

Social Justice and the Responsibility of the State - The Triple Burden of Poverty, Inequality and Unemployment in Southern Africa

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1. Foreword

There is a new global discussion, which points out that social protection is not only a theme for rich industrialised countries, but also for poor countries in all stages of development. Many recent studies have proven that this is not only affordable, but that the eradication of poverty is an important precondition for development. Social protection activates people - it does not make them lazy, on the contrary, it makes them productive. However, social security in Africa is different from the one in Europe. In most African countries, the majority of the population never has the chance to take up formal employment and pay contributions to a social insurance scheme. Thus, social protection has to be more basic, with a different design, in order to reach even the poorest in rural areas. This requires new concepts, ideas and approaches, and some examples have already been implemented in various developing countries.

The question of affordability and sustainability is very crucial for the success of these new approaches. Social protection measures are easier to implement in countries with higher levels of development, but if the poorest countries want to break the vicious circle of poverty and economic stagnation, they have to seriously consider better social protection programmes. This will require commitment from the host government as history has shown over and over again, that donor-driven projects will soon perish. Also, a precondition for effective social protection is a public acknowledgement of the necessity for redistribution in favour of the poor. How far are the African elites prepared to share the wealth of their countries with their people?

Apart from presenting some interesting country case studies, these were the questions we tried to answer at the FES conference organised in February 2011 in Windhoek. Participants included representatives of governments and civil society from eight Southern African countries. In addition, various regional organisations dealing with social and economic issues participated as well. The case studies and new approaches were evaluated, focussing on their suitability for Southern Africa. The discussions brought up various fundamental questions about inequality, redistribution and social protection in Africa. Hence, this booklet is not a conference report but rather takes the deliberations as a starting point for general considerations and information on the topic. We hope to provide some thought-provoking ideas on redistribution, social protection and structural changes in Southern Africa and trust that this booklet will stimulate discussions on possible socio-economic and political changes in the region.

Michael Schultheiß

Resident Representative of Friedrich-Ebert-Stiftung in Namibia, Windhoek, April 2011

2. The triple burden of poverty, inequality and unemployment in Southern Africa - and the new discussions on social protection

The Southern African region is characterised by unacceptable high levels of unemployment, poverty and inequality. In many cases, poverty and inequality are on the increase, particularly in countries in crisis such as Zimbabwe and Swaziland. Even agricultural economies such as Malawi and resource-rich countries such as Namibia, South Africa and Angola have not been able to significantly reduce wealth gaps and the rates of poverty and unemployment.

Most SADC countries managed to achieve some progress in the period immediately after independence, usually through expanded social services, to reach the majority of the population which had been deliberately neglected under colonial rule. However, there was no systematic transformation of economic structures, and the typical African enclave economy persists until today: a relatively small and well-resourced formal sector that operates in isolation from a large, growing and poverty-stricken informal economy and the communal subsistence economy.

As a result, the SADC region today can only be described as a region in deep crisis. More than 60% of the population in SADC lacks access to an adequate supply of safe water –which means they are vulnerable to disease. About a third of the SADC population lives in abject poverty and about 40% of the labour force is unemployed or underemployed. Poverty levels have not only increased, but have also become more pronounced in urban areas and amongst female-headed households, in particular.

The levels of income inequality in the region are amongst the highest in the world (see table below). The distribution of resources and income is highly skewed and in some cases racially biased, for example, in South Africa where white nationals constitute around 5% of the population and own over 80% of the land. When measured against the Human Development Index (HDI) - life expectancy, education and standards of living - seven SADC countries fall in the medium category while six are in the low HDI group.

Country	Distribution of income or consumption in the SADC region		
	Gini Index	Percentage share of income or consumption	
		Lowest 10 percent (%)	Highest 10 percent (%)
Botswana	61.0	1.3	51.2
Congo (DRC)	44.4	2.3	34.7
Lesotho	52.5	1.0	39.4
Malawi	39.0	2.9	31.7
Mozambique	47.1	2.1	39.2
Namibia	74.3	0.6	65.0
South Africa	57.8	1.3	44.9
Swaziland	50.7	1.8	40.8
Zambia	50.7	1.3	38.9

Social mobility and equal opportunity remain alien concepts for far too many people in the region. There is a close and direct relationship between inequality and poverty, and thus any attempt to deal with poverty has to address the question of inequality as well. Persistent gender inequalities in virtually all spheres of life – from customary practices and labour market discrimination to unequal access to social services and economic resources such as land – are still a defining feature of Southern Africa. This is reflected, for example, in the gendered impact of HIV/AIDS, which is still a major scourge in the region.

Widening disparities have increased the sense of injustice and deprivation for many as neither resource-rich countries nor agricultural societies managed to substantially reduce inequality after independence. Likewise, neither the bureaucratic, state-centred, socialist form of government in Angola nor the market-driven approaches of countries like South Africa and Namibia were able to redress the colonial legacies of inequality and exclusion. There is, thus, no doubt that Southern Africa needs a fresh and different approach to solving the current socio-economic challenges.

Traditional growth strategies

The traditional strategies to foster growth as promoted by the IMF and World Bank, namely, macroeconomic stability and market-friendly reforms, are evidently insufficient to meet these challenges. Instead, far more emphasis needs to be placed on laying institutional and social foundations for structural changes that will facilitate a meaningful development process.

