall well within Namibia's capacity to mobilise the necessary resources without undermining financial stability. Moreover, it was shown that the BIG is not an added burden at a time of economic crises, but in fact an appropriate intervention that will stimulate demand and economic development.

How would people get the BIG?

The BIG could be paid out just like the other current grants, for example by using smart cards and fingerprint identification as is already used for the Old Age Pensions. In the long run, this is a cost-effective way and does not leave room for corruption. In the beginning, the setting-up of the system would need additional funding.

Are there better alternatives to a BIG?

Following an extensive review of the relevant literature and an analysis of possible alternative strategies, the NAMTAX consortium found that by far the best method of addressing poverty and inequality would be a BIG. There are alternatives, like only supporting children up to the age of 17. However, these alternatives are less effective and many people would still be left without any support. There are also more expensive alternatives, like “workfare”, which requires people to work in order to get support from government. However, these programmes are very expensive and are not able to reach all people in need. Other programmes of government like school feeding schemes etc. should not be seen as alternatives, but as being complementary.

Will people become dependent on the BIG?

Poor people are dependent on assistance from other people – relatives and friends who have some sort of income. A BIG gives people an income source of their own, which they can count on and which enables them to take their own decisions. It also lessens the burden on the working poor who currently have to support relatives and friends with their limited incomes. Therefore, a BIG in fact reduces dependency, freeing resources for economic investment.

Local and especially rural markets benefit greatly from these transfers as they have the potential to kick-start the economy in the underdeveloped rural areas as we have seen in Omitara. The Basic Income Grant, by providing a universal, stable, and continuous income source, has the highest developmental potential as the people can count on it and better plan their economic activities.

Do you want Namibia to implement a Basic Income Grant for all?

A national BIG would benefit Namibians in all regions of the country. It is also affordable and its implementation is thus a question of political will. Namibians have the right to demand a BIG now.

If you want to support the introduction of a BIG for all in Namibia, then make your voice heard by doing the following:

- Call the radio stations (call-in programmes) and state your view on the BIG
- Write readers letters to newspapers about the BIG
- Distribute this pamphlet widely and discuss the idea of a BIG with other people
- Discuss the idea of the BIG in your church, trade union, youth organisation or community organisation and encourage them to join the BIG Coalition if they have not yet done so
- Speak about your support for the BIG with your political representatives in your community and region, like the local and regional councillors and traditional leaders. They are elected to represent your views!



The Basic Income Grant Pilot Project in Otjivero-Omitara