Most SADC governments are still trapped in the illusion that the private sector must be the engine for growth and creator of wealth and development. This was clearly demonstrated by Namibia's Director General of the National Planning Commission, Tom Alweendo, who stated at a recent FES conference that while government is committed to create some (mainly low skill) jobs in the short to medium-term, government must focus on creating a conducive environment for the private sector which will create long-term jobs. Thus, the Director General announced that the Namibian government will invest in economic infrastructure and "embrace reforms that will make it easier for our firms to do business and to become globally competitive". Furthermore, "the long-term solution to poverty eradication is equitable and sustainable economic growth that is able to create the employment opportunities our people need".

Such supply-side interventions and market-driven approaches to development are common in the region today. Most SADC governments, however, fail to realise that poverty levels in Southern Africa worsened during the implementation of such neo-liberal policies in the past 20 years. Botswana, for example, had average economic growth rates of 13% between 1970 and 1990 but could not eradicate the high levels of poverty. What matters is not the quantity of growth but its quality. Currently the region's inherited structural legacies continue to shape, produce and reproduce underdevelopment which has led to a deep developmental crisis.

Grafted capitalism and Africa's enclave economy

Southern Africa continues to experience the problems associated with its "grafted capitalism". During colonialism, the region experienced a special type of social formation where the capitalist sector of the economy was grafted onto a pre-capitalist form of production in a distorted manner. This kind of capitalism did not transform the economy as a whole but only a small formal enclave sector, thus failing to produce dynamic growth and development. This small, formal enclave economy was totally dependent on external factors such as markets in, and capital from Europe. This dependency is still visible today, as Mozambique, for example, depends for 50% of its national budget on donors while Lesotho, Malawi and Zambia rely on donors for 35 % of their annual budgets. Even Botswana received substantial donor support for its budget in 2010.

Southern Africa's enclave economies exist alongside an underdeveloped peasant-based subsistence rural economy and an urban informal economy. The formal sector consists of a small local and foreign business elite and wage workers, which usually account for less than 20% of the labour force. This sector consists of enterprises of various sizes (either state-owned or privately-owned) and is relatively productive compared to the other sectors. External forces such as Africa's trading partners and foreign investors shape output and production methods.

The urban informal sector is characterised by easy entry and exit, linked to both formal and rural sectors and driven by self-employment activities, dependent on the ingenuity of individuals. It accommodates about a third of the region's labour force. The communal sector is the traditional or pre-capitalist sector, with all the variations this entails in the African context. It is highly differentiated with a number of linkages to the formal and informal economy and accounts for about 50% of the labour force.

The continued co-existence of these sectors and Africa's lack of socio-economic development is perpetuated by a number of factors including :

- External dependency (shown in trade, technology, information, human resource and capital flows), which maintains the enclave economy;
- Distributive inefficiencies resulting in the non-formal sectors having unequal access to productive assets and markets;
- Allocative inefficiencies which make the formal sector unnecessarily capital and technology intensive (thus reducing its requirements for labour) while the non-formal sectors tend to be without capital and technology, thus making productivity increases almost impossible;
- Technical inefficiencies result in low technological capabilities, thus limiting the adaptations that can be made to production techniques and the nature of products and services produced. This, in turn, prevents the establishment of value chains. Thus, levels of productivity of labour, capital and land tend to be low compared to optimal methods of production.

Southern Africa's extractive industries have further fuelled inequality and poverty. They have deepened enclave developments as the extractive zones became the centre of government and private sector attention and not the basis of diversification. Thus, while oil, copper, gold, diamonds, chrome, gas, bauxite, fisheries, platinum are in plentiful supply in the SADC region, unemployment is increasing, poverty is deepening and inequality between and within countries is widening.

The need for change

These examples point to the urgent need for deliberate structural economic, social and political changes. As pointed out in the publication "Alternatives to Neo-Liberalism in Southern Africa" (ANSA), development is not just about economics. It includes human rights, community rights and the right to national or regional self-determination. It has to deal with issues of equity and fairness in the distribution of resources at local, national, regional and global levels. The provision of social services such as water, energy, health and education cannot be guaranteed for all if they are left to market forces. The state has a central role to play and must, therefore, be developmental as well as ethical, responsible and accountable to the people, with a particular bias towards working people and the poor.

Development must lead to a better life for the majority and eradicate poverty. This can only be achieved if development is based on the promotion and protection of human rights, which include political or civil rights (also known as "blue rights"), economic rights (also known as "red rights") and social and cultural rights (also known as "green rights"). All these rights must be fought for and defended at all times and there can be no compromise, for example, granting only political rights while economic rights are violated.

The new international debate on social protection

International debates on more effective social protection have been revived after the global financial and economic crisis that started in 2008. Since the crisis, social security systems have been recognised even by the G20 as important economic and social stabilisers. The UN defined social protection as a set of public and private policies and programmes undertaken by societies in response to various contingencies in order to offset the absence or substantial reduction of income from work, to provide assistance to families with children and to provide people with health care and housing. There is now an emerging global consensus that social security as a basic human right is affordable and implementable even in developing countries. It is widely accepted that social security systems cannot be restricted to formal sector workers (which are a minority in developing countries) but must be extended to all, including to workers in the informal economy and those in the communal, rural economy

After being ignored for many years, the substantial evidence of the positive effects of social transfers on income equality and poverty reduction are finally being recognised. In recent years, the ILO developed the concept of a basic floor of social security benefits which were affordable also for developing countries. This was supported by the

UN Committee on Economic, Social and Cultural Rights (CESR) in 2008 and several other international and regional fora. The Social Protection Floor (SPF) Initiative is broadly supported by the various UN agencies and seeks to guarantee access to essential goods (defined in a national context), social services and income transfers. This is meant to prevent hunger, treatable illnesses, lack of education, safe water, and homelessness. The underlying idea is that people who have access to basic goods and services, and who are lifted out of poverty will become more productive contributors to the economy.

The African Union has made a call to its member states to make social transfer a more utilised policy option in their respective efforts for poverty reduction and meeting the Millennium Development Goals. The AU proposed to integrate costed programmes into national budgets and development plans, and share information and experiences across countries.

The new Social Protection Floor concept reflects the emergence of a new socio-economic development paradigm which the ILO calls “growing with equity”. It is based on the logic that countries cannot unlock their full productive potential without basic social security systems. Only people that are healthy, well-nourished and educated are able to realise their productive potential. Effective poverty eradication (or at least significant poverty reduction) through social protection programmes will enable people to move from the informal to the formal economy and thus migrate towards higher levels of productivity. Furthermore, there is also a direct and immediate local economic benefit from increased incomes in poor households. As they tend to spend their income on basic consumer goods which are usually locally produced, the additional income circulates in the local economy, increasing the demand for essential goods and services. Thus, effective social protection programmes do not only lead to improved social conditions but also have an economic multiplier effect in terms of creating local demand and encouraging local supplies and production.

The FES Conference

A conference hosted by the Friedrich Ebert Foundation (FES) in Windhoek, Namibia in February 2011 examined some key experiences of developing countries in dealing with unemployment, poverty and inequality. These included the Brazilian “Bolsa Familia” programme - a targeted, conditional cash-transfer programme for poor families - and the Rural Employment Guarantee Scheme in India. A particular emphasis of the conference was on the proposal to introduce a Basic Income Grant (BIG) as an immediate intervention to tackle poverty and to free millions of people in the region from its debilitating and dehumanising effects. The results emanating from experiences with social grants in Malawi, South Africa and Namibia are encouraging, particularly the BIG pilot project in Otjivero, Namibia. Empirical evidence suggests that such unconditional, rights-based grants not only reduce poverty significantly, but also pave the way for sustainable economic activities.

Thus far, none of the Southern African countries managed to successfully overcome the triple burden of poverty, inequality and unemployment. The seminar, therefore, explored innovative new measures that could be implemented by the countries of the region. Key issues that emerged were the question of targeted versus universal grants to tackle poverty and the role of the state in employment creation. These are elements of possible alternative development strategies for Southern Africa. This booklet highlights and summarises the key ideas presented and discussed during the conference.

3. India's Rural Employment Guarantee Scheme: A possible model for Southern Africa?

The Indian employment guarantee scheme provides an interesting example that shows that in order for rights to become social reality, political action of the affected poor is required. This is certainly the case in Southern Africa as well. The right to work is a "modern concept", as the necessity to call for work as a basic right only arises in societies where the alienation of communities from land and essential resources has become a historical reality. Usually, it is with the ascendance of modern capitalism that this process embraces all of society. Consequently, the right to work appeared for the first time in European Constitutions at the turn to the 19th century. The UN Charta of 1948 addresses the right to work as a fundamental human right.

India's rural employment guarantee was introduced after the passing of the National Rural Employment Guarantee Act (NREGA) of 2005. Its aim is "to provide for the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work..." Every adult member of a rural household who volunteers for unskilled manual labour with a designated local authority, is entitled to a maximum of 100 days per year of remunerated employment. Wages are paid out of a designated State Fund according to the minimum prescribed by legislation on agricultural wages.

The Act thus aims to ensure the right to work for those hailing from India's rural subsistence economy. Guaranteeing the right to work to the rural unemployed entails their – temporary and partial – transition to the formal, capitalist sector of the Indian economy. NREGA thus contributes to the basic livelihood security of the rural poor.

NREGA was introduced in 2006, started in 200 districts and was then extended to all rural districts. It was designed as a social protection measure to reduce migration by rural poor households through a hundred days of guaranteed unskilled manual labour at minimum wage levels. The work to be provided focuses on water conservation, land development & drought proofing. Thus, the programme is not only meant to create rural employment opportunities but also to regenerate the natural resource base of rural livelihoods through water conservation, land development, re-forestation etc. In other words, NREGA is meant to also provide productive assets in rural areas.

Other important aspects of the programme are to strengthen grassroots processes of democracy as the "Panchayati Raj Institutions"¹ have to play the central role in planning, monitoring and implementation. At least 50% of work has to be allotted to "Gram

¹ Panchayati Raj Institutions are the grassroots units of self-government. They were established as the vehicles for socio-economic transformation in rural India.

Panchayats”² for execution. Work has to be provided within a 5 km radius of the village or else an extra 10% has to be paid, in addition to the wages which are to be paid according to the notified wage rate. Disbursement of wages has to be done on a weekly basis or at least every fortnight and at least one-third of beneficiaries should be women. Ninety per cent (90%) of the programme costs are carried by the Central Government and 10% by the State governments.

Shortcomings

During the implementation of NREGA, several shortcomings were observed. These include rejection of applications by people who should have been given a job card. This affected especially female-headed households. Sometimes money was charged for applications and in some instances job cards were only given to people from the same cast, religion or party. Instances of discrimination and corruption occurred, although the Act provides a “disincentive” for corruption by making it possible to withdraw the scheme from any area where complaints of corruption are reported. In reality, this means that if rural workers report corruption, the employment scheme might be withdrawn from their area. This effectively kills any incentive for workers to report corruption! Furthermore, the unequal access to information between workers and the state hiring them makes it easy for middlemen to extract rents which lead to lower wages reaching the rural workers.

Other problems experienced include payments below the national minimum wage, payments not being made on time, too much emphasis on larger projects like roads instead of focusing on creating productive assets which meet local needs and a lack of transparency and accountability during implementation. There was also a lack of institutional capacity in planning the work, a low awareness amongst rural workers about their entitlement, and poor working conditions experienced at work sites.

The Act’s focus on rural households instead of individuals has meant that the NREGA benefits accrue predominantly to the male household heads in rural areas while a large part of the labour force (especially women) is excluded from their legitimate rights. Most NREGA workers received wages below the state minimum wage and almost everywhere payments were delayed. The reason for the lower wages is the task-based system that was implemented instead of the daily wage system. This meant that payments were given according to tasks completed but the assessment of work done (carried out by engineers) hardly happens in front of workers and is not entered into the muster roll. Thus, there is no transparency and workers (often illiterate) are abused. Women workers are paid lower rates than men due to the structural disadvantage they face in society, which is also reflected in NREGA.

Currently the design faults of NREGA serve to curtail the potential benefits of the Act for workers. Workers, therefore, began organising a NREGA workers’ union to fight for

² Gram Panchayats are the primary unit of the Panchayati Raj Institutions. They are the units of local self-government at the village or small town level in India.

their rights by confronting their employer, the state. This represents an assertion of rights from below.

Achievements

The NREGA works have enhanced agricultural productivity through water harvesting, building of dams, ground water recharging and micro-irrigation schemes. NREGA also led to increased access to markets and services through the rural connectivity works. Rural labour availability was increased by reducing “distress migration” to urban areas. Rural households supplemented their incomes through wage earnings and were able to sustain rural livelihoods. NREGA workers are now a unique identifiable group of rural poor, having numbered job-cards, bank or post office accounts, and in some cases biometric smart cards.

One of the most important results of NREGA was that the rural minimum wages have increased. Central government is paying most of the NREGA wage bill, and thus there is an incentive for state governments to revise and improve the minimum wages. In turn, this places pressure on agricultural employers to offer wages that can attract rural workers, and thus agricultural wages began to rise. Before NREGA, farmers were paying workers abysmally low wages but NREGA has put, especially the lowest level workers in a far better bargaining position.

Perhaps the most important achievement of NREGA has been the deepening of democracy through the rural population’s participation in public hearings and social audits. Popular assertion of rights has become a developmental element at local level as rural people have become direct participants in the development of their local areas. Rural people began to articulate their needs and to negotiate their rights.

An ongoing struggle

The right to work in India is an ongoing struggle and requires continuous pressure from below. Corruption could be dealt with by ensuring that wages are paid in front of workers and entered into the muster rolls. Information about the work, the names of workers and wages paid should be publicly displayed. Such public transparency and participation from workers, coupled with awareness-raising about rights and social audits will help to democratise worksites and minimise corruption. Thus, the struggle is about limiting the power of bureaucracies and strengthening grassroots participation and participatory democracy.

NREGA is one of the most important social protection and poverty reduction programmes and despite the mixed results so far, it has a transformative potential. Entrenching the right to productive work effectively will require financial decentralisation, that is, granting financial autonomy to local bodies. However, such decentralisation is an anathema to the centralised state and even to the way political parties are operating. Thus, a meaningful decentralisation will only occur if people in the various regions and villages are asserting their rights from below. The right to work, though offered by the

Indian state on the silver plate of law, in actual practice remains an ongoing social and political struggle for its assertion.

Lessons for Southern Africa?³

In terms of possible lessons for Southern Africa, the following issues seem crucial:

- To become a social reality, that is, for constitutional rights to become “people’s rights”, political action of the affected poor seems essential.
- The Indian scheme envisages livelihood security not as a grant but as the implementation of the right to work. Regarding the debate on the Basic Income Grant, a question arises: Should initiatives aiming at livelihood security consist of cash transfer out of public coffers, or be provided in the form of remuneration for guaranteed productive work paid for by the state? Should such productive work be linked with developmental projects?
- India’s specific focus on employment guarantee for the rural poor could also present a powerful instrument to tackle the problems created by internal migration and rapid urbanisation, in particular urban poverty.

³ Presented at the FES conference by Volker Winterfeldt, University of Namibia

4. The Basic Income Grant pilot project in Otjivero: lessons for Namibia and Southern Africa

Namibia is a lower middle – income country that has for years been providing a number of social welfare support programmes to its citizens. Moreover, it is one of just a few countries in the world, which has provisions in the constitution of the State, committing to the provision of public funded social welfare programmes. In 2008, the number of recipients of social grants was estimated at 250 000 or 12 per cent (12%) of the total population. The total cost of these grants was approaching 2 per cent (2%) of the GDP and 6 per cent (6%) of the national budget.

Under Article 95 of the Constitution of the Republic of Namibia, the State is urged to actively promote and maintain the welfare of the people by adopting appropriate measures, such as various policies aimed at *“the ensurance that every Namibian has a right to fair and reasonable access to public facilities and services in accordance with the law”*. The Article further urges the State to institute measure for ensuring *“...that senior citizens are entitled to and do receive a regular pension adequate for the maintenance of decent standard of living and the enjoyment of social and cultural opportunities”*. It also calls for the *“enactment of legislation to ensure that the unemployed, the incapacitated, the indigent and the disadvantaged are accorded such social benefits and amenities as are determined by Parliament to be just and affordable with due regard to the resources of the State”*.

Social protection in Namibia:

Namibia’s current social protection programmes include:

(a) Universal and non-contributory old age social pensions which are paid to all citizens or permanent residents who reached 60 years of age, irrespective of sex, past and current employment status and income. Similar non–contributory state pensions to the elderly are provided in Botswana, Lesotho, Mauritius and South Africa.

(b) A disability pension is paid to those of 16 years and above who have been diagnosed by a state doctor as being temporarily or permanently disabled. This may include blind persons or those who are medically diagnosed with AIDS. The number of people receiving old age or disability pensions reached 150 893 in December 2008.

(c) War veterans subventions are paid to those who took part in the long struggle against South African colonial rule, irrespective of age, assets or employment status provided that she/he has an annual income of less than N\$ 36 000. The value of this subvention increased from N\$ 500 (US\$ 75) in 1999 to N\$ 2 000 (US\$ 300) in 2007. By 2007, the number of recipients of this subvention stood at 1 767.

(d) Child maintenance grants are paid to a biological parent of a child under 18 years and to those parents whose spouse is receiving an old age or disability grant, has died or is serving a prison sentence of 3 months or longer. The amount paid is N\$ 200 (US\$ 30) for the first child and N\$ 100 (US\$ 15) for each additional child for up to a maximum of six children. Payment is based on means testing and some conditionalities, for example, the restriction to applicants with monthly incomes of less than N\$ 1 000 (US\$ 150); and providing school attendance records, if the child is older than 7 years. The

aim is to create a monetary incentive for keeping the child in school. In December 2008, 99 490 recipient were registered as beneficiaries of this scheme.

(e) Other formal and publicly-funded programmes include labour-based public works programmes, food distribution in times of humanitarian crises, such as the frequent droughts or floods, and a school-feeding programme.

In addition, there are “informal” social welfare arrangements such as extended family networks, remittances, and sharing of food and other necessities and interest-free loans from relatives and neighbours, which also play an important role in mitigating poverty. However, such arrangements have been gradually rendered insufficient, given the pervasive poverty, high mortality rates due to the HIV and AIDS epidemic, high levels of migration to urban areas in pursuit of formal sector jobs, and food insecurity.

Poverty, inequality and unemployment in Namibia

Despite the numerous social protection programmes, many Namibians continue to be trapped in poverty. Depending on the definition used, between 28 and 80% of the Namibian population is still living below the poverty line. The 2007 Human Development Index (HDI) noted that Namibia is enjoying a medium ranking. A critical disaggregation, however, shows that this composite ranking masks disquieting trends of enormous socioeconomic disparities. For instance, a disaggregated analysis of Namibia’s composite HDI ranking for the different language groups indicates that German speaking households enjoy a level of development comparable to that enjoyed by the citizens of the developed country of Canada and Sweden. In sharp contrast, the Khoisan speakers are the lowest ranked language group on par with the poor and highly indebted countries such as Eritrea and Rwanda. The difference in the HDI ranking of the highest and lowest placed language groups in Namibia indicates that the world’s highest and lowest standards of living are found residing side by side in the same country.

The 2008 Namibia Labour Force Survey revealed that out of the 1.1 million Namibian citizens aged 15 and older, only 331 44 (about 30 per cent) were employed, leaving a total of 347 237 not being able to find work or have given up on looking for work altogether. These socio-economic realities form the backdrop to the calls for the introduction of a Basic Income Grant (BIG) on top of the existing social welfare grants, in order to significantly reduce poverty.

Proposal for a Basic Income Grant

A basic income can be defined as a monetary earning “paid *by a political community to all members on an individual basis, without a means test or work requirement*”. Such a payment is meant to be granted without any restriction and should supplement existing transfers. In 2002, the Namibian Tax Consortium (NAMTAX) - a government appointed commission - proposed the implementation of a Basic Income Grant in Namibia, as a measure for dealing with the high poverty levels and the unequal distribution of income prevailing in the country. In 2005, this proposal was taken up by a civil society-led BIG Coalition, consisting of the Council of Churches (CCN), the umbrella body of the NGOs

(NANGOF), the umbrella body of the AIDS organisations (NANASO), the National Youth Council (NYC), the National Union of Namibian Workers (NUNW), the Church Alliance for Orphans (CAFO), the Legal Assistance Centre (LAC) and the Labour Resource and Research Institute (LaRRI).

BIG pilot project in Otjivero

The BIG Coalition proposed that a monthly cash grant of not less than N\$100 (US\$ 15) should be paid to every Namibian citizen as a citizen's right. Every Namibian would receive such a grant until reaching the age of 60 which will enable a person to receive the universal state old-age pension of N\$500 (US\$ 75). As the Namibian Government was sceptical about this proposal, the coalition implemented a BIG pilot project between January 2008 and December 2009 in the village of Otjivero. It was meant to test the effectiveness of the BIG in practice. Each of that village's 930 inhabitants, under the age of 60 years, received a monthly cash grant of N\$ 100 as a right without any conditions attached. Recipients could decide on their own how to spend the grant.

The impact of the BIG in Otjivero was closely monitored through a pre-implementation baseline study of November 2007 and the impact assessment studies conducted in June and November 2008. These studies highlighted some of the effects that the BIG had on an impoverished community, including:

- 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.
- 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 from 42% of underweight children in November 2007 to only 10% in November 2008.
- The BIG enabled HIV positive residents to gain access to more nutritious food and medication.
- Improved school performance: more than double the number of parents paid school fees (90%), non-attendance due to financial reasons dropped by 42% and drop-out rates fell from almost 40% in November 2007 to almost zero in November 2008.
- Better health care: the residents were able to use the local clinic much more regularly to improve their health status. The clinic's income increased fivefold from N\$ 250 (US\$ 37) per month to about N\$ 1 300 (US\$ 194).
- 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% after the introduction of the BIG.
- The BIG enabled recipients to increase their work both for pay, profit or family gain as well as self-employment. Productive income increased significantly, particularly through starting small businesses, including brick-making, baking of

bread and dress-making. The BIG created a local market by increasing households' buying power.

- The grant 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.

A national BIG would have several medium to long-term benefits. Based on the findings in Otjivero, the BIG Coalition argued that the BIG will reduce poverty and unemployment, increase economic activities and productivity, improve educational outcomes and the health status of most Namibians.

The BIG Coalition enlisted the services of the parastatal NAMPOST in the disbursement of the grants to the beneficiaries, and this partnership has helped to keep the administrative cost of the programme very low (around 10%). Should the BIG be implemented country-wide, the administrative costs could be lowered even further. NAMPOST has already pledged to open post offices in each and every village should a national BIG be implemented, and the recipients will be accorded two monthly withdrawals free of charge.

Lessons for Southern Africa

The BIG pilot project produced many promising results. It had an emancipatory aspect as residents were able to take their own decisions and to find ways of overcoming the most debilitating effects of poverty. The BIG also paved the way for increased local economic activities, improved health, better school results and lower crime rates. However, the BIG is a limited measure and cannot be a panacea for all socio-economic challenges. The initiative has to be accompanied by other measures of redistribution, job creation and structural changes. Otjivero has shown that the BIG represents a promising starting point that can make an immediate dent in the debilitating and violent poverty that undermines the life chances of so many people.

Critics question whether the replication of the pilot project at macro-level (national) would lead to the same results. They also question to what extent other SADC countries (such as Mozambique, Tanzania, or Malawi) would be able to afford a BIG, given the fact that their budgets are dependent to a significant extent on foreign donors. In other cases (such as Namibia, Botswana or South Africa), a BIG is certainly affordable, if there is the political will to implement the grant. This will only be achieved through mass mobilisations and pressure from below as ruling elites tend to have little interest in effecting redistribution in favour of the poor.

5. Tackling poverty through conditional cash transfers: experiences with Bolsa Familia in Brazil

Bolsa Família is a social welfare programme of the Brazilian Government, through which financial aid is extended to poor families with children. The recipient families must ensure that the infants attend school and are vaccinated, for them to be entitled to receive an average of R\$70.00 (about US\$ 35) in direct transfers. The programme is directed to the indigent families who have a per capita monthly income of up to R\$120,00 (US\$ 72) and to poor families who have a per capita monthly income of up to R\$60,00 (US\$ 36).

Bolsa Familia is considered the largest conditional cash transfer programme in the world with an outreach estimated at 11 million families or 46 million people, corresponding to a quarter of Brazil's population. In 2006 Bolsa Familia was estimated to have cost about US\$ 4.5 million, which translated into 0.5 per cent of Brazilian GDP or 2.5. per cent of total government expenditure. Although relatively modest in terms of resources when compared with other Brazilian social programmes, such as Social Security, the Bolsa Família programme may be the one that is having the greatest impact on the lives of millions of poor Brazilians. A significant portion of them have never benefited from social programmes before.

The Administration of Bolsa Familia:

The programme was a centrepiece of former President Luiz Inacio Lula da Silva's social policy, through which his administration sought the amalgamation of the following previously existing cash transfer programmes: Bolsa Escola (education grant), Bolsa Alimentacao, and Auxilio Gás (electricity/gas grant). Bolsa Familia became the main programme in the ambit of the "Zero Hunger Strategy" of the federal government and it has the following objectives:

- (a) To combat hunger, poverty and inequalities by a monetary transfer associated with the guaranteed access to basic social rights – health, education, social aid and food security;
- (b) To promote social inclusion contributing to the emancipation of the beneficiary families, giving them conditions to overcome the vulnerability in which they are living.

Bolsa Familia is implemented in a decentralised way in all 5.563 municipalities, throughout the country and in the federal district, which act as the main agents of the central government in the implementation of the programme. This allows the central government to bypass the twenty-seven powerful state governors and to tackle the intra-bureaucratic bottlenecks of Brazil's federal governance structure. Bolsa Familia has also reduced administrative costs and facilitated improved access, through the creation of one programme, under the direct control of the national executive branch of government.

Impact on poverty and inequality

The programme has HAD two important results: It reduced poverty levels and got families to invest in their children, thus breaking the cycle of intergenerational transmission and reducing future poverty. Bolsa Familia thus significantly contributed to the improvement of income distribution and to poverty reduction. Until the late 90's, Brazil had remained persistently in the group of five countries with the world's most unequal distributions of income, having a Gini coefficient close to 0.6. Since 2001, this indicator has declined steadily reaching the level of 0.55 in 2007, which is the lowest in the country's recent history. Moreover, Brazil was able to celebrate the achievement of the Millennium Development Goals on poverty reduction 10 years before the 2015 UN deadline. Compared to 1990, the number of people living on one US\$ a day, was more than halved, declining from 8.8 per cent in 1990 to 4.2 per cent in 2005.

These results show that Bolsa Familia is among the world's best targeted programmes, because it reaches those who really need it. Ninety-four percent (94%) of the funds reach the poorest 40 per cent (40%) of the population. Studies prove that most of the money is used to buy food, school supplies, and clothes for the children. According to the ILO, similar programmes have now been implemented in 16 Latin American countries, covering around 70 million people or 12 per cent (12%) of the population in that region.

Despite these successes, the Bolsa Família Programme has remained far from being universally accepted by the Brazilian society. It faces resistance from certain middle class and elite groups, who argue that it could encourage laziness by discouraging the poor from searching for employment.

Challenges

There are concerns about the imbalance between rural and urban benefits. Bolsa Família does seem to have a rural bias. Rural poverty is high in Brazil and 41% of rural households were benefitting from Bolsa Familia in 2006, compared to 17% of urban households. In the two largest cities, São Paulo and Rio de Janeiro, fewer than 10% of households are in the programme. Yet these cities are affected by some of the worst levels of poverty in the country. As a result, Brazil's success in cutting poverty seems to have been greater in rural areas where it has been estimated to have fallen by 15 points between 2003 and 2008 compared to urban areas. Rural malnutrition among children under five in the arid parts of the north-east (one of Brazil's poorest regions) has fallen from 16% to under 5% since 1996. Also, the proportion of rural children in primary education has caught up with that of city children, while rural enrolment in secondary schools has increased faster than in urban areas.

The following reasons are cited for the seemingly less favourable impact of the Bolsa Família in the urban areas. Firstly, some urban households seem to have been worse off because when Bolsa Família was expanded in 2003, it subsumed an array of other benefits, such as a programme against child malnutrition, subsidies for cooking fuel, stipends for youngsters between 15 and 16, and so on. Secondly, the average Bolsa Família grant amounts to a fifth of the minimum wage, while the cost of living in cities is

generally much higher than in the countryside. Therefore, to some city families, the Bolsa Familia grant (which is the same amount across the whole country) does not fully meet their livelihood needs. Thirdly, the programme seems to have had little success in significantly reducing urban child labour, unlike in rural areas where parents may be able to temporarily take their children out of school to help with the harvest. The Bolsa Familia provision allowing children to miss 15% of school days without penalty, enabled rural kids to be able to perform these temporary labour functions and stay in the programme. Child labour earnings in cities, however, are often greater than the modest benefits from Bolsa Família, and thus there is an economic incentive to cut school and leave the programme. By July 2010, about 13,000 urban households lost their grant because their children did not attend school regularly, almost half of which were from São Paulo.

Moving towards a universal grant?

The Bolsa Familia programme was created in 2006, however, the debate on income security and cash transfer in Brazil started much earlier, and continues to evolve. For instance, as far back as 1991, Senator Eduardo Suplicy of the Workers' Party presented a bill to create a negative income tax, in the form of a supplementary income for every person over 25 years of age whose gross monthly income fell below a certain threshold. In 2001, he again presented another bill that evolved from the initial bill towards the possibility of instituting a basic citizenship income as a universal and unconditional right.

In January 2004, the law creating Bolsa Familia and the law instituting the citizen's income were enacted almost simultaneously by President Lula. However, as noted by the International Policy Centre for Inclusive Growth, a comparison of Bolsa Familia's main features and the proposal for a Basic citizenship income reveals significant differences regarding the scope (targeted versus universal), the target group (families versus individuals) and the question of conditional versus unconditional grants. It remains to be seen if Bolsa Familia was the first step towards a general citizen's income in Brazil, similar to the proposed BIG in Namibia.

6. Conclusion

Direct, systematic and targeted interventions are required to tackle the triple burden of unemployment, inequality and poverty in Southern Africa. There is no doubt that past initiatives were too cautious, too fragmented, too limited and too elite-driven to have a meaningful impact on the lives of the majority. Relying on private, largely foreign investments as the engine for growth and development has not lifted the region's triple burden, and the limited social security programmes were unable to address mass poverty.

At SADC level, a Social Charter was finally adopted after trade unions had campaigned for it for 13 years. It identified employment creation as the first priority for the region, followed by social protection (including a BIG) and social dialogue. Labour movements in the region support the immediate introduction of a BIG as part of labour's demand for social protection. Currently, the extended family networks are the most important social security "programmes", as far too many people fall through the cracks of the existing public safety systems. Trade unions thus argue that a BIG will relieve the burden on working people to care for extended families.

The introduction of a BIG holds promises, as shown by the Namibian experiences in Otjivero. Introducing a BIG at national (or even regional) level will undoubtedly have an immediate impact on the levels of poverty and encourage local production for meeting basic needs. By creating local demand for basic goods and services, a BIG has an economic multiplier effect that tends to be overlooked by governments and mainstream economists alike. However, the introduction of a BIG can only constitute a starting point, as there are structural economic and social problems that require structural solutions. Cash grants are an interim measure and on their own cannot achieve structural transformation. Thus, there is a need for a BIG plus bold measures of transformation – not marginal programmes and social protection projects. India's right to work programme is one such step but in the context of Southern Africa, there is also a need to break down the limitations of the enclave economy and for bold measures towards more auto-centric development.

The state must take the lead to transform the legacy of underdevelopment towards inclusive and equitable development. This calls for the establishment of democratic developmental states and more participatory forms of democracy. Developmental states must be planning organisations that are built on active stakeholder participation and a vision and strategy to achieve human development, redistribution and social justice. The state itself is a politically contested terrain as different groups with different interests try to shape it to suit their particular interests. Thus, the building of democratic developmental states requires a strong movement from below representing the poor and marginalised majority. The history in Southern Africa over the past 40 years has shown that effective redistribution and social justice cannot be achieved through elite pacts which tend to serve business and middle class interests only. Thus, the demand

for democratic, accountable democratic states is in itself a political struggle and not a technocratic exercise.

Fighting poverty, creating employment and reducing inequality requires a development strategy that recognises three aspects. Firstly, what ANSA calls the “social factor”, meaning how people’s basic human rights are safeguarded and how vulnerable people are protected against poverty and exploitation by elites and other vampire elements of society. Secondly, the “democratic factor”, meaning how the political system functions, how decisions are made and implemented, how resources and opportunities are distributed and how justice and fairness is achieved. Thirdly, the “global factor”, meaning how the system works at global level, how decisions are taken and implemented, how global resources are controlled and distributed and how this global system affects Africa. Any strategy that wants to have a chance of success, needs to deal with these 3 factors at the same time.

Development is not just about economics. It includes human rights, community rights and the right to national or regional self-determination. It also deals with issues of equity and fairness in the distribution of resources at local, national, regional and global levels. The provision of social services such as water, energy, health and education cannot be guaranteed for all if they are left to market forces. Social services are not matters to be privatised, as they are part of basic human rights, and states have the responsibility to secure them for all their people.

What Southern Africa needs is a move towards participatory democracy, a systematic programme of redistribution and a “livelihood approach” to human rights because they are not just individual rights but also include community and national rights. Important aspects are the right to national self-determination (as enshrined in the United Nations Charter) and the right of local communities to develop their own lifestyles and livelihoods. A people-centred development strategy thus needs to address the issues of direct concern to the people such as land reform, food and income security and sustaining livelihoods. Such a strategy also needs to include effective social protection, as the current social safety nets in Southern Africa are too weak and too limited to guarantee protection against the debilitating effects of poverty. It is essential that the state acknowledges its responsibility to provide for the basic livelihood of its citizens and that it starts implementing transformative policies (such as the BIG and transformative auto-centric economic changes) to live up to that responsibility.

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8. Appendix

Speakers at the International Conference of Friedrich-Ebert-Stiftung in Windhoek, 10-11 February 2011

- Hon. Tom Alweendo, Director General, National Planning Commission, Namibia
- Deprose Muchena, Deputy Director, Open Society Initiative for Southern Africa (OSISA)
- Dr. Kaustav Banerjee, Jawaharlal Nehru University, New Delhi, India
(Dr Banewrjee could not obtain a South African transit visa in time and thus was unable to attend the conference. His paper was therefore presented by Dr. Volker Winterfeldt, Department of Sociology, University of Namibia)
- Senator Prof. Dr. Eduardo Suplicy, Sao Paulo, Brazil
- Bishop Dr. Zephania Kemeeta, Evangelical Lutheran Church of the Republic of Namibia
- Austin Muneku, Southern Africa Trade Union Co-ordination Council (SATUCC)
- Rev. Malcolm Damon, Economic Justice Network of Fellowship of Christian Councils of Southern Africa (EJNSA)
- Abie Dithlake, SADC Council of NGO's

This publication as well as the following papers are available in electronic format on the FES Namibia website: www.fesnam.org

The majority of our people are so disempowered to them living means not dying
by Zephania Kameeta

Tackling poverty through conditional cash transfers: experiences with Bolsa Familia in Brazil by Eduardo Suplicy.

The triple crisis of poverty, inequality and unemployment in Southern Africa-and the new discussions on Social Protection in Africa by Deprose Muchena.

India's Rural Employment Guarantee Scheme: A possible model for Southern Africa? by Kautav Banerjee.